



SADARA BASIC SERVICES COMPANY
(a joint stock company incorporated under the laws of The Kingdom)
Commercial register number 2055018374

Joint Lead Managers and Joint Bookrunners

Albilad Investment Company



Alinma Investment Company



Deutsche Securities Saudi Arabia



Riyad Capital



This Prospectus includes information given in compliance with the Listing Rules issued by the Authority. The directors of the Issuer and Sadara, whose names appear in the sections of this Prospectus entitled "Description of the Issuer" and "Description of Sadara" respectively, collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus 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 herein misleading. The Authority and The Saudi Stock Exchange Company (Tadawul) do not take any responsibility for the contents of this Prospectus, 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 Prospectus.

This unofficial English translation of the official Arabic Prospectus is provided for information purposes only. The Arabic prospectus published on the Authority's website (www.cma.org.sa) remains the only official, legally binding version and shall prevail in the event of any conflict between the two texts.

This Prospectus is dated 13/3/2013G (expected to correspond to 1/5/1434H)

as the case may be, Sadara) of all such certificates called for by the Certificateholders' Agent pursuant to clause 12(m) of the Declaration of Agency) for the purpose of the discharge or exercise of the duties, powers, authorities and discretions vested in it under the Declaration of Agency and the Conditions or by operation of Applicable Law;

- (l) without prejudice to clause 43 (*Notices*) of the GTCA, it will send to the Certificateholders' Agent, not less than three days prior to the date on which any such notice is to be given, the form of every notice to be given by it to the Certificateholders in accordance with Condition 14 (*Notices*) and obtain the prior written approval of the Certificateholders' Agent to, and promptly give to the Certificateholders' Agent two copies of, the final form of every notice to be given by it to the Certificateholders in accordance with Condition 14 (*Notices*);
- (m) if payments in respect of the Certificates by the Issuer shall become subject generally to the taxing jurisdiction of any territory or any political sub-division or any authority therein or thereof having power to tax other than or in addition to The Kingdom, or any such political sub-division or any such authority therein or thereof in each case as a result of the Issuer or the Payment Administrator making payments in the applicable taxing jurisdiction, it shall, promptly upon becoming aware thereof, notify the Certificateholders' Agent of such event and (unless the Certificateholders' Agent otherwise agrees) enter forthwith into a supplemental Declaration of Agency, giving to the Certificateholders' Agent an undertaking or covenant of the Issuer in a form and manner satisfactory to the Certificateholders' Agent in terms corresponding to the terms of Condition 10 (*Taxation*) with the substitution for (or, as the case may be, the addition to) the references therein to The Kingdom or any political sub-division or any authority therein or thereof having power to tax to whose taxing jurisdiction such payments shall have become subject as aforesaid, such supplemental Declaration of Agency also (where applicable in the opinion of the Certificateholders' Agent) to modify Condition 8.2 (*Capital Distributions – Early Termination for Tax Reasons*) so that such Condition shall make reference to the other or additional territory, any political sub-division and any authority therein or thereof having power to tax;
- (n) upon being notified by a Service Provider, a Third Party (and as defined in the Costs Undertaking) or by the Intercreditor Agent or a Security Agent (as applicable) (each a **Beneficiary**) that any amount described in clause 2 (*Undertakings*) of the Costs Undertaking is required to be paid to it by the Issuer, it will promptly make a demand of Sadara under the Costs Undertaking in respect of any such amounts and (a) promptly (and in any event within three Business Days) upon receipt of such sums from Sadara will pay the same to such Beneficiary; or (b) direct Sadara to pay such sums directly to such Beneficiary on its behalf. If the Issuer fails to make such a demand of Sadara within three Business Days of the Issuer having received such notification from a Service Provider, the Intercreditor Agent or a Security Agent (as applicable) in connection with clauses 2.1, 2.4 and/or 2.5 of the Costs Undertaking, each of the Issuer and Sadara acknowledge and agree that such a demand will be deemed to have been made on the third Business Day after receipt of such notification by the Issuer and all of the Issuer's rights under the Costs Undertaking in respect thereof shall be enforceable by the relevant Service Provider, the Intercreditor Agent or Security Agent in accordance with clause 8.4 of the Costs Undertaking;
- (o) if the Registrar permanently ceases its business or ceases to perform its role as Registrar it will, use its best endeavors to promptly procure: (i) the creation and maintenance of a new register in order to evidence the ownership and entitlement of the Certificateholders; and (ii) that Certificateholders are able to transfer their Certificates from time to time (including by way of the issue of definitive certificates in place of the Global Certificate);
- (p) it will comply with its undertakings set out in schedule 3 (*Provisions for Meetings of Certificateholders*) of the Declaration of Agency, and will at all times exercise any of its rights under the Finance Documents to which it is a party: (i) in accordance with, and in a manner not conflicting in any material respect with, its obligations under the Finance Documents to which it is a party; and (ii) subject to receipt of, and only in accordance with, the clear and unequivocal instructions of the Certificateholders' Agent or, as applicable, the Issuer Security Agents (or either of them) acting on the instructions of the Certificateholders' Agent, *provided that* the Issuer is hereby authorised to enter into any amendment to, or restatement of, the GCTA and the Intercreditor Agreement, and to agree to be bound by the terms of the aforementioned agreements and any other Finance Documents proposed to be

amended, in each case, without requiring the Certificateholders' Agent's instructions, subject to Sadara and the Issuer delivering a Sukuk Consent Matters and Undertakings Certificate to the Certificateholders' Agent, at least seven days prior to the Scheduled Second Signing Date, certifying that the proposed amendment to, or restatement of, the relevant Finance Documents on the Second Signing Date will not fall within the scope of any Sukuk Consent Matter (as defined in the Sukuk Split Closing Undertaking Agreement);

- (q) it will not participate in any vote of the Senior Financing Participants, the Secured Parties or any defined voting majority thereof (each as defined in the Intercreditor Agreement) or otherwise give or respond to any request for instructions, consent or waiver from Sadara, the Sponsors, the Intercreditor Agent, the Security Agents or any other party pursuant to the Finance Documents, other than in each case, with the express consent of, and at the direction of, the Certificateholders' Agent, or the Issuer Security Agents, (acting on the instructions of the Certificateholders' Agent) or either of them unless the Issuer is otherwise authorized to do so pursuant to clause 7.1(p) of the Declaration of Agency;
- (r) it will give to the Certificateholders' Agent within seven days of a demand by the Certificateholders' Agent therefore a certificate in or substantially in the form set out in a schedule to the Declaration of Agency to be signed by two directors (or other two authorised signatories) of the Issuer to the effect that, as at a date not more than seven days before delivering such certificate, there did not exist any Termination Event or any Potential Termination Event (or if such exists, specifying the same). The Certificateholders' Agent shall be entitled to rely conclusively upon such certificates and shall not be liable to any person by reason thereof; and
- (s) it will provide to the Certificateholders' Agent the following information at the same time as or promptly after provision of such information to the Intercreditor Agent pursuant to the SCTA:
 - (i) the financial statements of Dow provided pursuant to clause 5.1 (*Audited Annual Financial Statements*) of the SCTA;
 - (ii) any financial statements provided pursuant to clauses 5.2 (*Annual Unaudited Financial Statements*), 5.3 (*Semi-Annual Unaudited Financial Statements*) and/or 5.5 (*Requirements as to Financial Statements*) of the SCTA; and
 - (iii) subject to the Certificateholders' Agent being subject to a confidentiality agreement in form and substance satisfactory to Sadara, any information provided to the Intercreditor Agent under clauses 5.9 (*Major Project Documents – Amendments and Material Notices*), 5.12 (*Notice of Frustration, Rescission, Repudiation, Termination etc.*) and 5.17 (*Other Project Information*) of the SCTA, in each case, to the extent such information relates to a Major Project Document and/or a Construction Contract that directly relates to the Project Assets, *provided that* no party to the Declaration of Agency shall disclose any of the Confidential Information described in this paragraph (s)(iii) to any Certificateholder unless such Certificateholder has signed a confidentiality agreement in a form acceptable to Sadara (in its sole discretion) or is given access to the relevant Confidential Information by way of an electronic dataroom maintained by the Certificateholders' Agent and provided that such access shall require an electronic confirmation by the Certificateholder to be bound by confidentiality requirements on the terms approved by Sadara (at its sole discretion) and provided to the Certificateholders' Agent for such purpose.

Confidentiality:

The parties to the Declaration of Agency hereby agree that no party to the Declaration of Agency (including the Issuer and each Service Provider) shall disclose any Confidential Information to any Certificateholder unless such Certificateholder has signed a confidentiality agreement in a form acceptable to Sadara (at its sole discretion) or is given access to the relevant Confidential Information by way of an electronic dataroom maintained by the Certificateholders' Agent and provided that such access shall require an electronic confirmation by the Certificateholder to be bound by confidentiality requirements on the terms approved by Sadara (at its sole discretion) and provided to the Certificateholders' Agent for such purpose.

Sukuk Events of Default:

Each of the events or circumstances set out below is a **Sukuk Event of Default**:

- (a) Non-payment: The Issuer does not, within:
 - (i) five Business Days of its due date, pay any Periodic Distribution Amount, Fixed Distribution Amount, Early Distribution Amount, Termination Distribution Amount, Additional Early Payment Amount (if any), Additional Termination Distribution Amount (if any) and fees payable under any Sukuk Document in the place and currency in which it is expressed to be payable; and
 - (ii) thirty (30) Business Days of its due date, pay any amount due and payable pursuant to a Sukuk Document (other than the amounts referred to in paragraph (a) above) in the place and currency in which it is expressed to be payable.
- (b) Other Obligations: Sadara or the Issuer (as applicable) does not perform or is in breach in any material respect of the provisions of:
 - (i) Condition 5.1(j);
 - (ii) Conditions 5.1(a) to 5.1(c) (inclusive), 5.1(e) and 5.1(f), Clause 7.1(q) of the Declaration of Agency, clauses 2.6 and 3.3 of the Musharaka Agreement and clause 10 of the Forward Lease Agreement unless, in each case, such non-performance or breach is capable of remedy and is remedied within thirty (30) days of the earlier of:
 - (A) notice of such non-performance or breach from the Certificateholders' Agent to Sadara or the Issuer (as applicable); or
 - (B) the date on which Sadara or the Issuer (as applicable) became aware of such non-performance or breach; and
 - (iii) any of the other provisions of the Sukuk Documents unless such breach is remedied (and/or in the case of Clause 7.1(s) of the Declaration of Agency only, the Intercreditor Agent has on request by the Certificateholders' Agent provided the Certificateholders' Agent with the relevant information specified in Clause 7.1(s) of the Declaration of Agency) within a sixty (60) day period or is capable of remedy but cannot be reasonably remedied within such sixty (60) day period and Sadara or the Issuer (as applicable) has commenced remedying such breach within such sixty (60) day period and has remedied such breach within ninety (90) days of the earlier of:
 - (A) notice of such non-performance or breach from the Certificateholders' Agent to Sadara or the Issuer (as applicable); or
 - (B) the date on which Sadara or the Issuer (as applicable) became aware of such non-performance or breach.
- (c) Unlawfulness and Invalidity: Subject to any Legal Qualifications, a Sukuk Document, or part thereof, ceases to be legal, valid, binding or enforceable, or the priority of the security created pursuant to the Issuer Security Document(s) is reduced, amended, terminated or discharged provided that no Sukuk Event of Default will occur if the relevant Sukuk Document is capable of being replaced (or in the case of an Issuer Security Document, the Issuer has entered into arrangements with substantially the same effect) and Sadara or the Issuer has replaced (or in the case of an Issuer Security Document, the Issuer has entered into arrangements with substantially the same effect) the relevant Sukuk Document within ninety (90) days of the earlier of:
 - (i) Sadara or the Issuer becoming aware of the relevant Sukuk Document, or part thereof, ceasing to be legal, valid, binding or enforceable or any Encumbrance under an Issuer Security Document does not have or ceases to have the priority it is expressed or intended to have under the terms of such Issuer Security Document; or
 - (ii) notice from the Certificateholders' Agent to Sadara or the Issuer requiring Sadara or the Issuer to do so.
- (d) Repudiation: Sadara or the Issuer (as applicable) repudiates a Sukuk Document or evidences an intention to repudiate a Sukuk Document, provided that no Sukuk Event of Default will occur in respect of any such repudiation (but excluding any formal repudiation evidenced in

writing) if such breach is capable of remedy and is remedied within thirty (30) Business Days of the earlier of:

- (i) notice of such repudiation from the Certificateholders' Agent to Sadara or the Issuer (as applicable); and
 - (ii) the date on which Sadara or the Issuer (as applicable) became aware of such repudiation.
- (e) **Creditor's Process:** Any judgments against the Issuer in aggregate in excess of fifty million Dollars (US\$50,000,000) (indexed) or its equivalent in any other currency remain unsatisfied (except to the extent that the Issuer is appealing or defending the same in good faith and in respect of which adequate provision has been made in accordance with the Applicable Accounting Standards).
- (f) **Governmental Intervention:** A Governmental Entity seizes, expropriates, nationalises, compulsorily acquires or confiscates (or a Royal Decree is pronounced, a resolution of the Council of Ministers is issued in The Kingdom or a Ministerial Resolution is issued in The Kingdom in accordance with the Regulations Governing the Expropriation of Property for Public Interest for the purposes of seizing, expropriating, nationalising, compulsorily acquiring or confiscating) all or any of the shares in the Issuer.
- (g) **Insolvency of the Issuer:**
- (i) **The Issuer:**
 - (A) commences a voluntary case or other proceeding seeking liquidation, reorganisation or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a receiver, liquidator, custodian or other similar official of it or any substantial part of its property, or consents to any such relief;
 - (B) is unable or admits inability generally to pay its debts as they become due;
 - (C) makes a general assignment for the benefit of its creditors; or
 - (D) takes any corporate action to authorise any of the foregoing.
 - (ii) Any action seeking the appointment of, or the taking of possession by, any receiver, liquidator, custodian or other similar official in an involuntary case or other proceeding (or any analogous step in any jurisdiction) is commenced against the Issuer (except for claims that are dismissed within sixty (60) days of commencement).

Protection of Certificateholders' Agent:

The Certificateholders' Agent shall not be liable to any person for any matter or thing done or omitted in any way in connection with or in relation to the Declaration of Agency and the Conditions, save in relation to its own negligence, willful default or fraud.

Termination:

On the date on which the Certificates are repaid in full, all remaining Sukuk Assets will be distributed in accordance with the priority described in Condition 4.2 (*Application of Proceeds from the Sukuk Assets*) and, subject to Clause 7.2 of the Declaration of Agency, the Declaration of Agency shall be terminated.

Appointment, Removal or Retirement of Certificateholders' Agent:

The Certificateholders, through an Extraordinary Resolution, shall have power to direct the Issuer to remove the Certificateholders' Agent and appoint a replacement Certificateholders' Agent under the Declaration of Agency and the Conditions.

The Certificateholders' Agent will be entitled to retire at any time upon giving not less than three months'

notice in writing to the Issuer, the Intercreditor Agent, Sadara and the Certificateholders without assigning any reason and without being responsible for any costs occasioned by such retirement.

The removal or retirement of any sole Certificateholders' Agent will not become effective until a successor Certificateholders' Agent is appointed and such successor has confirmed its agreement to be bound by the provisions of the Declaration of Agency and the Conditions and all other related agreements to which the Certificateholders' Agent is a party in such capacity. If a replacement Certificateholders' Agent has not been duly appointed by the expiry of any notice of retirement given by the Certificateholders' Agent as provided above, the Certificateholders' Agent may itself appoint a replacement Certificateholders' Agent and may thereupon retire.

Governing Law:

The Declaration of Agency will be governed by, and construed in accordance with, the laws of The Kingdom.

SUKUK SPLIT-CLOSING UNDERTAKING AGREEMENT

The Sukuk Split-Closing Undertaking Agreement will be dated on or before the Closing Date and entered into between the Issuer, Sadara and the Certificateholders' Agent.

Undertakings:

- (a) Sadara agrees that, subject to paragraph (b) below, in addition to satisfying the conditions set out in clause 34.1(b) (*Company's Right to incur Supplemental Debt*) of the GCTA, in the event that the First Financial Close occurs prior to the Second Signing Date, until the Second Signing Date, Sadara may only incur Supplemental Debt (including Initial Supplemental Debt) as contemplated by clause 34.1(a) (*Company's Right to incur Supplemental Debt*) of the GCTA if the following additional conditions are satisfied:
 - (i) the Final Maturity Dates for the Initial Supplemental Debt (other than for SIDF) will not be earlier than the Initial Sukuk Final Maturity Date;
 - (ii) the weighted average life of the Commercial Bank Facilities constituting Initial Supplemental Debt at the signing date of the Commercial Bank Facilities will not be less than the remaining average life of the Initial Sukuk Facility at the signing date of the Commercial Bank Facilities;
 - (iii) the average life of the Initial Supplemental Debt is materially consistent with those contained in a scenario in the Financial Model (reflecting the Initial Supplemental Debt) which included the Banking Case that was delivered on or prior to the Closing Date (the **Sukuk Model**), provided that the Company is permitted to adjust the repayment profiles and final maturity dates of the Initial Supplemental Debt to reflect (A) any difference between the actual date of signature of the Initial Supplemental Debt and the date assumed therefore in the Sukuk Model, (B) adjustments to take into account the Forward DSCR and LLCR conditions to the incurrence of the Initial Supplemental Debt; and
 - (iv) the Initial Supplemental Debt, when aggregated with the Initial Sukuk Facility, shall not exceed an amount equal to 65% of the total Project Costs, with the total Project Costs calculated on the basis that the Company raises the maximum amount of Initial Supplemental Debt that is permitted under the terms of the Finance Documents (the **Maximum Permitted Senior Debt**): (A) as set out in the Banking Case delivered to the Intercreditor Agent prior to the Second Financial Close; or, (B) if the Banking Case referred to above does not show the Maximum Permitted Senior Debt being raised, as set out in a scenario in the Financial Model (that also contains the Banking Case) delivered to the Intercreditor Agent prior to the Second Financial Close which does show the Maximum Permitted Senior Debt being raised.
- (b) For the purposes of satisfying the conditions set out in clause 34.1(b)(x) of the GCTA (*Company's Right to incur Supplemental Debt*), the definition of LLCR Period shall be construed as follows: **LLCR Period** means, at any time, the period starting on a LLCR

Calculation Date and ending on the later of: (a) the Last Non Bond Final Maturity Date; and (b) the Initial Sukuk Final Maturity Date.

Sukuk Consent Matters:

Sadara and the Issuer undertake that prior to entering into any amendment to, or restatement of, the GCTA and the Intercreditor Agreement, or agreeing to be bound by the terms of the aforementioned agreements and any other Finance Documents proposed to be amended, in each case without the consent of the Certificateholders' Agent, they shall deliver the Sukuk Consent Matters and Undertakings Certificate to the Certificateholders' Agent, no later than seven days prior to the Second Signing Date, certifying that the proposed amendment to, or restatement of, the relevant Finance Documents on the Second Signing Date will not fall within the scope of any Sukuk Consent Matter.

Termination:

The Sukuk Split-Closing Undertaking Agreement and all associated rights and obligations of the Parties under this Agreement will terminate on the Second Signing Date.

Governing Law:

Sukuk Split-Closing Undertaking Agreement will be governed by, and construed in accordance with, English Law.

Taxation and Zakat

The following is a general description of certain Saudi Arabian zakat and tax considerations relating to the Certificates including to the tax treatment of persons and entities not currently eligible to hold Certificates. The description does not purport to be a complete analysis of all zakat or tax considerations relating to the Certificates, nor does it address the considerations that are dependent on individual circumstances. Prospective purchasers of Certificates should consult their own tax advisers to determine the zakat and/or tax consequences for them of acquiring, holding and disposing of the Certificates and receiving distributions (including payments of principal, profit and/or other amounts) under the Certificates and the consequences of such actions under the zakat and tax regulations of The Kingdom.

This summary is based upon the regulations in effect in the Kingdom at the date of this Prospectus and is subject to any change in such regulations that may take effect after such date. Prospective purchasers should note that neither the Issuer nor Sadara is obliged to update this section for any subsequent changes or modification to the applicable zakat or tax regulations.

Certificateholders who are resident in The Kingdom:

GCC persons resident in The Kingdom

Certificateholders who are 1) GCC nationals and resident in The Kingdom (except for (a) a citizen of a GCC Country other than The Kingdom with a permanent establishment (as defined in Article 4 of the Income Tax Regulation) in The Kingdom and (b) a legal entity established under the law of a GCC Country other than The Kingdom and owned by GCC nationals with a permanent establishment in The Kingdom), and 2) Saudi capital companies or Saudi-resident GCC capital companies (to the extent of GCC ownership in both) will be subject to zakat in The Kingdom at a rate of 2.5 % on any income and/or gain realised in respect of the Certificates unless a specific exemption is available.

Such Certificateholders will not be subject to income tax in The Kingdom with respect to the Certificates, however. Neither will the payments they receive under the Certificates be subject to any WHT or deduction under Saudi Arabian law. In addition, Certificateholders who are resident in The Kingdom will be entitled to receive additional payments under Condition 10 (*Taxation*) (see the section of this Prospectus entitled “*Terms and Conditions of the Certificates*” above) if the payments they receive under the Certificates do subsequently become subject to this WHT, albeit that additional payments may not be payable in these circumstances to the extent that the Certificateholder is able to obtain and utilize a Tax Credit in respect of the withheld tax or is able to avoid the WHT by filing, submitting or providing certain documents and information. Reference should be made in this regard to the specific provisions of Condition 10 (*Taxation*) (see the section of this Prospectus entitled “*Terms and Conditions of the Certificates*” above). In addition, it should be noted that Sadara will undertake under the Costs Undertaking that, should the Issuer become obliged to pay additional amounts pursuant to Condition 10 (*Taxation*) (as the same may be amended pursuant to the Declaration of Agency), Sadara will, to the extent that the Issuer does not have Excess Cash in the Transaction Account to pay amounts due under or fails to comply with any obligation to pay additional amounts pursuant to Condition 10 (*Taxation*), pay to the Issuer or the Certificateholders’ Agent (for the account of the Certificateholders) respectively an amount equal to the liability of the Issuer in respect of any and all additional amounts required to be paid by it under that Condition 10 (*Taxation*).

However, a Certificateholder meeting the criteria referred to in sub-paragraphs (a) and (b) in the first paragraph of the section entitled “*GCC persons resident in The Kingdom*” will be subject to income tax in The Kingdom at a rate of 20% on any payment or gain received on the Certificates including any Periodic Distribution Amount unless a specific exemption is available.

This summary does not consider the extent to which a potential Certificateholder referred to in sub paragraphs (a) and (b) in the first paragraph of the section entitled “*GCC persons resident in The Kingdom*” would be liable to income tax or zakat as a consequence of acquiring, holding or disposing of Certificates after their primary distribution on the Closing Date, other than under “*Gain on Disposal or Repurchase of Certificates*” below.

The GCC comprises the GCC Countries.

Non-GCC Persons resident in The Kingdom

Certificateholders who are Non-GCC Persons resident in The Kingdom, as defined in Article 3 of the Income

Tax Regulation, will be subject to income tax in The Kingdom on their income and gains from the Certificates unless specific exemption is available (i.e. on amounts received in excess of the face amount of the certificates such as the Periodic Distribution Amounts). In addition, subsequent distributions of profits by a resident company to its non-resident shareholders is generally subject to 5% withholding. The non-resident shareholder may be eligible for a refund of this withholding tax in some cases where there is a tax agreement between The Kingdom and the country of residence of the non-resident shareholder that provide relief for such withholding tax.

Article 3 of the Income Tax Regulation defines “residency” for the purposes of the foregoing in The Kingdom 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:
 - (i) He has a permanent place of residence in The Kingdom and resides in The Kingdom for a total of not less than 30 days in the taxable year; or
 - (ii) He resides in The Kingdom for a period of not less than 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 points outside The Kingdom.

- (b) A company or other legal entity is considered resident in The Kingdom during the taxable year if it meets either of the following conditions:
 - (i) It is formed in accordance with the Companies Law; or
 - (ii) Its central management is located in The Kingdom.

This summary does not consider the extent to which a potential Certificateholder referred to in the paragraph above would be liable to tax or zakat as a consequence of acquiring, holding or disposing of Certificates after their primary distribution on the Closing Date, other than under “*Gain on Disposal or Repurchase of Certificates*” below.

Certificateholders who are not resident in The Kingdom:

Certificateholders who are not resident in The Kingdom within the meaning of “residency” detailed above (whether or not such Certificateholders are Saudi Arabian nationals or GCC nationals) will be subject to WHT at the rate of 5% on the financing element (or payment in excess of the principal amount) only of payments under the Certificates (i.e. the Periodic Distribution Amount) pursuant to the practice of the DZIT as at the date of this Prospectus. Such Certificateholder may be eligible for a refund of WHT under a treaty between The Kingdom and the country of residence of such Certificateholder. Any payments representing a repayment of principal under the Certificates to Certificateholders who are not resident in The Kingdom will not be subject to WHT. Prospective investors should note that this practice of the DZIT is based on a limited number of Saudi sukuk transactions and that the financing element of sukuk payments is not clearly defined as being subject to WHT or the Income and Tax Law. Accordingly, there is a risk that the DZIT could seek to apply a different, and possibly higher, WHT rate in the future.

PE Holders will be subject to income tax in The Kingdom at the current rate of 20% on their net taxable income and gains attributable to the activity of the PE Holder in The Kingdom. Pursuant to the Income Tax Regulation, where a commercial registration certificate of a PE Holder is provided to the Issuer, the Issuer may be allowed to make any payments such as the Periodic Distribution Amounts in respect of the Certificates without deducting any WHT. WHT (if any) suffered by the PE Holder on receipt of Periodic Distribution Amounts from the Issuer may be available for deduction against the income tax liability of the PE Holder (see also below). If the WHT incurred on, for example, such Periodic Distribution Amounts exceeds such income tax liability of the PE Holder, the PE Holder may be entitled to a refund of such excess from the DZIT. Whether a PE Holder obtains deductions or refunds are matters to be determined by the DZIT based on DZIT’s discretion, practice and assessment of the circumstances. The Issuer, Sadara, Saudi Aramco, Dow, DEH and their Affiliates make no representation in respect of the availability of deductions or refunds to Certificateholders and there can be no assurance that deductions or refunds will actually be available to Certificateholders. The Certificateholders should obtain independent professional advice on tax and/or zakat prior to investing in the Certificates.

A non-resident carrying out an activity in The Kingdom through a licensed branch (as defined in Article 4(b)4 of the Income Tax Regulation) is considered to have a permanent establishment in The Kingdom and is therefore a PE Holder for the purposes of the preceding paragraph.

All payments, such as the Periodic Distribution Amounts in respect of the Certificates made to a PE Holder, will be part of the Certificateholder's gross income that is subject to income tax after deduction of allowable costs and certain other adjustments, at the current rate of 20%. Furthermore, transfer of such amounts to the head office or an affiliated non-resident by the PE Holder is considered a distribution of profit from The Kingdom and is subject to 5% WHT. The non-resident shareholder may be eligible for a refund of this withholding tax in some cases where there is a tax agreement between The Kingdom and the country of residence of the non-resident shareholder that provide relief for such withholding tax.

Gain on Disposal or Repurchase of Certificates:

A gain realised on the disposal or repurchase of its Certificates if such Certificates were not traded in accordance with the Capital Markets Law and its implementing regulations by a Certificateholder, whether such Certificateholder is resident in The Kingdom (as defined in Article 3 of the Income Tax Regulation) or non-resident in The Kingdom (as defined in Article 1(2)(b) of the by-laws to the Income Tax Regulation) and whether such a Certificateholder has or does not have a permanent establishment in The Kingdom, will be subject to zakat or income tax at the applicable rate as part of the Certificateholders' regular income. Certificateholders may seek an exemption under a tax treaty in The Kingdom, to the extent available.

However, such gain may be exempt from being taxed (or subject to zakat, as the case may be) to the extent that the capital gain arises by way of disposal of Certificates that are considered to be listed "securities". The terms "financial papers" or "securities" are not specifically defined in the Income and Tax Law. However, Article 2 of the Capital Markets Law states in its definition of "securities" that it includes "tradable debt instruments issued by companies". Accordingly, whilst the Certificates appear to satisfy this exemption in light of the Capital Markets Law and by virtue of their listing on the Saudi Stock Exchange, it remains unclear whether this exemption will apply in practice.

General:

Certificateholders who are natural persons with or without a PE in The Kingdom at the time of their death will not be subject to inheritance or other taxes of a similar nature in The Kingdom. Tax on capital gains may apply to the deceased if the exemption described under "*Gain on Disposal or Repurchase of Certificates*" above is not available.

Certificateholders will not be deemed to be resident, domiciled or carrying on business in The Kingdom solely by reason of holding any Certificates.

Under the zakat regulations which are in effect as at the date of this Prospectus in The Kingdom, investments in Certificates are not deductible from the zakat base of the Certificateholders that are subject to zakat in The Kingdom.

Subscription And Sale

Subscription Agreement:

The Joint Lead Managers and Joint Bookrunners will enter into a subscription agreement before the Closing Date (as the same may be amended or supplemented, the **Subscription Agreement**) with the Issuer, Sadara and the Sponsors relating to the distribution and underwriting of the Certificates. Pursuant to the Subscription Agreement, the Joint Lead Managers and Joint Bookrunners will agree to severally underwrite the Certificates on the terms provided therein.

The Subscription Agreement will be subject to a number of conditions and may, in certain circumstances, be terminated by the Joint Lead Managers and Joint Bookrunners prior to payment of the proceeds of the issue of the Certificates (less the Joint Lead Managers' and Joint Bookrunners' management and underwriting commission) to the Issuer. If the Subscription Agreement is terminated prior to the Closing Date, the offer of Certificates may also terminate and any proceeds received from subscribers will be refunded.

Application by Potential Investors:

During the Investor Presentation Period, the Joint Lead Managers and Joint Bookrunners may solicit expressions of interest from potential investors in The Kingdom and in any event outside the United States of America in acquiring the Certificates, during which time the Issuer, Sadara and the Joint Lead Managers and Joint Bookrunners will also consult and agree on the Margin and allocation of the Certificates.

Towards the end of the Investor Presentation Period, the Issuer will cause the Margin and the Closing Date to be published on the websites of the Payments Administrator (www.hsbcsaudi.com) and the Joint Lead Managers and Joint Bookrunners (being www.albiladinvest.com, www.alinmainvestment.com, www.db.com/mena and www.riyadcapital.com). Prior to the Closing Date, the Issuer will cause a description of the aggregate face amount of the Certificates to be issued and the expected net proceeds to be published on the websites of the Payments Administrator and the Joint Lead Managers and Joint Bookrunners (each such website as set out above). The contents of these websites do not form part of this Prospectus.

Persons wishing to subscribe for Certificates will be required to submit a duly completed form (an **Investor Application Form**) to any one of the Joint Lead Managers and Joint Bookrunners before the end of the Investor Presentation Period and shall make payment for the Certificates in accordance with the instructions contained in the Investor Application Form. Investor Application Forms will be available from the respective websites of the Joint Lead Managers and Joint Bookrunners (each such website as set out above). Applications to subscribe for Certificates for less than SAR1 Million or in amounts which are not integral multiples of SAR50,000 in excess thereof, or from applicants who are not Institutional Investors will not be accepted.

Allocation of Certificates will be at the discretion of the Issuer, Sadara and the Joint Lead Managers and Joint Bookrunners and will be made following the end of the Investor Presentation Period.

Only persons who are Qualified Persons may be registered as Certificateholders.

Qualified Person in this context means either: (a) a natural person who is a national of The Kingdom; or (b) a legal entity with a permanent establishment in The Kingdom holding a current commercial registration number issued by the Ministry of Commerce and Industry, and which, in each case, maintains a bank account in The Kingdom.

The primary distribution of the Certificates will be only to Institutional Investors.

Institutional Investor in this context means a Qualified Person who is one of the following:

- (a) a person who is authorized to carry on securities business by the Authority;
- (b) an exempt person as specified in Annex 1 to the Securities Business Regulations; or
- (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 SAR50 million;
 - (ii) any unincorporated body, partnership or other organization which has net assets of not less than SAR50 million;

- (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;
- (iv) an institution that has received a license to engage in banking business in accordance with the laws of The Kingdom; or
- (v) any other person who purchases Certificates through an authorized person (as defined in the Securities Business Regulations).

All potential investors must carefully read the Conditions of the Certificates as set out in the section of this Prospectus entitled “*Terms and Conditions of the Certificates*” prior to completing an application for the purchase of the Certificates, since the execution of the Investor Application Form constitutes acceptance of and agreement to the Conditions.

General:

Other than the application for registration and admission to listing of the Certificates on the Saudi Stock Exchange, no action has been or will be taken in any jurisdiction by the Issuer, Sadara and / or the Joint Lead Managers and Joint Bookrunners that would, or is intended to, permit an offering of the Certificates, or possession or distribution of this Prospectus or any other offering materials thereto, where action for that purpose is required. Persons into whose hands this Prospectus comes are required by the Issuer, Sadara and the Joint Lead Managers and Joint Bookrunners to comply with all Applicable Laws and regulations in relation to the purchase, offer, sale or delivery of the Certificates, or have in their possession or distribute this Prospectus or any other offering material relating to the Certificates, in all cases at their own expense.

Each Joint Lead Manager and Joint Bookrunner will severally represent, warrant and undertake in the Subscription Agreement to the Issuer, Sadara and the Sponsors that:

- (a) it will not take any action in connection with the offering of the Certificates, or possession or distribution of any offering material in relation thereto, in any jurisdiction other than The Kingdom and will take all such action in accordance with the terms of the Subscription Agreement;
- (b) the Certificates have not been and will not be registered under the Securities Act and may not be offered or sold within the United States of America except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Each Joint Lead Manager and Joint Bookrunner will represent that it has not offered or sold, and will agree that it will not offer or sell, any Certificates constituting part of its allotment within the United States of America. Neither it, its affiliates, nor any person acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to the Certificates; and
- (c) that it has not made any offer or sale or solicitation of any offer or sale to any person in the United Kingdom or any member state of the European Economic Area.

Terms used in paragraph (b) above have the meanings given to them by Regulation S of the Securities Act.

Clearing and Settlement:

The Certificates will be admitted to the trading, clearing and settlement system of the Registrar in accordance with the provisions of the Registry Agreement.

In addition, pursuant to Condition 7 (*Payments*), all payments under the Certificates will be made to Saudi Riyal denominated accounts in The Kingdom 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 Certificates in such an account. Investors are required to consult with their own advisors 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, Sadara nor the Joint Lead Managers and Joint Bookrunners 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 the Certificates and receive payments and none of them accepts any liability for any loss arising directly or indirectly as a consequence of any action or inaction in respect of setting up such accounts.

Offer Expenses:

Subject to the terms and conditions of the Subscription Agreement, the Issuer agrees to issue the Certificates and each Joint Lead Manager and Joint Bookrunner will agree to severally and not jointly subscribe and pay for, or procure the subscription of, and payment for, the aggregate face amount of the Certificates in the proportions agreed in the Subscription Agreement, on the Closing Date at 100% of the aggregate face amount of the Certificates less the Commission Amount. For a summary of the offer expenses see the section of this Prospectus entitled “*Use of Proceeds*”.

Subject to the Terms and Conditions of the Subscription Agreement, the Issuer agrees to pay on the Closing Date to the Joint Lead Managers and Joint Bookrunners, a combined management and underwriting commission based on the aggregate face amount of the Certificates (the **Commission Amount**), with each Joint Lead Manager receiving a share of the Commission Amount in the proportion that the aggregate face amount agreed for the relevant Joint Lead Manager and Joint Bookrunner in the Subscription Agreement. The Commission Amount will be deducted from the subscription moneys for the Certificates. Furthermore, the Issuer agrees to pay to the Joint Lead Managers and Joint Bookrunners certain fees, costs and expenses relating to the offering process pursuant to the Subscription Agreement. Under the Subscription Agreement, the Issuer, Sadara and the Sponsors have agreed to indemnify the Joint Lead Managers and Joint Bookrunners against certain liabilities.

The proceeds of the issuance of the Certificates, after deduction of certain agreed transaction costs and certain expenses (including, without limitation, the fees of the legal advisors (to the Joint Lead Managers and Joint Bookrunners, to Sadara and to the Sponsors), reporting accountants, marketing and printing and distribution fees and the combined management and selling commission due to the Joint Lead Managers and Joint Bookrunners) which are estimated at the date of this Prospectus to be SAR135.9 million, will be contributed by the Issuer to the Musharaka to be used in accordance with the Business Plan.

General Information

The Issuer's legal address is Jubail Industrial City II, The Kingdom.

Sadara's legal address is P.O. Box: 9110, Jubail Industrial City 31311, The Kingdom.

The Issuer was on 11 Safar 1434H (corresponding to 24 December 2012G) incorporated as a Saudi closed joint stock company pursuant to the resolution of His Excellency the Minister of Commerce and Industry number 29/Q in accordance with the Saudi Arabian Companies Law and with the Foreign Investment Law. It is registered in the commercial register of the City of Jubail, with commercial registration number 2055018374.

Sadara was established as a limited liability company existing under the laws of The Kingdom, registered in the commercial register of the city of Jubail under number 2055014427 dated 03/12/1432H (corresponding to 30 October 2011G), in accordance with the Saudi Arabian Companies Law and with the Foreign Investment Law, Resolution No. 1210321011644 of the Governor of SAGIA, and the terms and conditions of the articles of association of Sadara as notarized before a notary public at SAGIA in the City of Riyadh on page 18, number 594, volume 24 and dated 21/11/1432H (corresponding to 19 October 2011G).

As at the date of this Prospectus, the Issuer has an authorized share capital of SAR2 million represented by 200,000 authorized ordinary shares, with a nominal value of SAR10 each. The Issuer has no other classes of shares outstanding.

As at the date of this Prospectus, Sadara has an authorized share capital of SAR9,699,642,000, represented by 969,964,200 shares, with a nominal value of SAR10 each. Sadara has no other classes of shares outstanding.

The ordinary general meeting of the Issuer, by adopting a resolution at its meeting held on 28 Rabi Al-Awaal 1434H (corresponding to 9 February 2013G), has, *inter alia*, approved the issuance of the Certificates and authorized the board of directors of the Issuer to determine the timing, the amounts and the terms applicable to any Certificates issued by the Issuer.

The board of directors of the Issuer, by resolution dated 1 Rabi Al Thani 1434H (corresponding to 11 February 2013G), have, *inter alia*, authorized the issuance of the Certificates and the Issuer's entry into the other Finance Documents to which it is party.

The shareholders of Sadara by a resolution dated 14 Muharram 1434H (corresponding to 28 November 2012G), have, *inter alia*, approved the participation of Sadara in the issuance of the Certificates and authorized the board of directors of Sadara to determine the timing, the amounts and the terms applicable to its participation in the Certificates issued by the Issuer.

The board of directors of Saudi Aramco, by resolution dated 20 Sha'aban 1432H (corresponding to 21 July 2011G), have, *inter alia*, approved and ratified in all respects Saudi Aramco's entry into the Saudi Aramco Completion Guarantee.

The board of directors of Sadara, by adopting a resolution at a meeting held on 14 Muharram 1434H (corresponding to 28 November 2012G), have, *inter alia*, authorized Sadara's participation in the issuance of the Certificates, including its entry into certain Finance Documents.

The articles of association and the by-laws of the Issuer do not contain: (i) any power enabling a director to vote on a contract or proposal in which he has a material interest; (ii) any power enabling a director to vote on remuneration payable to themselves; or (iii) any power allowing the directors to borrow from the Issuer.

The articles of association of Sadara do not contain: (i) any power enabling a director or a senior executive to vote on a contract or proposal in which he has a material interest; (ii) any power enabling a director or a senior executive to vote on remuneration payable to themselves; or (iii) any power allowing the directors or the senior executives to borrow from Sadara.

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 since 31 December 2012 G that is material in the context of the issue of the Certificates. No material change in the nature of the business of the Issuer is contemplated.

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 Sadara since 30 September 2012 that is material in the context of the issue of the Certificates. No material change in the nature of the business of Sadara is contemplated.

Sadara is of the opinion that, subject to: (i) the issuance of the Certificates; and (ii) drawing down upon the bank and other facilities available to Sadara as more particularly described in this Prospectus, the working capital available to Sadara is sufficient for the 12 months immediately following the date of this Prospectus.

There has been no commission, discount, brokerage or other non cash compensation granted by the Issuer or its Affiliates since the Issuer's incorporation and the registration and admission to listing of the Certificates on the Saudi Stock Exchange by the Issuer.

There has been no commission, discount, brokerage or other non-cash compensation granted by Sadara or its Affiliates since Sadara's incorporation and the registration and admission to listing of the Certificates on the Saudi Stock Exchange by the Issuer.

As at the date of this Prospectus, none of the experts (nor any of their relatives) identified in the section of this Prospectus entitled "*Parties and Advisors*", being Nexant Limited, CMAI and JLT Specialty Limited, have any shareholding or interest of any kind in the Issuer or Sadara. The Issuer and Sadara also confirm that none of the Joint Lead Managers and Joint Bookrunners nor any of the legal advisors own any shares or has any interest of any kind in the Issuer or Sadara. For information on the qualifications of the experts, please refer to the section entitled "*General Information - Professional qualifications of experts*" of this Prospectus.

The Issuer has no trademarks, patents, copyright or other intellectual property rights which are material in relation to the Issuer's business or profitability.

Save for Sadara's logo, which is registered as a trademark in The Kingdom, there are no other trademarks, patents, copyright or other intellectual property rights which are material in relation to Sadara's business or profitability. The rights to Sadara's logo, name and trademarks are owned solely by Sadara. Approximately 15 domain names are registered and, as at the date of this Prospectus, are being held for the benefit of Sadara by Saudi Aramco. Saudi Aramco expects to transfer the ownership of these domain names to Sadara after the Closing Date.

The Certificateholders' Agent will be obligated to hold the following documents (provided by the Issuer and Sadara, and which, in the case of items (a), (b), (c), (d), (e), (x), (y), (aa), (bb), (cc), (dd), (ee) and (gg) below, will be in Arabic) available for inspection by prospective Certificateholders, for 20 days before the Closing Date and, thereafter, for so long as any amounts remain payable under the Certificates, by Certificateholders at the Specified Office of the Certificateholders' Agent (HSBC Saudi Arabia Limited, HSBC Head Office, Olaya Road, Al-Murooj District, P.O. Box 9084, Riyadh 11413, The Kingdom) during normal business hours on any weekday (excluding Thursdays, Fridays and public holidays):

- (a) this Prospectus (together with its appendices) and any supplements or amendments thereto;
- (b) the by-laws, articles of association and commercial registration certificate of the Issuer;
- (c) the articles of association and commercial registration certificate of Sadara;
- (d) the most recent audited annual financial statements of the Issuer and Sadara, together with the audit report thereon;
- (e) any document or order granting permission to offer securities to the public;
- (f) any contracts disclosed in the Prospectus pursuant to Article 12(1)(i) of Annex 5 of the Listing Rules, save for those which are the subject of a waiver request;
- (g) the Model Auditor Report;
- (h) the Market Report;
- (i) the Technical Report;
- (j) the Environmental Report;
- (k) the Insurance Report;
- (l) each Feedstock Supply Agreement;
- (m) each Product Marketing and Lifting Agreement;

- (n) the Industrial Land Lease Contract;
- (o) the Technical Services Agreements;
- (p) the Operating Systems and Tools Agreement;
- (q) the Power Supply Implementation Agreement;
- (r) the Industrial Gases Purchase Agreement;
- (s) the Industrial Water Supply Agreement;
- (t) the Nitrogen and Oxygen Supply Agreement;
- (u) the Main Automation Contract Framework Agreement;
- (v) the Secondment Agreement;
- (w) the General Services Agreement (and the Service Addenda);
- (x) the Musharaka Agreement;
- (y) the Forward Lease Agreement;
- (z) the Sukuk Split Closing Undertaking Agreement;
- (aa) the Procurement Agreement;
- (bb) the Service Agency Agreement;
- (cc) the Costs Undertaking;
- (dd) the Payments Administration Agreement;
- (ee) the Declaration of Agency;
- (ff) the Issuer Security Documents;
- (gg) the Registry Agreement;
- (hh) the Issuer Security Agency Agreement;
- (ii) the Completion Guarantees;
- (jj) the Intercreditor Agreement;
- (kk) the GCTA;
- (ll) the Accounts Agreement;
- (mm) the Security Documents; and
- (nn) Notice and Acknowledgment of Assignments.

Tadawul will be appointed as Registrar of the Certificates as described in the section of this Prospectus entitled “*Terms and Conditions of the Certificates*”.

The following is a summary of the Issuer’s by-laws:

Adoption of by-laws and amendments:

The by-laws of the Issuer were adopted at the constituent general assembly dated 20 Muharam 1434H (corresponding to 4 December 2012G).

The by-laws of the Issuer have not been amended as at the date of this Prospectus.

Objectives:

The objectives of the Issuer are carrying out maintenance and operation contracts, and managing and operating petrochemical plants, pursuant to license number 1029331225517 dated 3 Muharam 1434H (corresponding to 17 November 2012G) issued by SAGIA.

Duration of the Issuer:

The duration of the Issuer will be 99 Hijri years (corresponding to approximately 96 Gregorian years) commencing as at the date of issuance of the resolution of the Minister of Commerce and Industry announcing the Issuer’s incorporation, which period may be extended by a resolution adopted by the Issuer’s extraordinary general assembly at least one Hijri year prior to the expiration of its original term.

Shares:

All of the shares of the Issuer will be nominal and may not be issued for less than their nominal value. Notwithstanding this, shares may be issued for greater than their nominal value, in which case the difference in value will be added to the Issuer's statutory reserve, even if the reserve has reached its prescribed limit.

With the exception of in cash shares subscribed for by the founders of the Issuer, which may not be traded prior to the completion of two complete fiscal years of not less than 12 Gregorian months each from the date of the announcement by the Minister of Commerce and Industry of the incorporation of the Issuer, shares in the Issuer will be negotiable and transferable after the issuance of their certificates.

Sukuk and bonds:

The Issuer may issue all types of bonds and sukuk within or outside The Kingdom, in accordance with the relevant laws and regulations.

The ordinary general assembly of the Issuer may, by resolution, delegate to the board of directors of the Issuer, the authority to issue any kind of bonds, sukuk or any other securities, and the board of directors has the right to carry out all procedures for the issuance and to decide the times, amount and conditions for any such issuances, including issuances in excess of the Issuer's paid in capital.

Alteration of capital:

The authorized share capital may be increased after obtaining the approval of the competent authorities, and after the extraordinary general assembly adopts a resolution to increase the Issuer's capital by issuing new shares having the same nominal value as the original shares, *provided that* the original capital will have been paid in full. The shareholders will have priority to subscribe for the new in cash shares.

The Issuer may, based on certain acceptable reasons therefor, reduce its capital if it proves to be in excess of the Issuer's needs or if the Issuer has sustained losses. This decision must be made through a resolution adopted by the extraordinary general assembly after the report of the auditor, and requires the approval of the Minister of Commerce and Industry. If the reduction of the capital is due to its being in excess of the Issuer's needs, then the Issuer's creditors must be invited to express their objection thereto within 60 days from the date of publication of the reduction resolution in a daily newspaper distributed in the city where the Issuer's headquarters are located. In the event that any creditor objects and presents to the Issuer evidentiary documents of such debt within the 60 day time-limit, then the Issuer will pay such debt, if already due, or present an adequate guarantee of payment if the debt is due on a later date.

Management:

The Issuer will be managed by a board of directors composed of four members to be appointed by the ordinary general assembly for a period that does not exceed three Gregorian years.

As an exception to the foregoing, the founding shareholders in the Issuer have appointed the first board of directors for a term of five Gregorian years from the date of the announcement by the Minister of Commerce and Industry of the incorporation of the Issuer as follows:

Name	Position
Sadara Sukuk Ithnayn B.V. (represented by Mr. Adel Yassin Al-Hawaj)	Member and Chairman
Sadara Sukuk Wahid B.V. (represented by Mr. Eduardo Humberto Velandia Velandia)	Member and Deputy Chairman
Sadara Sukuk Thalatha B.V. (represented by Mr. Wael Badr Biltagi)	Member
Sadara Sukuk Arba'a B.V. (represented by Mr. Niels Bert Frans Mesotten)	Member and Executive Director

Each member of the board of directors will be a holder of a number of the Issuer's shares having a nominal value of SAR10,000. Such shares will remain non negotiable until the expiry of the period specified under Article 76 of the Saudi Arabian Companies Law for hearing any liability action or until such action has been decided.

The board of directors has appointed from amongst its members a chairman and may appoint an executive director. The office of the chairman and executive director, if appointed, may be filled by one member but is presently filled by two different members of the board.

The executive director will have the power to manage the Issuer's day-to-day activities and execute all instructions of the board of directors and will submit reports to the board of directors. The executive director will have the power vested in him by virtue of laws and regulations and will have the right to take any decisions as he deems appropriate.

Powers of the board of directors of the Issuer:

Subject to the competencies vested with the general assembly of the Issuer, the board of directors will have the widest powers to manage the Issuer, to oversee its business and funds, to direct its affairs, and to establish policies and guidelines to achieve its purpose.

The board of directors will have the right, within the scope of its powers, to authorize or grant a power of attorney to any person to undertake any act or transaction, and to re delegate such act or transaction, and to revoke such authorization or power of attorney, or to delegate partial authority for specific purposes.

Meetings and Resolutions of the Board of Directors of the Issuer:

The board of directors will be convened at least twice each fiscal year upon a written invitation of the chairman. The chairman of the board of directors will call for a meeting if so requested by any two board members.

A board meeting will be valid only if attended by at least three members in person then in office. A member of the board of directors may attend by proxy for another member of the board of directors. If a quorum is not present, the attending members will adjourn the meeting to a specified place and time. The secretary of the board of directors will give each member notice of the place and time of the re arranged meeting and the quorum for the re arranged meeting will be met if at least three members in office attend in person.

The board resolutions will be adopted with the approval of the majority vote of the members present or represented at the meeting.

The board may adopt its resolution by circulation to all board members unless one board member requests in writing a meeting for deliberations on such resolution. Such resolutions will be adopted with the approval of at least three members and will be laid before the board in its next meeting thereafter.

Meetings and Resolutions of the General Assembly of the Issuer:

A general assembly duly convened will be deemed to represent all shareholders, and will be held in the city where the Issuer's headquarters are located.

Each shareholder, regardless of the number of shares held, will have the right to attend the constituent general assembly, whether in person or by proxy. Each shareholder owning at least 20 shares will have the right to attend the general assembly. A shareholder may delegate in writing to another shareholder, who is not a member of the board of directors, to attend the general assembly on his behalf.

The constituent general assembly will be valid only if attended by a number of shareholders representing at least one half of the Issuer's capital. Each shareholder will be entitled to one vote for each share subscribed or represented by him. Except for matters reserved for the extraordinary general assembly, the ordinary general assembly will be in charge of all matters concerning the Issuer.

The ordinary general assembly will be convened at least once a year, within six Gregorian months following the end of the Issuer's fiscal year and will only be valid if attended by shareholders representing at least one-half of the Issuer's capital. Additional ordinary general assembly meetings may otherwise be convened whenever needed. Ordinary general assemblies will be convened by the board of directors if requested to do so by the Issuer's auditors or by a number of shareholders representing at least 5% of the Issuer's capital.

The extraordinary general assembly will have the power to amend the Issuer's by-laws, except for such provisions as may not be amended by law. The extraordinary general assembly may adopt resolutions on matters falling within the competence of the ordinary general assembly under the same conditions applicable to the latter. A meeting of the extraordinary general assembly will be valid only if attended by shareholders representing at least one half of the Issuer's capital.

Each shareholder will have one vote for each share that they represent at the constituent general assembly

and resolutions are adopted by absolute majority. Votes at the meetings of ordinary and extraordinary general assemblies will be computed based on one vote for each share represented at the meeting. Resolutions of the ordinary assembly are adopted by an absolute majority and those of the extraordinary general assembly by a two thirds' majority.

Auditors:

The Issuer will have one or more auditors, which will be selected from among those authorized to work in The Kingdom. Such auditor will be appointed annually and his compensation will be fixed by the general assembly. The general assembly may reappoint the same auditor. As at the date of this Prospectus, the Issuer's auditors are PricewaterhouseCoopers.

The auditor will submit to the annual general assembly a report showing how far the Issuer has enabled it to obtain the information and clarifications it has requested, whether the Issuer has complied with the requirements of the Regulations for Companies and its by-laws and on the factual conformity of the Issuer's accounts.

Fiscal year:

The Issuer's fiscal year will commence on 1 January and expire on 31 December of each Gregorian year. However, the Issuer's first fiscal period will cover the period commencing as at the date of issuance of the Ministerial Resolution declaring the incorporation of the Issuer (being 11 Safar 1434H (corresponding to 24 December 2012G)) and expiring on 31 December of the then current Gregorian year.

Statutory reserve and distribution of dividends:

After deducting overhead and other costs, the Issuer's annual net profits (if any) will be allocated as follows:

- (a) 10% of the annual net profits will be set aside to form a statutory reserve. Such setting aside may be discontinued by the ordinary general assembly when said reserve 50% of the Issuer's capital;
- (b) the ordinary general assembly may, upon recommendation of the board of directors, set aside a percentage of the annual net profits to form an agreed reserve to be allocated for certain purposes; and
- (c) thereafter, the remainder will be distributed among the shareholders as additional dividend, provided that it shall not be less than 5% of the Issuer's capital.

Profits to be distributed among the shareholders will be paid at such place and times as determined by the board of directors, in accordance with the instructions issued by the Ministry of Commerce and Industry.

If the Issuer's losses total three quarters of its capital, the members of the board of directors will call the extraordinary general assembly for a meeting to consider whether the Issuer will continue to exist or be dissolved prior to the expiry of the period specified thereof under section 6 (*Duration of the Company*) of its by-laws. In all cases the assembly's resolution will be published in the Official Gazette of The Kingdom.

Dissolution and liquidation:

Upon the expiry of the Issuer's term, or if it is dissolved prior to the time set out for the expiry thereof, the extraordinary general assembly will, based on a proposal by the board of directors, decide the method of liquidation, appoint one or more liquidators and specify their powers and remuneration. The powers of the board of directors will cease upon the Issuer's expiry. However the board of directors will remain responsible for the management of the Issuer until the liquidator is appointed. The Issuer's departments and instrumentalities will maintain their powers to the extent that they do not contradict the powers of the liquidator.

The following is a summary of Sadara's articles of association:

Adoption of articles and amendments:

The articles of association of Sadara were adopted on 21/11/1432H (corresponding to 19 October 2011G) and were agreed between the Founding Shareholders. The articles of association of Sadara were amended before the notary public in the Eastern Province of The Kingdom on 6/2/1434H (corresponding to 19 December 2012G).

Objectives:

The objectives of Sadara are to produce chlorine, ethylene, benzene, DNT, glycol ether, formalin, aminoethylene,

aminoethanol, PMDI, elastomers, nitric acid, propylene, toluene, PG, EO, aniline, low-density high-pressure polyethylene, high-density polyethylene, caustic soda, C4s crude, MNB, polyols, PO, diamine toluene, diisocyanate toluene, and low-density linear polyethylene pursuant to Industrial Investment license number 1210321011644 dated 23/10/1432H (corresponding to 21 September 2011G) issued by SAGIA and any other products approved by SAGIA.

Duration of Sadara:

The duration of Sadara will be 99 Hijri years (corresponding to approximately 96 Gregorian years), which commenced as at the date of the commercial registration of Sadara on 03/12/1432H (corresponding to 30 October 2011G).

Shares:

The capital of Sadara is fixed at SAR9,699,642,000, divided into 969,964,200 shares, each having equal value and each valued at SAR10. The shares in the capital of Sadara have been fully paid up and are distributed between the Founding Shareholders as follows:

Shareholder's Name	Number of Shares	Percentage of Shares (%)	Value of each Share (SAR)	Total Value of Shares (SAR)
Performance Chemicals Holding Company	630,476,730	65%	10	6,304,767,300
Dow Saudi Arabia Holding B.V.	339,487,470	35%	10	3,394,874,700
Total	969,964,200	100%	10	9,699,642,000

Shares in Sadara are freely transferable among the shareholders. Shares may be transferred, assigned or encumbered provided the express agreement of all the shareholders is obtained pursuant to the conditions in the articles of association.

Alteration of capital:

The share capital of Sadara may, with the consent of the Founding Shareholders, be increased if the increase in capital is effected: (a) through the increase of the par value of the shares; or (b) through the allotment of new shares in Sadara, in which case each Founding Shareholder will be obliged to pay its value as per each of their respective percentages in the share capital of Sadara. Except for these two cases, any increase in the capital of Sadara may be effected by a unanimous resolution of the general assembly under article 13 of the articles of association of Sadara.

The share capital of Sadara may be reduced by a resolution of the general assembly and in accordance with the following conditions: (a) if the reduction of the share capital is the result of its being in excess of Sadara's needs, then the creditors of Sadara must be invited to express their objection thereto within 60 days of the date of publication of the notice of the reduction resolution in a daily newspaper circulated in the city where Sadara's head office is located. Should any creditor object and present evidentiary documents of such debt to Sadara within the 60 day period, then Sadara shall pay such creditor's debt, if due, or present an adequate guarantee of payment if due at a later date; and (b) if the reduction is as a result of Sadara incurring losses and if such losses amount to 50% or more of the share capital of Sadara, then the reduction may not be made.

Management:

Except as otherwise required by Applicable Law or pursuant to any resolution required to be taken by the general assembly convened under article 13 of the articles of association of Sadara, the overall management and control of the business of Sadara will be managed by its board of directors. The board of directors consists of eight directors, four of whom are appointed by the Saudi Aramco Shareholder and four by the Dow Shareholder, each of whom has one vote. An appointee of the Saudi Aramco Shareholder will be appointed as chairman of the board, but will have no tie-breaking vote.

A chief executive officer will be nominated in the first instance by the Saudi Aramco Shareholder. Further appointments are the chief financial officer (initially nominated by the Dow Shareholder), the vice president of

manufacturing and engineering (initially nominated by the Dow Shareholder), the vice president of business and services (initially nominated by the Saudi Aramco Shareholder) and the vice president of industrial relations (initially nominated by the Saudi Aramco Shareholder).

Meetings and resolutions of the board of directors:

The board of directors will meet at least four times in each fiscal year and the quorum will be six directors attending in person or by proxy.

Matters are decided by a resolution adopted with the affirmative vote of a super majority of directors. Certain actions, as listed in article 10.5 of the articles of association, shall be determined by the board and may not be delegated by the board for determination by any of its committees or the management team (*provided*, however, that the board may delegate such matters for determination by the project execution committee of the board).

Auditors:

The board shall nominate, and the Founding Shareholders shall do everything reasonably within their power to appoint, an independent external auditor for Sadara. The independent auditor shall: (a) be a firm of accountants with internationally accepted accounting qualifications and shall be authorized to practice in The Kingdom pursuant to the terms of the accounting rules and regulations applicable in The Kingdom; (b) observe the application of the articles of Sadara and the Saudi Arabian Companies Law; (c) check the inventories and the annual final accounts, review the balance sheet, and submit an annual report thereon to the annual general meeting of the Founding Shareholders; (d) have the right to access all of Sadara's books, documents and contracts made with others; and (e) have the right to ask for such clarifications and statements as the independent auditor may deem necessary.

Financial year:

The first fiscal year of Sadara commenced on its registration in the commercial register and terminated on 18/2/1434H (corresponding to 31 December 2012G). Thereafter each of its subsequent fiscal years will be 12 months in duration.

Statutory reserve and distribution of dividends:

The annual net profits of Sadara after the deduction of all general expenses and charges and the payment of all due and owing installments of loans and other credit facilities shall be treated as follows:

- (a) 10% thereof shall be set aside to form the legal reserve pursuant to Article 176 of the Saudi Arabian Companies Law, *provided*, however, that the Founding Shareholders may by resolution cease such setting aside when the total amount of such reserve equals or exceeds a sum equal to one half of the equity capital of Sadara; and
- (b) 100% of the remaining amount shall be distributed as dividends to the Founding Shareholders unless otherwise agreed by the Founding Shareholders.

Dissolution and liquidation:

The Founding Shareholders shall determine the mode of winding-up and shall appoint a person as liquidator of Sadara and determine the liquidator's powers and remuneration as well as the other terms and conditions of the liquidator's appointment.

Waivers:

For the purposes of paragraph 20 (*Waiver*) of Annex 5 (*Contents of a Prospectus for Debt Instruments and Convertible Debt Instruments*) to the Listing Rules, the Issuer and Sadara hereby disclose that the following requirements of the Listing Rules have been waived by the Authority in connection with the issuance of the Certificates:

Item	Provision of the Listing Rules	Waiver requested
(a)	Article 11(b) (<i>Conditions relating to issuers</i>) of Part 3 (<i>Conditions for Registration and Admission to Listing</i>)	<p>This rule stipulates that the Issuer must have been carrying on, either by itself or through one (1) or more of its subsidiaries, a main activity for at least three financial years under substantially the same management.</p> <p>A waiver in respect of such three-year requirement is therefore requested.</p>
(b)	Article 11(b) (<i>Conditions relating to issuers</i>) of Part 3 (<i>Conditions for Registration and Admission to Listing</i>)	<p>In addition to the waiver request at item (b) above, a waiver is requested in respect of any requirement on the part of Sadara to have maintained substantially the same management for at least three (3) financial years.</p>
(c)	Article 11(c) (<i>Conditions relating to issuers</i>) of Part 3 (<i>Conditions for Registration and Admission to Listing</i>)	<p>This rule stipulates that the Issuer must have published its audited financial statements covering at least the previous three financial years, prepared in accordance with the accounting standards issued by SOCPA (and the period covered by most recent audited accounts must have ended no more than six months prior to the date of approval of the Prospectus).</p> <p>Instead, it is proposed that, to the extent that the Issuer and Sadara provide financial information about their respective selves under this rule, it shall be in the form and content of (and limited to):</p> <p>(i) an audited initial financial statement (consisting of an audited balance sheet and an audited cash flow statement) for the Issuer for the period from 24 December 2012 G to 31 December 2012 G; and</p> <p>(ii) an audited financial statement (consisting of an audited balance sheet, an audited income statement and an audited cashflow statement) for Sadara for the period from the date of registration of Sadara in the commercial register up to 30 September 2012 G.</p>
(d)	Article 11(f) (<i>Conditions relating to issuers</i>) of Part 3 (<i>Conditions for Registration and Admission to Listing</i>)	<p>This rule stipulates that the Issuer must make a working capital statement to the effect that it has, on its own or with its subsidiaries, sufficient working capital for the 12 months immediately following the date of the publication of the Prospectus.</p> <p>Instead, it is proposed that this statement shall be made by Sadara (<u>in place of</u> the Issuer), and in respect of Sadara (and only Sadara) rather than in respect of the Issuer.</p>
(e)	Article 19(b)(12) (<i>Application for registration and admission to listing and supporting documents</i>) of Part 4 (<i>Registration and Listing</i>)	<p>A waiver of this rule is requested to the extent that it imposes any obligation on Sadara to provide a copy of its articles of association.</p> <p>Instead, it is proposed that:</p> <p>(i) the Issuer (as a joint stock company) shall provide a copy of its articles of association and of its bylaws; and</p> <p>(ii) Sadara (as a limited liability company) shall provide a copy of its articles of association in a redacted form.</p>
(f)	Article 19(b)(13) (<i>Application for registration and admission to listing and supporting documents</i>) of Part 4 (<i>Registration and Listing</i>)	<p>This rule stipulates that the Issuer must submit to the Authority an original copy (or certified copy) of the annual report and audited financial statements of the Issuer and, where applicable, those of its subsidiaries for each of the three financial years immediately preceding submission of the application.</p> <p>Instead, it is proposed that, to the extent that the Issuer and Sadara provide financial information about their respective selves under this rule, it shall be in the form and content of (and limited to):</p> <p>(i) an audited initial financial statement (consisting of an audited balance sheet and an audited cash flow statement) for the Issuer for the period from 24 December 2012 G to 31 December 2012 G; and</p> <p>(ii) an audited financial statement (consisting of an audited balance sheet, an audited income statement and an audited cashflow statement) for Sadara for the period from the date of registration of Sadara in the commercial register up to 30 September 2012 G.</p>

Item	Provision of the Listing Rules	Waiver requested
(g)	Article 19(b)(17) (<i>Application for registration and admission to listing and supporting documents</i>) of Part 4 (<i>Registration and Listing</i>)	This rule stipulates that the Issuer must submit to the Authority a financial due diligence report regarding the application. A waiver in respect of the requirement to provide a financial due diligence report is requested.
(h)	Section 23 (<i>Documents Available for Inspection</i>) of Annex 5 (<i>Contents of a Prospectus for Debt Instruments and Convertible Debt Instruments</i>)	A waiver of this rule is requested to the extent that it obliges the Issuer to make available for inspection at a specified location in The Kingdom certain specified documents for a period being not less than 20 business days before the end of the offer period.
(i)	Section 23(5) (<i>Documents available for inspection</i>) of Annex 5 (<i>Contents of a Prospectus for Debt Instruments and Convertible Debt Instruments</i>)	A waiver of this rule is requested to the extent that it obliges the Issuer to provide copies of the reviewed financial statements of the Issuer and its subsidiaries (if applicable) and the consolidated audited financial statements of the Issuer for each of the three financial years immediately preceding the date of the publication of the Prospectus, in addition to the most recent interim financial statements. Instead, it is proposed that, to the extent that the Issuer and Sadara provide financial information about their respective selves under this rule, it shall be in the form and content of (and limited to): (i) an audited initial financial statement (consisting of an audited balance sheet and an audited cash flow statement) for the Issuer for the period from 24 December 2012 G to 31 December 2012 G; and (ii) an audited financial statement (consisting of an audited balance sheet, an audited income statement and an audited cashflow statement) for Sadara for the period from the date of registration of Sadara in the commercial register up to 30 September 2012 G.
(j)	Section 23(5) (<i>Documents available for inspection</i>) of Annex 5 (<i>Contents of a Prospectus for Debt Instruments and Convertible Debt Instruments</i>)	A waiver of this rule is requested to the extent that it requires inclusion of the final form of the model audit report in respect of the Offering as an 'inspection document' in the data-room for the Offering for at least twenty (20) days before the end of the offer period. Instead, it is proposed that the Issuer and Sadara shall provide an interim form of the model audit report as an 'inspection document' in the data-room for at least twenty (20) days before the end of the offer period.
(k)	Section 23(4) (<i>Documents available for inspection</i>) of Annex 5 (<i>Contents of a Prospectus for Debt Instruments and Convertible Debt Instruments</i>)	A waiver of this rule is requested to the extent that it requires inclusion of certain documents as 'inspection documents' in the Arabic language in the data-room for the Offering. Instead, it is proposed that the Issuer and Sadara shall make copies of such documents available in the data-room in the English language.
(l)	Section 25(2) (<i>Guarantees</i>) of Annex 5 (<i>Contents of a Prospectus for Debt Instruments and Convertible Debt Instruments</i>)	A waiver of this rule is requested to the extent that it obliges the Issuer to provide copies of the external reports on the accounts of the guarantor company in certain formats. A waiver is requested of any obligation to provide: (i) any reports on financial statements of Dow that have been prepared in accordance with the standards of SOCPA; (ii) any quarterly and semi-annual reports on the financial statements of Dow that have been audited; (iii) any directors' reports on the financial statements of Dow; (iv) any reports on financial statements of DEH; and (v) any reports on financial statements of Saudi Aramco.
(m)	Article 25(a) (<i>Publication of Prospectus and Formal Notices</i>) of Part 4 (<i>Registration and Listing</i>)	A waiver of this rule is requested to the extent that it obliges the Issuer to ensure that the published prospectus is made available to the public at least 14 business days prior to the start of the offering.

Item	Provision of the Listing Rules	Waiver requested
(n)	Section 12(1)(g) (<i>Organisations structure; Management</i>), Section 12(1)(h) (<i>Organisational structure; Management</i>), Section 12(1)(i) (<i>Organisational structure; Management</i>), Sections 17(2) and (3) (<i>Legal Information</i>), Section 23(3) (<i>Documents available for inspection</i>), Section 23 (4) (<i>Documents Available for Inspection</i>) and Section 23(5) (<i>Documents available for inspection</i>) of Annex 5 (<i>Contents of a Prospectus for Debt Instruments and Convertible Debt Instruments</i>), Article 26(a) (<i>Dissemination of Information</i>) and Article 43(18) (<i>Board of directors' report</i>) of Part 8 (<i>Continuing Obligations</i>)	<p>These rules stipulate that there is a minimum amount of specified information which must be included in a prospectus, certain documents and information that must be made available for inspection, and that the Prospectus must contain all information which is necessary to enable an investor to make an assessment of the activities, assets and liabilities, financial position, management and prospects of the Issuer.</p> <p>The Issuer has requested a waiver of any requirement to disclose certain information in respect of certain commercial contracts and other information relating to the Project, the Issuer or Sadara (as applicable) on a confidential basis under Article 26(d) (<i>Dissemination of information</i>) of the Listing Rules on the basis that:</p> <ul style="list-style-type: none"> (i) disclosure would be unduly detrimental to any one or more of (1) the Issuer, (2) Sadara, (3) Saudi Aramco as an ultimate shareholder in the Issuer and Sadara, and/or (4) Dow as an ultimate shareholder in the Issuer and Sadara; and (ii) omission is not likely to mislead investors with regard to facts and circumstances, knowledge of which is essential for the assessment of the Certificates.

Professional qualifications of experts:

Technical and Environmental Consultant

The Technical and Environmental Consultant has established a preeminent reputation in independent advisory due diligence for lenders on major energy and chemicals project finance transactions, providing independent technical, market/commercial and environmental due diligence, as well as lender monitoring of project implementation and completion signoff. These services have been provided to all of the major international commercial banks, global export credit agencies and other government-supported institutions, including the International Finance Corporation, World Bank, Asian Development Bank, European Bank for Reconstruction and Development, and the European Investment Bank. The Technical and Environmental Consultant operates from 32 corporate, representative, and project offices located throughout the United States, Europe, the Middle East, Africa, and Asia and has completed more than 3,000 client assignments in over 100 countries.

Market Consultant

IHS has been in business since 1959 and became a publicly traded company on the New York Stock Exchange in 2005. Businesses and governments in more than 165 countries rely on its expert independent analysis, including independent advisor services to petrochemical industry participants in strategic and commercial planning, feasibility and financial studies, due diligence support, competitive and market analysis offered through CMAI, acquired by IHS in 2011.

Insurance Consultant

The Insurance Consultant is a Lloyd's Broker registered in England No. 01536540 and is authorised and regulated by the Financial Services Authority in the United Kingdom. It is a wholly owned subsidiary of, and the most significant business, within the Jardine Lloyd Thompson Group Plc.

Auditors of Sadara and the Issuer

PricewaterhouseCoopers is licensed to practice in The Kingdom by the Ministry of Commerce and Industry under license number 25.

Auditors of Dow

Deloitte & Touche LLP is registered with the Public Company Accounting Oversight Board in the United States of America and is the independent registered public accounting firm for The Dow Chemical Company.

Glossary of Certain Defined Terms

AAGR means average annual growth rate.

Abandonment has the meaning given such term at page 220 of this Prospectus.

Acceptable Credit Rating means:

- (a) in relation to an Expansion Shareholder, a credit rating in respect of long-term unsecured Dollar obligations of at least either Baa3 by Moody's or BBB by S&P; and
- (b) in all other cases, a credit rating in respect of long-term unsecured Dollar obligations of at least either A3 by Moody's or A by S&P,

provided that Saudi Aramco shall be deemed at all times to be a person with an "Acceptable Credit Rating".

Acceptable Credit Support means:

- (a) an:
 - (i) irrevocable unconditional stand-by letter of credit; or
 - (ii) unconditional bank guarantee,

in each case, in favor of the Offshore Security Trustee and Agent (or otherwise in form and substance satisfactory to the Intercreditor Agent), from a person with an Acceptable Credit Rating, subject to a credit rating requirement;

- (b) in proportion to their respective indirect shareholdings in Sadara, an irrevocable, unconditional guarantee by:
 - (i) Saudi Aramco (or any of its Affiliates if such Affiliate's obligations are guaranteed by Saudi Aramco);
 - (ii) Dow (or any of its Affiliates if such Affiliate's obligations are guaranteed by Dow) to the extent that it has a credit rating in respect of long-term unsecured US Dollar obligations of at least either Baa3 or higher by Moody's and BBB or higher by S&P; and
 - (iii) any Shareholder or Affiliate of a Sponsor or a Shareholder with an Acceptable Credit Rating and a minimum net worth of at least USD 1 billion,

substantially in the form set out in the GCTA or otherwise in form and substance acceptable to the Intercreditor Agent, *provided that* Saudi Aramco (or any of its Affiliates in accordance with paragraph (b)(i) above) may also provide a guarantee in a proportion greater than its respective indirect shareholding in Sadara;

- (c) an irrevocable unconditional letter of credit or a stand by letter of credit in favor of the Offshore Security Trustee and Agent, in the form to be contained in the Dollar Commercial Facilities Agreement, from an Acceptable Issuing Bank; and / or
- (d) any other security in favor of the Offshore Security Trustee and Agent, in form and substance acceptable to the Intercreditor Agent, acting reasonably,

provided that in the case of paragraphs (a) and (b) only, the issuer or provider of any Acceptable Credit Support shall either:

- (i) have no recourse to Sadara or its assets in respect thereof, including any drawing or call thereunder; or
- (ii) be fully subordinated to the claims of the Senior Financing Participants against Sadara on terms to be set out in the Intercreditor Agreement.

Acceptable Credit Support Provider means any provider of Acceptable Credit Support.

Acceptable Creditor means any bank or financial institution with which an ECA Creditor is not prohibited from co lending alongside as a matter of any Applicable Law binding on it.

Acceptable Issuing Bank means an issuing bank which is a party to the Dollar Commercial Facilities Agreement for the purposes of issuing letters of credit under the Dollar Commercial Facilities Agreement and has an Acceptable Credit Rating.

Account Banks means the Onshore Account Bank or the Offshore Account Bank (as applicable) or any successor account bank appointed under, and in accordance with, Clause 36.3 (*Replacement of an Account Bank*) of the Accounts Agreement.

Account Documents means:

- (a) each Account Operating Mandate in respect of the Project Accounts (together with the relevant account opening requests (including fee schedules)); and
- (b) relevant electronic banking agreements in place between Sadara and the relevant Account Bank from time to time (including both the internet browser and host-to-host connections).

Account Operating Mandate means the account operating mandate given by Sadara to an Account Bank in respect of a Project Account in the form to be agreed between Sadara and the relevant Account Bank.

Accounting Period means the date from and including the date of the Musharaka Agreement to but excluding the first Period Distribution Date, and thereafter for each subsequent period from and including a Period Distribution Date to but excluding the next Period Distribution Date.

Accounts means:

- (a) the Project Accounts;
- (b) any Additional Disbursement Account;
- (c) any Additional Local Disbursement Account;
- (d) any Bonds Sinking Reserve Account;
- (e) any Bond Disbursement Account;
- (f) any Escrow Account;
- (g) any Mandatory Account;
- (h) any Cash Cover Account;
- (i) any account in the name of Sadara permitted to be opened by Sadara pursuant to a Security Document; and
- (j) any other account in the name of Sadara designated an “*Account*” by the Intercreditor Agent, with the prior written consent of Sadara.

Accounts Agreement means the accounts agreement dated on or about the First Signing Date and made between Sadara, each Account Bank, the Intercreditor Agent, and each Security Agent.

Additional Accrual Period means a period equal to whichever is applicable of each Additional Lessee Termination Sum Period (as defined in the Forward Lease Agreement) or each Additional Issuer Procurement Termination Sum Period (as defined in the Procurement Agreement).

Additional Assets means any tangible or intangible assets (to the extent such intangible assets are capable of being pledged) acquired or assumed by Sadara after the date of the Onshore Commercial Pledge Agreement (if entered into), which are not Islamic Facility Assets and which are capable of being validly pledged under the laws of The Kingdom.

Additional CapEx Debt has the meaning given to such term at page 222 of this Prospectus.

Additional Credit Facility Participants means any person providing Additional Senior Debt to Sadara (or a Sukuk Issuer or a Bond Issuer) and which has or will become a “Senior Creditor”, and in each case, which has not ceased to be a Senior Financing Participant in accordance with the terms of this Agreement (but excluding any Expansion Creditor until the Expansion Completion Date applicable to such Expansion Debt has occurred).

Additional Disbursement Accounts means each Expansion Debt Disbursement Account and each Further Disbursement Account.

Additional Early Payment Amount has the meaning given to such term in Condition 8.3 (*Early Termination at the Option of the Issuer*).

Additional ECA Facility Agreement means any facility agreement or other arrangement pursuant to which Additional Senior Debt is incurred by Sadara from an ECA providing funding, insurance or credit support (as the case may be), other than by way of Bonds or Sukuk.

Additional Facility means any financing facility made or to be made available to Sadara by an Additional Credit Facility Participant pursuant to an Additional Facility Agreement.

Additional Facility Agreement means any facility agreement or other arrangement pursuant to which Additional Senior Debt is incurred by Sadara (including pursuant to a Bond Issuer Facility Agreement), or any Sukuk Facility Documents (other than the Sukuk Facility Documents relating to the Sukuk) and any other document designated an “*Additional Facility Agreement*” by the Intercreditor Agent, with the prior written consent of Sadara.

Additional Information means the Margin, the Closing Date, the aggregate face amount of the Certificates and a description of the anticipated aggregate net proceeds of the issue of the Certificates.

Additional Issuer Procurement Termination Sum means an amount calculated as the product of: (a) the applicable SAIBOR rate for an Additional Accrual Period (determined in accordance with Condition 6.2 (*SAIBOR Determination*)), plus the Sukuk Margin; (b) the number of days in the Additional Issuer Termination Sum Period divided by 360; and (c) the proportion of the Outstanding Issuer Procurement Termination Sum represented by the amount described in paragraph (i) of the definition of Issuer Procurement Termination Sum.

Additional Issuer Termination Sum Period means the period from, and including, the due date for payment of the Outstanding Issuer Procurement Termination Sum to, but excluding, the date on which the Outstanding Issuer Procurement Termination Sum is paid in full to the Transaction Account for the benefit of the Issuer.

Additional Lessee Termination Sum means the product of: (i) the applicable SAIBOR rate for an Additional Accrual Period (determined in accordance with Condition 6.2 (*SAIBOR Determination*)), plus the Sukuk Margin; (ii) the number of days in the Additional Lessee Termination Sum Period divided by 360; and (iii) the proportion of the Outstanding Lessee Termination Sum represented by the amount described in paragraph (b) of the definition of Lessee Termination Sum.

Additional Lessee Termination Sum Period means the period from, and including, the due date for payment of the Outstanding Lessee Termination Sum to, but excluding, the date on which the outstanding Lessee Termination Sum is paid in full to the Transaction Account for the benefit of the Issuer.

Additional Local Disbursement Account means any account denominated in Dollars or Saudi Riyals that Sadara may open, maintain and operate in The Kingdom in connection with any Permitted Development or any Expansion Facility.

Additional Senior Debt means:

- (a) any Additional CapEx Debt;
- (b) any Buy-down Supplemental Debt;
- (c) on and from the applicable Expansion Completion Date, any Expansion Debt;
- (d) any Replacement Debt; and
- (e) any Supplemental Debt (other than the Initial Supplemental Debt),

and any Permitted Hedging Arrangements entered into with respect to any of the Senior Debt referred to in paragraphs (a) to (e) (inclusive) above.

Additional Shareholder Commitments means the documents relating to the commitment of the relevant Expansion Shareholders to contribute specified funds (by way of additional subscriptions to the share capital of Sadara and / or additional Shareholder Subordinated Loans), in an aggregate amount not less than the Projected Amount prior to the Expansion Completion Date in respect of any Expansion Facility, including as required by paragraph 1(e)(ii) (*Further Conditions - Expansion Facility*) of Schedule 14 (*Expansion Facilities*) of the GCTA.

Additional Shares means all shares in Sadara acquired or otherwise obtained by the Saudi Aramco Shareholder, the Dow Shareholder or the PublicCo Shareholder after the date of the applicable Share Pledge Agreements.

Additional Termination Distribution Amount has the meaning given to such term in Condition 7.2 (*Cessation and Continuation of Accrual*).

Administrative Agents means:

- (a) in the case of Sukuk Facility, the relevant Sukuk Participant (but solely to the extent that anything is required to be done by the relevant Sukuk Participant for the purposes of schedule 3 (*Enforcement Procedures*) of the Intercreditor Agreement or in connection with any Fundamental Decision, it means the relevant Sukuk Participant acting by the relevant Certificateholders' Agent for and on behalf of the relevant Certificateholders);
- (b) each Facility Agent;
- (c) each Security Agent;
- (d) each Account Bank;
- (e) the Intercreditor Agent;
- (f) each Paying Agent;
- (g) any Bond Indenture Trustee in respect of any Bond incurred by way of Additional Senior Debt; and
- (h) any other person designated an Administrative Agent by the Intercreditor Agent with the prior written consent of Sadara.

Administrative Decision means Decisions of a routine or administrative, or immaterial nature that are specified in the Intercreditor Agreement to be made by the Intercreditor Agent, whether or not such Decision is specifically designated as an Administrative Decision, including, but are not limited to: (i) routine Decisions not involving a significant exercise of discretion; and (ii) routine Decisions as to the compliance with the requirements of the Finance Documents (but excluding the ECA Facilities Agreements), of agreements, certificates or other similar items required to be delivered under the terms of the Finance Documents (but excluding ECA Facility Agreements), (iii) the Decisions set out in schedule 4 (*Administrative Decisions*) of the Intercreditor Agreement; and (iv) any other Decisions specifically designated as such.

Administrative Decision Majority Senior Creditors means the Senior Creditors comprising the Senior Creditor Groups whose respective Participation Amounts (each voted as a unanimous block in accordance with clause 6.1(c) (*General*) of the Intercreditor Agreement) together exceed fifty per cent. (50%) of the Total Relevant Senior Participations.

Advance means a loan or withdrawal made or to be made under a Facility.

Advance Enforcement Notice means the written notice given by the Intercreditor Agent to the Sponsors pursuant to clause 11.2(a) (*Advance Notice of Enforcement*) of the Intercreditor Agreement, prior to taking any Enforcement Action and specifying the Enforcement Action proposed to be taken.

Advance Rental Notice means, in relation to an Advance Rental Period, a notice, substantially in the form set out in schedule 1 to the Forward Lease Agreement setting out details of the Advance Rental Payment payable by the Lessee on the Advance Rental Payment Date specified therein (subject to and as the same may be amended following a Rental Notice Amendment Event).

Advance Rental Payment Date means the First Advance Rental Payment Date and each 15 June and 15 December thereafter until and including the earlier of: (a) the Final Rental Payment Date (where the Forward Lease Agreement terminates prior to the Lease Commencement Date); and (b) the Lease Commencement Date, as specified in the relevant Advance Rental Notice, *provided that* in each case if such date is not a Business Day the relevant Advance Rental Payment Date shall fall on the next day which is a Business Day in the same calendar month (if there is one) or the preceding Business Day (if there is none).

Advance Rental Payments means, in relation to:

- (a) the Sukuk Facility, in respect of each Advance Rental Period, the product of: (i) the applicable SAIBOR rate (being that determined in accordance with Condition 6.2 (*SAIBOR Determination*)) for the Return Accumulation Period (as defined in Condition 6.2 (*SAIBOR Determination*)) which corresponds to such Advance Rental Period plus the Sukuk Margin; (ii) the number of days in that Advance Rental Period divided by 360; and (iii) the aggregate face amount of the Certificates outstanding on the first day of such Advance Rental Period, taking into account: (A) any cancellations of Certificates; and (B) any Early Payment Amount, in each case, to be effected or paid on such day, and in relation to the other Islamic Facilities, means the equivalent lease rental payment (if any) payable by Sadara (in its capacity as lessee) with respect to the lease arrangement documented under the relevant Islamic Facility;

- (b) a Procurement Facility, “Advance Rental Payments” under, and as defined in, the Dollar Procurement Facility Forward Lease Agreement or Saudi Riyal Procurement Facility Forward Lease Agreement (as the context requires);
- (c) the Wakala Facilities, “Advance Rental Payments” under, and as defined in, the Wakala Facility Specified Forward Lease Agreement; and
- (d) any Additional Facility documented as an Islamic Facility (utilising a Shari’ah compliant lease (or ijara) structure), each advance lease rental payment (if any) payable by Sadara or a Sukuk Issuer (in its capacity as lessee) with respect to the lease arrangement documented under that Additional Facility.

Advance Rental Period means the First Advance Rental Period and each period thereafter from and including an Advance Rental Payment Date to but excluding the next Advance Rental Payment Date.

Affected Participant has the meaning given to such term at page 226 of this Prospectus.

Affiliate means, in respect of a person, any legal entity controlling, under common control with or controlled by such person and “control” shall mean ownership, directly or indirectly, of more than 50% of the shares conferring the right to vote at a general meeting (or its equivalent) of such entity or otherwise to appoint the majority of the directors or other governing body of such entity, in each case unless the context requires otherwise and except if the defined term is used in the context of a summary of a Project Document, in which case Affiliate shall have the meaning set out in such Project Document. Notwithstanding the foregoing, none of: (a) the Government or any Governmental Entity (other than a commercial entity acting in a commercial capacity); or PIF, SIDF or any other political subdivision of any sovereign that is not a Subsidiary of a Sponsor will, in each case, be considered an Affiliate of any such person.

Agent Guarantee Beneficiaries means:

- (a) each Facility Agent acting in relation to an Initial Facility Agreement;
- (b) each Security Agent;
- (c) each Account Bank;
- (d) the Intercreditor Agent;
- (e) any facility agent (howsoever described) acting for and on behalf of the Replacement Creditors (if any) but excluding any facility agent acting for and on behalf of those Replacement Creditors refinancing or replacing any Expansion Debt; and
- (f) any facility agent (howsoever described) acting for and on behalf of the Supplemental Creditors (if any),

in each case, acting in their capacity as such agents in respect of Senior Debt not taking the form of Bonds.

Aggregate Work has the meaning given to such term at page 192 of this Prospectus.

Aggregate Work Price means the amount which is the sum of each and every Work Price payable under the purchase orders.

AH Crude means Arabian Heavy Crude.

Air Separation Plant has the meaning given such term at page 216 of this Prospectus.

Air Separation Unit Project means the project to build, own and operate facilities to supply Oxygen and Nitrogen to the Sadara Complex.

Amines CSA means the ethyleneamines catalyst supply agreement dated 15 September 2012 and made between Sadara and Dow with respect to the supply of the ethyleneamines catalyst to the Sadara Complex.

Amines (Ethanolamines and Ethyleneamines) In-Kingdom Post-Acceptance Technical Services Agreement means the amines (ethanolamines and ethyleneamines) In-Kingdom Post-Acceptance Technical Services Agreement dated 8 December 2011 and made between Sadara and Dow Saudi Arabia Company.

Amines (Ethanolamines and Ethyleneamines) In-Kingdom Post-Acceptance Technical Services Direct Agreement means the amines (ethanolamines and ethyleneamines) In-Kingdom Post-Acceptance Technical Services Direct Agreement to be entered into between Sadara, Dow Saudi Arabia Company and the relevant

Security Agent, pursuant to which the Senior Financing Participants, among other things, acquire certain direct rights in relation to the Amines (Ethanolamines and Ethyleneamines) In-Kingdom Post-Acceptance Technical Services Agreement.

Amines (Ethanolamines and Ethyleneamines) In-Kingdom Pre-Acceptance Technical Services Agreement means the amines (ethanolamines and ethyleneamines) In-Kingdom Pre-Acceptance Technical Services Agreement dated 8 December 2011 and made between Sadara and Dow Saudi Arabia Company.

Amines (Ethanolamines and Ethyleneamines) In-Kingdom Pre-Acceptance Technical Services Direct Agreement means the amines (ethanolamines and ethyleneamines) In-Kingdom Pre-Acceptance Technical Services Direct Agreement to be entered into between Sadara, Dow Saudi Arabia Company and the relevant Security Agent, pursuant to which the Senior Financing Participants, among other things, acquire certain direct rights in relation to the Amines (Ethanolamines and Ethyleneamines) In-Kingdom Pre-Acceptance Technical Services Agreement.

Amines (Ethanolamines and Ethyleneamines) Out-of-Kingdom Post-Acceptance Technical Services Agreement means the amines (ethanolamines and ethyleneamines) Out-of-Kingdom Post-Acceptance Technical Services Agreement dated 8 December 2011 and made between Sadara and DEH.

Amines (Ethanolamines and Ethyleneamines) Out-of-Kingdom Post-Acceptance Technical Services Direct Agreement means the amines (ethanolamines and ethyleneamines) Out-of-Kingdom Post-Acceptance Technical Services Direct Agreement to be entered into between Sadara, DEH and the relevant Security Agent pursuant to which the Senior Financing Participants, among other things, acquire certain direct rights in relation to the Amines (Ethanolamines and Ethyleneamines) Out-of-Kingdom Post-Acceptance Technical Services Agreement.

Amines (Ethanolamines and Ethyleneamines) Technology License Agreement means the amines (ethanolamines and ethyleneamines) technology license agreement dated 8 December 2011 and made between Sadara and DEH with respect to the licensing of amines (ethanolamines and ethyleneamines) technology to the Sadara Complex.

Amines (Ethanolamines and Ethyleneamines) Technology License Direct Agreement means the amines (ethanolamines and ethyleneamines) technology license direct agreement to be entered into between Sadara, DEH and the relevant Security Agent pursuant to which the Senior Financing Participants, among other things, acquire certain direct rights in relation to the Amines (Ethanolamines and Ethyleneamines) Technology License Agreement.

Ancillary Agreements means the MACFA, the MET Agreement and the Dow OS&T Agreement.

Aniline Engineering Agreement means the aniline engineering agreement dated 31 October 2008 and made between Aramco Services Company, DEH and Kellogg Brown & Root LLC and novated by Aramco Services Company and DEH to Sadara.

Aniline Technology Transfer Agreement means the aniline technology transfer agreement dated 31 October 2011 and made between Aramco Services Company, DEH and Kellogg Brown & Root LLC and novated by Aramco Services Company and DEH to Sadara.

Aniline Technology Transfer Direct Agreement means the aniline technology transfer direct agreement to be entered into between Sadara, Kellogg Brown & Root LLC and the relevant Security Agent pursuant to which the Senior Financing Participants, among other things, acquire certain direct rights in relation to the Aniline Technology Transfer Agreement.

Appeal Panel means panel that will be established by the Council of Ministers to hear appeals against decisions issued by The Kingdom's Committee for the Resolution of Securities Disputes.

Applicable Accounting Standards means, in relation to:

- (a) Sadara or Saudi Aramco, IFRS;
- (b) the Issuer, the generally accepted accounting standards applicable to a joint stock company in The Kingdom;
- (c) DEH, Dutch GAAP;

- (d) Dow, US GAAP;
- (e) the Sukuk Participant, the standards issued by SOCPA; and
- (f) any other person, the generally accepted accounting standards of the jurisdiction in which such person is incorporated.

Applicable Law means all applicable statutes, laws, ordinances, rules, orders, circulars, ministerial resolutions, directives and regulations.

Applicable Senior Creditors means the Senior Creditors in respect of any of the Applicable Senior Debt.

Applicable Senior Debt means any Senior Debt not taking the form of Bonds or Sukuk, but excluding any Permitted Hedging Arrangement and any Feedstock Supplier Debt and any Sukuk Facility.

Applicable Senior Financing Participants means the Senior Financing Participants in respect of any of the Applicable Senior Debt.

Appointed Secondes has the meaning given to such term at page 185 of this Prospectus.

Appointee means any attorney, manager, agent, delegate, nominee, custodian or other person appointed by the Certificateholders' Agent under the Declaration of Agency and the Conditions.

Asset Delivery Group has the meaning given such term at page 103 of this Prospectus.

Assigned Contracts means:

- (a) in relation to the Onshore Assignment Agreement, those contracts defined in the Onshore Assignment Agreement;
- (b) in relation to the Offshore Charge and Assignment Agreement, those contracts defined in the Offshore Charge and Assignment Agreement;
- (c) in relation to the Onshore Issuer Assignment Agreement, those contracts defined in the Onshore Issuer Assignment Agreement; and
- (d) in relation to the Offshore Issuer Charge and Assignment Deed, those contracts defined in the Offshore Issuer Charge and Assignment Deed,

or any of them including any document executed or otherwise entered into by Sadara which replaces (whether completely or otherwise in all material respects) any Assigned Contract.

Assigned Rights means Sadara's right, title and interest in, to and under the Relevant Document.

Assigned Subordinated Loan Agreement has the meaning given to that term in the Saudi Aramco Share Pledge Agreement.

Assumption means any assumption or input or group or combination thereof (other than any assumption, input or group or combination thereof that is fixed) contained in the Banking Case or in a Company Distribution Model.

Assumption Date has the meaning given to such term at page 291 of this Prospectus;

Authority means the Capital Markets Authority of The Kingdom.

Authorized Action has the meaning given to such term at page 307 of this Prospectus.

Available Cashflow means, in relation to any period, the aggregate of (without double counting):

- (a) Operating Revenues for such period *but excluding*:
 - (i) except in the case of a calculation for the purposes of clause 32.1 (b)(x) (*Company's Right to incur Expansion Debt*) of the GCTA, any Operating Revenues in respect of an Expansion Facility or a Permitted Development in respect of which the Expansion Completion Date (if financed by Expansion Debt) or the Expansion Acceptance Date (in respect of any other Expansion Facility or Permitted Development) has not then occurred; and
 - (ii) any proceeds from the disposal of assets permitted under the Finance Documents of a capital nature for such period;

plus

- (b) the MRA Net Release for such period, *but excluding* any amounts constituting Operating Revenues for the purposes of paragraph (a) above;
plus
- (c) earnings in respect of any Permitted Investments for such period;
less
- (d) the aggregate of (without double counting):
 - (i) Operating Costs for such period *but excluding* any Operating Costs:
 - (A) in respect of an Expansion Facility or a Permitted Development to the extent that any Operating Revenues relating thereto are excluded from paragraph (a)(i) above; and
 - (B) funded from the proceeds of: (1) any Financial Indebtedness of Sadara permitted by the Finance Documents; or (2) Equity; and
 - (ii) Permitted Investments Costs for such period;

provided that:

- (A) for the purpose of determining Available Cashflow for any period, no account shall be taken of any amount of Operating Revenues unless, in Sadara's reasonable opinion, at the time of the relevant calculation, Sadara has (or, in the case of a projection, is projected to have) the legal and unconditional right to receive such Operating Revenues in such period; and
- (B) any amount received or receivable by Sadara in a currency other than Dollars shall be taken into account in accordance with IFRS consistent with those accounting standards applied in the preparation of the then relevant Banking Case.

Backward DSCR means, in relation to any period, the ratio of:

- (a) Available Cashflow for such period;
- to*
- (b) the aggregate amount (without double counting) of:
 - (i) Senior Obligations (except to the extent paid from the proceeds of Senior Debt or Equity) due with respect to the Senior Financing Instruments for such period (but excluding, in respect of such period, any Islamic Insurance and Maintenance Charges and / or any Deferred Principal)
 - (ii) minus, in the case of any calculation of the Backward DSCR made with respect to any period ending within the 12 month period immediately succeeding the Project Completion Date, any amounts standing to the credit of the Debt Service Account as at the Project Completion Date:
 - (iii) *plus* the aggregate of any amounts paid by Sadara during such period pursuant to any Permitted Finance Hedging Arrangement; and
 - (iv) *minus* the aggregate of any amounts paid to Sadara during such period pursuant to any Permitted Finance Hedging Arrangement,

including in the case of (iii) and (iv) above, any payment in respect of the entry into any such Permitted Finance Hedging Arrangement, but excluding, in each case:

- (A) any prepayment of principal and any payment during such period relating to the termination of a Permitted Finance Hedging Arrangement; and
- (B) any payments during such period with respect to any Expansion Debt (except to the extent and for the periods that Operating Revenues with respect thereto are included in paragraph (a) above).

Bahri means The National Shipping Company of Saudi Arabia.

Balance means, in respect of a Project Account, the aggregate of:

- (a) the cash amount standing to the credit of such Project Account;
- (b) in the case of the Debt Service Reserve Account and the Maintenance Reserve Account, as the case may be, the principal amount available for drawing under any Acceptable Credit Support which Sadara is permitted to have in place instead of cash in the Debt Service Reserve Account or the Maintenance Reserve Account, as the case may be; and
- (c) the mark to market value, determined in good faith by Sadara, of any Permitted Investment purchased with amounts standing to the credit of such Project Account (or by reinvestment of amounts which would otherwise have been credited to that Project Account).

Bank Levy means the bank levy which is imposed under section 73 of, and schedule 19 to, the Finance Act 2011 (the UK Bank Levy) or levy or Tax of an equivalent nature imposed in any jurisdiction in a similar context or for a similar reason to that which the UK Bank Levy has been imposed by reference to the equity and liability of a financial institution or other person carrying out financial transactions.

Banking Case means the Original Project Forecast represented by the Financial Model as updated from time to time in accordance with the Finance Documents.

Banking Case Dispute has the meaning given to such term at page 237 of this Prospectus.

Banking Case Dispute Notice has the meaning given to such term at page 237 of this Prospectus.

BASF means the company, BASF SE.

Beneficiary has the meaning given to such term at page 308 of this Prospectus.

Benzene Feedstock means the benzene feedstock supplied by Saudi Aramco to Sadara under the BFSA.

Benzene Product Marketing and Lifting Agreement means the benzene product marketing and lifting agreement dated 11 September 2012 and made between Sadara and Dow Saudi Arabia Product Marketing B.V.

Benzene Product Marketing and Lifting Direct Agreement means the benzene product marketing and lifting direct agreement to be entered into between Sadara, Dow Saudi Arabia Product Marketing B.V. and the relevant Security Agent pursuant to which the Senior Financing Participants, among other things, acquire certain direct rights in relation to the Benzene Product Marketing and Lifting Agreement.

BFSA means the benzene feedstock supply agreement dated 11 September 2012 and made between Sadara and Saudi Aramco for the supply of Benzene Feedstock to the Sadara Complex.

BGE means butyl glycol ether.

Blocked Right has the meaning given to such term at page 271 of this Prospectus.

Blocking Notice means any Interim Blocking Notice or any Enforcement Blocking Notice.

Board of Grievances means the Saudi Arabian Board of Grievances.

Bond Advance means any advance made available by the relevant Bond Issuer to Sadara pursuant to a Bond Issuer Facility Agreement.

Bond Completion Guarantee means any completion guarantee which is not an Expansion Completion Guarantee to be entered into in favor of the Bond Trustee after the Second Signing Date (on behalf of the relevant Bondholders (as beneficiaries)) granted by a Bond Completion Guarantor in respect of the obligations of:

- (a) Sadara under the Bond Finance Documents; and
- (b) where applicable, a Bond Completion Guarantee under its completion guarantee,

in substantially the same form as the relevant Dow Completion Guarantee or the Saudi Aramco Completion Guarantee or in such other form as may be acceptable to the Bond Trustee.

Bond Completion Guarantor means, in respect of any Bond Completion Guarantee which is not an Expansion Completion Guarantee:

- (a) Saudi Aramco (or any of its Affiliates if such Affiliate's obligations are guaranteed by Saudi Aramco);
- (b) Dow (or any of its Affiliates if such Affiliate's obligations are guaranteed by Dow); and/or
- (c) any Shareholder or Affiliate of a Sponsor or a Shareholder with an Acceptable Credit Rating and a minimum net worth of at least one billion Dollars (USD1,000,000,000).

Bond Event of Default means, with respect to any Bonds, each of the events of default set out in the applicable Bond Indenture.

Bond Facility means any term loan facility made available to Sadara by the Bond Issuer.

Bond Finance Documents means any finance documents entered into in connection with any Bonds and designated a "Bond Finance Document" by the Intercreditor Agent, with the prior written consent of Sadara.

Bond Indenture means, with respect to any Bonds, the indenture applicable thereto.

Bond Indenture Trustee means the bond indenture trustee under the Bond Indenture.

Bond Issuer means any person acting as the issuer of any Bonds constituting Additional Senior Debt (including any Expansion Debt).

Bond Issuer Facility Agreement means any facility agreement entered into after the First Financial Close pursuant to which a Bond Issuer on-lends the net proceeds of the relevant Bonds to Sadara.

Bondholders means the holders from time to time of Bonds.

Bonds means any Replacement Debt, any Expansion Debt, any Supplemental Debt, any Buy-down Supplemental Debt and / or any Additional Senior Debt (as the case may be) taking the form of bonds (or equivalent debt capital market issuance (other than Sukuk)).

Bonds Disbursement Account means any current account which Sadara may, or procure that a Subsidiary, open, maintain and operate solely as provided pursuant to the terms of a Bond Indenture.

Bonds Final Maturity Date has the meaning given thereto in the relevant Bond Facility Agreement.

Bonds Sinking Reserve Account means an account held in the name of Sadara for the purposes of reserving amounts to effect repayments to be made by Sadara under the Bond Finance Documents.

BPD or B/D means barrels per day.

BPSEA means the bulk power supply energisation agreement to be entered into between Sadara and SEC pursuant to the PSIA.

Bridge Financing means the bridge financing made available by PIF pursuant to the terms of the loan agreement dated 21 May 2012 and made between Sadara and PIF, any other bridge financing incurred by Sadara prior to the Second Signing Date.

Business Day means for the purposes of:

- (a) determining LIBOR, a day (other than a Saturday or Sunday) on which dealings in Dollar deposits are carried on in the London interbank market and on which banks are generally open for domestic and foreign exchange business in London and New York;
- (b) determining SAIBOR, a day (other than a Thursday or Friday) on which dealings in Saudi Riyal deposits are carried on in the Saudi interbank market and on which banks are generally open for domestic and foreign exchange business in Riyadh;
- (c) either serving a Utilization Request under or participating in a Utilization of, in each case:
 - (i) the COFACE Covered Facility, any day (other than a Saturday or Sunday) on which banks are open for domestic and foreign exchange business in London, New York and Paris;
 - (ii) the Dollar Commercial Facilities, any day (other than a Saturday or Sunday) on which banks are open for domestic and foreign exchange business in London and New York;

- (iii) the Dow Facility and any Dow Equity Bridge Facility, any day on which banks are open for domestic and foreign exchange business in New York and Riyadh;
- (iv) the ECGD Covered Facility, any day (other than a Saturday or Sunday) on which banks are open for domestic and foreign exchange business in London and New York;
- (v) the FIEM Facility, any day (other than a Saturday or Sunday) on which banks are open for domestic and foreign exchange business in London and Madrid;
- (vi) the Hermes Covered Facility, any day (other than a Saturday or Sunday) on which banks are open for domestic and foreign exchange business in Frankfurt, London and New York;
- (vii) the K-Exim Facilities and the K-sure Covered Facilities, any day (other than a Saturday or Sunday) on which banks are open for domestic and foreign exchange business in London, New York and Seoul;
- (viii) the PIF Facility, an SIDF Facility (if any), the Saudi Aramco Facility and the Saudi Aramco Equity Bridge Facility, any day (other than a Thursday or Friday) on which banks are open for domestic and foreign exchange business in Riyadh;
- (ix) the Saudi Riyal Commercial Facility, any day (other than a Thursday or Friday) on which banks are open for domestic and foreign exchange business in Riyadh;
- (x) the US Ex-Im Facility, any day (other than a Saturday or Sunday) on which: (A) the Federal Reserve Bank of New York is open for Business; and (B) commercial banks in New York are open for domestic and foreign exchange business; and
- (xi) any Additional Facility, a “*Business Day*” under, as defined in the relevant Additional Facility Agreement;
- (d) either serving a Utilization Request or making a Stage Payment under the Islamic Facilities, any day (other than a Thursday or Friday) on which banks are open for domestic business in Riyadh;
- (e) the Bond Finance Documents (if any), any day (other than a Saturday or Sunday) on which banks are open for domestic and foreign exchange business in New York and London;
- (f) the Sukuk Facility Documents, any day (other than a Thursday or Friday) on which banks are open for domestic business in Riyadh;
- (g) any obligation under the DEH Primary Completion Guarantee, a day (other than a Thursday, Friday, Saturday or Sunday) on which banks are open for business in Amsterdam; and
- (h) any other matter, a day (other than a Thursday, Friday, Saturday or Sunday) on which banks are open for domestic and foreign exchange business in London and Riyadh.

Business Plan means the business plan of the Musharaka.

ButanolCo means the joint venture company formed by the Butanol Sponsors, being the owner of the Butanol Plant.

Butanol Plant has the meaning given to such term at page 14 of this Prospectus.

Butanol Project means the project to build, own and operate facilities to supply butanol to, among other places, the Sadara Complex.

Butanol Sponsors means Sadara, Saudi Kayan Petrochemical Company (a subsidiary of Saudi Basic Industries Corporation) and Saudi Acrylic Acid Company (a subsidiary of National Industrialization Company, also known as Tasnee).

Butyl Glycol Ether In-Kingdom Post-Acceptance Technical Services Agreement means the butyl glycol ether In-Kingdom Post-Acceptance Technical Services Agreement dated 8 December 2011 and made between Sadara and Dow Saudi Arabia Company.

Butyl Glycol Ether In-Kingdom Post-Acceptance Technical Services Direct Agreement means the butyl glycol ether In-Kingdom Post-Acceptance Technical Services Direct Agreement to be entered into between Sadara, Dow Saudi Arabia Company and the relevant Security Agent pursuant to which the Senior Financing Participants, among other things, acquire certain direct rights in relation to the Butyl Glycol Ether In-Kingdom Post-Acceptance Technical Services Agreement.

Butyl Glycol Ether In-Kingdom Pre-Acceptance Technical Services Agreement means the butyl glycol ether In-Kingdom Pre-Acceptance Technical Services Agreement dated 8 December 2011 and made between Sadara and Dow Saudi Arabia Company.

Butyl Glycol Ether In-Kingdom Pre-Acceptance Technical Services Direct Agreement means the butyl glycol ether In-Kingdom Pre-Acceptance Technical Services Direct Agreement to be entered into between Sadara, Dow Saudi Arabia Company and the relevant Security Agent, pursuant to which the Senior Financing Participants, among other things, acquire certain direct rights in relation to the Butyl Glycol Ether In-Kingdom Pre-Acceptance Technical Services Agreement.

Butyl Glycol Ether Out-of-Kingdom Post-Acceptance Technical Services Agreement means the butyl glycol ether Out-of-Kingdom Post-Acceptance Technical Services Agreement dated 8 December 2011 and made between Sadara and DEH.

Butyl Glycol Ether Out-of-Kingdom Post-Acceptance Technical Services Direct Agreement means the butyl glycol ether Out-of-Kingdom Post-Acceptance Technical Services Direct Agreement to be entered into between Sadara, DEH and the relevant Security Agent pursuant to which the Senior Financing Participants, among other things, acquire certain direct rights in relation to the Butyl Glycol Ether Out-of-Kingdom Post-Acceptance Technical Services Agreement.

Butyl Glycol Ether Product Marketing and Lifting Agreement means the butyl glycol ether product marketing and lifting agreement dated 11 September 2012 and made between Sadara and Dow Saudi Arabia Product Marketing B.V.

Butyl Glycol Ether Product Marketing and Lifting Direct Agreement means the butyl glycol ether product marketing and lifting direct agreement to be entered into between Sadara, Dow Saudi Arabia Product Marketing B.V. and the relevant Security Agent pursuant to which the Senior Financing Participants, among other things, acquire certain direct rights in relation to the Butyl Glycol Ether Product Marketing and Lifting Agreement.

Butyl Glycol Ether Technology License Agreement means the butyl glycol ether technology license agreement dated 8 December 2011 and made between Sadara and DEH with respect to the licensing of butyl glycol ether technology to the Sadara Complex.

Butyl Glycol Ether Technology License Direct Agreement means the butyl glycol ether technology license direct agreement to be entered into between Sadara DEH and the relevant Security Agent pursuant to which the Senior Financing Participants, among other things, acquire certain direct rights in relation to the Butyl Glycol Ether Technology License Agreement.

Buy-down Supplemental Creditor means any person providing Buy-down Supplemental Debt to Sadara and who shall have acceded to the Intercreditor Agreement as a Buy-down Supplemental Creditor on or prior to the date on which such Buy-down Supplemental Debt is incurred.

Buy-down Supplemental Debt has the meaning given to such term at page 222 of this Prospectus.

Calculation Dates means each 15 June and 15 December.

Cancellation Date means the date specified as such in the Cancellation Notice.

Cancellation Notice means a notice delivered by an Eligible Purchaser to the Issuer requesting the cancellation of its Certificates.

Capacity Payment has the meaning given to such term at page 177 of this Prospectus.

Capital Markets Law means the Saudi Arabian capital markets law issued by Royal Decree number m/3 dated 31/7/2003G.

Cash Cover Account means any account in the name of Sadara opened pursuant to the Dollar Commercial Facilities Agreement for the purposes of Sadara providing cash cover in respect of a Letter of Credit (as such term is defined in the Dollar Commercial Facilities Agreement).

Casualty and Expropriation Proceeds Account means an account held in the name of Sadara in London for the purposes of receipt of casualty and Expropriation Proceeds.

Casualty Proceeds means the proceeds of claims under the Required Insurances obtained by Sadara in respect of physical loss or damage to the Sadara Complex, but excluding the proceeds of claims under business interruption insurance and, prior to the relevant Expansion Completion Date, the proceeds of claims under any insurance policies obtained by Sadara in respect of physical loss of, or damage to, an Expansion Facility.

Catalysts has the meaning given to such term at page 209 of this Prospectus.

Catalyst Supply Agreements or Third Party Catalyst Supply Agreements has the meaning given such term on pages 13 and 433, respectively, of this Prospectus.

CEO means chief executive officer.

CFO means chief financial officer.

Certificateholders has the meaning given to such term at the cover page of this Prospectus.

Certificateholders' Agent has the meaning given to such term at the cover page of this Prospectus.

Certificates means the certificates of the Issuer representing the Sukuk in the form contained in the Declaration of Agency.

Chemicals I Asset Delivery Group means each of the following process units:

- (a) brine;
- (b) chlor alkali; and
- (c) hydrochloric acid to chlorine.

Chemicals II Asset Delivery Group means the group responsible for the production of nitric acid, DNT, MNB, aniline, formaldehyde and TDA.

Chemicals III Asset Delivery Group means the group responsible for the production of EO and PO as intermediate Products, and BGE, EOA, EA, PG and polyols as final Products.

Chlor Alkali In-Kingdom Post-Acceptance Technical Services Agreement means the chlor alkali In-Kingdom Post-Acceptance Technical Services Agreement dated 8 December 2011 and made between Sadara and Dow Saudi Arabia Company.

Chlor Alkali In-Kingdom Post-Acceptance Technical Services Direct Agreement means the chlor alkali In-Kingdom Post-Acceptance Technical Services Direct Agreement to be entered into between Sadara, Dow Saudi Arabia Company and the relevant Security Agent, pursuant to which the Senior Financing Participants acquire, among other things, certain direct rights in relation to the Chlor Alkali In-Kingdom Post-Acceptance Technical Services Agreement.

Chlor Alkali In-Kingdom Pre-Acceptance Technical Services Agreement means the chlor alkali In-Kingdom Pre-Acceptance Technical Services Agreement dated 8 December 2011 and made between Sadara and Dow Saudi Arabia Company.

Chlor Alkali In-Kingdom Pre-Acceptance Technical Services Direct Agreement means the chlor alkali In-Kingdom Pre-Acceptance Technical Services Direct Agreement to be entered into between Sadara, Dow Saudi Arabia Company and the relevant Security Agent, pursuant to which the Senior Financing Participants, among other things, acquire certain direct rights in relation to the Chlor Alkali In-Kingdom Pre-Acceptance Technical Services Agreement.

Chlor Alkali Out-of-Kingdom Post-Acceptance Technical Services Agreement means the chlor alkali Out-of-Kingdom Post-Acceptance Technical Services Agreement dated 8 December 2011 and made between Sadara and DEH.

Chlor Alkali Out-of-Kingdom Post-Acceptance Technical Services Direct Agreement means the chlor alkali Out-of-Kingdom Post-Acceptance Technical Services Direct Agreement to be entered into between Sadara, DEH and the relevant Security Agent pursuant to which the Senior Financing Participants, among other things, acquire certain direct rights in relation to the Chlor Alkali Out-of-Kingdom Post-Acceptance Technical Services Agreement.

Chlor Alkali Technology License Agreement means the chlor alkali technology license agreement dated 8 December 2011 and made between Sadara and DEH with respect to the licensing of chlor alkali technology to the Sadara Complex.

Chlor Alkali Technology License Direct Agreement means the chlor alkali technology license direct agreement to be entered into between Sadara, DEH and the relevant Security Agent pursuant to which the Senior Financing Participants, among other things, acquire certain direct rights in relation to the Chlor Alkali Technology License Agreement.

Closing Date has the meaning given to such term at page ii of this Prospectus.

CMAI means Chemical Market Associates, Inc. (an IHS company).

COFACE means Compagnie Française d'Assurance pour le Commerce Extérieur.

COFACE Covered Facility means the Dollar-denominated term loan facility made available to Sadara by the COFACE Covered Facility Creditors pursuant to the terms of the COFACE Covered Facility Agreement.

COFACE Covered Facility Agreement means the Dollar-denominated term loan facility agreement dated on or about the date of the GCTA and made between Sadara, the COFACE Covered Facility Agent and the COFACE Covered Facility Creditors, setting out the terms and conditions specific to the COFACE Covered Facility.

COFACE Covered Facility Creditors means:

- (a) the Initial COFACE Covered Facility Creditors; and
- (b) any bank, financial institution, trust fund or other entity which has become:
 - (i) a Senior Creditor in accordance with clause 39 (*Changes to the Senior Financing Participants*) of the GCTA; and
 - (ii) if applicable, a COFACE Covered Facility Creditor under the COFACE Covered Facility Agreement,

which, in each case, has not ceased to be a Senior Creditor in accordance with the terms of the GCTA or a COFACE Covered Facility Creditor in accordance with the terms of the COFACE Covered Facility Agreement.

Co-Lessors has the meaning given to such term at page 7 of this Prospectus.

Commercial Bank Facilities means:

- (a) the Dollar Commercial Facilities;
- (b) the Saudi Riyal Commercial Facility;
- (c) the Islamic Facilities (other than the Sukuk Facility); and
- (d) any Additional Facilities (except to the extent such facility is provided by PIF or SIDF),

that is, in each case, not funded, insured or credit supported by an ECA and not taking the form of Bonds or Sukuk.

Commercial Operation Date has the meaning given to such term at page 178 of this Prospectus.

Commission Amount has the meaning given to such term at page 319 of this Prospectus.

Commission Note means one or more Promissory Notes which are in an aggregate amount equal to the maximum amount of commission which the relevant Facility Agent reasonably estimates would be likely to accrue during the next 12 month period on or with respect to the principal amount pursuant to the requested Utilization.

Commission Payment Date means, in respect of each Facility, each 15 June and 15 December occurring after the date of the first Utilization of that Facility up to and including the First Repayment Date, and thereafter each Repayment Date.

Commission Period means each period determined in accordance with clause 14.1 (*Commission Periods*) of the GCTA by reference to which the commission on an Advance or Unpaid Sum is cancelled.

Commitment means, in respect of:

- (a) any Facility (other than an Islamic Facility, the Initial PIF Facility, an SIDF Facility (if any) or an Additional Facility), the meaning given to such term in the relevant Facility Agreement;
- (b) the Procurement Facility, the meaning given to the definition of:
“Saudi Riyal Procurement Facility Commitment” in the Saudi Riyal Procurement Facility Investment Agency Agreement; and
“United States Dollar Procurement Facility Commitment” in the Dollar Procurement Facility Investment Agency Agreement;
- (c) the Wakala Facilities, the meaning given to the definition of *“Participation”* in the Wakala Facility Agency Agreement;
- (d) a Sukuk Facility and pursuant to a Sukuk Facility Advance, such amount as may be agreed prior to issuance of the relevant Sukuk between the relevant Sukuk Participant, Sadara and the managers or arrangers of the relevant Sukuk;
- (e) the Initial PIF Facility, the amount in Dollars to be made available by PIF as specified in the Initial PIF Facility Agreement;
- (f) an SIDF Facility (if any), the amount in Saudi Riyals to be made available by SIDF as specified in the relevant SIDF Facility Agreement; and
- (g) an Additional Facility, any equivalent term under, and as defined in the Additional Facility Agreement relating to such Additional Facility (or such other meaning as Sadara and the Intercreditor Agent may agree).

Committee for the Resolution of Securities Disputes means the Committee established pursuant to paragraph (a) of Article 25 of the Capital Markets Law issued by Royal Decree No. (M/30) dated 2/6/1424H (corresponding to 31 July 2003G).

Commodity Hedge Provider means any Permitted Hedge Provider that is party to a Permitted Hedging Instrument relating to commodity prices and has acceded to the Intercreditor Agreement.

Common Events of Default has the meaning given to such terms at page 234 of this Prospectus.

Common Finance Documents means:

- (a) the Finance Documents (other than the Supplemental Common Terms Agreement; the Initial Facility Agreements; each Hedging Agreement; the PIF Undertaking Agreement; the Promissory Notes (and any promissory notes issued pursuant to an Initial Facility Agreement); any Bond Finance Documents, the Islamic Finance Documents; any Expansion Debt Documents; any Replacement Debt Documents; any Additional CapEx Debt Documents; any Supplemental Debt Documents; any Buy-Down Supplemental Debt Documents; and any Fee Letters); and
- (b) any other agreement or document designated as a *“Common Finance Document”* by the Intercreditor Agent, with the prior written consent of Sadara.

Common Terms Agreements means the GCTA and the SCTA.

Comonomers Agreement means the comonomers agreement to be entered into between Sadara and a Dow Affiliate.

Company Distribution Model means the short form financial model for the Project:

- (a) in substantially the form set out in schedule 3 (*Form of Company Distribution Model*) of the Accounts Agreement; and
- (b) which, on the basis of certain assumptions, produces a financial forecast for calculating the Forward DSCR for the purposes of the GCTA,

as the same may be amended, revised or replaced from time to time in accordance with the Finance Documents.

Company IP Documents has the meaning given to such terms at page 160 of this Prospectus.

Company Supplied Materials means the equipment and / or materials to be supplied under contracts entered

into by Sadara or its nominated buyer for the supply of equipment and / or materials relating to the facilities.

Completion Guarantees means the Dow Completion Guarantees, the Saudi Aramco Completion Guarantee and any Bond Completion Guarantee and any Bond Completion Guarantee.

Completion Guarantor means: (a) Saudi Aramco; (b) Dow; (c) DEH; and (d) a Bond Completion Guarantor (if any).

Comprehensive Cover means the guarantee or insurance from an ECA, which includes cover for political risks and commercial risks before and after the Project Completion Date for the relevant ECA Facility.

Conditions has the meaning given to such term at the cover page of this Prospectus.

Connection Agreement means the connection agreement to be entered into between Sadara and Marafiq.

Construction Contracts means: (i) each engineering, procurement and construction agreement listed in schedule 16 (*Construction Contracts*) of the GCTA, entered into between Sadara and the relevant contractor; and (ii) any other construction agreement designated a “*Construction Contract*” by the Intercreditor Agent, with the prior written consent of Sadara.

Contract Counterparty means a counterparty under each Relevant Document.

Contract Term has the meaning given to such term at page 301 of this Prospectus.

Contractor means the contractor under the relevant Construction Contract.

Contracted Capacity has the meaning given to such term at page 177 of this Prospectus.

Contracted Volume has the meaning given to such term at page 181 of this Prospectus.

Contribution means the gross proceeds from the issuance of the Certificates.

Contribution Asset means a contribution in-kind of all of Sadara’s rights, benefits and entitlement under the Industrial Land Lease Contract.

Corresponding Debt has the meaning given to that term at page 259 of the Prospectus.

Cost Overrun Amount means, at any time:

- (a) the amount by which the Project Costs other than any Project Costs:
 - (i) referred to in paragraph (h) of the definition of “*Project Costs*” which have not been paid or reimbursed by Sadara and are not due and payable by Sadara, including by way of reimbursement;
 - (ii) constituting reimbursement of drawings under letters of credit falling within paragraph (a)(viii) of the definition of “*Permitted Debt*”; or
 - (iii) funded with the proceeds of any Permitted Debt referred to in paragraph (a)(vi) of the definition of “*Permitted Debt*”,
exceeds
- (b) the aggregate of:
 - (i) contributed Equity and available commitments in respect thereof;
 - (ii) the amount drawn down and outstanding under the Senior Debt (other than any Additional CapEx Debt, Buy-down Supplemental Debt or Expansion Debt);
 - (iii) the amount drawn down, or credit extended, (as the case may be) and outstanding under Permitted Debt pursuant to paragraphs (a)(i), (a)(iv), (a)(v), (a)(viii), (a)(ix) or (a)(xi) of the definition of “*Permitted Debt*” which has been applied in payment of those Project Costs referred to in paragraph (c) of the definition of “*Project Costs*”;
- (c) amounts available under:
 - (i) Senior Debt (but excluding Expansion Debt prior to the Expansion Completion Date and Additional CapEx Debt);
 - (ii) Permitted Debt pursuant to paragraphs (a)(i), (a)(iv), (a)(v) or (a)(viii) of such

- definition, in each case, to the extent that such indebtedness may be used to fund those Project Costs referred to in paragraph (c) of the definition of “*Project Costs*” which are projected to fall due prior to the Project Completion Date; and
- (iii) Permitted Debt pursuant to paragraphs (a)(ix) or (a)(xi) of such definition; and
 - (iv) the Balance of:
 - (A) the Casualty and Expropriation Proceeds Account (to the extent not required to be prepaid to the Senior Creditors); and
 - (B) the Offshore Revenues Account, the Onshore Revenues Account, the Offshore Disbursement Account and the Onshore Disbursement Account (in each case, without double counting).

Cost Overrun Contributions means any contribution of the Cost Overrun Amount to be made by each Shareholder to Sadara prior to the Cost Overrun Termination Date pursuant to, and in accordance with, the terms of the Shareholder Undertaking Agreement.

Cost Overrun Termination Date means the earliest to occur of:

- (a) the Project Completion Date;
- (b) the Guaranteed Project Completion Date;
- (c) a demand being made under any Completion Guarantee in respect of any accelerated amounts;
- (d) the Final Discharge Date;
- (e) the occurrence of a mandatory prepayment event in circumstances where all of the Senior Debt is required to be prepaid; and
- (f) a decision by the Senior Creditors, acting in accordance with the Intercreditor Agreement, to accelerate any Senior Debt or enforce any Security.

Costs Undertaking means the costs undertaking dated on or before the Closing Date executed by Sadara in favor of the Issuer.

Counterparties means a Contract Counterparty and, where applicable, the Guarantor.

Creditor Guarantee Beneficiaries means:

- (a) each Initial Senior Creditor;
- (b) each Replacement Creditor (if any) but excluding those Replacement Creditors refinancing or replacing any Expansion Debt;
- (c) each Supplemental Creditor (if any); and
- (d) each Permitted Hedge Provider (if any),

in each case, in respect of Senior Debt not taking the form of Bonds or Sukuk.

CRT or Creditors’ Reliability Test means the reliability tests and related matters set out in schedule 2 (*Creditors’ Reliability Test*) of the GCTA and summarized at section 11 of the Technical Report appended to this Prospectus.

Crude HP Shortfall has the meaning given to such term at page 174 of this Prospectus.

Crude HP Specification has the meaning given to such term at page 173 of this Prospectus.

Crude HP Supply Agreement means the crude HP supply agreement to be entered into between Sadara and HPCo.

Debt Service Account means an account held in the name of Sadara in London with the Offshore Account Bank for the purposes of depositing amounts required by Sadara to make payments in respect of debt service.

Debt Service Required Balance means as of any date an amount that is equal to the sum of (without double counting):

- (a) the product of X and Y; plus
- (b) Z,

where:

- (i) “X” is the quotient of:
 - (A) the number of days since the last Repayment Date (or, if there is no prior Repayment Date, the Project Completion Date);

divided by,

 - (B) the number of days between the last Repayment Date (or, if there is no prior Repayment Date, the Project Completion Date); and the next Repayment Date;
- (ii) “Y” is the aggregate (without double counting) of:
 - (A) scheduled debt service (including principal, commission, premia and fees but excluding, for the avoidance of doubt, any Deferred Principal or prepayment of principal) due under the Senior Financing Instruments on the next Repayment Date plus any amounts due from Sadara under any Permitted Hedging Arrangement entered into by Sadara which is a Permitted Finance Hedging Arrangement during the relevant repayment period (other than any payment relating to the termination of a Permitted Finance Hedging Arrangement); less
 - (B) any amounts payable to Sadara during such period pursuant to any Permitted Finance Hedging Arrangement including any payment in respect of the entry into of any such Permitted Finance Hedging Arrangement,

but excluding in each case:

 - (1) any payments with respect to any Expansion Debt for such time as the Expansion Creditors benefit from any Expansion Completion Guarantee (other than, to the extent applicable, for the purposes of determining the required balance at the Expansion Completion Date, in which case it shall be assumed that the relevant Expansion Completion Guarantee has been released); and
 - (2) any Islamic Insurance and Maintenance Charges (or any reserve in relation to such charges) during such period; and
- (iii) “Z” is equal to the amount of Deferred Principal due and payable on the next Repayment Date

Debt Service Reserve Account means an account held in the name of Sadara in London with the Offshore Account Bank for the purposes of depositing amounts required by Sadara to reserve amounts that may be required to make payments in respect of debt service.

Debt-to-equity Ratio means, at any time, the ratio of:

- (a) the aggregate amount (without double counting) of: (i) principal amounts outstanding in respect of (A) the Initial Senior Debt and any Supplemental Debt; and any Replacement Debt incurred in respect of (A) above and (ii) the amount of any letter of credit issued (but not drawn) in place of all, or a portion of, the DSRA Required Balance;
- to*
- (b) the aggregate amount of Equity.

Decision means any decision, determination, judgment, calculation, approval, consent, confirmation or similar the making or giving of which is required in order:

- (a) to permit a particular course of action to be taken in compliance with terms of the Finance Documents; or
- (b) to amend, or waive compliance with a particular requirement of, any of the terms of the Finance Documents.

Declaration of Agency has the meaning given to such term at the cover page of this Prospectus.

Dedicated Back-Up Inventory has the meaning given such term at page 218 of this Prospectus.

Default means an Event of Default or a Potential Event of Default.

Defaulting Senior Creditor means any Applicable Senior Creditor that has:

- (a) failed to fund any portion of its Senior Debt within three Business Days of the date required to be funded by it under the Finance Documents;
- (b) notified Sadara, the Intercreditor Agent or any Applicable Senior Creditor in writing that it does not intend to comply with any of its funding obligations under the Finance Documents; or
- (c) become the subject of a bankruptcy or insolvency proceeding, or has had an administrator, receiver custodian, trustee or similar officer appointed for it, or has consented to, approved of or acquiesced in any such proceeding or appointment or has a parent company that has become the subject of a bankruptcy or insolvency proceeding, or has had an administrator, receiver or similar officer appointed for it, or has consented to, approved of or acquiesced in any such proceeding or appointment,

unless:

- (i) in the case of paragraph (a) above, its failure to pay is caused by:
 - (A) an administrative or technical error; or
 - (B) a Disruption Event,

and, in each case, payment is made within five Business Days of its due date; or

- (ii) in the case of paragraphs (a) and (b) above, the Senior Creditor is disputing in good faith (or, to the extent any such dispute has been determined in favor of such Senior Creditor, has disputed in good faith) whether it is contractually obliged to make the payment in question.

Deferrable Facility means: (a) each Initial Facility (other than an ECA Facility and the Sukuk Facility); and (b) each Additional Facility which is by its terms deferrable.

Deferred Principal means the amount of principal in respect of a Deferrable Facility, the repayment of which Sadara is permitted to defer under, and in accordance with, the terms of the relevant Facility Agreement.

DEH means Dow Europe Holding B.V., a private company with limited liability organized under the laws of the Netherlands, an wholly-owned indirect subsidiary of Dow.

DEH Equity Bridge Guarantee means any irrevocable, unconditional guarantee issued by DEH in respect of all of Sadara's payment obligations in relation to amounts advanced under the Dow Equity Bridge Facility Agreement.

DEH Primary Completion Guarantee means the DEH primary completion guarantee dated on or before the Closing Date between DEH and the Offshore Security Trustee and Agent.

Delay Period means the First Delay Period and thereafter each period from and including a Delay Period Payment Date to but excluding the next Delay Period Payment Date, with the last Delay Period ending on the earlier of: (a) the Lease Commencement Date; or (b) the termination of the Procurement Agreement.

Delay Period Payment Date means where Delivery has not occurred on or prior to the Target Completion Date, the First Delay Period Date and each 15 June and 15 December thereafter, *provided that* if any such date is not a Business Day the relevant Delay Period Payment Date shall fall on the next day which is a Business Day in the same calendar month (if there is one) or the preceding Business Day (if there is none).

Delayed Delivery Compensation has the meaning given to such term at page 297 of this Prospectus.

Delayed First Repayment Date has the meaning given to such term on page 370 of this Prospectus.

Delegate means any person in which Dow owns, directly or indirectly, an economic interest and to whom Dow delegates or sub-contracts the performance of its obligations under the PMLAs.

Delivery has the meaning given to such term at page 297 of this Prospectus.

Derivative Units means the downstream derivative and associated units for the manufacture of chemical

derivative products.

Designated Voting Party means each Administrative Agent for and on behalf of its Senior Creditor Group provided that for the purposes of Schedule 3 (*Enforcement Procedures*) of the Intercreditor Agreement and in the context of proposals to take:

- (a) Enforcement Action as a result of the occurrence of a Common Event of Default, it means each Administrative Agent that is a party to the GCTA but excluding any Bond Trustee and any Sukuk Participant;
- (b) Enforcement Action as a result of the occurrence of a Specified Common Event of Default, it means each Administrative Agent that is a party to the GCTA and the relevant Sukuk Participant (acting by the relevant Certificateholders' Agent for and on behalf of the relevant Certificateholders as provided in the relevant Declaration of Agency), *but excluding* any Bond Trustee;
- (c) Enforcement Action as a result of the occurrence of a Bond Event of Default, it means the relevant Bond Trustee (for and on behalf of the relevant Bondholders as provided in the relevant Declaration of Agency) under the relevant Bond Indenture;
- (d) Enforcement Action as a result of the occurrence of a Sukuk Event of Default, it means the relevant Sukuk Participant (acting by the relevant Certificateholders' Agent for and on behalf of the relevant Certificateholders as provided in the relevant Declaration of Agency);
- (e) Enforcement Action as a result of the occurrence of an Individual Facility Event of Default, it means the relevant Facility Agent or Sukuk Participant (acting by the relevant Certificateholders' Agent for and on behalf of the relevant Certificateholders);
- (f) Enforcement Action as a result of the occurrence of a Supplemental Event of Default, it means each Facility Agent representing any Relevant Applicable Senior Financing Participant (as such term is defined in the SCTA); and
- (g) Guarantee Enforcement Action, it means each Administrative Agent representing Guarantee Beneficiaries,

in each case, for and on behalf of its Senior Creditor Group.

DETA means Diethylenetriamine.

Dinitrotoluene Engineering Agreement means the di nitrotoluene engineering agreement dated 28 October 2008 and made between Aramco Overseas Company B.V., DEH and Josef Meissner and novated by Aramco Overseas Company B.V. and DEH to Sadara.

Dinitrotoluene Technology Transfer Agreement means the dinitrotoluene technology transfer agreement dated 28 October 2008 and made between Aramco Overseas Company B.V., DEH and Josef Meissner and novated by Aramco Overseas Company B.V. and DEH to Sadara.

Dinitrotoluene Technology Transfer Direct Agreement means the dinitrotoluene technology transfer direct agreement to be entered into between Sadara, Josef Meissner and the relevant Security Agent pursuant to which the Senior Financing Participants, among other things, acquire certain direct rights in relation to the Dinitrotoluene Technology Transfer Agreement.

Direct Agreements means:

- (a) each Dow Technology License Direct Agreement;
- (b) each Dow Technical Services Direct Agreement;
- (c) each Dow Catalyst Supply Direct Agreement;
- (d) the Dow OS&T Direct Agreement;
- (e) each Third Party Technology Transfer Direct Agreement;
- (f) each Dow Product Marketing and Lifting Direct Agreement;
- (g) each Material Third Party Supply Direct Agreement;
- (h) the MACFA Direct Agreement;
- (i) each Secondment Direct Agreement;
- (j) each Third Party Catalyst Supply Direct Agreement; and

- (k) any direct agreement relating to any Major Project Document entered into by Sadara in accordance with the GCTA after the Signing Date substantially in the form attached as schedule 9 (*Form of Pro Forma Direct Agreement*) or otherwise in form and substance satisfactory to the Intercreditor Agent (acting reasonably).

Discounted Available Cashflow means, in relation to any LLCR Calculation Date, the Available Cashflow projected in the then current Banking Case to be received by Sadara in the:

- (a) LLCR Period, discounted back to such LLCR Calculation Date by the weighted average commission rate of the Senior Debt calculated after giving effect to any Permitted Hedging Arrangements in respect of commission rates; and
- (b) on the assumption that any letter of credit issued under the L/C Facility is fully drawn on the first day of the LLCR Period to the extent then available, and is repaid over the remaining life of, and in accordance with, the repayment schedule of the L/C Facility set out in the Dollar Commercial Facilities Agreement.

Dispute means a dispute arising under, out of or in connection with the GCTA.

Disruption Event means either or both of:

- (a) a material disruption to those payment or communications systems or to those financial markets which are, in each case, required to operate in order for payments to be made in connection with the Senior Debt (or otherwise in order for the transactions contemplated by the Finance Documents to be carried out) which disruption is not caused by, and is beyond the control of, any of the parties to the Finance Documents; or
- (b) the occurrence of any other event which results in a disruption (of a technical or systems related nature) to the treasury or payments operations of a party to the Finance Documents preventing that, or any other party to the Finance Documents from:
 - (i) performing its payment obligations under the Finance Documents; or
 - (ii) communicating with other parties to the Finance Documents in accordance with the terms of the Finance Documents,

and which, in either case, is not caused by, and is beyond the control of, the party whose operations are disrupted.

Distributable Musharaka Profit means, for the relevant Accounting Period (and subject to clause 2.4 (*Musharaka*) of the Musharaka Agreement), the Musharaka Revenues.

Distribution Date means the First Distribution Date and each 15 June and 15 December thereafter until and including the Final Distribution Date, *provided* in each case that if such date is not a Business Day, the relevant Distribution Date shall fall on the next day which is a Business Day in the same calendar month (if there is one) or the preceding Business Day (if there is none).

Distribution Ratio Test has the meaning given to such term at page 271 of this Prospectus.

Distributions means:

- (a) any dividend, charge, fee or other distribution on or in respect of the equity share capital of Sadara;
- (b) any redemption, reduction, repurchase or repayment of share capital, share premium or other capital reserves;
- (c) any repayment of principal, payment of commission or payment of other amounts in respect of the Shareholder Subordinated Loans or any other loans constituting Equity (but excluding any Equity Bridge Facility);
- (d) any distribution, return, refund or payment of any amount in respect of an indemnity or other obligations of Sadara relating to any Completion Guarantee; or
- (e) any other distribution in respect of, or payment on account of, Equity,

whether in cash, property or in-kind, *provided that*, for the avoidance of doubt, a payment to a Shareholder Senior Facility Creditor due and payable under the terms of the Shareholder Senior Facilities shall not constitute a Distribution.

Distributions Account means an account held in the name of Sadara in The Kingdom with the Onshore Account Bank for the purposes of depositing amounts in accordance with the Finance Documents which, at Sadara's election, are distributable to the Shareholders.

DMC Polyols means a type of Dow technology license.

DNT means dinitrotoluene.

Dollar Commercial Facilities means the Dollar-denominated commercial term loan facility and the L/C Facility made available to Sadara by the Dollar Commercial Facilities Creditors pursuant to the terms of the Dollar Commercial Facilities Agreement.

Dollar Commercial Facilities Agent means the facility agent for and on behalf of the Dollar Commercial Facilities Creditors.

Dollar Commercial Facilities Agreement means the Dollar-denominated commercial term loan and letter of credit facility to be entered into on or about the Second Signing Date and made between Sadara, the Intercreditor Agent, the Dollar Commercial Facilities Agent and the Dollar Commercial Facilities Creditors, setting out the terms and conditions specific to the Dollar Commercial Facilities.

Dollar Commercial Facilities Creditors means:

- (a) the Initial Dollar Commercial Facilities Creditors; and
- (b) any bank, financial institution, trust fund or other entity which has become a Senior Creditor in accordance with clause 39 (*Changes to the Senior Financing Participants*) of the GCTA and, if applicable, a Dollar Commercial Facilities Creditor under the Dollar Commercial Facilities Agreement in accordance with the Dollar Commercial Facilities Agreement,

unless, in each case, such person has ceased to be a Senior Creditor in accordance with the terms of the GCTA or a Dollar Commercial Facilities Creditor in accordance with the terms of the Dollar Commercial Facilities Agreement.

Dollar Facility Procurement Agreement means the Dollar facility procurement agreement to be entered into on or about the Second Signing Date and made between Sadara, the Intercreditor Agent, the Dollar Procurement Facility Agent and the Procurement Facility Asset Agent.

Dollar Procurement Facility means the financing arrangements made available to Sadara under the Dollar Procurement Facility Documents.

Dollar Procurement Facility Agent means the facility agent for and on behalf of the Dollar Procurement Facility Participants.

Dollar Procurement Facility Documents means:

- (a) the Dollar Procurement Facility Forward Lease Agreement;
- (b) the Dollar Procurement Facility Investment Agency Agreement;
- (c) the Dollar Facility Procurement Agreement;
- (d) the Dollar Procurement Facility Purchase Undertaking;
- (e) the Dollar Procurement Facility Sale Undertaking;
- (f) the Dollar Procurement Facility Service Agency Agreement;
- (g) the Dollar Procurement Facility Sale Undertaking;
- (h) the Procurement Facility Asset Agent Funding Agreement; and
- (i) any other agreement or document designated as such by the Dollar Procurement Facility Agent, the Intercreditor Agent and Sadara.

Dollar Procurement Facility Forward Lease Agreement means the Dollar procurement facility forward lease agreement to be entered into on or about the Second Signing Date and made between the Procurement Facility Asset Agent, Sadara, the Intercreditor Agent and the Dollar Procurement Facility Agent.

Dollar Procurement Facility Investment Agency Agreement means the procurement facility investment agency agreement dated on or about the Second Signing Date and made between Sadara, the Intercreditor

Agent, the Dollar Procurement Facility Agent, the Procurement Facility Asset Agent, the Procurement Facility Asset Custodian Shareholders and the Dollar Procurement Facility Participants.

Dollar Procurement Facility Participants means:

- (a) the Initial Dollar Procurement Facility Participants; and
- (b) any bank, financial institution, trust fund or other entity which has become a Senior Creditor in accordance with clause 39 (*Changes to the Senior Financing Participants*) of the GCTA and a Dollar Procurement Facility Participant under the Dollar Procurement Facility Investment Agency Agreement,

unless, in each case, such person has ceased to be a Senior Creditor in accordance with the terms of the GCTA or a Dollar Procurement Facility Participant in accordance with the terms of the Dollar Procurement Facility Investment Agency Agreement.

Dollar Procurement Facility Purchase Undertaking means the procurement facility purchase undertaking to be entered into on or about the Second Signing Date and given by Sadara in favor of the Intercreditor Agent, the Dollar Procurement Facility Agent and the Procurement Facility Asset Agent.

Dollar Procurement Facility Sale Undertaking means the procurement facility sale undertaking to be entered into on or about the Second Signing Date and given by the Dollar Procurement Facility Agent and the Procurement Facility Asset Agent in favor of Sadara.

Dollar Procurement Facility Service Agency Agreement means the procurement facility service agency agreement to be entered into on or about the Second Signing Date and made between Sadara, the Intercreditor Agent, the Dollar Procurement Facility Agent and the Procurement Facility Asset Agent.

Dollar Wakala Facility means the financing arrangements denominated in Dollars and made available to Sadara by the Dollar Wakala Facility Participants under the Wakala Facility Documents.

Dollar Wakala Facility Agent means the facility agent for and on behalf of the Dollar Wakala Facility Participants.

Dollar Wakala Facility Participants means:

- (a) the Initial Dollar Wakala Facility Participants; and
- (b) any bank, financial institution, trust fund or other entity which has become a Senior Creditor and a Dollar Wakala Facility Participant in accordance with the Wakala Facility Asset Participation Agreement,

which, in each case, has not ceased to be a Senior Creditor in accordance with the terms of the GCTA or a Dollar Wakala Facility Participant in accordance with the terms of the Wakala Agreement.

Dollars or USD means the lawful currency of the United States of America.

Dow means The Dow Chemical Company, a corporation organized under the laws of the State of Delaware of the United States of America.

Dow Catalyst Supply Direct Agreement means:

- (a) the Solution Polyethylene Catalyst Supply Direct Agreement;
- (b) the HPPO Epoxidation Catalyst Supply Direct Agreement;
- (c) the Ethyleneamines Catalyst Supply Direct Agreement;
- (d) the METEOR™ Ethylene Oxide 200 Catalyst Supply Direct Agreement;
- (e) the Polyols (DMC) Catalyst Supply Direct Agreement; and
- (f) the Solution Elastomers Catalyst Supply Direct Agreement.

Dow Completion Guarantees means:

- (a) the DEH Primary Completion Guarantee; and
- (b) the Dow Secondary Completion Guarantee.

Dow CSAs has the meaning given to such term at page 109 of this Prospectus.

Dow Equity Bridge Facility means the Dollar-denominated commercial term loan facility made available to Sadara by the Dow Equity Bridge Facility Creditors pursuant to the terms of the Dow Equity Bridge Facility Agreement.

Dow Equity Bridge Facility Agent means the Dow administrative agent appointed pursuant to the terms of the Dow Equity Bridge Facility Agreement.

Dow Equity Bridge Facility Agreement means any Dollar-denominated commercial term loan facility agreement entered into after the Second Signing Date and made between Sadara, the Intercreditor Agent and the Dow Equity Bridge Facility Finance Parties, setting out the terms and conditions specific to the Dow Equity Bridge Facility, *provided that* if any such facility agreement is entered into after the Second Signing Date: (a) it shall be non recourse to Sadara, any of its Subsidiaries and any Sukuk Issuer; and (b) the Dow Equity Bridge Facility Agent and the Dow Equity Bridge Facility Creditors thereunder shall have acceded to the Intercreditor Agreement.

Dow Equity Bridge Facility Creditors means those creditors that are party to the Dow Equity Bridge Facility Agreement from time to time.

Dow Equity Bridge Facility Finance Parties means the Dow Equity Bridge Facility Creditors and the Dow Equity Bridge Facility Agent.

Dow Equity Bridge Guarantee means any irrevocable, unconditional guarantee issued by Dow in respect of the payment obligations of DEH under the Dow Equity Bridge Guarantee.

Dow Europe GmbH means Dow Europe GmbH, a limited liability company organized in Switzerland, a wholly-owned indirect subsidiary of Dow.

Dow Exit Date means the date of completion of the transactions contemplated by section 18.2(b) (i) (*Consequences of Events of Default*) or section 18.2(b)(ii) (*Consequences of Events of Default*) of the Shareholders' Agreement, as in effect as at 6 April 2012.

Dow Facility means the Dollar-denominated commercial term loan facility made available to Sadara by the Dow Facility Creditors pursuant to the terms of the Dow Facility Agreement by way of Additional Senior Debt.

Dow Facility Agent means any facility agent acting for and on behalf of the Dow Facility Creditors under the Dow Facility Agreement.

Dow Facility Agreement means any term loan facility agreement entered into after the Second Signing Date and made between Sadara, the Intercreditor Agent, the Dow Facility Creditors and the Dow Facility Agent, setting out the terms and conditions specific to the Dow Facility.

Dow Facility Creditors means any creditor under a Dow Facility Agreement, unless, such person has ceased to be a Senior Creditor in accordance with the terms of the GCTA and a Dow Facility Creditor in accordance with the terms of the Dow Facility Agreement.

Dow Facility Final Maturity Date means 15 December 2028.

Dow Founding Shareholder means Dow Saudi Arabia Holding B.V.

Dow OST means the Dow operating systems and tools provided under the Dow OS&T Agreement.

Dow OS&T Agreement means the operating systems and tools agreement dated 30 June 2012 and made between Sadara and DEH.

Dow OS&T Direct Agreement means the Dow OS&T direct agreement to be entered into between Sadara, DEH and the relevant Security Agent pursuant to which the Senior Financing Participants, among other things, acquire certain direct rights in relation to the Dow OS&T Agreement.

Dow Product Marketing and Lifting Agreements or **Dow PMLAs** means:

- (a) the High Pressure Low-density Polyethylene Product Marketing and Lifting Agreement;
- (b) the Solution High Density Polyethylene Product Marketing and Lifting Agreement;
- (c) the Solution Polyethylene (C4) Product Marketing and Lifting Agreement;

- (d) the Solution Polyethylene (C6) Product Marketing and Lifting Agreement;
- (e) the Solution Polyethylene (C8) Product Marketing and Lifting Agreement;
- (f) the Solution Elastomers Product Marketing and Lifting Agreement;
- (g) the Propylene Glycol Product Marketing and Lifting Agreement;
- (h) the Ethanolamines and Ethyleneamines Product Marketing and Lifting Agreement;
- (i) the Polyols Product Marketing and Lifting Agreement;
- (j) the Polymeric Methylene Diphenyl Diisocyanate Product Marketing and Lifting Agreement;
- (k) the Toluene Diisocyanate Product Marketing and Lifting Agreement;
- (l) the Butyl Glycol Ether Product Marketing and Lifting Agreement;
- (m) the Propylene Product Marketing and Lifting Agreement;
- (n) the Ethylene Product Marketing and Lifting Agreement;
- (o) the Benzene Product Marketing and Lifting Agreement;
- (p) the Toluene Product Marketing and Lifting Agreement; and
- (q) the Pygas Product Marketing and Lifting Agreement.

Dow Saudi Arabia Product Marketing B.V. means a company that provides marketing and lifting services to Sadara for all Products to be sold outside The Kingdom and the Middle East Zone.

Dow Secondary Completion Guarantee means the Dow Secondary Completion Guarantee dated on or before the Closing Date between Dow and the Offshore Security Trustee and Agent.

Dow Service Provider means Dow Saudi Arabia Holding B.V.

Dow Shareholder means Dow Saudi Arabia Holding B.V., a private company with limited liability organised under the laws of The Netherlands, being a wholly-owned subsidiary of DEH.

Dow Shareholder EoD has the meaning given to such term at page 236 of this Prospectus.

Dow Shareholder Share Pledge Agreement means the share pledge agreement dated on or about the First Signing Date governed by the laws of The Kingdom, pursuant to which the Dow Shareholder pledges its shares in Sadara to the Onshore Security Agent for the benefit of the Secured Parties.

Dow Technical Services Agreements or **TSA** means the Out-of-Kingdom Post-Acceptance Technical Services Agreements, the In-Kingdom Pre-Acceptance TSAs and the In-Kingdom Post-Acceptance Technical Services Agreements.

Dow Technical Services Direct Agreements means:

- (a) the Pre-Acceptance TSAs Direct Agreements;
- (b) the In-Kingdom Post-Acceptance Technical Services Direct Agreements; and
- (c) the Out-of-Kingdom Post-Acceptance Technical Services Direct Agreements.

Dow Technology License Agreements or **Dow TLAs** means:

- (a) the Solution Polyethylene Technology License Agreement;
- (b) the Elastomers Technology License Agreement;
- (c) the METEOR™ Ethylene Oxide Technology License Agreement;
- (d) the HPPO TLA;
- (e) the Propylene Glycol Technology License Agreement;
- (f) the Polymeric Methylene Diphenyl Isocyanate Technology License Agreement;
- (g) the Toluene Diamine/Toluene Diisocyanate Technology License Agreement;
- (h) the Polyols (DMC) Technology License Agreement;
- (i) the Polyols (KOH) Technology License Agreement;
- (j) the Amines (Ethanolamines and Ethyleneamines) Technology License Agreement;
- (k) the Butyl Glycol Ether Technology License Agreement;
- (l) the Chlor Alkali Technology License Agreement; and
- (m) the High Pressure Low-density Polyethylene Technology License Agreement.

Dow Technology License Direct Agreements means:

- (a) the Solution Polyethylene Technology License Direct Agreement;
- (b) the Elastomers Technology License Direct Agreement;
- (c) the METEOR™ Ethylene Oxide Technology License Direct Agreement;
- (d) the HPPO Manufacturer License Direct Agreement;
- (e) the Propylene Glycol Technology License Direct Agreement;
- (f) the Polymeric Methylene Diphenyl Isocyanate Technology License Direct Agreement;
- (g) the Toluene Diamine/Toluene Diisocyanate Technology License Direct Agreement;
- (h) the Polyols (DMC) Technology License Direct Agreement;
- (i) the Polyols (KOH) Technology License Direct Agreement;
- (j) the Amines (Ethanolamines and Ethyleneamines) Technology License Direct Agreement;
- (k) the Butyl Glycol Ether Technology License Direct Agreement;
- (l) the Chlor Alkali Technology License Direct Agreement; and
- (m) the High Pressure Low-density Polyethylene Technology License Direct Agreement.

DSRA Required Balance means, as of any date on or after the Project Completion Date, the aggregate amount of (without double counting):

- (a) scheduled debt service (including principal, commission, premia and fees) due under the Senior Financing Instruments (including any amounts scheduled to become due and payable under any Hedging Agreement entered into by Sadara which is a Permitted Finance Hedging Arrangement) but excluding:
 - (i) any Islamic Insurance and Maintenance Charges (or any reserve in relation to such charges);
 - (ii) any Deferred Principal, prepayment of principal and any payment relating to the termination of a Permitted Finance Hedging Arrangement; and
 - (iii) any payments with respect to any Expansion Debt for such time as the Expansion Creditors benefit from any Expansion Completion Guarantee other than, to the extent applicable, for the purposes of determining the required balance at the Expansion Completion Date, in which case it shall be assumed that the relevant Expansion Completion Guarantee has been released; less
- (b) any amounts payable to Sadara during such period pursuant to any Permitted Finance Hedging Arrangement including any payment in respect of the entry into of any such Permitted Finance Hedging Arrangement, in each case, on or prior to the date falling six (6) months thereafter, provided that, with respect to the period prior to the First Repayment Date, an amount equal to the aggregate amount of all scheduled principal due on the First Repayment Date shall be included in the above calculation regardless of whether the First Repayment Date falls more than six (6) months after the Project Completion Date.

DZIT means the department of *zakat* and income tax of Saudi Arabia.

EA means ethyleneamines.

Early Distribution Amounts has the meaning given to such term in Condition 8.6 (*Partial Redemption*).

Early Lease Termination Date means the date specified as such in the Early Lease Termination Notice which must be (a) except in the case of an Early Lease Termination Notice delivered following the occurrence of an Enforcement Event, a Payment Date; and (b) in the case of an Early Lease Termination Notice delivered following the occurrence of an Enforcement Event, not more than sixty (60) days, and in all other cases, not less than thirty (30) days and not more than sixty (60) days, in each case after the date on which the Early Lease Termination Notice is given.

Early Lease Termination Notice means a notice to be delivered by the Lessee to the Co-Lessors specifying the date on which the Forward Lease Agreement is terminated:

- (a) following the occurrence of a Tax Event;
- (b) on or after the fifth (5th) anniversary of the date of the Forward Lease Agreement; or
- (c) following the occurrence of an Enforcement Event.

Early Payment means, in relation to:

- (a) a Procurement Facility, a refund of all or part of any Procurement Facility Stage Payment pursuant to the Dollar Facility Procurement Agreement or the Saudi Riyal Facility Procurement Agreement (as the case may be) and a payment for the purchase by Sadara of all or part of the Procurement Facility Assets pursuant to the Dollar Procurement Facility Purchase Undertaking or the Saudi Riyal Procurement Facility Purchase Undertaking (as the case may be);
- (b) the Wakala Facilities, a refund of all or part of any Wakala Facility Stage Payment pursuant to the Wakala Agreement, a payment by Sadara pursuant to the Wakala Specified Forward Lease Agreement and a payment for the purchase by Sadara of the Wakala Facility Assets pursuant to the Wakala Facility Specified Lease Agreement;
- (c) a Sukuk Facility, each unscheduled payment to the relevant Sukuk Participant of an amount equal to all or (in the case of clause 10.2 (*Casualty Proceeds*) of the GCTA, clause 10.2 (*Casualty Proceeds*) of the GCTA, clause 10.3 (*Expropriation Proceeds*) of the GCTA, clause 10.4 (*Sharing of Pre-Completion Net Revenues*) of the GCTA and paragraph 12.5 (*Prepayment Conditions*) of schedule 2 (*Creditors' Reliability Test*) to the GCTA only) part of the Sukuk Facility Advance prior to the scheduled final maturity date of the relevant Certificates under any other Sukuk Facility; and
- (d) an Additional Facility (other than a Sukuk Facility) documented as an Islamic Facility (utilising a *Shari'ah*-compliant lease (or *jjara*) structure), refunds of stage payments or early lease rental payments made by Sadara or purchase price payments by Sadara in respect of lease assets under the Additional Facility Agreements relating to such Additional Facility which are equivalent to the early payments referred to in paragraphs (a) to (c) (inclusive) above,

in each case, as the context requires.

Early Payment Amount has the meaning given to such term in Condition 8.6 (*Partial Termination*).

EBITDA means earnings before interest, taxes, depreciation and amortization.

ECA means each export credit agency providing funding, insurance or credit support under a Senior Financing Instrument, which includes, from the Second Signing Date, each Initial ECA.

ECA Creditors means the Senior Creditors under the ECA Facilities but excluding the ECAs.

ECA Facilities means each Facility in respect of an ECA Facility Agreement being:

- (a) the COFACE Covered Facility;
- (b) the ECGD Covered Facility;
- (c) the FIEM Direct Facility;
- (d) the Hermes Covered Facility;
- (e) the K-Exim Facilities;
- (f) the K-sure Covered Facilities; and
- (g) the US Ex-Im Facility.

ECA Facilities Final Maturity Date means 15 December 2029.

ECA Facility Agreements means:

- (a) each Initial ECA Facility Agreement; and
- (b) each Additional ECA Facility Agreement.

ECA Risk Policy means a political, comprehensive or other insurance policy or guarantee provided to one or more of the ECA Creditors by an ECA in respect of an ECA Facility.

ECGD means the Secretary of State of Her Britannic Majesty's Government acting by the Export Credits Guarantee Department.

ECGD Covered Facility means the Dollar and, to the extent applicable, the Saudi Riyal denominated term

loan facility made available to Sadara by the ECGD Covered Facility Creditors pursuant to the terms of the ECGD Covered Facility Agreement.

ECGD Covered Facility Agent means the facility agent for and on behalf of the ECGD Covered Facility Creditors.

ECGD Covered Facility Agreement means the Dollar and, to the extent applicable, the Saudi Riyal denominated term loan facility agreement to be entered into on or about the Second Signing Date and made between Sadara, ECGD, the ECGD Covered Facility Agent and the ECGD Covered Facility Creditors, setting out the terms and conditions specific to the ECGD Covered Facility.

ECGD Covered Facility Creditors means:

- (a) the Initial ECGD Covered Facility Creditors; and
- (b) any bank, financial institution, trust fund or other entity which has become a Senior Creditor under the Finance Documents and an ECGD Covered Facility Creditor under the ECGD Covered Facility Agreement in accordance with the ECGD Covered Facility Agreement), in accordance with clause 30 (*Changes to the Senior Financing Participants*) of the GCTA and if applicable, an ECGD Covered Facility Creditor under the ECGD Covered Facility Agreement in accordance with the relevant clause of the ECGD Covered Facility Agreement.

which, in each case, has not ceased to be a Senior Creditor in accordance with the terms of the GCTA or an ECGD Covered Facility Creditor in accordance with the terms of the ECGD Covered Facility Agreement.

EDA means Ethylenediamine.

EFSA means the ethane feedstock supply agreement dated 11 September 2012 and made between Sadara and Saudi Aramco for the supply of ethane feedstock to the Sadara Complex.

EHS means environmental health and safety.

Elastomers CSA means the solution elastomers catalyst supply agreement dated 15 September 2012 and made between Sadara and Dow with respect to the supply of solution elastomers catalyst to the Sadara Complex.

Elastomers In-Kingdom Post-Acceptance Technical Services Agreement means the solution elastomers In-Kingdom Post-Acceptance Technical Services Agreement dated 8 December 2011 and made between Sadara and Dow Saudi Arabia Company.

Elastomers In-Kingdom Post-Acceptance Technical Services Direct Agreement means the solution elastomers In-Kingdom Post-Acceptance Technical Services Direct Agreement to be entered into between Sadara, Dow Saudi Arabia Company and the relevant Security Agent pursuant to which the Senior Financing Participants, among other things, acquire certain direct rights in relation to the Elastomers In-Kingdom Post-Acceptance Technical Services Agreement.

Elastomers In-Kingdom Pre-Acceptance Technical Services Agreement means the solution elastomers In-Kingdom Pre-Acceptance Technical Services Agreement dated 8 December 2011 and made between Sadara and Dow Saudi Arabia Company.

Elastomers In-Kingdom Pre-Acceptance Technical Services Direct Agreement means the solution elastomers In-Kingdom Pre-Acceptance Technical Services Direct Agreement to be entered into between Sadara, Dow Saudi Arabia Company and the relevant Security Agent, pursuant to which the Senior Financing Participants, among other things, acquire certain direct rights in relation to the Elastomers In-Kingdom Pre-Acceptance Technical Services Agreement.

Elastomers Out-of-Kingdom Post-Acceptance Technical Services Agreement means the solution elastomers Out-of-Kingdom Post-Acceptance Technical Services Agreement dated 8 December 2011 and made between Sadara and DEH.

Elastomers Out-of-Kingdom Post-Acceptance Technical Services Direct Agreement means the solution elastomers Out-of-Kingdom Post-Acceptance Technical Services Direct Agreement to be entered into between Sadara, DEH and the relevant Security Agent pursuant to which the Senior Financing Participants acquire certain direct rights in relation to the Elastomers Out-of-Kingdom Post-Acceptance Technical Services Agreement.

Elastomers Technology License Agreement means the solution elastomers technology license agreement dated 8 December 2011 and made between Sadara and DEH with respect to the licensing of elastomers technology to the Sadara Complex.

Elastomers Technology License Direct Agreement means the solution elastomers technology license direct agreement to be entered into between Sadara and the relevant Security Agent pursuant to which the Senior Financing Participants, among other things, acquire certain direct rights in relation to the Elastomers Technology License Agreement.

Eligible Bank means any bank or financial institution established under the laws of any country that is an Acceptable Creditor and a member of the OECD or the Gulf Co-operation Council.

Eligible Construction and Supply Contracts means, in relation to each ECA Facility, contracts for the supply of goods and services in connection with the Project that are Eligible Goods and Services.

Eligible Goods and Services means, in relation to an ECA Facility, goods and services under any Eligible Construction and Supply Contracts which are eligible for export credit cover under that ECA Facility.

Eligible Person means any one of the following persons who shall be entitled to attend and vote at a meeting:

- (a) a holder of a Certificate in definitive form (if any) (including any representative appointed by a corporation that holds Certificates);
- (b) a bearer of any Voting Certificate;
- (c) a proxy specified in any Block Voting Instruction; and
- (d) a proxy appointed in accordance with paragraph 3(c)(i) (*Definitive Certificates – appointment of proxy*) of schedule 3 (*Provisions for meetings of the Certificateholders*) of the Declaration of Agency.

Eligible Purchaser means Sadara, the Sponsors or any of their Subsidiaries (including the Issuer), in each case provided the same is permitted to acquire and hold Certificates under the Applicable laws of The Kingdom.

Encumbrance means a mortgage, charge, pledge, lien or other security interest securing any obligation of any person or any other agreement or arrangement having the commercial effect of security.

Enforcement Action means, without limitation, any action to:

- (a) cancel and reduce to zero the unutilized portion of any Senior Creditor's Commitment under the Senior Financing Instrument to which it is a party such that no further Advances may be requested or required to be made under any Facility;
- (b) declare all or a proportion of the amounts outstanding in respect of the Senior Debt (including any costs, losses and expenses) to be immediately due and payable (or due and payable on demand or on such dates as the Intercreditor Agent may specify) or otherwise seek to accelerate payment of, or place on demand, all or any part of the Senior Debt;
- (c) make any claim under or exercise any right with respect to a Promissory Note;
- (d) apply any monies credited to any Project Account in or towards the discharge of the Senior Debt, whether by exercising a right of set off or otherwise;
- (e) issue an Enforcement Blocking Notice;
- (f) otherwise enforce a claim in respect of the Senior Debt by way of attachment, set-off, execution or otherwise;
- (g) exercise any right of termination of a Finance Document, or otherwise exercise any Restricted Lease Rights;
- (h) cure any default under any Project Document;
- (i) exercise or direct a Security Agent to exercise, as applicable, any rights, remedies, powers or discretions under any Direct Agreement, Notice and Acknowledgement of Assignment or Security Document;
- (j) petition, apply or vote for, or take any other step which is reasonably likely to lead to, an Insolvency Event in relation to Sadara;
- (k) commence or join any legal or arbitration proceedings against an Obligor (other than a Completion Guarantor or a Shareholder) in relation to the recovery of all or any part of the Senior Debt; and/or

- (l) require the Islamic Financing Participants to take any action to sell, transfer or otherwise dispose of its right, title or interest in or to the Islamic Facility Assets for the benefit of the Secured Parties and transfer the proceeds thereof to the Onshore Security Agent for application in accordance with Clause 13.2 (Post–Enforcement Payment Priorities) of the Intercreditor Agreement,

except that certain specified actions (including the taking of any Interim Action or Guarantee Enforcement Action) will not constitute Enforcement Action..

Enforcement Action Date means the date on which the Intercreditor Agent makes its determination that it has the relevant instructions to take Enforcement Action pursuant to paragraph 4 (*Initiation of Enforcement Action*) to part B (*Operative Provisions*) of schedule 3 (*Enforcement Procedures*) to the Intercreditor Agreement.

Enforcement Blocking Notice means a Blocking Notice in substantially the same form as that set out in Schedule 5 (*Form of Enforcement Blocking Notice*) of the Accounts Agreement.

Enforcement Event has the meaning given to such term in Condition 8.3 (*Early Termination at the Option of the Issuer*).

Enforcement Event Termination Date has the meaning given to such term in Condition 8.3 (*Early Termination at the Option of the Issuer*).

Environment means living organisms including the ecological systems of which they form part and the following media:

- (a) air (including air within natural or man-made structures, whether above or below ground);
- (b) water (including territorial, coastal and inland water, water under or within land and water in drains and sewers); and
- (c) land (including land under water).

Environmental and Social Guidelines means the minimum standards applicable to the Project under the:

- (a) IFC Performance Standards on Social & Environmental Sustainability;
- (b) World Bank Group Environmental, Health, and Safety (EHS) Guidelines; and
- (c) Environmental and Social Laws,

in each case, as in effect on the First Signing Date.

Environmental and Social Impact Assessment means the assessment of the environmental and social impacts of the Project prepared by Sadara in accordance with the Environmental and Social Guidelines, and to be delivered under the Subscription Agreement as a condition precedent to the First Financial Close.

Environmental and Social Laws means any Applicable Laws in The Kingdom and any other jurisdiction in which Sadara, the Issuer or any of its Permitted Subsidiaries carries on its business which:

- (a) have as their purpose the protection of, and / or prevention of harm or damage to, the Environment;
- (b) provide remedies or compensation for harm or damage to the Environment;
- (c) relate to hazardous substances or health and / or safety matters; or
- (d) relate to cultural heritage or artifacts.

Environmental and Social Management Plan means the environmental and social management plan in respect of the construction and operation of the Project, based on the Environmental and Social Impact Assessment and, in the case of the environmental and social management plan in respect of the construction phase, to be delivered under the Subscription Agreement as a condition precedent to the First Financial Close.

Environmental and Social Requirements means:

- (a) all material Environmental Consents;
- (b) all applicable Environmental and Social Laws; and
- (c) the Environmental and Social Management Plan.

Environmental Consent means any Governmental Consent required under Environmental and Social Laws.

Environmental Report means a report prepared by the Technical and Environmental Consultant reviewing environmental aspects of the Project.

EO means ethylene oxide.

EOA means ethanolamines.

EPC means Engineering, Procurement and Construction.

EPCM means design, engineering, purchasing services and construction management.

EPCM Contract means the engineering, procurement and construction management contracts.

EPCM Contractor means the contractor under the EPCM Contract.

Equity means funds consisting of:

- (a) any advances made under Equity Bridge Facilities (if any);
- (b) cash subscriptions to the share capital of Sadara;
- (c) share capital that previously took the form of a debt owed by Sadara to a Shareholder in relation to Project Costs paid by a Shareholder (or an Affiliate on its behalf) on behalf of Sadara prior to the First Financial Close, and which debt has been exchanged for share capital under the laws and regulations of The Kingdom to the extent the Technical and Environmental Consultant has confirmed that such amounts have been spent on Project Costs (such confirmation not to be unreasonably withheld or delayed);
- (d) Shareholder Subordinated Loans (other than amounts contributed to meet commission on any of the Shareholder Subordinated Loans or any capitalization of interest or commission on such loans and any Temporary Shareholder Loans) (including, after the Project Completion Date, any amounts standing to the credit of the statutory reserve) extended to Sadara (excluding Senior Debt provided by any Shareholder or its Affiliate(s) and any capitalized commission on any Shareholder Senior Facilities); and
- (e) Pre-completion Net Revenues which have been applied:

to meet Project Costs in accordance with clause 5.2(a) (*Payment to Company of Pre-completion Net Revenues*) of the GCTA; and / or

in accordance with clause 5.2(b) (*Payment to Company of Pre-completion Net Revenues*) or clause 5.4 (*Sharing of Pre-completion Net Revenues*) of the GCTA,

but excluding subscriptions to the share capital of, or loans extended to, Sadara by any Expansion Shareholder in respect of any Expansion Facility and less any funds howsoever applied by Sadara pursuant to clauses 5.1 (*True-up*), 5.2(b) (*Payment to Company of Pre-completion Net Revenues*) or 5.4 (*Sharing of Pre-completion Net Revenues*) of the GCTA.

Equity Bridge Facilities means the Dow Equity Bridge Facility and the Saudi Aramco Equity Bridge Facility.

Equity Bridge Facility Agreements means the Saudi Aramco Equity Bridge Facility Agreement and the Dow Equity Bridge Facility Agreement.

Equity Bridge Facility Creditors means the Saudi Aramco Equity Bridge Facility Creditors and the Dow Equity Bridge Facility Creditors.

Equity Bridge Finance Document means any equity bridge facility agreement entered into by Saudi Aramco and / or Dow, (a) each Equity Bridge Facility Agreement; (b) each Equity Bridge Guarantee; and (c) any other Acceptable Credit Support in respect of Sadara's payment obligations under the relevant Equity Bridge Facility Agreement.

Equity Bridge Guarantees means: (a) the Saudi Aramco Equity Bridge Guarantee; (b) the DEH Equity Bridge Guarantee; and (c) the Dow Equity Bridge Guarantee.

Equivalent Products means products equivalent to the Products from an alternative source.

Escrow Account has the meaning given to such term at page 273 of this Prospectus.

Espanola means Española de Investigación y Desarrollo, S.A.

Espanola TTA means the technology transfer agreement dated 6 November 2008 and made between Espanola, DEH and Aramco Overseas Company B.V.

Estimated Modification/Expansion Costs has the meaning given to such term in paragraph 1(e)(i) of schedule 14 (*Expansion Facilities*) to the GCTA.

Ethane Feedstock means the ethane feedstock supplied by Saudi Aramco to Sadara under the EFSA.

Ethanolamines and Ethyleneamines Product Marketing and Lifting Agreement means the ethanolamines and ethyleneamines product marketing and lifting agreement dated 11 September 2012 and made between Sadara and Dow Saudi Arabia Product Marketing B.V.

Ethanolamines and Ethyleneamines Product Marketing and Lifting Direct Agreement means the ethanolamines and ethyleneamines product marketing and lifting direct agreement to be entered into between Sadara, Dow Saudi Arabia Product Marketing B.V. and the relevant Security Agent pursuant to which the Senior Financing Participants, among other things, acquire certain direct rights in relation to the Ethanolamines and Ethyleneamines Product Marketing and Lifting Agreement.

Ethylene Oxide CSA means the ethylene oxide catalyst supply agreement dated 15 September 2012 and made between Sadara and Dow with respect to the supply of ethylene oxide catalyst to the Sadara Complex.

Ethylene Oxide Supply Agreement means the ethylene oxide supply agreement to be entered into between Sadara and a third party.

Ethylene Product Marketing and Lifting Direct Agreement means the ethylene product marketing and lifting direct agreement to be entered into between Sadara, Dow Saudi Arabia Product Marketing B.V. and the relevant Security Agent pursuant to which the Senior Financing Participants, among other things, acquire certain direct rights in relation to the Ethylene Product Marketing and Lifting Agreement.

Ethyleneamines Catalyst Supply Direct Agreement means the ethyleneamines catalyst supply direct agreement to be entered into between Sadara, Dow and the relevant Security Agent pursuant to which the Senior Financing Participants, among other things, acquire certain direct rights in relation to the Amines CSA.

Euro, EUR or € has the meaning given to such term at page v of this Prospectus.

Event of Default means any event or circumstance specified as such in clause 25 (*Common Events of Default*) of the GCTA and certain other events specified as Events of Default in the Finance Documents.

Event of Loss has the meaning given to such term at page 174 of this Prospectus.

Excess Cash means, for the purposes of a liability of the Issuer: (a) the Issuer has available cash resources (excluding any amount representing the Share Capital Amount) to pay the liability in question; and (b) the Issuer can reasonably demonstrate that such cash resources will not be required to defray costs, liabilities, expenses or other outgoings of it currently due and payable or scheduled to be due and payable, after taking account of payments subsequently becoming due to the Issuer (including from Sadara under the Finance Documents); *provided that* if such Excess Cash is so required in the future or the liability otherwise remains undischarged, the liability shall continue to be compensable under the Costs Undertaking. The Issuer will, without limitation, have Excess Cash for the above purposes to the extent that it suffers a liability but is effectively compensated for that liability as a result of receiving payments pursuant to Clause 2.5 (*Undertakings*) of the Costs Undertaking or clause 14 (*Payments*) of the Forward Lease Agreement, Clause 8 of the Musharaka Agreement, Clause 8 of the Procurement Agreement and/or Clause 9 of the Service Agency Agreement.

Excess Equity Holding Account means a holding account held in the name of Sadara for the purposes of receiving any pre-completion relevant payments under and in accordance with the GCTA.

Excess Feedstock Supply Amount means the amount payable, or which with the passage of time will become payable, by Sadara to the Feedstock Supplier under the Feedstock Supply Agreements in respect of the supply of feedstock and / or fuel thereunder other than the Feedstock Supplier Amount.

Excluded Project Accounts means, in relation to:

- (a) the Onshore Project Accounts:
 - (i) the Onshore Payroll Accounts to the extent that, at any time, the Balance all such accounts does not exceed USD 50 million (or its equivalent in other currencies), with any excess amount being secured in favor of the Secured Parties;
 - (ii) the Distributions Account; and
 - (iii) to the extent funded from the Distributions Account or a Further Disbursement Account, the Additional Local Disbursement Accounts; and
- (b) the Offshore Project Accounts, the Offshore Payroll Accounts to the extent that, at any time, the Balance of all such Offshore Payroll Accounts does not exceed USD 10 million (or its equivalent in other currencies), with any excess amount being secured in favor of the Secured Parties).

Excluded Rights means the rights not afforded to the Sukuk Participant (whether acting for itself or on behalf of the relevant Certificateholders) under the Finance Document being as at the First Signing Date, those rights set out in Schedule 1 (*Specified Rights*) of the GCTA, namely:

- (a) clause 1.1 (*Definitions*) of the GCTA, to the extent the relevant definition relates to an Excluded Right;
- (b) clause 2.1(b) (*Initial Senior Debt*) of the GCTA;
- (c) clause 3.1 (*Proceeds of Initial Senior Debt*) of the GCTA but only to the extent that a Decision relates to the proviso contained therein;
- (d) clause 6.3 (*Deferral of Wakala Facility*) of the GCTA;
- (e) clause 7 (*Voluntary Cancellation*) of the GCTA;
- (f) clause 8.1 (*Voluntary Prepayment*) of the GCTA;
- (g) clause 8.2 (*Minimum Amount – Voluntary Prepayment*) of the GCTA;
- (h) clause 9 (*Cancellation, Prepayment and Replacement of Single Applicable Senior Creditor*) of the GCTA;
- (i) clause 10.1 (*Illegality*) of the GCTA;
- (j) clause 12.5 (*No Reinstatement of Commitments*) of the of the GCTA;
- (k) clause 13.1 (*Application of certain Voluntary Cancellations under Relevant Facilities*) of the GCTA;
- (l) clause 13.2 (*Application of Voluntary Prepayments under a Relevant Facility*) of the GCTA;
- (m) clause 13.3 (*Voluntary Cancellation and Prepayment under any ECA Facility or PIF Facility*) of the GCTA;
- (n) clause 13.4 (*Application of Other Prepayments*) of the GCTA;
- (o) clause 14.1 (*Commission Periods*) of the GCTA;
- (p) clause 14.2 (*Payment of Commission*) of the GCTA;
- (q) clause 14.4(a) (*Default Commission*) of the GCTA;
- (r) clause 15.7 (*Wakala Facilities*) of the GCTA;
- (s) clause 15.8 (*PIF Facility and SIDF Facilities*) of the GCTA;
- (t) clause 16 (*Fees*) (other than Clause 16.5 (*Sukuk Facility*)) of the GCTA;
- (u) clause 17 (*Tax Gross-Up and Indemnities*) of the GCTA;
- (v) clause 18 (*Increased Costs*) of the GCTA;
- (w) clause 19.3 (*Indemnity to the Facility Agents and the Intercreditor Agent*) of the GCTA but only to the extent that a Decision relates to a Facility Agent;
- (x) clause 20 (*Mitigation by the Senior Financing Participants*) of the GCTA;
- (y) clause 25.2 (*Other Obligations*) of the GCTA but only to the extent that a Decision relates to an Excluded Right ;
- (z) clause 39 (*Changes to the Senior Financing Participants*) other than Clause 39.7 (*Transfer of a Sukuk Participant*), Clause 39.8 (*Accession by Agents*), Clause 39.11 (*Copy of Transfer Certificate, Assignment Agreement or CTA Accession Deed*) or Clause 39.12 (*Security over Senior Creditors' Rights*) of the GCTA;

- (aa) clause 40 (*Mandated Lead Arrangers*) of the GCTA;
- (bb) Part B (*For use by a successor Procurement Facility Asset Agent*) and Part C (*For use by Additional Credit Facility Participants and/or any related Administrative Agent*), in each case, of Schedule 4 (*CTA Accession Deeds*) of the GCTA;
- (cc) Schedule 10 (*Forms of Transfer Certificate and Assignment Agreement*) of the GCTA;
- (dd) Clause 1.1 (*Definitions*) of the Accounts Agreement, to the extent the relevant definition relates to an Excluded Right;
- (ee) Clause 1.5 (*Supplemental Common Terms Agreement*) of the Accounts Agreement;
- (ff) clause 6.2 (*Closure of US Ex-Im Disbursement Account*) of the Accounts Agreement;
- (gg) clause 19 (*Bonds Sinking Reserve Accounts*) of the Accounts Agreement;
- (hh) clause 20 (*US Ex-Im Disbursement Account*) of the Accounts Agreement;
- (ii) clause 24.7 (*Escrow Accounts*) of the Accounts Agreement;
- (jj) clause 24.8 (*Bonds Disbursement Accounts*) of the Accounts Agreement;
- (kk) clause 28.2 (*Unblocking Notices*) of the Accounts Agreement;
- (ll) clause 29.2 (*Charges Payable*) of the Accounts Agreement;
- (mm) clause 1.1 (*Definitions*) of the DEH Primary Completion Guarantee, to the extent the relevant definition relates to an Excluded Right;
- (nn) clause 13.3 (*Notices to the Offshore Security Trustee and Agent*) of the DEH Primary Completion Guarantee;
- (oo) clause 1.1 (*Definitions*) of the Dow Secondary Completion Guarantee, to the extent the relevant definition relates to an Excluded Right;
- (pp) clause 13.3 (*Notices to the Offshore Security Trustee and Agent*) of the Dow Secondary Completion Guarantee, to the extent the relevant definition relates to an Excluded Right;
- (qq) clause 1.1 (*Definitions*) of the Saudi Aramco Completion Guarantee, to the extent the relevant definition relates to an Excluded Right; and
- (rr) clause 13.3 (*Notices to the Offshore Security Trustee and Agent*) of the Saudi Aramco Completion Guarantee.

Existing Senior Creditor means an Applicable Senior Creditor assigning or novating its rights under the Finance Document, in each case, in accordance with clause 39.1(a) (*Assignments and Transfers by the Senior Creditors*) of the GCTA.

Expansion Completion Date means in respect of any Expansion Facility or any Permitted Development that is financed by Expansion Debt:

- (a) conditions to the release of the Expansion Completion Guarantee set out in schedule 12 (*Release of Expansion Completion Guarantee*) to the GCTA are satisfied (to the extent such conditions are not waived by the Intercreditor Agent); and
- (b) such additional conditions as may be agreed by Sadara and the Expansion Creditors are satisfied (to the extent that such additional conditions are not waived by the Expansion Creditors).

Expansion Completion Guarantee means in respect of any Expansion Debt, an irrevocable guarantee, until the Expansion Completion Date of the Expansion Facility or Permitted Development that is financed with the proceeds of such Expansion Debt, from one or more Expansion Shareholders (or their respective parents or Affiliates) for the benefit of the applicable Expansion Creditors to pay their *pro rata* portion of the Expansion Debt (or such other completion support as may be agreed with the relevant Expansion Creditors).

Expansion Creditors means those creditors providing any Expansion Debt.

Expansion Debt has the meaning given to such term at page 222 of this Prospectus.

Expansion Debt Disbursement Account means any current account which Sadara may open, maintain and operate solely as provided pursuant to the terms of any Expansion Debt.

Expansion Debt Documents means:

- (a) any facility agreement or instrument documenting the terms of any Expansion Debt; and

- (b) any other agreement or instrument entered into in connection with the incurrence of Expansion Debt,

designated as an Expansion Debt Document by the Intercreditor Agent, with the prior written consent of Sadara.

Expansion Facility means any: (a) facility or unit (other than the existing Sadara Complex) the purpose of which is the production, storage and delivery of the Products and other products required by or associated with the production and manufacturing of chemical and petrochemical products; or (b) modifications to the existing Sadara Complex, which, in each case, are not Permitted Developments or other Operating Costs.

Expansion Shareholders means any person holding or acquiring an ownership interest in Sadara with respect to any Expansion Facility from time to time unless prohibited by the terms of the Finance Documents *provided that* any such Expansion Shareholder who is not a Sponsor shall have, or whose obligations shall be guaranteed by an Affiliate who has, an Acceptable Credit Rating.

Expropriation Event means any Governmental Entity shall have:

- (a) condemned, nationalized, requisitioned, seized or expropriated, or have assumed custody or control of, all or a material portion of the Sadara Complex, the property or assets of Sadara or of Sadara's share capital;
- (b) assumed custody or control of the business operations of Sadara;
- (c) taken any action for the dissolution or disestablishment of Sadara; or
- (d) taken any action that would materially and adversely interfere with the construction or operation of the Sadara Complex, the ability of Sadara or its officers to carry on its business or operations or a substantial part thereof, or the performance by Sadara of any of its material obligations under any Major Project Document.

Expropriation Modifications has the meaning given to such term at page 227 of this Prospectus.

Expropriation Proceeds means proceeds payable following an Expropriation Event, including as a result of such Expropriation Event affecting all, or a part of, the Sadara Complex.

externally sourced information has the meaning given to such term at page iii of this Prospectus.

Extraordinary Resolution means:

- (a) a resolution passed at a meeting convened and held in accordance with the Declaration of Agency and the Conditions by a majority consisting of not less than three fourths of the Eligible Persons voting thereat upon a show of hands or, if a poll is duly demanded, by a majority consisting of not less than three fourths of the votes cast on such a poll;
- (b) to the extent permitted by Applicable Law, a resolution in writing signed by or on behalf of the holders of not less than three-fourths of the aggregate face amount of the Certificates then outstanding which resolution may be contained in one document or in several documents in the like form each signed by or on behalf of one or more of such holders; or
- (c) consent given by way of electronic consents in accordance with the rules and procedures (from time to time) of the Registrar (such consents in a form satisfactory to the Certificateholders' Agent) by or on behalf of the holders of not less than three-fourths of the Aggregate face amount of the Certificates then outstanding,

provided that Extraordinary Resolutions shall be effected in accordance with Applicable Law.

Facility means the Initial Facilities and each Additional Facility.

Facility Agent means, in respect of any Initial Senior Debt, the agent appointed by the lenders thereunder and including, in respect of the Sukuk Facility, the Certificateholders' Agent and the Issuer Security Agents.

Facility Agreement means each Initial Facility Agreement and any Additional Facility Agreement.

Fee Letter means any fee letter referred to in clause 16 (*Fees*) of the GCTA or any other fee letter or other document entered into or to be entered into between Sadara and any Senior Financing Participant evidencing fees payable to any Senior Financing Participant in connection with the Finance Documents.

Feedstock has the meaning given to such term on page 179 of this Prospectus.

Feedstock Supplier means Saudi Aramco in its capacity as the supplier of the various feedstocks and / or fuels to Sadara pursuant to the Feedstock Supply Agreements.

Feedstock Supplier Amount means:

- (a) the aggregate of the amount payable, or which with the effluxion of time will become payable, by Sadara to the Feedstock Supplier under:
 - (i) the NFSA in respect of the supply of 150 days of naphtha prior to the 16th anniversary of the Naphtha Supply Commencement Date and 100 days of naphtha on or after the 16th anniversary of the Naphtha Supply Commencement Date; and
 - (ii) the other Feedstock Supply Agreements in respect of the supply of 100 days of Ethane Feedstock, Sales Gas, Benzene Feedstock, Toluene Feedstock or Fuel Oil under the relevant Feedstock Supply Agreement; and
- (b) for the purposes of this definition only, if the amount payable or capable of becoming so payable by Sadara to the Feedstock Supplier on the date of Enforcement Action is in excess of the number of days of supply Ethane Feedstock, Naphtha Feedstock, Sales Gas, Benzene Feedstock, Toluene Feedstock or Fuel Oil specified in paragraph (a) above, the amounts comprising the “*Feedstock Supplier Amount*” shall be the first 150 days or 100 days of Naphtha Feedstock, as applicable, or 100 days of Ethane Feedstock, Sales Gas, Benzene Feedstock, Toluene Feedstock or Fuel Oil supplied by the Feedstock Supplier, in each case, in respect of which Sadara has not made payment to the Feedstock Supplier.

Feedstock Supplier Debt means:

- (a) the Feedstock Supplier Amount; and
- (b) any Excess Feedstock Supply Amount.

Feedstock Supply Agreements means:

- (a) the EFSA;
- (b) the NFSA;
- (c) the SGSA;
- (d) the TFSA;
- (e) the BFSAs; and
- (f) the FOSA.

Feed Units means the core facilities including a MFC and an aromatics extraction complex.

FIEM means Fondo para la Internacionalización de la Empresa.

FIEM Direct Facility means the Dollar-denominated term loan facility made available to Sadara by FIEM pursuant to the terms of the FIEM Direct Facility Agreement.

FIEM Direct Facility Agent means the facility agent for and on behalf of FIEM.

FIEM Direct Facility Agreement means the Dollar-denominated term loan facility agreement to be entered into on or about the Second Signing Date and made between Sadara, the Intercreditor Agent, the FIEM Direct Facility Agent and FIEM, setting out the terms and conditions specific to the FIEM Direct Facility.

Final Discharge Date means the date on which:

- (a) Sadara has no further actual or contingent obligation to make any payments to any of the Senior Financing Participants under or pursuant to the terms of any of the Finance Documents; and
- (b) no Senior Financing Participant has any actual or contingent obligation or liability under or pursuant to the Finance Documents, or any of them, which will give rise to such an actual or contingent obligation of Sadara.

Final Distribution Date means the earlier of (a) 15 December 2028 and (b) the 21st Payment Date falling after the First Repayment Date or, if such day is not a Business Day, the next day which is a Business Day in the same calendar month (if there is one) or the preceding Business Day (if there is none) or, if earlier, the date which is the Final Rental Payment Date as defined in the Forward Lease Agreement.

Final Maturity Date means, in respect of:

- (a) the Dollar Commercial Facilities and the Saudi Riyal Commercial Facility, the Commercial Facilities Final Maturity Date;
- (b) the Dollar Procurement Facility and the Saudi Riyal Procurement Facility, the Final Lease Payment Date;
- (c) the Dollar Wakala Facility and the Saudi Riyal Wakala Facility, the Final Specified Lease Payment Date;
- (d) an ECA Facility, the ECA Facilities Final Maturity Date;
- (e) the Initial PIF Facility, the PIF Facility Final Maturity Date;
- (f) the Dow Facility, the Dow Facility Final Maturity Date;
- (g) the Saudi Aramco Facility, the Saudi Aramco Facility Final Maturity Date;
- (h) any Bonds, the Bonds Final Maturity Date;
- (i) a Sukuk, the applicable Sukuk Final Maturity Date; and
- (j) the Additional Facilities, the final maturity date (however described) specified in the relevant Senior Financing Instrument.

Final Rental Payment Date means the earlier of: (a) the Early Lease Termination Date; (b) the Scheduled Lease Termination Date; and (c) the date on which the Forward Lease Agreement is otherwise terminated in accordance with the Forward Lease Agreement.

Finance Documents means:

- (a) the GCTA;
- (b) the SCTA;
- (c) each Facility Agreement;
- (d) each Intercreditor Document;
- (e) the Accounts Agreement;
- (f) each Security Document;
- (g) each Direct Agreement;
- (h) each Notice and Acknowledgement of Assignment;
- (i) until the “*Termination Date*” (as such term is defined in each Completion Guarantee), the Completion Guarantees;
- (j) each Hedging Agreement;
- (k) the Promissory Notes and any promissory notes issued pursuant to a Facility Agreement;
- (l) on and from the applicable Expansion Completion Date, any Expansion Debt Documents;
- (m) any Replacement Debt Documents;
- (n) any Additional CapEx Debt Documents;
- (o) any Supplemental Debt Documents;
- (p) any Buy-down Supplemental Debt Documents;
- (q) any Fee Letter; and
- (r) any other document designated as such by the Intercreditor Agent, with the prior written consent of Sadara.

Financial Indebtedness means any indebtedness of a person for or in respect of:

- (a) moneys borrowed;
- (b) any amount raised by acceptance under any acceptance credit facility or dematerialized equivalent;
- (c) any amount raised pursuant to any note purchase facility or the issue of bonds, notes, debentures, loan stock or any similar instrument;
- (d) any agreement treated as a finance or capital lease in accordance with the Applicable Accounting Standards;
- (e) receivables sold or discounted (other than any receivables to the extent they are sold on a non

- recourse basis);
- (f) any derivative transaction entered into in connection with protection against or benefit from fluctuation in any rate or price (and, when calculating the value of any derivative transaction, only the marked to market value shall be taken into account);
 - (g) any counter indemnity obligations in respect of a guarantee, indemnity, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution;
 - (h) any amount of any liability under an advance or deferred purchase agreement (other than any amount of any such liability under any of the Project Documents) if:
 - (i) one of the primary reasons behind entering into the agreement is to raise finance; or
 - (ii) the agreement is in respect of the supply of assets or services and payment is due more than 90 days after the date of supply;
 - (i) any arrangement pursuant to which an asset sold by a person may be reacquired by it (whether following the exercise of an option or otherwise);
 - (j) any amount raised under any other transaction (including any forward sale or purchase agreement or any *Shari'a* compliant financing arrangement) having the commercial effect of a borrowing; and
 - (k) the amount of any liability in respect of any guarantee or indemnity for any of the items referred to in paragraphs (a) to (j) above.

Financial Model means the financial model prepared and maintained by or on behalf of Sadara in respect of the Project, which may be updated from time to time in accordance with the Finance Documents.

Financing Term Sheet means the financing term sheet relating to the Project dated 28 May 2012.

Firm Nomination has the meaning given to such term on page 173 of this Prospectus.

First Advance Rental Payment Date means 15 June 2013, *provided that* if such day is not a Business Day, the First Advance Rental Payment Date shall fall on the next day which is a Business Day in the same calendar month (if there is one) or the preceding Business Day (if there is none).

First Delay Period means the period from and including the Target Completion Date, where Delivery has not occurred or is deemed to have not occurred (as applicable) on or prior thereto, to but excluding the First Delay Period Payment Date.

First Delay Period Payment Date means the first 15 June or 15 December occurring after the Target Completion Date, where Delivery has not occurred or is deemed to have not occurred (as applicable) on or prior thereto, *provided that* if such day is not a Business Day, the First Delay Period Payment Date shall fall on the next day which is a Business Day in the same calendar month (if there is one) or the preceding Business Day (if there is none).

First Distribution Date means 15 June 2013, *provided that* if such day is not a Business Day, the First Distribution Date shall fall on the next day which is a Business Day in the same calendar month (if there is one) or the preceding Business Day (if there is none).

First Financial Close means, with respect to the Sukuk Facility, the date on which:

- (a) all of the conditions precedent to the initial Utilization of the Sukuk Facility under the Subscription Agreement and any relevant clauses of the Sukuk Facility Documents have, in each case, been satisfied or waived in accordance with the Finance Documents; and
- (b) the “Closing Date” has occurred.

First Rental Payment Date means the first 15 June or 15 December occurring after the Lease Commencement Date, provided that if such day is not a Business Day the First Rental Payment Date shall fall on the next day which is a Business Day in the same calendar month (if there is one) or the preceding Business Day (if there is none).

First Repayment Date means the earlier to occur of:

- (a) if the Project Completion Date occurs during the months of:
 - (i) January to June, 15 December of the same year; or

- (ii) July to December, 15 June of the following years; and
(b) 15 December 2018.

First Signing Date means the date on which each of the GCTA, the Accounts Agreement, the Completion Guarantees, the Intercreditor Agreement, the Sukuk Transaction Documents, the Notices of Acknowledgement and Assignment and the Security Documents (other than the US Security Agreement, the SIDF Security Interest Assignment Agreement and the Onshore Commercial Pledge Agreement) has been executed.

Fitch means Fitch Ratings Limited, or Fitch Inc. and any successor to the ratings agency business of either of them.

Fixed Compensation Payment payable in respect of each Delay Period Payment Date shall be as set out in the table below. In the event that the First Repayment Date occurs after 15 June 2018 (a **Delayed First Payment Date**) the Fixed Compensation Payments that would have been paid prior to the Delayed First Payment Date had the First Repayment Date occurred on 15 June 2018 will be consolidated with the remaining Fixed Compensation Payments and the table set out below will be deemed to be revised accordingly to reflect the pro rata allocation of such Fixed Compensation Payments amounts across such remaining Fixed Compensation Payments. For the avoidance of doubt, no Fixed Compensation Payment (save, for those which have accrued but are unpaid, but without double counting any Fixed Rental Payments as defined in the Sukuk Forward Lease Agreement) is due on any date that falls after the Lease Commencement Date (as defined in the Sukuk Forward Lease Agreement).

Delay Period Payment Date	Fixed Compensation Payment as a percentage of the aggregate face amount of Certificates issued on the Closing Date	Outstanding percentage of the aggregate face amount of the Certificates issued on the Closing Date after payment of the Fixed Compensation Payment
1 – First Repayment Date	3.50%	96.50%
2	4.15%	92.35%
3	4.45%	87.90%
4	4.55%	83.35%
5	4.60%	78.75%
6	4.65%	74.10%
7	4.65%	69.45%
8	4.85%	64.60%
9	5.00%	59.60%
10	5.15%	54.45%
11	5.15%	49.30%
12	4.95%	44.35%
13	4.80%	39.55%
14	4.80%	34.75%
15	4.45%	30.30%
16	4.45%	25.85%
17	4.45%	21.40%
18	4.45%	16.95%
19	4.25%	12.70%
20	4.20%	8.50%
21	4.20%	4.30%

Delay Period Payment Date	Fixed Compensation Payment as a percentage of the aggregate face amount of Certificates issued on the Closing Date	Outstanding percentage of the aggregate face amount of the Certificates issued on the Closing Date after payment of the Fixed Compensation Payment
22	4.30%	0.00%

In the event that, from time to time, payment is made of an Early Payment Amount or any Certificates are cancelled in accordance with Condition 9.2 (*Cancellation*), the table above will be deemed to be amended, such that the percentages in the second and third columns in relation to each Delay Period Payment Date falling after the date of payment or cancellation thereof shall be deemed to be reduced such that the Fixed Compensation Payment to be paid on such date would be reduced by a *pro rata* portion of the amount of such Early Payment Amount or the face amount of the Certificates so cancelled.

In relation to the other Islamic Facilities, **Fixed Compensation Payment** means the equivalent fixed element of each payment of Liquidated Damages or Delayed Delivery Compensation payable by Sadara (in its capacity as lessee) with respect to the lease arrangement documented under the relevant Islamic Facility.

Fixed Distribution Amounts has the meaning given in Condition 8.6 (*Partial Redemption*).

Fixed Rental Payments means in relation to:

- (a) a Procurement Facility, the “*Fixed Element*” portion of each “*Lease Rental Payment*” as each of those terms is defined in the Dollar Procurement Facility Forward Lease Agreement or the Saudi Riyal Procurement Facility Forward Lease Agreement (as the case may be);
- (b) a Wakala Facility, the “*Specified Lease Fixed Element*” portion of each “*Specified Lease Rental Payment*” as each of those terms is defined in the Wakala Facility Specified Lease Agreement; and
- (c) an Additional Facility documented as an Islamic Facility (utilizing a Shar’ah-compliant Lease (or ijara) structure), the fixed element of each lease rental payment payable by Sadara (in its capacity as lessee) with respect to the lease arrangement documented under that Additional Facility.

In relation to the Sukuk Facility, **Fixed Rental Payment** means the amounts payable in respect of each Rental Payment Date as set out in the table below. In the event that the First Repayment Date occurs after 15 June 2018 (a **Delayed First Repayment Date**) the Fixed Rental Payments that would have been paid prior to the Delayed First Repayment Date had the First Repayment Date occurred on 15 June 2018 will be consolidated with the remaining Fixed Rental Payments and the table set out below will be deemed to be revised accordingly to reflect the pro rata allocation of such Fixed Rental Payments amounts across such remaining Fixed Rental Payments. For the avoidance of doubt, (i) where a Rental Payment Date falls on a date prior to the First Repayment Date, the Fixed Rental Payment on such Rental Payment Date is zero and (ii) no Fixed Rental Payment is due on any date that falls on or prior to the Lease Commencement Date.

Rental Payment Date	Fixed Rental Payment as a percentage of the aggregate face amount of Certificates issued on the Closing Date	Outstanding percentage of the aggregate face amount of the Certificates issued on the Closing Date after payment of the Fixed Rental Payment
1 – First Repayment Date	3.50%	96.50%
2	4.15%	92.35%
3	4.45%	87.90%
4	4.55%	83.35%
5	4.60%	78.75%
6	4.65%	74.10%
7	4.65%	69.45%

Rental Payment Date	Fixed Rental Payment as a percentage of the aggregate face amount of Certificates issued on the Closing Date	Outstanding percentage of the aggregate face amount of the Certificates issued on the Closing Date after payment of the Fixed Rental Payment
8	4.85%	64.60%
9	5.00%	59.60%
10	5.15%	54.45%
11	5.15%	49.30%
12	4.95%	44.35%
13	4.80%	39.55%
14	4.80%	34.75%
15	4.45%	30.30%
16	4.45%	25.85%
17	4.45%	21.40%
18	4.45%	16.95%
19	4.25%	12.70%
20	4.20%	8.50%
21	4.20%	4.30%
22	4.30%	0.00%

Force Majeure Event means any event or circumstance (or any combination or consequences thereof) which is not within the reasonable control of Sadara, and which directly or indirectly makes impracticable continued construction of or production from, the Sadara Complex including (but only to the extent that the foregoing requirements are satisfied), any type of labor dispute or industrial action or disturbance of any kind (including a strike, interruption, slowdown and other similar action on the part of organized labor), a lockout, act of the public enemy, war (declared or undeclared), civil war, sabotage, battle, revolution, riot, insurrection, civil disturbance, acts of God, breaches of public security, epidemic, cyclone, typhoon, hurricane, tidal wave, landslide, lightning, earthquake, soil erosion, subsidence, washout, flood, storm, fire, adverse weather conditions, explosion, breakage or accident due to machinery or equipment or pipe or transmission line or other facility, boycott, trade restriction, embargo, inability to obtain approvals, equipment, materials or transport, change in Applicable Laws or other governmental action or inaction or any combination or consequences of any of the above.

Foreign Investment Law means the foreign investment law issued under Royal Decree No. M/1, dated 5/1/1421H.

Formalin Engineering Agreement means the formalin engineering agreement dated 7 November 2008 and made between Aramco Overseas Company B.V, DEH and Formox AB and novated by Aramco Overseas Company B.V. and DEH to Sadara.

Formalin Technology Transfer Agreement means the formalin technology transfer agreement dated 7 November 2008 and made between Aramco Overseas Company B.V., DEH and Formox AB and novated by Aramco Overseas Company B.V. and DEH to Sadara.

Formalin Technology Transfer Direct Agreement means the formalin technology transfer direct agreement to be entered into between Sadara, Formox AB and the relevant Security Agent pursuant to which the Senior Financing Participants, among other things, acquire certain direct rights in relation to the Formalin Technology Transfer Agreement.

Formox TTA means the technology transfer agreement dated 7 November 2008 and made between Formox AB, DEH and Aramco Overseas Company B.V.

Forward DSCR means, in relation to any period, the ratio of:

- (a) Available Cashflow projected for such period (minus, to the extent not taken into account in calculating the foregoing, any payments in respect of any Permitted Debt which are projected to be used to finance as an Operating Cost in such period except to the extent that such Operating Cost is deducted from Operating Revenues to calculate Available Cashflow in accordance with paragraph (d) of that definition), but excluding (except for any calculation in connection with a proposed transfer to the Distributions Account contemplated by clause 24.20 (*Shareholder Distributions*) of the GCTA for the purposes of a Company Distribution Model) commission projected to be earned on the Balance in the Reserve Accounts;

to

- (b) the aggregate amount (without double counting) of Senior Obligations (except to the extent projected to be paid from the proceeds of Senior Debt or Equity) due with respect to the Senior Financial Instruments in such period (making the various assumptions referred to in paragraphs (i) and (ii) below):
 - (i) in the case of any calculation in connection with a proposed transfer to the Distributions Account contemplated by clause 24.20 (*Shareholder Distributions*) of the GCTA in respect of any letter of credit that is then issued under the L/C Facility and has been drawn, assuming that it is repaid in such period to the extent required by the amortization schedule of the Dollar Commercial Facilities, but otherwise assuming that it will not be drawn in such period; and
 - (ii) in all other cases, assuming that any letter of credit that is then issued under the L/C Facility is drawn to the extent available in that period, and is repaid in such period to the extent required by the amortization schedule of the L/C Facility,

less, in each case, any Islamic Insurance and Maintenance Charges and / or any Deferred Principal for such period and minus, in the case of any Calculation Date falling within six months immediately succeeding the Project Completion Date, any amounts standing to the credit of the Debt Service Account as at the Project Completion Date:

- (A) plus the aggregate of any amounts payable by Sadara during such period pursuant to any Permitted Finance Hedging Arrangement; and
- (B) minus the aggregate of any amounts payable to Sadara during such period pursuant to any Permitted Finance Hedging Arrangement

including, in the case of (A) and (B) above, any payment in respect of entering into any such Permitted Finance Hedging Arrangement, *but excluding*, in each case, any payments during such period with respect to any Expansion Debt (except to the extent and for the periods that Operating Revenues with respect thereto are included in paragraph (a) above), any prepayment of principal and any payment relating to the termination of a Permitted Finance Hedging Arrangement, *provided that* prior to the occurrence of the Project Completion Date any calculation for the purposes of clause 33.1(b)(viii) (*Company's Right to Reference*), clause 34.1(b)(x) (*Company's Right to incur Supplemental Debt*) and clause 35.1(c)(vi) (*Company's Right to incur Buy-down Supplemental Debt*) of the GCTA, should assume that the Project Completion Date occurs as then scheduled.

Forward Lease Agreement means the forward lease agreement dated on or before the Closing Date between, among others, the Issuer, Sadara and the Certificateholders' Agent.

FOSA means the fuel oil supply agreement dated 11 September 2012 and made between Sadara and Saudi Aramco for the supply of Fuel Oil to the Sadara Complex.

Founding Shareholder means the Dow Shareholder and the Saudi Aramco Shareholder.

Freely Convertible Currency means any currency that is widely traded without material restriction in the principal international foreign exchange markets, including Dollars, Euro and Sterling.

Freight and Deductibles has the meaning given to such term at page 155 of this Prospectus.

Fronting Bank means an Eligible Bank providing loans or guarantees to Sadara which are guaranteed by a Shareholder or Sponsor (or, in either case, an Affiliate on its behalf).

Fuel Oil means the fuel oil supplied by Saudi Aramco under the FOSA.

Full Reinstatement Value means, at any time, the full reinstatement value of the Lease Assets, which shall be equal to the aggregate of: (a) the aggregate face amount of the Certificates as at the Closing Date less the aggregate of any and all: (i) Fixed Rental Payments; (ii) Fixed Compensation Payments; (iii) Early Payment Amounts in each case previously received by or on behalf of the Issuer; and (iv) the aggregate face amount of any Certificates which have been cancelled pursuant to Condition 9.2 (*Cancellation*) (or otherwise), in each case at such time, together with; (b) all other accrued but unpaid Advance Rental Payments, Rental Payments under paragraph (i) of the definition thereof, or Delayed Delivery Compensation under paragraph (i) of definition thereof up to (but excluding) the date of occurrence of a Total Loss Event; (c) any and all other amounts outstanding and due and payable under the Certificates at such time to the Certificateholders whatsoever; and (d) any other amounts due and payable at such time by Sadara (in whatever capacity) to the Issuer (in whatever capacity) under any Transaction Document (in each case in respect of (a) to (d) above, without double counting).

Fundamental Event of Default means each event or circumstance specified in:

- (a) clause 25.1 (*Non-payment*) of the GCTA;
- (b) clause 25.2 (*Other Obligations*) of the GCTA, solely to the extent resulting from non compliance by:
 - (i) Sadara with clause 5.4 (*Sharing of Pre-completion Net Revenues*) of the GCTA;
 - (ii) a Sponsor with clause 22.6 (*Sponsors and Shareholders*) of the Intercreditor Agreement;
- (c) Clause 25.7 (*Unlawfulness and Invalidity of Common Finance Documents*) of the GCTA;
- (d) Clause 25.9 (*Repudiation*) of the GCTA;
- (e) Clause 25.11 (*Governmental Intervention*) of the GCTA;
- (f) Clause 25.12 (*Delayed Completion*) of the GCTA;
- (g) Clause 25.13 (*Abandonment*) of the GCTA;
- (h) Clause 25.14 (*Ownership of the Company*) of the GCTA;
- (i) Clause 25.15 (*Ownership of Bond Issuer/Sukuk Issuer*) of the GCTA;
- (j) Clause 25.16 (*Insolvency of the Company*) of the GCTA;
- (k) Clause 25.17 (*Insolvency of Dow*) of the GCTA;
- (l) Clause 25.18 (*Insolvency of Saudi Aramco*) of the GCTA;
- (m) Clause 25.19 (*Sponsor Payment Default*) of the GCTA;
- (n) Clause 25.21 (*Destruction of the Sadara Complex*) of the GCTA;
- (o) Clause 25.23 (*Shareholder Undertaking Agreement*) of the GCTA; and
- (p) each Supplemental Fundamental Event of Default.

Funders has the meaning given to such term on page 187 of this Prospectus.

Funding Amount means the aggregate scheduled debt service (including principal, commission, premia and fees) due under the Senior Financing Instruments for the then current debt service period plus or minus (as applicable) the net amounts under any Permitted Hedging Arrangements owed by, or owing to, Sadara on the next Repayment Date.

Further Disbursement Account means any Dollar, Euro, Sterling or other Freely Convertible Currency denominated account which Sadara may open in London or New York in connection with any Permitted Development or any Expansion Facility where such account is not funded by Expansion Debt.

Future Assigned Contracts means those contracts entered into after the date of the Onshore Assignment Agreement which Sadara is required to assign to the Onshore Security Agent pursuant to and in accordance with the Onshore Assignment Agreement, including any document executed or otherwise entered into by Sadara which replaces (whether completely or otherwise in all material respects) any Assigned Contract or Future Assigned Contract (as the case may be).

Future Contracts Assignment Amendment Agreement means the assignment amendment agreement substantially in the form set out in part I of schedule 3 to the Onshore Assignment Agreement.

GAAP means Generally Accepted Accounting Principles, the standard framework of guidelines for financial accounting used in any given jurisdiction, generally known as accounting standards. GAAP includes the standards, conventions, and rules accountants follow in recording and summarizing, and in the preparation of financial statements.

GAS has the meaning given to such term at page 216 of this Prospectus.

GCTA means the global common terms agreement to be entered into on or about the Closing Date between, amongst others, Sadara, the Issuer and the Intercreditor Agent.

GCC means Gulf Co-operation Council.

GCC Country means each of The Kingdom, the United Arab Emirates, the Kingdom of Bahrain, the Sultanate of Oman, the State of Qatar and the State of Kuwait.

GDP means gross domestic product.

General Services Agreement means the general services agreement effective as of 30 October 2011 and made between Sadara, the Dow Shareholder and Saudi Aramco.

Global Certificate has the meaning given to such term at page ii of this Prospectus.

Good Engineering Practice means, without limiting or prejudicing any higher standards or higher requirements under any Construction Contract, compliance with applicable World Bank guidelines and all Applicable Laws and Permits, and the exercise of that degree of professional skill, diligence, good judgment, prudence (including good, safe and prudent practice) and foresight that would reasonably be expected to be observed by a highly skilled and highly experienced consultant, having a detailed knowledge of the operational and maintenance aspects of facilities similar to the Facilities, who has held itself out as highly competent and highly experienced in carrying out activities of a similar nature, size, scope, complexity and value to the Work (as specified in each Construction Contract), under the same or similar circumstances.

Good Industry Practice means the exercise of the degree of skill, care and operating practice which would reasonably and ordinarily be expected from a skilled and experienced person engaged in the same type of undertaking as Sadara under the same or similar circumstances.

Government means the government of The Kingdom.

Governmental Consents means all consents, permits, orders, decrees and authorizations as required to be obtained by Sadara from any Governmental Entity in connection with the Project or any Expansion Facility or any Permitted Development.

Governmental Entity means any ministry, agency, court, judicial committee, regulatory or other authority of the Government.

GSA Service Provider means the Dow Service Provider and the Saudi Aramco Service Provider.

GT-BTX Extractive Distillation Process Engineering Agreement means the GT-BTX extractive distillation process engineering agreement dated 29 September 2008 and made between Aramco Services Company, DEH and GTC and novated by Aramco Services Company and DEH to Sadara.

GT-BTX Extractive Distillation Process Technology Transfer Agreement means the GT-BTX extractive distillation process technology transfer agreement dated 29 September 2008 and made between Aramco Services Company, DEH and GTC and novated by Aramco Services Company and DEH to Sadara.

GT-BTX Extractive Distillation Process Technology Transfer Direct Agreement means the GT-BTX extractive distillation process technology transfer direct agreement to be entered into between Sadara, GTC and the relevant Security Agent pursuant to which the Senior Financing Participants, among other things, acquire certain direct rights in relation to the GT-BTX Extractive Distillation Process Technology Transfer Agreement.

GTC means GTC Technology LP.

GTC TTA means the GT-BTX Extractive Distillation Process Technology Transfer Agreement.

Guarantee Beneficiaries means:

- (a) the Agent Guarantee Beneficiaries;
- (b) the Creditor Guarantee Beneficiaries; and
- (c) the Sukuk Participant.

Guarantee Enforcement Action means any action to exercise any rights, remedies, powers or discretions under any Completion Guarantee and / or accelerating the facilities outstanding under the Relevant Facility Agreements for the sole purpose of making a demand under such Completion Guarantee.

Guaranteed Obligations has the meaning given to such term at page 10 of this Prospectus.

Guaranteed Project Completion Date means the date that is three years after the Scheduled Project Completion Date.

Guarantor means a guarantor of a guarantee in favor of Sadara in respect of the Contract Counterparty's payment and / or performance obligations under the Relevant Document.

Halalah means the sub-unit of the Riyal.

Hard Equity means Shareholder Subordinated Loans or subscriptions to the share capital of Sadara.

HCU means Hydrogen Chloride Conversion.

Hedging Agreement means each agreement entered into in respect of any Permitted Hedging Arrangement.

Hedging Debt means all present and future liabilities and obligations at any time owed by Sadara to the Permitted Hedge Providers under or in connection with the Permitted Hedging Arrangements, both actual and contingent and whether incurred solely or jointly or in any other capacity and whether as principal or surety, together with all accrued commission and all related losses and charges.

Hermes means Euler Hermes Kreditversicherung AG.

Hermes Covered Facility means the Dollar-denominated term loan facility made available to Sadara by the Hermes Covered Facility Creditors pursuant to the terms of the Hermes Covered Facility Agreement.

Hermes Covered Facility Agreement means the Dollar-denominated term loan facility agreement to be entered into on or about the Second Signing Date and made between Sadara, the Intercreditor Agent, the Hermes Covered Facility Agent and the Hermes Covered Facility Creditors setting out the terms and conditions specific to the Hermes Covered Facility.

Hermes Covered Facility Creditors means:

- (a) the Initial Hermes Covered Facility Creditors; and
- (b) any bank, financial institution, trust fund or other entity which has become a Senior Creditor in accordance with clause 39 (*Changes to the Senior Financing Participants*) of the GCTA and a Hermes Covered Facility Creditor under the Hermes Covered Facility Agreement,

which, in each case, has not ceased to be a Senior Creditor in accordance with the terms of the GCTA or a Hermes Covered Facility Creditor in accordance with the terms of the Hermes Covered Facility Agreement.

High Pressure Low-density Polyethylene In-Kingdom Post-Acceptance Technical Services Agreement means the high pressure low-density polyethylene In-Kingdom Post-Acceptance Technical Services Agreement dated 8 December 2011 and made between Sadara and Dow Saudi Arabia Company.

High Pressure Low-density Polyethylene In-Kingdom Post-Acceptance Technical Services Direct Agreement means the high pressure low-density polyethylene In-Kingdom Post-Acceptance Technical Services Direct Agreement to be entered into between Sadara, Dow Saudi Arabia Company and the relevant Security Agent pursuant to which the Senior Financing Participants, among other things, acquire certain direct rights in relation to the High Pressure Low-density Polyethylene In-Kingdom Post-Acceptance Technical Services Agreement.

High Pressure Low-density Polyethylene In-Kingdom Pre-Acceptance Technical Services Agreement means the high pressure low-density polyethylene In-Kingdom Pre-Acceptance Technical Services Agreement

dated 8 December 2011 and made between Sadara and Dow Saudi Arabia Company.

High Pressure Low-density Polyethylene In-Kingdom Pre-Acceptance Technical Services Direct Agreement means the high pressure low-density polyethylene In-Kingdom Pre-Acceptance Technical Services Direct Agreement to be entered into between Sadara, Dow Saudi Arabia Company and the relevant Security Agent, pursuant to which the Senior Financing Participants, among other things, acquire certain direct rights in relation to the High Pressure Low-density Polyethylene In-Kingdom Pre-Acceptance Technical Services Agreement.

High Pressure Low-density Polyethylene Out-of-Kingdom Post-Acceptance Technical Services Agreement means the high pressure low-density polyethylene Out-of-Kingdom Post-Acceptance Technical Services Agreement dated 8 December 2011 and made between Sadara and DEH.

High Pressure Low-density Polyethylene Out-of-Kingdom Post-Acceptance Technical Services Direct Agreement means the high pressure low-density polyethylene Out-of-Kingdom Post-Acceptance Technical Services Direct Agreement to be entered into between Sadara, DEH and the relevant Security Agent pursuant to which the Senior Financing Participants acquire certain direct rights in relation to the High Pressure Low-density Solution Polyethylene Out-of-Kingdom Post-Acceptance Technical Services Agreement.

High Pressure Low-density Polyethylene Product Marketing and Lifting Agreement means the high pressure low-density polyethylene product marketing and lifting agreement dated 11 September 2012 and made between Sadara and Dow Saudi Arabia Product Marketing B.V.

High Pressure Low-density Polyethylene Product Marketing and Lifting Direct Agreement means the high pressure low-density polyethylene product marketing and lifting direct agreement to be entered into between Sadara, Dow Saudi Arabia Product Marketing B.V. and the relevant Security Agent pursuant to which the Senior Financing Participants, among other things, acquire certain direct rights in relation to the High Pressure Low-density Polyethylene Product Marketing and Lifting Agreement.

High Pressure Low-density Polyethylene Technology License Agreement means the high pressure low-density polyethylene technology license agreement dated 8 December 2011 and made between Sadara and DEH with respect to the licensing of high pressure low-density polyethylene technology to the Sadara Complex.

High Pressure Low-density Polyethylene Technology License Direct Agreement means the high pressure low-density polyethylene technology license direct agreement to be entered into between Sadara, DEH and the relevant Security Agent pursuant to which the Senior Financing Participants, among other things, acquire certain direct rights in relation to the High Pressure Low-density Polyethylene Technology License Agreement.

HP means hydrogen peroxide.

HPCo means Saudi Hydrogen Peroxide Company.

HP MOU means the memorandum of understanding dated 12 December 2011 and made between Dow, Saudi Aramco and Solvay in relation to the development of the HP plant.

HP Plant means the hydrogen peroxide production plant owned by HPCo.

HP Shareholders has the meaning given to such term at page 172 of this Prospectus.

HP Steam has the meaning given to such term at page 177 of this Prospectus.

HPPO means Hydrogen Peroxide Propylene Oxide.

HPPO CSA means the HPPO epoxidation catalyst supply agreement dated 15 September 2012 and made between Sadara and Dow Europe GmbH with respect to the supply of HPPO epoxidation catalyst to the Sadara Complex.

HPPO Epoxidation Catalyst Supply Direct Agreement means the HPPO epoxidation catalyst supply direct agreement to be entered into between Sadara, Dow Europe GmbH and the relevant Security Agent pursuant to which the Senior Financing Participants, among other things, acquire certain direct rights in relation to the HPPO Epoxidation Catalyst Supply Agreement.

HPPO In-Kingdom Post-Acceptance Technical Services Agreement means the HPPO In-Kingdom Post-

Acceptance Technical Services Agreement dated 8 December 2011 and made between Sadara and Dow Saudi Arabia Company.

HPPO In-Kingdom Post-Acceptance Technical Services Direct Agreement means the HPPO In-Kingdom Post-Acceptance Technical Services Direct Agreement to be entered into between Sadara, Dow Saudi Arabia Company and the relevant Security Agent pursuant to which the Senior Financing Participants acquire, among other things, certain direct rights in relation to the HPPO In-Kingdom Post-Acceptance Technical Services Agreement.

HPPO In-Kingdom Pre-Acceptance Technical Services Agreement means the HPPO In-Kingdom Pre-Acceptance Technical Services Agreement dated 8 December 2011 and made between Sadara and Dow Saudi Arabia Company.

HPPO In-Kingdom Pre-Acceptance Technical Services Direct Agreement means the HPPO In-Kingdom Pre-Acceptance Technical Services Direct Agreement to be entered into between Sadara, Dow Saudi Arabia Company and the relevant Security Agent, pursuant to which the Senior Financing Participants, among other things, acquire certain direct rights in relation to the HPPO In-Kingdom Pre-Acceptance Technical Services Agreement.

HPPO Manufacturer License Direct Agreement means the HPPO manufacturer license direct agreement to be entered into between Sadara, DEH and the relevant Security Agent, pursuant to which the Senior Financing Participants, among other things, acquire certain direct rights in relation to the HPPO TLA.

HPPO Out-of-Kingdom Post-Acceptance Technical Services Agreement means the HPPO Out-of-Kingdom Post-Acceptance Technical Services Agreement dated 8 December 2011 and made between Sadara and DEH.

HPPO Out-of-Kingdom Post-Acceptance Technical Services Direct Agreement means the HPPO Out-of-Kingdom Post-Acceptance Technical Services Direct Agreement to be entered into between Sadara, DEH and the relevant Security Agent pursuant to which the Senior Financing Participants, among other things, acquire certain direct rights in relation to the HPPO Out-of-Kingdom Post-Acceptance Technical Services Agreement.

HPPO TLA or HPPO Manufacturer License Agreement means the HPPO manufacturer license agreement dated 8 December 2011 and made between Sadara and DEH with respect to the manufacture of HPPO at the Sadara Complex.

Hyco/Ammonia Project means the project to build, own and operate facilities to supply hydrogen, carbon monoxide, ammonia and high pressure steam to the Sadara Complex.

Hydrochloric Acid Electrolysis Engineering Agreement means the hydrochloric acid electrolysis engineering agreement dated 23 September 2008 and made between Aramco Overseas Company B.V., DEH and ThyssenKrupp Uhde and novated by Aramco Overseas Company B.V. and DEH to Sadara.

Hydrochloric Acid Electrolysis Technology Transfer Agreement means the hydrochloric acid electrolysis technology transfer agreement dated 23 September 2008 and made between Aramco Overseas Company B.V., DEH and ThyssenKrupp Uhde and novated by Aramco Overseas Company B.V. and DEH to Sadara.

Hydrochloric Acid Electrolysis Technology Transfer Direct Agreement means the hydrochloric acid electrolysis technology transfer direct agreement to be entered into between Sadara, ThyssenKrupp Uhde and the relevant Security Agent pursuant to which the Senior Financing Participants, among other things, acquire certain direct rights in relation to the Hydrochloric Acid Electrolysis Technology Transfer Agreement.

Hydrogen Peroxide Project means the project to build, own and operate the HP plant to supply hydrogen peroxide to the Sadara Complex.

Hydrogen Peroxide Supply Agreement means the hydrogen peroxide supply agreement to be entered into between Sadara and HPCo for the supply of hydrogen peroxide to the Sadara Complex.

Hydrogen Peroxide Supply Direct Agreement means the Hydrogen Peroxide Supply Direct Agreement to be entered into between Sadara, HPCo and the relevant Security Agent pursuant to which the Senior Financing Parties, among other things, acquire certain direct rights in relation to the Crude HP Supply Agreement.

ICC means the International Chamber of Commerce.

ICC Rules means the rules of the ICC.

IFC means issued-for-construction.

IFC Environmental, Health and Safety Guidelines means the general and sector-specific guidelines on EHS performance levels and measures that are normally acceptable to the International Finance Corporation and are generally considered to be achievable in new facilities at reasonable costs by existing technology.

IFC Performance Standards on Social & Environmental Sustainability or IFC Performance Standards means performance standards developed by the International Finance Corporation providing guidance on the identification, avoidance, mitigation and management of environmental and social risks and impacts in relation to project level activities.

IFRS means International Financial Reporting Standards issued and / or adopted by the International Accounting Standards Board.

IGCo means Linde Jubail Industrial Gases Factory LLC.

IHS means the company, IHS Inc.

IK-POST-TSA means the In-Kingdom Post-Acceptance Technical Services Agreements dated 8 December 2011 and made between Dow Saudi Arabia Company and Sadara.

IK-PRE-TSA means the In-Kingdom Pre-Acceptance Technical Services Agreements dated 8 December 2011 and made between Dow Saudi Arabia Company and Sadara.

Implementing Regulations means the regulations implementing the Income and Tax Law.

Income and Tax Law means the Income Tax Law issued per Royal Decree No, M/1 dated 13/6/1425H (corresponding to 30 July 2004G).

Income Tax Regulation means the Saudi Arabian income tax regulation issued under Royal Decree No. M/1 dated 15/01/1425H.

Increased Costs Party has the meaning given to such term at page 232 of this Prospectus.

Indemnified Person has the meaning given to such term at page 154 of this Prospectus.

Independent Expert means, in relation to any dispute, a person or persons: (i) having qualifications and experience appropriate to the matter in dispute; (ii) having no interest in the outcome of the dispute; and (iii) willing to be appointed for the purpose of determining the matter in dispute, and named in the list set out in schedule 11 (*List of Approved Independent Experts*) of the GCTA.

Individual Facility Decision means a Decision connected with a particular Senior Creditor Group (whether or not a comparable Decision is connected with any other Senior Creditor Group), each such Decision to be made in accordance with the applicable Senior Financing Instrument as contemplated by the Intercreditor Agreement.

Industrial Gases Products has the meaning given to such term at page 177 of this Prospectus.

Industrial Gases Projects means the Air Separation Unit Project and the Hyco/Ammonia Project.

Industrial Gases Purchase Agreement or IGPA means the industrial gases purchase agreement dated 29 March 2012 and made between Sadara and IGCo for the supply of hydrogen, carbon monoxide and ammonia to the Sadara Complex.

Industrial Gases Purchase Direct Agreement means the industrial gases purchase direct agreement to be entered into between Sadara, IGCo and the relevant Security Agent pursuant to which the Senior Financing Participants, among other things, acquire certain direct rights in relation to the IGPA.

Industrial Gases Supply Direct Agreements means:

- (a) the Nitrogen and Oxygen Supply Direct Agreement; and
- (b) the Industrial Gases Purchase Direct Agreement.

Industrial Land Lease Contract means the industrial land lease agreement dated 8/81433H (corresponding to 28 June 2012G) and made between the RCJY and Sadara.

Industrial Water has the meaning given to such term at page 181 of this Prospectus.

Industrial Water Capacity Payment has the meaning given to such term at page 181 of this Prospectus.

Industrial Water Contracted Capacity has the meaning given to such term at page 181 of this Prospectus.

Industrial Water Offtaker Risk Events has the meaning given to such term at page 183 of this Prospectus.

Industrial Water Plant has the meaning given to such term at page 181 of this Prospectus.

Industrial Water Project has the meaning given to such term at page 181 of this Prospectus.

Industrial Water Project Commercial Operation Date has the meaning given to such term at page 181 of this Prospectus.

Industrial Water Supply Agreement or **IWSA** means the industrial water supply agreement dated 19 November 2012 and made between Sadara and Marafiq for the supply of Water.

Initial COFACE Covered Facility Creditors means those financial institutions participating in the COFACE Covered Facility as at the Second Signing Date.

Initial Crude HP Capacity has the meaning given to such term at page 173 of this Prospectus.

Initial Dollar Commercial Facilities Creditors means those financial institutions participating in the Dollar Commercial Facilities as at the Second Signing Date.

Initial Dollar Procurement Facility Participant means those financial institutions participating in the Dollar Procurement Facility as at the Second Signing Date.

Initial Dollar Wakala Facility Participants means those financial institutions participating in the Dollar Wakala Facility as at the Second Signing Date.

Initial ECA Facility Agreement means the COFACE Covered Facility Agreement, the ECGD Covered Facility Agreement, the FIEM Direct Facility Agreement, the Hermes Covered Facility Agreement, the K-Exim Covered Facilities Agreement, the K-Exim Direct Facility Agreement, the K-sure Covered Facilities Agreement, and the US Ex-Im Facility Agreement.

Initial ECGD Covered Facility Creditors means those financial institutions participating in the ECGD Covered Facility as at the Second Signing Date.

Initial Facilities means the Sukuk Facility and each Initial Supplemental Debt Facility.

Initial Facility Agreements means the Dollar Commercial Facilities Agreement, the Saudi Riyal Commercial Facility Agreement, the Procurement Facility Documents (taken together), the Wakala Facility Documents (taken together), the PIF Facility Agreement, each Initial ECA Facility Agreement, and the Sukuk Facility Documents (taken together).

Initial Hermes Covered Facility Creditors means those financial institutions participating in the Hermes Covered Facility as at the Second Signing Date.

Initial Industrial Water Term has the meaning given to such term at page 181 of this Prospectus.

Initial K-Exim Covered Facilities Creditors means those financial institutions participating in the K-Exim Covered Facilities as at the Second Signing Date.

Initial K-sure Covered Facilities Creditors means those financial institutions participating in the K-sure Covered Facilities as at the Second Signing Date.

Initial Production Facilities means the Feed Units, the Derivative Units and the Supporting Facilities.

Initial Saudi Riyal Commercial Facility Creditors means those financial institutions participating in the Saudi Riyal Commercial Facility as at the Second Signing Date.

Initial Saudi Riyal Procurement Facility Participant means those financial institutions participating in the Saudi Riyal Procurement Facility as at the Second Signing Date.

Initial Saudi Riyal Wakala Facility Participants means those financial institutions participating in the Saudi Riyal Wakala Facility as at the Second Signing Date.

Initial Senior Creditors means:

- (a) the Sukuk Participant; and
- (b) on and from the Second Signing Date (the **Initial Supplemental Debt Creditors**):
 - (i) PIF;
 - (ii) the Initial Dollar Commercial Facilities Creditors;
 - (iii) the Initial Saudi Riyal Commercial Facility Creditors;
 - (iv) the Initial Dollar Procurement Facility Participants;
 - (v) the Initial Saudi Riyal Procurement Facility Participants;
 - (vi) the Initial Dollar Wakala Facility Participants;
 - (vii) the Initial Saudi Riyal Wakala Facility Participants;
 - (viii) the Initial COFACE Covered Facility Creditors;
 - (ix) the Initial ECGD Covered Facility Creditors;
 - (x) the Initial Hermes Covered Facility Creditors;
 - (xi) FIEM;
 - (xii) K-Exim;
 - (xiii) the Initial K-Exim Covered Facilities Creditors;
 - (xiv) the Initial K-sure Covered Facilities Creditors; and
 - (xv) US Ex-Im.

Initial Senior Debt means indebtedness incurred, or to be incurred pursuant to:

- (a) the Initial Facilities; and
- (b) the Sukuk,

and any Permitted Hedging Arrangements entered into with respect to any of the Senior Debt referred to in paragraphs (a) to (c) (inclusive) above.

Initial Shareholders means the Saudi Aramco Shareholder and the Dow Shareholder.

Initial Supplemental Debt means indebtedness to be incurred pursuant to the Initial Supplemental Debt Facilities and any Permitted Hedging Arrangements entered into in respect thereto.

Initial Supplemental Debt Facilities means

- (a) the Dollar Commercial Facilities;
- (b) the Saudi Riyal Commercial Facility;
- (c) the Procurement Facilities;
- (d) the Wakala Facilities;
- (e) the Initial PIF Facility;
- (f) the ECA Facilities; and
- (g) any Shareholder Senior Facilities.

Initial Term has the meaning given to such term at page 177 of this Prospectus.

Initiating Percentage means the percentage of Senior Debt specified in the Intercreditor Agreement required to initiate Enforcement Action following the occurrence of an Event of Default or a Fundamental Event of Default (as the case may be).

In-Kingdom Post-Acceptance Technical Services Agreements means:

- (a) the Solution Polyethylene In-Kingdom Post-Acceptance Technical Services Agreement;

- (b) the Elastomers In-Kingdom Post-Acceptance Technical Services Agreement;
- (c) the METEOR™ Ethylene Oxide In-Kingdom Post-Acceptance Technical Services Agreement;
- (d) the HPPO In-Kingdom Post-Acceptance Technical Services Agreement;
- (e) the Propylene Glycol In-Kingdom Post-Acceptance Technical Services Agreement;
- (f) the Polymeric Methylene Diphenyl Isocyanate In-Kingdom Post-Acceptance Technical Services Agreement;
- (g) the Toluene Diamine/Toluene Diisocyanate In-Kingdom Post-Acceptance Technical Services Agreement;
- (h) the Polyols (DMC) In-Kingdom Post-Acceptance Technical Services Agreement;
- (i) the Polyols (KOH) In-Kingdom Post-Acceptance Technical Services Agreement;
- (j) the Amines (Ethanolamines and Ethyleneamines) In-Kingdom Post-Acceptance Technical Services Agreement;
- (k) the Butyl Glycol Ether In-Kingdom Post-Acceptance Technical Services Agreement;
- (l) the Chlor Alkali In-Kingdom Post-Acceptance Technical Services Agreement; and
- (m) the High Pressure Low-density Polyethylene In-Kingdom Post-Acceptance Technical Services Agreement.

In-Kingdom Post-Acceptance Technical Services Direct Agreements means:

- (a) the Solution Polyethylene In-Kingdom Post-Acceptance Technical Services Direct Agreement;
- (b) the Elastomers In-Kingdom Post-Acceptance Technical Services Direct Agreement;
- (c) the METEOR™ Ethylene Oxide In-Kingdom Post-Acceptance Technical Services Direct Agreement;
- (d) the HPPO In-Kingdom Post-Acceptance Technical Services Direct Agreement;
- (e) the Propylene Glycol In-Kingdom Post-Acceptance Technical Services Direct Agreement;
- (f) the Polymeric Methylene Diphenyl Isocyanate In-Kingdom Post-Acceptance Technical Services Direct Agreement;
- (g) the Toluene Diamine/Toluene Diisocyanate In-Kingdom Post-Acceptance Technical Services Direct Agreement;
- (h) the Polyols (DMC) In-Kingdom Post-Acceptance Technical Services Direct Agreement;
- (i) the Polyols (KOH) In-Kingdom Post-Acceptance Technical Services Direct Agreement;
- (j) the Amines (Ethanolamines and Ethyleneamines) In-Kingdom Post-Acceptance Technical Services Direct Agreement;
- (k) the Butyl Glycol Ether In-Kingdom Post-Acceptance Technical Services Direct Agreement;
- (l) the Chlor Alkali In-Kingdom Post-Acceptance Technical Services Direct Agreement; and
- (m) the High Pressure Low-density Polyethylene In-Kingdom Post-Acceptance Technical Services Direct Agreement.

In-Kingdom Pre-Acceptance Technical Services Agreements means:

- (a) the Solution Polyethylene In-Kingdom Pre-Acceptance Technical Services Agreement;
- (b) the Elastomers In-Kingdom Pre-Acceptance Technical Services Agreement;
- (c) the METEOR™ Ethylene Oxide In-Kingdom Pre-Acceptance Technical Services Agreement;
- (d) the HPPO In-Kingdom Pre-Acceptance Technical Services Agreement;
- (e) the Propylene Glycol In-Kingdom Pre-Acceptance Technical Services Agreement;
- (f) the Polymeric Methylene Diphenyl Isocyanate In-Kingdom Pre-Acceptance Technical Services Agreement;
- (g) the Toluene Diamine/Toluene Diisocyanate In-Kingdom Pre-Acceptance Technical Services Agreement;
- (h) the Polyols (DMC) In-Kingdom Pre-Acceptance Technical Services Agreement;
- (i) the Polyols (KOH) In-Kingdom Pre-Acceptance Technical Services Agreement;

- (j) the Amines (Ethanolamines and Ethyleneamines) In-Kingdom Pre-Acceptance Technical Services Agreement;
- (k) the Butyl Glycol Ether In-Kingdom Pre-Acceptance Technical Services Agreement;
- (l) the Chlor Alkali In-Kingdom Pre-Acceptance Technical Services Agreement; and
- (m) the High Pressure Low-density Polyethylene In-Kingdom Pre-Acceptance Technical Services Agreement.

Institutional Investor has the meaning given to such term at page 317 of this Prospectus.

Insurance means operational and third party insurance and such other insurances relating to the Lease Assets to be obtained in accordance with the terms of the GCTA and the Intercreditor Agreement.

Insurance Consultant means JLT Specialty Limited or any relevant insurance consulting firm appointed in accordance with the terms of the GCTA.

Insurance Proceeds means those insurance proceeds payable by Sadara pursuant to the GCTA.

Insurance Report an insurance report prepared by JLT Specialty Limited for the purposes of this Project.

Intercreditor Agent has the meaning given to such term on the cover page of this Prospectus.

Intercreditor Agreement means the agreement to be entered into on or about the First Signing Date between, amongst others, Sadara, the Intercreditor Agent and the Issuer.

Intercreditor Decision means:

- (a) an Administrative Decision;
- (b) a Majority Decision;
- (c) a Qualified Majority Decision; or
- (d) a Unanimous Group Decision.

Intercreditor Documents means the Intercreditor Agreement, the PIF Undertaking Agreement, the SIDF Undertaking (if any) and any other document designated as such by Sadara and the Intercreditor Agent.

Intercreditor Event has the meaning given to such term in Condition 8.4 (*Termination following an Intercreditor Event*).

Intercreditor Event Termination Date has the meaning given to such term in Condition 8.4 (*Termination following an Intercreditor Event*).

Interface Point has the meaning given to such term at page 171 of this Prospectus.

Interim Action means the Intercreditor Agent issuing a Blocking Notice or taking action under the Direct Agreement in accordance with the Intercreditor Agreement.

Interim Blocking Notice means a blocking notice in substantially the same form as that set out in Schedule 4 (*Form of Interim Blocking Notice*) of the Accounts Agreement.

Investor Application Form has the meaning given to such term at page 317 of this Prospectus.

Investor Presentation Period has the meaning given to such term at page ii of this Prospectus.

IPCS means the integrated computer process control system.

IPO means Initial Public Offering.

Islamic Facilities means any Senior Financing Instrument structured using a *Shari'a* compliant lease (or *ijara*) structure, including, as at the First Signing Date or the Second Signing Date, the Procurement Facilities, the Wakala Facilities and the Sukuk Facility.

Islamic Facility Agents means the Procurement Facility Agents; the Certificateholders' Agent and the Issuer Security Agents; the Wakala Facility Agents and any other agent designated as an "*Islamic Facility Agent*" by the Intercreditor Agent, with the prior written consent of Sadara.

Islamic Facility Assets means, in respect of an Islamic Facility, the assets used as a basis for the lease arrangement under that Islamic Facility including:

- (a) as at the First Signing Date, the Initial Sukuk Facility Assets; and
- (b) from the Second Signing Date, the Sukuk Facility Assets, the Wakala Facility Assets and the Procurement Facility Assets.

Islamic Facility Owner means each party to a Facility Agreement for an Islamic Facility which acquires an ownership interest in Islamic Facility Assets pursuant to the relevant Facility Agreement to which it is a party and includes with respect to:

- (a) the Procurement Facilities, the Procurement Facility Asset Agent and each Procurement Facility Participant;
- (b) the Wakala Facilities, the Wakala Facility Agent and each Wakala Facility Participant; and
- (c) a Sukuk Facility, the relevant Sukuk Participant and Sadara (in its capacity as managing partner of the musharaka).

Islamic Finance Documents means the Procurement Facility Documents, the Wakala Facility Documents and the Sukuk Facility Documents.

Islamic Financing Participants means:

- (a) the Wakala Facility Participants;
- (b) the Procurement Facility Participants;
- (c) the Sukuk Participant; and
- (d) any other participant under an Additional Facility that is an Islamic Facility.

Islamic Insurance and Maintenance Charges means in respect of any period, any amounts paid or payable (or, in the case of a projection, projected to be paid or payable) by Sadara relating to insurance or maintenance pursuant to the Service Agency Agreement, Wakala Facility Service Agency Agreement, Dollar Procurement Facility Service Agency Agreement and the Saudi Riyal Procurement Facility Service Agency Agreement.

Issuer has the meaning given to such term on the cover page of this Prospectus.

Issuer Procurement Termination Sum an amount equal to the aggregate of: (i) the outstanding face amount of the Certificates at such time; (ii) any accrued but unpaid Periodic Distribution Amounts in respect of the Certificates; (iii) if applicable, the Additional Early Payment Amount; (iv) any and all other amounts outstanding and due and payable under the Certificates whatsoever; and (v) any other amount due and payable by Sadara (in whatever capacity) to the Issuer (in whatever capacity) under any Finance Document (in each case in respect of (i) to (v) above without double counting).

Issuer Secured Parties means each of the Certificateholders and the Service Providers.

Issuer Security Agent means the Onshore Issuer Security Agent and the Offshore Issuer Security Agent.

Issuer Security Documents means the Onshore Issuer Security over Accounts Agreement, the Offshore Issuer Charge and Assignment Deed and the Onshore Issuer Assignment Agreement.

Issuer Shareholder means each of Sadara Sukuk Wahid B.V., Sadara Sukuk Ithnayn B.V., Sadara Sukuk Thalatha B.V., Sadara Sukuk Arba'a B.V. and Sadara Sukuk Khamsa B.V.

Issuer Shares has the meaning given to such term at page 116 of this Prospectus.

JCP or Jubail Commercial Port has the meaning given to such term at page 15 of this Prospectus.

JCSSC means King Fahd Industrial Port operator.

Joint Lead Managers and Joint Bookrunners means each of AlBilad Investment Company, Alinma Investment Company, Deutsche Securities Saudi Arabia L.L.C. and Riyadh Capital.

Josef Meissner means Josef Meissner GmbH & Co. KG.

Josef Meissner TTA means the technology transfer agreement between Josef Meissner, DEH and Aramco

Overseas Company B.V. dated 28 October 2008.

Judiciary Law means the judiciary law and law of the Board of Grievances enacted by Royal Decree No. M/78 dated 19/9/1429H. (corresponding to 1 October 2008G).

KBR means Kellogg Brown & Root LLC.

KBR TTA means the technology transfer agreement dated 31 October 2011 and made between KBR, DEH and Aramco Services Company.

K-Exim means the Export Import Bank of Korea, an organization formed under the laws of the Republic of Korea.

K-Exim Covered Facilities means the Dollar- and Saudi Riyal denominated term loan facility made available to Sadara by the K-Exim Covered Facilities Creditors pursuant to the terms of the K-Exim Facilities Agreement.

K-Exim Covered Facilities Agreement means the Dollar and Saudi Riyal-denominated term loan facilities agreement to be entered into on or around the Second Signing Date and made between Sadara, the K-Exim Facility Agents and the K-Exim Covered Facilities Creditors, setting out the terms and conditions specific to the K-Exim Covered Facilities.

K-Exim Covered Facilities Creditors means:

- (a) the Initial K-Exim Covered Facilities Creditors; and
- (b) any bank, financial institution, trust fund or other entity which has become:
 - (i) a Senior Creditor under the Finance Documents and a K-Exim Covered Facilities Creditor under the K-Exim Covered Facilities Agreement, in each case in accordance with Clause 39 (*Changes to the Senior Financing Participants*) of the GCTA; and
 - (ii) if applicable, a K-Exim Covered Facilities Creditor under the the K-Exim Covered Facilities Agreement in accordance with the K-Exim Covered Facilities Agreement,

unless, in each case, such person has ceased to be a Senior Creditor in accordance with the terms of the GCTA or a K-Exim Covered Facilities Creditor in accordance with the terms of the K-Exim Covered Facilities Agreement.

K-Exim Direct Facility means the Dollar denominated term loan facility made available to Sadara by K-Exim pursuant to the terms of the K-Exim Facilities Agreement.

K-Exim Facilities means the K-Exim Covered Facilities and the K-Exim Direct Facility.

K-Exim Facility Agents means the facility agent in respect of the K-Exim Covered Facilities and the K-Exim Direct Facility.

K-sure means Korea Trade Insurance Corporation.

K-sure Covered Facilities means the Dollar and Saudi Riyal-denominated term loan facilities made available to Sadara by the K-sure Covered Facilities Creditors pursuant to the terms of the K-sure Covered Facilities Agreement.

K-sure Covered Facilities Agent means the facility agent for and on behalf of the K-sure Covered Facilities Creditors.

K-sure Covered Facilities Agreement means the Dollar and Saudi Riyal denominated term loan facilities agreement to be entered into on or around the Second Signing Date and made between Sadara, the K-sure Covered Facilities Agent and the K-sure Covered Facilities Creditors, setting out the terms and conditions specific to the K-sure Covered Facilities.

K-sure Covered Facilities Creditors means:

- (a) the Initial K-sure Covered Facilities Creditors; and
- (b) any bank, financial institution, trust fund or other entity which has become a Senior Creditor in accordance with clause 39 (*Changes to the Senior Financing Participants*) of the GCTA and a K-sure Covered Facilities Creditor under the K-sure Covered Facilities Agreement,

unless, in each case, such person has ceased to be a Senior Creditor in accordance with the terms of the GCTA or a K-sure Covered Facilities Creditor in accordance with the terms of the K-sure Covered Facilities Agreement.

KFIP has the meaning given such term at page 15 of this Prospectus.

KTA means annual kilo tonne.

kWh means kilowatts per hour.

Last Final Maturity Date means the last to occur of the Final Maturity Dates.

Last Non Bond Final Maturity Date means the last to occur of the Final Maturity Dates (other than the Bonds Final Maturity Date and the Sukuk Final Maturity Date).

Last Payment Date means the date 120 days after the date of the invoice issued by the Marketer to the customer in respect of the sale of such Product.

L/C Facility means the letter of credit facility contained in the Dollar Commercial Facilities Agreement.

LDPE means High Pressure Low-density Polyethylene.

Lease Assets has the meaning given to such term at page 8 of this Prospectus.

Lease Commencement Date means the date of Delivery.

Lease Period means the First Lease Period and thereafter each period from and including a Rental Payment Date to but excluding the next Rental Payment Date or, in the case of the final Lease Period, the Final Rental Payment Date.

Leased Premises has the meaning given to such term at page 187 of this Prospectus.

Lessee means Sadara in its capacity as lessee under the Forward Lease Agreement.

Lessee Termination Sum means, in relation to the Sukuk Facility, at any given time on or following the Lease Commencement Date, an amount equal to the sum of:

- (a) all accrued and unpaid Rental Payments and Early Payment Amounts (or any part thereof);
- (b) the aggregate of all Fixed Rental Payments payable and unpaid from and including the date of termination of the Forward Lease Agreement in accordance with clause 12 (*Termination*) thereof until and including the Scheduled Termination Date;
- (c) any and all other amounts outstanding and due and payable under the Certificates whatsoever to the Certificateholders;
- (d) if applicable, the Additional Early Payment Amount; and
- (e) any other amounts due and payable by Sadara (in whatever capacity) to the Issuer (in whatever capacity) under any Transaction Document (in each case in respect of (a) to (e) above, without double counting),

and in relation to the other Islamic Facilities means the equivalent termination payment payable upon early termination of the relevant Islamic Facility.

Lessor has the meaning given to such term at page 187 of this Prospectus.

Lessor Termination Sum means, at any given time prior to the Lease Commencement Date, an amount equal to the aggregate of all Advance Rental Payments paid in respect of the Lease Assets up to and including the date of termination of the Forward Lease Agreement.

Letter of Assignment means a letter of assignment substantially in the form set out in schedule 3 to the Onshore Security over Accounts Agreement.

LIBOR means, in relation to any loan:

- (a) the applicable Screen Rate; or
- (b) (if no Screen Rate is available for the currency or Commission Period of that loan) the arithmetic mean of the rates (rounded upwards to four decimal places) as supplied to the

Intercreditor Agent at its request quoted by the LIBOR Reference Banks to leading banks in the London interbank market,

as of 11:00 am on the Rate Fixing Day for the offering of deposits in the currency of that loan and for a period comparable to the Commission Period for that loan.

LIBOR Reference Banks means JPMorgan Limited, Citibank NA and HSBC Bank USA, National Association.

License Agreements means the Dow Technology License Agreements and the Third Party Technology Transfer Agreements.

Licensed Process means the process for producing the Licensed Product.

Licensed Product has the meaning provided under the relevant License Agreement.

Licensee means the licensee, in each case, as defined under the relevant License Agreement or the Dow OS&T Agreement.

Licensor means a licensor, in each case, as defined under the relevant License Agreement or the Dow OS&T Agreement.

Licensor Information has the meaning given to such term at page 203 of this Prospectus.

Liquidated Damages means, in relation to:

- (a) a Procurement Facility, each of the payments described under the Dollar Facility Procurement Agreement or the Saudi Riyal Facility Procurement Agreement, and (without double counting) any Procurement Termination Sum payable under the Dollar Facility Procurement Agreement or the Saudi Riyal Facility Procurement Agreement (as the case may be);
- (b) a Wakala Facility, a Late Delivery Compensation Payment as defined in the Wakala Agreement and (without double counting) any Procurement Termination Sum payable under the Wakala Agreement;
- (c) the Sukuk Facility, the payment described as Delayed Delivery Compensation (or otherwise as any form of liquidated damages) for delay in the delivery of the Sukuk Assets and any Procurement Termination Sum, in each case, payable under the Procurement Agreement and in each case which is expressed as being payable to or for the benefit of the Sukuk Participant (acting in any capacity) and which is substantially similar to one or more of the payments referred to in paragraph (a) or (b) above or otherwise customary for *Shari'a* compliant finance arrangements; and
- (d) an Additional Facility documented as an Islamic Facility, the payment described as liquidated damages for delay or failure to deliver the relevant Islamic Facility Assets or Delayed Delivery Compensation (including any Procurement Termination Sum) under the relevant *Wakala*, procurement and / or *istisna* agreement which is substantially similar to one or more of the payments referred to in paragraphs (a) or (b) above or otherwise customary for *Shari'a* compliant finance arrangements.

Listing Rules means the listing rules of the Authority issued pursuant to resolution number 3 11 2004 dated 20/8/1425H corresponding to 4 October 2004G as amended by resolution of the Board of the Authority number 1 36 2012 dated 11/1/1434H corresponding to 25 November 2012G.

LLCR means, in relation to any LLCR Calculation Date, the ratio of:

- (a) the aggregate (without double counting) of:
 - (i) the Discounted Available Cashflow (*but excluding* net financing hedging expenses from the calculation of Available Cashflow and commission projected to be earned on the Reserve Accounts) at such LLCR Calculation Date; and
 - (ii) the Balance of:
 - (A) the Maintenance Reserve Account;
 - (B) the Debt Service Reserve Account;
 - (C) the Debt Service Account; and
 - (D) the Offshore Operating Account and the Onshore Operating Account (as

the case may be), in each case, to the extent that the Balance thereof is reserved for the payment of Operating Costs projected to be payable in the following 30 days for the purpose of calculating Discounted Available Cashflow,

in each case, as at such LLCR Calculation Date;

to

- (b) the net present value of all scheduled debt service due with respect to the Senior Financing Instruments in the LLCR Period (without double counting) (assuming that any letter of credit issued under the L/C Facility is fully drawn on the first day of the LLCR Period to the extent then available, and is repaid over the remaining life of, and in accordance with, the repayment schedule of the Dollar L/C Facility at that time) less any Islamic Insurance and Maintenance Charges projected to be paid or payable during the LLCR Period, *but excluding*, all scheduled debt service due with respect to Expansion Debt (except to the extent and for the periods that the Operating Revenues with respect thereto are required to be included in Available Cashflow) from such date through to the Last Non Bond Final Maturity Date, *provided that* prior to the occurrence of the Project Completion Date any calculation for the purposes of clause 33.1(b) (viii) (*Company's Right to Refinance*) of the GCTA should assume that the Project Completion Date occurs as scheduled, discounted at the same discount rate as the Discounted Available Cashflow in paragraph (a)(i) above.

LLCR Calculation Date means any date from which the LLCR is to be calculated in accordance with the GCTA.

LLCR Period means, at any time, the period starting on a LLCR Calculation Date and ending on the Last Non Bond Final Maturity Date.

LLDPE means Linear Low-density Polyethylene.

Loss Prevention Department means Saudi Aramco's loss prevention department responsible for ensuring the safety of Saudi Aramco employees and the public, as well as company assets, by identifying hazards, controlling risks and by educating and motivating company personnel and their families to work and live safely.

Losses means losses, liabilities, costs, claims, actions, damages, fees, expenses or demands (including but not limited to all costs, charges, fees and expenses (including reasonable legal fees and expenses) paid or incurred in disputing or defending any of the foregoing).

LPG means liquified petroleum gas.

LSPB means lump-sum procure build.

LSPB Contractor means the contractor under the LSPB contracts.

LSPB Contracts means the lump-sum procure build contracts.

LSTK means lump-sum turn key.

LSTK Contract means the lump-sum turn key contract.

Lump-Sum Price means the applicable fixed-price payable in respect of MAC carrying out all other work (excluding reimbursable work) under a purchase order.

MAC has the meaning given to such term at page 192 of this Prospectus.

MACFA or Main Automation Contract Framework Agreement means the main automation contract framework agreement in relation to the supply of an integrated process control system and related services dated 17 January 2011 and made between Dow, Aramco Services Company and MAC and novated by Aramco Services Company to Sadara.

MACFA Direct Agreement means the MACFA direct agreement to be entered into between Sadara, ABB Incorporated and the relevant Security Agent pursuant to which the Senior Financing Participants, among other things, acquire certain direct rights in relation to the MACFA.

Maintenance Reserve Account means an account held in the name of Sadara in London for the purposes of depositing amounts which may be required to meet maintenance expenditure in respect of the Project.

Mechanical Completion means the relevant facility is physically constructed, inspected, test and pre-commissioned in accordance with the relevant Contract.

Major Maintenance means repair, replacement and maintenance (structural, mechanical or otherwise) which is not Routine Maintenance required in respect of the Lease Assets and without which the Lease Assets could not reasonably be used by the Lessee in the ordinary course of its business.

Major Maintenance Amount means, in respect of each Major Maintenance Event, an amount equal to the total sustaining capital portion of the maintenance expenditure projected to be incurred by Sadara in respect of that Major Maintenance Event.

Major Maintenance Event means the major turnarounds in respect of the Chemicals I Asset Delivery Group and the Chemicals II Asset Delivery Group currently scheduled, as at the date of the Accounts Agreement, to be undertaken in January 2023 G and in January 2028 G.

Major Maintenance Period means the six month period commencing on a Calculation Date during which the applicable Major Maintenance Event is scheduled to occur.

Major Project Documents means:

- (a) the Industrial Land Lease Contract;
- (b) each Terminal Lease Agreement;
- (c) the Feedstock Supply Agreements;
- (d) the Dow Technology License Agreements;
- (e) the Dow Technical Services Agreements;
- (f) the Dow CSAs;
- (g) the Dow OS&T Agreement;
- (h) the Third Party Technology Transfer Agreements;
- (i) the Dow Product Marketing and Lifting Agreements;
- (j) the Material Third Party Supply Agreements;
- (k) the MACFA;
- (l) the Utility Agreements;
- (m) the Secondment Agreement;
- (n) the Third Party Catalyst Supply Agreements; and
- (o) any other agreement or document designated as such by the Intercreditor Agent, with the prior written consent of Sadara, acting reasonably.

Major Project Participants means:

- (a) Saudi Aramco (or an Affiliate thereof), in its capacity as:
 - (i) counterparty under any Feedstock Supply Agreement or any Product Marketing and Lifting Agreement and the Secondment Agreement; or
 - (ii) guarantor of the obligations of any Affiliate of Saudi Aramco under any Major Project Document;
- (b) Dow (or an Affiliate thereof), in its capacity as:
 - (i) counterparty under any Dow Technology License Agreement, Dow Product Marketing and Lifting Agreement, Dow CSA, Dow Technical Services Agreement, the Secondment Agreement or the Dow OS&T Agreement; or
 - (ii) guarantor of the obligations of any Affiliate of Dow under any Major Project Document;
- (c) each licensor under a Third Party Technology Transfer Agreement, in its capacity as such;
- (d) each of S&W and Formox AB, in its capacity as counterparty to Third Party Catalyst Supply Agreement;

- (e) each Third Party Supplier, in its capacity as a counterparty to a Material Third Party Supply Agreement;
- (f) ABB Incorporated, in its capacity as a counterparty to the MACFA;
- (g) each of SEC and Marafiq, in its capacity as a counterparty to a Utility Agreement;
- (h) RCJY, in its capacity as a counterparty to the Industrial Land Lease Contract and a Terminal Lease Agreement; and
- (i) the Port Authority, in its capacity as a counterparty to a Terminal Lease Agreement.

Majority Decision means any Decision made in accordance with the terms of the Intercreditor Agreement and made for the purposes of any of Finance Document (including each Decision that is specifically identified in a Finance Document as a Majority Decision), but excluding each Administrative Decision, each Individual Facility Decision, each Qualified Majority Decision, each Unanimous Group Decision and each Decision referred to in clause 6.1(b) (*General*) of the Intercreditor Agreement.

Majority Relevant Applicable Senior Creditor means the Relevant Applicable Senior Creditors comprising the Senior Creditor Groups whose respective Participation Amounts (each voted as a unanimous block in accordance with clause 6.1(c) (*General*) of the Intercreditor Agreement) together constitute at least sixty-six and two-thirds per cent. (66 2/3%) of the Total Relevant Senior Participations.

Majority Senior Creditors means the Senior Creditors comprising the Senior Creditor Groups whose respective Participating Amounts (each voted as unanimous block in accordance with clause 6.1(c) (*General*) of the Intercreditor Agreement together constitute at least 66 2/3% of the Total Relevant Senior Participations.

Managing Partner means Sadara, in its capacity as managing partner under the Musharaka Agreement.

Managing Partner Procurement Termination Sum means, at any given time prior to Delivery, an amount equal to the aggregate of all Advance Rental Payments paid in respect of the Lease Assets up to and including such time.

Mandatory Account means any bank, deposit, savings or other account or sub account in The Kingdom (other than the Onshore Project Accounts):

- (a) which Sadara is required by any Applicable Law to open, operate and / or maintain; or
- (b) to or in which Sadara is required by any Applicable Law to transfer and / or maintain any amounts.

Manufacturing Organization means the Sadara manufacturing body as described on page 110 of this Prospectus.

Marafiq has the meaning given to such term at page 99 of this Prospectus.

Margin means the percentage per annum, or number of basis points expressed on an annualized basis (as the case may be), as is specified as the “*Margin*” or otherwise in the “*Profit Rate*” or “*Return*” (or any equivalent reference in relation to the Certificates, as may be applicable) as contained in a Pricing Notification.

Market Report means the market report produced by CMAI (an IHS Company) providing commercial analysis and strategic advice to the energy and mining and metals industries).

Marketer has the meaning given to such term at page 152 of this Prospectus.

Marketing Fee has the meaning given to such term at page 155 of this Prospectus.

Material Adverse Effect means any event or circumstance occurs which could reasonably be expected to result in a material adverse effect on:

- (a) the financial condition of Sadara;
- (b) the ability of Sadara or, prior to the Project Completion Date, either Sponsor to, perform and comply with its payment obligations and its other material obligations under any Finance Document to which it is a party;
- (c) the ability of Sadara or a Major Project Participant to perform its material obligations under any Major Project Document to which it is a party, in a manner or to an extent that is or could reasonably be expected to be materially prejudicial to the interests of the Senior Financing Participants; or

- (d) the validity, enforceability or priority of any Security Document or the SIDF Security Interest Agreement in a manner or to an extent that is or would be materially prejudicial to the ability of the Secured Parties to enforce the Security or would materially diminish the amount of money that they would receive on any such enforcement.

Material Environmental Incident means an incident or accident relating to the Project which under the Environmental and Social Requirements requires Sadara to undertake emergency or immediate material corrective or remedial action.

Material Third Party Supply Agreements means the Tolling and Processing Agreement, the Hydrogen Peroxide Supply Agreement and the Industrial Gases Supply Agreement.

Material Third Party Supply Direct Agreement means:

- (a) the Tolling and Processing Direct Agreement;
- (b) the Hydrogen Peroxide Supply Direct Agreement; and
- (c) the Industrial Gases Supply Direct Agreements.

Maximum Permitted Senior Debt has the meaning given to such term at page 312 of this Prospectus.

Maximum Power Commitment has the meaning given to such term at page 171 of this Prospectus.

MDI means Methylene Diphenyl Diisocyanate.

MET Agreement means the development agreement with respect to process automatic most effective technology dated 13 August 2010 and made between Dow and Aramco Services Company and novated by Aramco Services Company to Sadara.

METEOR™ Ethylene Oxide In-Kingdom Post-Acceptance Technical Services Agreement means the METEOR™ HEXTEO™ ethylene oxide In-Kingdom Post-Acceptance Technical Services Agreement dated 8 December 2011 and made between Sadara and Dow Saudi Arabia Company.

METEOR™ Ethylene Oxide In-Kingdom Post-Acceptance Technical Services Direct Agreement means the METEOR™ ethylene oxide In-Kingdom Post-Acceptance Technical Services Direct Agreement to be entered into between Sadara, Dow Saudi Arabia Company and the relevant Security Agent pursuant to which the Senior Financing Participants, among other things, acquire certain direct rights in relation to the METEOR™ Ethylene Oxide In-Kingdom Post-Acceptance Technical Services Agreement.

METEOR™ Ethylene Oxide In-Kingdom Pre-Acceptance Technical Services Agreement means the METEOR™ HEXTEO™ ethylene oxide In-Kingdom Pre-Acceptance Technical Services Agreement dated 8 December 2011 and made between Sadara and Dow Saudi Arabia Company.

METEOR™ Ethylene Oxide In-Kingdom Pre-Acceptance Technical Services Direct Agreement means the METEOR™ ethylene oxide In-Kingdom Pre-Acceptance Technical Services Direct Agreement to be entered into between Sadara, Dow Saudi Arabia Company and the relevant Security Agent, pursuant to which the Senior Financing Participants, among other things, acquire certain direct rights in relation to the METEOR™ Ethylene Oxide In-Kingdom Pre-Acceptance Technical Services Agreement.

METEOR™ Ethylene Oxide Out-of-Kingdom Post-Acceptance Technical Services Agreement means the METEOR™ HEXTEO™ ethylene oxide Out-of-Kingdom Post-Acceptance Technical Services Agreement dated 8 December 2011 and made between Sadara and DEH.

METEOR™ Ethylene Oxide Out-of-Kingdom Post-Acceptance Technical Services Direct Agreement means the METEOR™ ethylene oxide Out-of-Kingdom Post-Acceptance Technical Services Direct Agreement to be entered into between Sadara, DEH and the relevant Security Agent pursuant to which the Senior Financing Participants, among other things, acquire certain direct rights in relation to the METEOR™ Ethylene Oxide Out-of-Kingdom Post-Acceptance Technical Services Agreement.

METEOR™ Ethylene Oxide Technology License Agreement means the METEOR™ HEXTEO™ ethylene oxide technology license agreement dated 8 December 2011 and made between Sadara and DEH with respect to the licensing of METEOR™ ethylene oxide technology to the Sadara Complex.

METEOR™ Ethylene Oxide Technology License Direct Agreement means the METEOR™ ethylene oxide technology license direct agreement to be entered into between Sadara, DEH and the relevant Security Agent pursuant to which the Senior Financing Participants, among other things, acquire certain direct rights in relation to the METEOR™ Ethylene Oxide Technology License Agreement.

MFC means mixed-feed cracker.

Middle East Zone means the Federal Republic of Iraq, the Lebanese Republic, the Syrian Arab Republic, the Hashemite Kingdom of Jordan, the Arab Republic of Egypt, Palestine and Islamic Republic of Iran.

Minimum Shareholding has the meaning given to such term at page 215 of this Prospectus.

Minimum-Take-or-Pay Volume has the meaning given such term at page 218 of this Prospectus.

Ministry of Commerce and Industry means the ministry and commerce industry (MOCI) of The Kingdom.

mmBtu means million British thermal units.

mmscf means million standard cubic feet.

mmscfd means million standard cubic feet per day.

MNB means mononitrobenzene.

Model Auditor means PKF (UK) LLP, or any other replacement model auditing firm appointed in accordance with the GCTA.

Model Auditor Report means the report prepared by the Model Auditor dated 14 February 2013, as replaced by the report provided by the Model Auditor on or around the Closing Date.

Modification/Expansion Cost means, in respect of any proposed Expansion Facility or Permitted Development, the costs thereof, including any costs incurred, or to be incurred, in connection therewith similar to those costs referred to in the definition of Project Costs.

Mono Nitrobenzene Engineering Agreement means the mono nitrobenzene engineering agreement dated 9 September 2008 and made between Aramco Overseas Company B.V., DEH and Noram and novated by Aramco Overseas Company B.V. and DEH to Sadara.

Mono Nitrobenzene Technology Transfer Agreement means the mono nitrobenzene technology transfer agreement dated 9 September 2008 and made between Aramco Overseas Company B.V., DEH and Noram and novated by Aramco Overseas Company B.V. and DEH to Sadara.

Mono Nitrobenzene Technology Transfer Direct Agreement means the mono nitrobenzene technology transfer direct agreement to be entered into between Sadara, Noram and the relevant Security Agent pursuant to which the Senior Financing Participants, among other things, acquire certain direct rights in relation to the Mono Nitrobenzene Technology Transfer Agreement.

Moody's means Moody's Investors Service Ltd.

MRA Net Release means, in respect of any period, the positive or negative number (as the case may be) representing the Balance of the Maintenance Reserve Account as at the beginning of such period minus the Balance of such account as at the end of such period.

mt means mtne.

Musharaka means the musharaka entered into pursuant to the terms of the Musharaka Agreement.

Musharaka Agreement means the *musharaka* agreement entered into on or prior to the Closing Date in relation to the Sukuk Facility between, amongst others, the Musharaka Authorized Agent (acting on behalf of the Partners and the Managing Partner), the Issuer and Sadara.

Musharaka Assets means the capital of the Musharaka and all tangible and intangible assets to which the Partners are expressed to be entitled in their capacity as such, acquired after, or existing on, the date of the Musharaka Agreement from or through the application of the capital contributions of the Partners to the

Musharaka pursuant to the Business Plan (and shall include, for the avoidance of doubt the Project Assets).

Musharaka Authorized Agent means Sadara Assets Leasing Company.

Musharaka End Date has the meaning given to such term at page 296 of this Prospectus.

Musharaka Period means the period commencing on the date of the Musharaka Agreement and ending on the Musharaka End Date or on any earlier date on which the Musharaka is terminated in accordance with clause 3.1 of the Musharaka Agreement.

Musharaka Revenues means, for the relevant Accounting Period, all income, damages, insurance proceeds, compensation or other sums received by the Managing Partner which are expressed to be for the account of the Musharaka itself (and not one of the Partners individually) in whatever currency in connection with, or arising out of, the Musharaka Assets in accordance with the Business Plan.

mWh means megawatts per hour.

Naphtha Feedstock means the naphtha feedstock supplied by Saudi Aramco to Sadara under the NFSA.

NGL means natural gas liquids.

Negotiable Instruments Committee means the Committee for the Settlement of Negotiable Instruments Disputes of the Ministry of Commerce and Industry in The Kingdom.

Net Sales Proceeds has the meaning given to such term in the relevant Product Marketing and Lifting Agreement.

New York Convention means the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards 1958.

NFSA means the naphtha feedstock supply agreement dated 11 September 2012 and made between Sadara and Saudi Aramco for the supply of Naphtha Feedstock to the Sadara Complex.

Nitric Acid Production Engineering Agreement means the nitric acid production engineering agreement dated 6 November 2008 and made between Aramco Overseas Company B.V., DEH and Española de Investigación y Desarrollo, S.A. and novated by Aramco Overseas Company B.V. and DEH to Sadara.

Nitric Acid Production Technology Transfer Agreement means the nitric acid production technology transfer agreement dated 6 November 2008 and made between Aramco Overseas Company B.V., DEH and Española de Investigación y Desarrollo, S.A. and novated by Aramco Overseas Company B.V. and DEH to Sadara.

Nitric Acid Production Technology Transfer Direct Agreement means the nitric acid production technology transfer direct agreement to be entered into between Sadara, Española de Investigación y Desarrollo, S.A. and the relevant Security Agent pursuant to which the Senior Financing Participants, among other things, acquire certain direct rights in relation to the Nitric Acid Production Technology Transfer Agreement.

Nitrogen and Oxygen Supply Agreement means the nitrogen and oxygen supply agreement to be entered into between Sadara and Offsite IGC Co for the supply of nitrogen and oxygen to the Sadara Complex.

Nitrogen and Oxygen Supply Direct Agreement means the nitrogen and oxygen supply direct agreement to be entered into between Sadara, Offsite IGC Co and the relevant Security Agent pursuant to which the Senior Financing Participants, among other things, acquire certain direct rights in relation to the Nitrogen and Oxygen Supply Agreement.

Nominee has the meaning given to such term at page 185 of this Prospectus.

Non-Conforming HP has the meaning given to such term at page 173 of this Prospectus.

Non-Consenting Participant means any Applicable Senior Creditor who does not, and continues not to, consent to a waiver or amendment of any provisions of the Finance Documents where:

- (a) Sadara, a Sponsor, a Shareholder, DEH or an Administrative Agent (at the request of Sadara) has requested the Senior Creditors under one or more Senior Financing Instruments to consent to such waiver or amendment;

- (b) the waiver or amendment in question requires the consent of all the Senior Creditors under the relevant Senior Financing Instruments; and
- (c) Senior Creditors whose Commitments under the relevant Senior Financing Instruments aggregate more than 85% of the aggregate Total Commitments under the relevant Senior Financing Instruments (or, if the aggregate Total Commitments thereunder have been reduced to zero, aggregated more than 85% of the aggregate Total Commitments under the relevant Senior Financing Instruments prior to that reduction) have consented to such waiver or amendment.

Non-GCC Person means: (a) a natural person who is not a citizen of any of the GCC Countries; and (b) any legal entity, whether owned by GCC citizens or not, not established under the laws of a GCC Country.

Non-Secured Parties means:

- (a) on and from the date of signing any SIDF Facility Agreement, SIDF;
- (b) any Permitted Hedge Provider in respect of any Permitted Hedging Instrument to which it is a party that does not benefit from Security; and
- (c) until the date on which the proceeds of the issuance of any Bonds are released from escrow (if any are so held) and made available to Sadara or the Bond Issuer (as the case may be), the relevant Bond Trustee (for itself and on behalf of the relevant Bondholders).

Noram means Noram International Ltd.

Noram TTA means the technology transfer agreement dated 9 September 2008 and made between Noram, DEH and Aramco Overseas Company B.V.

NOSA means Nitrogen and Oxygen Supply Agreement.

NOSA Commercial Operation Date has the meaning given such term at page 216 of this Prospectus.

NOSA Contracted Volume has the meaning given such term at page 216 of this Prospectus.

NOSA Initial Term has the meaning given such term at page 216 of this Prospectus.

NOSA Output has the meaning given such term at page 216 of this Prospectus.

NOSA Products has the meaning given such term at page 216 of this Prospectus.

Notice and Acknowledgment of Assignment means:

- (a) the Ethane Feedstock Supply Notice and Acknowledgment of Assignment;
- (b) the Naphtha Feedstock Supply Notice and Acknowledgment of Assignment;
- (c) the Sales Gas Supply Notice and Acknowledgment of Assignment;
- (d) the Toluene Feedstock Supply Notice and Acknowledgment of Assignment;
- (e) the Benzene Feedstock Supply Notice and Acknowledgment of Assignment; and
- (f) the Fuel Oil Supply Notice and Acknowledgment of Assignment.

Novation Notice means a notice from the Security Agent to the Contract Counterparty specifying that the Security Agent wishes to novate the Relevant Document to a Substitute Entity.

NYSE means New York Stock Exchange.

O&M means operation(s) and maintenance.

Obligors means:

- (a) Sadara (in any capacity); and
- (b) the Sukuk Participant (in any capacity).

OECD means Organization for Economic Co-operation and Development.

Official Gazette means Omm Al-Qura, the Official Gazette of The Kingdom, where legislation is published.

Offshore Account Bank means JP Morgan Chase Bank N.A., London Branch.

Offshore Charge and Assignment Agreement means the charge and assignment deed dated on or about the Second Signing Date governed by English law, entered into between Sadara, and the Offshore Security Trustee

and Agent pursuant to which Sadara assigns its rights under certain agreements and insurances and grants an Encumbrance over certain Project Accounts in favor of the Offshore Security Trustee and Agent.

Offshore Disbursement Account means an account held in the name of Sadara in London with the Offshore Account Bank for the purposes of depositing the proceeds of, among others, equity contributions, the proceeds of Applicable Senior Debt, the Sukuk Facility and all pre-completion insurance proceeds under, and in accordance with, the terms of the Accounts Agreement.

Offshore Issuer Charge and Assignment Deed means the offshore issuer charge and assignment deed dated on or before the Closing Date between, among others, the Issuer, the Certificateholders' Agent and the Offshore Issuer Security Agent.

Offshore Issuer Security Agent means HSBC Corporate Trustee Company (UK) Limited.

Offshore Operating Account means an account held in the name of Sadara in London with the Offshore Account Bank for the purposes of depositing the proceeds of, *inter alia*, a portion of Senior Debt to meet payment of operating costs under, and in accordance with, the terms of the Accounts Agreement.

Offshore Operating Revenues means any Operating Revenues received by Sadara outside of The Kingdom, including all amounts received by Sadara in respect of the sale of Products manufactured at the Sadara Complex, and sold by Sadara or by a third party pursuant to a Product Marketing and Lifting Agreement, outside of The Kingdom.

Offshore Payroll Accounts means:

- (a) the Relevant Offshore Payroll Account; and
- (b) any further Offshore Payroll Account.

Offshore Project Accounts means:

- (a) the Offshore Disbursement Account, the Offshore Revenues Account, the Offshore Operating Account, the Offshore Payroll Accounts, the Debt Service Account, the Debt Service Reserve Account, the Maintenance Reserve Account, the Casualty and Expropriation Proceeds Account, the US Ex Im Disbursement Account and the Excess Equity Holding Account, opened with the Offshore Account Bank; and
- (b) any other account opened in the name of Sadara and designated an "Offshore Project Account" by the Intercreditor Agent, with the prior written consent of Sadara.

Offshore Revenues Account means an account held in the name of Sadara in London with the Offshore Account Bank for the purposes of depositing, *inter alia*, Operating Revenues under, and in accordance with, the terms of the Accounts Agreement.

Offshore Security Documents means:

- (a) the Offshore Charge and Assignment Agreement;
- (b) the US Security Agreement; and
- (c) each Sukuk Issuer Share Pledge Agreement; and
- (d) any other agreement or document which Sadara, the Offshore Security Trustee and Agent and the Intercreditor Agent may from time to time designate as an Offshore Security Document.

Offshore Security Trustee and Agent means HSBC Corporate Trustee Company (UK) Limited.

Offsite IGC means the owner of the Air Separation Unit Project.

Off-Spec Product means Product which, when delivered, fails to conform to the applicable product specification.

Offtaker EH&S Management Plans, Procedures, Standards, Rules and Regulations has the meaning given such term at page 217 of this Prospectus.

Offtaker Interconnection Delay Event has the meaning given such term at page 220 of this Prospectus.

Offtaker Risk Event has the meaning given to such term at page 179 of this Prospectus.

Olefins Asset Delivery Group means each of the following process units:

- (a) MFC;
- (b) aromatics;
- (c) LLDPE;
- (d) LDPE; and
- (e) polyolefin elastomers.

Omnibus Confidentiality Agreement means the omnibus confidentiality agreement dated 27 April 2007 and made between, among others, Saudi Aramco and Dow in connection with the Project and to which Sadara has acceded pursuant to an accession agreement.

Onshore Account Bank means Samba Financial Group.

Onshore Assignment Agreement means the assignment agreement dated on or about the Second Signing Date governed by the laws of The Kingdom entered into between Sadara and the Onshore Security Agent pursuant to which Sadara assigns its rights under certain agreements in favor of the Onshore Security Agent.

Onshore Commercial Pledge Agreement means the pledge agreement governed by the laws of The Kingdom and to be entered into between Sadara and the Onshore Security Agent following the Project Completion Date (i) to the extent the SIDF Facilities are not in place at the Project Completion Date; or (ii) if at any time thereafter the SIDF Facilities are prepaid in full.

Onshore Disbursement Account means an account held in the name of Sadara in The Kingdom with the Onshore Account Bank for the purposes of depositing the proceeds of, *inter alia*, equity contributions, the proceeds of Applicable Senior Debt and all Pre-completion Insurance Proceeds under, and in accordance with, the terms of the Accounts Agreement.

Onshore Issuer Account Bank means Samba Financial Group.

Onshore Issuer Assignment Agreement means the onshore issuer assignment agreement dated on or before the Closing Date between, the Issuer and the Onshore Issuer Security Agent.

Onshore Issuer Security Agent means Saudi Hollandi Capital.

Onshore Issuer Security over Accounts Agreement means the Onshore Issuer Security over Accounts Agreement dated on or before the Closing Date between the Issuer, the Onshore Issuer Account Bank, the Payments Administrator and the Onshore Issuer Security Agent.

Onshore Operating Account means an account held in the name of Sadara in The Kingdom with the Onshore Account Bank for the purposes of depositing the proceeds of, *inter alia*, a portion of Senior Debt to meet payment of operating costs under, and in accordance with, the terms of the Accounts Agreement.

Onshore Operating Revenues means Operating Revenues received by Sadara inside The Kingdom, including all amounts received by Sadara in respect of the sale of Products manufactured at the Sadara Complex, and sold by Sadara or by a third party pursuant to a Product Marketing and Lifting Agreement, inside The Kingdom.

Onshore Payroll Accounts means:

- (a) the Relevant Onshore Payroll Account;
- (b) the existing Onshore Payroll Account; and
- (c) any further Onshore Payroll Account.

Onshore Project Accounts means:

- (a) the Onshore Disbursement Account, Onshore Revenues Account, Onshore Operating Account, the Onshore Payroll Accounts and the Distributions Account opened with the Onshore Account Bank; and
- (b) any other account opened in the name of Sadara and designated an “*Onshore Project Account*” by the Intercreditor Agent, with the prior written consent of Sadara.

Onshore Revenues Account means an account held in the name of Sadara in The Kingdom with the Onshore Account Bank for the purposes of depositing, *inter alia*, operating revenues under, and in accordance with, the terms of the Accounts Agreement.

Onshore Security Agent means Bank AlJazira.

Onshore Security Documents means:

- (a) the SIDF Security Interest Assignment Agreement;
- (b) the Onshore Security over Accounts Agreement;
- (c) the Security Power of Attorney;
- (d) the Onshore Assignment Agreement;
- (e) the Onshore Commercial Pledge Agreement;
- (f) each Share Pledge Agreement;
- (g) the Procurement Pledge Agreement;
- (h) the Wakala Pledge Agreement; and
- (i) any other agreement which Sadara, the Onshore Security Agent and the Intercreditor Agent may from time to time designate as an Onshore Security Document.

Onshore Security over Accounts Agreement means the agreement dated on or about the Second Signing Date governed by the laws of The Kingdom entered into between Sadara, the Onshore Security Agent and the Onshore Account Bank pursuant to which Sadara grants an Encumbrance over certain of the Onshore Project Accounts in favor of the Onshore Security Agent.

OOK-POST-TSA means the Out-of-Kingdom Post-Acceptance Technology Services Agreements dated 8 December 2011 and made between DEH and Sadara.

OPEC means the Organization of the Petroleum Exporting Countries.

Operating Accounts means the Offshore Operating Account and the Onshore Operating Account.

Operating Costs means:

- (a) all expenditure of Sadara in connection with the operation (including amounts payable to the Feedstock Supplier under the Feedstock Supply Agreements, any Islamic Insurance and Maintenance Charges and any amounts paid by Sadara pursuant to any Operating Hedging Arrangements including any payment in respect of the entering into any such Operating Hedging Arrangements *but excluding* any termination payments arising therefrom), management, maintenance, repair or reinstatement of the Sadara Complex (including expenditure of a capital nature required to sustain or reinstate production from the then existing Sadara Complex) and Taxes (other than any Shareholder Saudi Taxes, any Tax Deduction or any other deduction or withholding for or on account of Tax from a payment in respect of any Permitted Debt) *but excluding* any other expenditure of a capital nature; and
- (b) any other expenditure of Sadara not falling under paragraph (a) above with respect to any Permitted Developments *provided that* any such expenditure on any Permitted Developments pursuant to this paragraph (b) does not exceed USD 200 million (or its equivalent in any other currency) (in aggregate) in any 12 month period,

but excluding, any “*Operating Costs*” either paid, or reimbursed by, insurance proceeds (other than the proceeds of any policies of business interruption insurance or reinsurance).

Operating Hedging Arrangement means any Permitted Hedging Arrangements entered into by Sadara to protect against: (a) foreign currency exposures in relation to the Project Documents; and (b) feedstock and commodities pricing exposures (*but excluding* in each case any Permitted Hedging Arrangement entered into by Sadara to protect against foreign currency exposure under the Finance Documents).

Operating Revenues means, in respect of any period, any one or more of the following revenues received by Sadara:

- (a) revenues from the sale of the Products;
- (b) proceeds from the disposal of assets permitted under the Finance Documents;
- (c) payments made to Sadara under any of the Project Documents (other than any Additional Shareholder Commitment);
- (d) payments made to Sadara under any policies of business interruption insurance or reinsurance

- obtained in connection with the Project;
- (e) any delay liquidated damages received by Sadara;
- (f) any earnings on amounts in the Project Accounts;
- (g) any amounts paid to Sadara during that period pursuant to any Operating Hedging Arrangement;
- (h) any receipt of Expropriation Proceeds in an amount not greater than USD 50 million (indexed) (or its equivalent in any other currency);
- (i) any dividends, distributions or other amounts received by Sadara from those Third Party Projects in which Sadara has an ownership interest;
- (j) any net off receipts received by Sadara with respect to any Islamic Insurance and Maintenance Charges; and
- (k) (without double counting) any proceeds from any judgments, arbitrations and settlements in respect of the amounts set out in paragraphs (a) to (i) (inclusive) above.

Operational Phase Insurances means the “Property Insurance for the Sadara Complex”, the “Commercial General Liability Insurance”, the “Business Interruption Insurance” together with any other Insurances required by law as set out in the Finance Documents.

Operator has the meaning given to such term at page 174 of this Prospectus.

Optional Termination Date has the meaning given to such term in Condition 8.3 (*Early Termination at the Option of the Issuer*).

Ordinary Resolution means:

- (a) a resolution passed at a meeting duly convened and held in accordance with the Declaration of Agency and the Conditions by a clear majority (or such other threshold required by Applicable Law) of the Eligible Persons voting thereat on a show of hands or, if a poll is duly demanded, by a clear majority (or such other threshold required by Applicable Law) of the votes cast on such poll;
- (b) to the extent permitted by Applicable Law, a resolution in writing signed by or on behalf of the holders of a clear majority (or such other threshold required by Applicable Law) of the aggregate face amount of the Certificates then outstanding, which resolution may be contained in one document or in several documents in like form each signed by or on behalf of one or more of such holders; or
- (c) consent given by way of electronic consents in accordance with the rules and procedures (from time to time) of the Registrar (such consents in a form satisfactory to the Certificateholders’ Agent) by or on behalf of the holders of a clear majority (or such other threshold required by Applicable Law) of the aggregate face amount of the Certificates then outstanding.

Out-of-Kingdom Post-Acceptance Technical Services Agreements means:

- (a) the Solution Polyethylene Out-of-Kingdom Post-Acceptance Technical Services Agreement;
- (b) the Elastomers Out-of-Kingdom Post-Acceptance Technical Services Agreement;
- (c) the METEOR™ Ethylene Oxide Out-of-Kingdom Post-Acceptance Technical Services Agreement;
- (d) the HPPO Out-of-Kingdom Post-Acceptance Technical Services Agreement;
- (e) the Propylene Glycol Out-of-Kingdom Post-Acceptance Technical Services Agreement;
- (f) the Polymeric Methylene Diphenyl Isocyanate Out-of-Kingdom Post-Acceptance Technical Services Agreement;
- (g) the Toluene Diamine/Toluene Diisocyanate Out-of-Kingdom Post-Acceptance Technical Services Agreement;
- (h) the Polyols (DMC) Out-of-Kingdom Post-Acceptance Technical Services Agreement;
- (i) the Polyols (KOH) Out-of-Kingdom Post-Acceptance Technical Services Agreement;
- (j) the Amines (Ethanolamines and Ethyleneamines) Out-of-Kingdom Post-Acceptance Technical Services Agreement;

- (k) the Butyl Glycol Ether Out-of-Kingdom Post-Acceptance Technical Services Agreement;
- (l) the Chlor Alkali Out-of-Kingdom Post-Acceptance Technical Services Agreement; and
- (m) the High Pressure Low-density Polyethylene Out-of-Kingdom Post-Acceptance Technical Services Agreement.

Out-of-Kingdom Post-Acceptance Technical Services Direct Agreements means:

- (a) the Solution Polyethylene Out-of-Kingdom Post-Acceptance Technical Services Direct Agreement;
- (b) the Elastomers Out-of-Kingdom Post-Acceptance Technical Services Direct Agreement;
- (c) the METEOR™ Ethylene Oxide Out-of-Kingdom Post-Acceptance Technical Services Direct Agreement;
- (d) the HPPO Out-of-Kingdom Post-Acceptance Technical Services Direct Agreement;
- (e) the Propylene Glycol Out-of-Kingdom Post-Acceptance Technical Services Direct Agreement;
- (f) the Polymeric Methylene Diphenyl Isocyanate Out-of-Kingdom Post-Acceptance Technical Services Direct Agreement;
- (g) the Toluene Diamine/Toluene Diisocyanate Out-of-Kingdom Post-Acceptance Technical Services Direct Agreement;
- (h) the Polyols (DMC) Out-of-Kingdom Post-Acceptance Technical Services Direct Agreement;
- (i) the Polyols (KOH) Out-of-Kingdom Post-Acceptance Technical Services Direct Agreement;
- (j) the Amines (Ethanolamines and Ethyleneamines) Out-of-Kingdom Post-Acceptance Technical Services Direct Agreement;
- (k) the Butyl Glycol Ether Out-of-Kingdom Post-Acceptance Technical Services Direct Agreement;
- (l) the Chlor Alkali Out-of-Kingdom Post-Acceptance Technical Services Direct Agreement; and
- (m) the High Pressure Low-density Polyethylene Out-of-Kingdom Post-Acceptance Technical Services Direct Agreement.

Output has the meaning given to such term at page 177 of this Prospectus.

Output Payment has the meaning given to such term at page 177 of this Prospectus.

Outstanding Issuer Procurement Termination Sum means all or any part of the Issuer Procurement Termination Sum which is unpaid by the Procurement Contractor on the due date for payment thereof in accordance with the Procurement Agreement.

Outstanding Lessee Termination Sum means the amount (if any) of the Lessee Termination Sum that the Lessee fails to pay in accordance with the Forward Lease Agreement.

Owner has the meaning given to such term at page 192 of this Prospectus.

Ownership Taxes means any Taxes assessed in The Kingdom in respect of all or part of the Lease Assets by reason of the Lessor's ownership of the Lease Assets (or any part thereof).

Parallel Debt has the meaning given to that term at page 259 of the Prospectus.

Partial Loss means any partial loss or destruction of, or damage to the Lease Assets or any event or occurrence (including the partial Nationalization of the Lease Assets) (as the case may be) which does not constitute a Total Loss Event.

Participation means, in respect of a Senior Creditor and a Senior Financing Instrument, the aggregate of the total principal amount of all Senior Debt outstanding under that Senior Financing Instrument which is owed to that Senior Creditor, or in the case of a Sukuk Facility, the aggregate outstanding face amount of the relevant Certificates and the total unutilized Commitments (if any) of that Senior Creditor under that Senior Financing Instrument.

Participation Amount means, in relation to a Senior Creditor Group and a Senior Financing Instrument at any

time, the aggregate of the Participations attributable to the members of that Senior Creditor Group under that Senior Financing Instrument at that time.

Partitioned Zone means the area shared by The Kingdom and Kuwait, formerly known as the Neutral Zone.

Partners means the Issuer and Sadara, each in its capacity as a partner in the Musharaka.

Paying Agents means the paying agents for any Bonds.

Payment Date means an Advance Rental Payment Date or a Rental Payment Date, as the case may be.

Payments Administration Agreement means the payments administration agreement dated on or prior to the Closing Date between, among others, the Issuer, Sadara and the Payments Administrator pursuant to which the Payments Administrator acts as agent for the Issuer in relation to the Certificates.

Payments Administrator has the meaning given to such term at page 2 of this Prospectus.

Payments Administrator Designated Account means the non-interest bearing Saudi Riyal denominated account held with the Payments Administrator and in its name for the purpose of receiving transfers from the Transaction Account in accordance with the terms of the Payments Administration Agreement.

Payroll Accounts means the Offshore Payroll Accounts and the Onshore Payroll Accounts.

PE CSA means the solution polyethylene catalyst supply agreement dated 15 September 2012 and made between Sadara and Dow with respect to the supply of solution polyethylene catalyst to the Sadara Complex.

PE Holders means Certificateholders who are non-residents with a permanent establishment in The Kingdom (as defined in Article 4 of the Income Tax Regulation).

Penultimate Repayment Date means the Repayment Date falling six months prior to the Last Final Maturity Date.

Performance Bond means a performance bond substantially in the form set out in Attachment II (as applicable) in Schedule A of the relevant Construction Contract, and includes any revised, amended or replacement performance bond.

Periodic Distribution Amount has the meaning given to such term in Condition 6.2 (*SAIBOR Determination*).

Periodic Distribution Date has the meaning given to such term in Condition 6.2 (*SAIBOR Determination*).

Permitted Creditor means any bank or financial institution that neither an ECA nor an ECA Creditor is prohibited from co lending alongside as a matter of any Applicable Law binding on such ECA or ECA Creditor.

Permitted Debt means:

- (a) in the case of Sadara:
 - (i) indebtedness not in excess of USD 250 million (indexed) (or its equivalent in any other currency);
 - (ii) indebtedness arising under or in connection with the Finance Documents, the Equity Bridge Finance Documents, any Sukuk Issuer Guarantee and any Bond Issuer Guarantee;
 - (iii) indebtedness arising under the Subordinated Loan Agreements;
 - (iv) trade credit or any surety arrangement extended in the ordinary course of business on normal commercial terms;
 - (v) credit extended or any surety arrangement under the Project Documents or the Construction Contracts;
 - (vi) indebtedness in respect of any leases entered into primarily as a method of raising finance or financing the acquisition of an asset up to an aggregate total amount of USD 250 million (indexed) (or its equivalent in any other currency) at any one time;
 - (vii) any Replacement Debt (and any indebtedness which meets the criteria for Replacement Debt but which has not yet been applied to replace existing Senior Debt), Supplemental Debt, Buy-down Supplemental Debt, Additional CapEx Debt

- and / or Expansion Debt;
- (viii) indebtedness in respect of any letter of credit facility up to an aggregate total amount of USD 250 million (indexed) (or its equivalent in any other currency) at any one time;
- (ix) any other unsecured indebtedness which is subordinated to the obligations of Sadara to the Senior Creditors under the Intercreditor Agreement;
- (x) in the period:
 - (A) prior to the Project Completion Date, any guarantee, letter of credit, bond, indemnity or any other similar instrument granted in respect of the Third Party Equity Investments; and
 - (B) on and after the Project Completion Date, any guarantee, letter of credit, bond, indemnity or any other similar instrument granted in respect of the Third Party Equity Investments not exceeding USD 100 million (indexed) (or its equivalent in any other currency) in aggregate (such aggregate amount to include any financial support in respect of the Third Party Equity Investments provided pursuant to clause 24.4(a)(i)(B) (*Loans and Investments*) of the GCTA at such time but excluding any financial support provided from:
 - (1) amounts transferred from the Distributions Account;
 - (2) proceeds of funding from a Sponsor (or any of its respective Affiliates); or
 - (3) the proceeds of Supplemental Debt; and
- (xi) any other indebtedness which has been approved in writing by the Intercreditor Agent; and
- (b) in the case of a Permitted Subsidiary any indebtedness:
 - (i) not in excess of USD 75,000,000 (indexed) or its equivalent in any other currency;
 - (ii) in respect of any leases entered into primarily as a method of raising finance or financing the acquisition of an asset up to an aggregate total amount of USD 75,000,000 (indexed) or its equivalent in any other currency at any one time; and
 - (iii) in respect of any letter of credit facility up to an aggregate total amount of USD 75,000,000 (indexed or its equivalent in any other currency) at any one time.

Permitted Development means the design, development, procurement, construction, ownership and operation of modifications to (including debottlenecking of, or other capital expenditure to optimize the production of) the then existing Sadara Complex (including with respect to facilities for the purposes of producing, storing, transporting and delivering the Products):

- (a) required by Applicable Law, Governmental Consents (including Environmental Consents) or the Environmental and Social Management Plan; or
- (b) if not so required in accordance with paragraph (a) above of this definition, where the projected Modification/Expansion Cost thereof:
 - (i) under any individual contract (or series of contracts) relating to such development or modifications does not exceed USD 400 million (indexed) (or its equivalence in any other currency); and
 - (ii) to be expended in any calendar year together with any other Modification/Expansion Costs which have been previously permitted pursuant to (b)(i) or this paragraph (b)(ii) and are to be expended in such year do not exceed USD 400 million (indexed) (or its equivalence in any other currency),

provided that:

- (A) all revenues generated from the sale of the Products attributable to any such development or modifications shall constitute Operating Revenues under the GCTA and shall be deposited in the Offshore Revenues Account or the Onshore Revenues Account (as the case may be) upon receipt;

- (B) all Governmental Consents and insurance policies attributable to any such development or modifications shall be considered Governmental Consents and Required Insurances, respectively, hereunder and, together with the documents associated with the same, shall to the extent provided for in the Finance Documents, constitute part of the Security; and
- (C) any Permitted Development shall only be permitted to the extent that the implementation of such proposed Permitted Development (including the construction, ownership or operation thereof), as the case may be, could not reasonably be expected to have a Material Adverse Effect or delay the then estimated Project Completion Date.

Permitted Encumbrance means:

- (a) in the case of Sadara:
 - (i) the Security and any SIDF Security Interest (if applicable);
 - (ii) liens for Taxes not yet delinquent or being contested in good faith for which adequate reserves have been established in accordance with the Applicable Accounting Standards;
 - (iii) rights of set off, mechanics' liens and other liens and Encumbrances arising by operation of Applicable Law for amounts not yet due or for amounts being contested in good faith and in appropriate proceedings;
 - (iv) retention of title arrangements in relation to transactions entered into in the ordinary course of business for amounts not overdue or for amounts being contested in good faith;
 - (v) Encumbrances, powers of attorney or deposit agreements arising in the ordinary course of its business and for amounts not overdue or for amounts contested in good faith and in appropriate proceedings (including purchase money liens and retention of title arrangements in favor of suppliers) that could not, in the aggregate, reasonably be expected to cause a Material Adverse Effect or materially impair Sadara's use of the assets encumbered or subject to such lien;
 - (vi) Encumbrances arising in connection with any Islamic Facility;
 - (vii) prior to the Expansion Completion Date, any Encumbrances or powers of attorney over any Expansion Disbursement Account or any Additional Local Disbursement Account funded with the proceeds of Expansion Debt as security for the benefit of the Expansion Creditors for obligations under any Expansion Debt;
 - (viii) to the extent applicable, any Encumbrances, powers of attorney or other arrangements having the commercial effect of security over any Escrow Account in favor of Bondholders or the Certificateholders providing any Replacement Debt, Expansion Debt, Additional CapEx Debt, Supplemental Debt or Buy-down Supplemental Debt; and
 - (ix) any Encumbrance in favor of a Bondholder with respect to the Bonds Sinking Reserve Account; and
- (b) in the case of a Permitted Subsidiary:
 - (i) any Encumbrance arising in connection with any indebtedness permitted pursuant to paragraph (b) of the definition of "Permitted Debt"; and
 - (ii) any Encumbrance arising in the ordinary course of business; and
- (c) in the case of, a subsidiary permitted pursuant to Clauses 24.16(d) or (e) (*No Subsidiaries*) of the GCTA, any Encumbrance granted in connection with any Senior Debt taking the form of Bonds or Sukuk.

Permitted Finance Hedging Arrangement means any Permitted Hedging Arrangement other than an Operating Hedging Arrangement.

Permitted Hedge Provider means any person that:

- (a) other than with respect to a Permitted Hedging Arrangement relating to commodity prices or a Permitted Hedging Arrangement entered into prior to the Second Signing Date, was

- a Senior Creditor under a Commercial Bank Facility on the date of the relevant Permitted Hedging Arrangement;
- (b) had an Acceptable Credit Rating on the date of the relevant Permitted Hedging Arrangement;
- (c) is a party to any Permitted Hedging Arrangement (other than Sadara); and
- (d) is a party as at the First Signing Date or the Second Signing, or has acceded, to the Intercreditor Agreement.

Permitted Hedging Arrangement means any swap transaction, forward transaction, option transaction or any combination or *Shari'ah*-compliant equivalent thereof (in each case, other than of a speculative nature) entered into, or to be entered into, by Sadara with a Permitted Hedge Provider for the purpose of managing risks associated with the Project to mitigate, and therefore protect Sadara against the adverse impact from, fluctuations in: (i) commission rates under Financial Indebtedness of Sadara; (ii) the price of currencies represented by contracts or under Financial Indebtedness of Sadara; and (iii) commodities prices, which, in each case, complies with the terms of the Hedging Policy.

Permitted Hedging Instrument means any instrument documenting a Permitted Hedging Arrangement.

Permitted Investments means demand or time deposits, certificates of deposit or other unsecured and non subordinated debt obligations, each limited to a tenor of 180 days and denominated in Dollars (or denominated in the currency of the relevant account (or sub account thereof) from which such Permitted Investment is made) which are:

- (a) in the case of Permitted Investments denominated in Saudi Riyals, only made from amounts standing to the credit of the Onshore Operating Account;
- (b) issued or guaranteed by any government, governmental agency or multilateral intergovernmental organization that has a credit rating of not less than A3 from Moody's or A-1 from S&P or Fitch;
- (c) commercial paper having a rating at the time of acquisition of at least P-1 from Moody's or A-1 from S&P or F-1 from Fitch, or which is issued by Saudi Aramco;
- (d) corporate promissory notes or other obligations that have received (or benefit from a guarantee or letter of credit that has received) a rating of at least A3 from Moody's or A from S&P or Fitch, or which are issued by Saudi Aramco;
- (e) commission bearing time deposits or certificates of deposit issued, accepted or guaranteed by a commercial bank with a rating of at least A3 from Moody's or A- from S&P or Fitch;
- (f) money market funds having a rating in the highest investment category granted by Moody's or S&P or Fitch at the time of acquisition; or
- (g) otherwise approved by the Intercreditor Agent (acting reasonably) (or, in the case of an Expansion Debt Disbursement Account, as permitted pursuant to the terms of any Expansion Debt).

Permitted Subsidiary means any Subsidiary which Sadara is permitted to establish under, and in accordance with, the terms of the GCTA excluding any Subsidiary permitted under clauses 24.16(d) or (e) (*No Subsidiaries*) of the GCTA.

PG means propylene glycol.

Plant has the meaning given to such term at page 177 of this Prospectus.

Pledge Amendment Agreement means:

- (a) in relation to the Onshore Commercial Pledge Agreement, the pledge amendment agreement substantially in the form set out in schedule 3 to the Onshore Commercial Pledge Agreement;
- (b) in relation to the Onshore Security over Accounts Agreement, the pledge amendment agreement substantially in the form set out in schedule 5 to the Onshore Security over Accounts Agreement; and
- (c) in relation to each Share Pledge Agreement, the pledge amendment agreement substantially in the form set out in schedule 4 to each Share Pledge Agreement.

Pledged Assets means:

- (a) those assets set out in schedule 5 (*Pledged Assets*) of the Onshore Commercial Pledge Agreement; and
- (b) all other tangible and intangible assets (to the extent such intangible assets are capable of being pledged) of Sadara as at the date of the Onshore Commercial Pledge Agreement which are capable of being validly pledged under Saudi Arabian law,

in each case (except where the SIDF Facilities are not in place at the Project Completion Date, or at any time thereafter the SIDF Facilities are prepaid in full) other than any assets which are to be or are the subject of the SIDF Security Interest Agreement (if any) or any Islamic Facility Assets.

PIF means the Public Investment Fund of The Kingdom.

PIF Facility means the Initial PIF Facility and any other facility made available to Sadara by PIF pursuant to the terms of an additional Facility Agreement.

PIF Facility Agreement means the facility to be entered into on or about the Second Signing Date between Sadara and PIF, setting out the terms and conditions specific to the PIF Facility.

PIF Facility Final Maturity Date means 15 December 2028.

PIF Undertaking Agreement means the undertaking agreement to be entered into on or about the Second Signing Date between Sadara, the Intercreditor Agent, the Security Agents and PIF together with any additional or replacement or replacement undertaking agreement which may be executed in connection with the incurrence of any Additional Senior Debt to be provided by PIF.

Pipeline Facilities means the pipelines and related facilities and infrastructure at the Sadara Complex Site and the King Fahd Industrial Port for the receipt, storage and delivery of propylene, ethylene, ethane, naphtha, sales gas, benzene, toluene, fuel oil, crude oil, industrial gases and other raw materials.

PMDI means polymeric methylene diphenyl isocyanate.

PMLA has the meaning given to such term at page 152 of this Prospectus.

PO Plant Closure Date has the meaning given to such term at page 175 of this Prospectus.

Polymeric Methylene Diphenyl Isocyanate In-Kingdom Post-Acceptance Technical Services Agreement means the polymeric methylene diphenyl isocyanate In-Kingdom Post-Acceptance Technical Services Agreement dated 8 December 2011 between Sadara and Dow Saudi Arabia Company.

Polymeric Methylene Diphenyl Isocyanate In-Kingdom Post-Acceptance Technical Services Agreement means the polymeric methylene diphenyl isocyanate In-Kingdom Post-Acceptance Technical Services Agreement to be entered into between Sadara, Dow Saudi Arabia Company and the relevant Security Agent pursuant to which the Senior Financing Participants, among other things, acquire certain direct rights in relation to the Polymeric Methylene Diphenyl Isocyanate In-Kingdom Post-Acceptance Technical Services Agreement. Polymeric Methylene Diphenyl Isocyanate Out-of-Kingdom Post-Acceptance Technical Services Agreement.

Polymeric Methylene Diphenyl Isocyanate In-Kingdom Pre-Acceptance Technical Services Agreement means the polymeric methylene diphenyl isocyanate In-Kingdom Pre-Acceptance Technical Services Agreement dated 8 December 2011 and made between Sadara and Dow Saudi Arabia Company.

Polymeric Methylene Diphenyl Isocyanate In-Kingdom Pre-Acceptance Technical Services Direct Agreement means the polymeric methylene diphenyl isocyanate In-Kingdom Pre-Acceptance Technical Services Direct Agreement to be entered into between Sadara, Dow Saudi Arabia Company and the relevant Security Agent, pursuant to which the Senior Financing Participants, among other things, acquire certain direct rights in relation to the Polymeric Methylene Diphenyl Isocyanate In-Kingdom Pre-Acceptance Technical Services Agreement.

Polymeric Methylene Diphenyl Isocyanate Out-of-Kingdom Post-Acceptance Technical Services Agreement means the polymeric methylene diphenyl isocyanate Out-of-Kingdom Post-Acceptance Technical Services Agreement dated 8 December 2011 and made between Sadara and DEH.

Polymeric Methylene Diphenyl Isocyanate Out-of-Kingdom Post-Acceptance Technical Services Direct Agreement means the polymeric methylene diphenyl isocyanate Out-Of-Kingdom Post-Acceptance Technical

Services Direct Agreement to be entered into between Sadara, Dow Saudi Arabia Company and the relevant Security Agent, pursuant to which the Senior Financing Participants, among other things, acquire certain direct rights in relation to the Polymeric Methylene Diphenyl Isocyanate Out-Of-Kingdom Post-Acceptance Technical Services Agreement.

Polymeric Methylene Diphenyl Isocyanate Technology License Agreement means the polymeric methylene diphenyl isocyanate technology license agreement dated 8 December 2011 and made between Sadara and DEH with respect to the licensing of polymeric methylene diphenyl isocyanate technology to the Sadara Complex.

Polymeric Methylene Diphenyl Isocyanate Technology License Direct Agreement means the polymeric methylene diphenyl isocyanate technology license direct agreement to be entered into between Sadara, DEH and the relevant Security Agent pursuant to which the Senior Financing Participants, among other things, acquire certain direct rights in relation to the Polymeric Methylene Diphenyl Isocyanate Technology License Agreement.

Polymeric Methylene Diphenyl Isocyanate Technology License Direct Agreement means the polymeric methylene diphenyl isocyanate technology license direct agreement to be entered into between Sadara, DEH and the relevant Security Agent pursuant to which the Senior Financing Participants, among other things, acquire certain direct rights in relation to the Polymeric Methylene Diphenyl Isocyanate Technology License Agreement.

Polymeric Methylene Diphenyl Isocyanate Product Marketing and Lifting Agreement means the polymeric methylene diphenyl isocyanate product marketing and lifting agreement dated 11 September 2012 and made between Sadara and Dow Saudi Arabia Product Marketing B.V. Polymeric Methylene Diphenyl Diisocyanate Product Marketing and Lifting Direct Agreement.

Polymeric Methylene Diphenyl Diisocyanate Product Marketing and Lifting Direct Agreement means the polymeric methylene diphenyl diisocyanate product marketing and lifting direct agreement to be entered into between Sadara, Dow Saudi Arabia Product Marketing B.V. and the relevant Security Agent pursuant to which the Senior Financing Participants, among other things, acquire certain direct rights in relation to the Polymeric Methylene Diphenyl Diisocyanate Product Marketing and Lifting Agreement.

Polyols CSA means the polyols (DMC) catalyst supply agreement dated 15 September 2012 and made between Sadara and Dow Europe GmbH with respect to the supply of polyols (DMC) catalyst to the Sadara Complex.

Polyols (DMC) means polyols double metal cyanide.

Polyols (DMC) Technology License Agreement means the polyols (DMC) technology license agreement dated 8 December 2011 and made between Sadara and DEH with respect to the licensing of polyols (DMC) technology to the Sadara Complex.

Polyols (DMC) Catalyst Supply Direct Agreement means the polyols (DMC) catalyst supply direct agreement to be entered into between Sadara, Dow Europe GmbH and the relevant Security Agent pursuant to which the Senior Financing Participants, among other things, acquire certain direct rights in relation to the Polyols CSA.

Polyols (DMC) In-Kingdom Post-Acceptance Technical Services Agreement means the polyols (DMC) In-Kingdom Post-Acceptance Technical Services Agreement dated 8 December 2011 and made between Sadara and Dow Saudi Arabia Company.

Polyols (DMC) In-Kingdom Post-Acceptance Technical Services Direct Agreement means the polyols (DMC) In-Kingdom Post-Acceptance Technical Services Direct Agreement to be entered into between Sadara, Dow Saudi Arabia Company and the relevant Security Agent pursuant to which the Senior Financing Participants, among other things, acquire certain direct rights in relation to the Polyols (DMC) In-Kingdom Post-Acceptance Technical Services Agreement.

Polyols (DMC) In-Kingdom Pre-Acceptance Technical Services Agreement means the polyols (DMC) In-Kingdom Pre-Acceptance Technical Services Agreement dated 8 December 2011 and made between Sadara and Dow Saudi Arabia Company.

Polyols (DMC) In-Kingdom Pre-Acceptance Technical Services Direct Agreement means the polyols (DMC) In-Kingdom Pre-Acceptance Technical Services Direct Agreement to be entered into between Sadara, Dow Saudi Arabia Company and the relevant Security Agent, pursuant to which the Senior Financing

Participants, among other things, acquire certain direct rights in relation to the Polyols (DMC) In-Kingdom Pre-Acceptance Technical Services Agreement.

Polyols (DMC) Out-of-Kingdom Post-Acceptance Technical Services Agreement means the polyols (DMC) Out-of-Kingdom Post-Acceptance Technical Services Agreement dated 8 December 2011 and made between Sadara and DEH.

Polyols (DMC) Out-of-Kingdom Post-Acceptance Technical Services Direct Agreement means the polyols (DMC) Out-of-Kingdom Post-Acceptance Technical Services Direct Agreement to be entered into between Sadara, DEH and the relevant Security Agent pursuant to which the Senior Financing Participants, among other things, acquire certain direct rights in relation to the Polyols (DMC) Out-of-Kingdom Post-Acceptance Technical Services Agreement.

Polyols (DMC) Technology License Direct Agreement means the polyols (DMC) technology license direct agreement to be entered into between Sadara, DEH and the relevant Security Agent pursuant to which the Senior Financing Participants, among other things, acquire certain direct rights in relation to the Polyols (DMC) Technology License Agreement.

Polyols (KOH) In-Kingdom Post-Acceptance Technical Services Agreement means the polyols (KOH) In-Kingdom Post-Acceptance Technical Services Agreement dated 8 December 2011 and made between Sadara and Dow Saudi Arabia Company.

Polyols (KOH) In-Kingdom Post-Acceptance Technical Services Direct Agreement means the polyols (KOH) In-Kingdom Post-Acceptance Technical Services Direct Agreement to be entered into between Sadara, Dow Saudi Arabia Company and the relevant Security Agent pursuant to which the Senior Financing Participants acquire certain direct rights in relation to the Polyols (KOH) In-Kingdom Post-Acceptance Technical Services Agreement.

Polyols (KOH) In-Kingdom Pre-Acceptance Technical Services Agreement means the polyols (KOH) In-Kingdom Pre-Acceptance Technical Services Agreement dated 8 December 2011 and made between Sadara and Dow Saudi Arabia Company.

Polyols (KOH) In-Kingdom Pre-Acceptance Technical Services Direct Agreement means the polyols (KOH) In-Kingdom Pre-Acceptance Technical Services Direct Agreement to be entered into between Sadara, Dow Saudi Arabia Company and the relevant Security Agent, pursuant to which the Senior Financing Participants, among other things, acquire certain direct rights in relation to the Polyols (KOH) In-Kingdom Pre-Acceptance Technical Services Agreement.

Polyols (KOH) Out-of-Kingdom Post-Acceptance Technical Services Agreement means the polyols (KOH) Out-of-Kingdom Post-Acceptance Technical Services Agreement dated 8 December 2011 and made between Sadara and DEH.

Polyols (KOH) Out-of-Kingdom Post-Acceptance Technical Services Direct Agreement means the polyols (KOH) Out-of-Kingdom Post-Acceptance Technical Services Direct Agreement to be entered into between Sadara, DEH and the relevant Security Agent pursuant to which the Senior Financing Participants, among other things, acquire certain rights to the Polyols (KOH) Out-of-Kingdom Post-Acceptance Technical Services Agreement.

Polyols (KOH) Technology License Agreement means the polyols (KOH) technology license agreement dated 8 December 2011 and made between Sadara and DEH with respect to the licensing of polyols (KOH) technology to the Sadara Complex.

Polyols (KOH) Technology License Direct Agreement means the polyols (KOH) technology license direct agreement to be entered into between Sadara, DEH and the relevant Security Agent pursuant to which the Senior Financing Participants, among other things, acquire certain direct rights in relation to the Polyols (KOH) Technology License Agreement.

Polyols Product Marketing and Lifting Agreement means the polyols product marketing and lifting agreement dated 11 September 2012 and made between Sadara and Dow Saudi Arabia Product Marketing B.V.

Polyols Product Marketing and Lifting Direct Agreement means the polyols product marketing and lifting direct agreement to be entered into between Sadara, Dow Saudi Arabia Product Marketing B.V. and the relevant

Security Agent pursuant to which the Senior Financing Participants, among other things, acquire certain direct rights in relation to the Polyols Product Marketing and Lifting Agreement.

Port Authority means the Saudi Ports Authority established in accordance with the Saudi Ports Authority Regulations promulgated by Royal Decree number M/13 dated 07/04/1397H (corresponding to 26 March 1977G).

Post-Enforcement Payment Priorities means the order of payment set out in clause 13.2 (*Post-Enforcement Payment Priorities*) of the Intercreditor Agreement.

Potential Event of Default means any event or circumstance which, with the passage of time, the giving of notice, the making of any determination under the Finance Documents or any combination thereof would become an Event of Default.

Potential Termination Event means any condition, event or act which, with the giving of notice, lapse of time, the making of any demand, determination and / or request and / or the taking of any similar action and / or the fulfillment of any similar condition (or any combination of the foregoing), would constitute a Termination Event (as defined in the Conditions).

Power Supply Implementation Agreement means the power supply implementation agreement dated 7 April 2012 and made between Sadara and SEC.

Power Transmission Facilities has the meaning given to such term at page 170 of this Prospectus.

Pre-Acceptance TSAs Direct Agreements means:

- (a) the Solution Polyethylene In-Kingdom Pre-Acceptance Technical Services Direct Agreement;
- (b) the Elastomers In-Kingdom Pre-Acceptance Technical Services Direct Agreement;
- (c) the METEOR™ Ethylene Oxide In-Kingdom Pre-Acceptance Technical Services Direct Agreement;
- (d) the HPPO In-Kingdom Pre-Acceptance Technical Services Direct Agreement;
- (e) the Propylene Glycol In-Kingdom Pre-Acceptance Technical Services Direct Agreement;
- (f) the Polymeric Methylene Diphenyl Isocyanate In-Kingdom Pre-Acceptance Technical Services Direct Agreement;
- (g) the Toluene Diamine/Toluene Diisocyanate In-Kingdom Pre-Acceptance Technical Services Direct Agreement;
- (h) the Polyols (DMC) In-Kingdom Pre-Acceptance Technical Services Direct Agreement;
- (i) the Polyols (KOH) In-Kingdom Pre-Acceptance Technical Services Direct Agreement;
- (j) the Amines (Ethanolamines and Ethyleneamines) In-Kingdom Pre-Acceptance Technical Services Direct Agreement;
- (k) the Butyl Glycol Ether In-Kingdom Pre-Acceptance Technical Services Direct Agreement;
- (l) the Chlor Alkali In-Kingdom Pre-Acceptance Technical Services Direct Agreement; and
- (m) the High Pressure Low-Density Polyethylene In-Kingdom Pre-Acceptance Technical Services Direct Agreement.

Pre-Completion Insurance Proceeds means any payments received by Sadara under any policies of insurance or reinsurance (including any Casualty Proceeds) prior to the Project Completion Date (but excluding any such proceeds paid directly by any insurer to a third party claimant).

Pre-Completion Net Revenues means the amount (if positive) equal to:

- (a) the aggregate of Operating Revenues received during the period commencing on the date of the start of operations of the Initial Production Facilities and ending on (*but excluding*) the Project Completion Date;

less

- (b) the Operating Costs (*but excluding* costs related to start up and commissioning and costs incurred in respect of units that have not begun commissioning) paid during such period.

Pre-Enforcement Payment Priorities means the orders of payment set out in the Accounts Agreement applicable prior to the enforcement of any Security (and, for the avoidance of doubt, the Pre-Enforcement Payment Priorities shall include any Distribution permitted to be made to a Shareholder pursuant to clause 24.20 (*Shareholder Distributions*) of the GCTA).

Pricing Notification means each notification containing information relating to the Certificates (including but not limited to some or all of the Additional Information) as is communicated publicly (including, but not limited to, any notification as is provided to Tadawul) by the Issuer, Sadara or the Joint Lead Managers and Joint Bookrunners on their behalf, to potential Certificateholders during the period from the date of this Prospectus to the Closing Date (both dates inclusive).

Principal Note means one or more Promissory Notes which are in an aggregate amount equal to the amount of the requested drawdown under the relevant Facility.

Procurement Agreement means the procurement agreement to be entered into on the Closing Date between, among others, the Musharaka Authorized Agent (acting on behalf of the Partners and the Managing Partner), the Issuer and the Procurement Contractor.

Procurement Contractor means Sadara, in its capacity as procurement contractor under the Procurement Agreement.

Procurement Facilities means the Dollar Procurement Facility and the Saudi Riyal Procurement Facility.

Procurement Facility Asset Agent means the company (acting on behalf of the Procurement Facility Participants) holding title to the Procurement Facility Assets.

Procurement Facility Asset Agent Funding Agreement means the agreement dated on or about the Second Signing Date and made between the Procurement Facility Asset Agent Shareholders and Sadara.

Procurement Facility Asset Agent Shareholders means the shareholders of the Procurement Facility Asset Agent.

Procurement Facility Assets means the Dollar Procurement Facility Assets and the Saudi Riyal Procurement Facility Assets.

Procurement Facility Participants means the Dollar Procurement Facility Participants and the Saudi Riyal Procurement Facility Participants.

Procurement Facility Stage Payment means a stage payment made or to be made by a Procurement Facility Agent (on behalf of the Procurement Facility Participants) to Sadara pursuant to the provisions of the Dollar Facility Procurement Agreement or the Saudi Riyal Facility Procurement Agreement (as the case may be) or the amount of such stage payment (as the context requires).

Procurement Pledge Agreement means the agreement to be entered into (to the extent the SIDF Facilities are not in place at the Project Completion Date, or if at any time thereafter the SIDF Facilities are prepaid in full) between the Procurement Facility Asset Agent and the Onshore Security Agent pursuant to which the Procurement Facility Asset Agent (on behalf of each of the Procurement Facility Participants) grants a pledge over the Procurement Facility Assets in favor of the Onshore Security Agent.

Procurement Termination Sum means, in relation to:

- (a) a Procurement Facility, the amount expressed to be payable under the Dollar Facility Procurement Agreement or the Saudi Riyal Procurement Facility Procurement Agreement (as the case may be) upon termination of those agreements;
- (b) the Wakala Facilities, the amount expressed to be payable under the Wakala Agreement upon termination thereof;
- (c) the Sukuk Facility, the Issuer Procurement Termination Sum; and
- (d) an Additional Facility documented as an Islamic Facility, the termination payment expressed to be payable upon early termination of the relevant wakala, procurement and / or istisna agreement which is substantially similar to one or more of the payments referred to in paragraphs (a) or (b) above or otherwise customary for *Shari'a* compliant finance arrangements.

Product Handling Facilities means the pipelines, facilities and related infrastructure at the Sadara Complex Site and the King Fahd Industrial and Jubail Commercial Ports for the storage, handling and packaging of Sadara's Products and the delivery of Sadara's Products to customers (including a solids and liquids handling centre).

Product Marketing and Lifting Direct Agreements means

- (a) the High Pressure Low-Density Polyethylene Product Marketing and Lifting Direct Agreement;
- (b) the Solution High Density Polyethylene Product Marketing and Lifting Direct Agreement;
- (c) the Solution Polyethylene (C4) Product Marketing and Lifting Direct Agreement;
- (d) the Solution Polyethylene (C6) Product Marketing and Lifting Direct Agreement;
- (e) the Solution Polyethylene (C8) Product Marketing and Lifting Direct Agreement;
- (f) the Solution Elastomers Product Marketing and Lifting Direct Agreement;
- (g) the Propylene Glycol Product Marketing and Lifting Direct Agreement;
- (h) the Ethanolamines and Ethyleneamines Product Marketing and Lifting Direct Agreement;
- (i) the Polyols Product Marketing and Lifting Direct Agreement;
- (j) the Polymeric Methylene Diphenyl Diisocyanate Product Marketing and Lifting Direct Agreement;
- (k) the Toluene Diisocyanate Product Marketing and Lifting Direct Agreement;
- (l) the Butyl Glycol Ether Product Marketing and Lifting Direct Agreement;
- (m) the Propylene Product Marketing and Lifting Direct Agreement;
- (n) the Ethylene Product Marketing and Lifting Direct Agreement;
- (o) the Benzene Product Marketing and Lifting Direct Agreement;
- (p) the Toluene Product Marketing and Lifting Direct Agreement; and
- (q) the Pygas Product Marketing and Lifting Direct Agreement,

following the exercise by Saudi Aramco of its option to assume the obligations of Dow (or its Affiliate) to market 50% of any Product being marketed by Dow (or its Affiliate) under any of the above, any direct agreement relating to the relevant product marketing and lifting agreement entered into between Dow (or its Affiliate) and Sadara with respect to that Product with identical commercial terms applicable to the Saudi Aramco Product Marketing and Lifting Agreement with respect to that Product.

Products means the products manufactured by Sadara at the Sadara Complex.

Production Specification has the meaning given to such term at page 154 of this Prospectus.

Pro Forma Bifurcated Lump-Sum Turnkey Contract means the contract described at page 162 of this Prospectus.

Pro Forma Unitary Modified Lump-Sum Procure Build Contract means the contract described at page 169 of this Prospectus.

Pro Forma Unitary Non-Process Plant/Early Works Lump-Sum Turnkey Contract means the contract described at page 157 of this Prospectus.

Pro Forma Unitary Non-Process Plant/Temporary Facilities Lump-Sum Turnkey Contract means the contract described at page 157 of this Prospectus.

Pro Forma Unitary Process Plant Lump-Sum Turnkey Contract means the contract described at page 157 of this Prospectus.

Programme has the meaning given to such term at page 159 of this Prospectus.

Programme FEED means programme front-end engineering and design.

Programme Leverage Agreements has the meaning given to such term at page 159 of this Prospectus.

Project means the development, financing, design, construction, ownership, operation and marketing of a

world scale integrated chemicals complex to be located on a site within the perimeter of the RCJY's Al Jubail Industrial City II on the east coast of The Kingdom for the manufacture of chemical and plastic products and the marketing of such products inside and outside of The Kingdom including:

- (a) the Feed Units;
- (b) the Derivative Units;
- (c) the Pipeline Facilities;
- (d) the Product Handling Facilities;
- (e) the Utility Facilities;
- (f) the Third Party Equity Investments; and
- (g) the promotion of export oriented downstream conversion industries within The Kingdom, including the development, financing, design, construction, ownership and operation of one or more training centers as may be required by the Ministry of Petroleum and Mineral Resources of The Kingdom,

as supplemented from time to time by any Expansion Facilities, any Permitted Developments and by any capital expenditure included within the definition of Operating Costs.

Project Accounts means:

- (a) the Offshore Project Accounts;
- (b) the Onshore Project Accounts; and
- (c) any other account designated as a Project Account by agreement in writing by the Intercreditor Agent with the prior written consent of Sadara.

Project Assets has the meaning given to such term at page 8 of this Prospectus.

ProjectCo means Sadara Chemical Company.

ProjectCo Substation means a substation downstream of the Interface Point.

Project Completion Date means the date on which each the conditions outlined at clause 28 (*Project Completion Date*) of the GCTA have been satisfied or waived.

Project Costs means all costs incurred to construct, complete and commission the Sadara Complex, including the following (without double counting):

- (a) all costs (whether incurred prior to, or following, the First Financial Close) incurred in connection with, among other things, the development, design, construction, procurement, installation, completion, testing, start up, commissioning and insurance of the Sadara Complex including:
 - (i) all costs incurred in connection with the front end engineering and design of the Sadara Complex;
 - (ii) all costs incurred in connection with the Construction Contracts and the Project Documents; and
 - (iii) the cost of all Punchlist Items and permitted retentions and other sums payable under the Construction Contracts or the Project Documents that accrue prior to the Project Completion Date but are expected to become payable thereafter;
- (b) any O&M costs, royalties and all amounts that Sadara is required to pay or withhold on account of Taxes accruing, in each case, prior to the Project Completion Date and to the extent not paid from Operating Revenues;
- (c) working capital requirements through to the Project Completion Date;
- (d) each ECA's premia, commission and other costs, charges and expenses associated with the financing of the Sadara Complex (other than with respect to any Shareholder Subordinated Loans (except Temporary Shareholder Loans)) accruing prior to the Project Completion Date including all amounts (other than principal) accrued prior to the project Completion Date and funded in the Debt Service Account, underwriting fees, arranging fees, commitment fees, agency fees, hedging costs, legal fees and expenses, financial advisory fees and expenses, technical fees and expenses, fees for the independent consultants and other out-of-pocket

- expenses payable by Sadara;
- (e) costs accruing prior to the Project Completion Date of any letters of credit and similar support letters and undertakings obtained by or issued on behalf of Sadara prior to the Project Completion Date (such costs to include the payment of any claims under any such letters of credit, support letters and / or undertakings);
- (f) the costs of the Third Party Equity Investments;
- (g) funds:
 - (i) used to satisfy the DSRA Required Balance calculated for the purposes of meeting such balance as at the Project Completion Date (including, for the avoidance of doubt, the amount of any letter of credit issued in place of all, or a portion of, the DSRA Required Balance); and
 - (ii) required to ensure that:
 - (A) the Offshore Operating Account is funded in an amount equal to all Operating Costs estimated to be payable by Sadara outside of The Kingdom; and
 - (B) the Onshore Operating Account is funded in an amount equal to all Operating Costs estimated to be payable by Sadara inside of The Kingdom,

in each case, in the 30 day period immediately following the Project Completion Date;

- (h) all development costs in connection with the Project incurred by the Sponsors and their respective Affiliates prior to the formation of Sadara and all development costs, venture and corporate costs and expenses of Sadara accruing prior to the Project Completion Date (whether paid by the Shareholders and their respective Affiliates or Sadara), including the cost of establishing Sadara, the cost of technical services, the cost of the manufacturing and engineering, finance and marketing teams and other relevant personnel of Sadara, the Sponsors, the Shareholders and their respective Affiliates; and
- (i) commission (including margin), fees and other amounts payable in respect of any Bridge Financing and the Equity Bridge Finance Documents (if any),

provided that, in each case, the proceeds of the Bridge Financing and the Equity Bridge Finance Documents were utilized to fund Project Costs falling within paragraphs (a) to (h), but excluding any costs relating to any Expansion Facility.

Project Document Guarantee means any guarantee provided by a Sponsor (or, in the case of Dow, DEH) in respect of the obligations of its Affiliate for the benefit of Sadara pursuant to a Project Document.

Project Documents means:

- (a) the Industrial Land Lease Contract;
- (b) each Terminal Lease Agreement;
- (c) the Feedstock Supply Agreements;
- (d) the Dow Product Marketing and Lifting Agreements;
- (e) the Dow Technology License Agreements;
- (f) the Dow Technical Services Agreements;
- (g) the Dow CSA;
- (h) the General Services Agreement and any Service Addenda (as defined in the General Services Agreement);
- (i) the Third Party Engineering Agreements;
- (j) the Material Third Party Supply Agreements;
- (k) the Comonomers Agreement;
- (l) the Ethylene Oxide Supply Agreement;
- (m) the Utility Agreements;
- (n) the Ancillary Agreements;
- (o) the Third Party Technology Transfer Agreements;

- (p) the Secondment Agreement;
- (q) the Third Party Catalyst Supply Agreements;
- (r) the Additional Shareholder Commitments (if any);
- (s) the Omnibus Confidentiality Agreement;
- (t) the Tank Storage Services Agreement;
- (u) the Railway Transportation Services Agreement;
- (v) any material agreements similar in scope to the foregoing associated with an Expansion Facility;
- (w) any Project Document Guarantee in respect of any other Project Document; and
- (x) any other document to which Sadara is a party and under which Sadara assumes material obligations or acquires material rights and which the Intercreditor Agent designates (with the prior written consent of Sadara, acting reasonably) a Project Document for the purpose of the Finance Documents.

Project Facilities has the meaning given to such term at page 170 of this Prospectus.

Project FEED means project front-end engineering and design.

Project Management Consultants means Foster Wheeler.

Projected Amount means, in respect of any Expansion Facility, all Estimated Modification / Expansion Costs in respect of such Expansion Facility that are not reasonably projected to be covered by permitted Expansion Debt, permitted Supplemental Debt or permitted Additional CapEx Debt to be incurred for such purpose.

Promissory Note means a Principal Note or a Commission Note or a Promissory Note as provided by Sadara to the Wakala Facility Agents under the terms of the Wakala Facility Specified Lease Agreement.

Proposed Distribution Date has the meaning given to such term at page 271 of this Prospectus.

Proposed Purchaser has the meaning given to such term at page 291 of this Prospectus.

Proposed Substitution Notice has the meaning given to such term at page 291 of this Prospectus.

Propylene Glycol In-Kingdom Post-Acceptance Technical Services Agreement means the propylene glycol In-Kingdom Post-Acceptance Technical Services Agreement dated 8 December 2011 and made between Sadara and Dow Saudi Arabia Company.

Propylene Glycol In-Kingdom Post-Acceptance Technical Services Direct Agreement means the propylene glycol In-Kingdom Post-Acceptance Technical Services Direct Agreement entered into between Sadara, Dow Saudi Arabia Company and the relevant Security Agent pursuant to which the Senior Financing Participants, among other things, acquire certain direct rights in relation to the Propylene Glycol In-Kingdom Post-Acceptance Technical Services Agreement.

Propylene Glycol In-Kingdom Pre-Acceptance Technical Services Agreement means the propylene glycol In-Kingdom Pre-Acceptance Technical Services Agreement dated 8 December 2011 and made between Sadara and Dow Saudi Arabia Company.

Propylene Glycol In-Kingdom Pre-Acceptance Technical Services Direct Agreement means the propylene glycol In-Kingdom Pre-Acceptance Technical Services Direct Agreement to be entered into between Sadara, Dow Saudi Arabia Company and the relevant Security Agent, pursuant to which the Senior Financing Participants, among other things, acquire certain direct rights in relation to the Propylene Glycol In-Kingdom Pre-Acceptance Technical Services Agreement.

Propylene Glycol Out-of-Kingdom Post-Acceptance Technical Services Agreement means the propylene glycol Out-of-Kingdom Post-Acceptance Technical Services Agreement dated 8 December 2011 and made between Sadara and DEH.

Propylene Glycol Out-of-Kingdom Post-Acceptance Technical Services Direct Agreement means the propylene glycol Out-of-Kingdom Post-Acceptance Technical Services Direct Agreement to be entered into between Sadara, DEH and the relevant Security Agent pursuant to which the Senior Financing Participants,

among other things, acquire certain direct rights in relation to the Propylene Glycol Out-of-Kingdom Post-Acceptance Technical Services Agreement.

Propylene Glycol Product Marketing and Lifting Agreement means the propylene glycol product marketing and lifting agreement dated 11 September 2012 and made between Sadara and Dow Saudi Arabia Product Marketing B.V.

Propylene Glycol Product Marketing and Lifting Direct Agreement means the propylene glycol product marketing and lifting direct agreement to be entered into between Sadara, Dow Saudi Arabia Product Marketing B.V. and the relevant Security Agent pursuant to which the Senior Financing Participants, among other things, acquire certain direct rights in relation to the Propylene Glycol Product Marketing and Lifting Agreement.

Propylene Glycol Technology License Agreement means the propylene glycol technology license agreement dated 8 December 2011 and made between Sadara and DEH with respect to the licensing of propylene glycol technology to the Sadara Complex.

Propylene Glycol Technology License Direct Agreement means the propylene glycol technology license direct agreement to be entered into between Sadara, DEH and the relevant Security Agent pursuant to which the Senior Financing Participants, among other things, acquire certain direct rights in relation to the Propylene Glycol Technology License Agreement.

Propylene Product Marketing and Lifting Agreement means the propylene product marketing and lifting agreement dated 11 September 2012 and made between Sadara and Dow Saudi Arabia Product Marketing B.V.

Propylene Product Marketing and Lifting Direct Agreement means the propylene product marketing and lifting direct agreement to be entered into between Sadara, Dow Saudi Arabia Product Marketing B.V. and the relevant Security Agent pursuant to which the Senior Financing Participants, among other things, acquire certain direct rights in relation to the Propylene Product Marketing and Lifting Agreement.

Prospectus has the meaning given to such term at page iii of this Prospectus.

Protected Party means a Senior Creditor which is subject to any liability for Tax in relation to a sum received or receivable (or any sum deemed for the purposes of Tax to be received or receivable) under a Finance Document.

PSIA means the power supply and implementation agreement dated 27 April 2012 and made between Sadara and SEC.

PublicCo has the meaning given to such term at page 121 of this Prospectus.

PublicCo Share Percentage has the meaning given to such term at page 236 of this Prospectus.

PublicCo Share Pledge Agreement means the share pledge agreement, to be entered into as soon as reasonably practicable following the transfer to the PublicCo Shareholder of the PublicCo Share Percentage governed by the laws of The Kingdom, pursuant to which the PublicCo Shareholder pledges its shares in Sadara to the Onshore Security Agent for the benefit of the Secured Parties.

PublicCo Shareholder has the meaning given to such term at page 236 of this Prospectus.

Punchlist Items means non-material items that remain outstanding under any of the Construction Contracts and the Project Documents (whether or not in dispute).

Purchaser has the meaning given to such term at page 192 of this Prospectus.

Pygas means pyrolysis gasoline.

Pygas and Reformate Hydrogenation Engineering Agreement means the Pygas and reformate hydrogenation engineering agreement dated 4 November 2008 and made between Aramco Services Company, DEH and S&W and novated by Aramco Services Company and DEH to Sadara.

Pygas and Reformate Hydrogenation Technology Transfer Agreement means the Pygas and reformate hydrogenation technology transfer agreement dated 4 November 2008 and made between Aramco Services Company, DEH and S&W and novated by Aramco Services Company and DEH to Sadara.

Pygas and Reformate Hydrogenation Technology Transfer Direct Agreement means the Pygas and reformate hydrogenation technology transfer direct agreement to be entered into between S&W and the relevant Security Agent pursuant to which the Senior Financing Participants, among other things, acquire certain direct rights in relation to the Pygas and Reformate Hydrogenation Technology Transfer Agreement.

Pygas Product Marketing and Lifting Agreement means the Pygas product marketing and lifting agreement dated 11 September 2012 and made between Sadara and Dow Saudi Arabia Product Marketing B.V.

Pygas Product Marketing and Lifting Direct Agreement means the Pygas product marketing and lifting direct agreement to be entered into between Sadara, Dow Saudi Arabia Product Marketing B.V. and the relevant Security Agent pursuant to which the Senior Financing Participants, among other things, acquire certain direct rights in relation to the Pygas Product Marketing and Lifting Agreement.

Qualified Majority Decision means any Decision (each of which is to be made in accordance clause 6.5 (*Qualified Majority Decisions*) of the Intercreditor Agreement):

- (a) to amend the provisions relating to the deferral of any repayment obligation under a Facility (other than with respect to the timing of delivery of a notice of deferral which shall be an Individual Facility Decision);
- (b) to amend clause 10.2 (*Casualty Proceeds*), clause 10.3 (*Expropriation Proceeds*), clause 10.4 (*Sharing of Pre-Completion Net Revenues Proceeds*), clause 24.2 (*Financial Indebtedness*) or clause 27 (*Share-transfer Restrictions*) of the GCTA;
- (c) to amend the definition of Event of Default so as to:
 - (i) introduce additional events or circumstances that constitute an Event of Default; or
 - (ii) remove events or circumstances that constitute an Event of Default;
- (d) to amend in a material respect any of the events or circumstances that constitute a Common Event of Default;
- (e) as to compliance with, or the amendment of:
 - (i) any of the conditions set out in the GCTA applicable to the incurrence of any Additional Senior Debt; or
 - (ii) any of the conditions (other than of an immaterial nature) specified in schedule 12 (*Release of Expansion Completion Guarantee*) of the GCTA;
- (f) relating to the acceptability to the Intercreditor Agent of:
 - (i) from a credit perspective, any commitments provided by Sadara, Dow and/or any Shareholder (or Affiliate thereof that is not a Sponsor) pursuant to clause 25.21(b) (ii) (*Destruction of the Sadara Complex*) of the GCTA;
 - (ii) any reliability test pursuant to paragraph (c) of schedule 12 (*Release of Expansion Completion Guarantee*) of the GCTA; or
 - (iii) the Disclosure Schedule referred to in clause 28(f) (*Project Completion Date*) of the GCTA;
- (g) to amend:
 - (i) any term of an Additional Facility Agreement to the extent that, if such amendment had been included in the original terms of such Additional Facility Agreement, the indebtedness attributable thereto would not have complied with the conditions relating to the incurrence of Additional Senior Debt;
 - (ii) any provision of the Common Finance Documents requiring a new Secured Party to accede to this Agreement if the effect of such amendment would be to release or relax the requirement;
 - (iii) the definitions of “Acceptable Credit Rating”, “Acceptable Credit Support”, “Available Cashflow”, “Backward DSCR”, “Debt-to-equity Ratio”, “Forward DSCR”, “Major Project Participant”, “Material Adverse Effect”, “Permitted Development”, “Permitted Person”, “Project” or “Sadara Complex” in clause 1.1 (*Definitions*) of the GCTA;
 - (iv) the definitions of “Debt Service Required Balance”, “DSRA Required Balance” or “Funding Amount” in the Accounts Agreement;

- (v) the logic, calculation formulae or format of the Financial Model (but not including any de minimis change which could not reasonably be expected to be material to the interests of the Senior Financing Participants) or the list of Assumptions in schedule 6 (*Assumptions*) of the GCTA;
- (vi) clause 22.3 (*Distribution Conditions*) of the Accounts Agreement if the effect of such amendment would be to release or relax the requirement;
- (vii) the description of any specific item to be credited to, or withdrawn from, any Project Account;
- (viii) clause 2 (*Ranking of Debt*), clause 13 (*Application of Proceeds of Security*), clause 14 (*Application of Proceeds of Completion Guarantees*) or clause 17 (*Subordination*) of the Intercreditor Agreement;
- (h) as to compliance with, or the amendment of:
 - (i) the Environmental and Social Requirements (as such term is defined in the SCTA);
 - (ii) any:
 - (A) PIF Undertaking Agreement; or
 - (B) SIDF Undertaking Agreement,

in each case, where such amendment could reasonably be expected to be materially adverse to the interests of the Senior Financing Participants; or

- (iii) which is specifically identified in a Finance Document as a “Qualified Majority Decision”.

Qualified Majority Senior Creditors means the Senior Creditors comprising Senior Creditor Groups that constitute an ECA Majority and whose respective Participation Amounts (each voted as a unanimous block in accordance with clause 6.1(c) (*General*) of the Intercreditor Agreement) together constitute at least sixty-six and two-thirds per cent. (66 2/3%) of the Total Relevant Senior Participations.

Qualified Person has the meaning given to such term on page 317 of this Prospectus.

Rate Fixing Day means:

- (a) if the currency is Dollars, in relation to any period for which a commission rate is to be determined two Business Days before the first day of that period, unless market practice differs in the London interbank market, in which case the Rate Fixing Day will be determined by the Intercreditor Agent in accordance with market practice in the London interbank market (and if quotations would normally be given by leading banks in the London interbank market on more than one day, the Rate Fixing Day will be the last of those days); and
- (b) if the currency is Saudi Riyals, in relation to any period for which a commission rate is to be determined two Business Days before the first day of that period, unless market practice differs in the Riyadh interbank market (and if quotations would normally be given by leading banks in the Riyadh interbank market on more than one day, the Rate Fixing Day will be the last one of those days).

RCJY means the Royal Commission for Jubail and Yanbu.

Receiver means Sadara under the Technical Services Agreements.

Redesignated Subordinated Loan means any Senior Shareholder Loan to the extent it has been redesignated as a Shareholder Subordinated Loan pursuant to clause 12.9 (*Redesignation*) of the GCTA.

Reference Banks has the meaning given to such term in Condition 6.2 (*SAIBOR Determination*).

Register means the register in respect of the Certificates maintained by the Registrar.

Registrar has the meaning given to such term at page ii of this Prospectus.

Registry Agreement means the registry agreement, the listing agreement and the issuer data uploading agreement each to be dated on or before the Closing Date between the Issuer and the Registrar.

Related Rights means:

- (a) in relation to any Pledged Asset, Additional Asset (in each case to the extent capable of being pledged pursuant to the Onshore Commercial Pledge Agreement (if applicable) or otherwise by law), Offshore Project Account or Assigned Contract assigned under the Offshore Charge and Assignment Agreement (as the case may be):
 - (i) the proceeds of sale of any part or all of that asset;
 - (ii) all rights under any property license, agreement for sale or agreement for lease in respect of that asset;
 - (iii) all rights, benefits, claims, warranties, remedies, security, indemnities or covenants for title in respect of any part of that asset; and
 - (iv) any moneys and proceeds paid or payable in respect of that asset; and
 - (v) in the case of the Offshore Project Accounts and Assigned Contracts assigned under the Offshore Charge and Assignment Agreement, the benefit of all claims and damages payable in respect of breaches of the Assigned Contracts;
- (b) in relation to any Assigned Contract or Future Assigned Contract (as the case may be) any claims, awards and judgments in favor of Sadara under or in connection with any Assigned Contract or Future Assigned Contract;
- (c) in relation to the US Ex-Im Disbursement Account, all contract rights, claims and privileges in respect of the US Ex-Im Disbursement Account and all cash, instruments, investment property and other financial assets at any time on deposit in or credited to the US Ex-Im Disbursement Account, including all income, earnings and distributions thereon and all proceeds, products and accessions of and to any and all of the foregoing, including whatever is received or receivable upon any collection, exchange, sale or other disposition of any of the foregoing and any property into which any of the foregoing is converted, whether cash or non-cash proceeds, and any and all other amounts paid or payable under or in connection with any of the foregoing;
- (d) in relation to any Pledged Asset or Additional Asset (as the case may be):
 - (i) the proceeds of sale of any part or all of that asset;
 - (ii) all rights under any property license, agreement for sale or agreement for lease in respect of that asset;
 - (iii) all rights, benefits, claims, warranties, remedies, security, indemnities or covenants for title in respect of any part of that asset; and
 - (iv) any moneys and proceeds paid or payable in respect of that asset,
 in each case, to the extent capable of being pledged pursuant to the Onshore Commercial Pledge Agreement or otherwise by law;
- (e) in relation to any Assigned Contract or Future Assigned Contract (as the case may be) any claims, awards and judgments in favor of Sadara under or in connection with any Assigned Contract or Future Assigned Contract; and
- (f) in relation to the Assigned Accounts (as defined in the relevant Security Document), all rights to moneys and proceeds paid or payable to Sadara in connection with the Assigned Accounts and any rights to claims, awards and judgments in favor of Sadara under or in connection with the Assigned Accounts.

Relevant Agreement has the meaning given to such term at page 68 of this Prospectus.

Relevant Amount means either:

- (a) the amount of the Casualty Proceeds;
- (b) an amount over and above the cost of repair or reinstatement where such excess amount is equal to or greater than USD 100 million (indexed) (or its equivalent in any other currency); and
- (c) the amount determined in accordance with clause 10.2 (*Casualty Proceeds*) of the GCTA.

Relevant Creditors means the ECAs (including, for the avoidance of doubt, any ECA to the extent it has exercised subrogation rights in respect of any ECA Creditor to which it provides Comprehensive Cover under an ECA Facility) and PIF.

Relevant Date has the meaning given to such term in Condition 11 (*Prescription*).

Relevant Dispute means any dispute arising under, out of or in connection with the GCTA (including a dispute regarding the existence, validity or termination of, or any non-contractual obligations arising out of or in connection with, the GCTA).

Relevant Document means the underlying agreement to which the Direct Agreement relates.

Relevant Event has the meaning given to such term at page 164 of this Prospectus.

Relevant Facility means a Commercial Bank Facility, an ECA Facility and the PIF Facility.

Relevant Mandatory Prepayment means any mandatory prepayment required under a Senior Financing Instrument (other than a mandatory prepayment required under clause 10.1 (*Illegality*) of the GCTA).

Relevant Note means the Promissory Note (other than a Promissory Note provided under the Wakala Facility Specified Lease Agreement) which starts the 11 month time period under clause 15.3 (*Substitute Promissory Notes*) of the GCTA (*Substitute Promissory Notes*), on or about the expiry of which period Sadara will provide to the relevant Facility Agent:

- (a) in respect of a Principal Note, one or more substitute Principal Notes which are in an aggregate amount equal to the amount of the Relevant Note (as reduced by an amount equal to any repayment, prepayment, or cancellation under the relevant Facility represented by such Relevant Note); and
- (b) in respect of a Commission Note, one or more substitute Commission Notes such that the aggregate amount of Commission Notes issued by Sadara and held by that Facility Agent (but excluding for these purposes the Relevant Note) is at least equal to the amount of commission which that Facility Agent reasonably estimates will fall due for payment in the 12 month period following the date of receipt of the new Commission Note in respect of the relevant Facility.

Relevant Offshore Payroll Account means the offshore payroll account opened and maintained with the Offshore Account Bank pursuant to the Accounts Agreement and held in the name of Sadara as identified in part A (*Offshore Project Accounts*) of schedule 1 (*Project Accounts*) of the Accounts Agreement.

Relevant Onshore Payroll Account means the onshore payroll account opened and maintained with the Onshore Account Bank pursuant to the Accounts Agreement and held in the name of Sadara as identified in part B (*Onshore Project Accounts*) of schedule 1 (*Project Accounts*) of the Accounts Agreement.

Relevant Proportion means:

- (a) in respect of DEH, 35%; and
- (b) in respect of Saudi Aramco:
 - (i) 65% prior to the Dow Exit Date; and
 - (ii) 100% on and from the Dow Exit Date.

Relevant Update has the meaning given to such term at page 237 of this Prospectus.

Remedies Initiation Notice means a notice served by a Designated Voting Party on the Intercreditor Agent describing the relevant Event of Default as well as the proposed Enforcement Action which such party wishes the Intercreditor Agent to pursue.

Remedy Period has the meaning given to such term at page 236 of this Prospectus.

Rental Payment means, in respect of the Sukuk Facility, in respect of each Lease Period, the aggregate of:

- (a) the product of (i) the applicable SAIBOR rate (being that determined in accordance with Condition 6.2 (*SAIBOR Determination*)) for the Return Accumulation Period (as defined in Condition 6.2 (*SAIBOR Determination*)) which corresponds to such Lease Period, plus the Sukuk Margin; (ii) the number of days in that Lease Period divided by 360; and (iii) the aggregate face amount of the Certificates outstanding on the first day of that Lease Period, taking into account (A) any cancellations of Certificates and (B) any Fixed Rental Payment and / or Early Payment Amount, in each case, to be effected or paid on such day;

- (b) the relevant Fixed Rental Payment; and
- (c) any Supplementary Rental Payments,

and, in relation to the other Islamic Facilities, means the equivalent lease rental payment (if any) payable by Sadara (in its capacity of lessee, with respect to the lease arrangement documented under the relevant Islamic Facility).

Rental Payment Date means the First Rental Payment Date and each 15 June and 15 December thereafter until and including the Final Rental Payment Date, as specified in the relevant Rental Payment Notice, *provided that* if such date is not a Business Day the relevant Rental Payment Date shall fall on the next day which is a Business Day in the same calendar month (if there is one) or the preceding Business Day (if there is none).

Rental Payment Notice means, in relation to a Lease Period, a notice, substantially in the form set out in Schedule 2 to the Forward Lease Agreement, to the Lessee setting out details of the Rental Payment payable by the Lessee on the Rental Payment Date specified therein (subject to the same being amended following a Rental Notice Amendment Event) (as defined in the Forward Lease Agreement).

Repayment Date means, in respect of each Facility, the First Repayment Date and each of the semiannual dates on which a Repayment Installment is due, being 15 June and 15 December of the relevant years up to (and including) the final Repayment Date for that Facility.

Repayment Installment means each installment of principal that is scheduled to fall due under the Senior Financing Instruments.

Replacement Creditors means any person providing Replacement Debt to Sadara (including any Sponsor or Shareholder or their respective affiliate(s) providing any such Replacement Debt) must be an Acceptable Creditor and shall accede to the Intercreditor Agreement as a Replacement Creditor on or prior to the date such Replacement Debt is incurred.

Replacement Debt has the meaning given to such term at page 222 of this Prospectus.

Replacement Debt Documents means:

- (a) any facility agreement or instrument documenting the terms of any Replacement Debt; and
- (b) any other agreement or instrument entered into in connection with the incurrence of Replacement Debt,

designated as a Replacement Debt Document by the Intercreditor Agent, with the prior written consent of Sadara.

Replacement Water has the meaning given to such term at page 181 of this Prospectus.

Required Insurances means the insurances required to be maintained by Sadara in accordance with the terms of the SCTA.

Reserve Accounts means:

- (a) the Debt Service Reserve Account;
- (b) any Bonds Sinking Reserve Account; and
- (c) the Maintenance Reserve Account.

Reserved Matter means any or all of the following:

- (a) modifying the Scheduled Termination Date or any other date for payment in respect of the Certificates;
- (b) reducing or cancelling any amount payable in respect of the Certificates;
- (c) altering the currency of payment of the Certificates;
- (d) amending (other than pursuant to a waiver) any of the Issuer's covenants set out in Condition 5 (*Covenants*) or any of Sadara's covenants to make a payment to the Issuer under any Finance Document;
- (e) modifying the provisions contained in the Declaration of Agency and/or the Conditions concerning the quorum required at any meeting of the Certificateholders or the majority

- required to pass an Extraordinary Resolution;
- (f) amending this definition; or
- (g) to the extent not covered by any of the foregoing, any decision requested in relation to any Unanimous Group Decision (as defined in the Intercreditor Agreement).

Restricted Lease Right means in relation to:

- (a) the Procurement Facilities, any right to terminate a Procurement Facility Document;
- (b) the Wakala Facilities, any right to terminate a Wakala Facility Document;
- (c) a Sukuk Facility, any right to terminate a Sukuk Facility Document; and
- (d) an Additional Facility documented as an Islamic Facility, any termination right or other right equivalent or analogous to any right referred to in paragraphs (a) to (c) above.

Return Accumulation Period means the period from and including the Closing Date to but excluding the First Distribution Date, and each successive period from and including a Distribution Date to but excluding the next succeeding Distribution Date or, in the case of the final Return Accumulation Period, the Final Distribution Date.

Revenues Accounts means:

- (a) the Offshore Revenues Account; or
- (b) the Onshore Revenues Account.

Routine Maintenance means all repair, replacement of consumables and maintenance (other than Major Maintenance and replacement of the whole or any non consumable part of the Lease Assets) required to keep, repair, maintain and preserve the Lease Assets in good order and operating condition.

Sadara means Sadara Chemical Company, a limited liability company organized and existing under the laws of The Kingdom having a commercial registration No 2055014427 and having its head office in the Eastern Province at Jubail, The Kingdom in its capacity as “Sadara”.

Sadara Complex means the Initial Production Facilities and any other facilities constructed and owned by Sadara whether by expansion, modification or debottlenecking (including by way of Permitted Developments).

S&P means Standard & Poor’s.

S&W means Stone & Webster International, Inc.

S&W TTA means the technology transfer agreement dated 4 November 2008 and made between S&W, DEH and Aramco Services Company.

SAGIA means the Governor of the Saudi Arabian General Investment Authority.

SAIBOR means, for any period in relation to amounts denominated in Saudi Riyals:

- (a) the applicable Screen Rate; or
- (b) (if no Screen Rate is available for Saudi Riyals) the arithmetic mean of the rates (rounded upwards to four decimal places) as supplied to the relevant Islamic Facility Agents at its request quoted by the Reference Banks to leading banks in the Riyadh interbank market,

as of the 11:00 am on the Rate Fixing Day for the offering of deposits in Saudi Riyals for a period equal to or comparable to such period.

Sales Gas means the sales gas supplied by Saudi Aramco to Sadara under the SGSA.

SAMA means Saudi Arabian Monetary Authority.

SAMA Committee means the Committee for the Settlement of Banking Disputes established in The Kingdom pursuant to Royal Order No. 729/8 dated 10/7/1407H (corresponding to 10 March 1987G) and operating under the aegis of the Saudi Arabian Monetary Agency.

SAR, Saudi Riyal, Saudi Arabian Riyal and Riyal have the meaning given to such terms on page v of this Prospectus.

SARCo has the meaning given to such term at page 15 of this Prospectus.

SATORP means the Saudi Aramco Total Refining and Petrochemical Programme.

Saudi Acrylic Acid Company means a subsidiary of National Industrialization Company, also known as Tasnee, one of the Butanol Sponsors.

Saudi Arabian Arbitration Regulation means the Saudi Arabian arbitration regulation issued pursuant to Royal Decree number M/34 dated 25/05/1433H (corresponding to 16 April 2012G).

Saudi Arabian Companies Law means the regulations for Saudi Arabian companies issued pursuant to Royal Decree M/6 dated 22/03/1388H (corresponding to 21 July 1965G), as amended from time to time.

Saudi Aramco means Saudi Arabian Oil Company, a company with limited liability established by Royal Decree No. M/8 dated 4/4/1409H (corresponding to 13 November 1988G) under the laws of The Kingdom.

Saudi Aramco Completion Guarantee means the completion guarantee dated on or about the First Signing Date in favor of the Guarantee Beneficiaries granted by Saudi Aramco in respect of the obligations of Sadara under the Finance Documents.

Saudi Aramco Equity Bridge Facility means the Dollar-denominated commercial term loan facility made available to Sadara by the Saudi Aramco Equity Bridge Facility Creditors pursuant to the terms of the Saudi Aramco Equity Bridge Facility Agreement.

Saudi Aramco Equity Bridge Facility Agreement means the Dollar-denominated commercial term loan facility agreement entered into after the Second Signing Date and made between Sadara and the Saudi Aramco Equity Bridge Finance Parties, setting out the terms and conditions specific to the Saudi Aramco Equity Bridge Facility *provided that* if any such facility agreement is entered into after the Second Signing Date; (a) it shall be non-recourse to Sadara or any of its Subsidiaries or any Sukuk Issuer; and (b) each Saudi Aramco Equity Bridge Facility Finance Party thereunder shall have acceded to the Intercreditor Agreement.

Saudi Aramco Equity Bridge Facility Creditors means those creditors that are a party to the Saudi Aramco Equity Bridge Facility Agreement from time to time.

Saudi Aramco Equity Bridge Guarantee means any irrevocable, unconditional guarantee issued by Saudi Aramco in respect of all of Sadara's payment obligations in relation to amounts advanced under the Saudi Aramco Equity Bridge Facility Agreement.

Saudi Aramco Facility means the Dollar-denominated commercial term loan facility made available to Sadara by the Saudi Aramco Facility Creditors pursuant to the terms of the Saudi Aramco Facility Agreement by way of Additional Senior Debt.

Saudi Aramco Facility Agent means any facility agent acting for and on behalf of the Saudi Aramco Facility Creditors under the Saudi Aramco Facility Agreement.

Saudi Aramco Facility Agreement means any term loan facility agreement entered into after the Signing Date and made between Sadara, the Saudi Aramco Facility Creditors, the Intercreditor Agent and the Saudi Aramco Facility Agent, setting out the terms and conditions specific to the Saudi Aramco Facility.

Saudi Aramco Facility Creditors means any creditor under the Saudi Aramco Facility Agreement, unless, in each case, such person has ceased to be a Senior Creditor in accordance with the terms of the GCTA or a Saudi Aramco Facility Creditor in accordance with the terms of the Saudi Aramco Facility Agreement.

Saudi Aramco Facility Final Maturity Date means 15 December 2028.

Saudi Aramco Founding Shareholder means Performance Chemicals Holding Company.

Saudi Aramco Service Provider has the meaning given to such term at page 189 of this Prospectus.

Saudi Aramco Shareholder means Performance Chemicals Holding Company, a limited liability company incorporated in The Kingdom, being a wholly-owned subsidiary of Saudi Aramco.

Saudi Aramco Shareholder Share Pledge Agreement means the share pledge agreement to be entered into on or about the Second Signing Date and is governed by the laws of The Kingdom, pursuant to which the Saudi Aramco Shareholder pledges its shares in Sadara to the Onshore Security Agent for the benefit of the Secured Parties.

Saudi Kayan Petrochemical Company means a subsidiary of Saudi Basic Industries Corporation, one of the Butanol Sponsors.

Saudi Riyal Commercial Facility means the Saudi Riyal denominated commercial term loan facility made available to Sadara by the Saudi Riyal Commercial Facility Creditors pursuant to the terms of the Saudi Riyal Commercial Facility Agreement.

Saudi Riyal Commercial Facility Agent means the facility agent for and on behalf of the Saudi Riyal Commercial Facility Creditors.

Saudi Riyal Commercial Facility Agreement means the Saudi Riyal denominated commercial term loan facility agreement to be entered into on or about the Second Signing Date and made between Sadara, the Intercreditor Agent, the Saudi Riyal Commercial Facility Agent and the Saudi Riyal Commercial Facility Creditors, setting out the terms and conditions specific to the Saudi Riyal Commercial Facility.

Saudi Riyal Commercial Facility Creditors means:

- (a) the Initial Saudi Riyal Commercial Facility Creditors; and
- (b) any bank, financial institution, trust fund or other entity which has become a Senior Creditor in accordance with clause 39 (*Changes to the Senior Financing Participants*) of the GCTA in accordance with the Saudi Riyal Commercial Facility Agreement and a Saudi Riyal Commercial Facility Creditor under the Saudi Riyal Commercial Facility Agreement,

which, in each case, has not ceased to be a Senior Creditor in accordance with the terms of the GCTA or a Saudi Riyal Commercial Facility Creditor in accordance with the terms of the Saudi Riyal Commercial Facility Agreement.

Saudi Riyal Facility Procurement Agreement means the Saudi Riyal facility procurement agreement to be entered into or on account the Second Signing and made between Sadara, the Intercreditor Agent, the Saudi Royal Procurement Facility Agent, Procurement Facility Asset Agent Shareholder and the Procurement Facility Asset Agent Shareholder and the Procurement Facility Asset Agent.

Saudi Riyal Procurement Facility means the financing arrangements made available to Sadara under the Saudi Riyal Procurement Facility Documents.

Saudi Riyal Procurement Facility Agent means the facility agent for and on behalf of the Saudi Riyal Procurement Facility Participants.

Saudi Riyal Procurement Facility Documents means:

- (a) the Saudi Riyal Procurement Facility Investment Agency Agreement;
- (b) the Saudi Riyal Facility Procurement Agreement;
- (c) the Saudi Riyal Procurement Facility Forward Lease Agreement;
- (d) the Saudi Riyal Procurement Facility Service Agency Agreement;
- (e) the Saudi Riyal Procurement Facility Purchase Undertaking;
- (f) the Saudi Riyal Procurement Facility Sale Undertaking;
- (g) the Procurement Facility Asset Custodian Funding Agreement; and
- (h) any other agreement or document designated as such by the Saudi Riyal Procurement Facility Agent and the Intercreditor Agent, with the prior written consent of Sadara.

Saudi Riyal Procurement Facility Forward Lease Agreement means the Saudi Riyal procurement facility forward lease agreement to be entered into on or about the Second Signing Date and made between Sadara, the Intercreditor Agent, the Saudi Riyal Procurement Facility Agent and the Procurement Facility Asset Agent.

Saudi Riyal Procurement Facility Investment Agency Agreement means the Saudi Riyal procurement facility investment agency agreement to be entered into on or about the Second Signing Date and made between Sadara, the Intercreditor Agent, the Saudi Riyal Procurement Facility Agent, the Procurement Facility Asset Agent, the Procurement Facility Asset Custodian Shareholders and the Saudi Riyal Procurement Facility Participants.

Saudi Riyal Procurement Facility Participants means:

- (a) the Initial Saudi Riyal Procurement Facility Participants; and
- (b) any bank, financial institution, trust fund or other entity which has become a Senior Creditor in accordance with clause 39 (*Changes to the Senior Financing Participants*) of the GCTA and a Saudi Riyal Procurement Facility Participant under the Saudi Riyal Procurement Facility Investment Agency Agreement,

unless, in each case, such person has ceased to be a Senior Creditor in accordance with the terms of the GCTA or a Saudi Riyal Procurement Facility Participant in accordance with the terms of the Saudi Riyal Investment Agency Agreement.

Saudi Riyal Procurement Facility Purchase Undertaking means the procurement facility purchase undertaking dated on or about the Second Signing Date and given by Sadara in favor of the Intercreditor Agent, the Saudi Riyal Procurement Facility Agent and the Procurement Facility Asset Agent.

Saudi Riyal Procurement Facility Sale Undertaking means the procurement facility sale undertaking dated on or about the Second Signing Date and given by the Saudi Riyal Procurement Facility Agent and the Procurement Facility Asset Agent in favor of Sadara.

Saudi Riyal Procurement Facility Service Agency Agreement means the procurement facility service agency agreement dated on or about the Second Signing Date and made between Sadara, the Intercreditor Agent, the Saudi Riyal Procurement Facility Agent and the Procurement Facility Asset Agent.

Saudi Riyal Wakala Facility means the financing arrangements denominated in Saudi Riyals and made available to Sadara by the Saudi Riyal Wakala Facility Participants under the Wakala Facility Documents.

Saudi Riyal Wakala Facility Agent means the facility agent for and on behalf of the Saudi Riyal Wakala Facility Participants.

Saudi Riyal Wakala Facility Participants means:

- (a) the Initial Saudi Riyal Wakala Facility Participants; and
- (b) any bank, financial institution, trust fund or other entity which has become a Senior Creditor and a “*Saudi Riyal Wakala Facility Participant*” in accordance with the Wakala Facility Asset Participation Agreement,

unless, in each case, such person has ceased to be a Senior Creditor in accordance with the terms of the GCTA or a Saudi Riyal Wakala Facility Participant in accordance with the terms of the Wakala Agreement.

Scheduled Commercial Operation Date has the meaning given to such term at page 178 of this Prospectus.

Scheduled Lease Termination Date means the earlier of (a) 15 December 2028 and (b) the 21st Payment Date falling after the First Repayment Date, *provided* that if such date is not a Business Day, the Scheduled Lease Termination Date shall fall on the next day which is a Business Day in the same calendar month (if there is one) or the preceding Business (if there is none).

Scheduled NOSA Commercial Operation Date has the meaning given such term at page 216 of this Prospectus.

Scheduled Project Completion Date means 31 December 2017.

Scheduled Start-Up Date HP Plant has the meaning given to such term at page 173 of this Prospectus.

Scheduled Termination Date has the meaning given to such term on the cover page of this Prospectus.

Scheduled WER Completion Date means the scheduled date for WER Completion recorded in the applicable WER, as such date may be adjusted from time to time.

Screen Rate means

- (a) in relation to LIBOR, the British Bankers’ Association Interest Settlement Rate for Dollars for the relevant period displayed on the appropriate page of the Reuters screen, *provided that* if the agreed page is replaced or the relevant service ceases to be available, the Intercreditor Agent may specify another page or service displaying the appropriate rate after consultation with Sadara; and
- (b) in relation to SAIBOR, the rate for deposit of Saudi Riyals for the relevant period, displayed

on page SUAA of the Reuters screen or, if that page is replaced or that service ceases to be available, the Islamic Facility Agents may specify another page or service displaying the appropriate rate after consultation with Sadara.

SCTA means the supplemental common terms agreement dated on or about the Closing Date and made between, amongst others, Sadara, the Intercreditor Agent, the relevant Facility Agents and the Security Agents.

SEC means the Saudi Electric Company.

SEC Equipment means SEC's equipment in the SEC room within the ProjectCo Substation.

SEC Reinforcement Works has the meaning given to such term at page 171 of this Prospectus.

SEC Substation has the meaning given to such term at page 170 of this Prospectus.

Second Financial Close means in respect of the Initial Supplemental Debt, the date on which all of the conditions precedent to the initial Utilisation of the Initial Supplemental Debt Facilities under the SCTA and the relevant clauses of the Initial Supplemental Debt Facility Agreements, have, in each case, been satisfied or waived in accordance with the Finance Documents.

Second Signing Date means the date on which each of the GCTA, the Accounts Agreement, the Completion Guarantees, the Direct Agreements, the Facility Agreements, the Intercreditor Documents, the Notices of Acknowledgments and Assignment, the Security Documents and the SCTA has been executed and, if applicable, delivered by all original signatories thereto.

Seconded Costs has the meaning given to such term at page 185 of this Prospectus.

Secondment Agreement means the secondment agreement dated 30 October 2011 and entered into between the Dow Shareholder, Saudi Aramco and Sadara for the secondment of certain personnel to Sadara.

Secondment Direct Agreement (Dow) means the secondment direct agreement to be entered into between Sadara, the Dow Shareholder and the relevant Security Agent pursuant to which the Senior Financing Participants, among other things, acquire certain direct rights in relation to the Secondment Agreement.

Secondment Direct Agreement (Saudi Aramco) means the secondment direct agreement to be entered into between Sadara, Saudi Aramco and the relevant Security Agent pursuant to which the Senior Financing Participants, among other things, acquire certain rights in relation to the Secondment Agreement.

Secondment Direct Agreements means the Secondment Direct Agreement (Dow) and the Secondment Direct Agreement (Saudi Aramco).

Secured Obligations means all obligations of Sadara to make payments to the Secured Parties:

- (a) in the case of the Senior Financing Participants, under or pursuant to the Finance Documents;
- (b) in the case of the Feedstock Supplier, in respect of amounts due to it under the Feedstock Supply Agreements;
- (c) in the case of the Sponsors and their Affiliates (but without double counting):
 - (i) under or pursuant to the Shareholder Undertaking Agreement;
 - (ii) under or pursuant to the Subordinated Loan Agreements (if any);
 - (iii) under or pursuant to the Temporary Shareholder Loans (if any); and
 - (iv) on account of amounts paid out under or pursuant to the Completion Guarantees.

Secured Parties means:

- (a) the Senior Financing Participants (excluding SIDF and, until the date on the proceeds of the issuance of any Bonds are released from escrow and made available to Sadara, also excluding the holders of those Bonds);
- (b) the Feedstock Supplier in respect of amounts due to it under the Feedstock Supply Agreements; and
- (c) the Sponsors and their Affiliates with respect to the obligations owing to them by Sadara under or pursuant to (without double counting):
 - (i) the Subordinated Loan Agreements (if any);

- (ii) the Temporary Shareholder Loans (if any); and
- (iii) the Completion Guarantees,

but, in each case, only to the extent that the relevant person is a Party in the aforementioned capacity.

Secured Property means all of the assets and properties which from time to time are, or are expressed to be, the subject of Security created by or pursuant to the Security Documents.

Securities Act means US Securities Act of 1933.

Securities Business Regulations means the securities business regulations of The Kingdom issued pursuant to Capital Market Authority Resolution No. 2-83-2005 dated 21/05/1426H (corresponding to 28 June 2005G).

Security means the Encumbrances created pursuant to the Security Documents.

Security Agent means as applicable, the Onshore Security Agent, the Offshore Security Trustee and Agent or any other security agent or security trustee and agent designated a “*Security Agent*” by the Intercreditor Agent, with the prior written consent of Sadara.

Security Documents means:

- (a) the Offshore Security Documents;
- (b) the Onshore Security Documents;
- (c) any other document designated as such by the Intercreditor Agent, with the prior written consent of Sadara; and
- (d) all agreements and documents executed from time to time pursuant to any of the foregoing including all notices of assignment given pursuant to any of the foregoing.

Security Power of Attorney means each power of attorney governed by the laws of The Kingdom and contemplated to be entered into on or about the First Signing Date relating to all of Sadara’s assets located within The Kingdom and which is granted by Sadara in favor of the Onshore Security Agent for the benefit of the Secured Parties.

Seller’s Final Invoice has the meaning given to such term at page 155 of this Prospectus.

Seller’s Pro Forma Invoice has the meaning given to such term at page 155 of this Prospectus.

Senior Creditor Group means each of:

- (a) the ECA Creditors with respect to the COFACE Covered Facility;
- (b) the ECA Creditors with respect to the ECGD Covered Facility;
- (c) the ECA Creditors with respect to the Hermes Covered Facility;
- (d) the ECA Creditors with respect to the K-Exim Covered Facilities;
- (e) the ECA Creditors with respect to the K-sure Covered Facilities;
- (f) FIEM with respect to the FIEM Direct Facility;
- (g) K-Exim with respect to the K-Exim Direct Facility;
- (h) US Ex-Im with respect to the US Ex-Im Facility;
- (i) the Dollar Commercial Facilities Creditors with respect to the Dollar Commercial Facilities;
- (j) the Saudi Riyal Commercial Facility Creditors with respect to the Saudi Riyal Commercial Facility;
- (k) the Procurement Facility Participants with respect to the Procurement Facilities;
- (l) the Wakala Facility Participants with respect to the Wakala Facilities;
- (m) PIF with respect to the relevant PIF Facility in accordance with the PIF Undertaking Agreement;
- (n) to the extent applicable, SIDF with respect to each SIDF Facility in accordance with the SIDF Undertaking Agreement (if any);
- (o) solely for the purposes of schedule 3 (*Enforcement Procedures*) of the Intercreditor Agreement or in connection with any Fundamental Decision, the relevant Bond Trustee (for and on behalf of the applicable Bondholders) with respect to each Bond Indenture;

- (p) solely for the purposes of schedule 3 (*Enforcement Procedures*) of the Intercreditor Agreement or in connection with any Fundamental Decision, the relevant Sukuk Participant (but so that to the extent that anything is required to be done by the relevant Sukuk Participant for the purposes of schedule 3 (*Enforcement Procedures*) of the Intercreditor Agreement or in connection with any Fundamental Decision, it means the relevant Sukuk Participant acting by the relevant Certificateholders' Agent for and on behalf of the relevant Certificateholders) with respect to the relevant Sukuk Facility;
- (q) to the extent not included in any of the foregoing:
 - (i) the Supplemental Creditors (other than the Initial Supplemental Debt Creditors) with respect to the Supplemental Debt Documents under which the debt owed to them is incurred;
 - (ii) the Buy-down Supplemental Creditors with respect to the Buy-down Supplemental Debt Documents under which the debt owed to them is incurred;
 - (iii) the Replacement Creditors with respect to the Replacement Debt Documents under which the debt owed to them is incurred;
 - (iv) the Additional CapEx Creditors with respect to the Additional CapEx Debt Documents under which the debt owed to them is incurred;
 - (v) the Expansion Creditors with respect to the Expansion Debt Documents under which the debt owed to them is incurred (but only after the Expansion Completion Date in respect of that Expansion Debt); and
- (r) solely in connection with any Unanimous Group Decision (other than a Unanimous Group Decision falling within paragraph (j) of the definition thereof), the Shareholder Senior Facility Creditors with respect to their respective Shareholder Senior Facilities.

Senior Creditor Group Participation Amount means, in relation to a Senior Creditor Group, the aggregate amount of the Total Relevant Senior Participations attributable to the members of that Senior Creditor Group.

Senior Creditors means:

- (a) the Initial Senior Creditors;
- (b) the Permitted Hedge Providers (if any);
- (c) any Bondholders;
- (d) any Sukuk Participant (other than the Sadara Basic Services Company); and
- (e) to the extent not included in paragraphs (a) to (d) (inclusive) above, any Replacement Creditors, Supplemental Creditors, Buy-down Supplemental Creditors, Additional CapEx Creditors and/or any Expansion Creditors (but excluding any Expansion Creditors until the Expansion Completion Date applicable to such Expansion Debt has occurred); and
- (f) any other person that has become a Party as a Senior Creditor (and has not ceased to be a Party as a Senior Creditor) in accordance with the provisions of the GCTA.

Senior Debt means the Initial Senior Debt, any Feedstock Supplier Debt and any Additional Senior Debt.

Senior Financing Instruments means each Facility Agreement, each Bond Issuer Facility Agreement (if any) and any other document designated a "*Senior Financing Instrument*" by the Intercreditor Agent, with the prior written consent of Sadara.

Senior Financing Participants means each Senior Creditor, each Administrative Agent, any Acceptable Issuing Bank and the Procurement Facility Asset Agent.

Senior Obligations means any and all monies, obligations and liabilities whatsoever, whether principal, commission or otherwise in whatever currency which may now or at any time in the future be due, payable, owing or incurred by Sadara to the Senior Creditors under the Finance Documents.

Senior Shareholder Loans means:

- (a) a loan made or to be made under a Shareholder Senior Facility or the principal amount outstanding for the time being of that loan which has not been redesignated in accordance with clause 12.9 (*Redesignation*) of the GCTA; and
- (b) all or any part of a Redesignated Subordinated Loan which has been converted to a Senior Shareholder Loan in accordance with clause 35.2 (*Conversion of Shareholder Subordinated*

Loans) of the GCTA.

Service Agency Agreement means the service agency agreement made on or prior to the Closing Date in relation to the Sukuk Facility between, amongst others, the Musharaka Authorized Agent (acting on behalf of the Co-Lessors), Sadara and the Issuer.

Service Charge means all costs, fees and expenses incurred by the Service Contractor in the course of providing the Services during a Service Period.

Service Charges Invoice Date means the third Business Day prior to:

- (a) the Rental Payment Date applicable to the Service Period in which the relevant Service Charges were incurred or paid by the Service Contractor; or
- (b) in the case of termination of the Forward Lease Agreement, the relevant Final Rental Payment Date.

Service Contractor means Sadara, in its capacity as Service Contractor under the Service Agency Agreement.

Service Period means each period corresponding to a Lease Period.

Service Provider means each of the Certificateholders' Agent, the Payments Administrator and the Issuer Security Agents, the Onshore Issuer Account Bank, any delegate appointed by the Issuer Security Agents in accordance with the Issuer Security Documents and any Appointee appointed by the Certificateholders' Agent in accordance with the Declaration of Agency.

Services means the services to be undertaken or procured by the Service Contractor pursuant to the terms of the Service Agency Agreement in relation to the Lease Assets, which shall include performing the following tasks:

- (a) carrying out all Major Maintenance;
- (b) obtaining and maintaining the Insurances; and
- (c) settling any Ownership Taxes that may be assessed.

SGSA means the sales gas supply agreement dated 11 September 2012G and made between Sadara and Saudi Aramco for the supply of Sales Gas to the Sadara Complex.

Share Capital Amount has the meaning given to such term at page 71 of this Prospectus.

Share Pledge Agreements means:

- (a) the Saudi Aramco Shareholder Share Pledge Agreement;
- (b) the Dow Shareholder Share Pledge Agreement; and
- (c) any PublicCo Share Pledge Agreement.

Shareholder Saudi Tax means any corporate income tax, withholding tax on dividends and *zakat*, in each case, in respect of a Shareholder and as imposed on or allocated to Sadara by the Government.

Shareholder Senior Facility means the credit facilities made available to Sadara pursuant to any Shareholder Senior Facility Agreement.

Shareholder Senior Facility Agreements means:

- (a) any Saudi Aramco Facility Agreement;
- (b) any Dow Facility Agreement; and
- (c) any Additional Facility, provided or guaranteed by a Sponsor or Shareholder (or an Affiliate of a Sponsor or Shareholder) in accordance with clause 2.2 (*Additional Senior Debt*) of the GCTA.

Shareholder Senior Facility Creditors means

- (a) the Saudi Aramco Facility Creditors (or their respective Affiliates);
- (b) the Dow Facility Creditors (or their respective Affiliates);
- (c) any creditor under any Additional Facility provided or guaranteed by a Sponsor or a Shareholder (or an Affiliate of a Sponsor or a Shareholder) in accordance with the GCTA, except where such Additional Facility is entered into prior to the Project Completion Date

and has the benefit of the Completion Guarantees, each in their capacity as Senior Creditor in respect of a Shareholder Senior Facility; and

- (d) any assignee or transferee to the extent provided in clause 39.1(b) (*Assignments and Transfers by the Senior Creditors*) of the GCTA.

Shareholder Services has the meaning given to such term at page 189 of this Prospectus.

Shareholders means:

- (a) the Initial Shareholders;
- (b) the Expansion Shareholders (if any) from time to time; and
- (c) any other person acquiring, or being issued, ownership interests in Sadara from time to time (as permitted pursuant to the terms of clause 27 (*Share-transfer Restrictions*) of the GCTA.

Shareholders' Agreement has the meaning given to such term at page 214 of this Prospectus.

Shareholder Subordinated Loan means:

- (a) any loan made available to Sadara by any Shareholder or any of its Affiliates pursuant to a Subordinated Loan Agreement; or
- (b) any Advance under any Shareholder Senior Facility that is re-designated as Shareholder Subordinated Loans in accordance with the terms of the Shareholder Senior Facility Agreements, the GCTA and the Intercreditor Agreement.

Shareholder Undertaking Agreement means the undertaking agreement to be entered into between the Shareholders and Sadara in relation to each Shareholder's undertakings in respect of the Project.

Shares means, in respect of a Shareholder, the shares of Sadara owned by that Shareholder on the date of entry into the Share Pledge Agreements.

Sharing Amount means an equal amount of Pre-completion Net Revenues in mandatory prepayment of the Applicable Senior Debt.

Shortfall has the meaning given to such term at page 153 of this Prospectus.

Shortfall Quantity has the meaning given to such term at page 174 of this Prospectus.

Shut-Down Event has the meaning given to such term at page 174 of this Prospectus.

SIDF means the Saudi Industrial Development Fund of The Kingdom.

SIDF Facilities means, to the extent that SIDF participates in the financing of the Project, the term loans that are made available by SIDF in Saudi Riyals under the SIDF Facility Agreements.

SIDF Facility Agreements means the facility agreements documenting the terms on which the SIDF Facilities are to be made available to Sadara.

SIDF Security Interest means, to the extent that SIDF participates in the financing of the Project, the security granted by Sadara to SIDF, consisting of the following:

- (a) a pledge over the fixed assets of Sadara;
- (b) an assignment of Sadara's rights to receive certain insurance proceeds (other than any such proceeds to be paid directly by an insurer to a third party claimant) and any related reinsurance proceeds; and
- (c) an assignment by way of security over certain technology rights relating to the Project.

SIDF Security Interest Agreement means, to the extent that SIDF participates in the financing of the Project, any agreement in respect of the SIDF Security Interest and made between, amongst others, Sadara and SIDF.

SIDF Security Interest Assignment Agreement means, to the extent that SIDF participates in the financing of the Project, any assignment agreement governed by the laws of The Kingdom entered into between Sadara and the Onshore Security Agent (on behalf of the Secured Parties) pursuant to which Sadara assigns all of its present and future rights, title and interest in and to certain residual proceeds of enforcement of the SIDF Security Interest in favor of the Secured Parties.

SIDF Undertaking means, to the extent: (i) that SIDF participates in the financing of the Project; and (ii) makes available to the Senior Financing Participants, any standstill letter executed or to be executed by SIDF, the Intercreditor Agent and Sadara.

Signing Date means the first date on which each of:

- (a) the Common Terms Agreements;
- (b) the Intercreditor Agreement; and
- (c) each Initial Facility Agreement,

has been executed and, if applicable, delivered, by all original signatories thereto.

SOCPA means the Saudi Organisation for Certified Public Accountants.

Solution Elastomers Catalyst Supply Agreement means the solution elastomers catalyst supply agreement dated 15 September 2012 and made between Sadara and Dow with respect to the supply of solution elastomers catalyst to the Sadara Complex.

Solution Elastomers Catalyst Supply Direct Agreement means the solution elastomers catalyst supply direct agreement to be entered into between Sadara, Dow and the relevant Security Agent pursuant to which the Senior Financing Participants, among other things, acquire certain direct rights in relation to the Solution Elastomers Catalyst Supply Agreement.

Solution Elastomers Product Marketing and Lifting Agreement means the solution elastomers product marketing and lifting agreement dated 11 September 2012 and made between Sadara and Dow Saudi Arabia Product Marketing B.V.

Solution Elastomers Product Marketing and Lifting Direct Agreement means the solution elastomers product marketing and lifting direct agreement to be entered into between Sadara, Dow Saudi Arabia Product Marketing B.V. and the relevant Security Agent pursuant to which the Senior Financing Participants, among other things, acquire certain direct rights in relation to the Solution Elastomers Product Marketing and Lifting Agreement.

Solution High Density Polyethylene Product Marketing and Lifting Agreement means the solution high density polyethylene product marketing and lifting agreement dated 11 September 2012 and made between Sadara and Dow Saudi Arabia Product Marketing B.V.

Solution High Density Polyethylene Product Marketing and Lifting Direct Agreement means the solution high density polyethylene product marketing and lifting direct agreement to be entered into between Sadara, Dow Saudi Arabia Product Marketing B.V. and the relevant Security Agent pursuant to which the Senior Financing Participants, among other things, acquire certain direct rights in relation to the Solution High Density Polyethylene Product Marketing and Lifting Agreement.

Solution Polyethylene (C₄) Product Marketing and Lifting Agreement means the solution polyethylene (C₄) product marketing and lifting agreement dated 11 September 2012 and made between Sadara and Dow Saudi Arabia Product Marketing B.V.

Solution Polyethylene (C₄) Product Marketing and Lifting Direct Agreement means the solution polyethylene (C₄) product marketing and lifting direct agreement to be entered into between Sadara, Dow Saudi Arabia Product Marketing B.V. and the relevant Security Agent pursuant to which the Senior Financing Participants, among other things, acquire certain direct rights in relation to the Solution Polyethylene (C₄) Product Marketing and Lifting Agreement.

Solution Polyethylene (C₆) Product Marketing and Lifting Agreement means the solution polyethylene (C₆) product marketing and lifting agreement dated 11 September 2012 and made between Sadara and Dow Saudi Arabia Product Marketing B.V.

Solution Polyethylene (C₆) Product Marketing and Lifting Direct Agreement means the solution polyethylene (C₆) product marketing and lifting direct agreement to be entered into between Sadara, Dow Saudi Arabia Product Marketing B.V. and the relevant Security Agent pursuant to which the Senior Financing Participants, among other things, acquire certain direct rights in relation to the Solution Polyethylene (C₆) Product Marketing and Lifting Agreement.

Solution Polyethylene (C₈) Product Marketing and Lifting Agreement means the solution polyethylene (C₈) product marketing and lifting agreement dated 11 September 2012 and made between Sadara and Dow Saudi Arabia Product Marketing B.V.

Solution Polyethylene (C₈) Product Marketing and Lifting Direct Agreement means the solution polyethylene (C₈) product marketing and lifting direct agreement to be entered into between Sadara, Dow Saudi Arabia Product Marketing B.V. and the relevant Security Agent pursuant to which the Senior Financing Participants, among other things, acquire certain direct rights in relation to the Solution Polyethylene (C₈) Product Marketing and Lifting Agreement.

Solution Polyethylene Catalyst Supply Direct Agreement means the solution polyethylene catalyst supply direct agreement to be entered into between Sadara, Dow and the relevant Security Agent pursuant to which the Senior Financing Participants, among other things, acquire certain direct rights in relation to the PE CSA.

Solution Polyethylene In-Kingdom Post-Acceptance Technical Services Agreement means the solution polyethylene In-Kingdom Post-Acceptance Technical Services Agreement dated 8 December 2011 and made between Sadara and Dow Saudi Arabia Company.

Solution Polyethylene In-Kingdom Post-Acceptance Technical Services Direct Agreement means the solution polyethylene In-Kingdom Post-Acceptance Technical Services Direct Agreement to be entered into between Sadara, Dow Saudi Arabia Company and the relevant Security Agent pursuant to which the Senior Financing Participants, among other things, acquire certain direct rights in relation to the Solution Polyethylene In-Kingdom Post-Acceptance Technical Services Agreement.

Solution Polyethylene In-Kingdom Pre-Acceptance Technical Services Agreement means the solution polyethylene In-Kingdom Pre-Acceptance Technical Services Agreement dated 8 December 2011 and made between Sadara and Dow Saudi Arabia Company.

Solution Polyethylene In-Kingdom Pre-Acceptance Technical Services Direct Agreement means the solution polyethylene In-Kingdom Pre-Acceptance Technical Services Direct Agreement to be entered into between Sadara, Dow Saudi Arabia Company and the relevant Security Agent, pursuant to which the Senior Financing Participants, among other things, acquire certain direct rights in relation to the Solution Polyethylene In-Kingdom Pre-Acceptance Technical Services Agreement.

Solution Polyethylene Out-of-Kingdom Post-Acceptance Technical Services Agreement means the solution polyethylene Out-of-Kingdom Post-Acceptance Technical Services Agreement dated 8 December 2011 and made between Sadara and DEH.

Solution Polyethylene Out-of-Kingdom Post-Acceptance Technical Services Direct Agreement means the solution polyethylene Out-of-Kingdom Post-Acceptance Technical Services Direct Agreement to be entered into between Sadara, DEH and the relevant Security Agent pursuant to which the Senior Financing Participants acquire, among other things, certain direct rights in relation to the Solution Polyethylene Out-of-Kingdom Post-Acceptance Technical Services Agreement.

Solution Polyethylene Technology License Agreement means the solution polyethylene technology license agreement dated 8 December 2011 and made between Sadara and DEH with respect to the licensing of solution polyethylene technology to the Sadara Complex.

Solution Polyethylene Technology License Direct Agreement means the solution polyethylene technology license direct agreement to be entered into between Sadara, DEH and the relevant Security Agent pursuant to which the Senior Financing Participants, among other things, acquire certain direct rights in relation to the Solution Polyethylene Technology License Agreement.

Solvay means Solvay S.A., a company organized and existing under the laws of the Kingdom of Belgium, a party to the HP MOU in relation to the development of a HP Plant, Solvay Chemicals and other wholly owned affiliates of Solvay SA as the context requires.

Solvay Chemicals means Solvay Chemicals and Plastics Holding B.V., a wholly-owned affiliate of Solvay.

Specified Rights means each of the rights of a Sukuk Participant (whether acting for itself or on behalf of the relevant Certificateholders) under the Finance Documents other than the Excluded Rights.

Specified Office means the office of an entity as specified in the section of this Prospectus entitled “*Parties and Advisors*”.

Sponsors means:

- (a) Saudi Aramco; and
- (b) Dow.

Stage Payments means, in relation to:

- (a) a Procurement Facility, a Procurement Facility Stage Payment;
- (b) a Wakala Facility, a Wakala Facility Stage Payment; and
- (c) an Additional Facility documented as an Islamic Facility (other than any Additional Facility documenting a Sukuk), a stage payment or other utilisation made or to be made to Sadara pursuant to the provisions of the Additional Facility Agreement relating to such Additional Facility or the amount of such stage payment or utilisation (as the case may be).

Start-Up Period has the meaning given to such term at page 171 of this Prospectus.

Steam Cracking Units Engineering Agreement means the steam cracking units engineering agreement dated 26 November 2008 and made between Aramco Services Company, DEH and Technip and novated by Aramco Services Company and DEH to Sadara.

Steam Cracking Units Technology Transfer Agreement means the steam cracking units technology transfer agreement dated 26 November 2008 and made between Aramco Services Company, DEH and Technip and novated by Aramco Services Company and DEH to Sadara.

Steam Cracking Units Technology Transfer Direct Agreement means the steam cracking units technology transfer direct agreement to be entered into between Sadara, Technip Italy S.p.A. and the relevant Security Agent pursuant to which the Senior Financing Participants, among other things, acquire certain direct rights in relation to the Steam Cracking Units Technology Transfer Agreement.

Step-In Notice means a written notice from the Security Agent to the Contract Counterparty that it has become entitled to step-in to the Relevant Document.

Step-Out Date means the date from which a Step-Out Notice becomes effective.

Step-Out Notice means a notice in writing from the Security Agent to the Contract Counterparty terminating the Substitute Obligor’s obligations under the Relevant Document or the Direct Agreement.

Subordinated Creditor means a creditor providing a Shareholder Subordinated Loan to Sadara.

Subordinated Debt means:

- (a) any indebtedness owed by Sadara to any Subordinated Creditor, Equity Bridge Facility Creditor or Acceptable Credit Support Provider; and
- (b) any indebtedness owed to the Feedstock Supplier and attributable to the Excess Feedstock Supply Amount.

Subordinated Loan Agreements means those loan agreements in respect of Shareholder Subordinated Loans entered into between Sadara and one or more of the Shareholders (or any of their respective Affiliates) which are subordinated to the rights of the Senior Creditors under the Intercreditor Agreement in the agreed form.

Subscription Agreement has the meaning given to such term on page 317 of this Prospectus.

Subsidiary means an entity (other than the Issuer or a Bond Issuer) of which a person has direct or indirect control or owns directly or indirectly more than 50% of the voting capital or similar right of ownership and control for this purpose means the power to direct the management and policies of the entity whether through the ownership of voting capital, by contract or otherwise.

Substitute Entity means a company incorporated as a limited liability company under the Regulations for Companies of the laws of The Kingdom; and

Substitute Obligor has the meaning given to such term at page 291 of this Prospectus.

Sukuk means the Sukuk issued on or around the Closing Date pursuant to the Sukuk Issuer Documents.

Sukuk Assets has the meaning given to such term at page 3 of this Prospectus.

Sukuk Consent Matters means each of the following matters, in each case, if applicable to a Specified Right:

- (a) a change to any of the matters set out in the definition of “Unanimous Group Decision” (as defined in the Intercreditor Agreement entered into on the First Signing Date);
- (b) any amendment to clause 24.1 (*Negative Pledge*) of the GCTA, clause 22.3 (*Distribution Conditions*) of the Accounts Agreement and clauses 2 (*Guarantee and Indemnity*) and 5 (*Payments*) of any Completion Guarantee;
- (c) any amendment to either the Pre-Enforcement Payment Priorities set out in the Accounts Agreement or the Post-Enforcement Payment Priorities set out in clause 13.2 (*Post-Enforcement Payment Priorities*) of the Intercreditor Agreement; and
- (d) any amendment to the provisions of the Intercreditor Agreement which affects:
 - (i) the eligibility of the Issuer (as a Sukuk Participant acting by the Certificateholders’ Agent for and on behalf of the Certificateholders) to vote as a Senior Creditor Group on an Intercreditor Decision which such Senior Creditor Group is entitled to vote upon as at the First Signing Date;
 - (ii) the enforcement procedure, including, without limitation, the following definitions: ‘Administrative Decision’, ‘Enforcement Action’, ‘Guarantee Enforcement Action’, ‘Initiating Percentage’, ‘Majority Decision’, ‘Majority Senior Creditors’, ‘Qualified Majority Decision’, ‘Qualified Majority Senior Creditors’, ‘Secured Obligations’, ‘Secured Parties’, ‘Senior Creditor Group’, ‘Senior Creditors’, ‘Total Relevant Senior Participations’ and ‘Unanimous Group Decisions’;
 - (iii) the intercreditor decision-making rights that benefit the Initial Sukuk Facility including the definition of ‘Fundamental Decision’, ‘Excluded Rights’ (as defined in the GCTA) and ‘Specified Rights’;
 - (iv) the application of proceeds of the Security and the proceeds of the Completion Guarantees; or
 - (v) the subordination of debt as set out in clause 17 (*Subordination*) of the Intercreditor Agreement,

provided that no amendment or change that:

- (A) has the effect of (i) subordinating the Feedstock Supplier in respect of the proceeds of enforcement of any Security relative to the position of the Senior Creditors (or excluding the Feedstock Supplier from receiving the benefit of any such proceeds) or (ii) subordinating the Senior Creditors in respect of the proceeds of enforcement of any Security created pursuant to the Onshore Security Documents relative to the position of the Feedstock Supplier; or
- (B) does not or could not reasonably be expected to adversely affect the rights of the Certificateholders,

shall (in each case) constitute a Sukuk Consent Matter.

Sukuk Consent Matters and Undertakings Certificate means the certificate to be delivered by Sadara and the Issuer to the Certificateholders’ Agent, the form of which is included at schedule 1 (*Sukuk Consent Matters and Undertakings Certificate*) of the Sukuk Split-Closing Undertaking Agreement.

Sukuk Documents means:

- (a) the Declaration of Agency;
- (b) the Payments Administration Agreement;
- (c) the Costs Undertaking;
- (d) the Forward Lease Agreement;
- (e) the Musharaka Agreement;
- (f) the Procurement Agreement;

- (g) the Sukuk Split-Closing Undertaking Agreement;
- (h) the Service Agency Agreement; and
- (i) in relation to the Issuer only, the Issuer Security Documents and the Certificates.

Sukuk Event of Default means in the case of the Sukuk, the events of circumstances specified (a) as such in Clause 8 (*Sukuk Events of Default*) the Declaration of Agency and in the case of any other Sukuk, the events or circumstance specified as such in the relevant Declaration Agency.

Sukuk Facility means the funds made available to Sadara by the Sukuk Participant under the Sukuk Facility Documents and the Sukuk Issuer Documents.

Sukuk Facility Advance means the single advance in the amount agreed between the Sukuk Participant and Sadara prior to issuance of the Sukuk, to Sadara made by the Sukuk Participant under the Sukuk Facility in the form of the initial contribution under the Musharaka Agreement, or the amount of such advance as the context requires.

Sukuk Facility Documents means:

- (a) the Musharaka Agreement;
- (b) the Forward Lease Agreement;
- (c) the Procurement Agreement;
- (d) the Service Agency Agreement;
- (e) prior to the Second Signing Date the Sukuk Split-Closing Undertaking Agreement;
- (f) each Sukuk Promissory Note;
- (g) the Costs Undertaking; and
- (h) any other document designated as such by the Sukuk Participant, the Intercreditor Agent and Sadara.

Sukuk Final Maturity Date means 15 December 2028.

Sukuk Issuer Documents means:

- (a) the Payments Administration Agreement;
- (b) the Declaration of Agency;
- (c) the Issuer Security Documents;
- (d) the Subscription Agreement;
- (e) the Certificates;
- (f) the Costs Undertaking;
- (g) the Registry Agreement; and
- (h) any other document designated as such by the Issuer, the Intercreditor Agent and Sadara.

Sukuk Issuer Guarantee means any guarantee entered into after the Second Financial Close in respect of the obligations of a Sukuk Issuer under the applicable Sukuk Facility Documents (other than the Sukuk Facility Documents) and granted by Sadara in its capacity as a guarantor in accordance with the terms of such Sukuk Facility Documents.

Sukuk Margin means the “Margin” as defined in the Conditions.

Sukuk Model has the meaning given such term at page 312 of this Prospectus.

Sukuk Participant has the meaning given to the term Issuer.

Sukuk Promissory Note means each Promissory Note issued by Sadara pursuant to clause 15 (*Promissory Notes*) of the GCTA in relation to the Sukuk Facility.

Sukuk Split-Closing Undertaking Agreement has the meaning given such term at page 68 of this Prospectus.

Sukuk Transaction Documents means the Sukuk Issuer Documents and the Sukuk Facility Documents.

Supplemental Creditors means a person providing Supplemental Debt to Sadara (including any Sponsor or Shareholder or their respective Affiliate providing any such Supplemental Debt).

Supplemental Debt means any supplemental debt incurred by Sadara at any time from an Acceptable Creditor prior to the date that is two years following the Project Completion Date.

Supplemental Debt Documents means:

- (a) any facility agreement or instrument documenting the terms of any Supplemental Debt; and
- (b) any other agreement or instrument entered into in connection with the incurrence of Supplemental Debt,

in each case, designated as a Supplemental Debt Document by the Intercreditor Agent, with the prior written consent of Sadara.

Supplemental Event of Default means each event or circumstance specified in clause 8 (*Supplemental Events of Default*) of the SCTA.

Supplemental Fundamental Event of Default means each event or circumstance specified in:

- (a) clause 8.1 (*Misrepresentation*) of the SCTA, but only in respect of a misrepresentation in respect of the representation given in clause 3.19 (*Prohibited Payments*) of the SCTA; and
- (b) clause 8.4 (*Other Obligations*) of the SCTA, solely to the extent resulting from a failure by Sadara to comply with clause 6.1 (*Construction, Operation and Maintenance*) of the SCTA provided that no Supplemental Fundamental Event of Default shall occur if:
 - (i) such failure is capable of being remedied and cannot be remedied within the ninety (90) day remedy period specified in clause 8.4(b) (*Other Obligations*) of the SCTA but can reasonably be expected to be remedied within a reasonable period of time thereafter; and
 - (ii) during such ninety (90) day remedy period Sadara (acting in good faith) has provided to the Intercreditor Agent a written plan setting out details of its proposed measures to remedy such failure and the proposed timeframe within which each such measure will be achieved and taken active steps to implement that plan.

Supplementary Rental Payment means, in relation to a Lease Period (other than the First Lease Period), an amount equal to the Services Charge Amount applicable to the previous Lease Period.

Supporting Facilities means the Pipeline Facilities, the Product Handling Facilities and the Utility Facilities.

Supporting Shareholders has the meaning given to such term at page 185 of this Prospectus.

Sweep Date means the first Business Day after the earlier of the Project Completion Date and Sadara becoming aware that all Project Costs have been paid in full.

Systemic Defect has the meaning given to such term at page 193 of this Prospectus.

Tadawul has the meaning given to such term on the cover page of this Prospectus.

Target Completion Date means the 15 June or 15 December (as applicable) falling immediately prior to the First Repayment Date, *provided that* if any such date is not a Business Day, the Target Completion Date shall fall on the next day which is a Business Day in the same calendar month (if there is one) or the preceding Business Day (if there is none).

Tax means:

- (a) all income, capital gain, gross receipts, windfall profits, severance, property, production, *ad valorem*, sales, use, transfer, conveyance, stamp, recording, license, excise, net worth, franchise, capital, employment, withholding, social security contributions, *zakat* and other taxes, duties and similar imposts, however denominated, together with any interest, additions or penalties in respect thereof, imposed by any taxing authority; and
- (b) any liability for the payment of any amount of a type described in paragraph (a) above arising as a result of being, or having been, a member of any consolidated, combined, unitary or other group or being or having been included or required to be included in any tax return related thereto.

Tax Credit means a refund of, credit against, relief, deduction or remission for, or repayment of any Tax.

Tax Deduction means with respect to the Completion Guarantees, a deduction or withholding for or on account of Tax from a payment under a Completion Guarantee.

Tax Event has the meaning given to such term at page 76 of this Prospectus.

Tax Payment means in the case of; (i) a Senior Creditor that is not a Relevant Creditor a payment made by Sadara to the Senior Creditor; and (ii) a Relevant Creditor a payment made by Sadara to the Relevant Creditor.

Tax Termination Date has the meaning given to such term at page 76 of this Prospectus.

TDA means toluene diamine.

TDI means toluene diisocyanate.

Technical and Environmental Consultant means Nexant Limited, or any replacement technical and environmental consulting firm.

Technical Report means a report prepared by the Technical and Environmental Consultant reviewing technical aspects of the Project.

Technip means Technip Italy S.p.A.

Technip TTA means the technology transfer agreement dated 26 November 2008 and made between Technip, DEH and Aramco Services Company.

Temporary Shareholder Loans has the meaning given to such term at page 222 of this Prospectus.

Terminal Lease Agreement means:

- (a) the land lease agreement which may be entered into between the RCJY and Sadara setting out the terms and conditions governing the lease of the real property at King Fahd Industrial Port where the industrial port facilities for the Project are located; and
- (b) the land lease agreement which may be entered into between the Port Authority and Sadara setting out the terms and conditions governing the lease of the real property at Jubail Commercial Port where the commercial port facilities for the Project are located.

Termination Date has the meaning given to such term in Condition 8.1 (*Scheduled Termination*).

Termination Distribution Amount has the meaning given to such term in Condition 8.1 (*Scheduled Termination*).

Termination Events has the meaning given to such term in Condition 12 (*Termination Event*).

TEU means twenty-foot equivalent unit (a measure used for capacity in container transportation).

TFSA means the toluene feedstock supply agreement dated 11 September 2012 and made between Sadara and Saudi Aramco for the supply of Toluene Feedstock to the Sadara Complex.

The Kingdom means the Kingdom of Saudi Arabia.

Third Party has the meaning given to such term at page 68 of this Prospectus.

Third Party Additional Debt means any Additional CapEx Debt raised concurrently therewith that is provided by parties other than a Sponsor or a Shareholder or their respective Affiliate.

Third Party Catalyst Supply Agreements means the Third Party Catalyst Supply Agreement (S&W) and the Third Party Catalyst Supply Agreement (Formox).

Third Party Catalyst Supply Agreement (Formox) means the catalyst supply agreement to be entered into between Sadara and Formox AB.

Third Party Catalyst Supply Agreement (S&W) means the catalyst supply agreement to be entered into between Sadara and Shaw.

Third Party Catalyst Supply Direct Agreements means the Third Party Catalyst Supply Direct Agreement

(S&W) and the Third Party Catalyst Supply Direct Agreement (Formox).

Third Party Catalyst Supply Direct Agreement (Formox) means the catalyst supply direct agreement to be entered into between Sadara, Formox AB and the relevant Security Agent pursuant to which the Senior Financing Participants, among other things, acquire certain direct rights in relation to the Third Party Catalyst Supply Agreement (Formox).

Third Party Catalyst Supply Direct Agreement (S&W) means the catalyst supply direct agreement to be entered into between Sadara, S&W and the relevant Security Agent pursuant to which the Senior Financing Participants, among other things, acquire certain direct rights in relation to the Third Party Catalyst Supply Agreement (S&W).

Third Party Engineering Agreements means:

- (a) the Hydrochloric Acid Electrolysis Engineering Agreement;
- (b) the Nitric Acid Production Engineering Agreement;
- (c) the Dinitrotoluene Engineering Agreement;
- (d) the Mono Nitrobenzene Engineering Agreement;
- (e) the Formalin Engineering Agreement;
- (f) the GT-BTX Extractive Distillation Process Engineering Agreement;
- (g) the Aniline Engineering Agreement;
- (h) the Pygas and Reformate Hydrogenation Engineering Agreement; and
- (i) the Steam Cracking Units Engineering Agreement.

Third Party Equity Investments means the financing of equity investments in each of:

- (a) the Butanol Project; and
- (b) the Hydrogen Peroxide Project.

Third Party Liability Insurance means those insurances in respect of third party liabilities during the construction phase as more specifically referred to in the Finance Documents.

Third Party Projects means the Butanol Project, the Hydrogen Peroxide Project and the Industrial Gases Projects.

Third Party Suppliers means:

- (a) ButanolCo;
- (b) HPCo; and
- (c) the IGCos.

Third Party Technology Transfer Agreements means:

- (a) the Hydrochloric Acid Electrolysis Technology Transfer Agreement;
- (b) the Nitric Acid Production Technology Transfer Agreement;
- (c) the Dinitrotoluene Technology Transfer Agreement;
- (d) the Mono Nitrobenzene Technology Transfer Agreement;
- (e) the Formalin Technology Transfer Agreement;
- (f) the GT-BTX Extractive Distillation Process Technology Transfer Agreement;
- (g) the Aniline Technology Transfer Agreement;
- (h) the Pygas and Reformate Hydrogenation Technology Transfer Agreement; and
- (i) the Steam Cracking Units Technology Transfer Agreement.

Third Party Technology Transfer Direct Agreements means:

- (a) the Hydrochloric Acid Electrolysis Technology Transfer Direct Agreement;
- (b) the Nitric Acid Production Technology Transfer Direct Agreement;
- (c) the Dinitrotoluene Technology Transfer Direct Agreement;
- (d) the Mono Nitrobenzene Technology Transfer Direct Agreement;

- (e) the Formalin Technology Transfer Direct Agreement;
- (f) the GT-BTX Extractive Distillation Process Technology Transfer Direct Agreement;
- (g) the Aniline Technology Transfer Direct Agreement;
- (h) the Pygas and Reformate Hydrogenation Technology Transfer Direct Agreement; and
- (i) the Steam Cracking Units Technology Transfer Direct Agreement.

ThyssenKrupp TTA means the technology transfer agreement dated 23 September 2008 and made between ThyssenKrupp Uhde, DEH and Aramco Overseas Company B.V.

ThyssenKrupp Uhde means ThyssenKrupp Uhde GmbH.

Tier 1 Monthly Payment has the meaning given such term at page 219 of this Prospectus.

Tier 2 Monthly Payment has the meaning given such term at page 219 of this Prospectus.

Tier 3 Monthly Payment has the meaning given such term at page 219 of this Prospectus.

Tolling and Processing Agreement means the agreement that governs the Butanol Sponsors' obligations to supply propylene to the Butanol Plant, and the corresponding rights of each Butanol Sponsor to off-take the butanol products from the Butanol Plant. This is the agreement pursuant to which Sadara obtains its butanol supply.

Tolling and Processing Direct Agreement means the tolling and processing direct agreement to be entered into between the Butanol Sponsors, ButanolCo and the relevant Security Agent pursuant to which the Senior Financing Participants, among other things, acquire certain direct rights in relation to the Tolling and Processing Agreement.

Toluene Diamine/Toluene Diisocyanate In-Kingdom Post-Acceptance Technical Services Agreement means the toluene diamine/toluene diisocyanate In-Kingdom Post-Acceptance Technical Services Agreement dated 8 December 2011 and made between Sadara and Dow Saudi Arabia Company.

Toluene Diamine/Toluene Diisocyanate In-Kingdom Post-Acceptance Technical Services Direct Agreement means the toluene diamine/toluene diisocyanate In-Kingdom Post-Acceptance Technical Services Direct Agreement to be entered into between Sadara, Dow Saudi Arabia Company and the relevant Security Agent pursuant to which the Senior Financing Participants, among other things, acquire certain direct rights in relation to the Toluene Diamine/Toluene Diisocyanate In-Kingdom Post-Acceptance Technical Services Agreement.

Toluene Diamine/Toluene Diisocyanate In-Kingdom Pre-Acceptance Technical Services Agreement means the toluene diamine/toluene diisocyanate In-Kingdom Pre-Acceptance Technical Services Agreement dated 8 December 2011 and made between Sadara Dow Saudi Arabia Company.

Toluene Diamine/Toluene Diisocyanate In-Kingdom Pre-Acceptance Technical Services Direct Agreement means the toluene diamine/toluene diisocyanate In-Kingdom Pre-Acceptance Technical Services Direct Agreement to be entered into between Sadara, Dow Saudi Arabia Company and the relevant Security Agent, pursuant to which the Senior Financing Participants, among other things, acquire certain direct rights in relation to the Toluene Diamine/Toluene Diisocyanate In-Kingdom Pre-Acceptance Technical Services Agreement.

Toluene Diamine/Toluene Diisocyanate Out-of-Kingdom Post-Acceptance Technical Services Agreement means the toluene diamine/toluene diisocyanate Out-of-Kingdom Post-Acceptance Technical Services Agreement dated 8 December 2011 and made between Sadara and DEH.

Toluene Diamine/Toluene Diisocyanate Out-of-Kingdom Post-Acceptance Technical Services Direct Agreement means the toluene diamine/toluene diisocyanate Out-of-Kingdom Post-Acceptance Technical Services Direct Agreement to be entered into between Sadara, DEH and the relevant Security Agent pursuant to which the Senior Financing Participants, among other things, acquire certain direct rights in relation to the Toluene Diamine/Toluene Diisocyanate Out-of-Kingdom Post-Acceptance Technical Services Agreement.

Toluene Diamine/Toluene Diisocyanate Technology License Agreement means the toluene diamine/toluene diisocyanate technology license agreement dated 8 December 2011 and made between Sadara and DEH with

respect to the licensing of toluene diamine/toluene diisocyanate technology for the Sadara Complex.

Toluene Diamine/Toluene Diisocyanate Technology License Direct Agreement means the toluene diamine/toluene diisocyanate technology license direct agreement to be entered into between Sadara, DEH and the relevant Security Agent pursuant to which the Senior Financing Participants, among other things, acquire certain direct rights in relation to the Toluene Diamine/Toluene Diisocyanate Technology License Agreement.

Toluene Diisocyanate Product Marketing and Lifting Agreement means the toluene diisocyanate product marketing and lifting agreement dated 11 September 2012 and made between Sadara and Dow Saudi Arabia Product Marketing B.V.

Toluene Diisocyanate Product Marketing and Lifting Direct Agreement means the toluene diisocyanate product marketing and lifting direct agreement to be entered into between Sadara, Dow Saudi Arabia Product Marketing B.V. and the relevant Security Agent pursuant to which the Senior Financing Participants, among other things, acquire certain direct rights in relation to the Toluene Diisocyanate Product Marketing and Lifting Agreement.

Toluene Feedstock means the toluene feedstock supplied by Saudi Aramco to Sadara, under the TFSA.

Toluene Product Marketing and Lifting Agreement means the toluene product marketing and lifting agreement dated 11 September 2012 and made between Sadara and Dow Saudi Arabia Product Marketing B.V.

Toluene Product Marketing and Lifting Direct Agreement means the toluene product marketing and lifting direct agreement to be entered into between Sadara, Dow Saudi Arabia Product Marketing B.V. and the relevant Security Agent pursuant to which the Senior Financing Participants, among other things, acquire certain direct rights in relation to the Toluene Product Marketing and Lifting Agreement.

Total Commitments means, at any time, the aggregate of the Commitments.

Total Loss Event means, in relation to:

- (a) the Procurement Facility Assets, the occurrence of a “*Total Loss*” as such term is defined in the Dollar Procurement Facility Forward Lease Agreement or the Saudi Riyal Procurement Facility Forward Lease Agreement (as the case may be);
- (b) the Wakala Facility Assets, the occurrence of a “*Major Loss*” as such term is defined in the Wakala Facility Service Agency Agreement;
- (c) any Sukuk Facility Assets, the occurrence of a “*Total Loss Event*” as such term is defined in the Forward Lease Agreement; and
- (d) Islamic Facility Assets used as a basis for the relevant *Shari’a* compliant lease (or *ijara*) arrangement under an Additional Facility (other than the Sukuk Facility) documented as an Islamic Facility, the occurrence of a “*Total Loss Event*” (or equivalent term) as such term is defined in the relevant Additional Facility Agreement.

Total Loss Shortfall Amount means, in relation to:

- (a) a Procurement Facility, the “*Total Loss Termination Sum*”, in each case, as defined in the Dollar Procurement Facility Service Agency Agreement or the Saudi Riyal Procurement Facility Service Agency Agreement (as the case may be) payable in accordance with the Dollar Procurement Facility Service Agency Agreement and the Saudi Riyal Procurement Facility Service Agency Agreement;
- (b) a Wakala Facility, the “*Major Loss Termination Sum*” as defined in the Wakala Facility Service Agency Agreement payable in accordance with the Wakala Facility Service Agency Agreement;
- (c) the Sukuk Facility, the termination amount so described and payable to the Issuer (in any capacity) following a Total Loss Event pursuant to the Service Agency Agreement or the Forward Lease Agreement (as the case may be), in order to reimburse the Issuer for the difference between the amount received by it as proceeds of insurance following such an event, and the amount necessary in order to ensure that the Issuer is reimbursed for all amounts outstanding under the Sukuk Facility pursuant to the Finance Documents; and
- (d) an Additional Facility documented as an Islamic Facility (utilising a *Shari’ah*-compliant

istisna-ijara or wakala-ijara structure), the termination payment so described and payable in order to reimburse each Additional Credit Facility Participant for the difference between:

- (i) the amount received by it as proceeds of insurance following such an event; and
- (ii) the amount necessary in order to ensure that it is reimbursed for all amounts outstanding under the relevant Additional Facility,

which is substantially similar to one or more of the payments referred to in paragraphs (a) or (b) above or otherwise customary for Shari'ah-compliant finance arrangements.

Total Relevant Senior Participations means, at any time the aggregate of the Participation Amounts of these Senior Creditor Groups required by the terms of the Intercreditor Agreement to participate in the relevant Decision.

Transaction Account has the meaning given to such term in Condition 4.1 (*Sukuk Assets*).

Transaction Documents means the Finance Documents and the Project Documents.

TSA Service Provider has the meaning given to such term at page 196 of this Prospectus.

TSA Services has the meaning given to such term at page 196 of this Prospectus.

TTAs means the Espanola TTA, the Formox TTA, the GTC TTA, the Josef Meissner TTA, the KBR TTA, the Noram TTA, the S&W TTA, the Technip TTA and the ThyssenKrupp TTA.

Unanimous Group Decision means a Decision (each of which is to be made in accordance with clause 6.6 (*Unanimous Group Decisions*) of the Intercreditor Agreement):

- (a) to amend the Finance Documents in a way that has the effect of changing:
 - (i) any scheduled (or the final) date for the payment of any principal of any Senior Debt otherwise than by a deferral in respect of a Deferrable Facility made in accordance with the Finance Documents;
 - (ii) the method of calculation of, or the rate of, commission or premia, or changing the method of calculation of, or altering the amount of, any other fee or commission or (other than with respect to any principal repayment or payment of commission or premia) any other amount payable to any Senior Creditor under any Finance Document, in each case, to the extent resulting in an increase of the relevant amount;
 - (iii) the currency of any payment of principal, commission, premia or any other fee or other amount payable to any Senior Creditor under any Finance Document;
 - (iv) the currency in which any Advances are made; or
 - (v) any of the conditions (other than of an immaterial nature and as contemplated by paragraph (e)(iii) of the definition of Qualified Majority Decision) specified in clause 28 (*Project Completion Date*) of the GCTA;
- (b) to amend the definition of Fundamental Event of Default so as to:
 - (i) introduce additional events or circumstances that constitute a Fundamental Event of Default; or
 - (ii) remove events or circumstances that constitute a Fundamental Event of Default;
- (c) to amend in a material respect any of the events or circumstances that constitute a Fundamental Event of Default but without prejudice to the rights of Sadara to obtain a waiver with respect to any particular event which may result in an Event of Default subject to the other provisions of this Agreement;
- (d) to amend the definition of "Availability Period", "Guaranteed Project Completion Date" or "Project Costs" set out in clause 1.1 (*Definitions*) of the GCTA;
- (e) to amend any of the definitions set out in Schedule 3 (Enforcement Procedures) of the Intercreditor Agreement or the definitions of "Administrative Decisions", "Administrative Decision Majority Relevant Applicable Senior Creditors", "Administrative Decision Majority Senior Creditors", "Enforcement Action", "Guarantee Enforcement Action", "Individual Facility Decision", "Majority Decisions", "Majority Relevant Applicable Senior Creditors", "Majority Senior Creditors", "Non-Secured Parties", "Participation Amount", "Qualified

- Majority Decision”, “Qualified Majority Relevant Applicable Senior Creditors”, “Qualified Majority Senior Creditors”, “Secured Obligations”, “Secured Parties”, “Senior Creditor Group”, “Senior Creditors”, “Total Relevant Senior Participations” and “Unanimous Group Decisions” set out in clause 1 (*Definitions and interpretation*) of the Intercreditor Agreement;
- (f) to amend any of the time periods set out in Schedule 3 (*Enforcement Procedures*) of the Intercreditor Agreement or any other time period set out in this Agreement within which any Decision is required to be made (other than as contemplated pursuant to clause 7.3(c) (iii) (*Referral of Intercreditor Decisions*) of the Intercreditor Agreement);
 - (g) to amend the scope or terms of any discretion of the Intercreditor Agent or any Security Agent to take any action without the instruction of some or all of the Senior Financing Participants;
 - (h) to release any Security (except as otherwise permitted under the Finance Documents);
 - (i) to amend the priority of any Security or change the provisions in the Finance Documents that provide for the pari passu ranking of the Senior Debt;
 - (j) to release any guarantor from any of its obligations to make payments under, or in any material respect to amend, any Completion Guarantee or any Expansion Completion Guarantee except, in the case of any Expansion Completion Guarantee, to the extent that the relevant Decision relates to the waiver by the Expansion Creditors owed the applicable Expansion Debt of any conditions to the relevant Expansion Completion Date agreed by Sadara and such Expansion Creditors (other than those set out in schedule 12 (*Release of Expansion Completion Guarantee*) of the GCTA);
 - (k) to amend any of the Pre-Enforcement Payment Priorities, including any amendment the effect of which is to change any scheduled payment date;
 - (l) to amend the terms of clause 16 (*Sharing*) or clause 31 (*Amendments and Waivers*) of the Intercreditor Agreement;
 - (m) which is specifically identified in a Finance Document as a Unanimous Group Decision; or
 - (n) to amend clause 1.2 (*Construction*) of the GCTA if to do so would effect a change in the operation of any of the provisions referred to in paragraphs (a) to (m) (inclusive) above.

Unblocking Notice means a notice in substantially the same form as that set out in schedule 6 (*Form of Unblocking Notice*) of the Accounts Agreement.

Unit means the divisions of the interests and entitlements to the Musharaka Assets.

Unlifted Product has the meaning given to such term at page 153 of this Prospectus.

Updated Assumptions means the then current technical and economic assumptions (including pricing assumptions) as set out in the Banking Case and / or Sadara’s Distribution Model (in each case, as updated from time to time in accordance with the GCTA).

US means the United States of America.

USD or \$ or Dollars has the meaning given to such term on page v of this Prospectus.

US Ex-Im means the Export Import Bank of the United States.

US Ex-Im Disbursement Account means an account held in the name of Sadara in the United States with the Offshore Account Bank for the purposes of procuring the proceeds of any US Ex-Im Direct Loan as specified in the US Ex-Im Facility Agreement.

US Ex-Im Facility means the Dollar-denominated term loan facility made available to Sadara by US Ex-Im pursuant to the terms of the US Ex-Im Facility Agreement.

US Ex-Im Facility Agent means the facility agent for and on behalf of US Ex-Im acting by and through its New York branch.

US Ex-Im Facility Agreement means the Dollar-denominated term loan facility agreement to be entered into on or about the Second Signing Date and made between Sadara, the US Ex-Im Facility Agent and US Ex-Im, setting out the terms and conditions specific to the US Ex-Im Facility.

US Security Agreement means the account pledge agreement governed by New York law dated on or about the Second Signing Date in respect of the US Ex-Im Disbursement Account and made between Sadara, the Offshore Account Bank and the Offshore Security Trustee and Agent for the benefit of the Secured Parties.

Utilities means certain utilities required for commissioning, testing and start-up of the Plant.

Utility Agreements means the Power Supply Implementation Agreement, the BPSEA, the Connection Agreement and the Utility User Agreement.

Utility Facilities means the facilities and ancillary equipment at the Sadara Complex site for the production of steam and the receipt of utilities from third party suppliers and the pretreatment and delivery of wastewater to a third party wastewater treatment facility.

Utility User Agreement means the utility user agreement to be entered into between Sadara and Marafiq.

Utilization means any utilization of, or advance under, a Facility, including:

- (a) an L/C Issuance;
- (b) in the case of a Sukuk Facility, the relevant Sukuk Facility Advance;
- (c) in the case of a PIF Facility, a Withdrawal as such term is defined in the relevant PIF Facility Agreement;
- (d) in the case of an SIDF Facility (if any), a Withdrawal as such term is defined in the relevant SIDF Facility Agreement; and
- (e) any Stage Payment or equivalent payment under an Islamic Facility, and including any deemed utilization advance, stage payment or equivalent.

Utilization Date means the date on which Utilization of a Facility is, or is to be, made.

Utilization Request means, with respect to:

- (a) each Facility (other than an Islamic Facility, an SIDF Facility (if any) or a PIF Facility), the meaning given to it under the relevant Facility Agreement;
- (b) an Islamic Facility (other than a Sukuk Facility or the Wakala Facilities), a relevant “*Stage Payment Request*” as such term is defined in the relevant Islamic Finance Documents;
- (c) a PIF Facility, a “*Withdrawal Application*” as such term is defined in the PIF Facility Agreement; and
- (d) an SIDF Facility (if any), a “*Withdrawal Application*” as such term is defined in the SIDF Facility Agreement.

Variable Rental Payments means, in relation to:

- (a) a Procurement Facility, the “*Variable Element*” of each “*Lease Rental Payment*” as each of those terms is defined in the Dollar Procurement Facility Forward Lease Agreement or the Saudi Riyal Procurement Facility Forward Lease Agreement (as the context requires);
- (b) a Wakala Facility, the “*Specified Lease Variable Element*” of each “*Specified Lease Rental Payment*” as each of those terms is defined in the Wakala Facility Specified Lease Agreement;
- (c) a Sukuk Facility in respect of (i) the Sukuk Facility, component (a) of the definition of “*Rental Payment*” as set out in schedule 4 (*Rental Payment*) to the Sukuk Forward Lease Agreement and (ii) any other Sukuk Facility, the variable element of each lease rental payment payable by Sadara in its capacity as lessee (after the relevant lease commencement date) to the relevant Sukuk Issuer (in any capacity) as calculated pursuant to the relevant provisions of the relevant Forward Lease Agreement with respect to the lease arrangement documented under the relevant Forward Lease Agreement; and
- (d) an Additional Facility documented as an Islamic Facility (utilising a Shari’ah-compliant *istisna-ijara* or *wakala-ijara* structure), the variable element of each lease rental payment payable by Sadara (in its capacity as lessee) with respect to the lease arrangement documented under that Additional Facility.

Vela means Vela International Marine Limited.

VLCC means very large crude carriers.

Wakala Agreement means the wakala agreement dated on or about the Second Signing Date and made between Sadara, the Wakala Facility Participants and the Wakala Facility Agents.

Wakala Facilities means the Dollar Wakala Facility and the Saudi Riyal Wakala Facility.

Wakala Facility Agency Agreement means the wakala facility agency agreement to be entered into on or about the Second Signing Date and made between the Wakala Facility Participants and the Wakala Facility Agents.

Wakala Facility Agents means the Dollar Wakala Facility Agent and the Saudi Riyal Wakala Facility Agent.

Wakala Facility Asset Participation Agreement means the wakala facility asset participation agreement to be entered into on or about the Second Signing Date and made between the Wakala Facility Participants and the Wakala Facility Agents.

Wakala Facility Assets means the “*Specified Lease Assets*” as such term is defined in the Wakala Specified Lease Agreement.

Wakala Facility Documents means:

- (a) the Wakala Facility Asset Participation Agreement;
- (b) the Wakala Facility Agency Agreement;
- (c) the Wakala Agreement;
- (d) the Wakala Facility Specified Lease Agreement;
- (e) the Wakala Facility Service Agency Agreement;
- (f) the Wakala Security Letter; and
- (g) any other agreement or document designated as such by the Wakala Facility Agent, the Intercreditor Agent and Sadara.

Wakala Facility Participants means the Dollar Wakala Facility Participants and the Saudi Riyal Wakala Facility Participants.

Wakala Facility Service Agency Agreement means the service agency agreement to be entered into on or about the Second Signing Date and made between Sadara and the Wakala Facility Agents.

Wakala Facility Specified Lease Agreement means the specified lease agreement to be entered into on or about the Second Signing Date and made between Sadara and the Wakala Facility Agents.

Wakala Facility Stage Payment means a stage payment made or to be made by the Wakala Facility Agent (on behalf of the Wakala Facility Participants) to Sadara (as *wakil*) pursuant to the provisions of the Wakala Agreement or the amount of such stage payment (as the context requires).

Wakala Pledge Agreement means the agreement to be entered into (if the extent the SIDF Facilities are not in place at the Project Completion Date, if at any time thereafter the SIDF Facilities are prepaid in full) between the Wakala Facility Agent, Sadara and the Onshore Security Agent pursuant to which the Wakala Facility Agent (on behalf of each of the Wakala Facility Participants) grants a pledge over, *inter alia*, the Wakala Facility Assets in favor of the Onshore Security Agent.

Wakala Security Letter means the letter dated on or about the Second Signing Date and entered into by the Wakala Facility Participants for the benefit of the Wakala Facility Agents authorizing the Wakala Facility Agents and Sadara to create a security interest over the Wakala Facility Assets for the benefit of the Onshore Security Agent in accordance with the terms of the Finance Documents.

Waters has the meaning given to such term at page 181 of this Prospectus.

Water Output has the meaning given to such term at page 181 of this Prospectus.

Water Output Payment has the meaning given to such term at page 181 of this Prospectus.

WER means a work element release issued by Sadara.

WER Budget means a cost budget in respect of the WER Work.

WER Work means the work set out in the WER performed by the EPCM Contractor.

WHT means withholding tax.

Work Price means the price of the work payable under the purchase orders.

YASREF Yanbu Aramco Sinopec Refining Company.

APPENDIX 1

Audited Financial Statements of the Issuer for the Period from 24 December 2012 to 31
December 2012 and Auditors' Report

SADARA BASIC SERVICES COMPANY

(A Saudi Closed Joint Stock Company)

**FINANCIAL STATEMENTS FOR THE PERIOD FROM 24 DECEMBER 2012 (DATE
OF FORMATION) TO 31 DECEMBER 2012 AND REPORT OF INDEPENDENT
AUDITOR**

CONTENTS	Page
Report of independent auditor	2
Statement of financial position	3
Statement of cash flows	4
Statement of changes in shareholders' equity	5
Notes to the financial statements	6-9



REPORT OF INDEPENDENT AUDITOR

21 January 2013

To the Shareholders of Sadara Basic Services Company
(A Saudi Closed Joint Stock Company)

Scope of Audit

We have audited the accompanying statement of financial position of Sadara Basic Services Company (the "Company") as of 31 December 2012 and the related statements of cash flows and changes in shareholders' equity for the period from 24 December 2012 (date of formation) to 31 December 2012, and the notes which form an integral part of the financial statements. These financial statements, which were prepared by the Company in accordance with Article 123 of the Regulations for Companies and presented to us with all information and explanations which we required, are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.


We conducted our audit in accordance with auditing standards generally accepted in 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Unqualified opinion

In our opinion, such financial statements taken as a whole:

- Present fairly, in all material respects, the financial position of the Company as of 31 December 2012 and its cash flows for the period from 24 December 2012 (date of formation) to 31 December 2012 in conformity with accounting principles generally accepted in Saudi Arabia appropriate to the circumstances of the Company; and
- Comply, in all material respects, with the requirements of the Regulations for Companies and the Company's Bylaws with respect to the preparation and presentation of financial statements.

PricewaterhouseCoopers

By: 
Khalid A. Mahdhar
License No. 368

PricewaterhouseCoopers, Al Hugayef Tower, P.O. Box 467, Dhahran Airport 31932, Kingdom of Saudi Arabia
T: +966 (3) 849-6311, F: +966 (3) 849-6281, www.pwc.com/middle-east

2

License No. 25. Licensed Partners: Omar M. Al Sagga (369), Khalid A. Mahdhar (368), Mohammed A. Al Obeidi (367), Ibrahim R. Habib (383)

SADARA BASIC SERVICES COMPANY

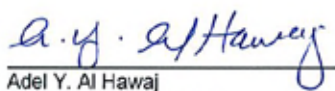
(A Saudi Closed Joint Stock Company)

Statement of financial position

(All amounts in thousands of Saudi Riyals unless otherwise stated)

		As at 31 December 2012
	Note	
ASSETS		
Current assets		
Cash and cash equivalents	4	2,040
		2,040
Total assets		
LIABILITIES		
Current liabilities		
Other payable		40
Total liabilities		40
SHAREHOLDERS' EQUITY		
Share capital	5	2,000
Statutory reserve	6	-
Total shareholders' equity		2,000
Total liabilities and shareholders' equity		2,040

The financial statements were approved by the Board of Directors on 21 January 2013 and signed on its behalf by:


 Adel Y. Al Hawaj
 Chairman of the Board


 Richard Owen
 Secretary to the Board

The notes on pages 6 to 9 form an integral part of these financial statements.

SADARA BASIC SERVICES COMPANY

(A Saudi Closed Joint Stock Company)

Statement of cash flows

(All amounts in thousands of Saudi Riyals unless otherwise stated)

		Period from 24 December 2012 to 31 December 2012
	Note	
Cash flows from operating activities		
Net income for the period		-
<u>Changes in working capital:</u>		
Other payable		40
Net cash generated from operating activities		40
Cash flows from financing activities		
Share capital contribution	5	2,000
Net cash generated from financing activities		2,000
Net change in cash and cash equivalents		2,040
Cash and cash equivalents at beginning of period		-
Cash and cash equivalents at end of period	4	2,040

The notes on pages 6 to 9 form an integral part of these financial statements

SADARA BASIC SERVICES COMPANY

(A Saudi Closed Joint Stock Company)

Statement of changes in shareholders' equity

(All amounts in thousands of Saudi Riyals unless otherwise stated)

		Share capital	Statutory reserve	Total
	Note			
24 December 2012		-	-	-
Proceeds from shares issued	5	2,000	-	2,000
Transfer to statutory reserve	6	-	-	-
31 December 2012		2,000	-	2,000

The notes on pages 6 to 9 form an integral part of these financial statements.

SADARA BASIC SERVICES COMPANY

(A Saudi Closed Joint Stock Company)

Notes to the financial statements for the period from 24 December 2012

(date of formation) to 31 December 2012

(All amounts in thousands of Saudi Riyals unless otherwise stated)

1. GENERAL INFORMATION

Sadara Basic Services Company ("the Company") is a Saudi closed joint stock company formed under Ministerial Resolution No. (29/Q), dated 11/2/1434H, corresponding to 24 December 2012 (date of formation). The Company's principal place of business and address of its registered office is P.O. Box 39777, with offices in Al Khobar.

The objectives for which the Company is formed are carrying out maintenance and operation contracts, and managing and operating petrochemical plants.

The Company is equally owned by five shareholders being, Sadara Sukuk Wahid B.V., Sadara Sukuk Ithnayn B.V., Sadara Sukuk Thalatha B.V., Sadara Sukuk Arba'a B.V., and Sadara Sukuk Khamsa B.V., each of whom are incorporated in the Netherlands and wholly owned by Sadara Chemical Company ("Sadara"), a Saudi mixed limited liability company.

The Articles of Association of the Company specify the first fiscal year shall commence on the date of the ministerial resolution announcing the formation of the Company and shall end at the end of the month of December of the then current Gregorian year. Accordingly, these financial statements have been prepared for the first fiscal year of the Company from 24 December 2012 to 31 December 2012 and no comparative figures are presented.

Costs associated with the Company's formation and its day to day operations were paid for by Sadara, and will not be recharged to the Company. The Company did not undertake any operational activities for the period from 24 December 2012 to 31 December 2012. Accordingly, no income statement has been presented in the accompanying financial statements.

These financial statements were authorized for issue by the Board of Directors on 21 January 2013.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below.

2 - 1 Basis of preparation

The accompanying financial statements of the Company have been prepared in accordance with the historical cost convention on the accrual basis of accounting and in compliance with accounting standards promulgated by the Saudi Organization for Certified Public Accountants ("SOCPA").

2 - 2 Critical accounting estimates and judgments

The preparation of financial statements in conformity with accounting principles generally accepted in Saudi Arabia requires the use of certain critical accounting estimates that affect the reported amounts of assets and liabilities at the date of the Statement of financial position and the reported amounts of revenues and expenses during the reporting period. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates. No significant assumptions and estimates were required to be made at the Statement of financial position date.

2 - 3 Cash and cash equivalents

Cash and cash equivalents include cash at bank with original maturities of three months or less.

SADARA BASIC SERVICES COMPANY

(A Saudi Closed Joint Stock Company)

Notes to the financial statements for the period from 24 December 2012

(date of formation) to 31 December 2012

(All amounts in thousands of Saudi Riyals unless otherwise stated)

2 - 4 Financial assets

The Company's financial assets consist of loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables, which are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the Statement of financial position date. These are classified as non-current assets.

The Company assesses at each Statement of financial position date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

At 31 December 2012, the Company's loans and receivables comprised of Cash and cash equivalents.

2 - 5 Segment reporting*Business segment*

A business segment is a group of assets or operations that are:

- (i) engaged in revenue producing activities;
- (ii) results of its operations are continuously analyzed by management in order to make decisions related to resource allocation and performance assessment; and
- (iii) financial information is separately available.

Geographical segment

A geographical segment is a group of assets or operations engaged in revenue producing activities within a particular economic environment that are subject to risks and returns different from those operating in other economic environments.

The Company operates only in the Kingdom of Saudi Arabia within a single business and geographical segment.

2 - 6 Income taxes

In accordance with the regulations of the Department of Zakat and Income Tax ("DZIT"), the Company is subject to income tax only as it is a wholly foreign owned entity. Provisions for income taxes are charged to the Statement of operations. Additional amounts payable, if any, at the finalization of final assessments are accounted for when such amounts are determined.

Deferred income taxes are recognized on all major temporary differences between financial income and taxable income during the period in which such differences arise, and are adjusted when related temporary differences are reversed. Deferred income tax assets on carry forward losses are recognized to the extent that it is probable that future taxable income will be available against such carry-forward tax losses. Deferred income taxes are determined using tax rates which have been enacted by the Statement of financial position date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. No such temporary differences existed at 31 December 2012.

SADARA BASIC SERVICES COMPANY

(A Saudi Closed Joint Stock Company)

Notes to the financial statements for the period from 24 December 2012

(date of formation) to 31 December 2012

(All amounts in thousands of Saudi Riyals unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT

3 - 1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

Financial instruments carried on the Statement of financial position comprise Cash and cash equivalents.

Credit risk is the risk that one party will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's investment policy limits exposure to credit risk arising from investment activities. The policy requires that Cash and cash equivalents, be invested in financial institutions with strong credit ratings.

The policy sets investment limits with financial institutions based on ratings by Fitch Ratings Ltd. The maximum credit exposure of the Company approximates the carrying value of its Cash and cash equivalents. At 31 December 2012, investment limits were to financial institutions assigned long-term bank ratings of "A -" or better. The Company has no other significant concentration of credit risk.

Interest rate risk is the exposure to various risks associated with the effect of fluctuations in the prevailing interest rates on the Company's financial position and cash flows. At 31 December 2012, the Company did not have any interest bearing assets.

Price risk is the risk that the Company is exposed to changes in the price of commodity investments. The Company is not currently exposed to price risk.

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company's financial activity is denominated principally in Saudi Arabian Riyals. The Company currently does not have exposure to currency risk.

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.

3 - 2 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure may be adjusted by increasing the amount of capital contributions and obtaining borrowings.

3 - 3 Fair value estimation

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. Management believes that the fair values of the Company's financial assets are not materially different from their carrying value.

SADARA BASIC SERVICES COMPANY

(A Saudi Closed Joint Stock Company)

Notes to the financial statements for the period from 24 December 2012

(date of formation) to 31 December 2012

(All amounts in thousands of Saudi Riyals unless otherwise stated)

4. CASH AND CASH EQUIVALENTS

	31 December 2012
Cash at bank	2,040

Cash at bank includes an amount of Saudi Riyals 2 million held in a restricted account with Samba Financial Group ("the bank") whilst the legal formalities relating to the incorporation of the company are being completed. Subsequent to 31 December 2012, the Ministry of Commerce and Industry have issued the company's commercial registration certificate which the bank have requested in order to release these funds.

5. SHARE CAPITAL

The total authorized number of ordinary shares is 200,000 shares with a par value of Saudi Riyals 10 per share. Shares issued, which are fully paid, are as follows:

As at 31 December 2012				
Shareholder's name	Number of shares	Percentage of shareholding	Par value of each share (Saudi Riyals)	Total value of shares (Saudi Riyals)
a. Sadara Sukuk Wahid B.V.	40,000	20%	10	400,000
b. Sadara Sukuk Ithnayn B.V.	40,000	20%	10	400,000
c. Sadara Sukuk Thalatha B.V.	40,000	20%	10	400,000
d. Sadara Sukuk Arba'a B.V.	40,000	20%	10	400,000
e. Sadara Sukuk Khamsa B.V.	40,000	20%	10	400,000
Total	200,000	100%	-	2,000,000

6. STATUTORY RESERVE

In accordance with Regulations for Companies in Saudi Arabia, the Company is required to establish a statutory reserve by appropriation of 10% of the net income for the period until the reserve equals 50% of the share capital. This reserve is not available for dividend distribution. No transfer was made for the period from 24 December 2012 to 31 December 2012 as there was no net income for the period.

7. INCOME TAXES

Income tax is payable by the Company on its net taxable income at 20%. No income tax is due as the Company has no adjusted net income for the period from 24 December 2012 to 31 December 2012.

8. EARNINGS PER SHARE

The Company did not undertake operational activities for the period from 24 December 2012 to 31 December 2012. Accordingly no earnings per share disclosure is provided.

APPENDIX 2

Audited Financial Statements of Sadara for the Period from 30 October 2011 to
30 September 2012 and Auditors' Report

SADARA CHEMICAL COMPANY

(A Saudi Arabian Mixed Limited Liability Company, Under Development Stage)

INTERIM FINANCIAL STATEMENTS

FOR THE PERIOD FROM 30 OCTOBER 2011 (DATE OF FORMATION)
TO 30 SEPTEMBER 2012 AND REPORT OF INDEPENDENT AUDITOR

SADARA CHEMICAL COMPANY
(A Saudi Arabian Mixed Limited Liability Company, Under Development Stage)
**INTERIM FINANCIAL STATEMENTS FOR THE PERIOD FROM 30 OCTOBER
2011 (DATE OF FORMATION) TO 30 SEPTEMBER 2012 AND REPORT OF
INDEPENDENT AUDITOR**

CONTENTS	Page
Report of independent auditor	2
Interim statement of financial position	3
Interim statement of operations	4
Interim statement of cash flows	5
Interim statement of changes in shareholders' equity	6
Notes to the interim financial statements	7-17



REPORT OF INDEPENDENT AUDITOR

21 January 2013

To the Shareholders of Sadara Chemical Company

Scope of audit


We have audited the accompanying interim statement of financial position of Sadara Chemical Company (the "Company") as of 30 September 2012 and the related interim statements of operations, cash flows and changes in shareholders' equity for the period from 30 October 2011 to 30 September 2012, and the notes which form an integral part of the interim financial statements. These interim financial statements, which were prepared by the Company and presented to us with all information and explanations which we required, are the responsibility of the Company's management. Our responsibility is to express an opinion on these interim financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Unqualified opinion

In our opinion, such interim financial statements taken as a whole present fairly, in all material respects, the financial position of the Company as of 30 September 2012 and the results of its operations and its cash flows for the period from 30 October 2011 to 30 September 2012 in conformity with accounting principles generally accepted in Saudi Arabia appropriate to the circumstances of the Company.

PricewaterhouseCoopers

By: 
Khalid A. Mahdhar
License No. 368

PricewaterhouseCoopers, Al Hugayet Tower, P.O. Box 467, Dhahran Airport 31932, Kingdom of Saudi Arabia
T: +966 (3) 849-6311, F: +966 (3) 849-6281, www.pwc.com/middle-east

2

License No. 25, Licensed Partners: Omar M. Al Sagga (369), Khalid A. Mahdhar (368), Mohammed A. Al Obeidi (367), Ibrahim R. Haddad (363)

SADARA CHEMICAL COMPANY

(A Saudi Arabian Mixed Limited Liability Company, Under Development Stage)


Interim statement of financial position

(All amounts in thousands of Saudi Riyals unless otherwise stated)

	Note	As at 30 September 2012
ASSETS		
Current assets		
Cash and cash equivalents	4	1,583,790
Advances and other receivables	5	131,438
	1	1,715,228
Non-current assets		
Intangible assets	6	1,334,393
Property, plant and equipment (assets under construction)	7	3,878,111
	1	5,212,504
Total assets		6,927,732
LIABILITIES		
Current liabilities		
Borrowings	16	2,437,725
Loans from shareholders	15.2	1,685,887
Accounts payable	8	487,973
Accrued and other liabilities	9	1,132,436
Accounts payable and accrued liabilities – related parties	15.1(2)	1,457,389
Total liabilities	1	7,201,410
SHAREHOLDERS' EQUITY		
Share capital	10	5,000
Statutory reserve	11	-
Accumulated loss		(278,678)
Total shareholders' equity	1	(273,678)
Total liabilities and shareholders' equity		6,927,732
Contingencies and commitments	14	

The interim financial statements were approved by management on 21 January 2013 and signed on its behalf by:


 Luciano Poli
 Chief Financial Officer


 Adel Y. Al Hawaj
 Controller

The notes on pages 7 to 17 form an integral part of these interim financial statements.

SADARA CHEMICAL COMPANY
(A Saudi Arabian Mixed Limited Liability Company, Under Development Stage)

Interim statement of operations

(All amounts in thousands of Saudi Riyals unless otherwise stated)

	Note	Period from 30 October 2011 to 30 September 2012
Income		-
Operating expenses		
General and administrative expenses	12	(271,751)
Other expenses		(2,089)
Loss from operations		(273,840)
Finance cost		(4,838)
Net loss for the period		(278,678)

The notes on pages 7 to 17 form an integral part of these interim financial statements.

Sadara Chemical Company

(A Saudi Arabian Mixed Limited Liability Company, Under Development Stage)

Interim statement of cash flows

(All amounts in thousands of Saudi Riyals unless otherwise stated)

	Note	Period from 30 October 2011 to 30 September 2012
Cash flows from operating activities		
Net loss for the period		(278,678)
Changes in working capital:		
Advances and other receivables		(62,190)
Accounts payable		9,948
Accrued and other liabilities		29,358
Accounts payable and accrued liabilities - related parties		114,729
Net cash used in operating activities		(186,833)
Cash flows from investing activities		
Additions to assets under construction		(1,409,389)
Additions to intangible assets		(948,375)
Net cash used in investing activities		(2,357,764)
Cash flows from financing activities		
Share capital contributed		5,000
Proceeds from loans from shareholders		1,685,887
Proceeds from borrowings		2,512,500
Transaction costs paid		(75,000)
Net cash generated from financing activities		4,128,387
Net change in cash and cash equivalents		1,583,790
Cash and cash equivalents at beginning of the period		-
Cash and cash equivalents at end of the period	4	1,583,790

The notes on pages 7 to 17 form an integral part of these interim financial statements.

SADARA CHEMICAL COMPANY
(A Saudi Arabian Mixed Limited Liability Company, Under Development Stage)

Interim statement of changes in shareholders' equity
(All amounts in thousands of Saudi Riyals unless otherwise stated)

	Note	PCHC	DSAH	Total
Share capital				
Balance at 30 October 2011		-	-	-
Share capital contributed	10	3,250	1,750	5,000
Balance at 30 September 2012		3,250	1,750	5,000
Statutory reserve				
Balance at 30 October 2011 and 30 September 2012	11	-	-	-
Accumulated loss				
Balance at 30 October 2011		-	-	-
Net loss for the period		(181,141)	(97,537)	(278,678)
Zakat		-	-	-
Income taxes		-	-	-
Balance at 30 September 2012		(181,141)	(97,537)	(278,678)
Total shareholders' equity at 30 September 2012		(177,891)	(95,787)	(273,678)

The notes on pages 7 to 17 form an integral part of these interim financial statements.

SADARA CHEMICAL COMPANY

(A Saudi Arabian Mixed Limited Liability Company, Under Development Stage)

Notes to the interim financial statements for the period from 30 October 2011 (date of formation) to 30 September 2012

(All amounts in thousands of Saudi Riyals unless otherwise stated)

1. GENERAL INFORMATION

Sadara Chemical Company ("the Company") is engaged in the construction of an integrated petrochemical facility at Jubail with the objective to produce Chlorine, Ethylene, Benzene, Di-nitrotoluene, Glycol Ether, Formalin, Amino ethylene, Amino ethanol, Diethylene polymer & Divinyl isocyanate, Elastomers, Nitric Acid, Propylene, Toluene, Propylene glycol, Ethylene Oxide, Aniline, Low density high pressure polyethylene, High density polyethylene, Caustic Soda, C4s Crude, Mono nitrobenzene, Propylene oxide, Diamine Toluene, Di-Isocyanate Toluene and Low density linear polyethylene. The Company is a Saudi Arabian mixed limited liability company licensed under Industrial Investment License No. 1210321011644 issued by the Saudi Arabian General Investment Authority on 23/10/1432 H (22 September 2011) and was registered on 3/12/1432 H (30 October 2011) under commercial registration number 2055014427 issued in Jubail. The Company's principal place of business and address of its registered office is P.O. Box 39777, with offices in Al Khobar.

The Company is owned 65% by Performance Chemicals Holding Company ("PCHC"), a wholly owned subsidiary of Saudi Arabian Oil Company ("Saudi Aramco") and 35% by Dow Saudi Arabia Holding B.V. ("DSAH"), an indirectly wholly owned subsidiary of The Dow Chemical Company ("Dow").

The Company is currently in its development stage and is in the process of constructing its integrated petrochemical facility. The Company is expected to commence operations during 2016.

At 30 September 2012, the total estimated project cost of the integrated petrochemical facilities is Saudi Riyals 71.3 billion. To date, the Company has incurred Saudi Riyals 5.2 billion of project related costs. At 30 September 2012, the Company had a negative equity of Saudi Riyals 273.7 million and its current liabilities exceeded its current assets by Saudi Riyals 5.4 billion. Pursuant to Article 6.5 of the Shareholders Agreement, PCHC and DSAH shall continue to ensure that the Company is sufficiently funded to meet its anticipated operational and capital requirements.

The Articles of Association of the Company specify the first fiscal year shall commence as of the date of its registration in the Commercial Register and end on 18/2/1434 H (31 December 2012). The period covered by these interim financial statements is from 30 October 2011 (date of formation) to 30 September 2012. Accordingly there are no comparative amounts presented.

The accompanying interim financial statements were authorized for issue by management on 21 January 2013.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these interim financial statements are set out below.

2 - 1 Basis of preparation

The accompanying interim financial statements of the Company have been prepared in accordance with the historical cost convention on the accrual basis of accounting and in compliance with standards promulgated by the Saudi Organization for Certified Public Accountants ("SOCPA").

The interim financial statements have been prepared in accordance with SOCPA on the basis of integrated periods, which views each interim period as an integral part of the financial year. Accordingly, revenues, gains, expenses and losses of the period are recognized during the period. The results of operations for the interim period may not represent a proper indication of the annual results of operations.

2 - 2 Critical accounting estimates and judgments

The preparation of interim financial statements in conformity with accounting principles generally accepted in Saudi Arabia requires the use of certain critical accounting estimates that affect the reported amounts of assets and liabilities at the date of the Interim statement of financial position and the reported amounts of expenses during the reporting period. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

SADARA CHEMICAL COMPANY

(A Saudi Arabian Mixed Limited Liability Company, Under Development Stage)

Notes to the interim financial statements for the period from 30 October 2011 (date of formation) to 30 September 2012

(All amounts in thousands of Saudi Riyals unless otherwise stated)

2 - 3 Cash and cash equivalents

Cash and cash equivalents includes cash in hand and at banks, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

2 - 4 Property, plant and equipment (assets under construction)

Property, plant and equipment are carried at historical cost less accumulated depreciation. Assets under construction are carried at historical cost and are reclassified within Property, plant and equipment when ready for use. Historical cost includes expenditure that is directly attributable to the construction of the assets.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the Interim statement of operations during the financial period in which they are incurred.

No depreciation is charged on assets under construction until the assets are ready for use.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.6). Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in the Interim statement of operations.

2 - 5 Intangible assets

Separately acquired licenses for technology are shown at historical cost. Licenses have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the cost of the licenses over their estimated useful lives, which will generally commence at the start-up of operations of the integrated petrochemical facility and conclude at conclusion of the license term (generally 30 years from the agreement execution date).

Expenses incurred during the development of new projects and their start up periods, which are expected to provide benefits in future periods, are deferred and capitalized as pre-operating expenses. These pre-operating expenses are amortized starting from the commencement of the commercial operations using a straight line method over the shorter of the estimated period of benefits or seven years.

2 - 6 Impairment of non-current assets

Non-current assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount which is the higher of an asset's fair value less cost to sell and value in use.

For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-current assets other than intangible assets that suffered impairment are reviewed for possible reversal of impairment at each reporting date. Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount. A reversal of an impairment loss is recognized as income immediately in the Interim statement of operations. Impairment losses recognized on intangible assets are not reversible.

SADARA CHEMICAL COMPANY

(A Saudi Arabian Mixed Limited Liability Company, Under Development Stage)

Notes to the interim financial statements for the period from 30 October 2011 (date of formation) to 30 September 2012

(All amounts in thousands of Saudi Riyals unless otherwise stated)

2 - 7 Foreign currency translation*(a) Functional and presentation currency*

The currency of the primary economic environment in which the Company operates is United States Dollars ("USD" or "the functional currency"). These financial statements are presented in Saudi Riyals which is the Company's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the Interim statement of operations within Other expenses/(income).

Foreign exchange gains and losses that relate to Borrowings and Cash and cash equivalents are presented in the Interim statement of operations within finance income or cost to the extent that these are adjustments to finance income or cost.

2 - 8 Financial assets

The Company's financial assets consist of loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables, which are measured at amortized cost using the effective interest method, are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the Statement of financial position date. These are classified as non-current assets. The Company assesses at each Statement of financial position date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

At 30 September 2012, the Company's loans and receivables comprised of Cash and cash equivalents.

2 - 9 Borrowings

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the Statement of operations over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred and classified as deferred transaction costs in current assets, until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in the Statement of operations in the period in which they are incurred.

SADARA CHEMICAL COMPANY

(A Saudi Arabian Mixed Limited Liability Company, Under Development Stage)

Notes to the interim financial statements for the period from 30 October 2011 (date of formation) to 30 September 2012

(All amounts in thousands of Saudi Riyals unless otherwise stated)

2 - 10 Accounts payable and accrued liabilities

Accounts payable and accrued liabilities represent amounts obligated to be paid for goods and services received, whether or not billed to the Company.

2 - 11 Provisions for liabilities

Provisions are recognized when: the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

2 - 12 Finance income

Finance income is recognized using the effective interest method.

2 - 13 Current and deferred income taxes and zakat

In accordance with the regulations of the Department of Zakat and Income Tax ("DZIT"), the Company is subject to zakat attributable to the Saudi shareholder ("PCHC") and to income taxes attributable to the foreign shareholder ("DSAH"). Provisions for zakat and income taxes are charged to the equity accounts of the Saudi and the foreign shareholders, respectively. Additional amounts payable, if any, at the finalization of final assessments are accounted for when such amounts are determined.

Deferred income taxes are recognized on all major temporary differences between net income (loss) and taxable income (loss) during the period in which such differences arise, and are adjusted when related temporary differences are reversed. Deferred income tax assets on carry forward losses are recognized to the extent that it is probable that future taxable income will be available against which such carry-forward tax losses can be set off. Deferred income taxes are determined using tax rates which have been enacted on the Statement of financial position date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

The Company withholds taxes on certain transactions with non-resident parties in the Kingdom of Saudi Arabia as required under Saudi Arabian Income Tax Law.

2 - 14 Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the Statement of operations on a straight-line basis over the period of the lease.

2 - 15 General and administrative expenses

General and administrative expenses include direct and indirect costs not specifically part of development and production costs as required under generally accepted accounting principles.

2 - 16 Share capital

Ordinary shares are classified as equity. Incremental costs, if any, directly attributable to the issue of new shares are shown in equity as a deduction, net of tax and zakat, from the proceeds.

SADARA CHEMICAL COMPANY

(A Saudi Arabian Mixed Limited Liability Company, Under Development Stage)

Notes to the interim financial statements for the period from 30 October 2011 (date of formation) to 30 September 2012

(All amounts in thousands of Saudi Riyals unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT**3 - 1 Financial risk factors**

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

Financial instruments carried on the Interim statement of financial position comprise Cash and cash equivalents, Accounts payable, Accrued and other liabilities, Accounts payable and accrued liabilities-related parties, Loans from shareholders and Borrowings.

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company's financial activity is denominated principally in USD, EUR, GBP, JPY and Saudi Arabian Riyals ("SR"). Management believes the Company does not have a significant exposure to currency risk.

Interest rate risk is the exposure to various risks associated with the effect of fluctuations in the prevailing interest rates on the Company's financial position and cash flows. Borrowings issued at variable rates expose the Company to cash flow interest rate risk which is partially offset by cash held at variable rates. Borrowings issued at fixed rates expose the Company to fair value interest rate risk.

Price risk is the risk that the Company is exposed to changes in the price of commodities. As the Company is in early stages of construction, it is not currently directly exposed to significant price risk. At 30 September 2012 the Company had no investments in marketable securities.

Credit risk is the risk that one party will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's investment policy limits exposure to credit risk arising from investment activities. The policy requires that Cash and cash equivalents, be invested in financial institutions with strong credit ratings. The policy sets investment limits with financial institutions based on ratings by Fitch Ratings Ltd. The maximum credit exposure of the Company approximates the carrying value of its Cash and cash equivalents. At 30 September 2012, investment limits were to financial institutions assigned long-term bank ratings of "A -" or better. The Company has no other significant concentration of credit risk.

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 (note 1).

The following table analyses the Company's financial liabilities based on the remaining period at 30 September 2012 to the contractual maturity date. Accounts payable and accrued liabilities-related parties and Loans from shareholders reflect management's expectation of the repayment date given that contractual maturity dates were not determined (notes 15.1(2) and 15.2). The current liabilities disclosed in the table are the contractual undiscounted cash flows and equal their carrying values as the impact of discounting is not significant.

30 September 2012	Less than 3 months	Between 3 months and 1 year	Between 1 year and 2 years	Between 2 years and 5 years	Over 5 years
Borrowings (note 16)	-	2,437,725	-	-	-
Loans from shareholders (note 15.1(2))	-	1,685,887	-	-	-
Accounts payable (note 8)	487,973	-	-	-	-
Accrued and other liabilities (note 9)	1,132,436	-	-	-	-
Accounts payable and accrued liabilities-related parties (note 15.1(2))	1,457,389	-	-	-	-
	3,077,798	4,123,612	-	-	-

SADARA CHEMICAL COMPANY

(A Saudi Arabian Mixed Limited Liability Company, Under Development Stage)

Notes to the interim financial statements for the period from 30 October 2011 (date of formation) to 30 September 2012

(All amounts in thousands of Saudi Riyals unless otherwise stated)

3 - 2 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure may be adjusted by increasing the amount of capital contributions and obtaining borrowings.

3 - 3 Fair value estimation

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. Management believes that the fair values of the Company's financial assets and liabilities are not materially different from their carrying values.

4. CASH AND CASH EQUIVALENTS

	30 September 2012
Time deposits	1,495,000
Cash at banks	88,779
Cash in hand	11
	1,583,790

Time deposits represent deposits with commercial banks and yield interest at market rates.

5. ADVANCES AND OTHER RECEIVABLES

	30 September 2012
Deferred transaction costs	69,248
Prepayments	55,661
Advances to suppliers and contractors	6,529
	131,438

6. INTANGIBLE ASSETS

	30 October 2011	Additions	Transfers	30 September 2012
Cost				
Technology licenses	-	1,145,250	-	1,145,250
Pre-operating expenses	-	189,143	-	189,143
	-	1,334,393	-	1,334,393
Accumulated amortization				
Technology licenses	-	-	-	-
Pre-operating expenses	-	-	-	-
	-	-	-	-
Net book value	-	1,334,393	-	1,334,393

SADARA CHEMICAL COMPANY

(A Saudi Arabian Mixed Limited Liability Company, Under Development Stage)

Notes to the interim financial statements for the period from 30 October 2011 (date of formation) to 30 September 2012

(All amounts in thousands of Saudi Riyals unless otherwise stated)

7. PROPERTY, PLANT AND EQUIPMENT (ASSETS UNDER CONSTRUCTION)

	30 October 2011	Additions	Transfers	30 September 2012
Assets under construction	-	3,878,111	-	3,878,111

Assets under construction represent initial works on the plant site and other project costs. During the period the Company has capitalized borrowing costs amounting to SAR 47 million.

The plant complex and the facilities of the Company are constructed on land leased under a 35 Hijri year operating lease agreement with the Royal Commission for Jubail and Yanbu (note 14.3). The lease is renewable by the Company for periods of ten Hijri years under mutually agreed terms and conditions for the benefit of the Company.

8. ACCOUNTS PAYABLE

	30 September 2012
Payables:	
Project costs	478,025
Operating costs	9,948
	487,973

9. ACCRUED AND OTHER LIABILITIES

	30 September 2012
Project costs	1,103,303
Operating costs	525
Other	28,608
	1,132,436

10. SHARE CAPITAL

The total authorized number of ordinary shares is 500,000 with a par value of Saudi Riyals 10 per share. Shares issued, which are fully paid, are as follows (note 19):

As at 30 September 2012					
Shareholder's name	Number of shares	Percentage of shareholding	Par value of each share	Total value of shares Saudi Riyals (000's) USD (000's)	
PCHC	325,000	65%	10	3,250	867
DSAH	175,000	35%	10	1,750	466
Total	500,000	100%		5,000	1,333

11. STATUTORY RESERVE

In accordance with the Regulations for Companies in Saudi Arabia, the Company is required to establish a statutory reserve by appropriation of 10% of the profit for the period until the reserve equals 50% of the share capital. This reserve is not available for dividend distribution. No transfer was made for the period from 30 October 2011 to 30 September 2012 as the Company reported a net loss.

SADARA CHEMICAL COMPANY

(A Saudi Arabian Mixed Limited Liability Company, Under Development Stage)

Notes to the interim financial statements for the period from 30 October 2011 (date of formation) to 30 September 2012

(All amounts in thousands of Saudi Riyals unless otherwise stated)

12. GENERAL AND ADMINISTRATIVE EXPENSES

	Period from 30 October 2011 to 30 September 2012
Contracted services	204,751
Employee benefit expense (note 13)	33,943
Professional services	14,462
Rental	9,356
Travel and accommodation costs	4,489
Contract labor	2,187
Others	2,563
	271,751

13. EMPLOYEE BENEFIT EXPENSE

	Period from 30 October 2011 to 30 September 2012
Salaries and wages	29,418
Other benefits	4,525
	33,943

14. CONTINGENCIES AND COMMITMENTS

14 - 1 Contingencies

The Company has issued bank guarantees as of 30 September 2012 amounting to Saudi Riyals 4.5 million arising in the ordinary course of business.

14 - 2 Capital commitments

The capital expenditure, including expenditure for Intangible assets, contracted for by the Company but not incurred till 30 September 2012 is Saudi Riyals 32.6 billion.

14 - 3 Operating lease commitments

The Company has various operating leases for its plant land, Jubail port and offices. Rental expenses for the period from 30 October 2011 to 30 September 2012 amounted to Saudi Riyals 73.8 million including 64.4 million capitalized as part of assets under construction during the period.

Future minimum rental commitments under these operating leases are as follows:

Year ending 30 September:	30 September 2012
2013	70,718
2014	70,718
2015	65,428
2016	50,367
2017	35,878
2018 through to 2047	1,067,378
	1,360,487

SADARA CHEMICAL COMPANY

(A Saudi Arabian Mixed Limited Liability Company, Under Development Stage)

Notes to the interim financial statements for the period from 30 October 2011 (date of formation) to 30 September 2012

(All amounts in thousands of Saudi Riyals unless otherwise stated)

15. RELATED PARTY MATTERS

15 - 1 Transactions and balances with related parties

Pursuant to the Shareholders' Agreement, subsequent to the formation of the Company, the shareholders continued to provide certain goods and services including personnel and other services to the Company. At the date of the Interim statement of financial position, the Company had not been fully invoiced for the amounts pertaining to these goods and services. Amounts not invoiced have been included within accruals.

(1) The following transactions were carried out with related parties during the period:

	Period from 30 October 2011 to 30 September 2012
Goods and services received from related parties:	2,814,923

(2) At 30 September 2012 the following balances were with related parties:

	30 September 2012
Accounts payable and accrued liabilities:	
Saudi Aramco	
Project costs	427,458
Pre-operating expenses	101,964
Operating costs	64,491
Accrued transaction costs	26,964
Seconded costs	20,541
	641,418
Dow	
Project costs	459,936
Technology license costs	196,875
Pre-operating expenses	87,179
Accrued transaction costs	42,284
Seconded costs	17,660
Operating costs	12,037
	815,971
	1,457,389

SADARA CHEMICAL COMPANY

(A Saudi Arabian Mixed Limited Liability Company, Under Development Stage)

Notes to the interim financial statements for the period from 30 October 2011 (date of formation) to 30 September 2012

(All amounts in thousands of Saudi Riyals unless otherwise stated)

15 - 2 Loans from shareholders

The loans from shareholders represent interest free advances and are expected to be converted partly to share capital and partly to subordinate loans during 2012. The fair values of these loans are not materially different from their carrying value.

Loans from shareholders	30 September 2012
PCHC	1,373,246
DSAH	312,641
	1,685,887

15 - 3 Key management compensation

Key management personnel include the President & CEO, the CFO, the VP Manufacturing, the VP of Industrial Relations, and the Manager Technical & Operations all of whom are employees of the Company's shareholders. Key management personnel compensation includes annual pay, benefits, deferred compensation, bonuses and termination benefits all of which are paid for by the Company's shareholders and recharged to the Company. The management charge from shareholders in respect of key management compensation amounted to Saudi Riyals 20.6 million for the period from 30 October 2011 to 30 September 2012. However, it is not possible to ascertain the separate elements of the management charge in respect of salaries and other short term benefits, post employment and termination benefits and other long term benefits.

16. BORROWINGS

	30 September 2012
Public Investment Fund – Initial draw down	2,512,500
Less: Unamortized transaction costs	(74,775)
At 30 September 2012	2,437,725

On 21 May 2012, the Company entered into a loan agreement with the Public Investment Fund for a loan facility of Saudi Riyals 7.5 billion, comprising a USD tranche of Saudi Riyals 3.75 billion and a SAR tranche of Saudi Riyals 3.75 billion. The initial draw down of the facility occurred in July 2012 and amounted to Saudi Riyals 2.5 billion. The loan bears financing charges at a floating rate plus a specified margin and is secured by corporate guarantees provided by the Company's shareholders. The facility matures on the earlier of 21 May 2014 and the first drawdown under the Project Finance Facilities, which is currently expected by management in July 2013. Transaction costs of Saudi Riyals 15.9 million have been amortized during the period and capitalized as part of assets under construction (note 7). Subsequent to 30 September 2012, a further amount of Saudi Riyals 3.75 billion was drawn down by the Company on 5 November 2012.

17. ZAKAT AND INCOME TAXES

Zakat is generally payable at 2.5% of the higher of the zakat base or adjusted net income before zakat. As the Company has not completed one full year since formation, no provision for zakat has been recognized. The Company did not provide for any income taxes as it has an adjusted net loss for the period. No deferred tax assets, related to the accumulated income tax loss, were recognized by the Company as management believes that sufficient taxable profits may not be available in the near-term against which to utilize such accumulated income tax loss.

SADARA CHEMICAL COMPANY

(A Saudi Arabian Mixed Limited Liability Company, Under Development Stage)

Notes to the interim financial statements for the period from 30 October 2011 (date of formation) to 30 September 2012

(All amounts in thousands of Saudi Riyals unless otherwise stated)

18. FINANCIAL INSTRUMENTS BY CATEGORY

	Note	Loans and receivables
Financial assets		
Cash and cash equivalents	4	1,583,790
Financial liabilities		
Borrowings	16	2,437,725
Loans from shareholders	15.1(2)	1,685,887
Accounts payable	8	487,973
Accrued and other liabilities	9	1,132,436
Accounts payables and accrual liabilities - related parties	15.1(2)	1,457,389
		7,201,410

19. SUBSEQUENT EVENTS

In accordance with a contribution agreement between the shareholders, effective 1 October 2012, certain project development costs amounting to Saudi Riyals 8 billion, which had been funded by the shareholders, were invoiced to the Company. Such costs were initially recorded as a liability to the shareholders. On 8 December 2012, the shareholders resolved to convert loans from shareholders of Saudi Riyals 1.69 billion and amounts due to them of Saudi Riyals 8 billion into share capital. Accordingly the share capital of the Company was increased to Saudi Riyals 9.69 billion. Legal formalities to register such increase in share capital have been completed and an amended Commercial Registration certificate issued.

APPENDIX 3

Pro Forma Balance Sheet of Sadara as at 30 September 2012 Reflecting the Liabilities in
Connection with the Certificates

SADARA CHEMICAL COMPANY

(A Saudi Arabian Mixed Limited Liability Company,
Under Development Stage)

UNAUDITED PRO FORMA BALANCE SHEET

AS AT 30 SEPTEMBER 2012

SADARA CHEMICAL COMPANY

(A Saudi Arabian Mixed Limited Liability Company, Under Development Stage)

Unaudited Pro forma balance sheet

(All amounts in thousands of Saudi Riyals unless otherwise stated)

	As at 30 September 2012 (Audited)	Pro forma adjustments (Note 3 and 4)	As adjusted at 30 September 2012 (Pro forma)
ASSETS			
Current assets			
Cash and cash equivalents	1,583,790	7,500,000	9,083,790
Advances and other receivables	131,438	(20,841)	110,597
	1,715,228	7,479,159	9,194,387
Non-current assets			
Intangible assets	1,334,393	-	1,334,393
Property, plant and equipment (assets under construction)	3,878,111	-	3,878,111
	5,212,504	-	5,212,504
Total assets	6,927,732	7,479,159	14,406,891
LIABILITIES			
Current liabilities			
Borrowings	2,437,725	-	2,437,725
Loans from shareholders	1,685,887	-	1,685,887
Accounts payable	487,973	-	487,973
Accrued and other liabilities	1,132,436	115,069	1,247,505
Accounts payable and accrued liabilities – related parties	1,457,389	-	1,457,389
	7,201,410	115,069	7,316,479
Non-current liabilities			
Sukuk payable - net (note 4)	-	7,364,090	7,364,090
	-	7,364,090	7,364,090
Total liabilities	7,201,410	7,479,159	14,680,569
SHAREHOLDERS' EQUITY			
Share capital	5,000	-	5,000
Statutory reserve	-	-	-
Accumulated loss	(278,678)	-	(278,678)
Total shareholders' equity	(273,678)	-	(273,678)
Total liabilities and shareholders' equity	6,927,732	7,479,159	14,406,891

The notes on pages 2 and 3 form an integral part of this unaudited Pro forma balance sheet.

SADARA CHEMICAL COMPANY

(A Saudi Arabian Mixed Limited Liability Company, Under Development Stage)

Notes to the unaudited Pro forma balance sheet

(All amounts in thousands of Saudi Riyals unless otherwise stated)

1. GENERAL INFORMATION

Sadara Chemical Company (“the Company”) is engaged in the construction of an integrated petrochemical facility at Jubail with the objective to produce Chlorine, Ethylene, Benzene, Di-nitrotoluene, Glycol Ether, Formalin, Amino ethylene, Amino ethanol, Diethylene polymer & Divinyl isocyanate, Elastomers, Nitric Acid, Propylene, Toluene, Propylene glycol, Ethylene Oxide, Aniline, Low density high pressure polyethylene, High density polyethylene, Caustic Soda, C4s Crude, Mono nitrobenzene, Propylene oxide, Diamine Toluene, Di-Isocyanate, Toluene and Low density linear polyethylene. The Company is a Saudi Arabian mixed limited liability company licensed under Industrial Investment License No. 1210321011644 issued by the Saudi Arabian General Investment Authority on 23/10/1432 H (22 September 2011) and was registered on 3/12/1432 H (30 October 2011) under commercial registration number 2055014427 issued in Jubail. The Company’s principal place of business and address of its registered office is P.O. Box 39777, with offices in Al Khobar.

The Company is owned 65% by Performance Chemicals Holding Company (“PCHC”), a wholly owned subsidiary of Saudi Arabian Oil Company (“Saudi Aramco”) and 35% by Dow Saudi Arabia Holding B.V. (“DSAH”), an indirectly wholly owned subsidiary of The Dow Chemical Company (“Dow”).

The Company is currently in its development stage and is in the process of constructing its integrated petrochemical facility. The Company is expected to commence operations during 2016.

This unaudited Pro forma balance sheet has been prepared for inclusion in the prospectus related to the intended offering of Saudi Riyal (“SAR”) denominated certificates (note 3).

2. BASIS OF PREPARATION

This unaudited Pro forma balance sheet as of 30 September 2012 has been prepared by management to show the effects of the transactions related to the Sukuk offering, as described in note 3, on the actual historical financial information of the Company as of 30 September 2012 had such transactions occurred at that date. The unaudited Pro forma balance sheet has been prepared for illustrative purposes only, and because of its nature, addresses a hypothetical situation and therefore does not represent the actual financial position or results of the Company.

The historical amounts in this unaudited Pro forma balance sheet are extracted without material adjustment from the historical interim financial statements of the Company for the period from 30 October 2011 (date of formation) to 30 September 2012, which have been issued separately. No adjustment has been made to reflect the operations of the Company since 30 September 2012. This unaudited Pro forma balance sheet should be read in conjunction with the Company’s audited interim financial statements and related notes for the period from 30 October 2011 (date of formation) to 30 September 2012.

The accounting policies applied by the Company in the preparation of this unaudited Pro forma balance sheet are in accordance with the accounting policies adopted in the audited interim financial statements for the period from 30 October 2011 (date of formation) to 30 September 2012.

3. PRO FORMA ADJUSTMENTS

On 11/2/1434 H corresponding to 24 December 2012 (date of formation) through Ministerial resolution No. (29/Q), the Company through its wholly owned subsidiaries incorporated a closed joint stock company, Sadara Basic Services Company (the “Issuer”), for the purpose of issuing SAR denominated Sukuk certificates. On 3/3/1434 H corresponding to 15 January 2013 the Issuer obtained its certificate of commercial registration. The Issuer is in the process of issuing 7.5 Billion SAR denominated Sukuk certificates for which application and admission to the Official List maintained by the Capital Market Authority of the Kingdom of Saudi Arabia (the “Authority”) and to trading on the Saudi Arabian Stock Exchange (“Tadawul”) is being sought. The Sukuk proceeds receivable by the Company are expected to be used to part finance the construction of the Company’s integrated petrochemical facility. The Sukuk offering is expected to be finalized in March 2013. Pro forma

adjustments have been made to record the expected proceeds from the Sukuk offering, the corresponding Sukuk liability and the associated transaction costs.

4. SUKUK PAYABLE - NET

Sukuk payable - net consists of:	
Sukuk proceeds	7,500,000
Transaction costs	(135,910)
Total	7,364,090

This adjustment reflects the intercompany liability to the Issuer for the gross proceeds of the Sukuk issuance receivable by the Company of SAR 7.5 billion from the issuance of SAR denominated Sukuk certificates. Estimated associated transaction costs of SAR 135,910 represent incremental costs associated with the SAR denominated Sukuk certificate issuance, of which SAR 20,841 was incurred and recognized as a deferred transaction cost at 30 September 2012. This amount of SAR 20,841 has been reclassified, and along with the remaining amount of estimated accrued transaction costs of SAR 115,069, have been netted against the Sukuk payable.

5. MANAGEMENT'S APPROVAL

This unaudited Pro forma balance sheet has been approved for issue by the Company's management on 21 February 2013.

APPENDIX 4

Audited Financial Statements of Dow as of 31 December 2011 and 31 December 2012 and
for the Financial Years Ended 31 December 2010, 31 December 2011 and 31 December
2012 and Report of Independent Registered Public Accounting Firm

The Dow Chemical Company and Subsidiaries

PART II, Item 8. Financial Statements and Supplementary Data.

Report of Independent Registered Public Accounting Firm

*To the Board of Directors and Stockholders of
The Dow Chemical Company:*

We have audited the accompanying consolidated balance sheets of The Dow Chemical Company and subsidiaries (the “Company”) as of December 31, 2012 and 2011, and the related consolidated statements of income, comprehensive income (loss), equity, and cash flows for each of the three years in the period ended December 31, 2012. Our audits also included the financial statement schedule listed in the Index at Item 15(a)2. These financial statements and financial statement schedule are the responsibility of the Company’s management. Our responsibility is to express an opinion on the financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of The Dow Chemical Company and subsidiaries as of December 31, 2012 and 2011, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2012, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company’s internal control over financial reporting as of December 31, 2012, based on the criteria established in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 15, 2013 expressed an unqualified opinion on the Company’s internal control over financial reporting.

/s/ DELOITTE & TOUCHE LLP

Midland, Michigan

February 15, 2013

The Dow Chemical Company and Subsidiaries

Consolidated Statements of Income

(In millions, except per share amounts) For the years ended December 31	2012 \$	2011 \$	2010 \$
Net Sales	56,786	59,985	53,674
Cost of sales	47,792	51,029	45,780
Research and development expenses	1,708	1,646	1,660
Selling, general and administrative expenses	2,861	2,788	2,609
Amortization of intangibles	478	496	509
Goodwill impairment loss	220	—	—
Restructuring charges	1,343	—	26
Acquisition-related integration expenses	—	31	143
Asbestos-related credit	—	—	54
Equity in earnings of nonconsolidated affiliates	536	1,223	1,112
Sundry income (expense) - net	(27)	(316)	125
Interest income	41	40	37
Interest expense and amortization of debt discount	1,269	1,341	1,473
Income Before Income Taxes	1,665	3,601	2,802
Provision for income taxes	565	817	481
Net Income	1,100	2,784	2,321
Net income (loss) attributable to noncontrolling interests	(82)	42	11
Net Income Attributable to The Dow Chemical Company	1,182	2,742	2,310
Preferred stock dividends	340	340	340
Net Income Available for The Dow Chemical Company Common Stockholders	842	2,402	1,970
Per Common Share Data:			
Earnings per common share - basic	0.71	2.06	1.75
Earnings per common share - diluted	0.70	2.05	1.72
Common stock dividends declared per share of common stock	1.21	0.90	0.60
Weighted-average common shares outstanding - basic	1,169.7	1,149.0	1,125.9
Weighted-average common shares outstanding - diluted	1,176.4	1,158.2	1,143.8

See Notes to the Consolidated Financial Statements.

The Dow Chemical Company and Subsidiaries

Consolidated Statements of Comprehensive Income (Loss)

(In millions) For the years ended December 31	2012	2011	2010
	\$	\$	\$
Net Income	1,100	2,784	2,321
Other Comprehensive Loss, Net of Tax (tax amounts shown below for 2012, 2011, 2010)			
Unrealized gains (losses) on investments:			
Unrealized holding gains (losses) during the period (net of tax of \$35, \$(13), \$12)	74	(19)	17
Less: Reclassification adjustments for net amounts included in net income (net of tax of \$(3), \$(8), \$8)	(5)	(14)	15
Cumulative translation adjustments (net of tax of \$(97), \$26, \$57)	256	(295)	(257)
Pension and other postretirement benefit plans:			
Prior service credit (cost) arising during period (net of tax of \$0, \$(1), \$0)	—	1	(2)
Net loss arising during period (net of tax of \$(1,037), \$(657), \$(193))	(2,222)	(1,524)	(485)
Less: Amortization of prior service cost included in net periodic pension costs (net of tax of \$7, \$8, \$13)	15	19	25
Less: Amortization of net loss included in net periodic pension costs (net of tax of \$174, \$130, \$92)	346	241	178
Net gains (losses) on cash flow hedging derivative instruments (net of tax of \$13, \$(4), \$2)	16	(6)	2
Total other comprehensive loss	(1,520)	(1,597)	(507)
Comprehensive Income (Loss)	(420)	1,187	1,814
Comprehensive income (loss) attributable to noncontrolling interests, net of tax	(82)	42	11
Comprehensive Income (Loss) Attributable to The Dow Chemical Company	(338)	1,145	1,803

See Notes to the Consolidated Financial Statements.

The Dow Chemical Company and Subsidiaries

Consolidated Balance Sheets

(In millions, except share amounts) At December 31	2012	2011
	\$	\$
Assets		
Current Assets		
Cash and cash equivalents (variable interest entities restricted - 2012: \$146; 2011: \$170)	4,318	5,444
Marketable securities and interest-bearing deposits	—	2
Accounts and notes receivable:		
Trade (net of allowance for doubtful receivables - 2012: \$121; 2011: \$121)	5,074	4,900
Other	4,605	4,726
Inventories	8,476	7,577
Deferred income tax assets - current	877	471
Other current assets	334	302
Total current assets	23,684	23,422
Investments		
Investment in nonconsolidated affiliates	4,121	3,405
Other investments (investments carried at fair value - 2012: \$2,061; 2011: \$2,008)	2,565	2,508
Noncurrent receivables	313	1,144
Total investments	6,999	7,057
Property		
Property	54,366	52,216
Less accumulated depreciation	36,846	34,917
Net property (variable interest entities restricted - 2012: \$2,554; 2011: \$2,169)	17,520	17,299
Other Assets		
Goodwill	12,739	12,930
Other intangible assets (net of accumulated amortization - 2012: \$2,785; 2011: \$2,349)	4,711	5,061
Deferred income tax assets - noncurrent	3,333	2,559
Asbestos-related insurance receivables - noncurrent	155	172
Deferred charges and other assets	464	724
Total other assets	21,402	21,446
Total Assets	69,605	69,224
Liabilities and Equity		
Current Liabilities		
Notes payable	396	541
Long-term debt due within one year	672	2,749
Accounts payable:		
Trade	5,010	4,778

(In millions, except share amounts) At December 31	2012	2011
	\$	\$
Other	2,327	2,216
Income taxes payable	251	382
Deferred income tax liabilities - current	95	129
Dividends payable	86	376
Accrued and other current liabilities	2,656	2,463
Total current liabilities	11,493	13,634
Long-Term Debt (variable interest entities nonrecourse - 2012: \$1,406; 2011: \$1,138)	19,919	18,310
Other Noncurrent Liabilities		
Deferred income tax liabilities - noncurrent	837	1,091
Pension and other postretirement benefits - noncurrent	11,459	9,034
Asbestos-related liabilities - noncurrent	530	608
Other noncurrent obligations	3,353	3,109
Total other noncurrent liabilities	16,179	13,842
Redeemable Noncontrolling Interest	147	147
Stockholders' Equity		
Preferred stock, series A (\$1.00 par, \$1,000 liquidation preference, 4,000,000 shares)	4,000	4,000
Common stock (authorized 1,500,000,000 shares of \$2.50 par value each; issued 2012: 1,203,292,822 shares; 2011: 1,184,562,287 shares)	3,008	2,961
Additional paid-in capital	3,281	2,663
Retained earnings	18,495	19,087
Accumulated other comprehensive loss	(7,516)	(5,996)
Unearned ESOP shares	(391)	(434)
Treasury stock at cost (2012: zero shares; 2011: zero shares)	—	—
The Dow Chemical Company's stockholders' equity	20,877	22,281
Noncontrolling interests	990	1,010
Total equity	21,867	23,291
Total Liabilities and Equity	69,605	69,224

See Notes to the Consolidated Financial Statements.

The Dow Chemical Company and Subsidiaries

Consolidated Statements of Cash Flows

(In millions) For the years ended December 31	2012	2011	2010
	\$	\$	\$
Operating Activities			
Net income	1,100	2,784	2,321
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	2,698	2,883	2,962
Provision (Credit) for deferred income tax	(465)	1	328
Earnings of nonconsolidated affiliates less than (in excess of) dividends received	287	(207)	(444)
Pension contributions	(903)	(806)	(708)
Net gain on sales of investments	(19)	(39)	—
Net gain on sales of property, businesses and consolidated companies	(74)	(25)	(95)
Other net (gain) loss	48	10	(12)
Net gain on sales of ownership interest in nonconsolidated affiliates	—	(61)	(25)
Goodwill impairment loss	220	—	—
Restructuring charges	1,343	—	26
Loss on early extinguishment of debt	123	482	46
Asbestos-related credit	—	—	(54)
Excess tax benefits from share-based payment arrangements	(76)	(23)	(20)
Changes in assets and liabilities, net of effects of acquired and divested companies:			
Accounts and notes receivable	(2,534)	(2,184)	(1,209)
Proceeds from interests in trade accounts receivable conduits	2,650	1,737	1,038
Inventories	(871)	(702)	(750)
Accounts payable	261	376	495
Other assets and liabilities	287	(347)	203
Cash provided by operating activities	4,075	3,879	4,102
Investing Activities			
Capital expenditures	(2,614)	(2,687)	(2,130)
Construction of assets pending sale / leaseback	—	(113)	—
Proceeds from sale / leaseback of assets	—	119	—
Proceeds from sales of property and businesses	77	670	1,877
Acquisitions of businesses	(2)	(8)	(8)
Purchases of previously leased assets	—	(30)	(45)
Investments in consolidated companies, net of cash acquired	(37)	(218)	(215)
Proceeds from sales of consolidated companies	—	56	74

(In millions) For the years ended December 31	2012	2011	2010
	\$	\$	\$
Investments in and loans to nonconsolidated affiliates	(285)	(248)	(107)
Distributions and loan repayments from nonconsolidated affiliates	130	295	29
Proceeds from sales of ownership interests in nonconsolidated affiliates	—	93	113
Change in restricted cash	—	—	436
Purchases of investments	(509)	(797)	(946)
Proceeds from sales and maturities of investments	553	874	1,057
Cash provided by (used in) investing activities	(2,687)	(1,994)	135
Financing Activities			
Changes in short-term notes payable	(116)	(844)	(700)
Proceeds from notes payable	—	—	84
Payments on notes payable	—	—	(668)
Proceeds from issuance of long-term debt	3,347	3,624	3,131
Payments on long-term debt	(3,988)	(5,337)	(1,387)
Purchases of treasury stock	—	(19)	(14)
Proceeds from issuance of common stock	295	236	181
Proceeds from sales of common stock	—	98	109
Issuance costs for debt and equity securities	(22)	(27)	(12)
Excess tax benefits from share-based payment arrangements	76	23	20
Distributions to noncontrolling interests	(72)	(42)	(8)
Contribution from noncontrolling interests	—	184	100
Dividends paid to stockholders	(2,050)	(1,258)	(1,014)
Cash used in financing activities	(2,530)	(3,362)	(178)
Effect of Exchange Rate Changes on Cash	16	(121)	88
Cash Assumed in Initial Consolidation of Variable Interest Entities	—	3	46
Summary			
Increase (Decrease) in cash and cash equivalents	(1,126)	(1,595)	4,193
Cash and cash equivalents at beginning of year	5,444	7,039	2,846
Cash and cash equivalents at end of year	4,318	5,444	7,039

See Notes to the Consolidated Financial Statements.

The Dow Chemical Company and Subsidiaries

Consolidated Statements of Equity

(In millions) For the years ended December 31	2012	2011	2010
	\$	\$	\$
Preferred Stock			
Balance at beginning of year and end of year	4,000	4,000	4,000
Common Stock			
Balance at beginning of year	2,961	2,931	2,906
Common stock issued	47	30	25
Balance at end of year	3,008	2,961	2,931
Additional Paid-in Capital			
Balance at beginning of year	2,663	2,286	1,913
Common stock issued	248	206	156
Stock-based compensation and allocation of ESOP shares	370	171	217
Balance at end of year	3,281	2,663	2,286
Retained Earnings			
Balance at beginning of year	19,087	17,736	16,704
Net income available for The Dow Chemical Company common stockholders	842	2,402	1,970
Dividends declared on common stock (per share: \$1.21 in 2012, \$0.90 in 2011 and \$0.60 in 2010)	(1,419)	(1,037)	(677)
Other	(15)	(14)	(13)
Impact of adoption of ASU 2009-17, net of tax	—	—	(248)
Balance at end of year	18,495	19,087	17,736
Accumulated Other Comprehensive Loss			
Balance at beginning of year	(5,996)	(4,399)	(3,892)
Other comprehensive loss	(1,520)	(1,597)	(507)
Balance at end of year	(7,516)	(5,996)	(4,399)
Unearned ESOP Shares			
Balance at beginning of year	(434)	(476)	(519)
Shares acquired	(11)	(5)	(1)
Shares allocated to ESOP participants	54	47	44
Balance at end of year	(391)	(434)	(476)
Treasury Stock			
Balance at beginning of year	—	(239)	(557)
Purchases	—	(19)	(14)
Issuance to employees and employee plans	—	258	332
Balance at end of year	—	—	(239)
The Dow Chemical Company's Stockholders' Equity	20,877	22,281	21,839

The Dow Chemical Company and Subsidiaries

Consolidated Statements of Equity

(In millions) For the years ended December 31	2012	2011	2010
	\$	\$	\$
Noncontrolling Interests			
Balance at beginning of year	1,010	803	569
Net income (loss) attributable to noncontrolling interests	(82)	42	11
Distributions to noncontrolling interests	(73)	(43)	(8)
Capital contributions (noncash capital contributions - 2012: \$97; 2011: \$0; 2010: \$0)	97	37	—
Consolidation of variable interest entities	37	31	109
Conversion of note payable to preferred shares of a subsidiary	—	158	—
Impact of adoption of ASU 2009-17	—	—	100
Other	1	(18)	22
Balance at end of year	990	1,010	803
Total Equity	21,867	23,291	22,642

See Notes to the Consolidated Financial Statements.

The Dow Chemical Company and Subsidiaries

Notes to the Consolidated Financial Statements

Table of Contents

Note	Page
1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	10
2 – RECENT ACCOUNTING GUIDANCE	14
3 – RESTRUCTURING	15
4 – ACQUISITIONS	20
5 – DIVESTITURES	20
6 – INVENTORIES	22
7 – PROPERTY	22
8 – NONCONSOLIDATED AFFILIATES AND RELATED COMPANY TRANSACTIONS	22
9 – GOODWILL AND OTHER INTANGIBLE ASSETS	26
10 – FINANCIAL INSTRUMENTS	28
11 – FAIR VALUE MEASUREMENTS	34
12 – SUPPLEMENTARY INFORMATION	37
13 – EARNINGS PER SHARE CALCULATIONS	38
14 – COMMITMENTS AND CONTINGENT LIABILITIES	40
15 – TRANSFERS OF FINANCIAL ASSETS	50
16 – NOTES PAYABLE, LONG-TERM DEBT AND AVAILABLE CREDIT FACILITIES	52
17 – PENSION PLANS AND OTHER POSTRETIREMENT BENEFITS	55
18 – LEASED PROPERTY	63
19 – VARIABLE INTEREST ENTITIES	64
20 – STOCK-BASED COMPENSATION	66
21 – STOCKHOLDERS' EQUITY	71
22 – INCOME TAXES	72
23 – ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	76
24 – OPERATING SEGMENTS AND GEOGRAPHIC AREAS	76

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation and Basis of Presentation

The accompanying consolidated financial statements of The Dow Chemical Company and its subsidiaries ("Dow" or the "Company") were prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") and include the assets, liabilities, revenues and expenses of all majority-owned subsidiaries over which the Company exercises control and, when applicable, entities for which the Company has a controlling financial interest or is the primary beneficiary. Intercompany transactions and balances are eliminated in consolidation. Investments in nonconsolidated affiliates (20-50 percent owned companies, joint ventures and partnerships) are accounted for using the equity method.

Certain reclassifications of prior years' footnote disclosure amounts have been made to conform to the 2012 presentation.

Use of Estimates in Financial Statement Preparation

The preparation of financial statements in accordance with U.S. GAAP requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. The Company's consolidated financial statements include amounts that are based on management's best estimates and judgments. Actual results could differ from those estimates.

Foreign Currency Translation

The local currency has been primarily used as the functional currency throughout the world. Translation gains and losses of those operations that use local currency as the functional currency are included in the consolidated balance sheets in “Accumulated other comprehensive income (loss)” (“AOCI”). Where the U.S. dollar is used as the functional currency or when the foreign subsidiary operates in a hyper-inflationary environment, foreign currency translation gains and losses are reflected in income.

Environmental Matters

Accruals for environmental matters are recorded when it is probable that a liability has been incurred and the amount of the liability can be reasonably estimated based on current law and existing technologies. These accruals are adjusted periodically as assessment and remediation efforts progress or as additional technical or legal information becomes available. Accruals for environmental liabilities are included in the consolidated balance sheets in “Accrued and other current liabilities” and “Other noncurrent obligations” at undiscounted amounts. Accruals for related insurance or other third-party recoveries for environmental liabilities are recorded when it is probable that a recovery will be realized and are included in the consolidated balance sheets as “Accounts and notes receivable - Other.”

Environmental costs are capitalized if the costs extend the life of the property, increase its capacity, and/or mitigate or prevent contamination from future operations. Environmental costs are also capitalized in recognition of legal asset retirement obligations resulting from the acquisition, construction and/or normal operation of a long-lived asset. Costs related to environmental contamination treatment and cleanup are charged to expense. Estimated future incremental operations, maintenance and management costs directly related to remediation are accrued when such costs are probable and reasonably estimable.

Cash and Cash Equivalents

Cash and cash equivalents include time deposits and investments with maturities of three months or less at the time of purchase.

Financial Instruments

The Company calculates the fair value of financial instruments using quoted market prices whenever available. When quoted market prices are not available for various types of financial instruments (such as forwards, options and swaps), the Company uses standard pricing models with market-based inputs that take into account the present value of estimated future cash flows.

The Company utilizes derivatives to manage exposures to currency exchange rates, commodity prices and interest rate risk. The fair values of all derivatives are recognized as assets or liabilities at the balance sheet date. Changes in the fair value of these instruments are reported in income or AOCI, depending on the use of the derivative and whether it qualifies for hedge accounting treatment.

Gains and losses on derivatives that are designated and qualify as cash flow hedging instruments are recorded in AOCI, to the extent the hedges are effective, until the underlying transactions are recognized in income. To the extent effective, gains and losses on derivative and nonderivative instruments used as hedges of the Company’s net investment in foreign operations are recorded in AOCI as part of the cumulative translation adjustment. The ineffective portions of cash flow hedges and hedges of net investment in foreign operations, if any, are recognized in income immediately.

Gains and losses on derivatives designated and qualifying as fair value hedging instruments, as well as the offsetting losses and gains on the hedged items, are reported in income in the same accounting period. Derivatives not designated as hedging instruments are marked-to-market at the end of each accounting period with the results included in income.

Inventories

Inventories are stated at the lower of cost or market. The method of determining cost for each subsidiary varies among last-in, first-out (“LIFO”); first-in, first-out (“FIFO”); and average cost, and is used consistently from year to year.

The Company routinely exchanges and swaps raw materials and finished goods with other companies to reduce delivery time, freight and other transportation costs. These transactions are treated as non-monetary exchanges and are valued at cost.

Property

Land, buildings and equipment, including property under capital lease agreements, are carried at cost less accumulated depreciation. Depreciation is based on the estimated service lives of depreciable assets and is calculated using the straight-line method, unless the asset was capitalized before 1997 when the declining balance method was used. Fully depreciated assets are retained in property and accumulated depreciation accounts until they are removed from service. In the case of disposals, assets and related accumulated depreciation are removed from the accounts, and the net amounts, less proceeds from disposal, are included in income.

Impairment and Disposal of Long-Lived Assets

The Company evaluates long-lived assets and certain identifiable intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. When undiscounted future cash flows are not expected to be sufficient to recover an asset’s carrying amount, the asset is written down to its fair value based on bids received from third parties or a discounted cash flow analysis based on market participant assumptions.

Long-lived assets to be disposed of by sale are classified as held for sale and reported at the lower of carrying amount or fair value less cost to sell, and depreciation is ceased. Long-lived assets to be disposed of other than by sale are classified as held and used until they are disposed of and reported at the lower of carrying amount or fair value, and depreciation is recognized over the remaining useful life of the assets.

Goodwill and Other Intangible Assets

The Company records goodwill when the purchase price of a business acquisition exceeds the estimated fair value of net identified tangible and intangible assets acquired. Goodwill is tested for impairment at the reporting unit level annually, or more frequently when events or changes in circumstances indicate that the fair value of a reporting unit has more likely than not declined below its carrying value. When testing goodwill for impairment, the Company may first assess qualitative factors. If an initial qualitative assessment identifies that it is more likely than not that the carrying value of a reporting unit exceeds its estimated fair value, additional quantitative testing is performed. The Company may also elect to skip the qualitative testing and proceed directly to the quantitative testing. If the quantitative testing indicates that goodwill is impaired, the carrying value of goodwill is written down to fair value. The Company primarily utilizes a discounted cash flow methodology to calculate the fair value of its reporting units. See Note 9 for further information on goodwill.

Finite-lived intangible assets such as purchased customer lists, licenses, intellectual property, patents, trademarks and software, are amortized over their estimated useful lives, generally on a straight-line basis for periods ranging primarily from three to twenty years. Finite-lived intangible assets are reviewed for impairment or obsolescence annually, or more frequently when events or changes in circumstances indicate that the carrying amount of an intangible asset may not be recoverable. If impaired, intangible assets are written down to fair value based on discounted cash flows.

Asset Retirement Obligations

The Company records asset retirement obligations as incurred and reasonably estimable, including obligations for which the timing and/or method of settlement are conditional on a future event that may or may not be within the control of the Company. The fair values of obligations are recorded as liabilities on a discounted basis and are accreted over time for the change in present value. Costs associated with the liabilities are capitalized and amortized over the estimated remaining useful life of the asset, generally for periods of 10 years or less.

Investments

Investments in debt and marketable equity securities (including warrants), primarily held by the Company's insurance operations, are classified as trading, available-for-sale or held-to-maturity. Investments classified as trading are reported at fair value with unrealized gains and losses related to mark-to-market adjustments included in income. Those classified as available-for-sale are reported at fair value with unrealized gains and losses recorded in AOCI. Those classified as held-to-maturity are recorded at amortized cost. The cost of investments sold is determined by specific identification. The Company routinely reviews available-for-sale and held-to-maturity securities for other-than-temporary declines in fair value below the cost basis, and when events or changes in circumstances indicate the carrying value of an asset may not be recoverable, the security is written down to fair value, establishing a new cost basis.

Revenue

Sales are recognized when the revenue is realized or realizable, and the earnings process is complete. Approximately 99 percent of the Company's sales in 2012 related to sales of product (99 percent in 2011 and 99 percent in 2010). The remaining 1 percent in 2012 related to the Company's service offerings, insurance operations, and licensing of patents and technology (1 percent in 2011 and 1 percent in 2010). Revenue for product sales is recognized as risk and title to the product transfer to the customer, which usually occurs at the time shipment is made. As such, title to the product passes when the product is delivered to the freight carrier. Dow's standard terms of delivery are included in its contracts of sale, order confirmation documents and invoices. Freight costs and any directly related costs of transporting finished product to customers are recorded as "Cost of sales" in the consolidated statements of income.

Revenue related to the Company's insurance operations includes third-party insurance premiums, which are earned over the terms of the related insurance policies and reinsurance contracts. Revenue related to the initial licensing of patents and technology is recognized when earned; revenue related to running royalties is recognized according to licensee production levels.

Legal Costs

The Company expenses legal costs as incurred. Accruals for legal matters are recorded when it is probable that a liability has been incurred and the amount of the liability can be reasonably estimated.

Severance Costs

The Company routinely reviews its operations around the world in an effort to ensure competitiveness across its businesses and geographic areas. When the reviews result in a workforce reduction related to the shutdown of facilities or other optimization activities, severance benefits are provided to employees primarily under Dow's ongoing benefit arrangements. These severance costs are accrued once management commits to a plan of termination including the number of employees to be terminated, their job classifications or functions, their locations and the expected termination date.

Income Taxes

The Company accounts for income taxes using the asset and liability method. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences of temporary differences between the carrying amounts and tax bases of assets and liabilities using enacted tax rates. The effect of a change in tax rates on deferred tax assets or liabilities is recognized in income in the period that includes the enactment date.

Annual tax provisions include amounts considered sufficient to pay assessments that may result from examinations of prior year tax returns; however, the amount ultimately paid upon resolution of issues raised may differ from the amounts accrued.

The Company recognizes the financial statement effects of an uncertain income tax position when it is more likely than not, based on the technical merits, that the position will be sustained upon examination. The Company accrues for other tax contingencies when it is probable that a liability to a taxing authority has been incurred and the amount of the contingency can be reasonably estimated. The current portion of uncertain income tax positions is included in "Income taxes payable" and the long-term portion is included in "Other noncurrent obligations" in the consolidated balance sheets.

Provision is made for taxes on undistributed earnings of foreign subsidiaries and related companies to the

extent that such earnings are not deemed to be permanently invested.

Earnings per Common Share

The calculation of earnings per common share is based on the weighted-average number of the Company's common shares outstanding for the applicable period. The calculation of diluted earnings per common share reflects the effect of all dilutive potential common shares that were outstanding during the respective periods, unless the effect of doing so is antidilutive.

NOTE 2 – RECENT ACCOUNTING GUIDANCE

Recently Adopted Accounting Guidance

On January 1, 2012, the Company adopted Accounting Standards Update (“ASU”) 2011-05, “Comprehensive Income (Topic 220): Presentation of Comprehensive Income,” as amended by ASU 2011-12, “Comprehensive Income (Topic 220): Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05.” This standard improves the comparability, consistency and transparency of financial reporting and increases the prominence of items reported in other comprehensive income. See the Consolidated Statements of Comprehensive Income and Note 23 for additional information.

On January 1, 2012, the Company adopted ASU 2011-04, “Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS,” which provides common requirements for measuring fair value and disclosing information about fair value measurements in accordance with U.S. GAAP and International Financial Reporting Standards (“IFRS”). See Note 11 for additional information about fair value measurements.

On September 30, 2011, the Company adopted ASU 2011-08, “Intangibles-Goodwill and Other (Topic 350): Testing Goodwill for Impairment.” This ASU simplifies how entities test goodwill for impairment and permits an entity to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test. The Company has incorporated this guidance into its goodwill impairment testing for 2012 and 2011. See Note 9 for additional information.

On January 1, 2011, the Company adopted ASU 2009-13, “Revenue Recognition (Topic 605): Multiple-Deliverable Revenue Arrangements – a consensus of the FASB Emerging Issues Task Force.” This ASU amended the criteria for when to evaluate individual delivered items in a multiple deliverable arrangement and how to allocate consideration received. The adoption of this guidance did not have a material impact on the Company's consolidated financial statements.

Accounting Guidance Issued But Not Adopted as of December 31, 2012

In December 2011, the Financial Accounting Standards Board (“FASB”) issued ASU 2011-11, “Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities,” which requires entities to disclose both gross and net information about both instruments and transactions eligible for offset in the statement of financial position and instruments and transactions subject to an agreement similar to a master netting agreement. The objective of the disclosure is to facilitate comparison between those entities that prepare their financial statements on the basis of U.S. GAAP and those entities that prepare their financial statements on the basis of IFRS. In January 2013, the FASB issued ASU 2013-01, “Balance Sheet (Topic 210): Clarifying the Scope of Disclosures about Offsetting Asset and Liabilities,” which clarifies the scope of the offsetting disclosures of ASU 2011-11. Both ASUs are effective for fiscal years, and interim periods within those years, beginning on or after January 1, 2013. Retrospective presentation for all comparative periods presented is required. The Company is currently evaluating the impact of adopting this guidance.

In February 2013, the FASB issued ASU 2013-02, “Comprehensive Income (Topic 220): Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income,” which requires entities to provide information about the amounts reclassified out of accumulated other comprehensive income by component. In addition, entities are required to present, either on the face of the statement where net income is presented or in the notes, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income but only if the amount reclassified is required under U.S. GAAP to be reclassified to net income in its entirety in the same reporting period. For other amounts that are not required under U.S. GAAP

to be reclassified in their entirety to net income, entities are required to cross-reference to other disclosures required under U.S. GAAP that provide additional detail on these amounts. This ASU is effective prospectively for reporting periods beginning after December 15, 2012. The Company is currently evaluating the impact of adopting this guidance.

NOTE 3 – RESTRUCTURING

4Q12 Restructuring

On October 23, 2012, the Company's Board of Directors approved a restructuring plan ("4Q12 Restructuring") to advance the next stage of the Company's transformation and to address macroeconomic uncertainties. The restructuring plan accelerates the Company's structural cost reduction program and will affect approximately 2,850 positions and result in the shutdown of approximately 20 manufacturing facilities. These actions are expected to be completed during the next two years.

As a result of the 4Q12 Restructuring activities, the Company recorded pretax restructuring charges of \$990 million in the fourth quarter of 2012 consisting of costs associated with exit or disposal activities of \$39 million, severance costs of \$375 million and asset write-downs and write-offs of \$576 million. The impact of these charges is shown as "Restructuring charges" in the consolidated statements of income and reflected in the Company's segments results as shown in the following table.

4Q12 Restructuring Charges by Operating Segment	Costs Associated with Exit or Disposal Activities	Severance Costs	Impairment of Long-Lived Assets, Other Assets and Equity Method Investments	Total
In millions	\$	\$	\$	\$
Electronic and Functional Materials	5	—	43	48
Coatings and Infrastructure Solutions	—	—	16	16
Performance Materials	14	—	178	192
Performance Plastics	7	—	19	26
Feedstocks and Energy	—	—	7	7
Corporate	13	375	313	701
Total	39	375	576	990

Details regarding the components of the 4Q12 Restructuring charges are discussed below:

Costs Associated with Exit or Disposal Activities

The restructuring charges for costs associated with exit or disposal activities totaled \$39 million in the fourth quarter of 2012 and included \$9 million of curtailment costs associated with other postretirement benefit plans, impacting Corporate; contract cancellation fees of \$25 million, impacting Performance Materials (\$13 million), Performance Plastics (\$7 million), Electronic and Functional Materials (\$5 million); and environmental remediation of \$5 million impacting Performance Materials (\$1 million) and Corporate (\$4 million).

Severance Costs

The restructuring charges in the fourth quarter of 2012 included severance of \$375 million for the separation of approximately 2,850 employees under the terms of the Company's ongoing benefit arrangements, primarily over the next two years. These costs were charged against Corporate. At December 31, 2012, severance of \$8 million had been paid and a liability of \$367 million remained for 2,767 employees.

Impairment of Long-Lived Assets, Other Assets and Equity Method Investments

The restructuring charges related to the write-down and write-off of assets in the fourth quarter of 2012 totaled \$576 million. Details regarding the write-downs and write-offs are as follows:

- As a result of weak global demand for lithium-ion batteries, the Company recorded a pretax impairment charge of \$303 million related to the write-down of Dow Kokam LLC's long-lived assets, impacting Corporate. At the time of the impairment, Dow had a 63.6 percent ownership interest in Dow Kokam LLC. The impact to Dow, after adjustments for income taxes and the portion attributable to noncontrolling interests, is \$189 million.
- In response to global economic conditions and competitive dynamics, the decision was made to shut down and/or consolidate a number of manufacturing facilities, with an impact of \$246 million, summarized as follows:
 - A Dow Automotive Systems Diesel Particulate Filters manufacturing facility in Midland, Michigan was shut down, resulting in the write-down of assets associated with this facility of \$114 million, impacting the Performance Materials segment. The facility was shut down in the fourth quarter of 2012.
 - Certain Oxygenated Solvents manufacturing facilities in Texas City, Texas were consolidated and/or shutdown, resulting in an asset write-down of \$36 million against the Performance Materials segment. The assets were shut down in the fourth quarter of 2012.
 - A Sodium Borohydride manufacturing facility in Delfzijl, The Netherlands will be shut down in the fourth quarter of 2013. An asset write-down of \$17 million was recorded against the Electronic and Functional Materials segment.
 - Two Interconnect Technologies manufacturing facilities, one in Lucerne, Switzerland and the other in Marlborough, Massachusetts, will be shut down, resulting in a charge related to the write-down of assets of \$13 million against the Electronics and Functional Materials segment. The manufacturing facility in Massachusetts will shut down in the fourth quarter of 2013; the manufacturing facility in Switzerland will shut down in the fourth quarter of 2014.
 - A polyethylene manufacturing facility in Tessenderlo, Belgium will be shut down in the first quarter of 2013. As a result, an asset write-down of \$10 million was recorded against the Performance Plastics segment.
 - Certain Building and Construction manufacturing assets in Midland, Michigan were shut down in the fourth quarter of 2012. As a result, an asset write-down of \$9 million was recorded against the Coatings and Infrastructure Solutions segment.
 - Formulated Systems manufacturing capacity will be consolidated in the United States, resulting in the shut down of a Solon, Ohio manufacturing facility and an asset write-down of \$5 million, impacting the Performance Materials segment. The manufacturing facility will shut down in the fourth quarter of 2013.
 - The decision was made to shut down a number of small manufacturing, research and development, and administrative facilities to optimize the assets of the Company. Write-downs of \$42 million were recorded in the fourth quarter of 2012, impacting Performance Materials (\$20 million), Electronic and Functional Materials (\$13 million), Coatings and Infrastructure Solutions (\$4 million) and Corporate (\$5 million). These facilities will be shut down no later than the fourth quarter of 2014.
- Certain capital projects were canceled resulting in the write-off of project spending of \$8 million against the Feedstocks and Energy (\$7 million) and Coatings and Infrastructure Solutions (\$1 million) segments.
- Due to a change in the Company's strategy regarding its ownership in Nippon Unicar Company Limited ("NUC"), a 50:50 joint venture, the Company determined its equity investment in NUC to be other-than-temporarily impaired and recorded a \$9 million write-down of its interest in NUC against the Performance Plastics segment.
- The fourth quarter of 2012 restructuring charge also included the write-off of other assets associated with plant closures totaling \$10 million. These charges are reflected in the results of the operating segments impacted by the restructuring activities.

The following table summarizes the activities related to the Company's 4Q12 Restructuring reserve:

4Q12 Restructuring Activities	Costs Associated with Exit or Disposal Activities	Severance Costs	Impairment of Long-Lived Assets, Other Assets and Equity Method Investments	Total
In millions	\$	\$	\$	\$
Restructuring charges recognized in the fourth quarter of 2012	39	375	576	990
Charges against the reserve	(9)	—	(576)	(585)
Cash payments	—	(8)	—	(8)
Reserve balance at December 31, 2012	30	367	—	397

The reserve balance is included in the consolidated balance sheets as “Accrued and other current liabilities” and “Other noncurrent obligations.”

1Q12 Restructuring

On March 27, 2012, the Company’s Board of Directors approved a restructuring plan (“1Q12 Restructuring”) to optimize its portfolio, respond to changing and volatile economic conditions, particularly in Western Europe, and to advance the Company’s Efficiency for Growth program, which was initiated by the Company in the second quarter of 2011. The 1Q12 Restructuring plan includes the elimination of approximately 900 positions. In addition, the Company will shut down a number of manufacturing facilities. These actions are expected to be completed primarily by December 31, 2013.

As a result of the 1Q12 Restructuring activities, the Company recorded pretax restructuring charges of \$357 million in the first quarter of 2012 consisting of costs associated with exit or disposal activities of \$150 million, severance costs of \$113 million and asset write-downs and write-offs of \$94 million. The impact of these charges is shown as “Restructuring charges” in the consolidated statements of income and reflected in the Company’s segment results as shown in the following table.

1Q12 Restructuring Charges by Operating Segment	Costs Associated with Exit or Disposal Activities	Severance Costs	Impairment of Long-Lived Assets and Other Assets	Total
In millions	\$	\$	\$	\$
Electronic and Functional Materials	—	—	17	17
Coatings and Infrastructure Solutions	4	—	37	41
Performance Materials	146	—	40	186
Corporate	—	113	—	113
Total 1Q12 Restructuring charges	150	113	94	357
Adjustment to restructuring charges:				
Coatings and Infrastructure Solutions	—	—	(4)	(4)
Net 1Q12 Restructuring charges	150	113	90	353

Details regarding the components of the 1Q12 Restructuring charge are discussed below:

Costs Associated with Exit or Disposal Activities

The restructuring charges for costs associated with exit or disposal activities totaled \$150 million in the first quarter of 2012 and included contract cancellation fees of \$149 million, impacting Performance Materials (\$146 million) and Coatings and Infrastructure Solutions (\$3 million), and asbestos abatement costs of \$1 million impacting Coatings and Infrastructure Solutions.

Severance Costs

The restructuring charges in the first quarter of 2012 included severance of \$113 million for the separation of approximately 900 employees under the terms of the Company's ongoing benefit arrangements, primarily by December 31, 2013. These costs were charged against Corporate. At December 31, 2012, severance of \$82 million had been paid and a liability of \$31 million remained for 248 employees.

Impairment of Long-Lived Assets and Other Assets

The restructuring charges related to the write-down and write-off of assets in the first quarter of 2012 totaled \$94 million. Details regarding the write-downs and write-offs are as follows:

- The Company evaluated its facilities that manufacture STYROFOAM™ brand insulation and as a result, the decision was made to shut down facilities in Balatonfuzfo, Hungary; Estarreja, Portugal; and Charleston, Illinois. In addition, a facility in Terneuzen, The Netherlands was idled and impaired. Write-downs associated with these facilities of \$37 million were recorded in the first quarter of 2012 against the Coatings and Infrastructure Solutions segment. The Netherlands facility was shut down at the end of the second quarter of 2012. The remaining facilities were shut down in the fourth quarter of 2012.
- The decision was made to shut down and/or consolidate certain manufacturing assets in the Polyurethanes and Epoxy businesses in Texas and Germany. Write-downs associated with these assets of \$15 million were recorded in the first quarter of 2012 against the Performance Materials segment. The manufacturing assets in Texas were shutdown in the second quarter of 2012. The German manufacturing assets were shut down by year-end 2012.
- Certain capital projects were canceled resulting in the write-off of project spending of \$42 million against the Performance Materials (\$25 million) and Electronic and Functional Materials (\$17 million) segments.

During the fourth quarter of 2012, the Company recorded a favorable adjustment to the 1Q12 Restructuring charge related to the impairment of long-lived assets and other assets of \$4 million, impacting the Coatings and Infrastructure Solutions segment.

The following table summarizes the activities related to the Company's 1Q12 Restructuring reserve:

1Q12 Restructuring Activities	Costs Associated with Exit or Disposal Activities	Severance Costs	Impairment of Long-Lived Assets and Other Assets	Total
In millions	\$	\$	\$	\$
Restructuring charges recognized in the first quarter of 2012	150	113	94	357
Adjustments to the reserve	—	—	(4)	(4)
Charges against the reserve	—	—	(90)	(90)
Cash payments	(45)	(82)	—	(127)
Noncash settlements	(47)	—	—	(47)
Foreign currency impact	(2)	—	—	(2)
Reserve balance at December 31, 2012	56	31	—	87

The reserve balance is included in the consolidated balance sheets as “Accrued and other current liabilities” and “Other noncurrent obligations.”

Dow expects to incur additional costs in the future related to its 1Q12 and 4Q12 restructuring activities, as the Company continually looks for ways to enhance the efficiency and cost effectiveness of its operations, and to ensure competitiveness across its businesses and geographic areas. Future costs are expected to include demolition costs related to closed facilities and restructuring plan implementation costs; these will be recognized as incurred. The Company also expects to incur additional employee-related costs, including involuntary termination benefits, related to its other optimization activities. These costs cannot be reasonably estimated at this time.

2010 Adjustments to 2009 and 2008 Restructuring Plans

In 2010, the Company recorded additional charges related to the 2009 restructuring plan, as follows: \$13 million charge to adjust the impairment of long-lived assets and other assets related to the United States Federal Trade Commission (“FTC”) required divestitures; \$8 million charge related to the shutdown of a small manufacturing facility; \$7 million charge related to additional costs associated with exit or disposal activities related to FTC required divestitures; and \$1 million charge for additional severance related to FTC required divestitures. The impact of these charges is shown as “Restructuring charges” in the consolidated statements of income and was reflected in the following operating segments: Coatings and Infrastructure Solutions (\$20 million), Electronic and Functional Materials (\$8 million), and Corporate (\$1 million).

In 2010, the Company decreased the severance reserve for the 2008 restructuring plan by \$3 million to adjust the reserve to the remaining future payments. The impact of this adjustment is shown as “Restructuring charges” in the consolidated statements of income and was reflected in Corporate.

Restructuring Reserve Assumed from Rohm and Haas

Included in liabilities assumed in the April 1, 2009 acquisition of Rohm and Haas was a reserve of \$122 million for severance and employee benefits for the separation of 1,255 employees under the terms of Rohm and Haas’ ongoing benefit arrangement. The separations resulted from plant shutdowns, production schedule adjustments, productivity improvements and reductions in support services. A currency adjusted liability of \$68 million for approximately 552 employees remained at December 31, 2009.

In 2010, the Company decreased the restructuring reserve \$34 million due to the divestiture of the Powder Coatings business and to adjust the reserve to expected future severance payments. The impact of this adjustment is shown as “Cost of sales” in the consolidated statements of income and was reflected in Corporate. In 2010, severance of \$25 million was paid, leaving a currency adjusted liability of \$12 million at December 31, 2010; \$5 million for employees who had left the Company and continued to receive annuity payments primarily through the third quarter of 2011 and \$7 million for approximately 44 employees.

In the first quarter of 2011, the Company decreased the restructuring reserve \$6 million to adjust the reserve to the expected future severance payments. The impact of this adjustment is shown as “Cost of sales” in the consolidated statements of income and was reflected in Corporate. Severance payments of \$7 million were made in the first half of 2011, bringing the program to a close.

Restructuring Reserve Assumed from Rohm and Haas In millions	Severance Costs
	\$
Reserve balance at December 31, 2009	68
Cash payments	(25)
Adjustments to reserve	(34)
Foreign currency impact	3
Reserve balance at December 31, 2010	12
Cash payments	(7)

Restructuring Reserve Assumed from Rohm and Haas	Severance Costs
In millions	\$
Adjustments to reserve	(6)
Foreign currency impact	1
Reserve balance at June 30, 2011	—

NOTE 4 – ACQUISITIONS

Rohm and Haas Acquisition and Integration Related Expenses

During the first quarter of 2011, pretax charges totaling \$31 million were recorded for integration costs related to the April 1, 2009 acquisition of Rohm and Haas Company (“Rohm and Haas”). During 2010, pretax charges totaling \$143 million were recorded for integration expenses. These charges are shown as “Acquisition-related integration expenses” in the consolidated statements of income and reflected in Corporate.

NOTE 5 – DIVESTITURES

Divestiture of Contract Manufacturing Business

On December 31, 2011, the Company sold the shares of Chemoxy International Limited, a contract manufacturing company located in the United Kingdom, to Crossco (1255) Limited. All assets and liabilities aligned with this company were sold including receivables; inventory; property, plant and equipment; customer lists; trademarks; software; and trade and other payables. The sale was completed for \$6 million, net of working capital adjustments and costs to sell, with proceeds subject to customary post-closing adjustments to be finalized in subsequent periods. The value of the net assets divested was \$48 million. The Company recorded a \$42 million pretax loss on the sale, included in “Sundry income (expense) - net” in the consolidated statements of income and reflected in Performance Materials. The Company recorded an after-tax gain of \$44 million on the sale, primarily related to a tax benefit triggered by the recognition of capital losses on the share sale.

Post-closing adjustments were finalized in the fourth quarter of 2012 and the Company recognized a pretax and after-tax gain of \$8 million for the post-closing adjustments. The gain was included in “Sundry income (expense) - net” and reflected in Performance Materials.

Divestiture of Polypropylene Business

On July 27, 2011, the Company entered into a definitive agreement to sell its global Polypropylene business (a Performance Plastics business) to Braskem SA. The definitive agreement specified the assets and liabilities related to the business to be included in the sale: the Company’s polypropylene manufacturing facilities at Schkopau and Wesseling, Germany, and Freeport and Seadrift, Texas; railcars; inventory; receivables; business know-how; certain product and process technology; and customer contracts and lists. On September 30, 2011, the sale was completed for \$459 million, net of working capital adjustments and costs to sell, with proceeds subject to customary post-closing adjustments to be finalized in subsequent periods. Immaterial post-closing adjustments were finalized in the second quarter of 2012. The proceeds included a \$474 million receivable that was paid to the Company on October 3, 2011. Dow’s Polypropylene Licensing and Catalyst business and related catalyst facilities were excluded from this sale. The transaction resulted in several long-term supply, service and purchase agreements between Dow and Braskem SA, which are expected to generate significant ongoing cash flows. As a result, the divestiture of this business was not reported as discontinued operations.

Divestiture of the Styron Business Unit

On June 17, 2010, the Company completed the sale of its Styron business unit (“Styron”) to an affiliate of Bain Capital Partners for \$1,561 million, net of working capital adjustments and costs to sell, with proceeds subject to customary post-closing adjustments. The proceeds included a \$75 million long-term note receivable. In addition, the Company elected to acquire a 7.5 percent equity interest in the resulting privately held, global materials company. Businesses and products sold included: Styrenics – polystyrene, acrylonitrile butadiene styrene, styrene acrylonitrile and expandable polystyrene; Emulsion Polymers; Polycarbonate and Compounds and Blends; Synthetic Rubber; and certain products from Dow Automotive Systems. Also included in the sale were certain styrene monomer assets and the Company’s 50 percent ownership interest in Americas Styrenics LLC, a nonconsolidated affiliate.

Styron's results of operations were not classified as discontinued operations, as the Company has continuing cash flows as a result of several long-term supply, service and purchase agreements, and continues to hold an equity interest.

The following table presents the major classes of assets and liabilities divested by operating segment:

Styron Assets and Liabilities Divested on June 17, 2010	Perf Materials	Perf Plastics	Feedstocks and Energy	Corp	Total
In millions	\$	\$	\$	\$	\$
Inventories	172	152	144	—	468
Other current assets	291	201	23	205	720
Investment in nonconsolidated affiliate	—	158	—	—	158
Net property	277	126	8	—	411
Goodwill	111	30	—	—	141
Other noncurrent assets	—	—	—	96	96
Total assets divested	851	667	175	301	1,994
Current liabilities	—	—	—	347	347
Other noncurrent liabilities	—	—	—	92	92
Total liabilities divested	—	—	—	439	439
Components of accumulated other comprehensive income divested	—	—	—	45	45
Net value divested	851	667	175	(183)	1,510

Post-closing adjustments were finalized in the fourth quarter of 2010. In 2010, the Company recognized a pretax gain of \$27 million on the sale, net of post-closing adjustments of \$24 million and including a net gain on the sale of two small, related joint ventures, working capital adjustments and additional costs to sell. The net gain was included in "Sundry income (expense) – net" and reflected in the following operating segments: Performance Materials (\$20 million) and Performance Plastics (\$7 million). The sale resulted in an after-tax loss of \$56 million, primarily because goodwill related to the divestiture was not tax deductible.

On February 3, 2011, Styron repaid the \$75 million long-term note receivable, plus interest. In the first quarter of 2011, the Company received dividend income of \$25 million, recorded in "Sundry income (expense) - net" in the consolidated statements of income and reflected in Corporate. The Company continued to hold a 6.5 percent equity interest at December 31, 2012.

Divestitures Required as a Condition to the Acquisition of Rohm and Haas

On July 31, 2009, the Company entered into a definitive agreement that included the sale of a portion of its acrylic monomer and specialty latex businesses. The sale was completed on January 25, 2010. Additional impairment charges of \$8 million related to these assets were recognized in the first quarter of 2010. In the second quarter of 2010, additional severance costs of \$1 million and the write-off of other assets of \$5 million were recognized. The impact of these charges was reflected in Coatings and Infrastructure Solutions (\$13 million) and Corporate (\$1 million).

The Company completed the sale of its hollow sphere particle business in the second quarter of 2010 and recognized additional costs associated with disposal activities of \$7 million, related to contract termination fees and reflected in Coatings and Infrastructure Solutions.

NOTE 6 – INVENTORIES

The following table provides a breakdown of inventories:

Inventories at December 31 In millions	2012	2011
	\$	\$
Finished goods	4,880	4,327
Work in process	1,910	1,716
Raw materials	866	765
Supplies	820	769
Total inventories	8,476	7,577

The reserves reducing inventories from a FIFO basis to a LIFO basis amounted to \$842 million at December 31, 2012 and \$1,105 million at December 31, 2011. Inventories valued on a LIFO basis, principally hydrocarbon and U.S. chemicals and plastics product inventories, represented 29 percent of the total inventories at December 31, 2012 and 30 percent of total inventories at December 31, 2011.

A reduction of certain inventories resulted in the liquidation of some of the Company's LIFO inventory layers, increasing pretax income \$91 million in 2012, \$126 million in 2011 and \$159 million in 2010.

NOTE 7 – PROPERTY

Property at December 31 In millions	Estimated Useful Lives (Years)	2012	2011
		\$	\$
Land	—	916	862
Land and waterway improvements	15-25	1,377	1,310
Buildings	5-55	4,886	4,513
Machinery and equipment	3-20	39,828	37,580
Utility and supply lines	5-20	2,350	2,264
Other property	3-50	2,267	2,290
Construction in progress	—	2,742	3,397
Total property		54,366	52,216

In millions	2012	2011	2010
	\$	\$	\$
Depreciation expense	2,057	2,177	2,289
Manufacturing maintenance and repair costs	2,188	2,247	1,949
Capitalized interest	84	90	72

NOTE 8 – NONCONSOLIDATED AFFILIATES AND RELATED COMPANY TRANSACTIONS

The Company's investments in companies accounted for using the equity method ("nonconsolidated affiliates") were \$4,121 million at December 31, 2012 and \$3,405 million at December 31, 2011. At December 31, 2012, the carrying amount of the Company's investments in nonconsolidated affiliates was \$69 million more than

its share of the investees' net assets, exclusive of additional differences for Dow Corning Corporation ("Dow Corning") and MEGlobal, which are discussed separately below. At December 31, 2011, the carrying amount of the Company's investments in nonconsolidated affiliates was \$80 million more than its share of the investees' net assets, exclusive of additional differences for Dow Corning and MEGlobal. Dividends received from the Company's nonconsolidated affiliates were \$823 million in 2012, \$1,016 million in 2011 and \$668 million in 2010.

At December 31, 2012 and December 31, 2011, the Company's investment in Dow Corning was \$227 million less than the Company's proportionate share of Dow Corning's underlying net assets. This amount is considered a permanent difference related to the other-than-temporary decline in the Company's investment in Dow Corning, triggered by Dow Corning's May 15, 1995 bankruptcy filing. Dow Corning emerged from bankruptcy in 2004.

At December 31, 2012, the Company's investment in MEGlobal was \$193 million less than the Company's proportionate share of MEGlobal's underlying net assets (\$199 million less at December 31, 2011). This amount represents the difference between the value of certain assets of the joint venture and the Company's related valuation on a U.S. GAAP basis, of which \$54 million (including \$5 million related to Equipolymers) is being amortized over the remaining useful lives of the assets and \$139 million is considered to be a permanent difference. On July 1, 2011, Equipolymers was merged into MEGlobal, with MEGlobal continuing as the surviving entity. In the third quarter of 2011, the Company received \$115 million on a previously impaired note receivable related to its investment in Equipolymers and recognized \$86 million in income, included in "Equity in earnings of nonconsolidated affiliates" in the consolidated statements of income and reflected in Performance Plastics.

On October 30, 2011, the Company and Saudi Arabian Oil Company formed Sadara Chemical Company ("Sadara") to build and operate a world-scale, fully integrated chemicals complex in Jubail Industrial City, Kingdom of Saudi Arabia. Construction began immediately and the first production units are expected to come on-line in the second half of 2015, with all units expected to be up and running in 2016. At December 31, 2011, the Company's cumulative investment in Sadara development costs was \$824 million, recorded as "Noncurrent receivables" in the consolidated balance sheets. With the formation of the joint venture, the Company's investment in the Sadara project is included in "Investments in and loans to nonconsolidated affiliates" in the consolidated statements of cash flows. Prior to the fourth quarter of 2011, the Company's investment in the Sadara project was included in "Investments in consolidated companies, net of cash acquired" in the consolidated statements of cash flows.

Effective December 8, 2012, Sadara's shareholders received approval to increase their share capital. Pursuant to this approval, Dow's \$905 million of development costs related to Sadara, which were previously classified as "Noncurrent receivables" in the Company's consolidated balance sheets, were converted to equity and are now classified as "Investments in nonconsolidated affiliates" in the consolidated balance sheets.

The Company's investment in Americas Styrenics LLC was sold on June 17, 2010, as part of the divestiture of Styron. See Note 5 for information regarding this divestiture.

All of the nonconsolidated affiliates in which the Company has investments are privately held companies; therefore, quoted market prices are not available.

Sales to and purchases from nonconsolidated affiliates were not material to the consolidated financial statements. Balances due to or due from nonconsolidated affiliates at December 31, 2012 and 2011 are as follows:

Balances Due To or Due From Nonconsolidated Affiliates at December 31	2012	2011
In millions	\$	\$
Accounts and notes receivable - other	632	616
Noncurrent receivables	8	827
Total assets	640	1,443
Notes payable	66	92

Balances Due To or Due From Nonconsolidated Affiliates at December 31 In millions	2012	2011
	\$	\$
Accounts payable - other	331	348
Total current liabilities	397	440

Principal Nonconsolidated Affiliates

Dow had an ownership interest in 67 nonconsolidated affiliates at December 31, 2012 (69 at December 31, 2011). The Company's principal nonconsolidated affiliates and its ownership interest (direct and indirect) for each at December 31, 2012, 2011 and 2010 are as follows:

Principal Nonconsolidated Affiliates at December 31	Ownership Interest		
	2012	2011	2010
Compañía Mega S.A. (1)	N/A	28 %	28 %
Dow Corning Corporation	50%	50 %	50 %
EQUATE Petrochemical Company K.S.C.	42.5 %	42.5 %	42.5 %
Equipolymers (2)	—	—	50 %
The Kuwait Olefins Company K.S.C.	42.5 %	42.5 %	42.5 %
Map Ta Phut Olefins Company Limited (3)	33 %	N/A	N/A
MEGlobal (2)	50 %	50 %	50 %
Sadara Chemical Company (4)	35 %	N/A	N/A
The SCG-Dow Group:			
Siam Polyethylene Company Limited	50 %	50 %	50 %
Siam Polystyrene Company Limited	50 %	50 %	50 %
Siam Styrene Monomer Co., Ltd.	50 %	50 %	50 %
Siam Synthetic Latex Company Limited	50 %	50 %	50 %
Univation Technologies, LLC	50 %	50 %	50 %

(1) Compañía Mega S.A. is no longer considered a principal nonconsolidated affiliate as of the fourth quarter of 2012. The Company continues to maintain a 28 percent equity interest in this nonconsolidated affiliate.

(2) On July 1, 2011, Equipolymers was merged into MEGlobal.

(3) Map Ta Phut Olefins Company Limited was added as a principal nonconsolidated affiliate in the fourth quarter of 2012. The Company's effective ownership of Map Ta Phut Olefins Company Limited is 33 percent, of which the Company directly owns 20 percent and indirectly owns 13 percent through its equity interest in Siam Polyethylene Company Limited and Siam Synthetic Latex Company Limited.

(4) Sadara Chemical Company became a principal nonconsolidated affiliate in the fourth quarter of 2012.

The Company's investment in its principal nonconsolidated affiliates was \$3,243 million at December 31, 2012 and \$2,546 million at December 31, 2011. Equity earnings from these companies were \$479 million in 2012, \$1,132 million in 2011 and \$1,032 million in 2010. Equity earnings from principal nonconsolidated affiliates decreased in 2012 compared with 2011, primarily due to a decline in earnings at Dow Corning, attributed to ongoing weakness in the silicon value chain, as well as equity losses from Sadara. Equity earnings from Dow Corning were also negatively impacted in 2012 by asset impairment and restructuring charges.

The summarized financial information that follows represents the combined accounts (at 100 percent) of the principal nonconsolidated affiliates.

Summarized Balance Sheet Information at December 31 In millions	2012 (1)	2011 (2)(3)
	\$	\$
Current assets	8,841	8,823
Noncurrent assets	20,109	15,494
Total assets	28,950	24,317
Current liabilities	6,903	4,376
Noncurrent liabilities	12,788	12,573
Total liabilities	19,691	16,949
Noncontrolling interests	708	789

(1) The summarized balance sheet information for 2012 does not include the results for Compañia Mega S.A. which is no longer considered a principal nonconsolidated affiliate as of the fourth quarter of 2012.

(2) The summarized balance sheet information for 2011 does not include the results for Map Ta Phut Olefins Company Limited and Sadara Chemical Company as these entities became principal nonconsolidated affiliates in 2012.

(3) The summarized balance sheet information for 2011 was updated in 2012 due to a prior period reclassification of noncurrent deferred tax assets and liabilities made by a principal nonconsolidated affiliate.

Summarized Income Statement Information In millions			
	2012 (1)	2011 (2)	2010 (3)
	\$	\$	\$
Sales	17,668	16,396	14,702
Gross profit	2,911	4,176	3,833
Net income	872	2,470	2,189

(1) The summarized income statement information for 2012 does not include the results for Compañia Mega S.A. which is no longer considered a principal nonconsolidated affiliate as of the fourth quarter of 2012.

(2) The summarized income statement information for 2011 does not include the results for Map Ta Phut Olefins Company and Sadara Chemical Company as these entities became principal nonconsolidated affiliates in 2012.

(3) The summarized income statement information for 2010 includes the results for Americas Styrenics LLC through June 17, 2010. It does not include the results for Map Ta Phut Olefins Company and Sadara Chemical Company as these entities became principal nonconsolidated affiliates in 2012.

The Company has service agreements with some of these entities, including contracts to manage the operations of manufacturing sites and the construction of new facilities; licensing and technology agreements; and marketing, sales, purchase and lease agreements.

Excess ethylene glycol produced in Dow's plants in the United States and Europe is sold to MEGlobal and represented 1 percent of total net sales in 2012 (1 percent of total net sales in 2011 and 1 percent of total net sales in 2010). In addition, the Company sells ethylene to MEGlobal as a raw material for its ethylene glycol plants in Canada. Sales of ethylene and ethylene glycol to MEGlobal are reflected in the Feedstocks and Energy segment and represented 4 percent of the segment's sales in 2012 (5 percent in 2011 and 6 percent in 2010).

NOTE 9 – GOODWILL AND OTHER INTANGIBLE ASSETS

The following table shows changes in the carrying amount of goodwill for the years ended December 31, 2012 and 2011, by operating segment:

Goodwill	Electronic and Functional Materials	Coatings and Infrastructure Solutions	Ag Sciences	Perf Materials	Perf Plastics	Feedstocks and Energy	Total
In millions	\$	\$	\$	\$	\$	\$	\$
Gross goodwill at Jan 1, 2011	4,949	4,057	1,546	1,182	1,416	63	13,213
Accumulated impairments at Jan 1, 2011	—	—	—	(216)	(30)	—	(246)
Net goodwill at Jan 1, 2011	4,949	4,057	1,546	966	1,386	63	12,967
Acquisition of seed company	—	—	12	—	—	—	12
Sale of a Dow Automotive Systems product line	—	—	—	(7)	—	—	(7)
Foreign currency impact	(15)	(16)	—	—	(11)	—	(42)
Net goodwill at Dec 31, 2011	4,934	4,041	1,558	959	1,375	63	12,930
Lightscape Materials, Inc.	3	—	—	—	—	—	3
Goodwill impairment	—	—	—	(220)	—	—	(220)
Foreign currency impact	8	11	—	1	6	—	26
Net goodwill at Dec 31, 2012	4,945	4,052	1,558	740	1,381	63	12,739
Accumulated impairments at Dec 31, 2012	—	—	—	429	—	—	429
Gross goodwill at Dec 31, 2012	4,945	4,052	1,558	1,169	1,381	63	13,168

At December 31, 2012, the Company had accumulated goodwill impairments of \$429 million (\$209 million at December 31, 2011 and \$246 million at January 1, 2011). During the past two years, the accumulated goodwill impairments balance was reduced by the following transactions: the September 30, 2011 sale of the global Polypropylene business, which included \$30 million of impaired goodwill (reflected in Performance Plastics); and the divestiture of the Dow Haltermann business during 2011, which included \$7 million of impaired goodwill (reflected in Performance Materials).

Goodwill Impairments

During the fourth quarter of 2012, the Company performed its annual impairment test for goodwill. The Company assessed qualitative factors for 11 of its 20 reporting units carrying goodwill to determine whether it was more likely than not that the fair value of each reporting unit was less than its carrying value amount. The qualitative factors assessed for the Company included, but were not limited to, GDP growth rates, long-term hydrocarbon and energy prices, equity and credit market activity, discount rates, foreign exchange rates and overall financial performance. Qualitative factors assessed for each of the reporting units included, but were not limited to, changes in industry and market structure, competitive environments, planned capacity and new product launches, cost factors such as raw material prices, and financial performance of each reporting unit. The qualitative assessment indicated that it was more likely than not that the fair value exceeded carrying value for those reporting units included in the qualitative test. The Company performed the first step of the quantitative testing for the remaining 9 reporting units. The Company utilized a discounted cash flow methodology to calculate the fair value of the reporting units. Based on the fair value analysis, management concluded that fair value exceeded carrying value for all reporting units except Dow Formulated Systems. Management completed the second step of the quantitative test for Dow Formulated Systems which compared the implied fair value of the reporting unit's goodwill to the carrying value. As a result, the Company recorded an impairment loss of \$220 million in the fourth quarter of 2012, which is included in "Goodwill impairment loss" in the consolidated statements of income and reflected in the Performance Materials segment. The goodwill impairment loss

represents the total amount of goodwill carried by the Dow Formulated Systems reporting unit.

During the fourth quarter of 2011, the Company performed its annual impairment test for goodwill. The Company assessed qualitative factors to determine whether it was more likely than not that the fair value of each reporting unit was less than its carrying value amount. The qualitative factors assessed for the Company included, but were not limited to, GDP growth rates, long-term hydrocarbon and energy prices, equity and credit market activity, discount rates, foreign exchange rates and overall financial performance. Qualitative factors assessed for each of the reporting units included, but were not limited to, changes in industry and market structure, competitive environments, planned capacity and new product launches, cost factors such as raw material prices, and financial performance of each reporting unit. The qualitative assessment indicated that it was more likely than not that the fair value of each reporting unit exceeded its carrying value. Additional quantitative testing was not required for any of the Company's reporting units.

During the fourth quarter of 2010, the Company performed its annual impairment tests for goodwill. As a result of the review, it was determined that no goodwill impairments existed.

Other Intangible Assets

The following table provides information regarding the Company's other intangible assets:

Other Intangible Assets at December 31	2012			2011		
In millions	Gross Carrying Amount	Accumulated Amortization	Net	Gross Carrying Amount	Accumulated Amortization	Net
	\$	\$	\$	\$	\$	\$
Intangible assets with finite lives:						
Licenses and intellectual property	1,729	(747)	982	1,693	(594)	1,099
Patents	120	(100)	20	119	(97)	22
Software	1,047	(548)	499	1,049	(596)	453
Trademarks	691	(285)	406	695	(224)	471
Customer related	3,688	(974)	2,714	3,652	(730)	2,922
Other	158	(131)	27	150	(108)	42
Total other intangible assets, finite lives	7,433	(2,785)	4,648	7,358	(2,349)	5,009
IPR&D (1), indefinite lives	63	—	63	52	—	52
Total other intangible assets	7,496	(2,785)	4,711	7,410	(2,349)	5,061

(1) In-process research and development ("IPR&D") purchased in a business combination.

The following table provides information regarding amortization expense related to intangible assets:

Amortization Expense In millions	2012	2011	2010
	\$	\$	\$
Other intangible assets, excluding software	478	496	509
Software, included in "Cost of sales"	63	94	87

Total estimated amortization expense for the next five fiscal years is as follows:

Estimated Amortization Expense for Next Five Years In millions	\$
2013	533
2014	511
2015	493
2016	483
2017	449

NOTE 10 – FINANCIAL INSTRUMENTS

Investments

The Company's investments in marketable securities are primarily classified as available-for-sale securities.

Investing Results In millions	2012	2011	2010
	\$	\$	\$
Proceeds from sales of available-for-sale securities	514	764	981
Gross realized gains	40	44	69
Gross realized losses	(11)	(14)	(26)

The following table summarizes the contractual maturities of the Company's investments in debt securities:

Contractual Maturities of Debt Securities at December 31, 2012	Amortized Cost	Fair Value
In millions	\$	\$
Within one year	33	34
One to five years	444	490
Six to ten years	513	568
After ten years	192	229
Total	1,182	1,321

At December 31, 2012, the Company had \$1,701 million (\$1,836 million at December 31, 2011) of held-to-maturity securities (primarily Treasury Bills) classified as cash equivalents as these securities had maturities of three months or less at the time of purchase. The Company's investments in held-to-maturity securities are held at amortized cost, which approximates fair value. At December 31, 2012, the Company had investments in money market funds of \$252 million classified as cash equivalents (\$1,090 million at December 31, 2011).

The net unrealized gain from mark-to-market adjustments recognized in earnings on trading securities held at the end of the year was \$1 million in 2012, \$13 million in 2011 and \$8 million in 2010.

The following tables provide the fair value and gross unrealized losses of the Company's investments that were deemed to be temporarily impaired at December 31, 2012 and 2011, aggregated by investment category:

Temporarily Impaired Securities at December 31, 2012 (1)	Less than 12 months	
In millions	Fair Value	Unrealized Losses
	\$	\$
Corporate bonds	22	(1)
Equity securities	30	(2)
Total temporarily impaired securities	52	(3)

(1) Unrealized losses of 12 months or more were less than \$1 million.

Temporarily Impaired Securities at December 31, 2011 (1)	Less than 12 months	
In millions	Fair Value	Unrealized Losses
	\$	\$
Corporate bonds	44	(2)
Equity securities	190	(36)
Total temporarily impaired securities	234	(38)

(1) Unrealized losses of 12 months or more were less than \$1 million.

Portfolio managers regularly review the Company's holdings to determine if any investments are other-than-temporarily impaired. The analysis includes reviewing the amount of the impairment, as well as the length of time it has been impaired. In addition, specific guidelines for each instrument type are followed to determine if an other-than-temporary impairment has occurred.

For debt securities, the credit rating of the issuer, current credit rating trends, the trends of the issuer's overall sector, the ability of the issuer to pay expected cash flows and the length of time the security has been in a loss position are considered in determining whether unrealized losses represent an other-than-temporary impairment. The Company did not have any credit-related losses during 2012, 2011 or 2010.

For equity securities, the Company's investments are primarily in Standard & Poor's ("S&P") 500 companies; however, the Company's policies allow investments in companies outside of the S&P 500. The largest holdings are Exchange Traded Funds that represent the S&P 500 index or an S&P 500 sector or subset; the Company also has holdings in Exchange Traded Funds that represent emerging markets. The Company considers the evidence to support the recovery of the cost basis of a security including volatility of the stock, the length of time the security has been in a loss position, value and growth expectations, and overall market and sector fundamentals, as well as technical analysis, in determining whether unrealized losses represent an other-than-temporary impairment. In 2012, other-than-temporary impairment write-downs on investments still held by the Company were \$7 million (\$6 million in 2011).

The aggregate cost of the Company's cost method investments totaled \$176 million at December 31, 2012 (\$179 million at December 31, 2011). Due to the nature of these investments, the fair market value is not readily determinable. These investments are reviewed quarterly for impairment indicators. The Company's impairment analysis resulted in a \$3 million reduction in the cost basis of these investments for the year ended December 31, 2012; the analysis in 2011 resulted in no reduction for the year ended December 31, 2011.

The following table summarizes the fair value of financial instruments at December 31, 2012 and 2011:

Fair Value of Financial Instruments at December 31								
In millions	2012				2011			
	Cost	Gain	Loss	Fair Value	Cost	Gain	Loss	Fair Value
	\$	\$	\$	\$	\$	\$	\$	\$
Marketable securities: (1)								
Debt securities:								
Government debt (2)	506	59	—	565	556	62	—	618
Corporate bonds	676	81	(1)	756	652	73	(2)	723
Total debt securities	1,182	140	(1)	1,321	1,208	135	(2)	1,341
Equity securities	634	109	(3)	740	646	57	(36)	667
Total marketable securities	1,816	249	(4)	2,061	1,854	192	(38)	2,008
Long-term debt including debt due within one year (3)	(20,591)	24	(3,195)	(23,762)	(21,059)	6	(2,736)	(23,789)
Derivatives relating to:								
Interest rates	—	1	(6)	(5)	—	—	—	—
Commodities (4)	—	26	(7)	19	—	16	(1)	15
Foreign currency	—	34	(20)	14	—	31	(17)	14

(1) Included in "Other investments" in the consolidated balance sheets.

(2) U.S. Treasury obligations, U.S. agency obligations, agency mortgage-backed securities and other municipalities' obligations.

(3) Cost includes fair value adjustments of \$23 million at December 31, 2012 and \$23 million at December 31, 2011.

(4) Presented net of cash collateral, as disclosed in Note 11.

Cost approximates fair value for all other financial instruments.

Risk Management

Dow's business operations give rise to market risk exposure due to changes in interest rates, foreign currency exchange rates, commodity prices and other market factors such as equity prices. To manage such risks effectively, the Company enters into hedging transactions, pursuant to established guidelines and policies, which enable it to mitigate the adverse effects of financial market risk. Derivatives used for this purpose are designated as cash flow, fair value or net foreign investment hedges where appropriate. Accounting guidance requires companies to recognize all derivative instruments as either assets or liabilities at fair value. A secondary objective is to add value by creating additional nonspecific exposures within established limits and policies; derivatives used for this purpose are not designated as hedges. The potential impact of creating such additional exposures is not material to the Company's results.

The Company's risk management program for interest rate, foreign currency and commodity risks is based on fundamental, mathematical and technical models that take into account the implicit cost of hedging. Risks created by derivative instruments and the mark-to-market valuations of positions are strictly monitored at all times, using value at risk and stress tests. Counterparty credit risk arising from these contracts is not significant because the Company minimizes counterparty concentration, deals primarily with major financial institutions of solid credit quality, and the majority of its hedging transactions mature in less than three months. In addition, the Company minimizes concentrations of credit risk through its global orientation by transacting with large, internationally diversified financial counterparties. It is the Company's policy to not have credit-risk-related contingent features in its derivative instruments. No significant concentration of counterparty credit risk existed

at December 31, 2012. The Company does not anticipate losses from credit risk, and the net cash requirements arising from counterparty risk associated with risk management activities are not expected to be material in 2013.

The Company revises its strategies as market conditions dictate and management reviews its overall financial strategies and the impacts from using derivatives in its risk management program with the Company's Board of Directors.

Interest Rate Risk Management

The Company enters into various interest rate contracts with the objective of lowering funding costs or altering interest rate exposures related to fixed and variable rate obligations. In these contracts, the Company agrees with other parties to exchange, at specified intervals, the difference between fixed and floating interest amounts calculated on an agreed-upon notional principal amount. At December 31, 2012, the Company had open interest rate swaps with maturity dates that extend to 2021.

Foreign Currency Risk Management

The Company's global operations require active participation in foreign exchange markets. The Company enters into foreign exchange forward contracts and options, and cross-currency swaps to hedge various currency exposures or create desired exposures. Exposures primarily relate to assets, liabilities and bonds denominated in foreign currencies, as well as economic exposure, which is derived from the risk that currency fluctuations could affect the dollar value of future cash flows related to operating activities. The primary business objective of the activity is to optimize the U.S. dollar value of the Company's assets, liabilities and future cash flows with respect to exchange rate fluctuations. Assets and liabilities denominated in the same foreign currency are netted, and only the net exposure is hedged. At December 31, 2012, the Company had forward contracts, options and cross-currency swaps to buy, sell or exchange foreign currencies. These contracts had various expiration dates, primarily in the first quarter of 2013.

Commodity Risk Management

The Company has exposure to the prices of commodities in its procurement of certain raw materials. The primary purpose of commodity hedging activities is to manage the price volatility associated with these forecasted inventory purchases. At December 31, 2012, the Company had futures contracts, options and swaps to buy, sell or exchange commodities. These agreements had various expiration dates through the fourth quarter of 2015.

Accounting for Derivative Instruments and Hedging Activities

Cash Flow Hedges

For derivatives that are designated and qualify as cash flow hedging instruments, the effective portion of the gain or loss on the derivative is recorded in "Accumulated other comprehensive income (loss)" ("AOCI"); it is reclassified to "Cost of sales" in the same period or periods that the hedged transaction affects income. The unrealized amounts in AOCI fluctuate based on changes in the fair value of open contracts at the end of each reporting period. The Company anticipates volatility in AOCI and net income from its cash flow hedges. The amount of volatility varies with the level of derivative activities and market conditions during any period. Gains and losses on the derivatives representing either hedge ineffectiveness or hedge components excluded from the assessment of effectiveness are recognized in current period income.

At December 31, 2012, the Company had no net loss from previously terminated interest rate cash flow hedges included in AOCI (\$1 million after tax at December 31, 2011). During 2012, 2011 and 2010, there was no material impact on the consolidated financial statements due to interest rate hedge ineffectiveness. The Company had open interest rate derivatives designated as cash flow hedges at December 31, 2012 with a net loss of \$3 million after tax and a notional U.S. dollar equivalent of \$433 million (no open interest rate derivatives designated as cash flow hedges at December 31, 2011).

Current open foreign currency forward contracts hedge the currency risk of forecasted feedstock purchase transactions until April 2013. The effective portion of the mark-to-market effects of the foreign currency forward contracts is recorded in AOCI; it is reclassified to income in the same period or periods that the underlying feedstock purchase affects income. The net loss from the foreign currency hedges included in

AOCI at December 31, 2012 was \$14 million after tax (net gain of \$2 million after tax at December 31, 2011). During 2012, 2011 and 2010, there was no material impact on the consolidated financial statements due to foreign currency hedge ineffectiveness. At December 31, 2012, the Company had open forward contracts with various expiration dates to buy, sell or exchange foreign currencies with a notional U.S. dollar equivalent of \$366 million (\$432 million at December 31, 2011).

Commodity swaps, futures and option contracts with maturities of not more than 36 months are utilized and designated as cash flow hedges of forecasted commodity purchases. Current open contracts hedge forecasted transactions until October 2014. The effective portion of the mark-to-market effect of the cash flow hedge instrument is recorded in AOCI; it is reclassified to income in the same period or periods that the underlying commodity purchase affects income. The net gain from commodity hedges included in AOCI at December 31, 2012 was \$24 million after tax (\$7 million after tax loss at December 31, 2011). During 2012, 2011 and 2010, there was no material impact on the consolidated financial statements due to commodity hedge ineffectiveness. At December 31, 2012 and 2011, the Company had the following gross notionals of outstanding commodity forward contracts to hedge forecasted purchases:

Commodity	Dec 31, 2012	Dec 31, 2011	Notional Volume Unit
Corn	1.9	0.6	million bushels
Crude Oil	0.4	0.2	million barrels
Ethane	1.8	1.6	million barrels
Naphtha	90.0	90.0	kilotons
Natural Gas	186.0	7.4	million million British thermal units
Ethane / Propane Mix	—	0.2	million barrels
Soybeans	1.3	0.3	million bushels

The net after-tax amounts to be reclassified from AOCI to income within the next 12 months are a \$20 million gain for commodity contracts and a \$14 million loss for foreign currency contracts.

Fair Value Hedges

For derivative instruments that are designated and qualify as fair value hedges, the gain or loss on the derivative as well as the offsetting loss or gain on the hedged item attributable to the hedged risk are recognized in current period income and reflected as “Interest expense and amortization of debt discount” in the consolidated statements of income. The short-cut method is used when the criteria are met. At December 31, 2012 and 2011, the Company had no open interest rate swaps designated as fair value hedges of underlying fixed rate debt obligations.

Net Foreign Investment Hedges

For derivative instruments that are designated and qualify as net foreign investment hedges, the effective portion of the gain or loss on the derivative is included in “Cumulative Translation Adjustments” in AOCI. At December 31, 2012 and 2011, the Company had no open forward contracts or outstanding options to buy, sell or exchange foreign currencies designated as net foreign investment hedges. At December 31, 2012, the Company had outstanding foreign-currency denominated debt designated as a hedge of net foreign investment of \$233 million (\$585 million at December 31, 2011). The results of hedges of the Company’s net investment in foreign operations included in “Cumulative Translation Adjustments” in AOCI was a net gain of \$22 million after tax at December 31, 2012 (net loss of \$48 million after tax at December 31, 2011). During 2012, 2011 and 2010 there was no material impact on the consolidated financial statements due to hedge ineffectiveness. See Note 23 for further detail on changes in AOCI.

Other Derivative Instruments

The Company utilizes futures, options and swap instruments that are effective as economic hedges of commodity price exposures, but do not meet hedge accounting criteria for derivatives and hedging. At December 31,

2012 and 2011, the Company had the following gross notionals of outstanding commodity contracts:

Commodity	Dec 31, 2012	Dec 31, 2011	Notional Volume Unit
Ethane	1.0	2.1	million barrels
Naphtha	—	82.5	kilotons
Natural Gas	33.0	4.6	million million British thermal units

The Company also uses foreign exchange forward contracts, options, and cross-currency swaps that are not designated as hedging instruments primarily to manage foreign currency exposure. The Company had open foreign exchange contracts with various expiration dates to buy, sell or exchange foreign currencies with a gross notional U.S. dollar equivalent of \$17,637 million at December 31, 2012 (\$14,002 million at December 31, 2011) and open interest rate swaps with a notional U.S. dollar equivalent of \$472 million at December 31, 2012 (no open interest rate swaps at December 31, 2011).

The following table provides the fair value and gross balance sheet classification of derivative instruments at December 31, 2012 and 2011:

Fair Value of Derivative Instruments In millions	Balance Sheet Classification	2012	2011
Asset Derivatives			
Derivatives designated as hedges:			
Interest rates	Other current assets	1	—
Commodities	Other current assets	28	5
Foreign currency	Accounts and notes receivable – Other	3	9
Total derivatives designated as hedges		32	14
Derivatives not designated as hedges:			
Commodities	Other current assets	3	19
Foreign currency	Accounts and notes receivable – Other	52	66
Total derivatives not designated as hedges		55	85
Total asset derivatives		87	99
Liability Derivatives			
Derivatives designated as hedges:			
Interest rates	Accounts payable – Other	5	—
Commodities	Accounts payable – Other	21	11
Foreign currency	Accounts payable – Other	14	8
Total derivatives designated as hedges		40	19
Derivatives not designated as hedges:			
Interest rates	Accounts payable – Other	1	—
Commodities	Accounts payable – Other	6	9
Foreign currency	Accounts payable – Other	27	53
Total derivatives not designated as hedges		34	62
Total liability derivatives		74	81

Foreign currency derivatives not designated as hedges are offset by foreign exchange gains/losses resulting from the underlying exposures of foreign currency denominated assets and liabilities. The amount charged on a pretax basis related to foreign currency derivatives not designated as a hedge, which is included in “Sundry income (expense) - net” in the consolidated statements of income was a loss of \$9 million for 2012, gain of \$1 million for 2011 and gain of \$155 million for 2010.

NOTE 11 – FAIR VALUE MEASUREMENTS

Fair Value Measurements on a Recurring Basis

The following tables summarize the bases used to measure certain assets and liabilities at fair value on a recurring basis:

Basis of Fair Value Measurements on a Recurring Basis at December 31, 2012	Quoted Prices in Active Markets for Identical Items (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Counterparty and Cash Collateral Netting (1)	Total
In millions	\$	\$	\$	\$	\$
Assets at fair value:					
Cash equivalents (2)	—	1,953	—	—	1,953
Interests in trade accounts receivable conduits (3)	—	—	1,057	—	1,057
Equity securities (4)	702	38	—	—	740
Debt securities: (4)					
Government debt (5)	—	565	—	—	565
Corporate bonds	—	756	—	—	756
Derivatives relating to: (6)					
Interest rates	—	1	—	—	1
Commodities	9	22	—	(5)	26
Foreign currency	—	55	—	(21)	34
Total assets at fair value	711	3,390	1,057	(26)	5,132
Liabilities at fair value:					
Long-term debt (7)	—	23,762	—	—	23,762
Derivatives relating to: (6)					
Interest rates	—	6	—	—	6
Commodities	16	11	—	(20)	7
Foreign currency	—	41	—	(21)	20
Total liabilities at fair value	16	23,820	—	(41)	23,795

(1) Cash collateral amounts represent the estimated net settlement amount when applying netting and set-off rights included in master netting arrangements between the Company and its counterparties and the payable or receivable for cash collateral held or placed with the same counterparty.

(2) Primarily Treasury Bills included in “Cash and cash equivalents” in the consolidated balance sheets and held at amortized cost, which approximates fair value.

(3) Included in “Accounts and notes receivable – Other” in the consolidated balance sheets. See Note 15 for additional information on transfers of financial assets.

(4) The Company’s investments in equity and debt securities are primarily classified as available-for-sale and are included in “Other investments” in the consolidated balance sheets.

(5) U.S. Treasury obligations, U.S. agency obligations, agency mortgage-backed securities and other municipalities’ obligations.

(6) See Note 10 for the classification of derivatives in the consolidated balance sheets.

(7) See Note 10 for information on fair value adjustments to long-term debt, included at cost in the consolidated balance sheets.

Basis of Fair Value Measurements on a Recurring Basis at December 31, 2011	Quoted Prices in Active Markets for Identical Items (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Counterparty and Cash Collateral Netting (1)	Total
In millions	\$	\$	\$	\$	\$
Assets at fair value:					
Cash equivalents (2)	—	2,926	—	—	2,926
Interests in trade accounts receivable conduits (3)	—	—	1,141	—	1,141
Equity securities (4)	634	33	—	—	667
Debt securities: (4)					
Government debt (5)	—	618	—	—	618
Corporate bonds	—	723	—	—	723
Derivatives relating to: (6)					
Commodities	10	14	—	(8)	16
Foreign currency	—	75	—	(44)	31
Total assets at fair value	644	4,389	1,141	(52)	6,122
Liabilities at fair value:					
Long-term debt (7)	—	23,789	—	—	23,789
Derivatives relating to: (6)					
Commodities	13	7	—	(19)	1
Foreign currency	—	61	—	(44)	17
Total liabilities at fair value	13	23,857	—	(63)	23,807

(1) Cash collateral amounts represent the estimated net settlement amount when applying netting and set-off rights included in master netting arrangements between the Company and its counterparties and the payable or receivable for cash collateral held or placed with the same counterparty.

(2) Primarily Treasury Bills included in "Cash and cash equivalents" in the consolidated balance sheets and held at amortized cost, which approximates fair value.

(3) Included in "Accounts and notes receivable – Other" in the consolidated balance sheets. See Note 15 for additional information on transfers of financial assets.

(4) The Company's investments in equity and debt securities are primarily classified as available-for-sale and are included in "Other investments" in the consolidated balance sheets.

(5) U.S. Treasury obligations, U.S. agency obligations, agency mortgage-backed securities and other municipalities' obligations.

(6) See Note 10 for the classification of derivatives in the consolidated balance sheets.

(7) See Note 10 for information on fair value adjustments to long-term debt, included at cost in the consolidated balance sheets.

Assets and liabilities related to forward contracts, interest rate swaps, currency swaps, options and other conditional or exchange contracts executed with the same counterparty under a master netting arrangement are netted. Collateral accounts are netted with corresponding liabilities. The Company posted cash collateral of \$20 million at December 31, 2012 (\$11 million of cash collateral at December 31, 2011).

For assets and liabilities classified as Level 1 measurements (measured using quoted prices in active markets), total fair value is either the price of the most recent trade at the time of the market close or the official close price, as defined by the exchange on which the asset is most actively traded on the last trading day of the period, multiplied by the number of units held without consideration of transaction costs.

For assets and liabilities classified as Level 2 measurements, where the security is frequently traded in less active markets, fair value is based on the closing price at the end of the period; where the security is less frequently traded, fair value is based on the price a dealer would pay for the security or similar securities, adjusted for any terms specific to that asset or liability, or by using observable market data points of similar, more liquid securities to imply the price. Market inputs are obtained from well-established and recognized vendors of market data and subjected to tolerance/quality checks.

For derivative assets and liabilities, standard industry models are used to calculate the fair value of the various financial instruments based on significant observable market inputs, such as foreign exchange rates, commodity prices, swap rates, interest rates and implied volatilities obtained from various market sources. Market inputs are obtained from well-established and recognized vendors of market data and subjected to tolerance/quality checks.

For all other assets and liabilities for which observable inputs are used, fair value is derived through the use of fair value models, such as a discounted cash flow model or other standard pricing models. See Note 10 for further information on the types of instruments used by the Company for risk management.

There were no transfers between Levels 1 and 2 during the years ended December 31, 2012 and 2011.

For assets classified as Level 3 measurements, the fair value is based on significant unobservable inputs including assumptions where there is little, if any, market activity. The fair value of the Company's interests held in trade receivable conduits is determined by calculating the expected amount of cash to be received using the key input of anticipated credit losses in the portfolio of receivables sold that have not yet been collected. Given the short-term nature of the underlying receivables, discount rate and prepayments are not factors in determining the fair value of the interests. See Note 15 for further information on assets classified as Level 3 measurements.

The following table summarizes the changes in fair value measurements using Level 3 inputs for the years ended December 31, 2012 and 2011:

Fair Value Measurements Using Level 3 Inputs for Interests Held in Trade Receivable Conduits (1)	2012	2011
In millions	\$	\$
Balance at January 1	1,141	1,267
Gain included in earnings (2)	8	3
Purchases	2,558	1,679
Settlements	(2,650)	(1,808)
Balance at December 31	1,057	1,141

(1) Included in "Accounts and notes receivable – Other" in the consolidated balance sheets.

(2) Included in "Selling, general and administrative expenses" in the consolidated statements of income.

Fair Value Measurements on a Nonrecurring Basis

The following table summarizes the basis used to measure certain assets and liabilities at fair value on a nonrecurring basis in the consolidated balance sheets in 2012:

Basis of Fair Value Measurements on a Nonrecurring Basis In millions	Significant Other Unobservable Inputs (Level 3)	Total Losses 2012
	\$	\$
2012		
Assets at fair value:		
Long-lived assets, other assets and equity method investments	45	(693)
Goodwill	—	(220)
2011		
Assets at fair value:		
Long-lived assets, other assets and equity method investments	—	(27)
2010		
Assets at fair value:		
Long-lived assets, other assets and equity method investments	—	(75)

2012 Fair Value Measurements on a Nonrecurring Basis

As part of the 1Q12 Restructuring plan that was approved on March 27, 2012, the Company shut down a number of manufacturing facilities during 2012. The manufacturing assets and facilities associated with this plan were written down to zero in the first quarter of 2012 and a \$94 million impairment charge was included in “Restructuring charges” in the consolidated statements of income. During the fourth quarter of 2012, the Company reduced the 1Q12 Restructuring reserve by \$4 million. See Note 3 for additional information.

In the second half of 2012, a \$27 million asset impairment charge was recognized in the Performance Materials segment. The assets, classified as Level 3 measurements, were valued at \$12 million using unobservable inputs, including assumptions a market participant would use to measure the fair value of the group of assets.

As part of the 4Q12 Restructuring plan that was approved on October 23, 2012, the Company will shut down a number of manufacturing facilities during the next two years. The manufacturing assets and facilities associated with this plan were written down to zero in the fourth quarter of 2012. In addition, an equity investment was impaired. The equity investment, classified as a Level 3 measurement, was valued at \$33 million using unobservable inputs, including assumptions a market participant would use to measure the fair value of the investment. These impairment charges, totaling \$576 million, were included in “Restructuring charges” in the consolidated statements of income. See Note 3 for additional information.

In the fourth quarter of 2012, the Company performed its annual goodwill impairment testing utilizing a discounted cash flow methodology as its valuation technique. As a result of this testing, the Company recognized a \$220 million goodwill impairment charge related to its Dow Formulated Systems reporting unit (part of the Performance Materials segment), which was included in “Goodwill impairment loss” in the consolidated statements of income. See Note 9 for additional information.

2011 Fair Value Measurements on a Nonrecurring Basis

After evaluating expected future investments in conjunction with expected future cash flows, a \$27 million asset impairment charge was recognized in the fourth quarter of 2011 related to a manufacturing facility in Brazil aligned with the Polyurethanes business. The long-lived assets and supplies associated with this facility were written down to zero. The charge was included in “Cost of sales” in the consolidated statements of income and reflected in the Performance Materials segment. The decision was made to shut down this facility as part of the 1Q12 Restructuring plan.

2010 Fair Value Measurements on a Nonrecurring Basis

After evaluating expected future investments in conjunction with expected future cash flows, a \$48 million asset impairment charge was recognized in the Polyurethanes business in the fourth quarter of 2010. The Company’s evaluation of strategic alternatives for Epoxy capacity resulted in an \$18 million asset impairment charge in the fourth quarter of 2010. Due to a change in the scope of a capital project, a \$9 million asset impairment charge was recognized in Dow Automotive Systems in the fourth quarter of 2010. In all cases, the assets were written down to zero. The charges were included in “Cost of sales” in the consolidated statements of income and reflected in the Performance Materials segment.

NOTE 12 – SUPPLEMENTARY INFORMATION

Sundry Income (Expense) – Net	2012	2011	2010
In millions	\$	\$	\$
Gain on sale of Styron	—	—	27
Gain (loss) on sale of a contract manufacturing business (1)	8	(36)	—
Gain on sales of other assets and securities	81	119	166
Loss on early extinguishment of debt	(123)	(482)	(46)
Obligation related to past divestiture	—	—	(47)
Reclassification of cumulative translation adjustments (2)	—	33	—

Sundry Income (Expense) – Net	2012	2011	2010
In millions	\$	\$	\$
Foreign exchange loss	(51)	(53)	(6)
Gain on consolidation of a joint venture	—	21	—
Dividend income	1	25	—
Other-net	57	57	31
Total sundry income (expense) – net	(27)	(316)	125

(1) The 2011 loss on the sale of a contract manufacturing business also included a \$6 million loss reported as “Reclassification of cumulative translation adjustments.”

(2) Cumulative translation adjustments reclassified from “Accumulated other comprehensive income (loss)” into income resulted from asset sales that qualified as complete liquidations of foreign entities.

Accrued and Other Current Liabilities

“Accrued and other current liabilities” were \$2,656 million at December 31, 2012 and \$2,463 million at December 31, 2011. Accrued payroll, which is a component of “Accrued and other current liabilities,” was \$620 million at December 31, 2012 and \$475 million at December 31, 2011. No other component of accrued liabilities was more than 5 percent of total current liabilities.

Other Income Statement Information	2012	2011	2010
In millions	\$	\$	\$
Provision for doubtful receivables (1)	13	18	6

(1) Included in “Selling, general and administrative expenses” in the consolidated statements of income.

Supplemental Disclosure of Cash Flow Information	2012	2011	2010
In millions	\$	\$	\$
Cash payments for interest	1,345	1,434	1,535
Cash payments for income taxes	1,107	1,056	598

NOTE 13 – EARNINGS PER SHARE CALCULATIONS

The following tables provide the earnings per share calculations for the years ended December 31, 2012 and 2011:

Net Income	2012	2011
In millions	\$	\$
Net income	1,100	2,784
Net (income) loss attributable to noncontrolling interests	82	(42)
Net income attributable to The Dow Chemical Company	1,182	2,742
Preferred stock dividends	(340)	(340)
Net income attributable to participating securities (1)	(13)	(30)
Net income attributable to common stockholders	829	2,372

Earnings Per Share Calculations - Basic Dollars per share	2012	2011
	\$	\$
Net income	0.94	2.42
Net (income) loss attributable to noncontrolling interests	0.07	(0.03)
Net income attributable to The Dow Chemical Company	1.01	2.39
Preferred stock dividends	(0.29)	(0.30)
Net income attributable to participating securities (1)	(0.01)	(0.03)
Net income attributable to common stockholders	0.71	2.06

Earnings Per Share Calculations - Diluted Dollars per share	2012	2011
	\$	\$
Net income	0.93	2.40
Net (income) loss attributable to noncontrolling interests	0.07	(0.03)
Net income attributable to The Dow Chemical Company	1.00	2.37
Preferred stock dividends (2)	(0.29)	(0.29)
Net income attributable to participating securities (1)	(0.01)	(0.03)
Net income attributable to common stockholders	0.70	2.05

Shares in millions		
Weighted-average common shares - basic	1,169.7	1,149.0
Plus dilutive effect of stock options and awards	6.7	9.2
Weighted-average common shares - diluted	1,176.4	1,158.2
Stock options and deferred stock awards excluded from EPS calculations (3)	52.6	44.7
Conversion of preferred stock excluded from EPS calculations (4)	96.8	96.8

(1) Accounting Standards Codification Topic 260, "Earnings per Share," requires enterprises with participating securities to use the two-class method to calculate earnings per share and to report the most dilutive earnings per share amount. Deferred stock awards are considered participating securities due to Dow's practice of paying dividend equivalents on unvested shares. The impact on earnings per share in 2010 using the two-class method was immaterial.

(2) Preferred stock dividends were not added back in the calculation of diluted earnings per share because the effect of adding them back would have been antidilutive.

(3) These outstanding options to purchase shares of common stock and deferred stock awards were excluded from the calculation of diluted earnings per share because the effect of including them would have been antidilutive.

(4) Conversion of the Cumulative Convertible Perpetual Preferred Stock, Series A into shares of the Company's common stock was excluded from the calculation of diluted earnings per share because the effect of including them would have been antidilutive.

The following tables provide the earnings per share calculations for the year ended December 31, 2010:

Net Income In millions	2010
	\$
Net income	2,321
Net income attributable to noncontrolling interests	(11)
Net income attributable to The Dow Chemical Company	2,310
Preferred stock dividends	(340)
Net income available for common stockholders	1,970

Earnings Per Share Calculations - Basic Dollars per share	2010
	\$
Net income	2.06
Net income attributable to noncontrolling interests	(0.01)
Net income attributable to The Dow Chemical Company	2.05
Preferred stock dividends	(0.30)
Net income available for common stockholders	1.75

Earnings Per Share Calculations - Diluted Dollars per share	2010
	\$
Net income	2.03
Net income attributable to noncontrolling interests	(0.01)
Net income attributable to The Dow Chemical Company	2.02
Preferred stock dividends (1)	(0.30)
Net income available for common stockholders	1.72

Shares in millions	
Weighted-average common shares - basic	1,125.9
Plus dilutive effect of stock options and awards	17.9
Weighted-average common shares - diluted	1,143.8
Stock options and deferred stock awards excluded from EPS calculations (2)	45.7
Conversion of preferred stock excluded from EPS calculations (3)	96.8

(1) Preferred stock dividends were not added back in the calculation of diluted earnings per share because the effect of adding them back would have been antidilutive.

(2) These outstanding options to purchase shares of common stock and deferred stock awards were excluded from the calculation of diluted earnings per share because the effect of including them would have been antidilutive.

(3) Conversion of the Cumulative Convertible Perpetual Preferred Stock, Series A into shares of the Company's common stock was excluded from the calculation of diluted earnings per share because the effect of including them would have been antidilutive.

NOTE 14 – COMMITMENTS AND CONTINGENT LIABILITIES

Dow Corning Credit Facility

The Company is a 50 percent shareholder in Dow Corning Corporation ("Dow Corning"). On June 1, 2004, the Company agreed to provide a credit facility to Dow Corning as part of Dow Corning's Joint Plan of Reorganization. The aggregate amount of the facility was originally \$300 million; it was reduced to \$100 million effective June 1, 2012, of which the Company's share is \$50 million. At December 31, 2012, no draws had been taken against the credit facility.

Environmental Matters

Introduction

Accruals for environmental matters are recorded when it is probable that a liability has been incurred and the amount of the liability can be reasonably estimated based on current law and existing technologies. At December 31, 2012, the Company had accrued obligations of \$754 million for probable environmental remediation and restoration costs, including \$69 million for the remediation of Superfund sites. This is management's best estimate of the costs for remediation and restoration with respect to environmental matters

for which the Company has accrued liabilities, although it is reasonably possible that the ultimate cost with respect to these particular matters could range up to approximately twice that amount. Consequently, it is reasonably possible that environmental remediation and restoration costs in excess of amounts accrued could have a material impact on the Company's results of operations, financial condition and cash flows. It is the opinion of the Company's management, however, that the possibility is remote that costs in excess of the range disclosed will have a material impact on the Company's results of operations, financial condition or cash flows. Inherent uncertainties exist in these estimates primarily due to unknown conditions, changing governmental regulations and legal standards regarding liability, and emerging remediation technologies for handling site remediation and restoration. At December 31, 2011, the Company had accrued obligations of \$733 million for probable environmental remediation and restoration costs, including \$69 million for the remediation of Superfund sites and \$50 million for environmental liabilities recognized in the fourth quarter of 2011 related to the Camaçari, Brazil site.

The following table summarizes the activity in the Company's accrued obligations for environmental matters for the years ended December 31, 2012 and 2011:

Accrued Obligations for Environmental Matters In millions	2012	2011
	\$	\$
Balance at January 1	733	607
Additional accruals	203	286
Charges against reserve	(176)	(149)
Foreign currency impact	(6)	(11)
Balance at December 31	754	733

The amounts charged to income on a pretax basis related to environmental remediation totaled \$197 million in 2012, \$261 million in 2011 and \$158 million in 2010. Capital expenditures for environmental protection were \$145 million in 2012, \$170 million in 2011 and \$173 million in 2010.

Midland Off-Site Environmental Matters

On June 12, 2003, the Michigan Department of Environmental Quality ("MDEQ") issued a Hazardous Waste Operating License (the "License") to the Company's Midland, Michigan manufacturing site (the "Midland site"), which included provisions requiring the Company to conduct an investigation to determine the nature and extent of off-site contamination in the City of Midland soils, the Tittabawassee River and Saginaw River sediment and floodplain soils, and the Saginaw Bay, and, if necessary, undertake remedial action.

City of Midland

The MDEQ, as a result of ongoing discussions with the Company regarding the implementation of the requirements of the License, announced on February 16, 2012, a proposed plan to resolve the issue of dioxin contamination in residential soils in Midland. As part of the proposed plan, the Company will sample soil at residential properties near the Midland site for the presence of dioxins to determine where clean-up may be required. On March 6, 2012, the Company submitted an Interim Response Activity Plan Designed to Meet Criteria ("Work Plan") to the MDEQ. On May 25, 2012, the Company submitted a revision to the Work Plan to the MDEQ to address agency and public comments. The MDEQ approved the Work Plan on June 1, 2012. Implementation of the Work Plan began on June 4, 2012. The Company submitted amendments to the Work Plan to increase the number of properties to be sampled in 2012. The amendments were approved by the MDEQ on July 23, 2012 and September 13, 2012.

Tittabawassee and Saginaw Rivers, Saginaw Bay

The Company, the U.S. Environmental Protection Agency ("EPA") and the State of Michigan ("State") entered into an administrative order on consent ("AOC"), effective January 21, 2010, that requires the Company to conduct a remedial investigation, a feasibility study and a remedial design for the Tittabawassee River, the Saginaw River and the Saginaw Bay, and pay the oversight costs of the EPA and the State under the authority of the Comprehensive Environmental Response, Compensation, and Liability Act ("CERCLA"). These actions, to be conducted under the lead oversight of the EPA, will build upon the investigative work completed under the

State Resource Conservation Recovery Act (“RCRA”) program from 2005 through 2009. The Tittabawassee River, beginning at the Midland Site and extending down to the first six miles of the Saginaw River, are designated as the first Operable Unit for purposes of conducting the remedial investigation, feasibility study and remedial design work. This work will be performed in a largely upriver to downriver sequence for eight geographic segments of the Tittabawassee and upper Saginaw Rivers. In the first quarter of 2012, the EPA requested the Company address the Tittabawassee River floodplain as an additional segment. The remainder of the Saginaw River and the Saginaw Bay are designated as a second Operable Unit and the work associated with that unit may also be geographically segmented. The AOC does not obligate the Company to perform removal or remedial action; that action can only be required by a separate order. The Company and the EPA will be negotiating orders separate from the AOC that will obligate the Company to perform remedial actions under the scope of work of the AOC. The Company and the EPA have entered into three separate orders to perform limited remedial actions to implement early actions. In addition, the Company and the EPA have entered into the first order to address remedial actions in the first of the nine geographic segments in the first Operable Unit.

Alternative Dispute Resolution Process

The Company, the EPA, the U.S. Department of Justice, and the natural resource damage trustees (which include the Michigan Office of the Attorney General, the MDEQ, the U.S. Fish and Wildlife Service, the U.S. Bureau of Indian Affairs and the Saginaw-Chippewa tribe) have been engaged in negotiations to seek to resolve potential governmental claims against the Company related to historical off-site contamination associated with the City of Midland, the Tittabawassee and Saginaw Rivers and the Saginaw Bay. The Company and the governmental parties started meeting in the fall of 2005 and entered into a Confidentiality Agreement in December 2005. The Company continues to conduct negotiations under the Federal Alternative Dispute Resolution Act with all of the governmental parties, except the EPA which withdrew from the alternative dispute resolution process on September 12, 2007.

On September 28, 2007, the Company and the natural resource damage trustees entered into a Funding and Participation Agreement that addressed the Company’s payment of past costs incurred by the natural resource damage trustees, payment of the costs of a trustee coordinator and a process to review additional cooperative studies that the Company might agree to fund or conduct with the natural resource damage trustees. On March 18, 2008, the Company and the natural resource damage trustees entered into a Memorandum of Understanding to provide a mechanism for the Company to fund cooperative studies related to the assessment of natural resource damages. This Memorandum of Understanding has been amended and extended until March 2013. On April 7, 2008, the natural resource damage trustees released their “Natural Resource Damage Assessment Plan for the Tittabawassee River System Assessment Area.”

At December 31, 2012, the accrual for these off-site matters was \$42 million (included in the total accrued obligation of \$754 million). At December 31, 2011, the Company had an accrual for these off-site matters of \$40 million (included in the total accrued obligation of \$733 million).

Environmental Matters Summary

It is the opinion of the Company’s management that the possibility is remote that costs in excess of those disclosed will have a material impact on the Company’s results of operations, financial condition or cash flows.

Litigation

DBCP Matters

Numerous lawsuits have been brought against the Company and other chemical companies, both inside and outside of the United States, alleging that the manufacture, distribution or use of pesticides containing dibromochloropropane (“DBCP”) has caused personal injury and property damage, including contamination of groundwater. It is the opinion of the Company’s management that the possibility is remote that the resolution of such lawsuits will have a material impact on the Company’s consolidated financial statements.

*Asbestos-Related Matters of Union Carbide Corporation**Introduction*

Union Carbide Corporation (“Union Carbide”), a wholly owned subsidiary of the Company, is and has been involved in a large number of asbestos-related suits filed primarily in state courts during the past three decades. These suits principally allege personal injury resulting from exposure to asbestos-containing products and frequently seek both actual and punitive damages. The alleged claims primarily relate to products that Union Carbide sold in the past, alleged exposure to asbestos-containing products located on Union Carbide’s premises, and Union Carbide’s responsibility for asbestos suits filed against a former Union Carbide subsidiary, Amchem Products, Inc. (“Amchem”). In many cases, plaintiffs are unable to demonstrate that they have suffered any compensable loss as a result of such exposure, or that injuries incurred in fact resulted from exposure to Union Carbide’s products.

Union Carbide expects more asbestos-related suits to be filed against Union Carbide and Amchem in the future, and will aggressively defend or reasonably resolve, as appropriate, both pending and future claims.

Estimating the Liability

Based on a study completed by Analysis, Research & Planning Corporation (“ARPC”) in January 2003, Union Carbide increased its December 31, 2002 asbestos-related liability for pending and future claims for the 15-year period ending in 2017 to \$2.2 billion, excluding future defense and processing costs. Since then, Union Carbide has compared current asbestos claim and resolution activity to the results of the most recent ARPC study at each balance sheet date to determine whether the accrual continues to be appropriate. In addition, Union Carbide has requested ARPC to review Union Carbide’s historical asbestos claim and resolution activity each year since 2004 to determine the appropriateness of updating the most recent ARPC study.

In November 2010, Union Carbide requested ARPC to review Union Carbide’s historical asbestos claim and resolution activity and determine the appropriateness of updating its most recent study completed in December 2008. In response to that request, ARPC reviewed and analyzed data through October 31, 2010. The resulting study, completed by ARPC in December 2010, stated that the undiscounted cost of resolving pending and future asbestos-related claims against Union Carbide and Amchem, excluding future defense and processing costs, through 2025 was estimated to be between \$744 million and \$835 million. As in its earlier studies, ARPC provided estimates for a longer period of time in its December 2010 study, but also reaffirmed its prior advice that forecasts for shorter periods of time are more accurate than those for longer periods of time.

In December 2010, based on ARPC’s December 2010 study and Union Carbide’s own review of the asbestos claim and resolution activity, Union Carbide decreased its asbestos-related liability for pending and future claims to \$744 million, which covered the 15-year period ending 2025, excluding future defense and processing costs. The reduction of \$54 million was shown as “Asbestos-related credit” in the consolidated statements of income and reflected in Corporate. At December 31, 2010, the asbestos-related liability for pending and future claims was \$728 million.

In November 2011, Union Carbide requested ARPC to review Union Carbide’s 2011 asbestos claim and resolution activity and determine the appropriateness of updating its December 2010 study. In response to that request, ARPC reviewed and analyzed data through October 31, 2011. In January 2012, ARPC stated that an update of its study would not provide a more likely estimate of future events than the estimate reflected in its December 2010 study and, therefore, the estimate in that study remained applicable. Based on Union Carbide’s own review of the asbestos claim and resolution activity and ARPC’s response, Union Carbide determined that no change to the accrual was required. At December 31, 2011, the asbestos-related liability for pending and future claims was \$668 million.

In October 2012, Union Carbide requested ARPC to review its historical asbestos claim and resolution activity and determine the appropriateness of updating its December 2010 study. In response to that request, ARPC reviewed and analyzed data through September 30, 2012. In December 2012, based upon ARPC’s December 2012 study and Union Carbide’s own review of the asbestos claim and resolution activity for 2012, it was determined that no adjustment to the accrual was required at December 31, 2012. Union Carbide’s asbestos-related liability for pending and future claims was \$602 million at December 31, 2012.

At December 31, 2012, approximately 18 percent of the recorded liability related to pending claims and approximately 82 percent related to future claims. At December 31, 2011, approximately 18 percent of the recorded liability related to pending claims and approximately 82 percent related to future claims.

Insurance Receivables

At December 31, 2002, Union Carbide increased the receivable for insurance recoveries related to its asbestos liability to \$1.35 billion, substantially exhausting its asbestos product liability coverage. The insurance receivable related to the asbestos liability was determined by Union Carbide after a thorough review of applicable insurance policies and the 1985 Wellington Agreement, to which Union Carbide and many of its liability insurers are signatory parties, as well as other insurance settlements, with due consideration given to applicable deductibles, retentions and policy limits, and taking into account the solvency and historical payment experience of various insurance carriers. The Wellington Agreement and other agreements with insurers are designed to facilitate an orderly resolution and collection of Union Carbide's insurance policies and to resolve issues that the insurance carriers may raise.

In September 2003, Union Carbide filed a comprehensive insurance coverage case, now proceeding in the Supreme Court of the State of New York, County of New York, seeking to confirm its rights to insurance for various asbestos claims and to facilitate an orderly and timely collection of insurance proceeds (the "Insurance Litigation"). The Insurance Litigation was filed against insurers that are not signatories to the Wellington Agreement and/or do not otherwise have agreements in place with Union Carbide regarding their asbestos-related insurance coverage, in order to facilitate an orderly resolution and collection of such insurance policies and to resolve issues that the insurance carriers may raise. Since the filing of the case, Union Carbide has reached settlements with several of the carriers involved in the Insurance Litigation, including settlements reached with two significant carriers in the fourth quarter of 2009. The Insurance Litigation is ongoing.

Union Carbide's receivable for insurance recoveries related to its asbestos liability was \$25 million at December 31, 2012 and \$40 million at December 31, 2011. At December 31, 2012 and December 31, 2011, all of the receivable for insurance recoveries was related to insurers that are not signatories to the Wellington Agreement and/or do not otherwise have agreements in place regarding their asbestos-related insurance coverage.

In addition to the receivable for insurance recoveries related to its asbestos liability, Union Carbide had receivables for defense and resolution costs submitted to insurance carriers that have settlement agreements in place regarding their asbestos-related insurance coverage.

The following table summarizes Union Carbide's receivables related to its asbestos-related liability:

Receivables for Asbestos-Related Costs at December 31 In millions	2012	2011
	\$	\$
Receivables for defense costs – carriers with settlement agreements	17	20
Receivables for resolution costs – carriers with settlement agreements	137	158
Receivables for insurance recoveries – carriers without settlement agreements	25	40
Total	179	218

Union Carbide expenses defense costs as incurred. The pretax impact for defense and resolution costs, net of insurance, was \$100 million in 2012, \$88 million in 2011 and \$73 million in 2010, and was reflected in "Cost of sales" in the consolidated statements of income.

After a review of its insurance policies, with due consideration given to applicable deductibles, retentions and policy limits, after taking into account the solvency and historical payment experience of various insurance carriers; existing insurance settlements; and the advice of outside counsel with respect to the applicable insurance coverage law relating to the terms and conditions of its insurance policies, Union Carbide continues to believe that its recorded receivable for insurance recoveries from all insurance carriers is probable of collection.

Summary

The amounts recorded by Union Carbide for the asbestos-related liability and related insurance receivable described above were based upon current, known facts. However, future events, such as the number of new claims to be filed and/or received each year, the average cost of disposing of each such claim, coverage issues among insurers, and the continuing solvency of various insurance companies, as well as the numerous uncertainties surrounding asbestos litigation in the United States, could cause the actual costs and insurance recoveries for Union Carbide to be higher or lower than those projected or those recorded.

Because of the uncertainties described above, Union Carbide's management cannot estimate the full range of the cost of resolving pending and future asbestos-related claims facing Union Carbide and Amchem. Union Carbide's management believes that it is reasonably possible that the cost of disposing of Union Carbide's asbestos-related claims, including future defense costs, could have a material impact on Union Carbide's results of operations and cash flows for a particular period and on the consolidated financial position of Union Carbide.

It is the opinion of Dow's management that it is reasonably possible that the cost of Union Carbide disposing of its asbestos-related claims, including future defense costs, could have a material impact on the Company's results of operations and cash flows for a particular period and on the consolidated financial position of the Company.

Synthetic Rubber Industry Matters

In 2003, the U.S., Canadian and European competition authorities initiated separate investigations into alleged anticompetitive behavior by certain participants in the synthetic rubber industry. Certain subsidiaries of the Company (but as to the investigation in Europe only) have responded to requests for documents and are otherwise cooperating in the investigations.

On June 10, 2005, the Company received a Statement of Objections from the European Commission (the "EC") stating that it believed that the Company and certain subsidiaries of the Company (the "Dow Entities"), together with other participants in the synthetic rubber industry, engaged in conduct in violation of European competition laws with respect to the butadiene rubber and emulsion styrene butadiene rubber businesses. In connection therewith, on November 29, 2006, the EC issued its decision alleging infringement of Article 81 of the Treaty of Rome and imposed a fine of Euro 64.575 million (approximately \$85 million at that time) on the Dow Entities; several other companies were also named and fined. As a result, the Company recognized a loss contingency of \$85 million related to the fine in the fourth quarter of 2006. The Company appealed the EC's decision and a hearing was held before the Court of First Instance on October 13, 2009. On July 13, 2011, the General Court issued a decision that partly affirmed the EC's decision with regard to the amount of the fine and the liability of the parent company, but rejected the EC's decision regarding the length of the conspiracy and determined that it was of a shorter duration. The Dow Entities have filed an appeal of this decision to the Court of Justice of the European Union. Subsequent to the imposition of the fine in 2006, the Company and/or certain subsidiaries of the Company became named parties in various related U.S., United Kingdom and Italian civil actions. The U.S. matter was settled in March 2010 through a confidential settlement agreement, with an immaterial impact on the Company's consolidated financial statements. The United Kingdom and Italian civil actions are still pending.

Additionally, on March 10, 2007, the Company received a Statement of Objections from the EC stating that it believed that DuPont Dow Elastomers L.L.C. ("DDE"), a former 50:50 joint venture with E.I. du Pont de Nemours and Company ("DuPont"), together with other participants in the synthetic rubber industry, engaged in conduct in violation of European competition laws with respect to the polychloroprene business. This Statement of Objections specifically names the Company, in its capacity as a former joint venture owner of DDE. On December 5, 2007, the EC announced its decision to impose a fine on the Company, among others, in the amount of Euro 48.675 million (approximately \$64 million). The Company previously transferred its joint venture ownership interest in DDE to DuPont in 2005, and DDE then changed its name to DuPont Performance Elastomers L.L.C. ("DPE"). In February 2008, DuPont, DPE and the Company each filed an appeal of the December 5, 2007 decision of the EC. On February 2, 2012, the European General Court denied the appeals of the December 5, 2007 decision. The Company has appealed this decision to the European Court of Justice. Based on the Company's allocation agreement with DuPont, the Company's share of this fine, regardless of the outcome of the appeals, will not have a material impact on the Company's consolidated financial statements.

Rohm and Haas Pension Plan Matters

In December 2005, a federal judge in the U.S. District Court for the Southern District of Indiana (the “District Court”) issued a decision granting a class of participants in the Rohm and Haas Pension Plan (the “Rohm and Haas Plan”) who had retired from Rohm and Haas Company (“Rohm and Haas”), now a wholly owned subsidiary of the Company, and who elected to receive a lump sum benefit from the Rohm and Haas Plan, the right to a cost-of-living adjustment (“COLA”) as part of their retirement benefit. In August 2007, the Seventh Circuit Court of Appeals (the “Seventh Circuit”) affirmed the District Court’s decision, and in March 2008, the U.S. Supreme Court denied the Rohm and Haas Plan’s petition to review the Seventh Circuit’s decision. The case was returned to the District Court for further proceedings. In October 2008 and February 2009, the District Court issued rulings that have the effect of including in the class all Rohm and Haas retirees who received a lump sum distribution without a COLA from the Rohm and Haas Plan since January 1976. These rulings are subject to appeal, and the District Court has not yet determined the amount of the COLA benefits that may be due to the class participants. The Rohm and Haas Plan and the plaintiffs entered into a settlement agreement that, in addition to settling the litigation with respect to the Rohm and Haas retirees, provides for the amendment of the complaint and amendment of the Rohm and Haas Plan to include active employees in the settlement benefits. The District Court preliminarily approved the settlement on November 24, 2009 and, following a hearing on March 12, 2010, issued a final order approving the settlement on April 12, 2010. A group of objectors to the settlement filed an appeal from the final order. In November 2010, the District Court issued an order approving class counsel’s fee award petition in an amount consistent with the terms of the settlement. The same objectors also appealed this order. On September 2, 2011, the Seventh Circuit affirmed the approval of the settlement and award of attorneys’ fees. A lone objector filed a petition for rehearing, which was denied on October 17, 2011. The objector continued the appeal process by timely filing a petition for a writ of certiorari to the U.S. Supreme Court, which was denied on April 16, 2012, rendering the settlement and award of attorneys’ fees final.

A pension liability associated with this matter of \$185 million was recognized as part of the acquisition of Rohm and Haas on April 1, 2009. The liability, which was determined in accordance with the accounting guidance for contingencies, recognized the estimated impact of the above described judicial decisions on the long-term Rohm and Haas Plan obligations owed to the applicable Rohm and Haas retirees and active employees. The Company had a liability associated with this matter of \$189 million at December 31, 2011. The Rohm and Haas Plan made settlement payments totaling \$139 million as of December 31, 2012. The Company’s remaining liability for this matter was \$50 million at December 31, 2012. The remaining liability will be resolved over time through the administration of the Rohm and Haas Plan.

Other Litigation Matters

In addition to the specific matters described above, the Company is party to a number of other claims and lawsuits arising out of the normal course of business with respect to commercial matters, including product liability, governmental regulation and other actions. Certain of these actions purport to be class actions and seek damages in very large amounts. All such claims are being contested. Dow has an active risk management program consisting of numerous insurance policies secured from many carriers at various times. These policies often provide coverage that will be utilized to minimize the financial impact, if any, of the contingencies described above.

Summary

Except for the possible effect of Union Carbide’s asbestos-related liability described above, it is the opinion of the Company’s management that the possibility is remote that the aggregate of all claims and lawsuits will have a material adverse impact on the results of operations, financial condition and cash flows of the Company.

Purchase Commitments

The Company has numerous agreements for the purchase of ethylene-related products globally. The purchase prices are determined primarily on a cost-plus basis. Total purchases under these agreements were \$304 million in 2012, \$552 million in 2011 and \$714 million in 2010. The Company’s take-or-pay commitments associated with these agreements at December 31, 2012 are included in the table below.

The Company also has various commitments for take-or-pay and throughput agreements. These commitments are at prices not in excess of current market prices. The remaining terms for all but one of these agreements

extend from one to 33 years. One agreement has a remaining term of 65 years. The determinable future commitments for this specific agreement for a period of 10 years are included in the following table along with the fixed and determinable portion of all other obligations under the Company's purchase commitments at December 31, 2012:

Fixed and Determinable Portion of Take-or-Pay and Throughput Obligations at December 31, 2012 In millions	\$
2013	2,570
2014	2,607
2015	2,141
2016	1,904
2017	1,712
2018 and beyond	8,106
Total	19,040

In addition to the take-or-pay obligations at December 31, 2012, the Company had outstanding commitments which ranged from one to six years for materials, services and other items used in the normal course of business of approximately \$201 million. Such commitments were at prices not in excess of current market prices.

Guarantees

The Company provides a variety of guarantees, as described more fully in the following sections.

Guarantees

Guarantees arise during the ordinary course of business from relationships with customers and nonconsolidated affiliates when the Company undertakes an obligation to guarantee the performance of others (via delivery of cash or other assets) if specified triggering events occur. With guarantees, such as commercial or financial contracts, non-performance by the guaranteed party triggers the obligation of the Company to make payments to the beneficiary of the guarantee. The majority of the Company's guarantees relates to debt of nonconsolidated affiliates, which have expiration dates ranging from less than one year to nine years, and trade financing transactions in Latin America, which typically expire within one year of inception. The Company's current expectation is that future payment or performance related to the non-performance of others is considered unlikely.

Residual Value Guarantees

The Company provides guarantees related to leased assets specifying the residual value that will be available to the lessor at lease termination through sale of the assets to the lessee or third parties.

The following tables provide a summary of the final expiration, maximum future payments and recorded liability reflected in the consolidated balance sheets for each type of guarantee:

Guarantees at December 31, 2012 In millions	Final Expiration	Maximum Future Payments (1)	Recorded Liability
		\$	\$
Guarantees	2021	1,544	48
Residual value guarantees (2)	2021	637	31
Total guarantees		2,181	79

(1) The Company was indemnified by a third party for \$49 million if required to perform under a \$98 million guarantee.

(2) Does not include the residual value guarantee related to the Company's variable interest in an owner trust; see Note 19.

Guarantees at December 31, 2011 In millions	Final Expiration	Maximum Future Payments (1)	Recorded Liability
		\$	\$
Guarantees	2020	587	21
Residual value guarantees (2)	2021	526	24
Total guarantees		1,113	45

(1) The Company was indemnified by a third party for \$50 million if required to perform under a \$100 million guarantee.

(2) Does not include the residual value guarantee related to the Company's variable interest in an owner trust; see Note 19.

The increase in the value of the outstanding guarantees during 2012 is primarily related to debt obligations of Sadara Chemical Company, a nonconsolidated affiliate, which are guaranteed by the Company, in proportion to the Company's ownership interest.

Warranties

The Company provides warranty policies on certain products and accrues liabilities under warranty policies using historical warranty claim experience. Adjustments are made to accruals as claim data and historical experience change. The following table summarizes changes in the Company's warranty liability for the years ended December 31, 2012 and 2011:

Warranty Accrual In millions	2012	2011
	\$	\$
Balance at January 1	62	16
Accruals related to existing warranties (1)	3	60
Settlements made during the year	(21)	(14)
Balance at December 31	44	62

(1) The Company recorded a \$60 million charge in the fourth quarter of 2011 related to an exited business, included in "Cost of sales" in the consolidated statements of income and reflected in Coatings and Infrastructure Solutions.

Asset Retirement Obligations

Dow has 188 manufacturing sites in 36 countries. Most of these sites contain numerous individual manufacturing operations, particularly at the Company's larger sites. Asset retirement obligations are recorded as incurred and reasonably estimable, including obligations for which the timing and/or method of settlement are conditional on a future event that may or may not be within the control of the Company. The retirement of assets may involve such efforts as remediation and treatment of asbestos, contractually required demolition, and other related activities, depending on the nature and location of the assets; and retirement obligations are typically realized only upon demolition of those facilities. In identifying asset retirement obligations, the Company considers identification of legally enforceable obligations, changes in existing law, estimates of potential settlement dates and the calculation of an appropriate discount rate to be used in calculating the fair value of the obligations. Dow has a well-established global process to identify, approve and track the demolition of retired or to-be-retired facilities; and no assets are retired from service until this process has been followed. Dow typically forecasts demolition projects based on the usefulness of the assets; environmental, health and safety concerns; and other similar considerations. Under this process, as demolition projects are identified and approved, reasonable estimates are determined for the time frames during which any related asset retirement obligations are expected to be settled. For those assets where a range of potential settlement dates may be reasonably estimated, obligations are recorded. Dow routinely reviews all changes to items under consideration for demolition to determine if an adjustment to the value of the asset retirement obligation is required.

The Company has recognized asset retirement obligations for the following activities: demolition and remediation activities at manufacturing sites in the United States, Canada, Brazil, China, Argentina and Europe; and capping activities at landfill sites in the United States, Canada, Brazil and Europe. The Company has also recognized conditional asset retirement obligations related to asbestos encapsulation as a result of planned demolition and remediation activities at manufacturing and administrative sites in the United States,

Canada, Brazil, China, Argentina and Europe. The aggregate carrying amount of conditional asset retirement obligations recognized by the Company (included in the asset retirement obligations balance shown below) was \$34 million at December 31, 2012 (\$31 million at December 31, 2011).

The following table shows changes in the aggregate carrying amount of the Company's asset retirement obligations for the years ended December 31, 2012 and 2011:

Asset Retirement Obligations In millions	2012	2011
	\$	\$
Balance at January 1	88	99
Additional accruals	2	4
Liabilities settled	(6)	(15)
Accretion expense	1	1
Revisions in estimated cash flows	7	—
Other	—	(1)
Balance at December 31	92	88

The discount rate used to calculate the Company's asset retirement obligations at December 31, 2012 was 0.87 percent (1.96 percent at December 31, 2011). These obligations are included in the consolidated balance sheets as "Accrued and other current liabilities" and "Other noncurrent obligations."

The Company has not recognized conditional asset retirement obligations for which a fair value cannot be reasonably estimated in its consolidated financial statements. Assets that have not been submitted/reviewed for potential demolition activities are considered to have continued usefulness and are generally still operating normally. Therefore, without a plan to demolish the assets or the expectation of a plan, such as shortening the useful life of assets for depreciation purposes in accordance with the accounting guidance related to property, plant and equipment, the Company is unable to reasonably forecast a time frame to use for present value calculations. As such, the Company has not recognized obligations for individual plants/buildings at its manufacturing sites where estimates of potential settlement dates cannot be reasonably made. In addition, the Company has not recognized conditional asset retirement obligations for the capping of its approximately 48 underground storage wells and 142 underground brine mining and other wells at Dow-owned sites when there are no plans or expectations of plans to exit the sites. It is the opinion of the Company's management that the possibility is remote that such conditional asset retirement obligations, when estimable, will have a material impact on the Company's consolidated financial statements based on current costs.

Gain Contingency

Matters Involving the Formation of K-Dow Petrochemicals

Introduction

On December 13, 2007, the Company and Petrochemical Industries Company (K.S.C.) ("PIC") of Kuwait, a wholly owned subsidiary of Kuwait Petroleum Corporation, announced plans to form a 50:50 global petrochemicals joint venture. The proposed joint venture, K-Dow Petrochemicals ("K-Dow"), was expected to have revenues of more than \$11 billion and employ more than 5,000 people worldwide.

On November 28, 2008, the Company entered into a Joint Venture Formation Agreement (the "JVFA") with PIC that provided for the establishment of K-Dow. To form the joint venture, the Company would transfer by way of contribution and sale to K-Dow, assets used in the research, development, manufacture, distribution, marketing and sale of polyethylene, polypropylene, polycarbonate, polycarbonate compounds and blends, ethyleneamines, ethanolamines, and related licensing and catalyst technologies; and K-Dow would assume certain related liabilities. PIC would receive a 50 percent equity interest in K-Dow in exchange for the payment by PIC of the initial purchase price, estimated to be \$7.5 billion. The purchase price was subject to certain post-closing adjustments.

Failure to Close

On December 31, 2008, the Company received a written notice from PIC with respect to the JVFA advising the Company of PIC's position that certain conditions to closing were not satisfied and, therefore, PIC was not obligated to close the transaction. On January 2, 2009, PIC refused to close the K-Dow transaction in accordance with the JVFA. The Company disagreed with the characterizations and conclusions expressed by PIC in the written notice and the Company informed PIC that it breached the JVFA. On January 6, 2009, the Company announced that it would seek to fully enforce its rights under the terms of the JVFA and various related agreements.

Arbitration

The Company's claims against PIC were subject to an agreement between the parties to arbitrate under the Rules of Arbitration of the International Court of Arbitration of the International Chamber of Commerce ("ICC"). On February 18, 2009, the Company initiated arbitration proceedings against PIC alleging that PIC breached the JVFA by failing to close the transaction on January 2, 2009, and as a result, Dow suffered substantial damages.

On May 24, 2012, the ICC released to the parties a unanimous Partial Award in favor of the Company on both liability and damages. A three-member arbitration Tribunal found that PIC breached the JVFA by not closing K-Dow on January 2, 2009, and awarded the Company \$2.16 billion in damages, not including pre- and post-award interest and arbitration costs.

On June 15, 2012, PIC filed an application for remand under the English Arbitration Act of 1996 ("Remand Application") in the High Court of Justice in London ("High Court"). In its Remand Application, PIC did not challenge the Tribunal's finding of liability but it requested that the High Court remand the case back to the Tribunal for further consideration of the Company's claim for consequential damages. On October 11, 2012, the High Court ruled in favor of the Company and dismissed PIC's Remand Application; and on October 19, 2012, the High Court denied PIC's request for leave to appeal its ruling, bringing an end to PIC's Remand Application.

The ICC is expected to issue a Final Award covering the Company's substantial claim for pre- and post-award interest and arbitration costs in early 2013.

The Company expects to record a gain related to this matter when the uncertainty regarding the timing of collection and the amount to be realized has been resolved.

NOTE 15 – TRANSFERS OF FINANCIAL ASSETS

Sale of Trade Accounts Receivable in North America and Europe

The Company sells trade accounts receivable of select North America entities and qualifying trade accounts receivable of select European entities on a revolving basis to certain multi-seller commercial paper conduit entities ("conduits"). The Company maintains servicing responsibilities and the related costs are insignificant. The proceeds received are comprised of cash and interests in specified assets of the conduits (the receivables sold by the Company) that entitle the Company to the residual cash flows of such specified assets in the conduits after the commercial paper has been repaid. Neither the conduits nor the investors in those entities have recourse to other assets of the Company in the event of nonpayment by the debtors.

During the year ended December 31, 2012, the Company recognized a loss of \$17 million on the sale of these receivables (\$24 million loss for the year ended December 31, 2011, and \$26 million loss for the year ended December 31, 2010), which is included in "Interest expense and amortization of debt discount" in the consolidated statements of income. The Company's interests in the conduits are carried at fair value and included in "Accounts and notes receivable – Other" in the consolidated balance sheets. Fair value of the interests is determined by calculating the expected amount of cash to be received and is based on unobservable inputs (a Level 3 measurement). The key input in the valuation is the percentage of anticipated credit losses in the portfolio of receivables sold that have not yet been collected. Given the short-term nature of the underlying receivables, discount rates and prepayments are not factors in determining the fair value of the interests.

The following table summarizes the carrying value of interests held, which represents the Company's maximum exposure to loss related to the receivables sold, and the percentage of anticipated credit losses related to the trade accounts receivable sold. Also provided is the sensitivity of the fair value of the interests held to hypothetical

adverse changes in the anticipated credit losses; amounts shown below are the corresponding hypothetical decreases in the carrying value of interests.

Interests Held at December 31 In millions	2012	2011
	\$	\$
Carrying value of interests held	1,057	1,141
Percentage of anticipated credit losses	0.73%	1.22%
Impact to carrying value - 10% adverse change	1	2
Impact to carrying value - 20% adverse change	2	4

Credit losses, net of any recoveries, were \$1 million for the year ended December 31, 2012 (\$8 million for the year ended December 31, 2011, and \$2 million for the year ended December 31, 2010).

Following is an analysis of certain cash flows between the Company and the conduits:

Cash Proceeds In millions	2012	2011	2010
	\$	\$	\$
Sale of receivables	57	16	818
Collections reinvested in revolving receivables	25,828	28,609	22,866
Interests in conduits (1)	2,650	1,737	1,038

(1) Presented in "Operating Activities" in the consolidated statements of cash flows.

Following is additional information related to the sale of receivables under these facilities:

Trade Accounts Receivable Sold at December 31 In millions	2012	2011
	\$	\$
Delinquencies on sold receivables still outstanding	164	155
Trade accounts receivable outstanding and derecognized	2,294	2,385

In September 2011, the Company repurchased \$71 million of previously sold receivables related to a divestiture.

Sale of Trade Accounts Receivable in Asia Pacific

The Company sells participating interests in trade accounts receivable of select Asia Pacific entities. The Company maintains servicing responsibilities and the related costs are insignificant. The third-party holders of the participating interests do not have recourse to the Company's assets in the event of nonpayment by the debtors.

During the years ended December 31, 2012, 2011 and 2010, the Company recognized insignificant losses on the sale of the participating interests in the receivables, which is included in "Interest expense and amortization of debt discount" in the consolidated statements of income. The Company receives cash upon the sale of the participating interests in the receivables.

Following is an analysis of certain cash flows between the Company and the third-party holders of the participating interests:

Cash Proceeds In millions	2012	2011	2010
	\$	\$	\$
Sale of participating interests	64	143	218
Collections reinvested in revolving receivables	58	120	195

Following is additional information related to the sale of participating interests in the receivables under this

facility:

Trade Accounts Receivable at December 31 In millions	2012	2011
	\$	\$
Derecognized from the consolidated balance sheets	13	13
Outstanding in the consolidated balance sheets	283	303
Total accounts receivable in select Asia Pacific entities	296	316

There were no credit losses on receivables relating to the participating interests sold during the years ended December 31, 2012, 2011 and 2010. There were no delinquencies on the outstanding receivables related to the participating interests sold at December 31, 2012 or December 31, 2011.

NOTE 16 – NOTES PAYABLE, LONG-TERM DEBT AND AVAILABLE CREDIT FACILITIES

Notes Payable at December 31 In millions	2012	2011
	\$	\$
Notes payable to banks	319	421
Notes payable to related companies	66	92
Notes payable trade	11	28
Total notes payable	396	541
Year-end average interest rates	3.14%	3.06%

Long-Term Debt at December 31 In millions	2012 Average Rate	2012	2011 Average Rate	2011
		\$		\$
Promissory notes and debentures:				
Final maturity 2012	—	—	5.35%	2,158
Final maturity 2013	6.01%	404	6.10%	395
Final maturity 2014	6.86%	1,138	7.28%	2,103
Final maturity 2015	5.82%	1,290	5.92%	1,257
Final maturity 2016	2.54%	789	2.57%	757
Final maturity 2017	5.88%	890	6.03%	857
Final maturity 2018 and thereafter	5.93%	12,988	6.55%	10,305
Other facilities:				
U.S. dollar loans, various rates and maturities	2.30%	288	2.37%	232
Foreign currency loans, various rates and maturities	3.50%	1,336	3.52%	1,609
Medium-term notes, varying maturities through 2022	4.26%	1,132	4.76%	902
Pollution control/industrial revenue bonds, varying maturities through 2038	5.67%	718	5.70%	860
Capital lease obligations	—	21	—	17
Unamortized debt discount	—	(403)	—	(393)
Long-term debt due within one year	—	(672)	—	(2,749)

Long-Term Debt at December 31 In millions	2012 Average Rate	2012	2011 Average Rate	2011
		\$		\$
Long-term debt	—	\$19,919	—	\$18,310

Annual Installments on Long-Term Debt for Next Five Years In millions	\$
2013	672
2014	1,438
2015	1,712
2016	1,043
2017	1,212

On December 17, 2012, the Company redeemed \$1.0 billion aggregate principal amount of 7.6 percent notes due May 15, 2014, at a price of 109.6 percent of the principal amount of the notes, plus accrued and unpaid interest. As a result of this redemption, the Company realized a \$99 million pretax loss on the early extinguishment of debt, included in “Sundry income (expense) - net” in the consolidated statements of income and reflected in Corporate.

On November 14, 2012, the Company issued \$2.5 billion of senior unsecured notes in a public offering. The offering included \$1.25 billion aggregate principal amount of 3.0 percent notes due 2022 and \$1.25 billion aggregate principal amount of 4.375 percent notes due 2042.

On March 8, 2012, the Company redeemed \$1.25 billion aggregate principal amount of 4.85 percent notes due August 15, 2012, at a price of 101.8 percent of the principal amount of the notes, plus accrued and unpaid interest. As a result of this redemption, the Company realized a \$24 million pretax loss on the early extinguishment of debt, included in “Sundry income (expense) - net” in the consolidated statements of income and reflected in Corporate.

During 2012, the Company issued \$281 million aggregate principal amount of InterNotes with varying maturities in 2017, 2019 and 2022, at various interest rates averaging 2.95 percent; and approximately \$367 million of long-term debt was entered into by consolidated variable interest entities.

During 2012, the Company redeemed \$37 million of pollution control/industrial revenue bonds that matured on January 1, 2012, repurchased \$105 million of pollution control/industrial revenue tax-exempt bonds that were subject to re-marketing; redeemed Euro 253 million (\$317 million equivalent at June 30, 2012) of notes that matured on September 19, 2012; and redeemed \$900 million of notes that matured on October 1, 2012.

On November 14, 2011, the Company issued \$2.0 billion of debt securities in a public offering. The offering included \$1.25 billion aggregate principal amount of 4.125 percent notes due 2021 and \$750 million aggregate principal amount of 5.25 percent notes due 2041.

On March 22, 2011, the Company concluded cash tender offers for \$1.5 billion aggregate principal amount of certain notes issued by the Company. As a result of the tender offers, the Company redeemed \$1.5 billion of notes and recognized a \$472 million pretax loss on early extinguishment of debt, included in “Sundry income (expense) - net” in the consolidated statements of income and reflected in Corporate.

During 2011, the Company redeemed \$800 million of notes that matured on February 1, 2011; Euro 500 million of notes that matured on May 27, 2011 (\$707 million equivalent); \$250 million of floating rate notes that matured on August 8, 2011; and \$1,538 million of InterNotes, which resulted in a \$10 million pretax loss on early extinguishment of debt, included in “Sundry income (expense) - net” in the consolidated statements of income and reflected in Corporate.

During 2011, the Company issued \$436 million of InterNotes with varying maturities in 2016, 2018 and 2021, at various interest rates averaging 3.71 percent; and approximately \$1.2 billion of long-term debt was entered into by consolidated variable interest entities, including the refinancing of short-term notes payable.

On November 4, 2010, the Company issued \$2.5 billion of debt securities in a public offering. The offering included \$750 million aggregate principal amount of 2.50 percent notes due 2016 and \$1.75 billion aggregate principal amount of 4.25 percent notes due 2020.

During 2010, the Company issued \$537 million of InterNotes with varying maturities in 2015, 2017 and 2020, at various interest rates averaging 4.70 percent.

Revolving Credit Facilities

In 2010, the Company replaced its \$3 billion Five Year Competitive Advance and Revolving Credit Facility Agreement, dated April 24, 2006, with a new \$3 billion Three Year Competitive Advance and Revolving Credit Facility Agreement dated June 4, 2010 (“Revolving Credit Facility”) with various U.S. and foreign banks. The Revolving Credit Facility had a maturity date of June 2013 and provided interest at a LIBOR-plus or Base Rate, as defined in the Revolving Credit Facility agreement.

On October 18, 2011, the Company entered into a new \$5 billion Five Year Competitive Advance and Revolving Credit Facility Agreement (the “2011 Revolving Credit Facility”) with various U.S. and foreign banks. The new agreement, which replaced the previous Revolving Credit Facility, has a maturity date in October 2016 and provides for interest at a LIBOR-plus rate or Base Rate as defined in the 2011 Revolving Credit Facility agreement. At December 31, 2012, the full \$5 billion credit facility was available to the Company.

On October 10, 2012, the Company entered into a \$170 million Bilateral Revolving Credit Facility Agreement (“2012 Credit Facility”). The 2012 Credit Facility, which is in addition to the existing 2011 Revolving Credit Facility, has a maturity date in October 2016 and provides for interest at a LIBOR-plus rate or Base Rate as defined in the agreement. At December 31, 2012, the full \$170 million credit facility was available to the Company.

Financing Activities Related to the Acquisition of Rohm and Haas

The fair value of debt assumed from Rohm and Haas on April 1, 2009 was \$2,576 million. On September 8, 2010, the Company concluded a tender offer for any and all of \$145 million of debentures acquired from Rohm and Haas, due June 2020. As a result of the tender offer, the Company redeemed \$123 million of the debentures and recognized a \$46 million pretax loss on this early extinguishment, included in “Sundry income (expense) – net” in the consolidated statements of income and reflected in Corporate.

Debt Covenants and Default Provisions

The Company’s outstanding debt of \$20.6 billion has been issued under indentures which contain, among other provisions, covenants with which the Company must comply while the underlying notes are outstanding. Such covenants include obligations to not allow liens on principal U.S. manufacturing facilities, enter into sale and lease-back transactions with respect to principal U.S. manufacturing facilities, or merge or consolidate with any other corporation, or sell or convey all or substantially all of the Company’s assets. The outstanding debt also contains customary default provisions. Failure of the Company to comply with any of these covenants could result in a default under the applicable indenture, which would allow the note holders to accelerate the due date of the outstanding principal and accrued interest on the subject notes.

The Company’s primary credit agreements contain covenant and default provisions in addition to the covenants set forth above with respect to the Company’s debt. Significant other covenants and default provisions related to these agreements include:

- (a) the obligation to maintain the ratio of the Company’s consolidated indebtedness to consolidated capitalization at no greater than 0.65 to 1.00 at any time the aggregate outstanding amount of loans under the Five Year Competitive Advance and Revolving Credit Facility Agreement dated October 18, 2011 equals or exceeds \$500 million,
- (b) a default if the Company or an applicable subsidiary fails to make any payment on indebtedness of \$50 million or more when due, or any other default under the applicable agreement permits or results in the acceleration of \$200 million or more of principal, and
- (c) a default if the Company or any applicable subsidiary fails to discharge or stay within 30 days after the entry of a final judgment of more than \$200 million.

Failure of the Company to comply with any of the covenants or default provisions could result in a default under the applicable credit agreement which would allow the lenders to not fund future loan requests and to accelerate the due date of the outstanding principal and accrued interest on any outstanding loans.

NOTE 17 – PENSION PLANS AND OTHER POSTRETIREMENT BENEFITS

Pension Plans

The Company has defined benefit pension plans that cover employees in the United States and a number of other countries. The U.S. qualified plan covering the parent company is the largest plan. Benefits for employees hired before January 1, 2008 are based on length of service and the employee's three highest consecutive years of compensation. Employees hired after January 1, 2008 earn benefits that are based on a set percentage of annual pay, plus interest.

The Company's funding policy is to contribute to the plans when pension laws and/or economics either require or encourage funding. In 2012, Dow contributed \$903 million to its pension plans, including contributions to fund benefit payments for its non-qualified supplemental plans. Dow expects to contribute approximately \$900 million to its pension plans in 2013.

The weighted-average assumptions used to determine pension plan obligations and net periodic benefit costs for the plans are provided in the two tables below:

Weighted-Average Assumptions for All Pension Plans	Benefit Obligations at December 31			Net Periodic Costs for the Year		
	2012	2011	2010	2012	2011	2010
Discount rate	3.88%	4.93%	5.38%	4.93%	5.38%	5.71%
Rate of increase in future compensation levels	3.96%	4.14%	4.13%	4.14%	4.16%	4.17%
Expected long-term rate of return on plan assets	—	—	—	7.60%	7.86%	7.74%

Weighted-Average Assumptions for U.S. Pension Plans	Benefit Obligations at December 31			Net Periodic Costs for the Year		
	2012	2011	2010	2012	2011	2010
Discount rate	4.02%	4.98%	5.51%	4.98%	5.51%	5.97%
Rate of increase in future compensation levels	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%
Expected long-term rate of return on plan assets	—	—	—	7.83%	8.18%	8.16%

The Company determines the expected long-term rate of return on plan assets by performing a detailed analysis of key economic and market factors driving historical returns for each asset class and formulating a projected return based on factors in the current environment. Factors considered include, but are not limited to, inflation, real economic growth, interest rate yield, interest rate spreads, and other valuation measures and market metrics. The expected long-term rate of return for each asset class is then weighted based on the strategic asset allocation approved by the governing body for each plan. The Company's historical experience with the pension fund asset performance is also considered. A similar process is followed in determining the expected long-term rate of return for assets held in the Company's other postretirement benefit plan trusts. The discount rates utilized to measure the pension and other postretirement obligations of the U.S. qualified plans are based on the yield on high-quality fixed income investments at the measurement date. Future expected actuarially determined cash flows of Dow's major U.S. plans are matched against the Towers Watson RATE:Link yield curve (based on 60th to 90th percentile bond yields) to arrive at a single discount rate for each plan.

The accumulated benefit obligation for all defined benefit pension plans was \$25.3 billion at December 31, 2012 and \$21.6 billion at December 31, 2011.

Pension Plans with Accumulated Benefit Obligations in Excess of Plan Assets at December 31 In millions	2012	2011
	\$	\$
Projected benefit obligations	24,659	21,003
Accumulated benefit obligations	23,422	19,990
Fair value of plan assets	15,458	13,993

In addition to the U.S. qualified defined benefit pension plan, U.S. employees may participate in defined contribution plans (Employee Savings Plans or 401(k) plans) by contributing a portion of their compensation, which is partially matched by the Company. Defined contribution plans also cover employees in some subsidiaries in other countries, including Australia, Brazil, Canada, Italy, Spain and the United Kingdom. Expense recognized for all defined contribution plans was \$186 million in 2012, \$163 million in 2011 and \$184 million in 2010.

Other Postretirement Benefits

The Company provides certain health care and life insurance benefits to retired employees. The Company's plans outside of the United States are not significant; therefore, this discussion relates to the U.S. plans only. The plans provide health care benefits, including hospital, physicians' services, drug and major medical expense coverage, and life insurance benefits. In general, for employees hired before January 1, 1993, the plans provide benefits supplemental to Medicare when retirees are eligible for these benefits. The Company and the retiree share the cost of these benefits, with the Company portion increasing as the retiree has increased years of credited service, although there is a cap on the Company portion. The Company has the ability to change these benefits at any time. Employees hired after January 1, 2008 are not covered under the plans.

The Company funds most of the cost of these health care and life insurance benefits as incurred. In 2012, Dow did not make any contributions to its other postretirement benefit plan trusts. Likewise, Dow does not expect to contribute assets to its other postretirement benefits plan trusts in 2013.

The weighted-average assumptions used to determine other postretirement benefit obligations and net periodic benefit costs for the U.S. plans are provided below:

U.S. Plan Assumptions for Other Postretirement Benefits	Benefit Obligations at December 31			Net Periodic Costs for the Year		
	2012	2011	2010	2012	2011	2010
Discount rate	3.67%	4.66%	5.15%	4.66%	5.15%	5.69%
Expected long-term rate of return on plan assets	—	—	—	1.00%	3.60%	4.35%
Initial health care cost trend rate	7.84%	8.28%	8.70%	8.28%	8.70%	9.13%
Ultimate health care cost trend rate	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Year ultimate trend rate to be reached	2019	2019	2019	2019	2019	2019

Increasing the assumed medical cost trend rate by one percentage point in each year would decrease the accumulated postretirement benefit obligation at December 31, 2012 by \$16 million and decrease the net periodic postretirement benefit cost for the year by less than \$1 million. Decreasing the assumed medical cost trend rate by one percentage point in each year would increase the accumulated postretirement benefit obligation at December 31, 2012 by \$20 million and the net periodic postretirement benefit cost for the year by \$1 million.

Net Periodic Benefit Cost for All Significant Plans In millions	Defined Benefit Pension Plans			Other Postretirement Benefits		
	2012	2011	2010	2012	2011	2010
	\$	\$	\$	\$	\$	\$
Service cost	378	347	309	17	15	15
Interest cost	1,093	1,121	1,098	92	100	111
Expected return on plan assets	(1,262)	(1,305)	(1,212)	(1)	(6)	(10)
Amortization of prior service cost (credit)	26	28	28	(4)	(1)	—
Amortization of unrecognized loss (gain)	519	374	268	1	1	(1)
Curtailment/settlement/other (1) (2)	—	(4)	11	9	—	3
Net periodic benefit cost	754	561	502	114	109	118

(1) Included \$11 million of curtailment and settlement costs recorded in 2010 related to the divestiture of Styron (see Note 5).

(2) Included \$9 million of curtailment costs recorded in 2012 related to the 4Q12 Restructuring plan (see Note 3).

Other Changes in Plan Assets and Benefit Obligations Recognized in Other Comprehensive Loss for All Significant Plans In millions	Defined Benefit Pension Plans			Other Postretirement Benefits		
	2012	2011	2010	2012	2011	2010
	\$	\$	\$	\$	\$	\$
Net loss	3,135	2,009	591	163	20	59
Prior service cost	—	—	2	—	—	—
Amortization of prior service (cost) credit	(26)	(28)	(36)	4	1	(3)
Amortization of unrecognized (loss) gain	(519)	(370)	(271)	(1)	(1)	1
Total recognized in other comprehensive loss	2,590	1,611	286	166	20	57
Total recognized in net periodic benefit cost and other comprehensive loss	3,344	2,172	788	280	129	175

Change in Projected Benefit Obligations, Plan Assets and Funded Status of All Significant Plans In millions				
Change in projected benefit obligations	Defined Benefit Pension Plans		Other Postretirement Benefits	
	2012	2011	2012	2011
Benefit obligations at beginning of year	22,763	21,158	2,088	2,095
Service cost	378	347	17	15
Interest cost	1,093	1,121	92	100
Plan participants' contributions	38	31	—	—
Actuarial changes in assumptions and experience	3,811	1,562	164	20
Acquisition/divestiture/other activity	(51)	(20)	—	16
Benefits paid	(1,347)	(1,277)	(164)	(154)
Currency impact	150	(129)	4	(4)
Termination benefits/curtailment cost	5	(30)	9	—
Benefit obligations at end of year	26,840	22,763	2,210	2,088

Change in Projected Benefit Obligations, Plan Assets and Funded Status of All Significant Plans				
In millions	Defined Benefit Pension Plans		Other Postretirement Benefits	
	2012	2011	2012	2011
Change in projected benefit obligations				
Change in plan assets				
Fair value of plan assets at beginning of year	16,119	15,851	154	238
Actual return on plan assets	1,950	853	1	6
Currency impact	129	(121)	—	—
Employer contributions	903	806	(10)	(16)
Plan participants' contributions	38	31	—	—
Acquisition/divestiture/other activity	(67)	(24)	—	—
Benefits paid	(1,347)	(1,277)	(80)	(74)
Fair value of plan assets at end of year	17,725	16,119	65	154
Funded status at end of year	(9,115)	(6,644)	(2,145)	(1,934)
Net amounts recognized in the consolidated balance sheets at December 31:				
Noncurrent assets	92	366	—	—
Current liabilities	(69)	(64)	(99)	(82)
Noncurrent liabilities	(9,138)	(6,946)	(2,046)	(1,852)
Net amounts recognized in the consolidated balance sheets	(9,115)	(6,644)	(2,145)	(1,934)
Pretax amounts recognized in AOCI at December 31:				
Net loss (gain)	10,951	8,335	155	(7)
Prior service cost (credit)	128	154	(11)	(15)
Pretax balance in AOCI at end of year	11,079	8,489	144	(22)

In 2013, an estimated net loss of \$790 million and prior service cost of \$25 million for the defined benefit pension plans will be amortized from AOCI to net periodic benefit cost. In 2013, an estimated net loss of \$3 million and prior service credit of \$3 million for other postretirement benefit plans will be amortized from AOCI to net periodic benefit cost.

Estimated Future Benefit Payments

The estimated future benefit payments, reflecting expected future service, as appropriate, are presented in the following table:

Estimated Future Benefit Payments at December 31, 2012 In millions	Defined Benefit Pension Plans	Other Postretirement Benefits
	\$	\$
2013	1,277	166
2014	1,244	165
2015	1,274	168
2016	1,299	165
2017	1,320	160
2018 through 2022	7,151	719
Total	13,565	1,543

Plan Assets

Plan assets consist mainly of equity and fixed income securities of U.S. and foreign issuers, and may include alternative investments such as real estate, private equity and absolute return strategies. At December 31, 2012, plan assets totaled \$17.7 billion and included no Company common stock. At December 31, 2011, plan assets totaled \$16.1 billion and included directly held Company common stock with a value of less than \$1 million (less than 1 percent of total plan assets). In 2013, the Company expects to receive approximately \$35 million from residual plan assets after the completion of a non-U.S. pension plan wind-up.

Investment Strategy and Risk Management for Plan Assets

The Company's investment strategy for the plan assets is to manage the assets in relation to the liability in order to pay retirement benefits to plan participants while minimizing cash contributions from the Company over the life of the plans. This is accomplished by identifying and managing the exposure to various market risks, diversifying investments across various asset classes and earning an acceptable long-term rate of return consistent with an acceptable amount of risk, while considering the liquidity needs of the plans.

The plans are permitted to use derivative instruments for investment purposes, as well as for hedging the underlying asset and liability exposure and rebalancing the asset allocation. The plans use value at risk, stress testing, scenario analysis and Monte Carlo simulations to monitor and manage both risk in the portfolios and surplus risk.

Equity securities primarily include investments in large- and small-cap companies located in both developed and emerging markets around the world. Fixed income securities include investment and non investment grade corporate bonds of companies diversified across industries, U.S. treasuries, non-U.S. developed market securities, U.S. agency mortgage-backed securities, emerging market securities and fixed income funds. Alternative investments primarily include investments in real estate, private equity limited partnerships and absolute return strategies. Other significant investment types include various insurance contracts; and interest rate, equity, commodity and foreign exchange derivative investments and hedges.

Strategic Weighted-Average Target Allocation of Plan Assets for All Significant Plans	
Asset Category	Target Allocation
Equity securities	39%
Fixed Income securities	38%
Alternative investments	22%
Other investments	1%
Total	100%

Concentration of Risk

The Company mitigates the credit risk of investments by establishing guidelines with investment managers that limit investment in any single issue or issuer to an amount that is not material to the portfolio being managed. These guidelines are monitored for compliance both by the Company and external managers. Credit risk related to derivative activity is mitigated by utilizing multiple counterparties and through collateral support agreements.

The Northern Trust Collective Government Short Term Investment money market fund is utilized as the sweep vehicle for one of the largest U.S. plans, which from time to time can represent a significant investment. For one U.S. plan, approximately half of the liability is covered by a participating group annuity issued by Prudential Insurance Company.

The following tables summarize the bases used to measure the Company's pension plan assets at fair value for the years ended December 31, 2012 and 2011:

Basis of Fair Value Measurements of Pension Plan Assets at December 31, 2012	Quoted Prices in Active Markets for Identical Items (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
In millions	\$	\$	\$	\$
Cash and cash equivalents	20	599	—	619
Equity securities:				
U.S. equity (1)	2,143	318	—	2,461
Non-U.S. equity – developed countries	1,989	1,203	4	3,196
Emerging markets	728	487	9	1,224
Convertible bonds	—	243	—	243
Equity derivatives	3	19	—	22
Total equity securities	4,863	2,270	13	7,146
Fixed income securities:				
U.S. government and municipalities	—	1,464	2	1,466
U.S. agency and agency mortgage-backed securities	—	432	—	432
Corporate bonds – investment grade	—	1,626	—	1,626
Non-U.S. governments – developed countries	—	1,039	1	1,040
Non-U.S. corporate bonds – developed countries	—	802	1	803
Emerging market debt	—	72	—	72
Other asset-backed securities	—	122	15	137
High yield bonds	—	287	21	308
Other fixed income funds	—	228	218	446
Fixed income derivatives	1	119	—	120
Total fixed income securities	1	6,191	258	6,450
Alternative investments:				

Basis of Fair Value Measurements of Pension Plan Assets at December 31, 2012	Quoted Prices in Active Markets for Identical Items (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
In millions	\$	\$	\$	\$
Real estate	32	30	1,224	1,286
Private equity	—	—	991	991
Absolute return	—	527	300	827
Total alternative investments	32	557	2,515	3,104
Other investments	—	364	42	406
Total pension plan assets at fair value	4,916	9,981	2,828	17,725

(1) Includes no Company common stock.

Basis of Fair Value Measurements of Pension Plan Assets at December 31, 2011	Quoted Prices in Active Markets for Identical Items (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
In millions	\$	\$	\$	\$
Cash and cash equivalents	52	771	—	823
Equity securities:				
U.S. equity (1)	2,257	184	3	2,444
Non-U.S. equity – developed countries	1,660	1,059	9	2,728
Emerging markets	415	414	4	833
Convertible bonds	—	169	—	169
Equity derivatives	1	6	—	7
Total equity securities	4,333	1,832	16	6,181
Fixed income securities:				
U.S. government and municipalities	—	1,181	1	1,182
U.S. agency and agency mortgage-backed securities	—	482	2	484
Corporate bonds – investment grade	—	1,461	—	1,461
Non-U.S. governments – developed countries	—	1,073	—	1,073
Non-U.S. corporate bonds – developed countries	—	664	—	664
Emerging market debt	—	54	—	54
Other asset-backed securities	—	147	15	162
High yield bonds	—	337	16	353
Other fixed income funds	—	268	66	334
Fixed income derivatives	—	167	—	167
Total fixed income securities	—	5,834	100	5,934
Alternative investments:				
Real estate	30	29	999	1,058

Basis of Fair Value Measurements of Pension Plan Assets at December 31, 2011	Quoted Prices in Active Markets for Identical Items (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
In millions	\$	\$	\$	\$
Private equity	—	—	985	985
Absolute return	—	448	344	792
Total alternative investments	30	477	2,328	2,835
Other investments	—	304	42	346
Total pension plan assets at fair value	4,415	9,218	2,486	16,119

(1) Included less than \$1 million of the Company's common stock.

For pension or other postretirement benefit plan assets classified as Level 1 measurements (measured using quoted prices in active markets), total fair value is either the price of the most recent trade at the time of the market close or the official close price, as defined by the exchange on which the asset is most actively traded on the last trading day of the period, multiplied by the number of units held without consideration of transaction costs.

For pension or other postretirement benefit plan assets classified as Level 2 measurements, where the security is frequently traded in less active markets, fair value is based on the closing price at the end of the period; where the security is less frequently traded, fair value is based on the price a dealer would pay for the security or similar securities, adjusted for any terms specific to that asset or liability. Market inputs are obtained from well-established and recognized vendors of market data and subjected to tolerance/quality checks. For derivative assets and liabilities, standard industry models are used to calculate the fair value of the various financial instruments based on significant observable market inputs, such as foreign exchange rates, commodity prices, swap rates, interest rates and implied volatilities obtained from various market sources.

Some pension or other postretirement benefit plan assets are held in funds where a net asset value is calculated based on the fair value of the underlying assets and the number of shares owned. The classification of the fund (Level 2 or 3 measurements) is determined based on the lowest level classification of significant holdings within the fund. For all other pension or other postretirement benefit plan assets for which observable inputs are used, fair value is derived through the use of fair value models, such as a discounted cash flow model or other standard pricing models.

For pension or other postretirement benefit plan assets classified as Level 3 measurements, total fair value is based on significant unobservable inputs including assumptions where there is little, if any, market activity for the investment. Investment managers or fund managers provide valuations of the investment on a monthly or quarterly basis. These valuations are reviewed for reasonableness based on applicable sector, benchmark and company performance. Adjustments to valuations are made where appropriate. Where available, audited financial statements are obtained and reviewed for the investments as support for the manager's investment valuation.

The following tables summarize the changes in fair value of Level 3 pension plan assets for the years ended December 31, 2011 and 2012:

Fair Value Measurement of Level 3 Pension Plan Assets In millions	Equity Securities	Fixed Income Securities	Alternative Investments	Other Investments	Total
	\$	\$	\$	\$	\$
Balance at January 1, 2011	—	50	2,027	40	2,117
Actual return on plan assets:					
Relating to assets sold during 2011	—	—	115	3	118
Relating to assets held at Dec 31, 2011	1	1	34	—	36
Purchases, sales and settlements	3	48	152	(1)	202

Fair Value Measurement of Level 3 Pension Plan Assets In millions	Equity Securities	Fixed Income Securities	Alternative Investments	Other Investments	Total
	\$	\$	\$	\$	\$
Transfers into Level 3, net	12	2	11	—	25
Foreign currency impact	—	(1)	(11)	—	(12)
Balance at December 31, 2011	16	100	2,328	42	2,486
Actual return on plan assets:					
Relating to assets sold during 2012	(5)	2	(59)	—	(62)
Relating to assets held at Dec 31, 2012	(3)	19	193	—	209
Purchases, sales and settlements	7	141	(54)	—	94
Transfers into (out of) Level 3, net	(2)	(4)	99	—	93
Foreign currency impact	—	—	8	—	8
Balance at December 31, 2012	13	258	2,515	42	2,828

The following tables summarize the bases used to measure the Company's other postretirement benefit plan assets at fair value for the years ended December 31, 2012 and 2011:

Basis of Fair Value Measurements of Other Postretirement Benefit Plan Assets at December 31, 2012 In millions	Quoted Prices in Active Markets for Identical Items (Level 1)	Significant Other Observable Inputs (Level 2)	Total
	\$	\$	\$
Cash and cash equivalents	—	7	7
Equity securities	—	—	—
Fixed income securities	—	58	58
Total assets at fair value	—	65	65

Basis of Fair Value Measurements of Other Postretirement Benefit Plan Assets at December 31, 2011 In millions	Quoted Prices in Active Markets for Identical Items (Level 1)	Significant Other Observable Inputs (Level 2)	Total
	\$	\$	\$
Cash and cash equivalents	—	63	63
Equity securities (1)	41	17	58
Fixed income securities	—	33	33
Total assets at fair value	41	113	154

(1) Included no common stock of the Company.

NOTE 18 – LEASED PROPERTY

Leased Property

The Company routinely leases premises for use as sales and administrative offices, warehouses and tanks for product storage, motor vehicles, railcars, computers, office machines, and equipment under operating leases. In addition, the Company leases aircraft in the United States. At the termination of the leases, the Company has the option to purchase certain leased equipment and buildings based on a fair market value determination.

Rental expenses under operating leases, net of sublease rental income, were \$476 million in 2012, \$437 million in 2011 and \$404 million in 2010. Future minimum rental payments under operating leases with remaining noncancelable terms in excess of one year are as follows:

Minimum Operating Lease Commitments at December 31, 2012 In millions	\$
2013	223
2014	216
2015	177
2016	150
2017	121
2018 and thereafter	1,322
Total	2,209

NOTE 19 – VARIABLE INTEREST ENTITIES

Consolidated Variable Interest Entities

The Company holds a variable interest in eight joint ventures for which the Company is the primary beneficiary.

Three of the joint ventures own and operate manufacturing and logistics facilities, which produce chemicals and provide services in Asia Pacific. The Company's variable interest in these joint ventures relates to arrangements between the joint ventures and the Company, involving the majority of the output on take-or-pay terms with pricing ensuring a guaranteed return to the joint ventures. In the third quarter of 2011, one of the joint ventures converted a note payable into cumulative perpetual preferred shares, which is included in "Noncontrolling interests" in the consolidated balance sheets and "Conversion of note payable to preferred shares of a subsidiary" in the consolidated statements of equity.

A fourth joint venture will construct, own and operate a membrane chlor-alkali facility to be located at the Company's Freeport, Texas integrated manufacturing complex. The Company's variable interests in this joint venture relate to equity options between the partners and a cost-plus off-take arrangement between the joint venture and the Company, involving proportional purchase commitments on take-or-pay terms and ensuring a guaranteed return to the joint venture. The Company will provide the joint venture with operation and maintenance services, utilities and raw materials; market the joint venture's co-products; and convert the other partner's proportional purchase commitments into ethylene dichloride under a tolling arrangement. The joint venture is expected to begin operations in mid-2013.

The fifth joint venture manufactures products in Japan for the semiconductor industry. Each joint venture partner holds several equivalent variable interests, with the exception of a royalty agreement held exclusively between the joint venture and the Company. In addition, the entire output of the joint venture is sold to the Company for resale to third-party customers.

The sixth joint venture is an ethylene storage joint venture located in Alberta, Canada. Previously accounted for as an equity method investment, the Company became the primary beneficiary upon execution of new storage cavern agreements in 2011. The Company's variable interests relate to arrangements involving a majority of the joint venture's storage capacity on take-or-pay terms with pricing ensuring a guaranteed return to the joint venture; and favorably priced leases provided to the joint venture. The Company provides the joint venture with operation and maintenance services and utilities.

The seventh joint venture is a development-stage enterprise located in Brazil that will initially produce ethanol from sugarcane. The Company owned 100 percent of this entity until November 2011, when the Company sold a 50 percent interest to a third party. The Company's variable interests in this joint venture relate to an equity option between the partners and contractual arrangements limiting the partner's initial participation in the economics of certain assets and liabilities. Terms of the equity option require the Company to purchase the partner's equity investment at a fixed price if the partner elects to terminate a specific contract within 24 months of initial equity investment. Therefore, the Company has classified the partner's equity investment as

“Redeemable Noncontrolling Interest” in the consolidated balance sheets. The joint venture’s ethanol mill is expected to process its first full harvest of sugarcane in 2014. The joint venture’s original plans for expansion into downstream derivative products have been postponed.

The eighth joint venture manages the growth, harvest and conditioning of soybean seed and grain, corn and wheat in several midwestern states in the United States. On March 2, 2012, the Company acquired a 49 percent equity interest in this venture. The Company’s variable interest in this joint venture relates to an equity option between the partners. Terms of the equity option require the Company to purchase the partner’s equity investment at a fixed price, after a specified period of time if the partner elects to sell its equity investment. The joint venture provides seed production services to the Company.

The Company also holds a variable interest in an owner trust, for which the Company is the primary beneficiary. The owner trust leases an ethylene facility in The Netherlands to the Company, whereby substantially all of the rights and obligations of ownership are transferred to the Company. The Company’s variable interest in the owner trust relates to a residual value guarantee provided to the owner trust. Upon expiration of the lease, which matures in January, 2014, the Company may purchase the facility for an amount based on a fair market determination. At December 31, 2012, the residual value guarantee was \$363 million, which represents the Company’s maximum exposure to loss under the lease. On February 1, 2013, the Company notified the owner trust of its intent to purchase the facility upon expiration of the lease for approximately \$440 million.

As the primary beneficiary of these variable interest entities (“VIEs”), the entities’ assets, liabilities and results of operations are included in the Company’s consolidated financial statements. The other equity holders’ interests are reflected in “Net income attributable to noncontrolling interests” in the consolidated statements of income and “Noncontrolling interests” in the consolidated balance sheets except as noted above. The following table summarizes the carrying amounts of these entities’ assets and liabilities included in the Company’s consolidated balance sheets at December 31, 2012 and 2011:

Assets and Liabilities of Consolidated VIEs at December 31 In millions	2012	2011 (1)
	\$	\$
Cash and cash equivalents (2)	146	170
Other current assets	129	104
Property	2,554	2,169
Other noncurrent assets	139	151
Total assets (3)	2,968	2,594
Current liabilities (nonrecourse 2012: \$261; 2011: \$226)	261	226
Long-term debt (nonrecourse 2012: \$1,406; 2011: \$1,138)	1,752	1,484
Other noncurrent liabilities (nonrecourse 2012: \$99; 2011: \$86)	99	86
Total liabilities	2,112	1,796

(1) December 31, 2011 values do not include assets and liabilities attributable to a seed production joint venture located in the United States that became a VIE in the first quarter of 2012.

(2) Included \$2 million at December 31, 2012 (\$3 million at December 31, 2011) specifically restricted for the construction of a manufacturing facility.

(3) All assets were restricted at December 31, 2012 and December 31, 2011.

In addition, the Company holds a variable interest in an entity created to monetize accounts receivable of select European entities. The Company is the primary beneficiary of this entity as a result of holding subordinated notes while maintaining servicing responsibilities for the accounts receivable. The carrying amounts of assets and liabilities included in the Company’s consolidated balance sheets pertaining to this entity, were current assets of \$179 million (zero restricted) at December 31, 2012 (\$233 million, zero restricted, at December 31, 2011) and current liabilities of less than \$1 million (less than \$1 million nonrecourse) at December 31, 2012 (less than \$1 million, less than \$1 million nonrecourse, at December 31, 2011).

Amounts presented in the consolidated balance sheets and the table above as restricted assets or nonrecourse obligations relating to consolidated VIEs at December 31, 2012 and 2011 are adjusted for intercompany eliminations, parental guarantees and residual value guarantees.

Nonconsolidated Variable Interest Entity

The Company holds a variable interest in a joint venture that manufactures crude acrylic acid in the United States and Germany on behalf of the Company and the other joint venture partner. The variable interest relates to a cost-plus arrangement between the joint venture and each joint venture partner. The Company is not the primary beneficiary, as a majority of the joint venture's output is sold to the other joint venture partner; therefore, the entity is accounted for under the equity method of accounting. At December 31, 2012, the Company's investment in the joint venture was \$161 million (\$144 million at December 31, 2011), classified as "Investment in nonconsolidated affiliates" in the consolidated balance sheets, representing the Company's maximum exposure to loss.

NOTE 20 – STOCK-BASED COMPENSATION

The Company grants stock-based compensation to employees and non-employee directors in the form of the Employees' Stock Purchase Plan ("ESPP") and stock option plans, which include deferred and restricted stock. Information regarding these plans is provided below.

Accounting for Stock-Based Compensation

The Company grants stock-based compensation awards that vest over a specified period or upon employees meeting certain performance and/or retirement eligibility criteria. The fair value of equity instruments issued to employees is measured on the grant date. The fair value of liability instruments issued to employees (specifically, performance deferred stock awards, which are granted to executive employees subject to stock ownership requirements, that provide the recipient the option to elect to receive a cash payment equal to the value of the stock award on the date of delivery) is measured at the end of each quarter. The fair value of equity and liability instruments is expensed over the vesting period or, in the case of retirement, from the grant date to the date on which retirement eligibility provisions have been met and additional service is no longer required.

The Company uses a lattice-based option valuation model to estimate the fair value of stock options, the Black-Scholes option valuation model for subscriptions to purchase shares under the ESPP and Monte Carlo simulation for the market portion of performance deferred stock awards. The weighted-average assumptions used to calculate total stock-based compensation are included in the following table:

	2012	2011	2010
Dividend yield	3.34%	2.5%	2.5%
Expected volatility	38.39%	34.61%	47.35%
Risk-free interest rate	0.95%	1.71%	1.28%
Expected life of stock options granted during period (years)	7.6	7.4	6.5
Life of Employees' Stock Purchase Plan (months)	6	6	5

The dividend yield assumption for 2012 was based on a 10 percent/90 percent blend of the Company's current declared dividend as a percentage of the stock price on the grant date and a 10-year dividend yield average. The dividend yield assumption for 2011 was based on a 20 percent/80 percent blend. The dividend yield assumption for 2010 was based on a 30 percent/70 percent blend. The expected volatility assumption was based on an equal weighting of the historical daily volatility and current implied volatility from exchange-traded options for the contractual term of the options. The risk-free interest rate was based on the weighted-average of U.S. Treasury strip rates over the contractual term of the options. The expected life of stock options granted was based on an analysis of historical exercise patterns.

Employees' Stock Purchase Plan

On February 13, 2003, the Board of Directors authorized a 10-year ESPP (the "2003 ESPP"), which was approved by stockholders at the Company's annual meeting on May 8, 2003. Under the 2012 annual offering, most employees were eligible to purchase shares of common stock of the Company valued at up to 10 percent of their annual base earnings. The value is determined using the plan price multiplied by the number of shares subscribed to by the employee. The plan price of the stock is set each year at no less than 85 percent of market price.

Employees' Stock Purchase Plan Shares in thousands	2012 Shares	Exercise Price (1)
		\$
Outstanding at beginning of year	—	—
Granted	9,523	\$25.42
Exercised	(6,538)	\$25.42
Forfeited/Expired	(2,985)	\$25.42
Outstanding and exercisable at end of year	—	—

(1) Weighted-average per share

Additional Information about ESPP In millions, except per share amounts	2012	2011	2010
	\$	\$	\$
Weighted-average fair value per share of purchase rights granted	8.32	11.39	11.90
Total compensation expense for ESPP	79	123	164
Related tax benefit	29	46	61
Total amount of cash received from the exercise of purchase rights	166	197	224
Total intrinsic value of purchase rights exercised (1)	41	98	147
Related tax benefit	15	36	54

(1) Difference between the market price at exercise and the price paid by the employee to exercise the purchase rights.

On February 9, 2012, the Board of Directors authorized The Dow Chemical Company 2012 Employee Stock Purchase Plan (the “2012 ESPP”), which was approved by stockholders at the Company’s annual meeting held on May 10, 2012. The 2012 ESPP supersedes the 2003 ESPP. The first offering under the 2012 ESPP will commence in 2013.

Stock Incentive Plan

The Company has historically granted equity awards under various plans (the “Prior Plans”). On February 9, 2012, the Board of Directors authorized The Dow Chemical Company 2012 Stock Incentive Plan (the “2012 Plan”). The 2012 Plan was approved by stockholders at the Company’s annual meeting on May 10, 2012 and became effective on that date. The 2012 Plan supersedes the Prior Plans. Under the 2012 Plan, the Company may grant options, deferred stock, performance deferred stock, restricted stock, stock appreciation rights and stock units to employees and non-employee directors over the 10-year duration of the Plan, subject to an aggregate limit and annual individual limits. The terms of the grants are fixed at the grant date. At December 31, 2012, there were 44,749,231 shares available for grant under the 2012 plan.

Stock Option Plans

The Company grants stock options to certain employees. Under the 1988 Award and Option Plan (the “1988 Plan”), a plan approved by stockholders, the Company granted options or shares of common stock to its employees subject to certain annual and individual limits. The terms of the grants are fixed at the grant date. At December 31, 2012, there were no shares available for grant under this plan. The 1988 Plan was superseded by the 2012 Plan on May 10, 2012.

Under the 1994 Non-Employee Directors’ Stock Plan, the Company was previously allowed to grant up to 300,000 options to non-employee directors; however, no additional grants will be made under this plan. At December 31, 2012, there were 19,250 options outstanding under this plan.

Under the 1998 Non-Employee Directors’ Stock Plan, the Company was previously allowed to grant up to 600,000 options to non-employee directors; however, no additional grants will be made under this plan. At December 31, 2012, there were 14,600 options outstanding under this plan.

Under the 2003 Non-Employee Directors' Stock Incentive Plan, the Company was previously allowed to grant up to 1.5 million shares (including options, restricted stock and deferred stock) to non-employee directors over the 10-year duration of the program. The 2003 Plan was superseded by the 2012 Plan on May 10, 2012. No additional grants will be made under the 2003 Plan. At December 31, 2012, there were 106,950 options outstanding under this plan.

The following table provides stock option activity for 2012:

Stock Options Shares in thousands	2012 Shares	Exercise Price (1)
	\$	\$
Outstanding at January 1, 2012	63,704	35.08
Granted	12,796	34.00
Exercised	(6,046)	22.64
Forfeited/Expired	(1,586)	41.39
Outstanding at December 31, 2012	68,868	35.82
Remaining contractual life in years		5.57
Aggregate intrinsic value in millions	187	
Exercisable at December 31, 2012	46,574	36.42
Remaining contractual life in years		4.18
Aggregate intrinsic value in millions	175	

(1) Weighted-average per share

Additional Information about Stock Options In millions, except per share amounts	2012	2011	2010
	\$	\$	\$
Weighted-average fair value per share of options granted	9.38	10.64	9.17
Total compensation expense for stock option plans	106	88	72
Related tax benefit	39	33	27
Total amount of cash received from the exercise of options	137	147	66
Total intrinsic value of options exercised (1)	64	66	30
Related tax benefit	24	24	11

(1) Difference between the market price at exercise and the price paid by the employee to exercise the options.

Total unrecognized compensation cost related to unvested stock option awards of \$53 million at December 31, 2012 is expected to be recognized over a weighted-average period of 0.86 years.

The exercise price of each stock option equals the market price of the Company's stock on the date of grant. Options vest from one to three years, and have a maximum term of 10 years.

Deferred Stock

The Company grants deferred stock to certain employees. The grants vest after a designated period of time, generally two to five years. The Company historically issued grants under the 1988 Plan; however, as of May 10, 2012, no additional grants will be made under this plan. Beginning May 10, 2012, grants of deferred stock are made under the 2012 Plan. The following table shows changes in nonvested deferred stock:

Deferred Stock	2012			
	1988 Plan		2012 Plan	
	Shares	Grant Date Fair Value (1)	Shares	Grant Date Fair Value (1)
Shares in thousands		\$		\$
Nonvested at beginning of year	15,136	25.53	—	—
Granted	3,446	34.01	209	30.49
Vested	(7,502)	18.89	—	—
Canceled	(123)	29.70	—	—
Nonvested at end of year	10,957	32.70	209	30.49

(1) Weighted-average per share

Additional Information about Deferred Stock In millions, except per share amounts	2012	2011	2010
	\$	\$	\$
Weighted-average fair value per share of deferred stock granted	33.81	37.60	27.89
Total fair value of deferred stock vested and delivered (1)	252	123	38
Related tax benefit	93	46	14
Total compensation expense for deferred stock awards	129	124	123
Related tax benefit	48	46	46

(1) Includes the fair value of shares vested in prior years and delivered in the reporting year.

Total unrecognized compensation cost related to deferred stock awards of \$74 million at December 31, 2012 is expected to be recognized over a weighted-average period of 0.84 years. At December 31, 2012, approximately 124,000 deferred shares with a grant date weighted-average fair value per share of \$32.30 had previously vested, but were not issued. These shares are scheduled to be issued to employees within one to four years or upon retirement.

The Company granted performance deferred stock awards under the 1988 Plan. The 2012 Plan supersedes the 1988 Plan. Under both plans, the performance deferred stock awards vest when the Company attains specified performance targets over a predetermined period, generally one to three years. Compensation expense related to performance deferred stock awards is recognized over the lesser of the service or performance period. Changes in the fair value of liability instruments are recognized as compensation expense each quarter. The following table shows the performance deferred stock awards granted:

Performance Deferred Stock Awards			Target Shares <i>Granted</i> (2)	Grant Date <i>Fair Value</i> (3)
Shares in thousands				\$
Year	Plan (1)	Performance Period		
2012	1988 Plan	January 1, 2012 – December 31, 2014	1,205	34.00
2011	1988 Plan	January 1, 2011 – December 31, 2013	1,109	38.07
2010	1988 Plan	January 1, 2010 – December 31, 2012	875	27.79

(1) No shares were granted under the 2012 Plan during 2012.

(2) At the end of the performance period, the actual number of shares issued can range from zero to 250 percent of the target shares granted.

(3) Weighted-average per share

The following table shows changes in nonvested performance deferred stock:

Performance Deferred Stock	2012	
	1988 Plan	
	Target Shares Granted (1)	Grant Date Fair Value (2)
Shares in thousands		\$
Nonvested at beginning of year	1,904	33.57
Granted	1,205	34.00
Vested	(828)	27.79
Canceled	(27)	34.42
Nonvested at end of year	2,254	35.92

(1) At the end of the performance period, the actual number of shares issued can range from zero to 250 percent of the target shares granted.

(2) Weighted-average per share

Additional Information about Performance Deferred Stock	2012	2011	2010
In millions	\$	\$	\$
Total fair value of performance deferred stock vested and delivered (1)	68	77	28
Related tax benefit	25	28	10
Total compensation expense for performance deferred stock awards (2)	21	36	143
Related tax benefit	8	13	53

(1) Includes the fair value of shares vested in prior years and delivered in the reporting year.

(2) Compensation expense in 2010 included \$25 million related to the modification of equity instruments to liability instruments for certain executive employees.

During 2012, the Company settled 1.0 million shares of performance deferred stock for \$34 million in cash. During 2011, the Company settled 1.2 million shares of performance deferred stock for \$36 million in cash. During 2010, the Company settled 0.3 million shares of performance of deferred stock for \$8 million in cash. Total unrecognized compensation cost related to performance deferred stock awards of \$8 million at December 31, 2012 is expected to be recognized over a weighted-average period of 0.81 years. At December 31, 2012, approximately 0.4 million performance deferred shares with a grant date weighted-average fair value of \$27.79 per share were vested, but not issued. These shares are scheduled to be issued in February 2013.

In addition, the Company is authorized to grant up to 300,000 deferred shares of common stock to executive officers of the Company under the 1994 Executive Performance Plan. No additional grants will be issued under this plan.

Restricted Stock

Under the 2012 Plan, the Company may grant shares (including options, stock appreciation rights, stock units and restricted stock) to non-employee directors over the 10-year duration of the program, subject to the plan's aggregate limit as well as annual individual limits. No shares were issued under this plan during 2012.

Under the 2003 Non-Employee Directors' Stock Incentive Plan (the "2003 Plan"), a plan approved by stockholders, the Company may grant up to 1.5 million shares (including options, restricted stock and deferred stock) to non-employee directors over the 10-year duration of the program, subject to an annual aggregate award limit of 25,000 shares for each individual director. In 2012, 34,650 shares of restricted stock with a weighted-average fair value of \$33.69 per share were issued under this plan. The restricted stock issued under this plan cannot be sold, assigned, pledged or otherwise transferred by the non-employee director, until the director is no longer a member of the Board. The 2003 Plan was superseded by the 2012 Plan on May 10, 2012. No additional grants will be made under the 2003 Plan.

NOTE 21 – STOCKHOLDERS' EQUITY

Cumulative Convertible Perpetual Preferred Stock, Series A

Equity securities in the form of Cumulative Convertible Perpetual Preferred Stock, Series A (“preferred series A”) were issued on April 1, 2009 to Berkshire Hathaway Inc. in the amount of \$3 billion (3 million shares) and the Kuwait Investment Authority in the amount of \$1 billion (1 million shares). The Company will pay cumulative dividends on preferred series A at a rate of 8.5 percent per annum in either cash, shares of common stock, or any combination thereof, at the option of the Company. Dividends may be deferred indefinitely, at the Company’s option. If deferred, common stock dividends must also be deferred. Any past due and unpaid dividends will accrue additional dividends at a rate of 10 percent per annum, compounded quarterly. If dividends are deferred for any six quarters, the preferred series A shareholders may elect two directors to the Company’s Board of Directors until all past due dividends are paid. Ongoing dividends related to preferred series A are \$85 million per quarter; no dividends had been deferred at December 31, 2012.

Shareholders of preferred series A may convert all or any portion of their shares, at their option, at any time, into shares of the Company’s common stock at an initial conversion rate of 24.2010 shares of common stock for each share of preferred series A. Under certain circumstances, the Company will be required to adjust the conversion rate. On or after the fifth anniversary of the issuance date, if the common stock price exceeds \$53.72 per share for any 20 trading days in a consecutive 30-day window, the Company may, at its option, at any time, in whole or in part, convert preferred series A into common stock at the then applicable conversion rate. Upon conversion, accrued and unpaid dividends will be payable, at the option of the Company, in either cash, shares of common stock, or any combination thereof.

Common Stock

The Company may issue common stock shares out of treasury stock or as new common stock shares for purchases under the Employees’ Stock Purchase Plan, for options exercised and for the release of deferred and restricted stock. The number of new common stock shares issued to employees and non-employee directors under the Company’s stock-based compensation programs was 18.7 million in 2012, 12.2 million in 2011 and 10.0 million in 2010.

Retained Earnings

There are no significant restrictions limiting the Company’s ability to pay dividends.

Undistributed earnings of nonconsolidated affiliates included in retained earnings were \$2,332 million at December 31, 2012 and \$2,373 million at December 31, 2011.

Employee Stock Ownership Plan

The Company has the Dow Employee Stock Ownership Plan (the “ESOP”), which is an integral part of The Dow Chemical Company Employees’ Savings Plan (the “Plan”). A significant majority of full-time employees in the United States are eligible to participate in the Plan. The Company uses the ESOP to provide the Company’s matching contribution in the form of the Company’s stock to Plan participants.

In connection with the acquisition of Rohm and Haas on April 1, 2009 the Rohm and Haas Employee Stock Ownership Plan (the “Rohm and Haas ESOP”) was merged into the Plan, and the Company assumed the \$78 million balance of debt at 9.8 percent interest with final maturity in 2020 that was used to finance share purchases by the Rohm and Haas ESOP in 1990. The outstanding balance of the debt was \$51 million at December 31, 2012 and \$57 million at December 31, 2011.

Dividends on unallocated shares held by the ESOP are used by the ESOP to make debt service payments and to purchase additional shares if dividends exceed the debt service payments. Dividends on allocated shares are used by the ESOP to make debt service payments to the extent needed; otherwise, they are paid to the Plan participants. Shares are released for allocation to participants based on the ratio of the current year’s debt service to the sum of the principal and interest payments over the life of the loan. The shares are allocated to Plan participants in accordance with the terms of the Plan.

Compensation expense for allocated shares is recorded at the fair value of the shares on the date of allocation. ESOP shares that have not been released or committed to be released are not considered outstanding for purposes of computing basic and diluted earnings per share.

Compensation expense for ESOP shares allocated to plan participants was \$107 million in 2012, \$102 million in 2011 and \$81 million in 2010. At December 31, 2012, 15.4 million shares out of a total 40.9 million shares held by the ESOP had been allocated to participants' accounts; 0.9 million shares were released but unallocated; and 24.6 million shares, at a fair value of \$794 million, were considered unearned.

Treasury Stock

The total number of treasury shares purchased by the Company, primarily shares received from employees and non-employee directors to pay taxes owed to the Company as a result of the exercise of stock options or the delivery of deferred stock, was zero in 2012, 0.5 million in 2011 and 0.5 million in 2010.

The Company issues shares for options exercised as well as for the release of deferred and restricted stock out of treasury stock or as new common stock shares. The number of treasury shares issued to employees and non-employee directors under the Company's option and purchase programs was zero in 2012, 5.6 million in 2011 and 7.5 million in 2010.

Reserved Treasury Stock at December 31	2012	2011	2010
Shares in millions			
Stock option and deferred stock plans	—	—	5.1

Subsequent Event

On February 13, 2013, the Board of Directors approved a share buy-back program, authorizing up to \$1.5 billion to be spent on the repurchase of the Company's common stock over a period of time.

NOTE 22 – INCOME TAXES

Domestic and Foreign Components of Income Before Income Taxes	2012	2011	2010
In millions	\$	\$	\$
Domestic (1)	(401)	386	(821)
Foreign	2,066	3,215	3,623
Total	1,665	3,601	2,802

(1) In 2012, the domestic component of "Income Before Income Taxes" was significantly impacted by the Company's 1Q12 and 4Q12 restructuring charges.

Provision for Income Taxes	2012			2011			2010		
In millions	Current	Deferred	Total	Current	Deferred	Total	Current	Deferred	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Federal	241	(312)	(71)	36	(244)	(208)	(576)	445	(131)
State and local	9	(10)	(1)	12	(13)	(1)	(36)	(21)	(57)
Foreign	780	(143)	637	768	258	1,026	765	(96)	669
Total	1,030	(465)	565	816	1	817	153	328	481

Reconciliation to U.S. Statutory Rate	2012	2011	2010
In millions	\$	\$	\$
Taxes at U.S. statutory rate	583	1,260	981
Equity earnings effect	(115)	(459)	(272)
Foreign income taxed at rates other than 35% (1)	(76)	(242)	(262)

Reconciliation to U.S. Statutory Rate	2012	2011	2010
In millions			
	\$	\$	\$
U.S. tax effect of foreign earnings and dividends	13	218	118
Goodwill impairment losses	77	—	—
Discrete equity earnings (2)	48	—	—
Change in permanent reinvestment assertions	(236)	—	—
Change in valuation allowances	135	367	(34)
Unrecognized tax benefits	122	35	(52)
Federal tax accrual adjustments	4	8	(13)
Sale of a contract manufacturing subsidiary (3)	—	(231)	—
Joint venture reorganization	—	(95)	—
Other – net	10	(44)	15
Total tax provision	565	817	481
Effective tax rate	33.9%	22.7%	17.2%

(1) Includes the tax provision for statutory taxable income in foreign jurisdictions for which there is no corresponding amount in "Income Before Income Taxes."

(2) Includes nonrecurring charges related to equity in earnings of nonconsolidated affiliates.

(3) The Company recognized a tax benefit of \$231 million related to the sale of a contract manufacturing subsidiary, which was reduced by a \$95 million valuation allowance in 2011.

The tax rate for 2012 was negatively impacted by a change in the geographic mix of earnings, notably a decrease in earnings in Europe and an increase in earnings in the United States, as well as reductions in equity earnings. Equity earnings were further impacted by asset impairment and restructuring charges at Dow Corning. Additionally, the Company's impairment of Dow Formulated Systems goodwill and the impairment of the long-lived assets of Dow Kokam LLC received minimal tax relief. The tax rate was favorably impacted by a change in the permanent reinvestment assertions of certain affiliates in Europe and Asia Pacific; however, this was primarily offset by unfavorable adjustments to uncertain tax positions and valuation allowances. These factors resulted in an effective tax rate of 33.9 percent for 2012.

The tax rate for 2011 was positively impacted by a high level of equity earnings as a percentage of total earnings, earnings in foreign locations taxed at rates less than the U.S. statutory rate, the sale of a contract manufacturing subsidiary and the reorganization of a joint venture and was negatively impacted by a \$264 million valuation allowance recorded in the fourth quarter of 2011. The valuation allowance was recorded against the deferred tax assets of two Dow entities in Brazil. As a result of the global recession in 2008-2009, coupled with rapidly deteriorating isocyanate industry conditions and increasing local costs, these two entities were in a three-year cumulative pretax operating loss position at December 31, 2011. While the Company expects to realize the tax loss carryforwards generated by these operating losses based on several factors - including forecasted margin expansion resulting from improving economic conditions, higher industry growth rates in Brazil, improving Dow operating rates, and a restructuring of legal entities to maximize the use of existing tax loss carryforwards - Dow was unable to overcome the negative evidence of recent cumulative operating losses; and at December 31, 2011, the Company could not assert it was more likely than not that it will realize its deferred tax assets in the two Brazilian entities. Accordingly, the Company established the valuation allowance against the deferred tax assets of these companies in the fourth quarter of 2011. If in the future, as a result of the Company's plans and expectations, one or both of these entities generates sufficient profitability such that the evaluation of the recoverability of the deferred tax assets changes, the valuation allowance could be reversed in whole or in part in a future period. These factors resulted in an effective tax rate of 22.7 percent for 2011.

The tax rate for 2010 was positively impacted by a high level of equity earnings as a percentage of total earnings, the release of a tax valuation allowance, a tax law change, and improved financial results in jurisdictions with tax rates that are lower than the U.S. statutory rate. These factors resulted in an effective tax rate of 17.2 percent for 2010.

Deferred Tax Balances at December 31	2012		2011	
In millions	Deferred Tax Assets (1)	Deferred Tax Liabilities	Deferred Tax Assets (1)	Deferred Tax Liabilities
	\$	\$	\$	\$
Property	58	2,128	102	2,265
Tax loss and credit carryforwards	1,954	—	2,294	—
Postretirement benefit obligations	4,900	1,291	3,916	1,184
Other accruals and reserves	2,167	329	1,954	604
Intangibles	218	994	152	1,076
Inventory	240	179	229	289
Long-term debt	—	599	—	726
Investments	317	183	186	183
Other – net	1,168	642	1,185	729
Subtotal	11,022	6,345	10,018	7,056
Valuation allowances	(1,399)	—	(1,152)	—
Total	9,623	6,345	8,866	7,056

(1) Included in current deferred tax assets are prepaid tax assets totaling \$218 million in 2012 and \$210 million in 2011.

Gross operating loss carryforwards amounted to \$10,436 million at December 31, 2012 and \$11,626 million at December 31, 2011. At December 31, 2012, \$1,513 million of the operating loss carryforwards were subject to expiration in 2013 through 2017. The remaining operating loss carryforwards expire in years beyond 2017 or have an indefinite carryforward period. Tax credit carryforwards at December 31, 2012 amounted to \$226 million (\$403 million at December 31, 2011), net of uncertain tax positions, of which \$6 million is subject to expiration in 2013 through 2017. The remaining tax credit carryforwards expire in years beyond 2017 or have an indefinite carryforward period.

The Company had valuation allowances that primarily related to the realization of recorded tax benefits on tax loss carryforwards from operations in the United States, Brazil and Asia Pacific of \$1,399 million at December 31, 2012 and \$1,152 million at December 31, 2011.

Undistributed earnings of foreign subsidiaries and related companies that are deemed to be permanently invested amounted to \$14,504 million at December 31, 2012, \$12,741 million at December 31, 2011 and \$9,798 million at December 31, 2010. The increase in the undistributed earnings during 2012 is partly due to changes in permanent reinvestment assertions of certain subsidiaries located in Europe and Asia Pacific. It is not practicable to calculate the unrecognized deferred tax liability on undistributed earnings.

Total Gross Unrecognized Tax Benefits	2012	2011	2010
In millions			
	\$	\$	\$
Balance at January 1	339	319	650
Increases related to positions taken on items from prior years	66	5	8
Decreases related to positions taken on items from prior years	(32)	(11)	(33)
Increases related to positions taken in the current year	53	70	24
Settlement of uncertain tax positions with tax authorities	(9)	(21)	(300)
Decreases due to expiration of statutes of limitations	(8)	(23)	(30)
Balance at December 31	409	339	319

At December 31, 2012, the total amount of unrecognized tax benefits was \$409 million (\$339 million at December 31, 2011), of which \$392 million would impact the effective tax rate, if recognized (\$319 million at December 31, 2011).

Interest and penalties associated with uncertain tax positions are recognized as components of the “Provision for income taxes,” and totaled \$92 million in 2012, \$21 million in 2011 and \$6 million in 2010. The Company’s accrual for interest and penalties was \$131 million at December 31, 2012 and \$66 million at December 31, 2011.

Tax years that remain subject to examination for the Company’s major tax jurisdictions are shown below:

Tax Years Subject to Examination by Major Tax Jurisdiction at December 31	Earliest Open Year	
	2012	2011
Jurisdiction	2012	2011
Argentina	2006	2005
Brazil	2008	2007
Canada	2008	2008
France	2010	2009
Germany	2006	2002
Italy	2003	2003
The Netherlands	2012	2011
Spain	2008	2008
Switzerland	2009	2009
United Kingdom	2008	2008
United States:		
Federal income tax	2004	2004
State and local income tax	2004	2004

The Company is currently under examination in a number of tax jurisdictions. It is reasonably possible that these examinations may be resolved within twelve months. As a result, it is reasonably possible that the total gross unrecognized tax benefits of the Company at December 31, 2012 may be reduced in the next twelve months by approximately \$45 million to \$90 million as a result of these resolved examinations. The impact on the Company’s results of operations is not expected to be material.

The reserve for non-income tax contingencies related to issues in the United States and foreign locations was \$151 million at December 31, 2012 and \$134 million at December 31, 2011. This is management’s best estimate of the potential liability for non-income tax contingencies. Inherent uncertainties exist in estimates of tax contingencies due to changes in tax law, both legislated and concluded through the various jurisdictions’ tax court systems. It is the opinion of the Company’s management that the possibility is remote that costs in excess of those accrued will have a material impact on the Company’s consolidated financial statements.

Subsequent Event

On January 2, 2013, President Obama signed into law the “American Taxpayer Relief Act of 2012.” This law extends retroactively to 2012 and prospectively through 2013 certain temporary business tax provisions (“extenders”) that are beneficial to Dow including the research and experimentation tax credit, the controlled foreign corporation look-through rule, bonus depreciation, and various incentives for energy efficient homes and buildings. As this tax law was enacted on January 2, 2013, the retroactive impact for 2012 will be recognized in the first quarter of 2013 tax provision. The Company estimates the extenders will have an immaterial impact on the tax provision.

NOTE 23 – ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The following table provides an analysis of the changes in accumulated other comprehensive income (loss) for the years ended December 31, 2012, 2011 and 2010:

Accumulated Other Comprehensive Income (Loss)	2012	2011	2010
In millions	\$	\$	\$
Unrealized Gains on Investments at beginning of year	78	111	79
Net change in unrealized gains (losses)	69	(33)	32
Balance at end of period	147	78	111
Cumulative Translation Adjustments at beginning of year	72	367	624
Translation adjustments	256	(295)	(257)
Balance at end of period	328	72	367
Pension and Other Postretirement Benefit Plans at beginning of year	(6,134)	(4,871)	(4,587)
Net prior service credit	15	20	23
Net loss	(1,876)	(1,283)	(307)
Balance at end of period	(7,995)	(6,134)	(4,871)
Accumulated Derivative Loss at beginning of year	(12)	(6)	(8)
Net hedging results	(7)	(1)	(13)
Reclassification to earnings	23	(5)	15
Balance at end of period	4	(12)	(6)
Total accumulated other comprehensive loss	(7,516)	(5,996)	(4,399)

NOTE 24 – OPERATING SEGMENTS AND GEOGRAPHIC AREAS

Dow is a diversified, worldwide manufacturer and supplier of products used primarily as raw materials in the manufacture of customer products and services. The Company serves the following industries: appliance; automotive; agricultural; building and construction; chemical processing; electronics; furniture; housewares; oil and gas; packaging; paints, coatings and adhesives; personal care; pharmaceutical; processed foods; pulp and paper; textile and carpet; utilities; and water treatment.

Dow conducts its worldwide operations through global businesses, which are reported in six operating segments. Corporate contains the reconciliation between the totals for the reportable segments and the Company's totals and includes research and other expenses related to new business development activities, and other corporate items not allocated to the reportable operating segments.

The Company uses EBITDA (which Dow defines as earnings (i.e., "Net Income") before interest, income taxes, depreciation and amortization) as its measure of profit/loss for segment reporting purposes. EBITDA by operating segment includes all operating items relating to the businesses, except depreciation and amortization; items that principally apply to the Company as a whole are assigned to Corporate. See table toward the end of this footnote for depreciation and amortization by segment, as well as a reconciliation of EBITDA to "Income Before Income Taxes."

Corporate Profile

Dow combines the power of science and technology to passionately innovate what is essential to human progress. The Company connects chemistry and innovation with the principles of sustainability to help address many of the world's most challenging problems such as the need for clean water, renewable energy generation and conservation, and increasing agricultural productivity. Dow's diversified industry-leading portfolio of specialty chemicals, advanced materials, agrosociences and plastics businesses delivers a broad range of technology-based products and solutions to customers in approximately 160 countries and in high

growth sectors such as electronics, water, energy, coatings and agriculture. In 2012, Dow had annual sales of \$56.8 billion and employed approximately 54,000 people worldwide. The Company's more than 5,000 products are manufactured at 188 sites in 36 countries across the globe. The Company conducts its worldwide operations through global businesses, which are reported in six operating segments: Electronic and Functional Materials, Coatings and Infrastructure Solutions, Agricultural Sciences, Performance Materials, Performance Plastics and Feedstocks and Energy.

Electronic and Functional Materials

The Electronic and Functional Materials segment consists of two businesses – Dow Electronic Materials and Functional Materials – and includes a portion of the Company's share of the results of Dow Corning Corporation, a joint venture of the Company. Dow Electronic Materials is a leading global supplier of materials for chemical mechanical planarization; materials used in the production of electronic displays, including brightness films, diffusers, metalorganic light emitting diode precursors and organic light emitting diode materials; products and technologies that drive leading edge semiconductor design; materials used in the fabrication of printed circuit boards; and integrated metallization processes critical for interconnection, corrosion resistance, metal finishing and decorative applications. These enabling materials are found in applications such as consumer electronics, flat panel displays and telecommunications. Dow Electronic Materials includes Display Technologies, Growth Technologies, Interconnect Technologies and Semiconductor Technologies.

Functional Materials is a portfolio of businesses characterized by a vast global footprint, a broad array of unique chemistries, multi-functional ingredients and technology capabilities, combined with key positions in pharmaceuticals; food, home and personal care; and industrial specialties. These technology capabilities and market platforms enable the businesses to develop innovative solutions that address modern societal needs for clean water and air; material preservation; and improved health care, disease prevention, nutrition and wellness. Functional Materials includes Dow Consumer and Industrial Solutions, Dow Microbial Control and Dow Wolff Cellulosics.

Coatings and Infrastructure Solutions

Coatings and Infrastructure Solutions segment consists of the following businesses: Dow Building and Construction, Dow Coating Materials, Dow Water and Process Solutions, and Performance Monomers; and includes a portion of the Company's share of the results of Dow Corning Corporation, a joint venture of the Company. These businesses produce a wide variety of products with a broad range of applications – adhesives and sealants, construction materials (insulation, weatherization and vinyl applications), cellulosic-based construction additives, raw materials for architectural paints and industrial coatings, and technologies used for water purification.

Agricultural Sciences

The Agricultural Sciences segment is a global leader in providing crop protection and plant biotechnology products, urban pest management solutions and healthy oils. The business invents, develops, manufactures and markets products for use in agriculture, industrial and commercial pest management, and food service. Agricultural Sciences consists of two businesses - Crop Protection and Seeds, Traits and Oils.

Performance Materials

The Performance Materials segment consists of the following businesses: Amines; Chlorinated Organics; Dow Automotive Systems; Dow Formulated Systems; Dow Oil and Gas; Dow Plastic Additives; Epoxy; Oxygenated Solvents; Polyglycols, Surfactants and Fluids; Polyurethanes; and Propylene Oxide/Propylene Glycol. These businesses produce a wide variety of products with a broad range of applications – adhesives, aircraft and runway deicing fluids, automotive interiors and exteriors, carpeting, footwear, home furnishings, mattresses, personal care products, transportation, waterproofing membranes and wind turbines. The segment also includes the results of Map Ta Phut Olefins Company Limited and a portion of the results of Sadara Chemical Company, both joint ventures of the Company.

Divestitures:

- On June 17, 2010, Dow sold Styron to an affiliate of Bain Capital Partners. Businesses and products sold within the Performance Materials segment included Emulsion Polymers (styrene-butadiene latex); Synthetic Rubber; and certain products from Dow Automotive Systems, all of which were reported in the Performance Materials segment through the date of the divestiture. See Note 5 for additional information on this divestiture.

- The Performance Materials segment included Dow Haltermann until it was fully divested at December 31, 2011.

Performance Plastics

The Performance Plastics segment is a solutions-oriented portfolio comprised of Dow Elastomers; Dow Electrical and Telecommunications; Dow Hygiene and Medical; and Dow Performance Packaging. These businesses serve high-growth, strategic sectors where Dow's world-class technology and rich innovation pipeline create new competitive advantages for customers and the entire value chain. These businesses also have complementary market reach, asset capabilities and technology platforms that provide immediate and long-term growth synergies. The Performance Plastics segment includes the results of Polypropylene Licensing and Catalyst, which sets the standard for polypropylene process technologies and works closely with customers to elevate their manufacturing capability, enabling them to produce differentiated polypropylene resins. The Performance Plastics segment also includes the results of Univation Technologies, LLC, as well as a portion of the results of EQUATE Petrochemical Company K.S.C., The Kuwait Olefins Company K.S.C., The SCG-Dow Group and Sadara Chemical Company, all joint ventures of the Company.

Divestitures:

- On June 17, 2010, Dow sold Styron to an affiliate of Bain Capital Partners. Businesses sold within the Performance Plastics segment included Styrenics (polystyrene, acrylonitrile butadiene styrene, styrene acrylonitrile and expandable polystyrene), a global leader in the production of polystyrene resins; Polycarbonate and Compounds and Blends; and the Company's 50-percent ownership interest in Americas Styrenics LLC, a nonconsolidated affiliate; all of which were reported in the Performance Plastics segment through the date of the divestiture.
- On September 30, 2011, the Company sold its global Polypropylene business to Braskem SA. The transaction did not include Dow's Polypropylene Licensing and Catalyst business. The Polypropylene business was reported in the Performance Plastics segment through the date of the divestiture. See Note 5 for additional information on these divestitures.

Feedstocks and Energy

The Feedstocks and Energy segment includes the following businesses: Chlor-Alkali/Chlor-Vinyl; Energy; Ethylene Oxide/Ethylene Glycol ("EO/EG"); and Hydrocarbons. The Chlor-Alkali/Chlor-Vinyl business focuses on the production of chlorine for consumption by downstream Dow derivatives, as well as production, marketing and supply of ethylene dichloride, vinyl chloride monomer and caustic soda. These products are used for applications such as alumina production, pulp and paper manufacturing, soaps and detergents, and building and construction. The Energy business supplies power, steam and other utilities, principally for use in Dow's global operations. The EO/EG business is the world's largest producer of purified ethylene oxide, principally used in Dow's downstream performance derivatives. Dow is also a key supplier of ethylene glycol to MEGlobal, a 50:50 joint venture and world leader in the manufacture and marketing of merchant monoethylene glycol and diethylene glycol. Ethylene glycol is used in polyester fiber, polyethylene terephthalate for food and beverage container applications, polyester film, and aircraft and runway deicers. The Hydrocarbons business encompasses the procurement of natural gas liquids and crude oil-based raw materials, as well as the supply of monomers, principally for use in Dow's global operations. The business regularly sells its by-products and buys and sells products in order to balance regional production capabilities and derivative requirements. The business also sells products to certain Dow joint ventures. Also included in the Feedstocks and Energy segment are the results of MEGlobal and a portion of the results of EQUATE Petrochemical Company K.S.C., The Kuwait Olefins Company K.S.C., and The SCG-Dow Group, all joint ventures of the Company.

Divestiture:

- On June 17, 2010, Dow sold Styron to an affiliate of Bain Capital Partners. Businesses and products sold within the Feedstocks and Energy segment included certain styrene monomer assets, which were reported in the Feedstocks and Energy segment through the date of the divestiture. See Note 5 for additional information on this divestiture.

Corporate

Corporate includes the results of insurance company operations; results of Ventures (which includes new business incubation platforms focused on identifying and pursuing new commercial opportunities); Venture Capital; gains and losses on sales of financial assets; stock-based compensation expense and severance costs;

asbestos-related defense and resolution costs; foreign exchange results; non-business aligned technology licensing and catalyst activities; environmental operations; enterprise level mega project activities; and certain corporate overhead costs and cost recovery variances not allocated to the operating segments.

During September 2012, the Company announced it was eliminating its business division structure and moving to a global business president structure. This organizational change did not result in a modification to the Company's operating segments in 2012.

Operating Segment Information	Electronic and Functional Materials	Coatings and Infra-structure Solutions	Ag Sciences	Perf Materials	Perf Plastics	Feedstocks and Energy	Corp	Total
In millions								
2012	\$	\$	\$	\$	\$	\$	\$	\$
Sales to external customers	4,481	6,898	6,382	13,608	14,479	10,695	243	56,786
Intersegment revenues (1)	—	—	—	107	—	43	(150)	—
Equity in earnings (losses) of nonconsolidated affiliates	94	50	1	(92)	134	452	(103)	536
Goodwill impairment loss (2)	—	—	—	220	—	—	—	220
Restructuring charges (3)	65	53	—	378	26	7	814	1,343
EBITDA (4)	958	823	977	1,036	3,018	718	(1,939)	5,591
Total assets	11,448	11,630	6,367	11,073	11,193	5,276	12,618	69,605
Investment in nonconsolidated affiliates	462	1,041	86	167	1,264	128	973	4,121
Depreciation and amortization	420	476	176	703	673	141	109	2,698
Capital expenditures	268	269	316	287	264	1,163	47	2,614
2011	\$	\$	\$	\$	\$	\$	\$	\$
Sales to external customers	4,599	7,200	5,655	14,647	16,257	11,302	325	59,985
Intersegment revenues (1)	—	—	—	91	—	23	(114)	—
Equity in earnings (losses) of nonconsolidated affiliates	104	321	4	(31)	303	561	(39)	1,223
Acquisition-related integration expenses (5)	—	—	—	—	—	—	31	31
EBITDA (4)	1,084	1,167	913	1,748	3,440	940	(1,507)	7,785
Total assets	11,386	11,935	5,746	10,936	11,583	5,116	12,522	69,224
Investment in nonconsolidated affiliates	350	1,104	50	198	1,376	127	200	3,405
Depreciation and amortization	439	548	167	635	754	212	128	2,883
Capital expenditures	247	365	352	567	251	886	19	2,687
2010	\$	\$	\$	\$	\$	\$	\$	\$
Sales to external customers	4,203	6,596	4,869	13,957	15,260	8,457	332	53,674
Intersegment revenues (1)	—	9	—	97	2	37	(145)	—
Equity in earnings (losses) of nonconsolidated affiliates	106	343	2	16	254	407	(16)	1,112
Restructuring charges (3)	8	20	—	—	—	—	(2)	26
Acquisition-related integration expenses (5)	—	—	—	—	—	—	143	143
Asbestos-related credit (6)	—	—	—	—	—	—	(54)	(54)
EBITDA (4)	1,052	1,230	640	1,714	3,565	471	(1,472)	7,200

Operating Segment Information	Electronic and Functional Materials	Coatings and Infrastructure Solutions	Ag Sciences	Perf Materials	Perf Plastics	Feedstocks and Energy	Corp	Total
In millions								
2012	\$	\$	\$	\$	\$	\$	\$	\$
Total assets	11,642	12,447	5,528	11,376	12,634	5,412	10,549	69,588
Investment in nonconsolidated affiliates	357	1,099	42	167	1,602	97	89	3,453
Depreciation and amortization	448	638	147	627	760	216	126	2,962
Capital expenditures	221	239	245	621	202	602	—	2,130

(1) Includes revenues generated by transfers of product to Agricultural Sciences from other segments, generally at market-based prices. Other transfers of products between operating segments are generally valued at cost.

(2) See Note 9 for information regarding the goodwill impairment loss.

(3) See Note 3 for information regarding restructuring charges.

(4) A reconciliation of EBITDA to "Income Before Income Taxes" is provided below.

(5) See Note 4 for information regarding acquisition-related integration expenses.

(6) See Note 14 for information regarding the asbestos-related credit.

Reconciliation of EBITDA to "Income Before Income Taxes"	2012	2011	2010
In millions	\$	\$	\$
EBITDA	5,591	7,785	7,200
- Depreciation and amortization	2,698	2,883	2,962
+ Interest income	41	40	37
- Interest expense and amortization of debt discount	1,269	1,341	1,473
Income Before Income Taxes	1,665	3,601	2,802

The Company operates 188 manufacturing sites in 36 countries. The United States is home to 58 of these sites, representing 50 percent of the Company's long-lived assets. Sales are attributed to geographic areas based on customer location; long-lived assets are attributed to geographic areas based on asset location.

Geographic Area Information	United States	Europe, Middle East and Africa	Rest of World	Total
In millions				
2012	\$	\$	\$	\$
Sales to external customers	18,391	19,185	19,210	56,786
Long-lived assets	8,953	3,374	5,193	17,520
2011	\$	\$	\$	\$
Sales to external customers	19,374	20,840	19,771	59,985
Long-lived assets	8,651	3,546	5,102	17,299
2010	\$	\$	\$	\$
Sales to external customers	17,497	18,464	17,713	53,674
Long-lived assets	8,393	4,501	4,774	17,668

The Dow Chemical Company and Subsidiaries

Selected Quarterly Financial Data

In millions, except per share amounts (Unaudited)	1st	2nd	3rd	4th	Year
2012	\$	\$	\$	\$	\$
Net sales	14,719	14,513	13,637	13,917	56,786
Cost of sales	12,285	12,200	11,368	11,939	47,792
Gross margin	2,434	2,313	2,269	1,978	8,994
Goodwill impairment loss	—	—	—	220	220
Restructuring charges	357	—	—	986	1,343
Net income (loss) available for common stockholders	412	649	497	(716)	842
Earnings (loss) per common share - basic (1)	0.35	0.55	0.42	(0.61)	0.71
Earnings (loss) per common share - diluted (1)	0.35	0.55	0.42	(0.61)	0.70
Common stock dividends declared per share of common stock	0.25	0.32	0.32	0.32	1.21
Market price range of common stock: (2)					
High	36.00	36.08	32.48	32.95	36.08
Low	29.27	29.27	28.45	27.45	27.45

In millions, except per share amounts (Unaudited)	1st	2nd	3rd	4th	Year
2011	\$	\$	\$	\$	\$
Net sales	14,733	16,046	15,109	14,097	59,985
Cost of sales	12,117	13,551	12,928	12,433	51,029
Gross margin	2,616	2,495	2,181	1,664	8,956
Acquisition-related integration expenses	31	—	—	—	31
Net income (loss) available for common stockholders	625	982	815	(20)	2,402
Earnings (loss) per common share - basic (1)	0.55	0.84	0.70	(0.02)	2.06
Earnings (loss) per common share - diluted (1)	0.54	0.84	0.69	(0.02)	2.05
Common stock dividends declared per share of common stock	0.15	0.25	0.25	0.25	0.90
Market price range of common stock: (2)					
High	39.00	42.23	37.30	29.56	42.23
Low	34.12	33.97	22.46	20.61	20.61

See Notes to the Consolidated Financial Statements.

(1) Due to an increase in the share count, the sum of the four quarters may not equal the earnings per share amount calculated for the year.

(2) Composite price as reported by the New York Stock Exchange.

The Dow Chemical Company and Subsidiaries

Schedule II

Valuation and Qualifying Accounts

In millions

For the Years Ended December 31

COLUMN A	COLUMN B	COLUMN C - Additions		COLUMN D	COLUMN E
Description	Balance at Beginning of Year	Charged to Costs and Expenses	Charged to Other Accounts	Deductions from Reserves	Balance at End of Year
2012	\$	\$	\$	\$	\$

RESERVES DEDUCTED FROM ASSETS TO WHICH THEY APPLY:

For doubtful receivables	121	81	11	(1) 92	(2) 121
Other investments and noncurrent receivables	458	25	—	16	467
Deferred tax assets	1,152	335	—	88	1,399
2011					

RESERVES DEDUCTED FROM ASSETS TO WHICH THEY APPLY:

For doubtful receivables	128	16	2	(1) 25	(2) 121
Other investments and noncurrent receivables	518	88	—	148	458
Deferred tax assets	682	477	—	7	1,152
2010					

RESERVES DEDUCTED FROM ASSETS TO WHICH THEY APPLY:

For doubtful receivables	160	29	—	61	(2) 128
Other investments and noncurrent receivables	552	73	—	107	518
Deferred tax assets	721	100	—	139	682

(1) Additions to reserves for doubtful receivables charged to other accounts were classified as "Accounts and notes receivable - Other" in the consolidated balance sheets. These reserves relate to the Company's sale of trade accounts receivable. Anticipated credit losses in the portfolio of receivables sold are used to fair value the Company's interests held in trade accounts receivable conduits. See Notes 11 and 15 to the Consolidated Financial Statements for further information.

	2012	2011	2010
	\$	\$	\$

(2) Deductions represent:

Notes and accounts receivable written off	62	18	29
Reclassification of reserve for cash discounts and returns to accounts receivable	21	—	—
Credits to profit and loss	1	3	1
Sale of trade accounts receivable (see Note 15 to the Consolidated Financial Statements)	3	—	27
Miscellaneous other	5	4	4
	92	25	61

APPENDIX 5

Executive Summary of Technical Report Produced by Nexant Limited

1 - 1 INTRODUCTION

Saudi Arabian Oil Company (Saudi Aramco) and The Dow Chemical Company, each a “Sponsor”, are implementing the opportunity, through formation of a joint venture company, Sadara Chemical Co., (Sadara) for the construction, ownership and operation of a world-scale petrochemical complex to be located in Al Jubail on the east coast of the Kingdom of Saudi Arabia. The location of the Project is indicated below.

The Project will consist of an integrated world scale hydrocarbons and chlorine-based production complex producing approximately 2.8 million tons per year of chemicals and plastic products. The project cost is estimated at US\$17.0 billion (excluding financing costs) and the complex is expected to enter full commercial operations in June 2016.

Initially, planned to be located at Ras Tanura, the project was previously named the Ras Tanura Integrated Project (RTIP). Although subsequently the chosen location was Al Jubail, the project kept the name RTIP until board approvals were given for formation of Sadara.



PP: 40853_Phase_3_Technical_Report_Figs1

Figure 1.1 Project Location

In relation to the financing of the project, various independent experts have been engaged to advise the Creditors, securities underwriters, export credit agencies, guarantors, insurers and other prospective credit providers (collectively, the Creditors) to Sadara. Nexant Limited (Nexant) has been retained to act as the Creditors' Technical & Environmental Consultant.

This Nexant Sukuk Holder Phase 3 Technical Due Diligence Report provides a review of the Project to potential Sukuk Holders based on information from the Sponsors, as available to 8 November 2012 with certain updates thereafter. The report also utilises the Financial Model¹, release date 3 January 2013 with minor updates on 31 January 2013.

1 - 2 PROJECT SITE AND LOCATION

The Project will be located in the upcoming Jubail Industrial City II (Jubail II) near the town of Al Jubail. The site is an expansion of and is adjacent to Jubail Industrial City I (Jubail I) which is already established

¹ Sadara Financial Model 130131.01.xls

as a major petrochemical centre and also includes fertiliser plants, steel works, an industrial port, as well as supporting industries.

The location of the Project site and plot layout is illustrated in the figure below. The proposed location is on a Royal Commission-site and will benefit from being in close proximity to readily available and competitively priced feedstock, as well as to core existing Royal Commission and other infrastructures, notably:

- Central utilities facilities (third party utilities provision)
- King Fahd Industrial Port (KFIP) (bulk liquid handling)
- Jubail Commercial Port (JCP) (solids handling container port)
- Pipeline Corridors (established and new pipeline corridors in the industrial area)



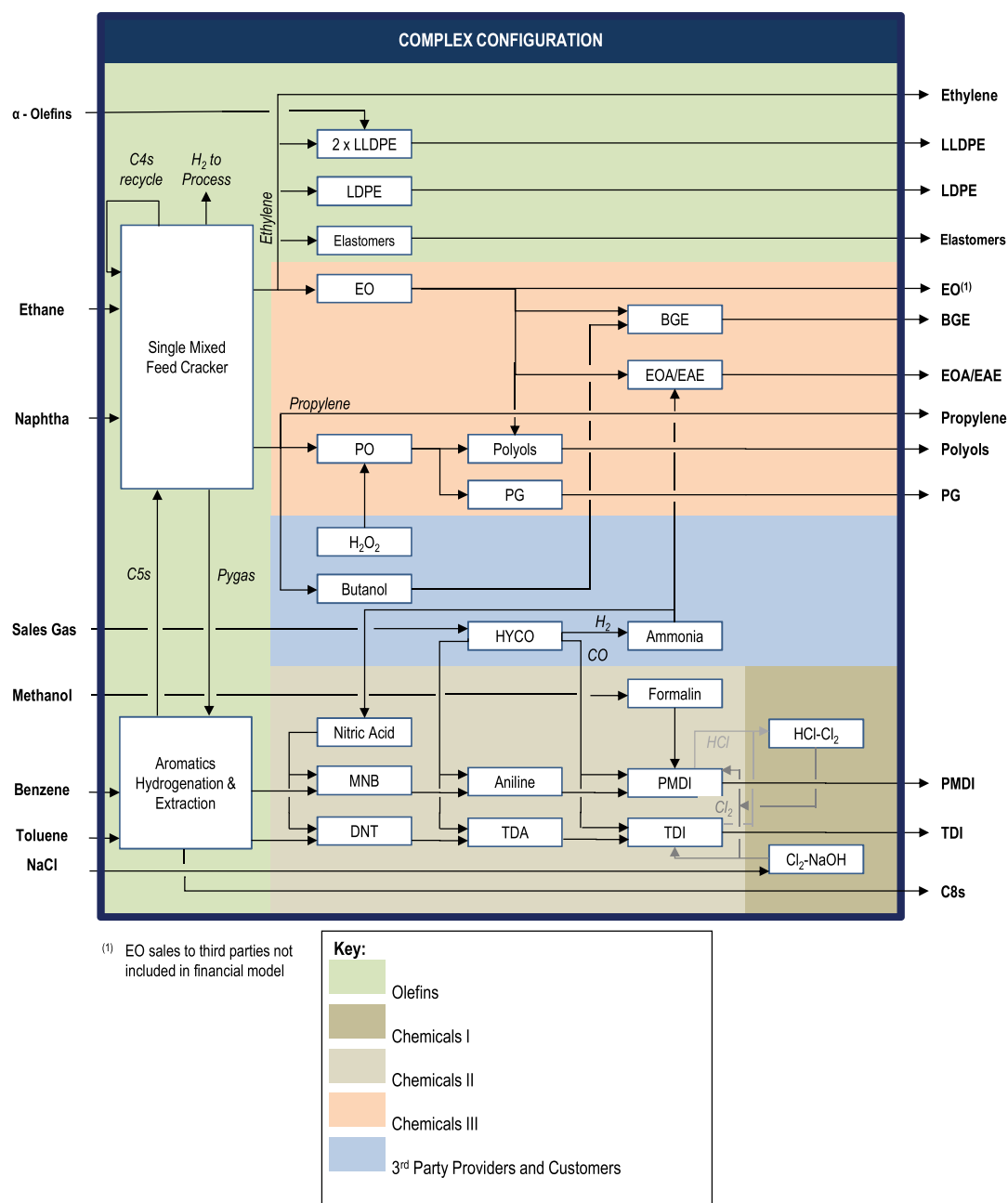
PP: 40853_Phase_3_Technical_Report_Figs1

Figure 1.2 Sadara Location in Al Jubail

The above is an advantage for a new facility being developed in an established industrial city, lowering capex requirements significantly relative to a completely green field site. The allocated site is located relatively close to each of the above supporting facilities which is also a very favourable feature of the Project.

1 - 3 THE PROJECT

The Sadara Project will produce an extensive and diversified slate of plastics and chemicals and introduce new value chains and performance products to the Kingdom of Saudi Arabia. The figure below illustrates the feedstocks, products and key process units employed.



PP: 40853_Phase_3_Technical_Report_Figs3

Figure 1.3 Sadara Key Process Units

When fully operational, the new complex will be the largest plastics and chemicals production facility to be built in the world, at one time, and will be ideally located to take advantage of the world's largest resource base as a supplier of petrochemical feedstock and of the Kingdom's location to serve multiple major world markets.

This highly integrated complex will benefit from both sponsors significant knowledge and expertise in project development, execution and operations. At the heart of the Project there is a world-scale mixed feed cracker. The cracker is designed to produce ethylene and propylene from ethane and naphtha feedstocks. The cracker also provides additional products for the Sadara complex including benzene, toluene, hydrogen and methane off-gas (fuel use).

1 - 4 FEEDSTOCKS AND PRODUCTS

The Project will benefit from the following highly competitive feedstocks and energy prices:

- Ethane
- Sales Gas
- Fuel Oil
- Electricity

1 - 5 TECHNOLOGY

The manufacturing units that will comprise the Sadara complex employ commercially proven technologies, predominantly at world-scale, under licence agreement from a range of technology holders, including several from Dow and a selected range of third parties.

Employing an established process technology under license from an experienced provider serves to reduce the level of technology risk in a Project, by bringing the cumulative experience of the licensor and operator to the Project.

The individual process units, capacities and Licensors are shown in the table below.

Table 1.1 Sadara Key Process Units²

(thousand tons per year)

Olefins	Cracker	Ethylene	Technip	1 500
		Propylene		400
		Pygas		580 ^{a,b}
	Aromatics Hydrogenation	Hydrogenated Pygas		576 ^c
		C ₄ /C ₅	Stone and Webster	139 ^c
		C ₈		50 ^c
	Aromatics Extraction	Benzene	GTC	280 ^d
		Toluene		134 ^d
	HP- Polyethylene	LDPE	Dow	350
	Solution Polyethylene	LLDPE	Dow	750
Chemicals I	Solution Elastomers ^e	POE (Ziegler Natta)	Dow	250
	Chlor-alkali	Chlorine	Dow	115
	HCU	Chlorine	UhdeNora	458
	Chlorine Purification	Purified Chlorine	Dow	445
Chemicals II	Nitric Acid	Nitric Acid	Espindesa	400
	Mononitrobenzene	Mononitrobenzene	Noram	416
	Aniline	Aniline	KBR	316
	Formalin	Formalin	Formox	132
	PMDI	PMDI	Dow	400
	Dinitrotoluene	Dinitrotoluene	Meissner	250
	TDA	TDA	Dow	153
	TDI	TDI	Dow	200
Chemicals III	Ethylene Oxide	Ethylene Oxide	Dow	360
	HPPO	Propylene Oxide	Dow	390
	Polyether Polyols	KOH Polyol	Dow	70
		DMC Polyol	Dow	330
	Propylene Glycol	Propylene Glycol	Dow	70
	Butyl Glycol Ethers	Butyl Glycol Ethers	Dow	200
	Amines	Ethanolamines	Dow	208
		Ethyleneamines		

^a Numbers not provided in TLAs, provided by Sponsors.

^b Nameplate capacity is dependent on feedstock and cracker severity.

^c Nameplate capacity calculated from the provided guaranteed hourly rate from the TLA and the on-stream time provided by the Sponsors.

^d Nameplate capacity calculated from the instantaneous capacity taken from the financial model and the on-stream time provided by the Sponsors.

^e Alternatively, instead of a POE (Ziegler Natta), a POE (Metallocene) catalyst can be used with an elastomers nameplate capacity of 220 kbns/year.

Nexant has reviewed the selected process technologies and looked at the level of experience of both the Sponsors and the chosen licensors as well as how and where the technology has been applied in practice. Nexant is now able to draw a side by side comparative evaluation of the specific risks associated to the technologies as illustrated in the table below. It should be stressed that the Sponsors recognise a risk profile across the technologies involved and are pursuing mitigation strategies.

² Based on Licenced Capacity.

A summary table ranking the selected technologies from the lowest to highest relative risk is shown below. It is highlighted that this is a comparative assessment.

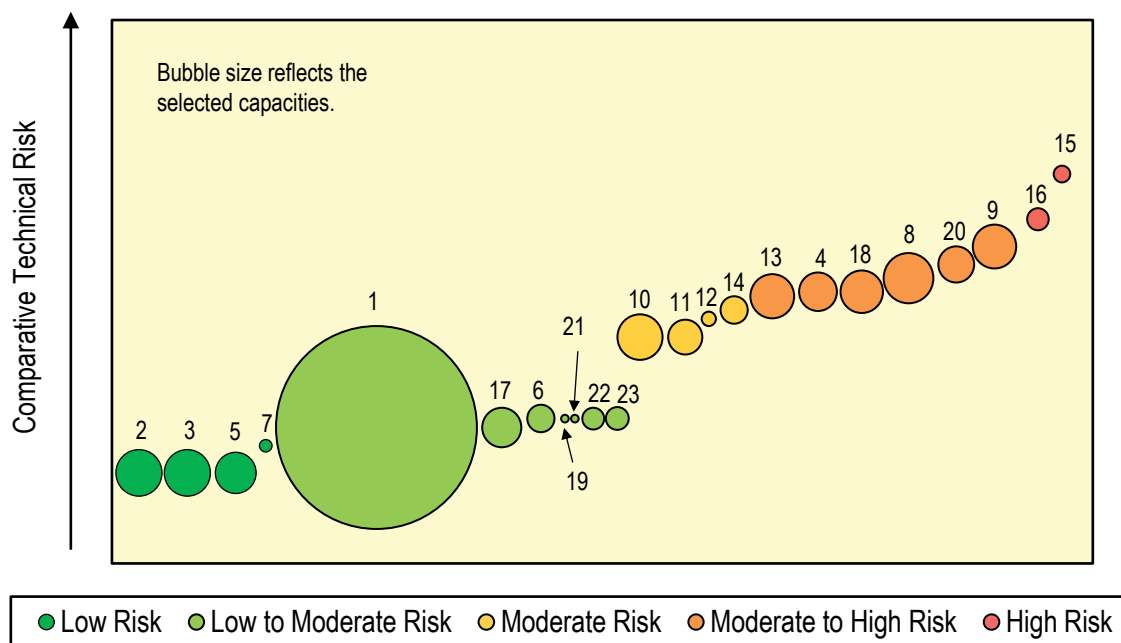
Table 1.2 Comparative Risk Summary³

Risk Category	ID	Technology	Comparative Technical Risk
Low Risk	2	Aromatics: Hydrogenation	1
	3	Aromatics: Extraction	1
	5	LLDPE	1
	7	Chlor-alkali	1.3
Low to Moderate Risk	1	Cracker	1.5
	17	EO	1.5
	6	POE	1.6
	19	Polyols KOH	1.6
	21	PG	1.6
	22	BGE	1.6
	23	EAO/EAE	1.6
Moderate Risk	10	MNB	2.5
	11	Aniline	2.5
	12	Formalin	2.7
	14	DNT	2.8
Moderate to High Risk	13	PMDI	2.95
	4	LDPE	3
	18	PO	3
	8	HCU	3.15
	20	Polyols DMC	3.3
	9	Nitric Acid	3.5
High Risk	16	TDI	3.8
	15	TDA	4.3

The figure below illustrates the technologies ranked by their specific technical risk as described above with size of the bubble representing plant capacity.

³ The ID number is an identification number given by Nexant to each process technology for ease of identification.

Figure 1.4 Comparative Specific Technical Risk Associated with Technologies⁴



PP: 40853_Phase_3_Technical_Report_Figs3

1 - 6 THIRD PARTY INTERFACES

The Sadara project will incorporate several on-site and off-site third party interfaces during the project's operational phase. These third party interfaces will be integrated into the design and implementation of the project and will be critical to the overall operability and profitability of the complex. These interfaces include the following:

- Feedstock Supply
- Products Off-Take
- Third Party Process Units
- Utilities
- Logistics and Product Export

1 - 6 - 1 Feedstock Supply

The Sadara site is situated within local proximity of its key feedstock suppliers. Moreover, the plant will have access to existing local infrastructure, thus facilitating feed supply and product delivery logistics. All Sadara feedstock requirements will be supplied to the complex by pipeline or truck delivery.

Central to the project, Sadara will utilise its mixed-feed cracker with a designed feed rate of 85 MMSCFD of ethane and 53 000 barrels per day of naphtha. Saudi Aramco will supply the project's ethane requirements through the existing Jubail ethane pipeline grid from an allocation by Saudi Arabia's Ministry of Petroleum and Mineral Resources (MinPet). The ethane will be sold at the KSA domestic price.

Saudi Aramco will supply and deliver Naphtha via pipeline to Sadara. Chemical Feed Naphtha (CFN), from the Saudi Aramco Shell Refinery Company (SASREF) and Full Range Naphtha (FRN) from other Saudi Aramco refineries (Ras Tanura, Rabigh or Yanbu) will be delivered to the site. Naphtha will be supplied on an international market-related price basis.

The Sadara project will be supplied 70 MMSCFD of sales gas by Saudi Aramco from its Master Gas System from its MinPet allocation. The sales gas will be delivered to the project complex by the Jubail grid pipeline. The sales gas will be sold at the KSA domestic price.

⁴ See Table 1.2 for process technology ID numbers.

Saudi Aramco will supply benzene and toluene to supplement Sadara's production of benzene and toluene. Benzene and toluene will then be used to produce aromatic intermediates and derivatives products downstream within the complex. Benzene will be delivered by pipeline from the SATORP refinery complex. Toluene will be supplied by truck delivery from the Saudi Aramco Ras Tanura refinery. Both feedstocks will be priced on a market basis.

The project will utilise methanol as feedstock for formalin production. Sadara plans to obtain methanol from an existing and operating plant in Jubail with the necessary gas feedstock allocation. Sadara plans to install a pipeline from the supply point at the battery limits of the plant to the Sadara site.

For sodium chloride, Sadara has a rolling lease on salt extraction from a Sabkha (a large salt flat) in Saudi Arabia. Local sodium chloride service providers will extract the salt which will then be shipped via truck to the Sadara site to meet its requirements to produce chlorine needed for the Chemicals I and Chemicals II processes. Sadara will build, within the site battery limits, washing, brining, and brine treatment facilities designed to meet internal requirements for quality brine.

In addition to these major feedstocks, the complex will also need additional feedstocks:

- Alpha Olefins: The Sadara project will produce a distribution of linear low-density polyethylene (LLDPE) product grades. The production of these grades will require alpha-olefins as comonomers; octene-1, hexene-1, and butene-1.
- Sulphuric Acid: Sadara will require small quantities of sulphuric acid for various plant processes. These quantities are expected to be delivered via truck from local producers at local market prices.
- Caustic Soda: Sadara will require small quantities of caustic soda, which, like sulphuric acid, is expected to be delivered via truck from local producers at local market prices.

1 - 6 - 2 Product Off-Take

A number of products are envisaged to be consumed within Al Jubail. For example, excess ethylene and propylene from the Project will be sent to the ethylene and propylene pipeline grids. The propylene connection will be to the butanol JV which is under development and will take propylene feed from the three joint venture partners, namely, Saudi Kayan, Sadara and Saudi Acrylic Acid Co. (SAAC).

For the cracker C_4 s stream, the base case Financial Model assumes that the C_4 stream is co-cracked. However, Sadara has the intent to enter into a long-term supply contract with a third party off-taker who would realise the chemical value of the C_4 stream for Sadara and would add value to the component butadiene and other C_4 components within the Kingdom.

For ethylene oxide (EO), Sadara has engaged in negotiations with a number of companies to build an alkoxylation facility adjacent to the Sadara site in Al Jubail, which will utilise ethylene oxide product. These sales are not included in the base case in the Financial Model.

1 - 6 - 3 Third Party Process Units

The Sadara Project will implement third party process units to be built and operated through partnerships, or will be owned and operated solely by third party developers, to produce feedstock to meet Sadara process feedstock requirements. The third party process units will comprise of the following:

- On-site plants:
 - Hydrogen peroxide process unit
 - Hydrogen and carbon monoxide (HYCO) process unit
 - Ammonia process unit
- One off-site plants:
 - Butanol plant

The Sadara project will utilise hydrogen peroxide feedstock, along with propylene from the mixed-feed cracker, to produce propylene oxide (PO). Solvay and Sadara will form a joint venture to build a hydrogen peroxide production plant within the battery limits of the Sadara site adjacent to the PO production plant.

Linde will build, own, and operate dedicated HYCO and ammonia plants within the battery limits of the Sadara complex. Sadara will supply raw materials, namely sales gas under its MinPet gas allocation, as well as required utilities and services.

Sadara, in a Joint Venture with Saudi Kayan and Saudi Acrylic Acid Co. (SAAC), will build and jointly own a 330 000 tons per year butanol production plant at the SAAC complex in Jubail near the Sadara site. Each partner will participate in equal CAPEX contributions required to build the plant and will have rights to off-take one third of the butanol plant production.

1 - 6 - 4 Utilities

The Project will require a number of utilities from different third party sources for plant operations as outlined in the figure below.

Electrical power for the Project is to be supplied by the Saudi Electricity Company (SEC).

Marafiq (owned by four major shareholders: Royal Commission for Jubail and Yanbu, Saudi Aramco, Saudi Basic Industries Corporation, and the Public Investment Fund) will provide water under the following three categories, as required: potable water, sea water and industrial water. Marafiq will provide sea water as feedstock for the Sea Water Reverse Osmosis (SWRO) unit that Marafiq plans to build own and operate on the Sadara site to supply Industrial Water. Marafiq will also supply potable and industrial water.

Nitrogen and oxygen will be supplied to the Sadara complex and, after a bidding process, NIGC (National Industrial Gas Company) was selected as the chosen supplier. NIGC has six existing plants in place within the Jubail I complex and will augment this capability with an additional Air Separation Unit (ASU).

Lime will be required for Flue Gas Treatment. Solid waste from the site will need to be treated by a third party. The Project will develop the suppliers of these requirements in due course.

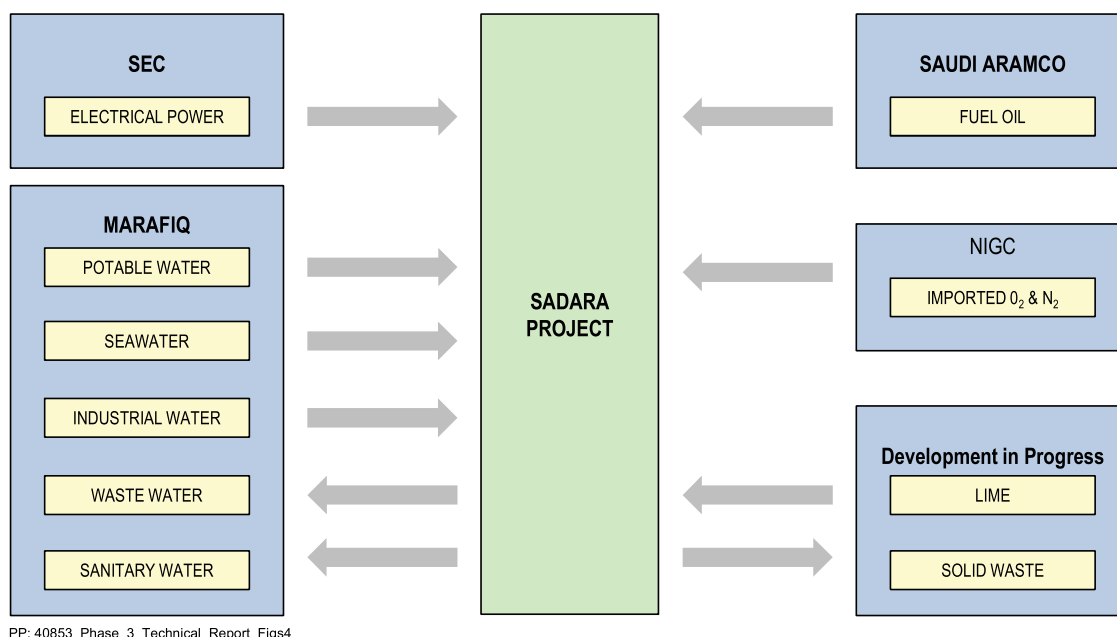


Figure 1.5 Third Party Utilities Supply Interface

1 - 6 - 5 Logistics and Product Export

The project will be producing on the order of 2.8 million tons of product per year; 1.5 million tons of the annual production will be in liquid form, while 1.3 million tons will be in solid form. Nexant highlights that the volumes of products to be exported from the project are significant.

At start up, 13 percent of the products from the Project will serve local customers, with 2.5 percent being supplied by pipeline and the remainder by truck to local customers in Saudi Arabia.

87 percent of the products will then be supplied into wider export markets. To facilitate this, a railway connection is being planned to connect the Sadara site to relevant ports. This will involve new rail line being laid and agreements are now being negotiated with Saudi Rail to implement this. The timing for the rail link to be operational is not defined but it is unlikely to be in place by the time Sadara commences commercial operation. Truck will therefore be used as the initial primary logistics option although this is very much less desirable than the rail approach.

The existing King Fahd Industrial Port (KFIP) in Jubail will serve as the main outlet to export liquid products by liquid vessels. The Royal Commission has allocated land to Sadara at the KFIP port for the storage of liquids products in tanks before being exported. For these storage and operations for liquid products, the facilities at the port will be owned and operated by a new joint venture port operations company, Jubail Chemical Storage and Services Company (JCSSC). Sadara has signed a MOU and an interim Tanks Storage and Services Agreement (ITSSA) with JCSSC and negotiations are progressing on the final documents.

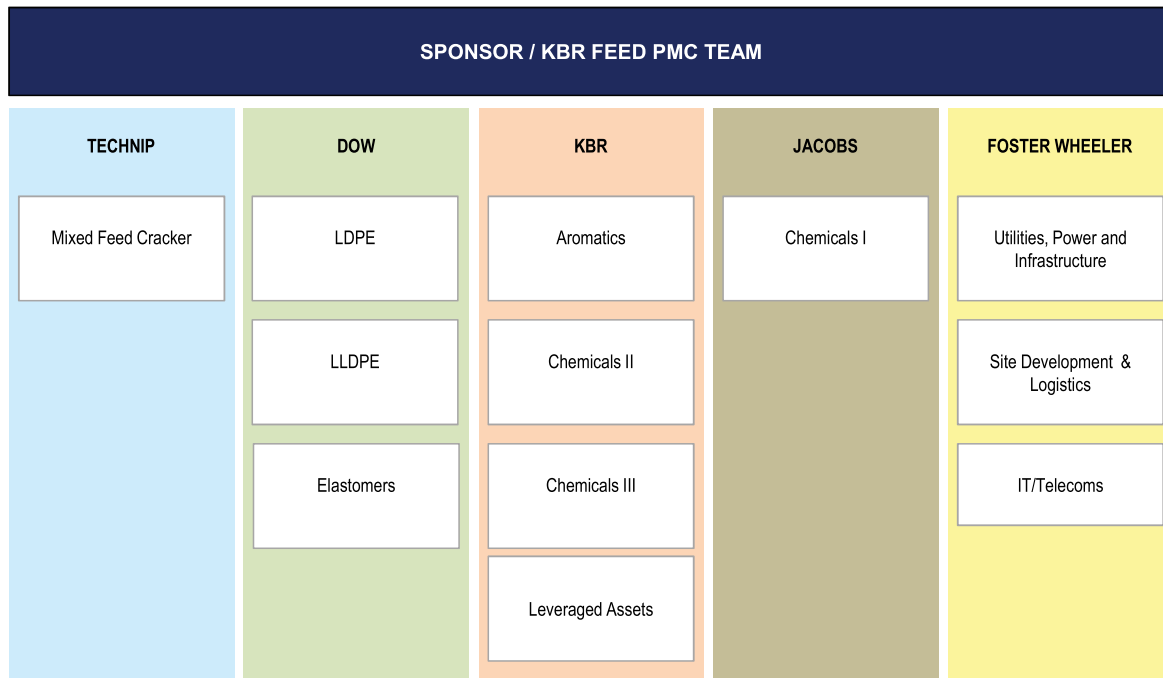
Solid products will be bagged, palletised, and put into containers in bag or bulk form. All solids, along with liquid products in drums, or ISO containers, will mainly be exported using the Jubail Commercial Port (JCP).

1 - 7 PROJECT IMPLEMENTATION PLAN

Sadara will be the largest grassroots petrochemical project to be implemented to date with 27 process units to be engineered, procured and constructed. Due to the scale of the project it is currently anticipated that the Project will be executed via 49 discrete Engineering, Procurement and Construction (EPC) contracts which Nexant notes is unprecedented for a petrochemicals project. The contractor selection process is well advanced and it is expected that the award of EPC packages will be completed in early 2013.

FEED work for the Sadara complex started in 2009 and was completed at the end of 2011 for the entire complex at a cost of US\$1.41 billion.

Due to the scale of the project, FEED activity was undertaken by four leading engineering contractors with DOW, the technology licensor for LDPE, LLDPE and Elastomers undertaking FEED work for those units. The responsibilities of each of the engineering contractors are presented below:



PP: 40853_Phase_3_Technical_Report_Figs5

Figure 1.6 FEED Package Responsibilities

The Project will employ a mix of the following types of EPC contracts namely:

- Lump-Sum Turn Key (“LSTK”), and
- Reimbursable Engineering, Procurement, Construction Management services (“EPCm”) plus Lump-Sum Procure Build (“LSPB”).

A summary of the EPC packages, and associated EPC contract type, currently envisaged for the Project are shown in the following figure. At present, a total of 49 EPC packages have been considered; 19 EPC packages for main complex process related scope, with the remaining EPC packages dedicated for Utilities, Power & Infrastructure (UPI) and Site Development & Logistics (SDL) scope of work items and other common project assets.

A formal process was implemented by Sadara to select contractors, taking into account factors such as familiarity with the technology, experience in the region, capacity, and contracting basis. The process adopted by the Sadara Project consists of several filter stages that ultimately spread the work across the qualified bidders.

Based on the current plan for the issue and award of the EPC packages, the majority of these packages would be awarded by the end of 2012. At this time, over 96 percent⁵ of the value of the EPC packages is envisaged to be defined. Nexant has reviewed EPC contracts accounting for 86 percent of the expected value of the EPC packages.

⁵ Packages with undefined award dates are assumed not to have been issued before end 2012.

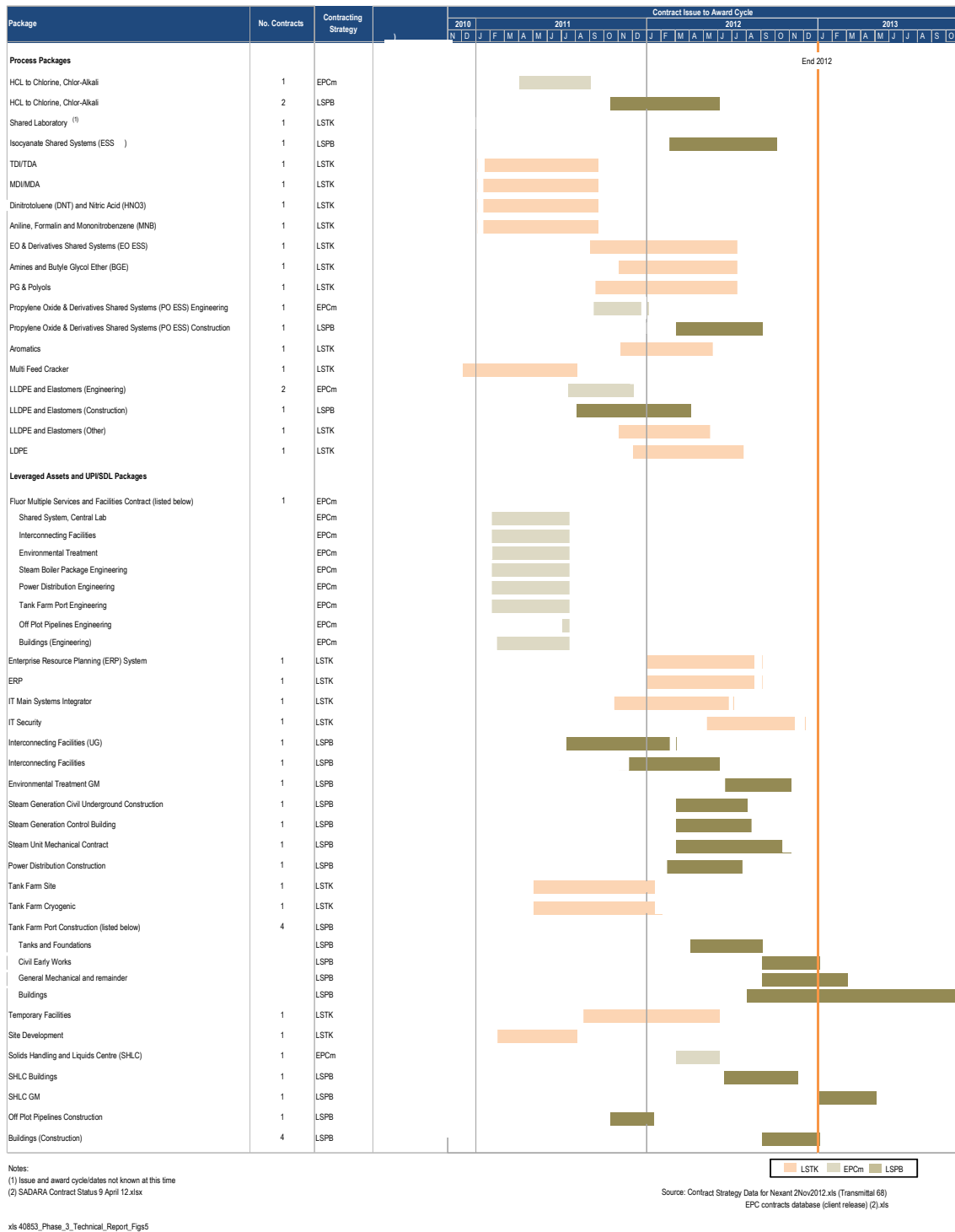


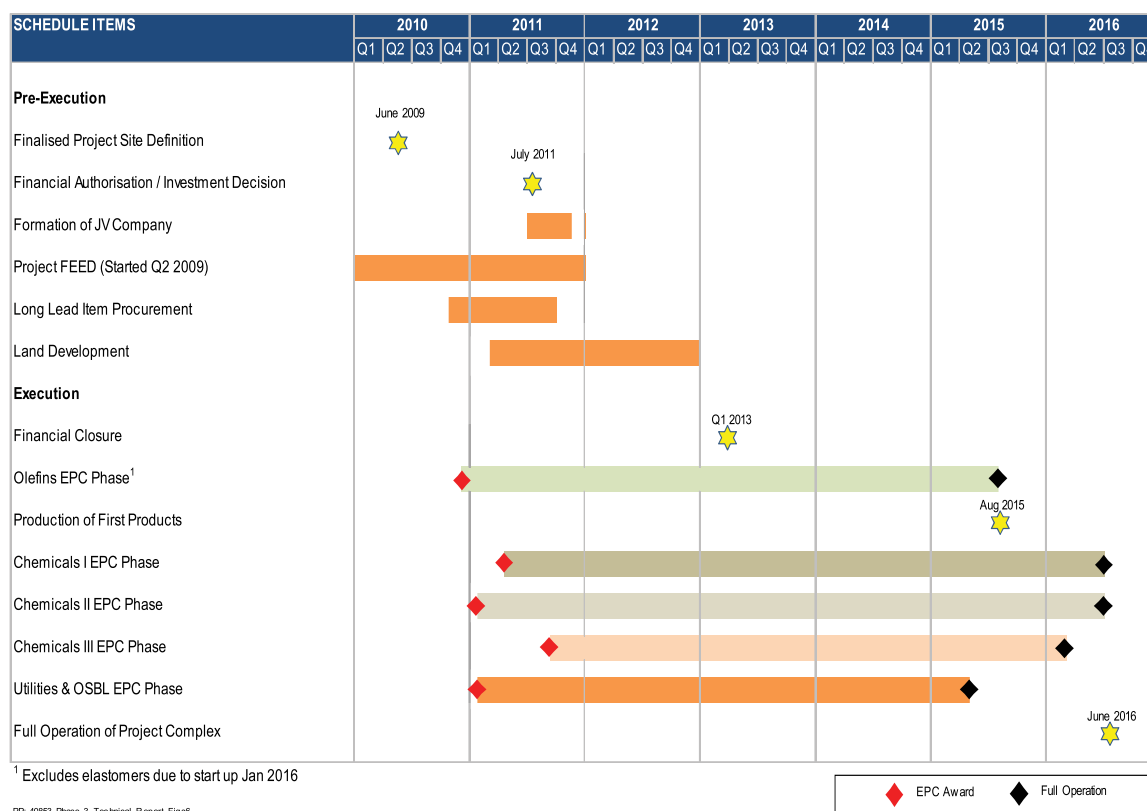
Figure 1.7 Sadara EPC Packages

1 - 8 PROJECT SCHEDULE

The figure below illustrates the Project Schedule, providing the key steps for the various phases of the Project implementation. The activities are grouped into two main categories; the Pre Execution Phase and the Execution Phase.

Figure 1.8 Project Schedule

(Status November 2012)



Nexant notes the following with respect to the Project Schedule:

- Following board approvals on July 25th 2011, the Sadara company was formed on 28th November 2011.
- The Project completed its Project FEED stage in December 2011.
- The EPC bidding process is very far advanced, with 100 percent of the total 49 contracts issued and 31 awarded and received by Nexant. Nexant highlights the fact that these 31 awarded contracts represent 87.9 percent of the estimated EPC contract cost adjusted for the value of awarded contracts. Based on the plan for award of the remaining EPC packages, around 96 percent of the total estimated EPC contract costs will be covered by a signed contract by the end of 2012.
- Land Development refers to activities such as site preparation. Work required will be based on a geotechnical survey. The land development is scheduled to be completed by the end of 2012.
- Long Lead Equipment Procurement refers to the early issue of purchase orders (PO) for equipment items such as compressors and reactors. Sponsors initiated the start of this activity prior to the commencement of the EPC process in order to shorten the overall Project schedule. All Equipment identified as Long Lead has been ordered as needed to meet the project Schedule.
- The total EPC phase of the Project spans a period of five years, with full commercial operation of the Project planned for June 2016. This extended timeframe, compared to other projects that have been implemented, reflects the significant scale and complexity involved in a "Giga" project.
- A significant amount of capital has been required to fund the Project up until the end of 2012.
- Full operation of the Project complex, projected for June 2016, marks the completion of the start-up and commissioning of all units. A following period of one year is estimated to allow for the stabilisation of all operations prior to the preliminary targeted start date for the Creditors' Reliability Test (CRT) in the second quarter of 2017. Once the CRT has been successfully passed, and certain other conditions have been satisfied, the Project will achieve Completion.⁶

Nexant notes that these schedules and milestones is dependent on achieving Mechanical Completion (defined as the point when all facilities are installed and complete) in each agreed EPC contract and subsequent planned activities to commencement of full commercial operations.

⁶ Source: "SADARA CRT Proposal 041012.ppt"

Nexant advises that the implementation schedule could be extended or delayed due to the number of discrete EPC contracts and the interfaces involved.

Key success factors for delivering the Project on schedule include:

- Robust project management
- Selection of experienced and well-resourced EPC contractors
- The ability to fund the Project through to financial close
- Continuity from the EPC phase to start up/operation.

1 - 9 PROJECT COST

The current cost estimate for the Project, as advised by the Sponsors and outlined in the Financial Model⁷ is summarised in the table below. The Project Cost excluding financing cost is estimated to be approximately \$17.0 billion. Nexant notes that the estimate includes escalation and costs for Dow technology process licenses.

Nexant notes that:

- The License Fees cost includes the Dow technologies license fees.
- The butanol unit capital cost is not included as part of the Plant and Site EPC cost but is included as investment cost (\$124 million) for Sadara.
- Approximately US\$3.9 billion has been utilised to fund the Project from inception to the end of 2012.
- The Project plans to utilise income generated prior to the financial completion date as a source of equity funding.

1 - 10 OPERATIONS AND MAINTENANCE

1 - 10 - 1 Staffing and Recruitment

The Sponsors have advised that the Sadara manufacturing organisation will employ approximately 2 335 permanent employees. In addition, around 1 000 contractors will be on-site providing maintenance services. Nexant considers the proposed staffing level appropriate for a complex of this scale.

The staffing and recruitment principles as advised by the Sponsors are as follows:

- Hire manufacturing employees through the Project phases based on plant start-up sequence
- Ensure mix of age levels for better long-term stability / manageable attrition.
- Promote cultural diversity.
- Plan for high level of Saudization.
- Recruit the experienced employees as direct hiring from multi-national markets.
- Define outsourcing strategies to promote partnership with community.
- 40 percent experience level short-term.
- Optimise the JV technical services portfolio:
 - Saudi Aramco Engineering Services; Dow Licensors and Technology Centres
 - Third Party Licensors; External Engineering Companies; Local Universities and Institutions.

1 - 10 - 2 Training

Sadara has an aggressive Saudisation plan and therefore has put in place a very comprehensive training programme for its workforce in preparation for the operations of the facilities. As can be seen, there are separate programmes in place for industrial and professional workers, although both consist of extended apprenticeships/internships in conjunction with on-job training. Both programmes have already commenced and have similar timeframes.

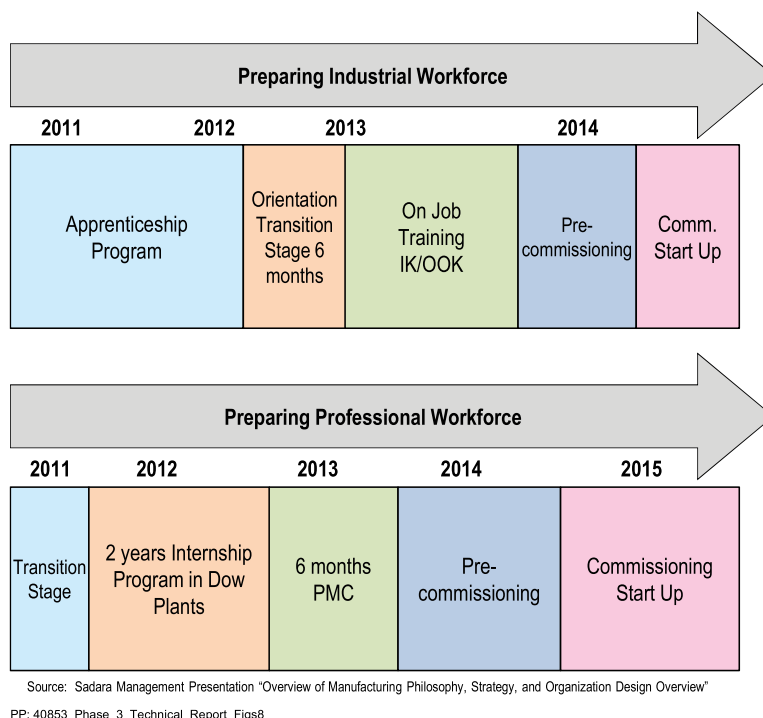
Nexant notes that the Sponsors will be in a unique position of having access to a very large number of manufacturing facilities both in the Kingdom and globally to provide On the Job Training (“OJT”) to the Sadara staff.

Overall, from its review of Sadara’s training plan, Nexant concludes that the Sponsors correctly realize the Project’s dependence on a comprehensive training programme and have outlined a strategy to reflect this.

⁷ Sadara Financial Model 130131.xls

Figure 1.9 Sadara Training Programme

Professional and Industrial Training



1 - 10 - 3 Reliability, Availability, and Maintenance Philosophy

Sadara's aim is to set the benchmark for the industry in respect of reliability, availability and maintainability (RAM) and to ensure that the facility will be able to *"meet production requirements and financial objectives. As such failures are either prevented or predicted and maintenance activities are planned and executed efficiently"*.

Nexant notes that by recognising potential problems early on in the project development Sadara will be well placed to either prevent them from occurring or have solutions to those when the need arises.

1 - 11 CONTRACTS REVIEW

The Sponsors will enter into a number of contracts with third parties, typically:

- Primary Project Agreements
 - EPC Contract (and guarantees)
 - Supply and Off-take Contracts (and commitments)
- Secondary Project Agreements
 - Licence, Catalyst Supply, and Technical Service Agreements (and guarantees)
 - Utilities Agreements
 - Other Infrastructure Agreements
 - Services and Logistics Agreements

Nexant has reviewed the extensive information available on the contracts to 8th November 2012. The project has made considerable progress in securing the required contractual framework for the project. Naturally, the project and associated contracts continue to make progress and there will continue to be developments in this domain.

Sadara is using a mixed contracting strategy, which has resulted in different types of EPC contracts to be implemented for the Project. The Project has third party technology licence agreements in place, while the Dow technology licenses were executed in December 2011. Nexant has reviewed the Dow and third party technology licences, and believes that they are of standard form and provide appropriate terms regarding liquidated damages, training plans, proprietary equipment and catalyst supply, rights to improvements, and other relevant necessities.

All feedstock agreements have now been finalised. A number of other agreements, such as off-take and utilities have also been finalised and others are under development, although Nexant notes that Sadara has already received LOIs and MOUs for a number of those agreements. Nexant does note that there are a significant number of third party interfaces, which could present a potential risk area for the Project. However, Nexant does not consider the status of the Project agreements to be atypical of a Project at the current stage of development and does not ascribe a particular additional risk of delay or cost overrun due to the status of project agreements.

1 - 12 FINANCIAL MODEL

In the Financial Model the Sadara Project is broken down into 47 component parts [“Units”], each with their own mass balances, operating rate and operating costs assumptions.

Nexant has reviewed the principal technical elements contained in the Financial Model⁸, including:

- Project capital expenditure
- Project design rates, balanced capacities and production volumes
- Overall Project material balances
- Maintenance turnaround schedules
- Project operating costs

A range of sensitivity analysis scenarios have also been incorporated into the model to reflect technical sensitivities associated with the project. These are based on Nexant’s technical analysis of events which may adversely impact the project and which have a medium/low probability of occurring.

The sensitivities cover aspects including:

- Short-term reduction in ethane supply
- Long-term reduction in ethane supply
- Reduced operating rate development in start-up phase or reduced capacity of units with a higher comparative risk assessment
- Capex Increase
- Schedule Extension
- Reduction in Operating Rates

Nexant also recognises that Creditors will wish to run commercial sensitivities based on events that may have a very low probability of occurring in order to stress test the Financial Model.

1 - 13 CREDITORS’ RELIABILITY TEST

It is usual for the financial completion of a project to be dependent upon a number of requirements that are defined in the Financial Term Sheet and finalised in project documentation. From a technical perspective a usual pre-condition for financial project completion is passing a standard set of short and long-term Creditors’ Reliability Tests (“CRT”) to demonstrate the ability of the complex, as built, to reliably and continuously operate as designed.

The primary purpose of the CRT is to confirm on behalf of Creditors that the Project is capable of “continuous reliable operation”, which simply stated means that it should reasonably expect to be able to provide long-term operation, in-line with the assumptions in the Financial Model including design specifications, safely and with minimum disruption and down-time (overall and in respect of individual units and support facilities).

As for any similar integrated petrochemical facility the Project consists of several interlinking facilities. In order for the Project to operate reliably it is not only essential that each of these operates reliably on a “stand-alone” basis (as demonstrated by the individual Licensor and EPC performance tests), but also:

- As a single integrated facility, recognising that the Project includes three semi-autonomous envelopes of process plants.
- With all key pieces of equipment (of which there are several thousand) each operating reliably and without failure over a reasonable period.
- With interlinking, third party and support facilities performing to demonstrate reliability and mechanical integrity.
- Products from the complex sold and transported to customers.

⁸ Sadara Financial Model\130131.01.xls

Prior to the CRT the individual plants and sub-complexes will be proven to operate to agreed design performance standards during the EPC/Licensors performance tests.

The format of the CRT combines two main tests: an integrated performance test (an “IP Test”) and a completion, operation and reliability test (a “COR Test”) (together the CRT).

In Nexant’s experience the combination of these two elements of the test, if passed, is sufficient to provide assurance to the Creditors of the satisfactory design, construction, operation and financial performance of the complex.

1 - 13 - 1 Classification of Units

In smaller complexes the reliability test criteria apply to a single unit or to all of a small number of units. In the case of Sadara, the Sponsor is proposing that three envelopes of plants be considered for measurement of the CRT performance. In Nexant’s opinion all of the plants that have been built must be operational during the CRT and their technical performance will be measured by the CRT. The financial purpose of the CRT is to prove that the complex can generate the revenues and incur costs that leave sufficient funds to cover debt service and this may be achieved through a complex test of the entire project and of individual asset class envelopes.

A sub-division of the Project’s process units is proposed with three different envelopes of assets for purposes of testing and completion:

- Envelope 1: Ethylene and Polyethylenes – the Steam Cracker complex and Aromatics complex, Solution PE (2 plants), LDPE, and Elastomers.
- Envelope 2: EO/PO – EO, PO, Polyols, EOA/EAE, BGE, and PG.
- Envelope 3: TDI/PMDI – TDI and PMDI and their intermediate units: Nitric acid, MNB, Aniline, Formalin, DNT, TDA, HCU and chlor-alkali.

1 - 13 - 2 Duration and Performance Criteria

The duration and performance criteria have been agreed by Sadara and the Creditors, through the Creditors’ Technical Work Stream (TWS), including Nexant.

The key elements of the test as proposed by the Sponsor are:

- Date of commencement of first CRT to be notified by Sponsor to Technical and Environmental Consultant 90 days in advance.
- Duration of not less than 60 and not more than 90 days.
- To include a COR test of 60 continuous days.
- To include IP tests on each product envelope.
- No limit to the number of CRT attempts within the allowable window of time between “Ready for CRT” and Guaranteed Completion Date.
- A CRT may be abandoned at the option of Sadara at any time. The date of commencement of subsequent CRT (if any) to be notified in advance.
- Failure to pass the COR test and any of the IP tests during the specified CRT shall result in a failure of the CRT.

1 - 13 - 3 Other Criteria

Additional conditions are to be specified after agreement between the Sponsors and the Creditors’ Technical Workstream including:

- Compliance with environmental regulations.
- Limits to utilities consumption, catalyst and chemicals consumption etc.
- Product supply chain tests.
- Inventory limits of raw materials and final products.
- Plant shutdowns are permitted but no extension to the duration of the COR test shall be granted.
- No performance improving maintenance to be allowed during unplanned shutdowns other than to achieve restart.

In addition to the summary test criteria so far provided, the CRT will specify:

- Consequences of failure defined in the Financial Term Sheet including categorisation of failures and the provision for debt buy-down in the event of minor failure of COR test and CRT test.
- Inspection and confirmation of the test methodologies/criteria by the Technical and Environmental Consultant during the COR and IP.
- On-specification production of products (saleable quality).
- That product exports are made during the CRT.

1 - 14 CONCLUSION

In summary, Nexant has reviewed in this Phase 3 final report the technical status of this Sadara project. The two partners in the venture, Saudi Aramco and Dow, provide between them many of the key success factors associated with strong petrochemical projects, namely competitive feedstock, leading technology, market access, good location and integration with strong infrastructure.

The project is immense in scale, a so-called Giga-scale project, and is the largest petrochemical facility ever to be built as a single project. The sponsors recognise the complexity this represents and have dedicated significant resources to the establishment of the project and for the Front End Engineering Design activities.

Significant progress has been made in technology selection, contractual developments, third party interfaces, project implementation and contracting strategy. With these items now largely concluded, the project is now entering the early phases of construction with considerable construction activity anticipated into 2013.

APPENDIX 6

Executive Summary of Market Report Produced by CMAI

INTRODUCTION

The Dow Chemical Company (**Dow**) and Saudi Arabian Oil Company (“**Saudi Aramco**”), collectively referred to as the “**Project Sponsors**”, have formed a joint venture for the construction, ownership and operation of a world-scale petrochemical complex, known as “**Sadara**” or the “**Project**”. This complex will be located in Jubail, Saudi Arabia.

Sadara will consist of an integrated world scale hydrocarbons and chlorine-based production complex producing approximately 3500 kta of finished chemicals and plastic products.

The Project Sponsors have requested that Chemical Market Associates, Inc. (herein referred to as “CMAI”) perform a product market study. The objective of this study is to assist potential Sadara Lenders with an independent assessment of the main products from the Project, with specific reference to:

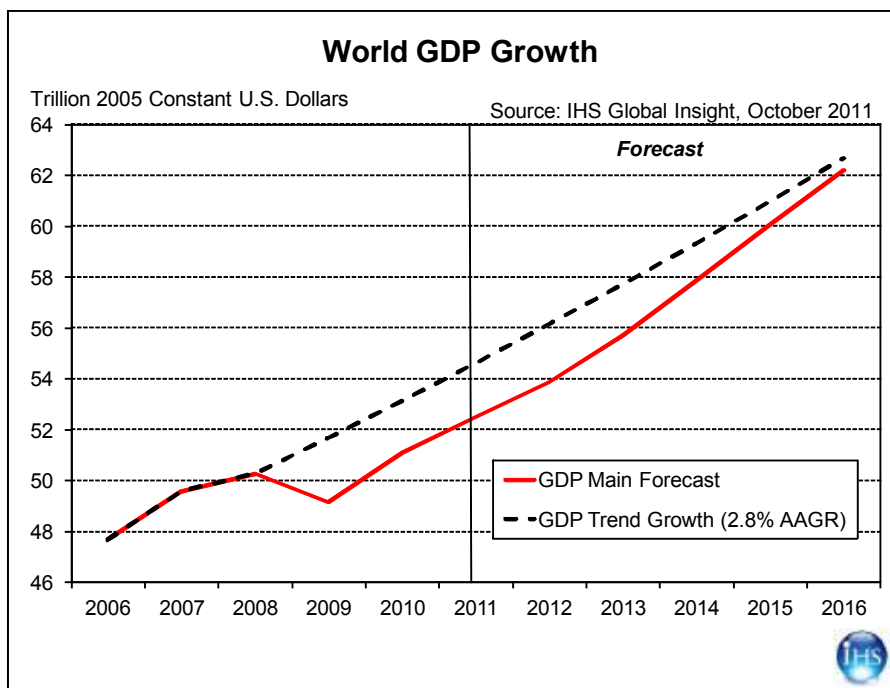
- Global and regional supply/demand for each product
- Technologies for each product
- Capacity and expansion plans for each product
- Forecast price for each product
- Target market review for each product
- Relative competitive position for each product

MACRO-ECONOMIC ASSUMPTIONS

Economic events are important influences in determining the longer-term capital investments and profitability of the chemical and associated industries. Macro-economic activity directly drives demand for chemical end-uses that encompass mostly consumer goods (including packaging), such as appliances, electronics, vehicles and toys; construction or industrial uses as solvents, coatings and fuels. The CMAI (now part of IHS Chemical) model, therefore, utilizes GDP growth to project future demand trends for chemical derivatives and end-use categories via GDP elasticities. Other product-specific variables, including production cost, product maturity, threat of substitution and technological developments among others, also greatly influence demand growth and are taken into account by adjustments to the GDP elasticity over time.

The world economy entered the recovery phase by mid-2009, which initially surprised on the upside, but recovery has been uneven and volatile, particularly in many developed countries. The tsunami and earthquake in Japan as well as the repeated flare-up of the European financial crisis were particularly disruptive to economic growth in 2011. Consequently, above trend growth is not expected to resume until 2014, although should last through 2016.

The previous full world business cycle lasted eight years from peak to peak, that is from 2000 to 2008. World GDP advanced from almost \$40 trillion in 2000 to over \$50 trillion in 2008, when measured in 2005 constant dollar terms, which is an increase of more than \$10 trillion, or average compound rate of 3.0 percent per year. Because of the mildness of the 2001-2002 recession and the fast growth of the developing world, this progress exceeded the long-term historical norm of 2.8 percent by 0.2 percent per year.

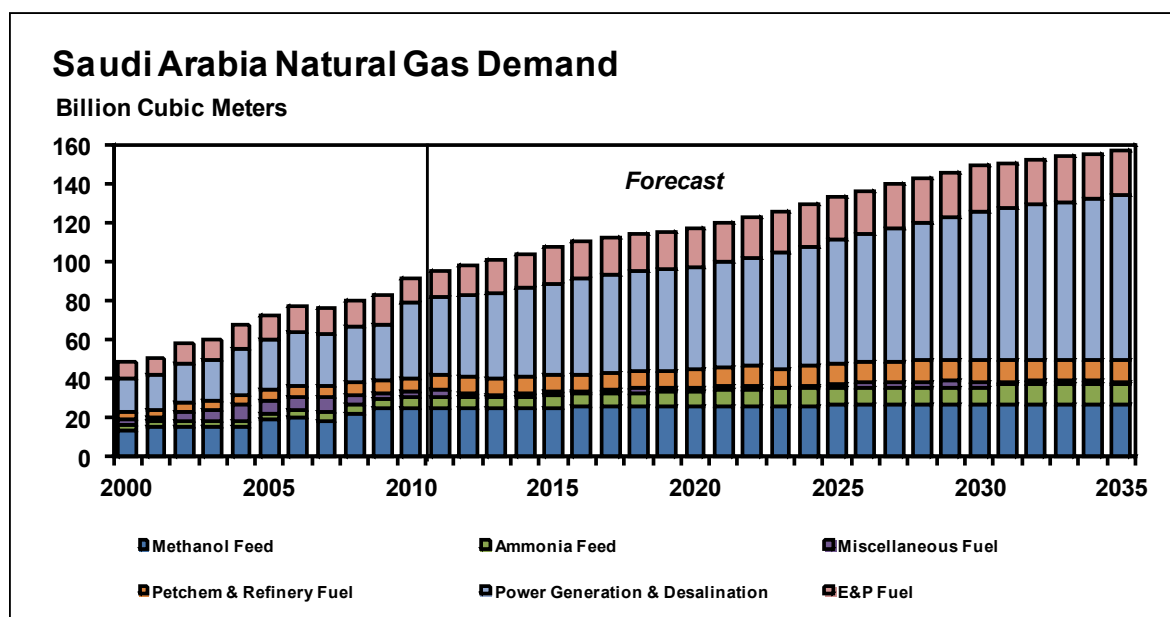


SAUDI ARABIAN FEEDSTOCK VOLUMES AND PRICES

Natural Gas

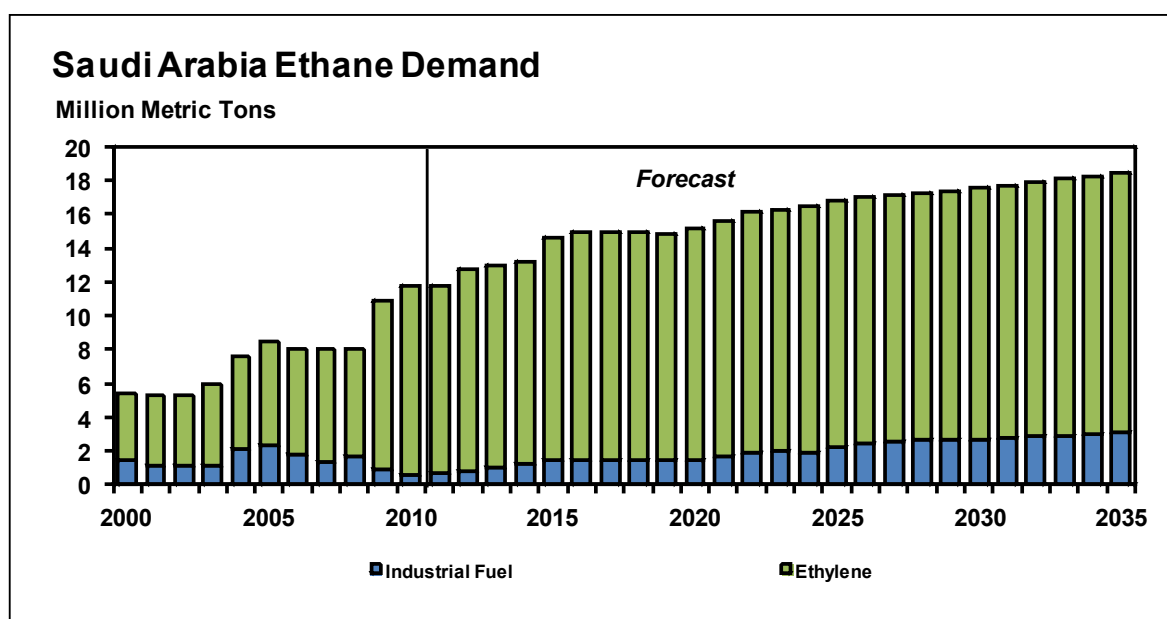
In the past, most natural gas in Saudi Arabia was produced in conjunction with crude oil production. Thus, the outlook for crude oil production is an extremely important factor for natural gas. However, non-associated gas production in the Kingdom is also becoming an increasingly important component of overall supplies.

Natural gas is consumed in Saudi Arabia for a wide variety of end-uses. Natural gas is used as a feedstock for petrochemical processes, including methanol and ammonia. Another large use of natural gas in the Kingdom is as a fuel for petrochemical processes and refineries. The largest use of natural gas is for the production of electrical power and desalination plants. Lastly, natural gas is used in the field in the production of oil and gas. Estimated natural gas consumption in Saudi Arabia is summarized in the following chart.



Ethane

Saudi Arabia's early petrochemical industry was established with ethane as the only ethylene plant feedstock until 1993. As more ethane-based ethylene plants were started up in the Kingdom, ethane demand rose from nearly 2.7 million metric tons per year in 1990 to about 3.9 million metric tons in 2000. Ethane consumption by ethylene plants then rose rapidly as the number of ethane-based ethylene plants proliferated. In 2009, ethane consumption by ethylene plants likely jumped to about 10 million metric tons, for a total increase of nearly 103% during the ten-year period. In addition to ethane consumption as feedstock for ethylene production, ethane is also used as fuel for industrial facilities on the western side of Saudi Arabia. Nonetheless, the supply/demand balance summarized in the following chart is indicative of the general trend. Ethane used as fuel is computed by difference from nameplate ethylene capacities and ethane allocation. It is known that Saudi crackers were provided with more than their official allocation of ethane in the past so future fuel use could be substantially reduced with only small increases in feedstock use. Any ethane availability that develops and is sustained will naturally be utilized in petrochemicals production.



In 2010, ethane consumption by ethylene plants jumped by roughly 1.2 million metric tons in only one year as operating rates of four new ethylene plants approach full plant capacities. Our supply/demand balance implies that total ethane availability is increasing and could possibly increase ethane for fuel use. In reality, ethylene plants will likely have to adjust their feed slates to use less ethane. However, the clear conclusion of the analysis is that the ethane supply/demand balance in Saudi Arabia has tightened.

Beyond 2015, the extremely tight ethane supply/demand balance in Saudi Arabia may ease somewhat. However, future ethane consumption will be highly dependent on the size and feedstocks of future ethylene plants. Similarly, ethane production will be highly dependent on future natural gas production, the ethane content of the gas, and the timely construction of new ethane extraction facilities.

Propane and Butane (LPG)

As is the case with crude oil, Saudi Arabia has historically been the world's largest exporter of propane and butane (LPG). Exports rose to a recent peak of about 12.3 million metric tons of LPG in 2005 and then remained near 11 million metric tons during 2006 to 2008. LPG exports subsequently declined to about 9 million metric tons in 2009 due the downturn in the global economy and corresponding decline in demand for energy. LPG exports have remained around 9 million metric tons per year since 2009. However, exports of LPG from Saudi Arabia are expected to decline further during the next 5 to 10 years as rising domestic demand, primarily as petrochemical feedstocks, more than offsets rising production.

Due to this recent decline in exports, Saudi Arabia has lost its ranking as the largest exporter of LPG in the world to Qatar. Rapidly rising production of natural gas in both Qatar and the United Arab Emirates (UAE) is expected to result in increases in LPG exports from both countries. Nonetheless, Saudi Arabia will remain a major factor in the global LPG market throughout the forecast period.

Natural Gasoline and Naphtha

Saudi Arabia is a large exporter of naphtha. Two grades of naphtha are typically sold. The lighter A-180 is generally directed to naphtha crackers in Asia to produce light olefins. The heavier A-310 is mostly used as a reformer feedstock to produce gasoline or aromatics with some use into olefins crackers designed for heavier feeds. Saudi Arabian export statistics for naphtha includes naphtha from processing crude oil and condensate in refineries and fractionators as well as natural gasoline. The various terms natural gasoline, pentanes-plus, naphtha, and condensate are often used interchangeably. However, the sources of these products and the end-uses for each product are often very distinctive.

In the strict sense, condensates are mixtures of hydrocarbons that exist in a gaseous state in underground reservoirs. Thus, the term “condensate” is often used to describe a variety of light petroleum commodities that range from natural gas liquids (ethane through natural gasoline) to light crude oil. Purvin & Gertz uses the term “light condensate” to describe material with an API gravity of 50° or greater. These condensates are generally kept segregated and move in world trade. Heavy condensates with lower API gravity are more easily blended with crude oil and are often commingled with crude oil and marketed as such.

Natural gasoline is produced from the processing of natural gas. It has very different characteristics than most light condensates in that natural gasoline consists primarily of pentanes and is therefore generally much lighter (80° API or higher) and requires no fractionation prior to blending into finished motor gasoline. Natural gasoline typically meets gasoline distillation specifications, whereas other condensates generally have a heavier kerosene/gasoil fraction. Furthermore, natural gasoline is often a fairly paraffinic material that makes an excellent ethylene plant feedstock.

Natural gasoline production in Saudi Arabia peaked in 2002 at nearly 8.9 million metric tons per year and fell to about 6.4 million metric tons in 2006. Production subsequently rose to 8.2 million metric tons in 2011. As natural gas production increases in the Kingdom, natural gasoline production will also increase, rising to about 9 million metric tons per year in 2020. By 2035, natural gasoline production should reach about 14 million metric tons per year.

Domestic consumption of natural gasoline in Saudi Arabia is primarily limited to its use as a feedstock for ethylene plants in the Kingdom as well as aromatics production in the Kingdom. At the beginning of the decade, only two ethylene plants utilized natural gasoline as a feedstock. These plants also have the capability to crack ethane, propane and butane. In 2000, the ChevronPhillips plant at Al Jubail started up with natural gasoline as its primary feedstock. Feedstock consumption during this period rose from about 1.9 million metric tons per year in 2000 to 3.6 million metric tons in 2011 and is expected to reach 4.3 million metric tons in 2012. When it is started up, the PetroRabigh II ethylene plant will increase naphtha consumption in the Kingdom. Additionally, one additional cracker is planned that will use natural gasoline as one of their feedstocks (the Sadara facility will use naphtha as its primary feedstock) and it is expected that other facilities will be expanded or added to meet growing demand. Demand for natural gasoline as a feedstock for ethylene production is expected to hit 7.9 million metric tons by 2025.

Naphtha is produced in the refineries from crude oil and condensate, principally straight from crude oil but also as a product from VGO hydrocrackers. For a given crude slate, the naphtha yield can vary considerably depending on fractionator cut point flexibility and hydrocracker yield flexibility. Purvin & Gertz estimates the net yield of refinery and condensate naphtha based on the overall configuration and projected crude runs. The historical yields are based on data available from Saudi Aramco and the forecast takes into account new refineries and configuration changes. This estimate represents the quantity of naphtha in excess of the refinery reformers that can be blended into gasoline or exported or alternatively, shifted into other refinery streams such as kerosene. Purvin & Gertz uses the IEA estimates of Saudi Arabian naphtha exports and the natural gasoline balances to back calculate the amount of excess naphtha that is used in gasoline blending or shifted to other products.

The forecast of ethylene feedstock demand and exports of natural gasoline and naphtha is provided in the table below. Because of the growth in refinery capacity and crude runs, naphtha exports will be well above the Sadara demand for naphtha as a petrochemical feedstock. Therefore, it is expected that naphtha supplies will be readily available for Sadara.

Natural Gasoline and Naphtha - Feedstock Demand and Exports (Thousand Tonnes)											
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2025
Ethylene Feedstock Demand											
Natural Gasoline	3,566	4,263	4,590	4,562	4,616	3,730	3,788	3,919	3,866	3,919	5,997
Naphtha (Sadara)						1,935	1,935	1,935	1,935	1,935	1,935
Total Feedstock Demand	3,566	4,263	4,590	4,562	4,616	5,664	5,723	5,853	5,800	5,853	7,932
Exports											
Natural Gasoline	4,458	3,886	3,485	3,617	3,652	2,642	2,664	2,646	2,903	3,044	2,620
Refinery Naphtha	2,266	2,963	3,041	6,443	8,885	9,483	9,985	10,174	10,054	10,078	10,225
Total Exports	6,724	6,849	6,525	10,060	12,537	12,125	12,649	12,820	12,958	13,123	12,844

Feedstock Price Forecasts

The Sadara project will rely on a variety of domestically-supplied feedstocks and will produce a broad range of petrochemical products. Petroleum-related prices for feedstocks and intermediate streams associated with the Sadara project are provided in the tables in the Appendix, in both current and constant dollars. The assumptions and methodology used in this analysis are described within the report.

SADARA PETROCHEMICAL PRODUCTS SUPPLY & DEMAND FORECASTS

The Sadara planned petrochemical products and the intended volumes available for sale are shown below:

Products	Volume Available for Sale (KTA)
Polyethylene (LLDPE)	750*
Polyethylene (LDPE Wire & Cable)	350
Polyolefin Elastomers	220
Amines (EOA/EAE)	205
Monopropylene Glycol	75
Polyether Polyols	430
Butyl Glycol Ether	210
MDI	400
TDI	200

* Two plants 375 kta each with one dedicated for octene LLDPE.

For each of the products listed, the supply and demand balances have been analysed for the period 2000-2035 on a global basis and for the following regions:

- Northeast Asia (NEA)
- Southeast Asia (SEA)
- Middle East (MDE)
- Africa (AFR)
- Indian Subcontinent (ISC)
- North America (NAM)
- South America (SAM)
- Western Europe (WEP)
- Central Europe (CEP)
- Commonwealth of Independent States/Former Soviet Union (CIS/FSU)

The balances contain capacity, production, operating rates, demand and net regional trade. Forecast demand is based on the economic drivers discussed earlier.

The table below is a summary of the analysis that shows how the global market size in 2011 grows to 2030 years

and how that compares with the forecasted capacity additions required to meet that demand growth. The volume requirement of the major net importing regions in 2030 is also listed.

For the Sadara petrochemical products, we believe that introduction of the **majority** of these materials can be done relatively seamlessly without disrupting market dynamics, since the size of the capacity increment planned for the project is both modest and manageable versus both aggregate size of the market in 2016 and the anticipated market growth after startup.

For glycol ethers, the proposed capacity addition is a substantial proportion of 13 percent of the aggregate size of the market in 2016 and of over 20 percent of the anticipated market growth after startup. Sadara's cost position should ensure that sales are competitive in the export markets and should an oversupply situation arises, this would force higher cost producers to reduce production to balance the market.

Sadara Complex - Product Market Study Summary						
Product	Global Market Size 2011 (KTA)	Global Market 2011-2030 AAGR	Global Market Size 2030 (KTA)	New Global Capacity Required 2011-2030 (KTA)	Sadara Capacity (% of Capacity Required)	Major Net Importing Regions 2030 (KTA)
LLDPE	22,791	4.2%	49,804	29,458	2.6%	WEP (1600), ISC (1032), NEA (8051)
LDPE	16,991	2.4%	26,735	11,174	3.1%	AFR (619), CEP (329), NEA (4212)
Polyolefin Elastomers	985	6.1%	2,949	2,195	10.0%	WEP (359), ISC (262), NEA (356)
Ethanolamines	1,555	4.0%	3,273	1,925	6.3%	WEP (232), ISC (28), NEA (268)
Ethylenediamines	263	4.5%	612	429	10.5%	WEP (21), ISC (33), NEA (25), SEA (62)
Propylene Glycols	1,667	2.6%	2,738	1,270	5.9%	CEP (31), ISC (38), NEA (59)
Polyether Polyols	5,700	2.9%	9,824	4,959	6.7%	SAM (204), NEA (384), AFR (258), ISC (89)
Glycol Ethers	1,335	2.8%	2,241	913	23.0%	SAM (29), WEP (55), NEA (332)
MDI	4,624	4.5%	10,720	7,310	5.5%	SAM (312), ISC (458), SEA (295)
TDI	1,826	4.1%	3,952	2,442	8.2%	AFR (246), ISC (125), SEA (184)

SADARA MARKETING REVIEW

The overview of marketing arrangements for Sadara products have been provided to CMAI. The Sadara marketing agreements state that Sadara will have the exclusive right to market intermediate or final derivative products to customers within a defined Middle East Zone provided that the products are used or consumed there. The Middle East Zone is defined as Saudi Arabia, Iraq, Lebanon, Syria, Jordan, Egypt, Palestine and Iran.

Dow and Saudi Aramco each have the exclusive right and obligation to market 50 percent of the remaining products that Sadara does not market, and to do so only outside the Middle East Zone. However, Saudi Aramco has assigned its rights and obligations to market its 50 percent share for a specified period to Dow, under Product Marketing and Lifting Agreements (PMLAs).

- The information provided to CMAI states that under the PMLA for each product family, Sadara has appointed Dow as the exclusive marketer for all Sadara products for sale outside the Middle East Zone. The PMLA exclusivity continues until the Saudi Aramco Marketing Commencement Date, which differs by-product family, and occurs a specified period after the start-up of the relevant Sadara manufacturing facility.

As such, Sadara is not a stand-alone entity and Dow can leverage its existing market position, expertise, customers and marketing organisation to sell Sadara products. The final monomer and aromatics derivative products are covered by the longer periods which is to be expected given the proprietary technology and sales expertise that Dow brings to the JV is mainly within these derivatives.

CMAI understands that Dow also has a right to put its shares in Sadara, to Saudi Aramco, in certain circumstances. As a consequence of the exercise of such right, the PMLAs as well as the Technical Services Agreements (TSAs) and the non-proprietary Catalyst Supply Agreements (CSAs) would be terminated. Whilst an alternative marketer could always be found, it is highly unlikely that a new marketer would be as experienced in all the products. Naturally, finding an experienced and competent marketer for the more commoditised products (LDPE, LLDPE) is likely to be fairly straightforward. However, finding competent marketer(s) for the other more specialized products, especially the elastomers, would not be as easy a task. Aramco plans to build up its own experience in sales and marketing the products through training by Dow. However the termination of TSAs and CSAs would clearly limit Sadara's ability to improve plant yields, product-quality, production creep and any other improvements to the licensed technology.

For the sales plan, Sadara have collected the global regions into the following groups:

- EMEA: Europe, Middle East, Africa
- NAA: North America
- LAA: South America
- PAC: Northeast Asia, Indian Subcontinent and Southeast Asia

Note: Dow use the terms “North Asia” and “South Asia” for the countries that CMAI groups as Northeast Asia and the Indian Subcontinent respectively.

As already stated, for the Sadara petrochemical products, we believe that introduction of the **majority** of these materials can be done relatively seamlessly without disrupting market dynamics, since the size of the capacity increment planned for the project is both modest and manageable versus both aggregate size of the market in 2016 and the anticipated market growth after startup. For glycol ethers, Sadara’s cost position should ensure that sales are competitive in the export markets and should an oversupply situation arises, this would force higher cost producers to reduce production to balance the market.

Sadara has been developed primarily as an export facility given the small local demand for its products. The initial Sadara regional sales plan will target primarily geographic regions that have a significant volumes of net import requirements. In those targeted--regions that are net importing regions, Dow is the leader or one of the top global producers in all Sadara products except TDI (note that TDI end-use customers and applications are similar to MDI so this should not be an issue for concern). For sales into these targeted geographic regions, Dow can leverage its existing market position in those regions and take advantage of pre-existing supply chain assets and capabilities it has developed. The sales margins achieved in the targeted regions will need to be closely monitored and optimized.

An abridged form of the Sadara financial model has been provided to CMAI. This shows the change in target markets over the first ten years of operation from the initial distribution (that has been reviewed above) in Q1 2016 to a final distribution in 2H 2025.

Under the Financial Model, the final distribution in 2025 shows that the almost all sales are planned to be directed to the Middle East, Indian Subcontinent and Africa regions, and the remainder in Europe and South East Asia. Market placement decisions will be determined by a variety of factors including local demand, customer requirements and relationships as well as the overall needs of the business. The reason for the significant pull-back from Northeast Asia is the increased focus on nearby markets in order to maximize netback value for Sadara. Over time, Sadara production will naturally shift away from the lowest netback markets toward the highest as production is initially sold out and then value improved over time.

The forecasted 2025 **domestic** demand for the Middle East, Indian Subcontinent and Africa regions and the absolute gross level of imports show that for all products except for glycol ethers, the forecasted domestic demand and gross import volumes are large compared with the Sadara nameplate capacity. Therefore the redirection of Sadara products to closer markets when a Northeast Asian manufacturing site is operational should be achievable. For glycol ethers, the Sadara volumes would still need to exported to the Northeast Asian (mainly China), the importing counties of Southeast Asia and European markets.

PETROCHEMICALS PRICE FORECAST

A complete listing of all prices used in this study can be found in the spreadsheets provided with the report. CMAI have provided a base case price forecast based on a base case crude oil price scenario provided by Purvin and Gertz as outlined in the energy section of this report. High and low cases were based on similar methodologies.

Petrochemical prices are impacted by many factors including energy costs, production margins, alternate values, competitive pressures, availability of supply/capacity, demand growth, plant utilization rates, capital investment activity, industry consolidation/fragmentation, political actions, economic conditions and market psychology.

To develop a general price forecast for most petrochemicals, CMAI considers these factors within the framework of a “cost plus margin equals price” approach. Production costs are generated from detailed econometric models of manufacturing facilities throughout the world. Appropriate operating margins are also generated based on forecasts for industry utilization rates and the other factors listed above.

Margins in petrochemicals (in Europe and Asia) are assumed to be independent of the prevailing crude oil price within a reasonable crude oil price band, on a trend line basis. Naphtha based producers are the higher cost producers in many product sectors and it is the requirement for those higher cost naphtha based producers to at least cover their cash costs of production that sets the general level of pricing for many commodity petrochemicals and polymers. Thus, the crude oil price establishes a cost base for most petrochemicals.

Operating margins are forecast based upon judgements of:

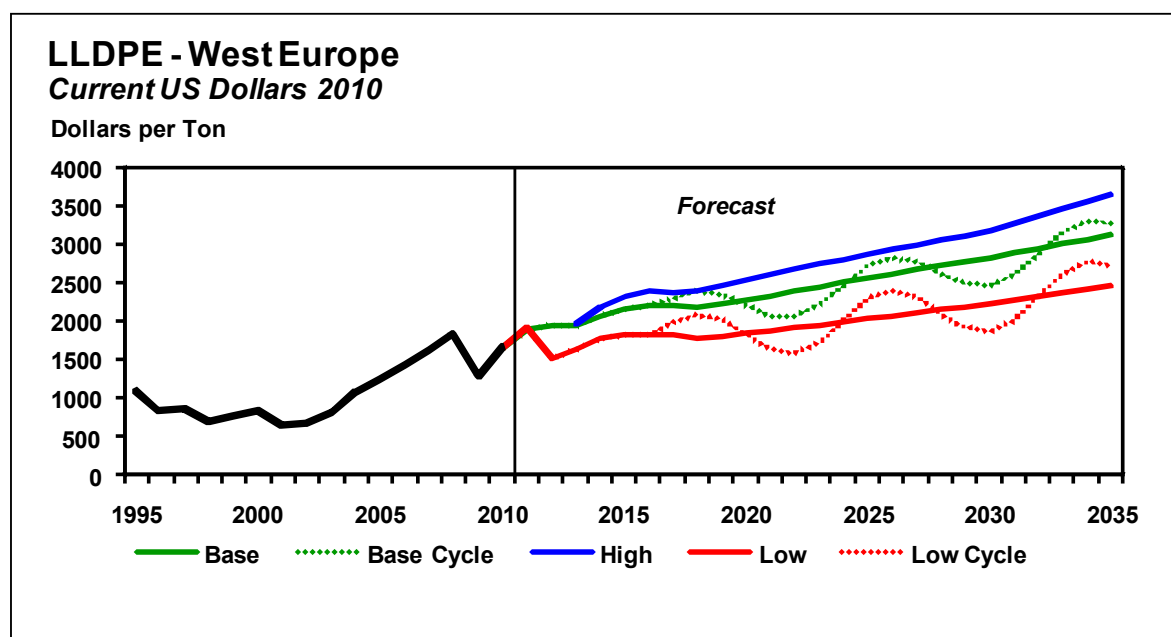
- supply/demand/operating rate
- historic costs and margins
- inter-material interactions
- regional interactions
- experience/technology issues

And therefore, price forecasts are derived from margin forecasts.

To generate a forecast of production costs one must generate a forecast of feedstock cost and, in most cases, these feedstocks are either other petrochemicals or petrochemical feedstocks, such as naphtha, propane and ethane taking into account oil price forecasts and developments such as shale gas. It is necessary to generate a price forecast for ethylene before generating a price forecast for HDPE, but the HDPE supply/demand forecast must be done before ethylene. As a result, some iteration is required.

CMAI's price forecast methodology provides a cycle forecast for one future cycle, generally 5-7 years, and then reverts to a trend forecast for the long-term. Petrochemical business cycles are influenced by periods of over and under-capacity. Since companies seldom make announcements for capacity additions greater than 5 years forward, CMAI includes a cycle forecast, based on the correlation between margin and operating rate, only during the near term forecast. The cycle forecast is followed by a trend forecast based on a margin high enough to provide sufficient return to encourage investment in additional capacity as required to meet demand growth.

As a portion of this study, the clients requested development of cases for both the base and low oil price scenarios where margin cycles would be applied throughout the entire forecast period to 2035. The cycle analysis is limited largely to petrochemicals, because cyclic pricing and margin behavior in refining is far less pronounced than that in the chemicals sector. Thus to develop the cyclic petrochemical cases presented below, CMAI utilized an initial identical underlying petroleum product forecast as was used in the base and low cases. We did however, ask Purvin & Gertz to check these prices against the base and low trend cases for their effect on petroleum products and then this effect (in numeric terms quite small) was included in the final numbers for the petroleum product prices associated with the finalized cases. As per CMAI's "cost plus margin equals price" approach, cyclical margins give rise to cyclical prices. An example is shown below:



In developing the cycle forecast, several assumptions were used which related to cycle duration as well as depth and height of margins. It is vital to note that the cycle cases that were developed are based on the cyclical margin behavior of basic chemicals (olefins, aromatics, and chlorine) in North America, Europe and Asia. CMAI believes that cyclical margins will continue to be predominantly tied to the cyclic behavior of base chemicals themselves and we have therefore modeled the price cycle on this basis.

Cycle duration (e.g. defined from peak to peak or trough to trough), cycle depth and peak height is a function of estimated surplus capacity – largely for ethylene, propylene, benzene, paraxylene, and chlorine. We continue to firmly assert that margins will be a function in the long-term of operating rates. Thus the duration of the cycle is a function of both supply and demand and the aggregate business cycle. CMAI used mathematical relationships to ensure that the cycle forecast presented is a reasonable approximation to the trend forecast presented on an average basis over the length of the forecast. However, it must be emphasized that price and margin behavior can vary from cycle to cycle. For example, whilst analysis of nameplate capacity utilisation suggests a fairly deep trough in 2009 - 2011 as a reaction to the global recession followed by a massive Middle East and Chinese building wave in ethylene, the reality has seen stronger markets due to project delays, largely downstream of steam crackers at the derivative level, resulting in higher effective capacity utilisations than the raw analysis suggests.

We are assuming that cycles get somewhat longer in duration, about 8 years trough to trough or peak to peak in the future. This is in line with experience in the industry. Cycles could, however, be earlier than what we have projected with the market reverting to 6 to 7 year type cycles. We believe that this unlikely due to the continuing globalization of markets through increased trade and commonality of specifications for many polymers and especially materials like Methanol, MEG and even materials like propylene oxide. As a result, we believe the cyclical nature of the industry is likely to move slower than in the 1970's – early 1990's.

Counterbalancing factors over the long-term are that the industry is becoming more integrated (higher percentage of ethylene capacity is held by the big players in the market), but new entrants are also appearing (state owned companies as well as private investors). On a constant \$ basis, we show the cycle to be dampening somewhat in terms of margins which is in line with experience curve effects in the industry.

Finally, as a firm CMAI continues to believe that the trend forecast for the long-term is a better way for investors as well as our clients to judge the financial viability of their business opportunities.

COST COMPETITIVENESS

The competitive cost for the Sadara petrochemical products on a delivered to China coast basis was compared with other major exporting regions and local production. The analysis has been carried out for the year 2016 to reflect the cost competitive environment when the Sadara project starts up.

The delivered cash cost of the products to major markets uses CMAI's proprietary cost-modeling techniques. Factors considered include technology elements of local fixed and variable cost, fixed cost variance due to plant scale and feedstock, and product value adjustment due to integration and location.

Feedstock cost is the most important factor in developing a total cost. **For the cost competitive analysis, CMAI compared production plants on an integrated cash cost basis unless stated otherwise.**

For example, the cash cost of producing polyethylene will take the cash cost of producing ethylene as the feedstock cost to the plant. Similarly ethylene oxide derivatives will take the cash cost of producing ethylene oxide as the feedstock cost. The cash cost of ethylene oxide will take the cash cost of producing ethylene as the feedstock cost to the oxide plant. For propylene oxide derivatives, the cash cost of producing propylene oxide is taken as the feedstock cost. The cash cost of propylene oxide will take the cash cost of producing propylene as the feedstock cost to the oxide plant. The cash cost of producing propylene is taken to be the cash cost of producing light olefins (ethylene + propylene).

Based on the delivered cost charts, we believe that on a delivered cost basis, the Sadara production will be competitive against other global producers exporting to China although some products will have a delivered cash cost higher than that of domestic Chinese production.

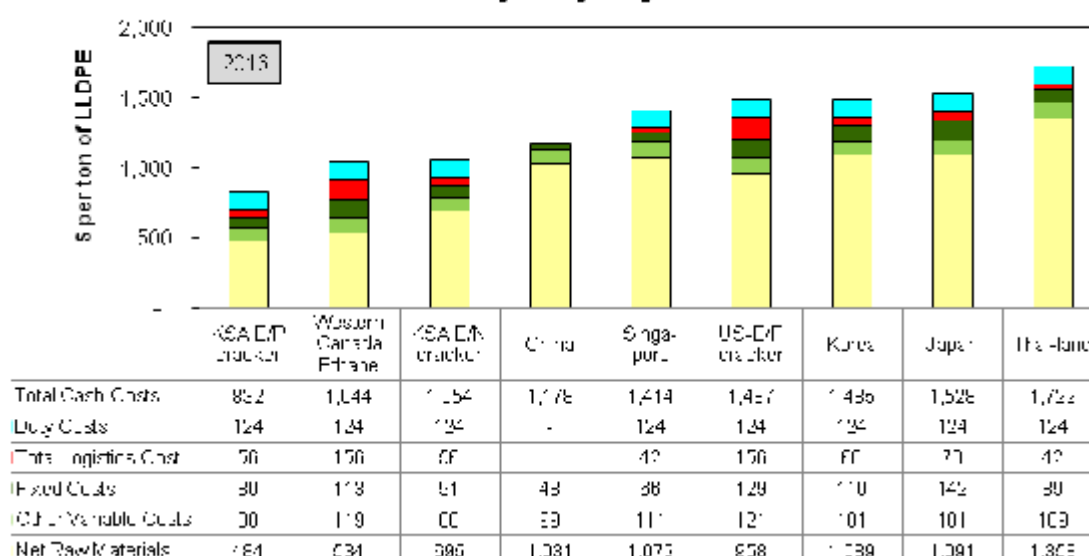
Many of the products use the olefins (ethylene and propylene) produced from the steam cracker as their feedstocks; namely propylene glycol, glycol ethers, LDPE, LLDPE, polyolefin elastomers, polyether polyols,

ethanolamines and ethyleneamines. The production cash cost of the olefins was used as the feedstock cost to these units. The analysis shows that Sadara has production cash cost advantage due to the low cash cost of production of the feedstock olefin compared with producers from other global regions. There are also some variable cost advantages. However other Saudi Arabian producers have a greater feedstock advantage than Sadara as they do not use full-range naphtha feed.

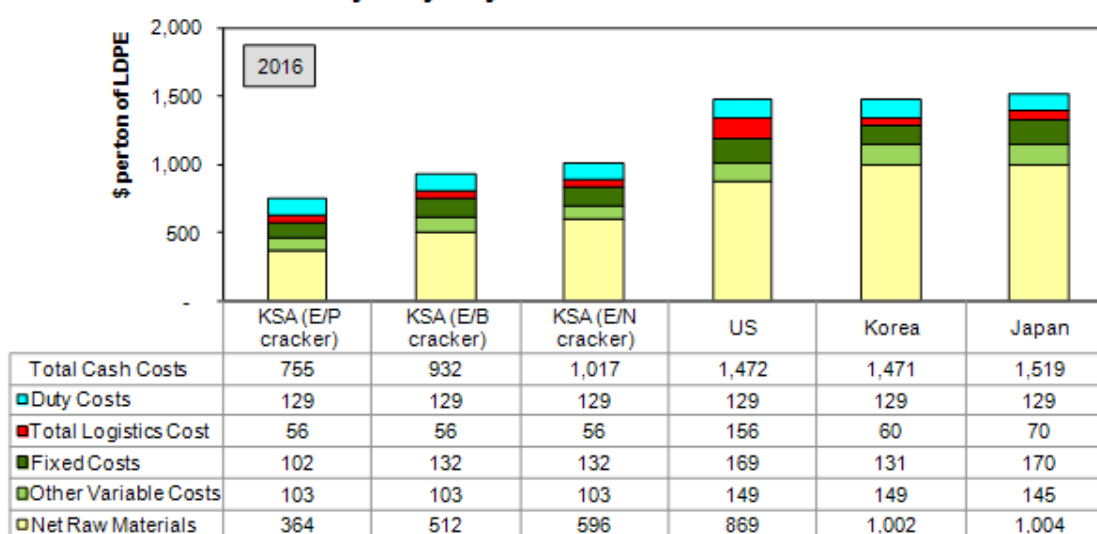
Other products such as MDI and TDI use aromatics feedstocks (benzene and toluene) produced as by-products from the steam cracker. The regional market price for these feedstocks was used as the cost to these units. The analysis shows that Sadara production will be close to local Chinese production for MDI but greater for TDI. However the delivered cost is more competitive than other global producers exporting to China. This is primarily due to the significant variable cost advantage from lower priced utilities. There is also a small feedstock price advantage.

The comparison of delivered cash costs for LDPE and LLDPE was performed for specific producers from major exporting regions. The following charts show the delivered cash cost to China for Sadara LDPE and LLDPE versus these other units.

Linear Low Density Polyethylene Delivered Cost to China



Low Density Polyethylene Delivered Cost to China



Sadara polyethylene production will be competitive against other global producers due to the lower olefin cash costs compared with most of the other producers. However, compared with KSA (50/50 ethane/propane) and KSA (20/80 ethane/butane) producers, Sadara is at a disadvantage as such a significant proportion of the cracker feedstock is full-range naphtha which gives a higher cash cost of ethylene production.

It should be noted that all these producers are at a disadvantage compared with the majority ethane based Middle East producers. The relatively low pricing of ethane in Saudi Arabia and the Middle East, makes it the most lucrative feedstock for ethylene and polyethylene production.

APPENDIX 7

Executive Summary of Insurance Report Produced by JLT Specialty Limited

1 - 1 Insurance Procurement and Completion Guarantees

The Sponsors are proposing to provide Completion Guarantees that will cover debt repayments for the financing should the construction of the project not be completed by a date certain as prescribed in the financing. In addition the Sponsors are to fund all construction cost overruns.

Based on these guarantees, the Sponsors have now agreed the following:

- (a) Construction Phase Insurance – Part 1 of Appendix 1 of Schedule 7 to the Term Sheet sets out the Construction All Risks and Third Party Liability Insurance to be in place for the Construction Phase. Each Senior Financing Participant will be named as an insured on the Third Party Liability insurance. Otherwise, the insurances will not include any terms and conditions to protect Creditors interests.
- (b) Operational Insurances up to Project Completion – there will be a phased handover of the units and the operational insurance will commence from the handover of the first unit. For the period from the commencement of the operational phase insurance cover until Project Completion, Property Damage and Third Party Liability insurance will be in place. During this period, the Creditors will be named as an additional insured on these policies and the normal Creditor insurance endorsements will be included other than (i) Creditors will not be named as loss payee; and (ii) there will be no notice of assignment. This, we have been advised, is consistent with the distinction in the Financing Term Sheet between pre-completion and post-completion regimes for the application of casualty insurance proceeds. There will be no Business Interruption Insurance in place during this period due to the Completion Guarantees in place.
- (c) From Project Completion Date – insurance cover will be in place for Property Damage, Business Interruption and Third Party Liability. These policies will name the Creditors as Principal Insureds and will include all the Creditors' insurance requirements including the loss payee clause and will also be subject to an assignment.

As the Creditors are to be named on the Third Party Liability insurance, the broker for this insurance will be required to provide a broker letter of undertaking. The construction insurance cover is already in place and this is commented on in Sections 2.6 and 6.3 of this Report. Broker letters of undertaking will be provided for all the operational insurance covers.

The Creditors will need to be comfortable with regard to the undertakings that the Sponsors have accepted within the Completion Guarantee to accept this arrangement for the period to Project Completion Date.

1 - 2 Construction Contracts

The Construction Contracts for Project are in the process of being awarded. The Project has advised that there will be 35 Packages. We have been provided with proposed draft wordings for the Construction Contracts. With regard to the insurance cover, the Project will arrange the construction all risks, and third party liability insurance. The marine cargo cover will be arranged by the Contractor.

Through the terms of the EPC Packages, the Project will need to maintain insurance during the construction phase.

1 - 3 Saudi Arabian Insurance Law

In 2004 a new insurance law was enacted in Saudi Arabia. This law largely relates to the establishment of an insurance industry in Saudi Arabia and contains provisions relating to the licensing of local insurance companies. The law has now been implemented with thirty insurance companies now licensed.

The insurance legislation deals with insurance carriers and intermediaries and is largely silent with regard to buyers. The law contains no specific provisions relating to buyers placing their business offshore with non-admitted insurers, and there is uncertainty about the authorities' attitude to non-admitted placements and what action would be taken on discovery of non-admitted placings is not known. Compulsory classes of insurance must be purchased in Saudi Arabia. Any premiums ceded abroad to a non-admitted insurer would be subject to withholding tax of 5%.

Though the insurance regulations do not contain a specific requirement for the insurance to be placed in Saudi Arabia, our experience is that cover is placed locally with reinsurance support from outside Saudi Arabia. If insurance is to be placed offshore rather than locally then a waiver will need to be obtained from the Saudi Arabian Monetary Authority (“SAMA”). Such a waiver has been obtained as discussed in Section 2.4 below. We have commented about the insurance law in more detail in Section 5 of this report.

1 - 4 The Structure of the Project Insurance Programme:

The Project has obtained a waiver from SAMA allowing for the insurance cover to be placed directly into the international insurance market *provided* at least 5% of the risk is offered to the local insurance market in Saudi Arabia. This means that the insurance cover may be placed outside of Saudi Arabia with local insurers participating as a co insurer. No reinsurance cover will be required. We have been advised by the Project that this waiver will apply for the life of the Project.

The Term Sheet includes a requirement for the placing of the insurance cover, which requires the following:

- (a) For the construction phase, 100% of the construction phase insurances must be insured directly with a Permitted Insurer *provided* that no more than 10% of the construction phase insurances are insured with Permitted Insurers in Saudi Arabia.
- (b) For the operational phase, 100% of the operational phase insurances must be insured directly with a Permitted Insurer *provided* that no more than 5% of the operational phase insurances are insured with Permitted Insurers in Saudi Arabia.

A Permitted Insurer is deemed to have a rating of at least A- by S&P or an equivalent rating from AM Best, Moody’s or Fitch. There are now two insurers that have ratings of A- or above from S&P, these being Tawuniya whose rating is A- and The Mediterranean & Gulf Insurance & Reinsurance Company whose rating is A-.

For the Construction All Risks insurance, 4% of the insurance cover has been placed with each of Tawuniya and The Mediterranean & Gulf Insurance & Reinsurance Company. This complies with the requirements of the Term Sheet as 8% is placed with Permitted Insurers in Saudi Arabia and 92% is placed with Permitted Insurers outside of Saudi Arabia.

The Construction Third Party Liability Insurance has been placed in two layers, a primary layer with a limit of USD 10,000,000 and an excess layer of USD 90,000,000 in excess of USD 10,000,000. For the primary layer, Tawuniya and The Mediterranean & Gulf Insurance & Reinsurance Company are each taking 20% and the remaining 60% is placed outside of Saudi Arabia. The excess cover is placed 100% offshore. It is normal insurance market practice for liability cover to be placed in layers. For the construction phase third party liability cover is required with a limit of USD 100,000,000. Though 40% of the primary cover is placed in Saudi Arabia with Permitted Insurers, this represents only 4% of the overall limit of USD 100,000,000. The retention of each of the insurers in Saudi Arabia is a maximum of USD 2,000,000 each and every occurrence. Taking into account that only 4% of the liability cover is placed in Saudi Arabia and the insurers used have a rating that meets the Permitted Insurer requirement, we would consider the liability cover to be placed in compliance with insurance placing requirements detailed in the Term Sheet.

The Project will comply with Saudi Arabian legal requirements applicable to insurance. For mandatory covers such as motor, medical and medical malpractice (clinic employees) the cover will be placed 100% with locally licensed insurers.

The insurance cover may involve the use of the captive insurance companies owned by Saudi Aramco and Dow Chemicals. The Saudi Aramco captive is Stellar Insurance Company (“**Stellar**”), and has a rating of AA - from S&P. For Dow Chemicals, their captive insurance cover is Dorinco Reinsurance, whose rating is A from AM Best. The captive insurance companies would be Permitted Insurers under the definition in the Term Sheet.

The Insurance Market

The insurance market operates on a cyclical basis, with what are known as “hard” and “soft” markets. During 2001 and 2002 the insurance market hardened considerably with insurers seeking large increases in premiums and deductibles and imposing restrictions in cover. In 2003 the market has stabilized and since this date the insurance market has softened with premium rates falling due to improving loss experience and increasing capacity. In 2010 and 2011, a number of natural catastrophe events occurred around the world including the earthquakes in Chile and New Zealand, the floods in Australia and the tsunami in Japan. These events have resulted in significant payments being made by the insurance market. As a result of these events we have seen limits available for natural perils in countries with an exposure to such losses reducing and premium levels for such cover increasing. In areas of the world without a natural perils exposure, such as Saudi Arabia, premium rates have remained similar.

Though premium rates have been falling in recent years, we have seen insurers seeking to maintain the restrictions in cover and the higher deductible levels that were adopted in the last hard market.

1 - 5 Construction Insurance Cover:

A summary of the insurance cover the Project has arranged for the construction phase is provided below. Construction insurance cover has been placed from 1 March 2012 to 30 May 2016 which is the anticipated date when the construction work is completed. When individual facilities achieve issuance of their respective Provisional Acceptance Certificates or in the case of Third Party Projects their Commercial Operations Date, they will each individually transfer to the operational insurance cover.

Type of Coverage	Insured Events	Sum Insured (USD)	Deductible (USD)
Construction and Erection All Risks (“CEAR”)	“All Risks” of Physical Loss or Damage to property owned or the responsibility of the Project whilst under-construction. Excluding Terrorism.	The estimated contract value less non-recurring costs which totals USD 13,023,978,825.	USD 5,000,000 each and every loss reduced to USD 1,000,000 each and every loss for the Third Party Projects.
Third Party Liability	Legal and contractual liability of the Insured Parties for death or bodily injury to third parties or loss or damage to their property arising out of the construction of the Project.	USD 100,000,000 per occurrence other than in respect of claims brought in the USA, Canada or Australia where the limit is USD 90,000,000.	USD 50,000 for third party property damage only.

1 - 5 - 1 Comments on the Construction Insurance Cover:

Construction and Erection All Risks (“CEAR”)

- (a) Sum Insured – the sum insured is USD 13,023,978,825 which we have been advised reflects the estimated **contract value for the construction of the Project less any non-recurring costs. This would be the usual basis** for the sum insured on such a CEAR policy. The sum insured will be adjusted at the end of the construction period based on the actual construction costs. The Construction Insurance Market will provide policies based on the total estimated construction costs; this is not the case with the operational insurance market that will not provide cover for the full property values at risk as discussed in Section 2.7 of this Report.
- (b) Deductible – the maximum deductible is USD 5,000,000 for each and every loss. The maximum deductible would be considered reasonable.
- (c) Defects in Design – the defects in design cover is based on an LEG3 exclusion wording which is the most limited form of exclusion available in the insurance market. This wording provides cover for loss or damage to the defective part but excludes any betterment costs. It should be noted that cover for the defective part only applies if the loss or damage results from an insured peril.

- (d) Goods in Transit – the CEAR cover includes cover for equipment, plant and materials in transit to the site that are sourced within Saudi Arabia with a limit of USD 20,000,000. The transits of equipment sourced from outside of Saudi Arabia will be covered by the marine cargo policy, which is the responsibility of the contractor to arrange.

Third Party Liability:

Sum Insured – the sum insured is USD 100,000,000 per occurrence other than in respect of claims brought in USA, Canada and Australia where the limit is USD 90,000,000 and one occurrence. The third party liability insurance is placed in two layers, a primary layer of USD 10,000,000 and an excess layer of USD 90,000,000 in excess of USD 10,000,000. Some of the primary insurers will not cover claims brought in USA, Canada and Australia. The excess liability insurance drops down to cover claims in excess of the deductible brought in USA, Canada and Australia but only up to its policy limits. We would consider the indemnity limit and the drop down provision to be reasonable.

Deductible – the deductible is USD 50,000 in respect of property damage only and would be considered reasonable.

The Construction insurance cover placed complies with the requirements set out in Part 1 of Appendix 1 to Schedule 7 of the Financing Term Sheet.

1 - 6 Proposed Operational Insurance Cover

Commencing from handover of the first unit, the Project is required to have operational insurance cover as outlined below:

- (a) Property Damage (including machinery breakdown);
- (b) Third Party Liability; and
- (c) Any other insurance as may be required by law.

With effect from Project Completion Date, Business Interruption insurance is to be added to the insurances above. Such insurance is not being arranged earlier due to the Completion Guarantees and Creditors will need to be comfortable with regard to the undertakings that the Sponsors have accepted within the Completion Guarantee to accept this arrangement.

These are the insurance covers that we would expect to see in place during the operational phase. The minimum insurance schedule for the operational phase included as detailed in Appendix 1 to Schedule 7 to the Financing Term Sheet is provided as Appendix A to this report. The insurance required by this schedule would be considered reasonable for a project of this size, nature and location subject to the comments that we have made on the Property Damage and Business Interruption Insurance cover.

A summary of the proposed operational insurance cover is provided below.

Type of Coverage	Insured Events	Sum Insured (USD) ¹	Deductible (USD)
Property Damage	<p>“All Risks” of Physical Loss or Damage to property owned or the responsibility of the Project whilst in operation excluding machinery breakdown.</p> <p>Excluding Terrorism.</p>	A sum insured which as a minimum is based on the Estimated Maximum Loss (EML) per occurrence for the property damage and business interruption.	Not to exceed USD 5,000,000 per occurrence.

¹ NOTE: an Operational Insurance Program that includes Business Interruption Insurance in addition to Property Damage is written based upon a Combined Single Limit.

Type of Coverage	Insured Events	Sum Insured (USD)	Deductible (USD)
Business Interruption	An interruption to the operations of the Project resulting from a loss covered by the Property Damage insurance detailed above.	As per the Property Damage sum insured and the BII Loss Calculation, with a maximum indemnity period of 24 months.	Not more than the first 60 days of any one occurrence.
Third Party Liability	Legal and contractual liability of the Insured Parties for death or bodily injury to third parties or loss or damage to their property arising out of the operation of the Project.	Not less than USD 100,000,000 for any one occurrence or series of occurrences arising from any one event but in the aggregate for products liability and sudden and accidental pollution.	Not to exceed USD 1,000,000 per occurrence.

Before making comments on the proposed operational insurance cover, with regard to the Property Damage and Business Interruption insurance, there is an issue that needs to be considered due to the size of the Project and capacity available in the insurance market. Taking into account the value of the construction work, which is in excess of USD 13,000,000,000 and the additional sum insured for the business interruption cover, there will not be sufficient capacity in the insurance market to arrange cover for the full sums insured. The operational insurance market will only be able to provide cover with a loss limit for a single combined property damage and business interruption loss. Our view is that in the current insurance market, for operational insurance cover the maximum capacity will be in the region of USD 3,000,000,000 to USD 3,500,000,000 from insurers who have ratings that comply with the Permitted Insurer ratings in the Term Sheet.

The amount to be insured for the Property Damage cover will need to as a minimum be based on the Estimated Maximum Loss ("EML"), which Aon has currently assessed to be USD 1,820,000,000. The period of interruption following such a loss is anticipated to be 36 months. Assuming a full property damage loss, this would potentially leave up to USD 1,680,000,000 of capacity available to cover the business interruption loss. The amounts for the business interruption sum insured have still to be finalised, but is fair to assume that USD 1,680,000,000 would not be sufficient to cover the potential business interruption sum insured for a 36 month interruption period. Therefore it should be noted that the Project will only be able to insure up to the available market capacity and that this will not be sufficient to cover the business interruption loss following an estimated maximum loss scenario.

Based on a recent financial model, Greengate, has stated that for a 12 month scenario:

- (a) Combined Principal and Interest is USD 1,300,000,000 on average with a maximum of USD 1,570,000,000
- (b) Fixed O&M costs are USD 1,000,000,000 on average
- (c) For a 24 month scenario:
- (d) Combined Principal and Interest is USD 2,600,000,000 on average with a maximum of USD 3,100,000,000
- (e) Fixed O&M costs are USD 2,000,000,000 on average

This would therefore produce a sum insured based on the average amounts of USD 2,300,000,000 for a 12 month indemnity period and USD 4,600,000,000 for a 24 month indemnity period.

This means that should the maximum loss event occur, this would potentially only allow a business interruption loss to be insured for 8.75 months based on the sums insured above.

Based on the above, we note that Sadara is not willing to purchase 36 months cover as there would not be sufficient capacity in the insurance market to cover a loss of this magnitude. This is, in our view, a reasonable position as the 12 month business interruption sum insured would on average be USD 2,300,000,000 per annum. When added to the property damage estimated maximum loss of USD 1,820,000,000 this produces a potential loss payment of USD 4,120,000,000 which is well in excess of current insurance market capacity.

What has been agreed is that the Property Damage and Business Interruption insurance will be placed with a

combined single limit that will take account of the property damage estimated maximum loss and the business interruption values subject to the market capacity available. The indemnity period for the business interruption cover will be a maximum period of 24 months. The maximum that could be claimed for a business interruption loss will be the combined single limit less the property damage loss up to a maximum indemnity period of 24 months. For example, assuming a loss limit of USD 3,500,000,000 if an EML property damage loss occurred, the property damage element would be USD 1,820,000,000 and this would leave USD 1,680,000,000 for the business interruption loss. If the property damage loss was only USD 8,000,000,000 then USD 2,700,000,000 could be claimed for the business interruption loss. We would consider this approach to be reasonable and to seek to provide a reasonable indemnity period taking into account the market capacity constraints.

The insurance market capacity will vary to a certain extent over the period of the loan, and within paragraph 6.2 of Schedule 7 to the Term Sheet a mechanism has been included to review the market capacity annually to ensure that the combined single limit continues to reflect market capacity.

1 - 6 - 1 Comments on the Operational Insurance Cover

Property Damage

- (a) Property Insured – it is the intention that a site wide insurance policy will be arranged, which will include cover for loss or damage to the third party providers premises situated at the Sadara Complex. This is acceptable to us as it will enable the business interruption cover for the Project to be maximised.
- (b) Sum Insured – the sum insured will as discussed above be based on the EML combined for property damage. In the operational insurance market, for a Project of this size, cover is usually written with a loss limit as insurers generally do not provide cover with a limit based on the total value at risk. The total insurable values at risk for this Project are likely to be in excess of USD 13,000,000,000 for property damage with business interruption values to be considered in addition. There is insufficient capacity available in the operational insurance market to obtain cover on a full value basis. Our view is that for a Project of this size, cover will only be able to be placed with a loss limit and with the property damage element being based on an EML. Prior to the operational cover being placed, an EML study will be undertaken and we will review and seek verification from the Creditors' Technical Adviser ("CTA") that the loss scenario and the amount of damage arising from such a loss reflect the estimated maximum loss. Aon as the insurance broker has undertaken an EML assessment for the construction phase, which has produced an EML of USD 1,820,000,000. The business interruption sum insured will need to be added to this to produce the limit any one loss. The EML assessment is discussed in section 3.4 of this Report. Any loss limit will be combined for any one property damage and business interruption loss. The loss limit will be constrained by the market capacity available as we have discussed above.
- (c) Deductible – the maximum deductible proposed is USD 5,000,000 each and every loss. This is in line with the level of maximum deductible that we would consider reasonable for a project of this nature being financed on a non-recourse basis.
- (d) Cover – the Project was originally not proposing to purchase machinery breakdown cover, which would provide protection in respect of sudden and unforeseen breakdown events. This is a cover that we normally see purchased as part of a property damage policy. It has now agreed to obtain this cover subject to it being available on commercially reasonable terms.

Business Interruption

- (a) Cover – it is the intention that a common property damage and business interruption insurance will be arranged for the Sadara Complex. This means that if, for example, there was physical loss or damage to the Cracker and this resulted in interruption to the business of the other units that rely on the Cracker for its feedstock, then the total business interruption loss for all the effected units would be insured.
- (b) Third Party Providers – it is also the intention that the common property damage insurance will include the third party provider's premises at the Sadara Complex. This means that if for example there was physical loss or damage to a third party provider's premises and this resulted in interruption to the operations of the Sadara owned units then the total business interruption loss for the Sadara owned units will be insured up to the full sum insured.

- (c) Sum Insured – the sum insured will be based on the debt service repayments including principal, interest and fees and standing charges. The maximum amount payable for the business interruption loss will be the policy combined single limit less the amount paid for the property damage loss up to a maximum indemnity period of 24 months. It should be noted that if following insured loss or damage to part of the Project, there are other units able to maintain operations, and these units produce sufficient revenue for the debt repayments and fixed costs to be maintained then potentially there will be no claim under business interruption insurance. Our comments above on the sum insured and the capacity in the insurance market should be noted. As discussed, whatever basis for the sum insured is used, there is unlikely to be capacity in the insurance market to pay the full business interruption loss for the period of interruption depending on the size of the property damage loss.
- (d) Deductible – the maximum deductible proposed is the first 60 days of each and every loss. This is in line with the maximum deductible that we would expect to see for a Project of this size and nature.
- (e) Indemnity Period – an indemnity period of a maximum 24 months has been proposed. Aon has commented in their EML assessment that following an EML Loss, the period of interruption could be 36 months. We have also discussed this with the LTA who has commented that in the event of the worst case scenario, being major damage to the Cracker, it could take over 24 months to rebuild the Cracker. As discussed in Section 2.7 of this Report, the business interruption loss calculation for a 12 month period is currently estimated to be USD 2,800,000,000. Taking into account the estimated maximum loss for the property damage cover of USD 1,820,000,000 this would produce a total potential loss of USD 4,620,000,000 if the business interruption period lasted 12 months. This is in excess of the current combined single limit Property Damage – Business Interruption Insurance market capacity. The indemnity period available will therefore be constrained by the amount of capacity in the insurance market. A maximum indemnity period of 24 months is in our view reasonable taking into account the insurance market capacity available. Sukuk Certificateholders should note that it is likely that market capacity constraints will mean that there will be insufficient capacity in the insurance market to pay a business interruption loss of 24 months.
- (f) Supplier's Extension – The Project will be reliant on a number of suppliers both from the third party providers at the Sadara Complex and from outside suppliers. We have discussed this in more detail in Section 3.5.2 of this Report. The Project is not intending to include a supplier's extension to the business interruption insurance cover. Insurance market capacity for such cover is limited and an amount in excess of USD 50,000,000 any one loss is difficult to obtain. Also insurers will generally only cover losses at a supplier's premises resulting from fire, lightning, aircraft and explosion. We have discussed the supplier risks with the CTA who has commented that all the feedstocks could be sourced from a number of suppliers. Based on these comments and the limited cover available for supplier's risk we would consider the Project's proposal not to arrange this insurance cover to be reasonable.
- (g) Customer's Extension – the main customer for the products manufactured at the Sadara Complex will be Dow Chemicals who will in turn sell many of the products to third parties. Our understanding is that the Project will not be reliant on one critical customer and therefore we do not believe that a customer's extension would be necessary on the business interruption insurance.

Third Party Liability:

- (a) Sum Insured – the sum insured proposed is USD 100,000,000 per occurrence and in the aggregate for products liability and sudden and accidental pollution liability. The limit would normally be considered reasonable taking into account the location of the Project and the level of court awards in Saudi Arabia. It is also higher than the limits that we generally see for Projects in Saudi Arabia. The limit will need to take into account the third party provider's premises that are on the Saudi Complex site. This is discussed further in Section 3.6 of this Report. We need to understand the indemnity provisions within the agreements with the third party providers that we understand has still to be produced to confirm that the USD 100,000,000 limit is adequate.
- (b) Deductible – a maximum deductible of USD 1,000,000 is proposed. We would consider this to be reasonable maximum deductibles for a project of this size, nature and location in Saudi Arabia and this could be accepted as a maximum deductible.

Terrorism:

There is no terrorism insurance cover proposed during the operational phase. Following the expiry of the Completion Guarantees, any terrorism loss will be the responsibility of the Project Company. In our experience, terrorism insurance is more expensive in Saudi Arabia than in some other parts of the Middle East and limits in excess of USD 800,000,000 are difficult to obtain. The terrorism insurance policy wording contains an onus of proof clause that requires the insured to prove that the loss resulted from a terrorist act and that none of the policy exclusions apply and because of this it can be difficult to have a claim paid by the insurers in locations such as Saudi Arabia. The exclusion of terrorism insurance has been seen in other financings in the Saudi Arabia. Under Section 5.3(g) of the Term Sheet, there are specific distribution blocks that would apply if a terrorism event were to occur.

1 - 7 Protection of the Creditors' Interests:

The Sponsors have advised that the insurance cover will include provisions that are normally required in a project finance transaction to protect creditors' interests. This would include naming the Creditors' as an additional insured a waiver of subrogation in Creditors' favour, and non vitiation cover subject to its availability in the insurance market. These provisions will apply as follows:

- (a) Construction Phase – the Creditors will be named as an additional insured on the Construction Third Party Liability insurance. They will not be named as an additional insured on any other construction covers. The Creditors' Clauses set out in Appendix 3 to Schedule 7 of the Term Sheet will not be included on the construction insurance policies due to the Completion Guarantees.
- (b) Operational Phase up to Project Completion Date – Creditors will be named as an additional insured on the Property Damage and Third Party Liability Insurance. All the Creditors' Clauses set out in Appendix 3 to Schedule 7 of the Term Sheet will be included on the policies apart from (i) the loss payee clause; and (ii) the notice of assignment clause.
- (c) Operational Phase from Project Completion Date – All the Creditors' Clauses set out in Appendix 3 to Schedule 7 of the Term Sheet will be included on the insurances and the all insurance policies will be assigned to the Creditors.

The Creditors will need to be comfortable with regard to the undertakings that the Sponsors have accepted within the Completion Guarantee to accept this arrangement for the period to Project Completion Date.

We understand that Saudi Industrial Development Fund (“SIDF”) may participate in the financing. Our experience is that where SIDF participate they require that the insurance policies are assigned to them and that they will be the sole loss payee, with other lenders only having benefit of such proceeds on a residual basis. The requirements of SIDF will need to be discussed when their participation in the financing is confirmed. The SIDF requirements have been seen on other transactions that they have participated in and have been accepted by the insurance market. The Financing Term Sheet reflects the participation of SIDF in the security requirements in section 3.10. Within Section 7 of this report we have provided details of the insurance clauses that we would expect to see included.

Appendix 3 of Schedule 7 to the Financing Term Sheet includes proposed wordings for the Creditors' endorsements and this includes all the aspects that we would expect to see covered by such endorsements.

1 - 8 Conclusion:

We have reviewed the proposed insurance and reinsurance undertakings for the Project. The risk allocation and insurance cover that has been proposed is in our opinion reasonable, and would generally be acceptable to us for a project of this size, nature and location.

Creditors will need to be comfortable with Completion Guarantees to accept that the finance documents will have no requirements for insurance cover to be in place until Project Completion Date.

The insurance cover that the Project is required to have in place is set out in Appendix 1 of Schedule 7 to the Financing Term Sheet and would be considered reasonable for a Project of this size, nature and location taking into account the capacity available in the insurance market for the operational property damage and business interruption insurance.

We would wish to review the agreements with the third party projects at the Sadara Complex to understand the indemnity provisions with respect to liability losses.

As we have stated due to the size of the Project and the potential business interruption loss, the amount of insurance cover that the Project will be able to arrange will be constrained by insurance market capacity and for the Operational Property Damage and Business Interruption insurance currently we anticipate a limit of around USD 3,000,000,000 to USD 3,500,000,000 being available. We would expect that the Property Damage and Business Interruption insurance will be arranged for a combined limit each and every loss. The amount of market capacity will potentially limit the amount of insurance cover available for a business interruption loss.

APPENDIX 8

Executive Summary of Environmental Report Produced by Nexant Limited

1 - 1 OVERVIEW

1 - 1 - 1 General

In relation to the financing of the project, various independent experts have been engaged to advise the Creditors, securities underwriters, export credit agencies, guarantors, insurers and other prospective credit providers, including the prospective Sukuk Holders (collectively, the Creditors) to Sadara. Nexant Limited (Nexant) has been retained to act as the Creditors' Technical & Environmental Consultant.

This Nexant Sukuk Holder Phase 3 Environmental Due Diligence Report provides a review of the Project to potential Sukuk Holders.

Sadara will be located in the Jubail II area, part of a large petrochemical complex in Jubail Industrial City, which already contains many chemical plants and processing operations where further development is envisaged by the Royal Commission. Beyond assessments of Project's impact and risk to socio-economic, health, and ecological factors, the sheer complexity of the Project will require appropriate design and operational systems to mitigate impacts and risks for the complex itself. As such, the performed EHS review pays particular attention to both internal as well as external impacts and risks.

Nexant has assessed the coverage completeness of the information provided by the Sponsors, as well as the information sources and expertise employed by the originators. The focus of this review has been to identify areas of possible regulatory non-compliance, significant EHS impacts, and actions proposed for mitigation and monitoring.

As some items are not fully resolved, Nexant has noted the appropriate time to completion for outstanding items, some of which may be after Financial Close. These are captured in an Environmental and Social Compliance Activity Schedule with appropriate timings placed against the compliance activity.

1 - 2 ENVIRONMENTAL IMPACT ASSESSMENT (EIA)

CH2MHILL have performed the Environmental Impact Assessment (EIA) for the Sadara Project. The objective of the EIA is to assess whether the Sponsors have considered the important environmental and social issues relevant to the Project, identifying significant impacts and determining measures to mitigate these impacts.

In performing the EIA, CH2MHILL has taken into account the following KSA regulations:

- Royal Commission Environmental Regulations Volume I and II, 2010 (RCER 2010) which supersede the 2004 version with effective date of 1st January, 2011.
- PME Environmental Regulations and its rules of implementation, 2001.
- Identification of Best Available Techniques (BAT) as a RCER requirement.

As well as the following international standards/guidelines:

- The World Bank Group/IFC EHS General Guidelines, 2007 including industry specific EHS guidelines for large volume Petroleum based Organic Chemicals Manufacturing (LVOC). EHS General Guidelines also gives examples of Good International Industry Practice (GIIP).
- World Health Organization (WHO) and its Air Quality Guidelines Global Update, 2005.
- United Nations Brundtland Report.

Nexant notes that several items mentioned in the Equator Principles guidelines and IFC Standards are of high relevance to the Project and were not covered in the EIA (e.g. assessment and containment of major hazards, and Occupational Health and Safety). However, other assessments were conducted by Sadara – e.g. the Building Overpressure Assessment (BOA) study and Preliminary Quantitative Risk Analysis (PQRA) – to address these additional areas. As noted in the EIA Action Plan (AP), a Process Safety Management Program (including a facility wide risk analysis, highlighting consequences, likelihood, HAZOP type studies, etc.) needed development. This plan has been prepared by Sadara and provided to Nexant for review.

1 - 2 - 1 EIA Findings and Analysis

Since the Sadara Project is a chemicals giga-complex, resulting in a Category A IFC Classification, it requires a full Environmental Impact Assessment study. The EIA performed by CH2MHill addresses socio-economic and OHS issues to some extent in addition to environmental considerations.

Nexant believes that the EIA, which includes a social impact assessment, has addressed the key issues in a competent manner. The issues that were not covered in the EIA were adequately assessed in additional studies. Nexant is also of the opinion that potential impacts are generally of low risk, with the exception to the occurrence of:

- Dust emissions (Sadara contribution to the emission of PM2.5 and PM10 is small but the baseline is already well above Royal Commission limits), ozone emissions and exhaust emissions on-site.
- Benzene emissions from point and fugitive sources.
- Benzene storage tanks spills and pipe rack failure spills risk.
- Risk of accidental waste release on-site or during transport offsite.
- Risk of direct spills of petrochemical to marine environment during transport.
- Noise during night time (due to traffic in early morning).
- Fire/explosion hazards generated by process operations.
- Vessels movements will increase in the KFIP port.

As, the baseline ambient air quality already exceeds standards for particulate matter and ozone, and this will slightly increase as a result of Sadara's activities. This is not an issue for which Sadara is likely to be held responsible.

In several other areas, there are scenarios of possible impacts such as from spills, as would apply to most processing operations. For all areas covered by the EIA – including impacts on the local community, the ecosystem, and cultural heritage as well as the technical factors relating to the complex itself – measures for mitigation and monitoring are proposed. Sadara has confirmed that it will follow EIA recommendations to mitigate these risks through the implementation of detailed procedures as the project develops.

Nexant also notes that fire/explosion hazards generated by process operations at the site and tanks farms (including benzene storage tanks spills and benzene pipe rack failure risks that were identified as medium risks after mitigation) have been addressed by the pre QRA and BOA studies. Detailed HAZOP/LOPA studies are being developed and will be updated as the project develops. A QRA study will be carried out for the chlorine unit. A spill prevention and containment plan still needs to be developed. MOC procedures will also be implemented as advised in the EIA study. A full ERP has been developed and is to be reviewed.

The EIA also includes a brief review of the project compliance with the IFC Performance Standards and the Equator Principles. Nexant has carried out its own compliance check of the Project with the IFC guidelines and Equator Principles.

1 - 3 ADDITIONAL INFORMATION

To supplement Sadara's Project EIA, additional documentation has been supplied by the Sponsors. Nexant reviewed these documents and incorporated its analysis into the assessing the compliance of Sadara with the IFC performance Standards, General EHS Guidelines, as well as the Equator Principles. This detailed review was carried out as part of a compliance check beyond the review provided in the EIA.

1 - 3 - 1 Reviewed Documents and Studies

The reviewed documents and/or studies have been categorised and listed below:

- EHS Organisation.
- Process Safety and Methodologies – Reactive Chemical/Process Hazard Analysis, Pre-HAZOP Study, Layers of Protection Analysis, Building Overpressure Assessment Study, Preliminary Quantitative Risk Assessment, HAZOP/LOPA and MOC, Item Tracking procedure.
- Technology and Design Reference plants.
- Greenhouse Gas Emissions.
- Labour and Working Conditions – Contractor Heat Stress Plan, Construction Camps (PMC Contractor Camp Audit Checklist, Quality of Life Guidelines, Saudi Aramco Sanitary Code), Internal Grievance

- policy, HR Policy and Manual, Code of Conduct.
- Project Construction Phase – EHS Management Plan, EHS Standards, Emergency Response Plan, Traffic Plan, Contractor HSE Plan, Contractor Traffic Management Plan, Contractor Emergency Response Plan, Contractor Spill Response Plan, Contractor Waste Management Plan, Pest Management Procedures.
- Project Operations Phase – Traffic Study, Waste Inventory.
- Community Health, Safety and Security – Occupational Health and Safety Policies.
- Emergency Response.
- Environmental Permitting – Pipeline Corridor Work Permits, Encroachment Permits.

Some of these documents were provided to Nexant in draft form, with an intended date for finalisation noted by the Sponsors. Others have been finalised and a full assessment could be completed with any further actions or recommendations set forth by Nexant. In some cases – as with Contractor Waste Management Plans, Contractor Spill Response Plans, etc. where the documents may vary based on the Contractor and section of construction work assigned – the Sponsors provided an example document to represent the contents and the standard to which other documents are to be created.

1 - 4 IFC COMPLIANCE

There are eight IFC Performance Standards with supplemental IFC guidelines including: General EHS Guidelines, guidelines for Large Volume Petroleum-based Organic Chemical Manufacturing, and guidelines for Large Volume Inorganic Compounds and Coal Tar Distillation. The Coal Tar Distillation guidelines are of no relevance to Sadara.

1 - 4 - 1 IFC Performance Standards Compliance

Nexant conducted a paragraph-by-paragraph review of Sadara's compliance with all IFC Performance Standards and has formed an environmental compliance database which has been updated accordingly throughout the review, as more draft documents have been provided (and/or finalised) by the Sponsors.

Nexant finds that Sadara is either fully compliant or on the way to being fully compliant with the individual clauses of the IFC Performance Standards. The relevant remaining actions or outstanding documents required from Sadara prior to complete compliance with the IFC Performance Standards have been highlighted for each pending clause and their expected time to compliance has been recorded in the Environmental and Social Activity Plan.

An overview of Sadara's compliance status with the Performance Standards is provided below.

Table 1.1 IFC Performance Standards Compliance Status
(August 2012)

Performance Standards		Compliance Status
PS1:	Assessment and Management of Social and Environmental Risks and Impacts	Pending
PS2:	Labour and Working Conditions	Pending
PS3:	Resource Efficiency and Pollution Prevention	Pending
PS4:	Community Health, Safety and Security	Pending
PS5:	Land Acquisition and Involuntary Resettlement	Compliant
PS6:	Biodiversity Conservation and Sustainable Management of Living Natural Resources	Pending
PS7:	Indigenous Peoples	Not applicable
PS8:	Cultural Heritage	Pending

In total, the Project is compliant with 57 clauses of the Performance Standards; 28 are still pending and 9 are not applicable. Most pending items require specific documentation that will be developed as the project progress (EERP, EMP for the operating phase, HAZOP/QRA studies to be completed, training documentation,

waste management plan, etc.) before Sadara can be regarded as fully compliant with the overall Performance Standard.

In Nexant's view, the compliance of the project is currently dependent on the development and finalisation of a handful of core documents and actions. Once these documents have been created and the actions have been executed, Sadara should reach full compliance with all IFC Performance Standards.

1 - 4 - 2 General EHS Guidelines Compliance

The following table provides a summary of the findings of Nexant's comprehensive independent review of the Project's compliance with the general IFC Environmental, Health, and Safety (EHS) Guidelines.

Table 1.2 IFC General Guidelines Compliance Status

August 2012

Section	Clause	Guideline	Compliance Status
Environmental	1.1	Air Emissions, GHG, Ambient Air Quality, & Monitoring	Mostly compliant
	1.2	Energy Efficiency, Energy Conversion, & Compressed Air Systems	Compliant
	1.3	Wastewater Management & Monitoring	Compliant
	1.4	Water Conservation, Monitoring, & Management	Compliant
	1.5	Hazardous Materials Management	Pending
	1.6	Waste Management	Pending
	1.7	Noise	Mostly compliant
	1.9	Contaminated Land	Compliant
Occupational Health & Safety	2.1	General Facility Design & Operation	Compliant
	2.2	Communication & Training	Compliant
	2.3	Physical Hazards	Compliant
	2.4	Chemical Hazards	Compliant
	2.5	Biological Hazards	Compliant
	2.6	Radiological Hazards	Compliant
	2.7	PPE	Compliant
	2.8	Special Hazards Environments	Pending
Community Health & Safety	3.1	Water Quality & Availability	Compliant
	3.2	Structural Safety of Project Infrastructure	Compliant
	3.3	Life & Fire Safety	Mostly compliant
	3.4	Traffic Safety	Compliant
	3.5	Transport of Hazardous Materials	Pending
	3.6	Disease Prevention	Compliant
	3.7	Emergency Preparedness & Response	Pending
Construction & Decommissioning	4.1	Environment	Compliant
	4.2	Occupational Health & Safety	Compliant
	4.3	Community Health & Safety	Compliant

1 - 5 EQUATOR PRINCIPLES COMPLIANCE

The Project is a Category A project according to the Equator Principles.

A detailed project compliance check with the Equator Principles has been captured in the Nexant Environmental Compliance Database, which has been periodically updated based with the release of new information from Sadara. The following table summarises Nexant's view of the Project's current compliance with the Equator Principles.

Table 1.3 Equator Principles Compliance Status
(August 2012)

Principle		Compliance
Principle 1:	Review and Categorisation	N/A
Principle 2:	Social and Environmental Assessment	Yes
Principle 3:	Applicable Social and Environmental Standards	Yes
Principle 4:	Action Plan and Management System	Pending
Principle 5:	Consultation and Disclosure	Yes
Principle 6:	Grievance Mechanism	Yes
Principle 7:	Independent Review	N/A
Principle 8:	Covenants	Yes
Principle 9:	Independent Monitoring and Reporting	N/A
Principle 10:	EPFI Reporting	N/A

Equator Principles 1, 7, 9 and 10 are the responsibility of the Equator Principles Financial Institutions (EPFIs). Compliance on these principles is therefore not Sadara's responsibility and has been marked as not applicable.

1 - 6 ENVIRONMENTAL MANAGEMENT PLAN

Under the IFC Guidelines and the Equator Principles, Sponsors are required to commit to an Environmental Management Plan (EMP) that draws on the conclusions of the EIA. The EMP should consist of some documented combination of operational procedures, practice, Action Plans (AP) and related supporting documentation (including legal agreements) that are managed in a systematic way. Sadara should use the EMP as guidance to identify all the commitments recommended within the EIA and how to implement them.

The Construction EMP has been provided to Nexant and reviewed for compliance. The document has been developed as guidance to Contractors in developing their own Construction EMP. The Contractors' goal will be to meet or exceed the Program Environmental requirements outlined in the Sadara document. Although the document is very brief and lists the plans that needs to be developed by the Contractors (e.g. waste management plans, air quality management plans, etc.), Nexant notes that there is not mention of a Road Traffic Plan, Road Transport Safety Programme or of an Archaeological Chance Find Procedure contrary to what has been listed in the EIA as EPC contractors' responsibilities. The EIA also specifically mentions that the requirement to monitor and screen for communicable diseases should be incorporated into the EPC contractor's contract. Nexant expects that this would be included in the "Environmental Health Management" plan.

Nexant also notes that, when listing the legal requirements, the Construction EMP refers to the PME, Saudi Aramco Engineering standards and sanitary codes as well as the Program EHS standards (which include the OSHA, NIOSH, ANSI and SOLAS codes and standards). While the EMP is drafted with and is compliant with IFC PS 1, no mention is made of international agreements and IFC detailed guidelines (e.g. EHS Guidelines).

Sadara has confirmed that it is committed to implementing the full EMP as contained in Appendix A of the EIA. Nexant believes that any impact coming from the associated facilities would also have to be mitigated and included in the EMP. The EMP for the operations phase is expected to be completed in June 2013 and will be reviewed for compliance with the summary EMP, the AP, as well as the IFC and EP requirements, once it is made available by the Sponsors.

1 - 7 CONCLUSIONS

The Project is working to well-defined design and operational standards including Royal Commission Environmental Regulations 2010 (RCER 2010), PME Environmental Regulations and its rules of implementation (2001), those applicable to the Equator Principles, IFC performance standards, World Bank Group Environmental Health and Safety General Guidelines (2007) as well as World Health Organization (WHO) and its Air Quality Guidelines Global Update (2005). Best Available Techniques (BAT) and Good International Industry Practices (GIIP) have also been identified and included in the project design.

The complex includes several different types of process plants, each of which has its own characteristics in terms of chemicals used, necessary utilities, etc. Their requirements are covered by design practice of the Sponsors where appropriate, or by those of experienced licensors. In the context of climate change, design is based on technology with high energy efficiency. Some of Sadara's process technologies involve the use of materials with particular characteristics such as high toxicity. Dow has considerable experience of operating almost all the process technologies in Sadara, including those where use of such materials is required.

A snapshot of IFC compliance with the Performance Standards, General Guidelines, LVOC, and LVIC is provided below:

Table 1 Table 1.4 Compliance Review Summary
September 2012

	High Priority		Medium Priority	Low Priority	Total			
	Pending	Non-compliant	Pending	Pending	Compliant*	Pending	Non-compliant	Number of Items
Performance Standards	-	-	4	28	53	32	-	85
General Guidelines	-	-	1	60	117	61	-	178
LVOC	-	-	-	-	21	-	-	21
LVIC	-	-	1	3	28	4	-	32
Total	-	-	6	91	219	97	-	316

A large number of the Pending items relate to the EHS General Guidelines. These guidelines include a large number of suggested approaches to reducing the impact of chemical plants in different ways. In practice, designers of a process plant or an offsite facility optimise with a relatively small number of design options. Nexant is comfortable that Sadara is using modern, leading practice designs which will fall within the category of BAT.

The Pending items under the IFC Performance Standards are relating to several documents outstanding due to the early construction stage of the Project. These documents include Environmental Management Plan (EMP) and Emergency Response Plan (ERP) for the operations and decommissioning phases, the Human Resources Policies and Procedures Manual, the finalised Sadara Code of Conduct and the operations phase Waste Management Plan.

In Nexant's opinion, the Project is being designed and executed to a high standard. Outstanding items relate to either documentation that has not yet been developed because the project is still in a relatively early stage of construction or to formulating the documentary evidence to support the compliance with IFC requirements. Once these documents have been created and the actions have been completed, Sadara should be fully compliant with all environmental regulations required for the project to progress.

Nexant believes that the Sponsors are highly experienced in the operation of process plants and in investing in new capacity and have their own procedures and systems. The EHS management systems and procedures of Sadara leverage this experience and reflect a strong commitment to safekeeping the environment and the workforce throughout the construction, operation, and decommissioning phases.