PROSPECTUS

Sipchem

Offer of Mudaraba Sukuk due ●

SAUDI INTERNATIONAL PETROCHEMICAL COMPANY

A Saudi joint stock company with Commercial Registration No. 1010156910

incorporated pursuant to Ministerial Resolution

No. 1653 dated 06-09-1420H (corresponding to 14-12-1999G)

The mudaraba sukuk due ● (the **Mudaraba Sukuk**) of Saudi International Petrochemical Company (hereinafter referred to as the **Issuer** or **Sipchem**) are being issued at par, without discount or premium.

Capitalised terms used in this Prospectus have the meanings given to them in the "*Glossary of Defined Terms*" on page 4 of this Prospectus.

The Mudaraba Sukuk represent an undivided interest of holders (the **Sukukholders**) in the **Issuer's existing and future business** (including, amongst others, the right to share in Distributions and any other payments made by any Subsidiary to the Issuer once received by the Issuer) (the **Mudaraba Assets**). **The Mudaraba Income shall principally comprise the Distributions received by the Issuer from its Subsidiaries.**

Quarterly in arrear, on **● of ●, ●, ● and ● in each year, commencing on ● 20●G** and up to and including **[●]** or, if any such day is not a Business Day the immediately following Business Day (each a **Periodic Distribution Date**), the Issuer will pay from the Mudaraba Income an amount equal to the **Periodic Distribution Amount** to Sukukholders, calculated on the basis of the **Saudi Interbank Offered Rate (SIBOR)** plus a **Margin** as a percentage rate per annum of the aggregate Nominal Amount of the Mudaraba Sukuk as are current on the Transfer Record Date immediately preceding the last day of the relevant Periodic Distribution Period.

A **Reserve Amount** equal to the next two succeeding Periodic Distribution Amounts that are due from time to time will be deposited by the Issuer in the **Reserve Account** from its own funds, which will be **secured in favour of** the Sukukholders' Agent (acting for and on behalf of the **Sukukholders**) and may be applied by the Sukukholders' Agent in making payment of any amount due and owing to Sukukholders under the Mudaraba Sukuk at any time.

Pursuant to a mudaraba agreement (the **Mudaraba Agreement**) dated on or about the Closing Date between the Issuer (as *mudareb*) and the Sukukholders' Agent (acting for and on behalf of the Sukukholders (as *raab al maal*)), the Issuer will undertake to **redeem the Mudaraba Sukuk** from the Sukukholders at the **Redemption Amount** on the **Expiry Date** or the Event of Default Date).

The investor presentation period for the Mudaraba Sukuk commences on **16/07/1432H** (corresponding to 18/06/2011G) and ends within **ten (10) Business Days**, as further described under "*Subscription and Sale*" on page 150 of this Prospectus (the **Investor Presentation Period**) and the Mudaraba Sukuk will be issued on a date (the **Closing Date**) falling no later than ten (10) Business Days after the end of the Investor Presentation Period.

Joint Lead Managers and Joint Bookrunners

Deutsche Securities
دويتشه للأوراق المالية
Deutsche Bank Group

الرياض المالية
riyad capital

This Prospectus is dated 10/07/1432H (corresponding to 12/06/2011G)

This Prospectus includes information given in compliance with the Listing Rules issued by the Capital Market Authority of the Kingdom of Saudi Arabia (the **Authority**). The Directors, whose names appear on page 114, 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 Arabian Stock Exchange (**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 document.

The Mudaraba Sukuk will be the subject of a declaration of agency (the **Declaration of Agency**) dated on or about the Closing Date between the Issuer and Riyad Capital (the **Sukukholders' Agent**).

Distributions of the Periodic Distribution Amounts will be made solely from the Mudaraba Income. Payment of the Redemption Amount under the Mudaraba Sukuk will be made from the Mudaraba Income and any other sources available to the Issuer. In accordance with the Conditions, the Mudaraba Income shall be credited when received to an account to be maintained by the Issuer in its books for and on behalf of the Sukukholders (the **Collection Account**), from which the Periodic Distribution Amounts and the Redemption Amount (together with any Partial Periodic Distribution Amount and Early Redemption Amount) under the Mudaraba Sukuk will be paid by the Issuer. Such payments will be made by the Issuer deducting the relevant amount from the Collection Account and making payment of such amount to an account (the **Transaction Account**) maintained by the Sukukholders' Agent with Riyad Bank (the **Payments Administrator**) one Business Day prior to each Periodic Distribution Date. The Issuer shall further ensure that the Reserve Account is at all times credited with at least the Reserve Amount.

The Mudaraba Income is expected to be sufficient for the payment of all such amounts and as described below the Reserve Amount to be credited to the Reserve Account will be secured in favour of the Sukukholders' Agent (acting for and on behalf of the Sukukholders) for payment of any amount due and owing to Sukukholders under the Mudaraba Sukuk at any time. The Issuer is obliged to ensure that the Reserve Account is at all times credited with at least the Reserve Amount and in the event any amounts credited to the Reserve Account are used by the Sukukholders' Agent as described below to make payment of any amount due and owing to Sukukholders under the Mudaraba Sukuk, the Issuer will be required to pay to the Reserve Account from its own funds the amount required to ensure the Reserve Account remains credited with at least the Reserve Amount. So long as no Event of Default has occurred and has not been remedied or otherwise ceased to apply, the Issuer may withdraw any amounts standing to the credit of the Collection Account from time to time (the amounts so withdrawn the **Withdrawn Amounts**).

The primary purpose of the Collection Account is for it to be held for the benefit of the Sukukholders. The Withdrawn Amounts are for the Issuer's own account and may be used by the Issuer for any purpose. Any losses arising in respect of the Withdrawn Amounts are solely for the account of the Issuer. The Withdrawn Amounts shall be owed as a debt to the Sukukholders' Agent (acting for and on behalf of the Sukukholders) and shall be repayable from the Issuer's own funds on demand to meet the amounts owing and due under the Mudaraba Sukuk.

The Issuer will, on the Closing Date, deposit or cause to be deposited in the Reserve Account from its own funds an amount equal to the two Periodic Distribution Amounts due on the next two succeeding Periodic Distribution Dates with respect to the Mudaraba Sukuk (the **Reserve Amount**). The Reserve Amount will be calculated by reference to the Saudi Interbank Offered Rate (SIBOR) applying in respect of the calculation of the first such Periodic Distribution Amount and the percentage rate per annum specified as the "Margin" and published on the website of the Issuer as described under "Subscription and Sale" on page 150 of this Prospectus (the **Margin**). For a description of the manner in which each Periodic Distribution Amount (including the first Periodic Distribution Amount) will be calculated, prospective investors should refer to Condition 7 (*Periodic Distributions*) on page 44 of this Prospectus. The Issuer shall ensure that the Reserve Account is at all times credited with at least the Reserve Amount (as determined by the Payments Administrator on each Periodic Determination Date by reference to the Margin and the Saudi Interbank Offered Rate (SIBOR) then applying). The amount standing to the credit of the Reserve Account may be applied by the Sukukholders' Agent towards any amount due and owing by the Issuer under the Mudaraba Sukuk from time to time if such amount is not received by the Sukukholders' Agent in the Transaction Account on the date on which it is payable by the Issuer under the Conditions. The amount standing to the credit of the Reserve Account shall be released to, or paid to the order of, the Issuer (i) to the extent that such amount is at any time greater than the Reserve Amount (although any amount so released or paid shall be limited to the amount of such excess) or (ii) on redemption or purchase and cancellation of the Mudaraba

Sukuk on the Expiry Date or the Event of Default Date (and, at the request and direction of the Issuer, may be paid in satisfaction of any amounts payable by the Issuer under the Conditions on the redemption or purchase of all of the Mudaraba Sukuk then current).

If the amount due to the Sukukholders on any Periodic Distribution Date, the Expiry Date or the Event of Default Date, is greater than the aggregate amount standing to the credit of the Collection Account, the Issuer shall on or prior to 11.00a.m. (Kingdom of Saudi Arabia (**Kingdom**) time) two (2) Business Days prior to such date, repay by way of a corresponding credit to the Collection Account either the aggregate of the Withdrawn Amounts (to the extent these remain unpaid) or the amount due to the Sukukholders on the relevant date taking into account the amount standing to the credit of the Collection Account, whichever is the lesser.

The Sukukholders shall have the option in the Investor Application Form to release to the Issuer any amounts standing to the credit of the Collection Account following redemption or purchase and cancellation of the Mudaraba Sukuk on the Expiry Date or the Event of Default Date, which in the absence of any Extraordinary Resolution of Sukukholders to the contrary shall be deemed to be so released.

The Issuer shall deliver to the Sukukholders' Agent on the Closing Date order notes substantially in the form set forth in schedule 2 (*Form of Order Note*) of the Mudaraba Agreement (each an **Order Note**) in respect of the expected Withdrawn Amounts for the eleven (11) month period immediately following the Closing Date (the **First Order Note Period**) and as agreed with the Sukukholders' Agent. For each successive eleven (11) month period immediately following the First Order Note Period (together with the First Order Note Period, each an **Order Note Period**), the Issuer will deliver replacement Order Notes to the Sukukholders' Agent in respect of the expected Withdrawn Amounts for such Order Note Period and as agreed with the Sukukholders' Agent. Such replacement Order Notes will be delivered to the Sukukholders' Agent by the end of each Order Note Period, and in substitution for the Order Notes held by the Sukukholders' Agent in respect of that Order Note Period, and the Sukukholders' Agent shall destroy any Order Note so substituted (including any Order Note held by the Sukukholders' Agent on the day immediately following the redemption in full of the Mudaraba Sukuk).

Each Order Note shall evidence the relevant debt owed to the Sukukholders' Agent for the Withdrawn Amounts and not be deemed to be any guarantee of any obligations of the Issuer with respect to any Periodic Distribution Amount or the Redemption Amount. The Sukukholders' Agent shall hold each Order Note on behalf of the Sukukholders and each Order Note constitutes direct, unconditional and irrevocable obligations of the Issuer, subject to the terms of the Sukuk Documents.

The delivery to the Sukukholders' Agent of each Order Note shall not limit, restrict, prejudice or otherwise affect in any way or to any extent the obligations of the Issuer under the Sukuk Documents. The replacement of Order Notes each eleven (11) months is standard market practice in the Kingdom of Saudi Arabia to ensure that the maximum time period under which an Order Note can be presented for payment is not exceeded.

The Sukukholders' Agent shall not present any Order Notes for payment or permit the presentation thereof to any person other than to the Negotiable Instruments Committee in the Kingdom of Saudi Arabia (established pursuant to the Minister of Commerce Decisions Number 353 and 354 dated 11/5/1388H. (corresponding to 5 August 1968) and Number 358 dated 16/5/1388H. (corresponding to 10 August 1968) or any successor body). Order Notes may also only be presented for payment in respect of a claim in an amount no greater than the amounts which are then due and payable by the Issuer under the Mudaraba Sukuk and in the event any greater amount is awarded by the Negotiable Instruments Committee, the Sukukholders' Agent undertakes to pay any amount in excess of the amount due and payable under the Muduraba Sukuk to the Issuer pursuant to the Conditions. The total amount represented by the Order Notes held by the Sukukholders' Agent from time to time are expected to be sufficient to provide for the enforcement of the

Issuer's obligation in respect of the payment of any Withdrawn Amounts for the payment of any amounts then due and payable to Sukukholders under the Mudaraba Sukuk.

In the event that the Issuer on any Periodic Distribution Date fails to distribute to the Sukukholders the Periodic Distribution Amount and such shortfall remains unpaid in full three (3) Business Days after its due date (except as a result of an administrative or technical error) and occurs as a direct result of the Issuer's default or negligence in performing its obligations under the Sukuk Documents, and in certain other circumstances described in Condition 8(c) (*Mandatory Redemption under Permitted Disposals and/or Extraordinary Distributions*) and Condition 11 (*Events of Default*), the Sukukholders may request the Issuer to redeem the Mudaraba Sukuk by payment to them of the Redemption Amount, pursuant to the Mudaraba Agreement. Sukukholders will have three (3) Business Days in which to exercise this right following receipt of notice from the Sukukholders' Agent of the relevant event and the Mudaraba Sukuk will only be redeemed (but if redeemed the Mudaraba Sukuk will be redeemed in full) if at least thirty-three and one-third per cent. (33⅓%) in aggregate Nominal Amount of the Mudaraba Sukuk exercise this right within this period. If this right is not so exercised the Mudaraba Sukuk will remain current.

The aggregate Nominal Amount, together with the anticipated net proceeds of the Mudaraba Sukuk to be issued, and the Margin will be determined by agreement between the Issuer and the Joint Lead Managers and Joint Bookrunners and announced in [●] (see "*Subscription and Sale*" on page 150 of this Prospectus).

An investment in the Mudaraba Sukuk involves certain risks and uncertainties. For a discussion of certain factors to be considered in connection with an investment in the Mudaraba Sukuk, see "*Risk Factors*" on page 16 of this Prospectus.

Application has been made to register the Mudaraba Sukuk on the Official List maintained by the CMA. The Saudi Arabian Stock Exchange (**Tadawul**) will be appointed as registrar (the **Registrar**), which expression includes any successor registrar) of the Mudaraba Sukuk and the Mudaraba Sukuk will be admitted to the clearing and settlement system of Tadawul (as described in Condition 3 (*Register, Title and Transfers*) and "*Subscription and Sale*" on page 150 of this Prospectus, respectively). The Mudaraba Sukuk will be in registered form in denominations of SR 100,000 (one hundred thousand Saudi Riyals), subject to a minimum initial subscription amount of SR 1,000,000 (one million Saudi Riyals). The Mudaraba Sukuk will be represented at all times by interests in a registered form global suk without coupons attached (the **Global Suk**) which will be deposited with the Sukukholders' Agent. The Mudaraba Sukuk may only be held in book entry dematerialised form and definitive Sukuk will not be issued to Sukukholders in relation to their holdings of Mudaraba Sukuk.

The investor presentation period for the Mudaraba Sukuk commences on 16/07/1432H (corresponding to 18/06/2011G) and ends within ten (10) Business Days, as further described under "*Subscription and Sale*" on page 150 of this Prospectus (the **Investor Presentation Period**) and the Mudaraba Sukuk will be issued on a date (the **Closing Date**) falling no later than ten (10) Business Days after the end of the Investor Presentation Period.

This Prospectus includes information given in compliance with the Listing Rules issued by the Capital Market Authority of the Kingdom of Saudi Arabia (the **Authority** or the **CMA**). The Directors, whose names appear on page 114 of this Prospectus, collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus and confirm, having made all reasonable 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 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 document.

IMPORTANT NOTICE

This Prospectus provides details of information relating to the Issuer and the Mudaraba Sukuk being offered. In applying for the Mudaraba Sukuk, investors will be treated as applying on the basis of the information contained in the Prospectus, copies of which are available for collection from the Issuer and the Joint Lead Managers and Joint Bookrunners (as defined herein) or by visiting the following websites (www.sipchem.com, www.db.com/mena, www.riyadcapital.com and www.cma.org.sa).

Deutsche Securities Saudi Arabia LLC and Riyad Capital have been appointed by the Issuer to act as the joint lead managers and joint bookrunners (the **Joint Lead Managers and Joint Bookrunners**) in relation to the Mudaraba Sukuk described herein. No person is or has been authorised to give any information or to make any representation not contained in or not consistent with this Prospectus in connection with the offering of the Mudaraba Sukuk and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Joint Lead Managers and Joint Bookrunners, the Sukukholders' Agent or any other Person.

This Prospectus includes information given in compliance with the Listing Rules issued by the Capital Market Authority of the Kingdom of Saudi Arabia (the **Authority** or the **CMA**). The Directors, whose names appear on page 114 of this Prospectus, collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus and confirm, having made all reasonable 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 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 document.

The information contained in this Prospectus as at the date hereof is subject to change. In particular, the financial condition of the Issuer and the value of the Mudaraba Sukuk may be adversely affected by future developments in inflation, financing charges, taxation, calculation of zakat or other economic, political and other factors over which the Issuer has no control. Neither the delivery of this Prospectus nor any oral, written or printed interaction in relation to the Mudaraba Sukuk is intended to be, or should be construed as or relied upon in any way as, a promise or representation as to future earnings, results or events.

The Prospectus is not to be regarded as a recommendation on the part of the Issuer, the Joint Lead Managers and Joint Bookrunners or any of their advisers to purchase the Mudaraba Sukuk. Moreover, information provided in this Prospectus is of a general nature and has been prepared without taking into account individual investment objectives, financial situation or particular investment needs. Prior to making an investment decision, each recipient of this Prospectus is responsible for obtaining independent professional advice in relation to the offering of the Mudaraba Sukuk and for considering the appropriateness of the information herein, with regard to individual objectives, financial situations and investment needs. Prospective investors are not to construe the contents of this Prospectus as constituting any tax, investment or legal advice. This Prospectus does not constitute an offer or an invitation by or on behalf of the Issuer or the Joint Lead Managers and Joint Bookrunners to subscribe for or purchase the Mudaraba Sukuk.

References herein to **this Prospectus** shall be deemed to include this document dated 10/07/1432H (corresponding to 12/06/2011G) together with any supplements and amendments hereto. This Prospectus contains a summary of the key provisions of each of the drafts as of the date of this Prospectus of the Mudaraba Agreement, the Beneficial Rights Transfer Agreement, the Declaration of Agency, the Payments Administration Agreement and the Account Pledge Agreement.

The offering, sale and delivery of the Mudaraba Sukuk is limited solely to natural persons who are nationals of the Kingdom or other legal persons with a permanent establishment in the Kingdom holding a current commercial registration number issued by the Ministry of Commerce and Industry and which, in either case, maintains a bank account in the Kingdom. The distribution of this Prospectus and the offering, sale and delivery of the Mudaraba Sukuk in any jurisdiction other than the Kingdom may be restricted by law. Any person who comes into possession of this Prospectus is required by the Issuer and the Joint Lead Managers and Joint Bookrunners to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of the Mudaraba Sukuk and on distribution of this Prospectus and other offering material relating to the Mudaraba Sukuk, see "*Subscription and Sale*" on page 150 of this Prospectus.

Industry and Market Data

In this Prospectus, information regarding the petrochemical industry and other data regarding the market segments in which the Sipchem Group operates have been obtained from: (i) the Sipchem Group's estimates, data and analysis; and (ii) data and analysis on the petrochemical industry, which were obtained from various third party sources and materials, including certain marketing consultants. Such information, sources, and estimates are believed to be reliable, but have not been independently verified by Sipchem, the Directors of Sipchem, whose names appear on page 114 of this Prospectus, or any of their respective advisers and no representation is made with respect to their accuracy or completeness.

Industry and market data is subject to change and cannot always be verified with complete certainty due to limits on the availability and reliability of raw data, the voluntary nature of the data gathering process and other limitations and uncertainties inherent in any survey of market size.

Neither of the marketing consultants, Jim Jordan & Associates, LP (**J&J**) and Tecnon OrbiChem Ltd (**Tecnon**), nor any related party or relative owns any shares or has any interest of any kind in the Issuer. Each of these companies has consented to the use in this Prospectus of information previously provided by it to the Sipchem Group and to be named as the source of such information. In addition, Sipchem Marketing and Services Company (**SMSC**), which is 99 per cent. owned by the Issuer, has consented to the use of information previously provided by it to the Sipchem Group and to be named as the source of that information.

Financial Information

The audited consolidated financial statements as at and for the years ended 31 December 2008, 31 December 2009 and 31 December 2010 and the notes thereto, each of which are set out elsewhere in this Prospectus, have been prepared in conformity with the Saudi Organisation for Certified Public Accountants (**SOCPA**) Generally Accepted Accounting Principles.

The consolidated financial statements as at and for the year ended 31 December 2008 were audited by Deloitte & Touche Bakr Abulkhair & Co (**Deloitte**) and the consolidated financial statements as at and for the years ended 31 December 2009 and 2010 were audited by Ernst and Young.

Neither Ernst and Young nor any related party or relative and, for each period during which Deloitte was engaged as an auditor of Sipchem, neither Deloitte nor any related party or relative owns any shares or has any interest of any kind in the Issuer.

The Issuer publishes its financial statements in Saudi Riyals. In this Prospectus, unless otherwise specified, references to **SR**, **Saudi Riyal** and **Riyal** are to the currency of the Kingdom and references to **halalah** are to the sub-unit of the Riyal.

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

Use of Dates

References to dates in this Prospectus are to the relevant dates in the Gregorian (G) calendar except where the Hijri (H) calendar is referred to together with the Gregorian equivalent.

Forward Looking Statements

Certain statements in this Prospectus constitute "forward-looking-statements". Such statements can generally be identified by their use of forward-looking words such as "plans", "estimates", "projects", "believes", "expects", "anticipates", "may", "will", "should", "expected", "would be" or the negative or other variation of such terms or comparable terminology. These forward-looking statements reflect the current views of the Issuer with respect to future events, and are not a guarantee of future performance. Many factors could cause the actual results, performance or achievements of the Issuer to be significantly different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. Some of the risks and factors that could have such an effect are described in more detail in other sections of this Prospectus (see "*Risk Factors*" on page 16 of this Prospectus). Should any one or more of the risks or uncertainties materialize or any underlying assumptions prove to be inaccurate or incorrect, actual results may vary materially from those described in this Prospectus as anticipated, believed, estimated, planned or expected.

Subject to the requirements of the Listing Rules, the Issuer does not intend to update or otherwise revise any industry or market information or forward-looking statements in this Prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this Prospectus might not occur in the way the Issuer expects, or at all. Prospective purchasers should consider all forward-looking statements in light of these explanations and should not place undue reliance on forward-looking statements.

Supplementary Prospectus

Pursuant to the requirements of the Listing Rules, the Issuer undertakes to submit a supplementary prospectus to the CMA if at any time after this Prospectus has been approved by the CMA and before admission of the Mudaraba Sukuk to the Official List maintained by the CMA, the Issuer becomes aware that:

(i) there has been a significant change in material matters contained in this Prospectus or any other document required by the Listing Rules of the CMA; or

(ii) additional significant matters have become known which would have been required to be included in this Prospectus.

Except in the aforementioned circumstances, the Issuer does not intend to update or otherwise revise any industry or market information or forward-looking statements in this Prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this Prospectus might not eventuate in the manner anticipated by the Isuer and might not occur at all. Potential investors should consider all forward-looking statements in this context and, accordingly, should not place undue reliance on any forward-looking statements.

PARTIES AND ADVISERS

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Eng. Ahmad A. Al-Ohali, Chief Executive Officer

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Riyad Capital's *Shari'ah* Committee

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All the above-mentioned advisors have consented in writing to the use of their names and logos and to publishing their statements (wherever quoted) in this Prospectus. Such consents were not withdrawn as at the date hereof.

IMPORTANT DATES FOR SUBSCRIBERS AND METHOD OF APPLICATION

The investor presentation period for the Mudaraba Sukuk will commence on 16/07/1432H (corresponding to 18/06/2011G) and end on 27/07/1432H (corresponding to 29/06/2011G), unless the Issuer and the Joint Lead Managers and Joint Bookrunners notify investors otherwise (the **Investor Presentation Period**).

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

Persons wishing to purchase the Mudaraba Sukuk 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 Mudaraba Sukuk in accordance with the instructions contained in the Investor Application Form. Investor Application Forms will be available from any of the Joint Lead Managers and Joint Bookrunners. Applications to purchase Mudaraba Sukuk for less than SR 1,000,000 or in amounts which are not higher integral multiples of SR 100,000 will not be accepted.

Allocation of Mudaraba Sukuk will be at the discretion of the Issuer and the Joint Lead Managers and Joint Bookrunners and will be made following the end of the Investor Presentation Period. Once the allocation of Mudaraba Sukuk has been completed, the Issuer shall cause the Margin and the aggregate Nominal Amount, together with the anticipated aggregate net proceeds of the Mudaraba Sukuk to be issued, to be published by the Issuer on the following website (www.sipchem.com).

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

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

SUMMARY

The following summary information does not purport to be complete and should be read as an introduction to, and in conjunction with, the more detailed information appearing elsewhere in this Prospectus from which it is derived. Any decision by a prospective sukukholder to invest in the Mudaraba Sukuk should be based on a consideration of this Prospectus as a whole. Prospective sukukholders should carefully read the entire document, including the financial statements and related notes before making an investment decision. In particular, prospective sukukholders should consider carefully the factors set out under "Risk Factors" on page 16 of this Prospectus. Capitalised terms used in this Summary have the meanings given to them under "Glossary of Defined Terms" on page 4 of this Prospectus.

SUMMARY OF THE SIPCHEM GROUP

The Sipchem Group

Sipchem is a public joint stock company incorporated in the Kingdom under commercial registration number 1010156910. Sipchem was initially incorporated as a closed joint stock company on 22 December 1999. As at 31 December 2010, the total consolidated long term indebtedness of the Sipchem Group was SR 4.97 billion and the total contingent liabilities of Sipchem in respect of guarantees and letters of credit were SR 471 million.

Sipchem's most recent capital raising exercise was a rights issue in 2008 which raised SR 1,999,999,995 and resulted in a total nominal share capital of SR 3,333,333,333. Sipchem's capital was increased by a further 10 per cent., effective on 15 March 2011, to SR 3,666,666,666 through an issuance of bonus shares that has resulted in the capitalisation of retained earnings in an amount of SR 333,333,33.3.

The table below shows the changes in Sipchem's capital since its incorporation.

	1999 Dec	**2003 Sep**	**2005 Sep**	**2007 May**	**2008 Mar**	**2011 Mar**
			(*SR millions*)			
Initial capital	500	-	-	-	-	-
Additional capital	-	150	850	-	-	-
Bonus share issue	-	-	-	500	-	333
Rights issue	-	-	-	-	1,333	-
Balance (paid in capital)	**500**	**650**	**1,500**	**2,000**	**3,333**	**3,666**

The principal business of Sipchem and its consolidated subsidiaries (the **Sipchem Group**) is the manufacture and sale of basic chemicals and chemical intermediates. Total production from the Sipchem Group's products for the twelve month period ended 31 December 2010 was around 2.2 million metric tonnes, making the Sipchem Group one of the largest private sector petrochemical groups in the Gulf Cooperation Council (**GCC**).

The basic chemicals and chemical intermediates manufactured by the Sipchem Group are methanol, butanediol (**BDO**), tetrohydrofuran (**THF**), carbon monoxide (**CO**), acetic acid (**AA**), acetic anhydride (**AAn**) and vinyl acetate monomer (**VAM**). The end applications of these products include paint, adhesives, textile finishes, automotive plastics, footwear, polyester fibre, plastic packaging and sheets, cigarette filters, pharmaceuticals and electrical wire and cable insulation.

Operating Companies

Phase I. Sipchem established International Methanol Company (**IMC**) and International Diol Company (**IDC**) in 2002 as part of the first stage of the Sipchem Group's development (**Phase I**). IMC and IDC commenced commercial operations in December 2004 and March 2006, respectively. IMC produces methanol and the minimum specification to which its plant was designed and built is a production capacity (the **nameplate capacity**) of 970,000 MTPY. Actual production is typically expected to exceed the nameplate capacity. IDC produces BDO and THF. IDC's plant has a total nameplate capacity of 75,000 MTPY. IMC and IDC sell part of their production to cover the feedstock demands of the companies in the second and third phases of the Sipchem Group's development.

Phase II. As part of the second stage of the Sipchem Group's development (**Phase II**), Sipchem established International Gases Company Limited (**IGC**), International Acetyl Company Limited (**IAC**) and International Vinyl Acetate Company Limited (**IVC**) in 2006, all of which commenced commercial operations in June 2010. IGC produces CO and its plant has a nameplate capacity of 340,000 MTPY. IAC produces AA and AAn, and its plant has a total nameplate capacity of 459,000 MTPY. IVC produces VAM and its plant has a nameplate capacity of 330,000 MTPY.

Sipchem established SMSC in 2007 for the marketing and sale of the Sipchem Group's products and the International Utilities Company (**IUC**) in 2009 for the management, operation and maintenance of utilities facilities and services at the Sipchem Group's Al-Jubail petrochemical complex.

Phase III. The Sipchem Group is in the process of implementing projects for the construction of plants and facilities for the manufacture of EVA), LDPE, EA and W&C as the third stage of its development (**Phase III**). These plants are scheduled to be commercially operational in 2013 and will continue the expansion of the integrated operations of the Sipchem Group through the downstream application of its VAM and EA production. VAM is one of the key feedstocks for EVA, LDPE and W&C and AA is a key feedstock for EA.

Sipchem established International Polymers Company (**IPC**) in 2009, which will be the operating company for the Sipchem Group's ethylene-vinyl acetate (**EVA**) and low density polyethylene (**LDPE**) projects. Sipchem has not yet established operating companies for its ethyl acetate (**EA**) and wire and cable polymer (**W&C**) projects.

The operations of the Sipchem Group have been designed to capitalise on the availability of relatively cheap supplies of natural gas and other chemical feedstocks in the Kingdom in order to position the Sipchem Group as a low cost producer relative to its international competitors. By using its products as feedstocks for higher value chemical products, the Sipchem Group aims to maintain this advantage as it moves up the petrochemical value chain. This is achieved through the Sipchem Group's different plants and facilities operating as an integrated downstream petrochemical manufacturing processes.

See "*Description of the Sipchem Group - Integrated Operations*" and "*- Production and Off-Take Summary*" on pages 69 and 70 of this Prospectus for a description of those products that are used internally within the Sipchem Group in the downstream production of further petrochemical products and those products that are sold directly.

Key Competitive Strengths

Secure low cost feedstock supplies. Sipchem has been successful in securing long-term commitments of low cost feedstock supplies (natural gas and butane) from the Saudi Arabian Oil Company (**Saudi Aramco**). Natural gas is the primary feedstock of the Sipchem Group. Even if feedstock prices were to rise, Sipchem would not expect any such increases to affect its position as a low cost producer relative to its international competitors.

Integration of operations. The Sipchem Group is able to realise economies of scale and cost savings, as well as security of feedstock supply through operating integrated downstream petrochemical manufacturing processes and exploiting the available feedstocks within the Sipchem Group in the development of new projects.

Record of successful development and construction and of procuring financing on competitive terms. Sipchem has a record of successful development and construction of petrochemical plants under Phase I and Phase II, and of procuring financing from commercial and government sources on competitive terms.

Shared utilities and services. Certain synergies between the utility requirements of the different members of the Sipchem Group, combined with their proximity on a single site, provide capital and operating cost savings through the building and operation of a common utilities infrastructure. In addition to shared utilities, corporate administration, finance, technical and maintenance and project management and other services are also all provided by Sipchem. This realises considerable efficiencies and enables each company within the Sipchem Group to benefit from the experience of Sipchem's management.

Geographic location and proximity to markets. The location of the Sipchem Group's operations in Al-Jubail provides advantages not available to other competing global producers, including the availability of suitable infrastructure, geographical proximity to feedstock and strategic positioning between the main export markets.

Joint venture partners. Sipchem has been able to procure equity financing for its projects from some of the GCC region's leading private sector institutional and individual investors. Sipchem has also been able to procure equity financing from leading international technology providers and marketing organisations in the international petrochemical industry. Sipchem expects these partners to significantly enhance the success rate of its projects through the experience they will bring as well as the technology contribution they will make and access they will provide to international markets.

Strategy

The Sipchem Group's objective is to operate one of the largest fully-integrated private sector petrochemical complexes in the Middle East. Its key strategies to implement this objective are as follows.

Further downstream investment and development. Sipchem's strategy is to continue to invest in further downstream opportunities in the petrochemical industry in order to capitalise on the feedstocks produced from its existing operations.

Target strategic third party alliances. In pursuing these opportunities, Sipchem intends to continue developing strategic third party alliances. In identifying partners for these alliances Sipchem targets internationally recognised organisations with proven and demonstrable technical skills or marketing capabilities.

Increase sales and marketing capacity. As production by the Sipchem Group of its products matures and the initial marketing and off-take arrangements come to an end, Sipchem aims to increasingly assume responsibility for its own sales and marketing activities through SMSC.

Debottlenecking, efficiency enhancements, modifications and expansion. The Sipchem Group is constantly monitoring the performance of its plants and facilities in order to identify efficiency enhancements that can be implemented. Through such improvements, the Sipchem Group anticipates it will be able to continue to increase production levels with relatively limited capital expenditure requirements.

SUMMARY OF THE OFFERING

Parties

Issuer:	Saudi International Petrochemical Company
Joint Lead Managers and Joint Bookrunners:	Riyad Capital and Deutsche Securities Saudi Arabia LLC
Sukukholders' Agent:	Riyad Capital
Payments Administrator:	Riyad Bank
Registrar:	Tadawul

Summary of the Mudaraba

Mudaraba Agreement:	The mudaraba (the **Mudaraba**) will be constituted by the Mudaraba Agreement dated on or about the Closing Date between the Issuer (as *mudareb*) and the Sukukholders' Agent on behalf of the Sukukholders (as *raab al maal*). The Mudaraba will commence on the Closing Date and will end either: (i) on the later of the last Periodic Distribution Date falling on or nearest to [●] (the **Expiry Date**) and the date on which the Mudaraba Sukuk are redeemed in full; or (ii) in the event that the Mudaraba Sukuk are redeemed in full prior to the Expiry Date, on the day immediately following such redemption.
Mudaraba Assets:	The Issuer is to sell to the Sukukholders' Agent (acting for and on behalf of Sukukholders) an undivided interest in the Issuer's existing and future business (including, amongst others, the right to share in Distributions and any other payments made by any Subsidiary to the Issuer once received by the Issuer but excluding the shares of any Subsidiary of the Issuer or any interests in such shares or any votes attached to them) pursuant to the beneficial rights transfer agreement (the **Beneficial Rights Transfer Agreement**), which will constitute the assets of the Mudaraba (the **Mudaraba Assets**). The purchase price

of the Mudaraba Assets will equal the proceeds from the sale of the Mudaraba Sukuk, which will constitute the capital of the Mudaraba (the **Mudaraba Capital**).

On the Closing Date the Issuer shall acknowledge the undivided interest of the Sukukholders'Agent (acting for and on behalf of Sukukholders) in the Mudaraba Assets.

The Issuer shall be entitled to commingle its own interests with the interests of the Sukukholders' Agent (acting for and on behalf of Sukukholders) in the Mudaraba Assets and the Mudaraba Assets shall revert automatically to the Issuer (for its own account) following the redemption in full of the Mudaraba Sukuk and the end of the Mudaraba.

None of the Issuer, the Sukukholders' Agent and the Joint Lead Managers and Joint Bookrunners is providing a guarantee in connection with the performance or the profitability of the Mudaraba Assets or for the share and amount of the distributions (if any) made to the Sukukholders. Subject to, and in accordance with, the terms of the Mudaraba Agreement, the Mudareb shall be responsible for any losses incurred by the Sukukholders as a direct result of the Mudareb's default or negligence in performing its obligations under the Mudaraba Agreement.

Mudaraba Income Distribution:

The objective of the Mudaraba will be to earn profit from the Mudaraba Assets in accordance with the Mudaraba Agreement.

Such profit will be distributed among the Issuer and the Sukukholders in accordance with the following ratios applied over the Net Profit :

Sukukholders: 90 per cent. of the Net Profit from the Mudaraba Assets (the **Mudaraba Income**); and

Issuer: 10 per cent. of the Net Profit from the Mudaraba Assets (the **Mudareb Profit**).

The Mudaraba Income shall be credited when received to the Collection Account from which the Periodic Distribution Amounts and the Redemption Amount (together with any Partial Periodic Distribution Amount and Early Redemption Amount) under the Mudaraba Sukuk will be paid by the Issuer. Such payments will be made by the Issuer deducting the relevant amount from the Collection Account and making payment of such amount to the Transaction Account one Business Day prior to each Periodic Distribution Date.

So long as no Event of Default has occurred and has not been remedied or otherwise ceased to apply, the Issuer may withdraw any amounts standing to the credit of the Collection Account from time to time.

The primary purpose of the Collection Account is for it to be held for the benefit of the Sukukholders. The Withdrawn Amounts are for the Issuer’s own account and may be used by the Issuer for any purpose. Any losses arising in respect of the Withdrawn Amounts are solely for the account of the Issuer. The Withdrawn Amounts shall be owed as a debt to the Sukukholders’ Agent (acting for and on behalf of the Sukukholders) and shall be repayable from the Issuer's own funds on demand to meet the amounts owing and due under the Mudaraba Sukuk.

The Issuer will, on the Closing Date, deposit or cause to be deposited in the Reserve Account an amount equal to the Reserve Amount and the Issuer shall ensure that the Reserve Account is at all times credited with at least the Reserve Amount (as determined by the Payments Administrator on each Periodic Determination Date by reference to the Margin and the Saudi Interbank Offered Rate (SIBOR) then applying). The amount standing to the credit of the Reserve Account may be applied by the Sukukholders’ Agent towards any amount due and owing by the Issuer under the Mudaraba Sukuk from time to time if such amount is not received by the Sukukholders’ Agent in the Transaction Account on the date on which it is payable by the Issuer under the Conditions. The amount standing to the credit of the Reserve Account shall be released to, or paid to the order of, the Issuer (i) to the extent that such amount is at any time greater than the Reserve Amount (although any amount so released or paid shall be limited to the amount of such excess) or (ii) on redemption or purchase and cancellation of the

Mudaraba Sukuk on the Expiry Date or the Event of Default Date (and, at the request and direction of the Issuer, may be paid in satisfaction of any amounts payable by the Issuer under the Conditions on the redemption or purchase of all of the Mudaraba Sukuk then current).

If the amount due to the Sukukholders on any Periodic Distribution Date, the Expiry Date or the Event of Default Date, is greater than the aggregate amount standing to the credit of the Collection Account, the Issuer shall on or prior to 11.00a.m. (Kingdom time) two (2) Business Days prior to such date, repay by way of a corresponding credit to the Collection Account either the aggregate of the Withdrawn Amounts (to the extent these remain unpaid) or the amount due to the Sukukholders on the relevant date taking into account the amount standing to the credit of the Collection Account, whichever is the lesser.

The Sukukholders shall have the option in the Investor Application Form to release to the Issuer any amounts standing to the credit of the Collection Account following redemption or purchase and cancellation of the Mudaraba Sukuk on the Expiry Date or the Event of Default Date, which in the absence of any Extraordinary Resolution of Sukukholders to the contrary shall be deemed to be so released.

Net Profit means the Distributions and any other payments made by any Subsidiary to the Issuer once received by the Issuer in respect of the Mudaraba Assets less the Mudaraba Costs.

Order Notes:

The Issuer shall deliver to the Sukukholders’ Agent on the Closing Date Order Notes in respect of the expected Withdrawn Amounts for the First Order Note Period and as agreed with the Sukukholders' Agent. For each successive Order Note Period, the Issuer will deliver replacement Order Notes to the Sukukholders’ Agent in respect of the expected Withdrawn Amounts for such Order Note Period and as agreed with the Sukukholders’ Agent. Such replacement Order Notes will be delivered to the Sukukholders’ Agent by the end of each Order Note Period, and in substitution for the Order Notes held by the Sukukholders’ Agent in respect of that Order Note Period, and the Sukukholders’ Agent shall destroy any Order Note so substituted (including any Order Note held by the

Sukukholders' Agent on the day immediately following the redemption in full of the Mudaraba Sukuk).

Each Order Note shall evidence the relevant debt owed to the Sukukholders' Agent for the Withdrawn Amounts and not be deemed to be any guarantee of any obligations of the Issuer with respect to any Periodic Distribution Amount or the Redemption Amount. The Sukukholders’ Agent shall hold each Order Note on behalf of the Sukukholders and each Order Note constitutes direct, unconditional and irrevocable obligations of the Issuer, subject to the terms of the Sukuk Documents.

The delivery to the Sukukholders’ Agent of each Order Note shall not limit, restrict, prejudice or otherwise affect in any way or to any extent the obligations of the Issuer under the Sukuk Documents. The replacement of Order Notes each eleven (11) months is standard market practice in the Kingdom of Saudi Arabia to ensure that the maximum time period under which an Order Note can be presented for payment is not exceeded.

The Sukukholders’ Agent shall not present any Order Note for payment or permit the presentation thereof to any person other than to the Negotiable Instruments Committee in the Kingdom of Saudi Arabia (established pursuant to the Minister of Commerce Decisions Number 353 and 354 dated 11/5/1388H. (corresponding to 5 August 1968) and Number 358 dated 16/5/1388H. (corresponding to 10 August 1968) or any successor body). Order Notes may also only be presented for payment in respect of a claim for an amount no greater than the amounts which are then due and payable by the Issuer under the Mudaraba Sukuk and in the event any greater amount is awarded by the Negotiable Instruments Committee, the Sukukholders' Agent undertakes to pay any amount in excess of the amount due and payable under the Muduraba Sukuk to the Issuer pursuant to the Conditions. The total amount represented by the Order Notes held by the Sukukholders' Agent from time to time is expected to be sufficient to provide for the enforcement of the Issuer's obligations in respect of the payment of any Withdrawn Amounts for the payment of ay amounts then due and payable to the Sukukholders under the Mudaraba Sukuk.

Security:	The Issuer shall grant in favour of the Sukukholders' Agent (acting for and on behalf of the Sukukholders) a first priority accounts pledge of all amounts standing to the credit of the Reserve Account (the **Account Pledge Agreement**). The Account Pledge Agreement will be the only security granted in respect of the Mudaraba Sukuk and the only account secured will be the Reserve Account.

SUMMARY OF THE MUDARABA SUKUK

Mudaraba Sukuk:	Mudaraba Sukuk due in ●.
Issue Price:	100 per cent. of the aggregate Nominal Amount of the Mudaraba Sukuk.
Currency:	The Mudaraba Sukuk will be denominated in Saudi Riyals.
Term:	The Mudaraba Sukuk will expire on [●], unless previously redeemed or purchased or cancelled.
Status:	The Mudaraba Sukuk will constitute undivided ownership interests in the Mudaraba Assets and will rank *pari passu*, without any preference or priority among themselves. The Reserve Account shall be secured in favour of the Sukukholders' Agent pursuant to the Account Pledge Agreement. The Mudaraba Sukuk will constitute unsubordinated obligations of the Issuer and, except as otherwise required by law, shall rank equally in right of payment to all other unsecured obligations of the Issuer (other than any obligations that are expressed by their terms to rank in right of payment after other unsecured obligations of the Issuer).
Form of the Mudaraba Sukuk:	The Mudaraba Sukuk will only be issued in dematerialised registered form and will be represented at all times by interests in a registered form global suk (as more particularly described in Condition 2 (*Form and Denomination*)), which will be deposited with the Sukukholders' Agent.
Denominations:	Mudaraba Sukuk will be issued in denominations of SR 100,000, subject to a minimum initial subscription amount of SR 1,000,000.

Periodic Distribution Dates:	On ● of ●, ●, ● and ● in each year, commencing on ● 20●G and up to and including [●]. If any Periodic Distribution Date is not a Business Day, it shall be postponed to the following Business Day.
Periodic Distribution Amount:	On each Periodic Distribution Date the Issuer shall pay a distribution to each Sukukholder in an amount equal to such Sukukholder's *pro rata* share of the Periodic Distribution Amount. **Periodic Distribution Amount** means, for each Periodic Distribution Period, an amount equal to: (a) the amount resulting from the following calculation: (i) SIBOR plus the Margin; multiplied by (ii) the aggregate Nominal Amount of such Mudaraba Sukuk as are current on the Transfer Record Date immediately preceding the last day of such Periodic Distribution Period; multiplied by (iii) the actual number of days in such Periodic Distribution Period for which the Periodic Distribution Amount is being paid; divided by (b) 360.
Dissolution:	Unless previously redeemed following the occurrence of an Event of Default, the Mudaraba Sukuk shall be redeemed at the Redemption Amount on the Periodic Distribution Date falling on or nearest to the Expiry Date and each Sukukholder shall receive its *pro rata* share of the Redemption Amount.
Obligatory Redemption of the Mudaraba Sukuk by the Issuer:	Sukukholders may only oblige the Issuer to redeem the Mudaraba Sukuk at the Redemption Amount prior to the Expiry Date upon the occurrence of the circumstances set out in Condition 8(c) (*Mandatory Redemption under Permitted Disposals and/or Extraordinary Distributions*) and Condition 11 (*Events of Default*).
Redemption at the Option of the Issuer on Refinancing:	The Issuer may at its option redeem the Mudaraba Sukuk at the Redemption Amount up to two months before the Expiry Date in connection with any financing of the redemption of the Mudaraba Sukuk. See Condition 8(d) (*Redemption at the Option of the*

Issuer on Refinancing).

Redemption Amount:

The Market Value. If there is a Loss in respect of the Mudaraba Sukuk, then the Redemption Amount of the Mudaraba Sukuk may be less than a Sukukholder's original investment.

Market Value means the market value of the Mudaraba Sukuk as are current at that time determined by the Sukukholders' Agent acting in its reasonable discretion on the relevant date of redemption and in accordance with any Standing Instructions with respect to such market value given by the Sukukholders prior to such date.

Loss means the amount (if any) by which (x) the Market Value of the Mudaraba Sukuk on the relevant date of redemption is less than (y) the Market Value of the Mudaraba Sukuk on the Closing Date and which is not covered by the sum of (i) the amount standing to the credit of the Collection Account on the relevant date and (ii) the amount owed by the Issuer as a debt for the Withdrawn Amounts.

Standing Instruction means an instruction and/or waiver provided by a Sukukholder to the Sukukholders' Agent in the Investor Application Form with respect to the Market Value and certain other matters specified therein.

Taxation:

All payments or distributions made by or on behalf of the Issuer to the Sukukholders in respect of the Mudaraba Sukuk shall be made free and clear of, and without deduction for or on account of any withholding tax unless the deduction of such withholding tax is required by applicable law. In that event, but only to the extent that such amounts are otherwise available for distribution to the Sukukholders from the Mudaraba Income or amounts standing to the credit of the Reserve, the Issuer shall pay such additional amounts as would result in the receipt by the Sukukholders of such amounts as would have been received if no such deduction of withholding tax had been required. No additional amounts will be payable to Sukukholders in respect of any zakat obligations of a Sukukholder for which Sukukholders are themselves responsible.

Offering Restrictions:	The offering and delivery of the Mudaraba Sukuk is limited to persons who are Qualified Persons in the Kingdom). For a more detailed description of these and other restrictions on offers, sales and deliveries of Mudaraba Sukuk and on the distribution of offering material relating to the Mudaraba Sukuk, see "*Subscription and Sale*" on page 150 of this Prospectus.
Use of Proceeds:	The net proceeds of the issue of the Mudaraba Sukuk, after deduction of the combined management and selling commission, will constitute the Mudaraba Capital and will be used by the Sukukholders' Agent (acting for and on behalf of Sukukholders) to purchase the Mudaraba Assets from the Issuer. The Issuer estimates its total costs and expenses in relation to the issue of the Mudaraba Sukuk will be approximately SR 15 million, including, without limitation, listing, legal and accounting fees and expenses, Agency Fees and the combined management and selling commission, costs and other expenses of the Joint Lead Managers and Joint Bookrunners. The Issuer will use the proceeds of sale of the Mudaraba Assets for its general corporate purposes, including its equity investment in its subsidiary, IPC, to fund construction of the plants and facilities for the manufacture of EVA and LDPE, as well as the construction of the plants and facilities for its other proposed projects (namely the production of W&C and EA) and other future projects and ventures it may develop together with additional capital expenditure and debottlenecking exercises in connection with the improvement and expansion of the Sipchem Group's existing operations..
Sukukholder Meetings:	A summary of the provisions for convening meetings of Sukukholders to consider matters relating to their interests as such is set out in Condition 14 (*Meetings of Sukukholders; Modification*).
Transfers:	The Mudaraba Sukuk may be transferred in accordance with the regulations and procedures established by the Registrar, by delivering to the Registrar such information as such regulations and procedures shall require. See Condition 3 (*Register, Title and Transfers*) and "*Subscription and Sale*" on page 150 of this Prospectus, respectively.

Risk Factors:	A purchase of the Mudaraba Sukuk should be made only after careful consideration of a potential Sukukholder's investment circumstances. See "*Risk Factors*" on page 16 of this Prospectus.
Sukuk Documents:	The Sukuk Documents are the Mudaraba Agreement, the Declaration of Agency, the Payments Administration Agreement, the Registry Agreement, the Mudaraba Sukuk (including the Global Suk), the Investor Application Form, the Account Pledge Agreement, the Beneficial Rights Transfer Agreement and any other agreements and documents delivered or executed in connection therewith.

SUMMARY OF FINANCIAL INFORMATION

The summary financial information presented below should be read in conjunction with "Management's Discussion and Analysis" on page 118 of this Prospectus, the Issuer's audited consolidated financial statements and related notes for the years ended 31 December 2010, 2009 and 2008, all of which financial statements are set out in Appendix 1 (Financial Statements). This summary financial information has been extracted from the Issuer's audited consolidated financial statements.

	Year ended/As at 31 December Audited			
	2008	**2009**	**2010**	**CAGR**
	(*SR thousands*)			
Summary Results of Operations				
Sales	1,708,582	830,403	1,992,536	8%
Cost of sales	(693,775)	(594,666)	(1,131,183)	28%
Gross profit	**1,014,807**	**235,737**	**861,353**	**-8%**
Operating income	**944,120**	**168,332**	**764,151**	**-10%**
Financial charges	(79,118)	(45,388)	(107,246)	16%
Income before minority interest and zakat	**850,686**	**210,402**	**660,050**	**-12%**
Minority interest	(283,526)	(29,164)	(238,029)	-8%
Zakat	(30,379)	(40,358)	(43,943)	20%
Net income	**536,781**	**140,880**	**378,078**	**-16%**
Summary Balance Sheet				
Total current assets	2,841,624	2,217,676	2,425,569	-8%
Total non-current assets	7,991,765	9,600,527	9,600,976	10%
Total assets	**10,833,389**	**11,818,203**	**12,026,545**	**5%**
Total current liabilities	979,404	903,102	856,511	-6%
Total non-current liabilities	3,995,718	5,083,146	5,156,141	14%
Total liabilities	**4,975,122**	**5,986,248**	**6,012,652**	**10%**
Total shareholders' equity	4,964,594	4,922,082	4,921,484	0%
Minority interest	893,673	909,873	1,092,409	11%
Total liabilities, shareholders' equity and minority interest	**10,833,389**	**11,818,203**	**12,026,545**	**5%**

	Year ended 31 December			
	2008	**2009**	**2010**	**CAGR**
		(SR thousands)		
Net cash (used in)/from operating activities	1,214,127	(174,858)	374,839	-44%
Net cash used in investing activities	(2,807,286)	(1,327,160)	(305,858)	-67%
Net cash from financing activities	2,612,181	752,186	(279,539)	-
Net change in cash and cash equivalents	**1,019,022**	**(749,832)**	**(210,558)**	**-**
Cash and cash equivalents at 1 January	1,562,012	2,581,034	1,831,202	8%
Cash and cash equivalents at 31 December	**2,581,034**	**1,831,202**	**1,620,644**	**-21%**

Source: Audited consolidated financial statements of the Issuer for the years ended 31 December 2008, 2009 and 2010.

	Year ended/As at 31 December		
Liquidity Ratios:	**2008**	**2009**	**2010**
Current ratio	2.90	2.46	2.83
Quick ratio	2.79	2.37	2.59
Operating Ratios:			
Asset turnover	0.16	0.07	0.17
Average collection period (number of calendar days)	33	135	109
Average inventory holding period (number of calendar days)	56	48	67
Average creditor payment period (number of calendar days)	423	381	144
Profitability Ratios:			
Gross margin	59%	28%	43%
Operating profit margin	55 %	20%	38%
Net profit margin	31%	17%	19%
Return on equity	9%	2%	6%
Return on assets	5%	1%	3%
Leverage Ratios:			
Total debt/equity	0.71	0.91	0.92
Total debt/total assets	0.38	0.45	0.46
Debt Service Ratios			
Interest coverage ratio	11.93	3.71	7.13

Debt service coverage ratio	12.05	9.46	5.64

Where:

- "Debtor collection period" is the ratio of the closing balance as at 31 December of the relevant year of (i) accounts receivable, prepayments and other receivables to (ii) sales, annualised on the basis of the relevant number of calendar days

- "Inventory holding period" is the ratio of the closing balance as at 31 December of the relevant year of (i) inventories to (ii) cost of sales, annualised on the basis of the relevant number of calendar days

- "Creditor payment period" is the ratio of the closing balance as at 31 December of the relevant year of (i) closing accounts payable, other payables and provisions to (ii) cost of sales, annualised on the basis of the relevant number of calendar days

- "Operating profit margin" is the ratio of (i) income from main operations to (ii) sales

- Equity comprises (i) total shareholder's equity and (ii) minority interest

- Debt for the calculation of the above leverage ratios includes the current and non-current portion of (i) long term loans, (ii) obligations under capital lease, (iii) advances from partners and (iv) fair value of interest rate swaps

- "Interest coverage ratio" is the ratio of (i) income from main operations to (ii) Consolidated Finance Charges (as defined in Condition 1.1 on page 27 of this Prospectus)

- "Debt service coverage ratio" is the ratio of (i) cash available for repayment of loan and finance charges (i.e. the sum of (a) cash and cash equivalents at 1 January of the relevant year and (b) Consolidated EBITDA) to (ii) debt service (i.e. the sum of (a) Consolidated Finance Charges, (b) the current portion of long term loans and (c) the current portion of obligations under capital lease)

SHARI'AH ADVISORY COMMITTEE AND PRONOUNCEMENT

Prospective Sukukholders should not rely on the pronouncement referred to below in deciding whether to make an investment in the Mudaraba Sukuk and should consult their own Shari'ah advisers as to whether the proposed transaction described in the pronouncement referred to above is in compliance with Shari'ah principles.

DETAILED PRONOUNCEMENT OF RIYAD CAPITAL'S *SHARI'AH* COMMITTEE

A copy of the pronouncement issued by Riyad Capital's *Shari'ah* Committee (the ***Shari'ah* Committee**) relating to the Mudaraba Sukuk and confirming that, in the *Shari'ah* Committee's view, the proposed issue of the Mudaraba Sukuk and the related structure and mechanism described in the Sukuk Documents are in compliance with *Shari'ah* principles is set out in Appendix 2 (*Shari'ah Committee Pronouncement*).

OVERVIEW OF RIYAD CAPITAL'S *SHARI'AH* COMMITTEE

The *Shari'ah* Committee was appointed by the board of directors of Riyad Capital in 2008. The *Shari'ah* Committee is an independent committee, guiding Riyad Capital and meeting regularly for review and appraisal to ensure full compliance with *Shari'ah.*

Members of the *Shari'ah* Committee

Sheikh Abdullah Bin Sulaiman Al-Manea

Sheikh Abdullah is a member of the Kingdom's Royal Diwan and has been a member of its Supreme Judiciary Committee since its inception in the year 1391H. He was appointed Vice President for Research of Advocacy and Counselling in 1396H. He is a member of the Islamic Fiqh Academy of the OIC and was formerly Deputy President of the Makkah Courts and former Judge of the Court of Cessation in Makkah Al Mukarramah.

Sheikh Abdullah is a member of many Saudi banks' *Shari'ah* supervisory committees. He is also a member of many *Shari'ah* councils including the Accounting & Auditing Organization of Islamic Financial Institutions (**AAOFI**) in Bahrain. The Sheikh has supervised a number of PhD thesis and has participated in the discussion of a number of MA and PhD dissertations. He has compiled a number of *Shari'ah* rulings (interpretive opinions) and is an author of a number of books on Islamic finance.

Sheikh Dr Abdullah Bin Mohammed Al-Mutlaq

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

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

The Sheikh is a member of many Saudi banks' *Shari'ah* supervisory committees.

The Sheikh has supervised a number of PhD thesis and has participated in the discussion of a number of MA and PhD dissertations. He has compiled a number of *Shari'ah* rulings (interpretive opinion) and is an author of a number of books on Islamic finance.

Sheikh Dr Muhammad A Elgari Bin Eid

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

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

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

Sheikh Elgari is a member of numerous *Shari'ah* committees of banks and financial institutions.

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

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GLOSSARY OF DEFINED TERMS

AA	Acetic acid
AAn	Acetic anhydride
AAOFI	Accounting & Auditing Organization of Islamic Financial Institutions
Account Pledge Agreement	A first priority accounts pledge of all amounts standing to the credit of the Reserve Account to be granted by the Issuer in favour of the Sukukholders' Agent (acting for and on behalf of the Sukukholders)
Agency Fees	The on-going fees and expenses (if any) payable to the Payments Administrator and the Sukukholders' Agent for their services in connection with the Mudaraba Sukuk as further described in the Payments Administration Agreement or, as the case may be, the Declaration of Agency
Al Babtain	Abdullatif Saud Al Babtain Co. for Industrial & Commercial Projects
ASTC	Arab Supply & Trading Company
BA	Butyl Acetate
BASF	BASF SE
BDO	Butanediol
Beneficial Rights Transfer Agreement	The beneficial rights transfer agreement to be entered into on or about the Closing Date between the Issuer, the Mudareb and the Sukukholders Agent
Board	Sipchem's Board of Directors
BP	BP p.l.c.
BTU	British thermal units
Business Day	A day on which commercial banks are open for general business in the Kingdom of Saudi Arabia
By-laws	Sipchem's by-laws
CAGR	Compound annual growth rate
Celanese	Celanese Corporation
CFR	Code of Federal Regulations
Closing Date	The date on which the Mudaraba Sukuk will be issued, which is to fall no later than ten (10) Business Days after the end of the Investor Presentation Period
Collection Account	The account to be maintained by the Issuer in its books for and on behalf of the Sukukholders from which the Periodic Distribution Amounts and the Redemption Amount (together with any Partial Periodic Distribution Amount) under the Mudaraba Sukuk will be paid by the Issuer in accordance with Condition 5(d) (*Application of Proceeds - Transaction Account*)
CMA or the **Authority**	Capital Market Authority of the Kingdom of Saudi Arabia
CO_2	Carbon dioxide
CO	Carbon monoxide
Committee	Saudi Arabia's Committee for the Resolution of Securities Disputes, established pursuant to the Capital Market Law, promulgated by Royal Decree

	No. (M/30) dated 2/6/1424H (corresponding to 31 July 2003) or any successor body
Companies Regulations	The regulations for companies in Saudi Arabia promulgated under Royal Decree No. M/6 dated 22/3/1385H (corresponding to 20 July 1965) as amended
Conditions	The terms and conditions of the Mudaraba Sukuk. See "*Terms and Conditions of the Mudaraba Sukuk*" on page 27 of this Prospectus
Corporate Governance Regulations	The Companies Corporate Governance Regulations in the Kingdom, issued by the Board of the CMA under Resolution No. 1-212-2006 on 21/10/1427H (corresponding to 12 November 2006)
Consolidated Financial Statements	The audited consolidated financial statements of the Sipchem Group for the years ended 31 December 2008, 2009 and 2010 and the notes thereto
Davy	Davy Process Technology Limited
Davy Process	Davy's three stage process of converting MAn to BDO and THF
dBA	Decibels
Declaration of Agency	The declaration of agency dated on or about the Closing Date between the Issuer and the Sukukholders' Agent
Deloitte	Deloitte & Touche Bakr Abulkhair & Co
Disposal Redemption Amount	The amount to be applied in the *pro rata* redemption of the Mudaraba Sukuk in accordance with Condition 8(c) (*Mandatory Redemption under Permitted Disposals and/or Extraordinary Distributions*) on any disposal of greater than fifteen per cent. (15%) of the aggregate issued share capital or ownership or other equity interests of any Subsidiary of the Issuer existing as at the Closing Datewhere the consideration received by the Issuer for such disposal (the **Disposal Consideration**) is at least equal to the Fair Market Value of the relevant shares or ownership or other equity interests of such Subsidiary and the Issuer does not apply the proceeds of such disposal to another project or venture within 12 months of receipt of such funds (or such later date for so long as the Issuer has entered into good faith negotiations with a potential partner which commenced within such 12 month period and such negotations are ongoing). The Disposal Redemption Amount in these circumstances shall be 85 per cent. (85%) of the Disposal Consideration.
Distribution	(a) Any dividend, charge, fee or other distribution (or commission on any unpaid dividend, charge, fee or other distribution) (whether in cash or in kind) on or in respect of the equity share capital of any Subsidiary (or any part or class thereof); (b) any redemption, reduction, repurchase, defeasance, retirement or repayment of share capital, share premium or other capital reserves by any Subsidiary;

(c) any repayment of principal, payment of commission or payment of other amounts in respect of shareholder loans by any Subsidiary;

(d) any distribution, return, refund or payment of any amount in respect of an indemnity or other obligations of any Subsidiary relating to any Guarantee of Indebtedness of such Subsidiary by the Issuer; and

(e) any other payment of management, advisory or other fees or distributions of any kind by any Subsidiary to the Issuer (other than by way of reimbursement or other payment by any Subsidiary to the Issuer for any shared services or back-to-back or other corresponding obligation of the Issuer to the extent the amount received by the Issuer is equal to the amount paid or payable by the Issuer in respect of such services or obligation)

DM	Dimethyl maleate
Dow	Dow Chemical Company
DuPont	E.I. du Pont de Nemours and Company
DZIT	The Department of Zakat and Income
EA	Ethyl acetate
Early Redemption Amount	The Disposal Redemption Amount or the Extraordinary Distribution Amount (as relevant), which amount shall be deemed to be Mudaraba Income and credited to the Collection Account, accordingly
Early Redemption Date	The date set forth in the Early Redemption Notice, which date shall not be more than five (5) days after the date of such notice
Early Redemption Notice	Any notice given by the Issuer to the Sukukholders’Agent of the redemption of the Mudaraba Sukuk pursuant to Condition 8(c) (*Mandatory Redemption under Permitted Disposals and/or Extraordinary Distributions*) and of the portion of the Mudaraba Sukuk to be so redeemed
Eastman	Eastman Chemical Company
ESP	Employee Savings Plan
Eickmeyer	Eickmeyer & Associates Inc
EVA	Ethylene-vinyl acetate
Event of Default	Any of the events and circumstances set out in Condition 11 (*Events of Default*) on page 47 of this Prospectus
Event of Default Date	If the Sukukholders’ Agent receives Event of Default Notices from the Required Sukukholders within the Exercise Period and the relevant Event of Default is continuing, the date on which Event of Default Notices from the Sukukholders are first received
Event of Default Notice	The notice that may be delivered by any Sukukholder to the Sukukholders’Agent during the Exercise Period

	declaring the Mudaraba Sukuk held by that Sukukholder to be purchasable or declining to declare the Mudaraba Sukuk held by that Sukukholder to be purchasable
Exclusivity Period	The period from 5 May 2005 to 5 May 2019 in which IAC's licence to use Eastman's AA and AAn production technology is an exclusive licence
Exercise Period	The period of up to three (3) Business Days after the Sukukholders' Agent gives notice of the occurrence of an Event of Default to the Sukukholders, or such other date as is notified to the Sukukholders by the Sukukholders' Agent
Expiry Date	The last Periodic Distribution Date falling on or nearest to [●], 20[●]G
Extraordinary Distribution	Any Distribution made to the Issuer by any Subsidiary resulting from any Refinancing (in whole or in part) of such Subsidiary
Extraordinary Distribution Amount	Eighty-five per cent. (85)% of any Extraordinary Distribution
Extraordinary Resolution	A resolution passed at a duly convened meeting of the Sukukholders by a majority of at least fifty-one per cent. (51%) of the aggregate Nominal Amount of the Mudaraba Sukuk represented, save in the case of a resolution passed in relation to any Standing Instructions or release of amounts standing to the credit of the Collection Account as contemplated by Condition 5(d)(iii), which must be a unanimous resolution of the holders of all of the Mudaraba Sukuk current as of the date of such resolution
Exxon Mobil	Exxon Mobil Corporation
Fair Market Value	With respect to any asset or property, the price which could be negotiated in an arm's length, free market transaction, for cash, between a willing seller and a willing and able buyer, neither of whom is under undue pressure or compulsion to complete the transaction
First Order Note Period	The eleven (11) month period immediately following the Closing Date
FOB	Free on Board
GAS	National Industrial Gases Company
GBL	Gamma-butyrolactone
GCC	Gulf Cooperation Council
GCC person	(a) a citizen of any of the GCC countries (namely, Saudi Arabia, the United Arab Emirates, the Kingdom of Bahrain, the Sultanate of Oman, the State of Qatar and the State of Kuwait) and (b) any legal entity owned by GCC citizens or established under the laws of a GCC country
GDP	Gross domestic product
GBP	Gamma-butyrolactone
Global Suk	The registered form global suk representing the Mudaraba Sukuk
Government	The Government of Saudi Arabia

GOSI General Organisation for Social Insurance

Group The Issuer and its Subsidiaries

Guarantee In relation to any Indebtedness of any Person, any obligation of another Person to pay such Indebtedness including (without limitation):

(a) any obligation to purchase such Indebtedness;

(b) any obligation to lend money, to purchase or subscribe shares or other securities or to purchase assets or services in order to provide funds for the payment of such Indebtedness;

(c) any indemnity against the consequences of a default in the payment of such Indebtedness; and

(d) any other agreement to be responsible for such Indebtedness

Hanwha Hanwha Chemical Company

Helm Arabia Helm Arabia GmbH & Co KG.

Huntsman Huntsman Corporation

IAC International Acetyl Company Limited

ICI ICI Chemicals & Polymers Ltd.

IDC International Diol Company

IGC International Gases Company Limited

IMC International Methanol Company

Income Tax Regulation The Income Tax Regulation issued under Royal Decree No. M/1 dated 15/01/1425H

Indebtedness Any indebtedness of any Person for money borrowed or raised including (without limitation) any indebtedness for or in respect of:

(a)moneys borrowed from and debit balances at financial institutions;

(b)any amount raised by acceptance under any acceptance credit facility or bill discounting facility (including any dematerialised equivalent);

(c) any amount raised pursuant to any note purchase facility or the issue of sukuk, bonds, notes, debentures, loan stock or any similar instrument;

(d) the amount of any liability in respect of an agreement which would, in accordance with generally accepted accounting principles, be treated as a finance or capital lease;

(e) receivables sold or discounted outside of the Group other than pursuant to marketing or off take arrangements in the ordinary course of business of the Group;

(f) any amount raised under any other transaction (including any vendor financing, forward sale or purchase agreement, sale and sale-back, sale and lease-back or deferred purchase agreement) having the commercial effect of a borrowing (excluding, for the avoidance of doubt, any trade payables whether for the supply of feedstock, catalysts or more generally);

(g) the acquisition cost of any asset or service to the extent payable before or after its acquisition or possession by the party liable where the advance or deferred payment:

(i) is arranged primarily as a method of raising finance or financing the acquisition or construction of that asset or the acquisition of that service (but excluding trade credit on customary commercial terms); or

(ii) involves a period of more than six (6) months before or after the date of acquisition or supply;

(i) shares which are expressed to be redeemable;

(j) any transaction entered into in connection with protection against or to benefit from fluctuation in any rate or price (and, when calculating the value of any such transaction, only the marked to market value shall be taken into account which, for the avoidance of doubt, may be an addition to or subtraction from the amount of Indebtedness);

(k) any counter-indemnity obligation in respect of a guarantee, indemnity, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution;

(l) any financing transaction or other arrangement entered into which is expressed to be made in accordance with the principles and rules of *Shari'ah* (but for the avoidance of doubt, may be governed by another system of law); and

(m) the amount of any liability in respect of any Guarantee in respect of an underlying liability of any Person which is of the nature referred to in the above paragraphs

Investor Application Form — The form required to be submitted to the Joint Lead Managers and Joint Bookrunners before the end of the Investor Presentation Period by the Persons wishing to invest in the Mudaraba Sukuk

Investor Presentation Period — The period commencing on 16/07/1432H (corresponding to 18/06/2011G) and ending within ten (10) Business Days, as further described under "*Subscription and Sale*" on page 150 of this Prospectus

IPC — International Polymers Company

IPIC — Ikarus Petroleum Industries Company

ISO	International Organisation for Standardisation
Issuer	Saudi International Petrochemical Company, in its capacity as issuer and *mudareb* of the Mudaraba Sukuk, as the context requires
IT	Information technology
IUC	International Utilities Company
IVC	International Vinyl Acetate Company Limited
IWL	Islamic World League
Jacobs Engineering	Jacobs Engineering UK Limited
JAMC	Japan-Arabia Methanol Company Limited
JCP Port Facilities	The facilities of IPC at the Jubail Commercial Port
Joint Lead Managers and Joint Bookrunners	Deutsche Securities Saudi Arabia LLC and Riyad Capital
J&J	Jim Jordan & Associates, LP
KFIP Port Facilities	The facilities of the Sipchem Group at the King Fahd Industrial Port in Al-Jubail
KFUPM	King Fahad University of Petroleum and Minerals, Dhahran, Saudi Arabia
Kingdom	Kingdom of Saudi Arabia
KTPY	Thousand metric tonnes per year
LDPE	Low density polyethylene
Listing Rules	The Listing Rules issued on 4 October 2004G by the Board of the CMA, as amended
Loss	The amount (if any) by which (x) the Market Value of the Mudaraba Sukuk on the relevant date of redemption is less than (y) the Market Value of the Mudaraba Sukuk on the Closing Date and which is not covered by the sum of (i) the amount standing to the credit of the Collection Account on the relevant date and (ii) the amount owed by the Issuer as a debt for the Withdrawn Amounts
Lyondell	LyondellBasell Industries AF S.C.A.
MAn	Maleic anhydride
Marafiq	The Power & Water Utility Company for Jubail and Yanbu
Margin	The percentage rate per annum specified as the "Margin" and published on the website of the Issuer as described under "Subscription and Sale" on page 150 of this Prospectus
Market Value	On the Expiry Date, the Event of Default Date, the Early Redemption Date or the Refinancing Redemption Date, the market value of the Mudaraba Sukuk as are current at that time, as determined by the Sukukholders' Agent acting in its reasonable discretion and in accordance with any Standing Instructions with respect to such market value given by the Sukukholders prior to such date
MEPA	Presidency of Meteorology and Environment
MoE	Ministry of Endowment

MOCI	Ministry of Commerce and Industry
MTPY	Metric tonnes per year
Mudaraba	The mudaraba constituted by the Mudaraba Agreement
Mudaraba Agreement	The mudaraba agreement dated on or about the Closing Date between the Issuer and the Sukukholders' Agent
Mudaraba Assets	The undivided interest in the Issuer's existing and future business (including, amongst others, the right to share in Distributions and any other payments made by any Subsidiary to the Issuer once received by the Issuer but excluding the shares of any Subsidiary of the Issuer or any interest in such shares or any votes attached to them) purchased by the Issuer from the Sukukholders' Agent (acting for and on behalf of Sukuholders) pursuant to the Beneficial Rights Transfer Agreement
Mudaraba Capital	The proceeds from the sale of the Mudaraba sukuk, which will equal the purchase price of the Mudaraba Assets.
Mudaraba Costs	The Agency Fees and all costs, charges, expenses (including legal and audit expenses) and liabilities properly incurred by the Issuer, the Sukukholders' Agent or the Payments Administrator in carrying out their functions under the Mudaraba Agreement, the Payments Administration Agreement or the Declaration of Agency, as the case may be
Mudaraba Income	90 per cent. of the Net Profit from the Mudaraba Assets
Mudaraba Sukuk	Mudaraba sukuk due ● of the Issuer
Mudareb	The Issuer in its capacity as *mudareb* of the Mudaraba Sukuk
Mudareb Profit	10 per cent. of the Net Profit from the Mudaraba Assets
nameplate capacity	The minimum production capacity specification to which a plant is designed and built
Negotiable Instruments Committee	The Committee for the Settlement of Negotiable Instruments Disputes, established pursuant to the Minister of Commerce Decisions Number 353 and 354 dated 11/5/1388H. (corresponding to 5 August 1968) and Number 358 dated 16/5/1388H. (corresponding to 10 August 1968) or any successor body
Net Profit	The Distributions and any other payments made by any Subsidiary to the Issuer once received by the Issuer in respect of the Mudaraba Assets less the Mudaraba Costs
Netback Price	The price at which a product is sold by an offtaker or marketing company to third parties on arms length terms less that offtaker's or marketing company's costs of sale and marketing fee
NIG	National Industries Group Holding
Nominal Amount	The nominal amount of the Mudaraba Sukuk, which is SAR 100,000
NPC	National Power Company

OFC	Olayan Financing Company
Operating Company	Each of IMC, IDC, IGC, IAC, IVC and IPC
Order Note	An order note substantially in the form set forth in schedule 2 (*Form of Order Note*) of the Mudaraba Agreement
Order Note Period	The First Order Note Period and each successive eleven (11) month period immediately following the First Order Note Period
PADC	Product & Application Development Centre
Partial Periodic Distribution Amount	In relation to any day on which the Issuer is to redeem the Mudaraba Sukuk due to the occurrence of an Event of Default or as contemplated by Condition 8(c) (*Mandatory Redemption under Permitted Disposals and/or Extraordinary Distributions*) or Condition 8(d) (*Redemption at the Option of the Issuer on Refinancing*), amount calculated as provided in the definition of "Partial Periodic Distribution Amount" in Condition 1 (*Definitions*)
Payments Administrator	Riyad Bank
Payments Administration Agreement	The payments administration agreement dated on or about the Closing Date between the Sukukholders' Agent, the Issuer, in its capacity as *mudareb* and the Payments Administrator
PBT	Polybutylene terephthalate
PE	A permanent establishment in the Kingdom

PEL Regulations	The Public Environmental Law and its implementing regulations
Periodic Determination Date	The second Business Day before the first day of the relevant Periodic Distribution Period
Periodic Distribution Amount	For each Periodic Distribution Period, an amount calculated as provided in Condition 7(a) (*Periodic Distribution Dates*)
Periodic Distribution Date	The [●] of [●], [●], [●] and [●] in each year, commencing on [●] 20[●]G and up to and including [●] 20[●]G, *provided*, however, that if any such day is not a Business Day, the Periodic Distribution Date will be the immediately following Business Day
Periodic Distribution Period	The period from and including the Closing Date to but excluding the first Periodic Distribution Date, and each successive period from and including a Periodic Distribution Date to but excluding the next succeeding Periodic Distribution Date
Person	Any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality
PetMin	The Ministry of Petroleum and Mineral Resources
Phase I	The first stage of the Sipchem Group's development
Phase II	The second stage of the Sipchem Group's development
Phase III	The third stage of the

	Sipchem Group's development
PIF	Public Investment Fund
PPA	Saudi Arabian Public Pension Agency
PSM	Process Safety Management
PU	Polyurethane
Qualified Person	(a) A natural Person who is a national of the Kingdom or a GCC country (b) another legal Person with a permanent establishment in the Kingdom or a GCC country and, in the case of the Kingdom, holding a current commercial registration number issued by the Ministry of Commerce and Industry, which, in the case of either (a) or (b), maintains a bank account in the Kingdom of Saudi Arabia
RCJY	The Royal Commission of Jubail and Yanbu
RCJY Regulations	The environmental regulations of RCJY
Redemption Amount	The Market Value. If there is a Loss in respect of the Mudaraba Sukuk, then the Redemption Amount of the Mudaraba Sukuk may be less than a Sukukholder's original investment
Refinancing	The: (i) incurrence of any Indebtedness (including any *Shari'ah* compliant financing) to refinance in whole or in part any debt of a Subsidiary; (ii) any amendment of the terms and conditions of the Indebtedness of any Subsidiary to extend the term of such debt; or (iii) the incurrence of Indebtedness by any Subsidiary upon the expiry of any Indebtedness of such Subsidiary in existence on the Closing Date that is not applied in whole, directly or indirectly, in or towards any capital expenditure to increase the production capacity or efficiency of the operations of the Subsidiary
Refinancing Redemption Date	Any date fixed for redemption of the Mudaraba Sukuk falling not more than 2 months before the Expiry Date, as specified in any notice given by the Issuer pursuant to Condition 8(3) (*Redemption at the Option of the Issuer on Refinancing*) in connection with any financing of the redemption of the Mudaraba Sukuk
Register	The registry system administered by the Registrar or any successor entity
Registrar	Tadawul
Registry Agreement	The registry and trading agreement to be entered into on or about the Closing Date between the Issuer and the Registrar in relation to the Mudaraba Sukuk
Required Sukukholders	As of any date, means Sukukholders holding at least thirty-three and one-third per cent. (33⅓%) in aggregate Nominal Amount of the Mudaraba Sukuk as are current on such date
Reserve Account	An account with the Payments Administrator into which the Issuer will deposit or cause to be deposited from its own funds on the Closing Date the Reserve Amount
Reserve Amount	An amount from time to time equal to the two Periodic

	Distribution Amounts due on the next two succeeding Periodic Distribution Dates with respect to the Mudaraba Sukuk (calculated by reference to the Saudi Interbank Offered Rate (SIBOR) applying in respect of the calculation of the first such Periodic Distribution Amount and the Margin)
Rhodia	Rhodia S.A.
SABIC	Saudi Basic Industries Corporation
SABTANK	SABIC Terminal Services Company
SADAF	Saudi Petrochemical Company (SADAF)
SR, **SAR** or **Saudi Riyals**	The lawful currency of the Kingdom of Saudi Arabia
Saudi Arabia	Kingdom of Saudi Arabia
Saudi Aramco	Saudi Arabian Oil Company
Saudi Interbank Offered Rate (SIBOR) or **SIBOR**	In relation to any Periodic Distribution Period, the rate (expressed as a percentage per annum) determined in accordance with Condition 7(b) (*Saudi Interbank Offered Rate (SIBOR)*) in relation to such Periodic Distribution Period
SEC	Saudi Electricity Company
SEIP	The Sipchem Group employee incentive programme
SEPC	Saudi Ethylene and Polyethylene Company
***Shari'ah* Committee**	Riyad Capital's *Shari'ah* Committee
SIDF	Saudi Industrial Development Fund
Sinopec	China Petroleum & Chemical Corporation
Sipchem	Saudi International Petrochemical Company
Sipchem Group	Sipchem and its consolidated subsidiaries
Sipchem Site	The site of the Sipchem Group's Al-Jubail petrochemical complex
SMSC	Sipchem Marketing and Services Company
SOCPA	Saudi Organisation for Certified Public Accountants
Standing Instruction	An instruction and/or waiver provided by a Sukukholder to the Sukukholders' Agent in the Investor Application Form with respect to the Market Value and certain other matters specified therein
Subsidiary	Any Person, company or corporation or company: (a) which is controlled, directly or indirectly, by the Issuer; (b) more than fifty per cent. (50%) of the issued share capital or ownership or other equity interests of which is beneficially owned, directly or indirectly, by the Issuer; or (c) which is a Subsidiary of another Subsidiary of the Issuer
Sukuk Documents	The Mudaraba Agreement, the Declaration of Agency, the Payments Administration Agreement, the Registry Agreement, the Mudaraba Sukuk (including the Global

	Suk), the Investor Application Form, the Account Pledge Agreement, the Beneficial Rights Transfer Agreement and any other agreements and documents delivered or executed in connection therewith
Sukukholders' Agent	Riyad Capital
Syngas	Synthetic gas
Tadawul	Saudi Arabian Stock Exchange
Tecnon	Tecnon OrbiChem Ltd
TES	Tioxide Europe SAS
THF	Tetrohydrofuran
Transaction Account	The account maintained by the Sukukholders' Agent with the Payments Administrator for the payment of amounts due and owing on the Mudaraba Sukuk
Transfer Record Date	Each due date for payment of any Periodic Distribution Amount, or any other principal or distribution in respect of the Mudaraba Sukuk or, if such a day is not a Business Day, the immediately following Business Day
UOP	Universal Oil Products LLC
USD	United States dollars
US EPA	United States Environmental Protection Agency
US OSHA	United States Occupational Safety & Health Administration
VAM	Vinyl acetate monomer
Vinmar	Vinmar International Ltd
W&C	Wire and cable polymer
Will & Co	Will & Co. B.V
Withdrawn Amounts	Any amounts withdrawn by the Issuer from the Collection Account
XLPE	Medium voltage cross-linked polyethylene
Zamil Group	Zamil Holding Group Co.

RISK FACTORS

In considering an investment in the Mudaraba Sukuk, prospective sukukholders should carefully consider the following risk factors and other information contained in the Prospectus. The risks and uncertainties described below are those that the Board of Directors of the Issuer currently believes could affect the Issuer and the performance of any investment in the Mudaraba Sukuk. However, the risks listed below do not necessarily comprise all those associated with the Issuer or an investment in the Mudaraba Sukuk. Additional risks and uncertainties that the Board of Directors of the Issuer is currently not aware of or that the Board of Directors of the Issuer currently believes are immaterial may also adversely affect the Issuer's business, financial condition, results of operation or prospects or the performance of an investment in the Mudaraba Sukuk. Any of the following risks and uncertainties may materially and adversely affect the Issuer's business, financial condition, results of operations and/or prospects, may cause the price of the Mudaraba Sukuk to decline, may adversely affect the Issuer's ability to pay Periodic Distribution Amounts or the Redemption Amount and/or could cause investors to lose all or part of their investment.

RISKS RELATING TO THE ISSUER AND THE SIPCHEM GROUP

Commodity Price Risk

The Sipchem Group operates in commodity markets that are driven mainly by global supply and demand and are highly affected by the volatility in the global price of oil and gas. Oil and gas prices have fluctuated widely over the last two decades as a result of many factors, including global demand for oil and natural gas, global storage capacity, changes in governmental regulations, weather, international armed conflict, terrorism, general economic conditions and competition from other energy sources. Actual changes in market conditions and oil and gas prices in the region or elsewhere may affect the future prospects of the Sipchem Group. Historically, the markets for oil and gas have been volatile and in recent years oil and gas prices worldwide have been significantly above historic levels. Although historically there has been a reasonably strong correlation between benchmark prices for oil and gas on the one hand and petrochemical prices on the other, there can be no assurance that this will continue to be the case and petrochemical prices may be affected by similar factors to those in respect of oil and gas prices above, all of which are outside of the control of the Sipchem Group.

The Sipchem Group does not currently engage in hedging activities to mitigate against fluctuations in the prices of oil and natural gas and associated by-products, nor against fluctuations in petrochemical prices. No assurance can be given that prices will be sustained at levels that will enable the Sipchem Group to operate profitably. The recent disruptions in the financial markets and the global economic downturn have resulted in lower demand and prices for petrochemicals than those that prevailed for most of the calendar year ending 31 December 2008. During the calendar years ending 31 December 2009 and 31 December 2010, global prices for petrochemicals increased, but there is no certainty that prices will maintain their current levels or that this increase will continue. A further slowdown in economic activity caused by the worldwide recession may further reduce domestic and worldwide demand for energy and result in lower prices for crude oil, natural gas, associated by-products and petrochemicals. Accordingly, no assurance can be given that events or factors outside the Sipchem Group's control will not materially adversely affect its margins and, therefore, result in a material diminution in the Sipchem Group's operating revenues, reducing the funds available to Sipchem to meet its obligations to make payments to the Issuer under the Sukuk Documents and, accordingly, available to the Issuer to make payment of all amounts due and payable under the Mudaraba Sukuk.

Competition in International Markets

The Sipchem Group operates in a highly competitive marketplace. New projects by competitors may lead to an oversupply of products in certain regions or product markets and result in competitive pressure on prices.

Competitors' pricing decisions could compel the Sipchem Group to decrease its prices, which could reduce the Sipchem Group's margins of profitability and adversely affect the Sipchem Group's business, prospects, financial condition and results of operations. Competition can also lead to governments taking measures to protect domestic producers including through anti-dumping investigations (see "*Description of the Sipchem Group - Litigation - Anti-Dumping Investigations*" on page 104 of this Prospectus).

The Sipchem Group's ability to operate profitably will be dependent upon its ability to offset decreases in the sale prices and profit margins of its products by improving production efficiency and volume, shifting to production of higher margin products and/or improving existing products through innovation and research and development. In the case of any anti-dumping duty and other protective measures, while none of the Sipchem Group's products have had any material duty or other restrictions imposed to date, if such a duty or restrictions were imposed the Sipchem Group's ability to operate profitability may also be dependent upon its ability to shift its export of the product concerned to other markets. If the Sipchem Group is unable to respond effectively to market changes, it could lose market share to its competitors and its business, prospects, financial condition and results of operations could be adversely affected. Further, competition laws can affect the marketing and supply of the Sipchem Group's products and any product swap arrangements.

Operational Risk

The smooth and uninterrupted operation of the plants owned by Sipchem's subsidiaries comprising the operating companies of the Sipchem Group, namely IMC, IDC, IGC, IAC) and IVC (together with IMC, IDC, IGC and IAC, the **Operating Companies** and each an **Operating Company**) is largely dependent on the performance and reliability of the equipment and machinery of these plants. Any unforeseen shutdown, breakdown, failure or malfunctioning of the equipment/machinery, or any part of the production process (including de-bottlenecking processes), may result in the loss of plant efficiency and production delays. Accordingly, the nameplate capacities specified in this Prospectus cannot be guaranteed. The Sipchem Group carries out extensive predictive and planned maintenance and personnel training and holds insurance policies, to the extent considered reasonable, to mitigate these risks and their consequences.

The Operating Companies build and operate common utilities and operational infrastructure. In sharing such utilities and infrastructure, each of the Operating Companies may become exposed to common operational risks.

Integrated Operations Risk

Due to the implementation of a value chain integration strategy and the consequent integration of the activities of the Operating Companies, there is a risk of exposing the Operating Companies and future interrelated projects to shortages in feedstock supply or offtake risks in the event that any one Operating Company is unable to meet its obligations to another. In that event, the financial and operational performance of the Sipchem Group may be materially and adversely impacted.

Feedstock and Utility Supply Risk

Sipchem has secured commitments from Saudi Aramco for the supply and delivery of natural gas until 24 January 2029 and certain other feedstock for those Operating Companies which require it, on a basis consistent with Saudi Aramco's current practices for purchasers of such products in the Kingdom. There are limitations applicable to Saudi Aramco's obligation to supply such natural gas and other feedstock and in the event that one of the Operating Companies did not receive natural gas or other feedstock as contracted for, then Sipchem Group would be likely to be materially and adversely impacted. To the extent that Saudi Aramco fails to supply the required feedstock or meet its commitments, the Operating Companies will not be able to meet their planned production schedules or their sales commitments, thus adversely affecting the performance of the Sipchem Group.

In addition to the Saudi Aramco feedstock supply arrangements, other feedstock and utilities are supplied to certain Operating Companies and the Sipchem Group from third parties or, in the case of certain feedstock, from another Operating Company higher up the supply chain. See "*Description of the Sipchem Group - Integrated Operations*" on page 68 of this Prospectus, "*Description of the Sipchem Group – Sipchem – Supply Arrangements*" on page 81 of this Prospectus, "*Description of the Sipchem Group – Operating Companies – Phase I – International Methanol Company and International Diol Company – International Methanol Company – Feedstock*" on page 85 of this Prospectus, "*- International Diol Company – Feedstock*" on page 88 of this Prospectus, "*- Phase II – International Gases Company, International Acetyl Company and International Vinyl Acetate Company – International Gases Company– Feedstock*" on page 90 of this Prospectus, "*- International Acetyl Company – Feedstock*" on page 92 of this Prospectus, "*– International Vinyl Acetated Company – Feedstock*" on page 95 of this Prospectus and "*– Phase III Projects – Ethane Feedstock Allocation*" on page 96 of this Prospectus.

The main feedstocks for the production of VAM by IVC are ethylene and AA. Ethylene is sourced from Saudi Ethylene and Polyethylene Company (**SEPC**) under a long term supply agreement. AA is sourced from IAC. The main feedstock for the production of AA by IAC is CO. CO is sourced from IGC. IGC is currently the only producer of CO in the Al-Jubail industrial complex. A shutdown of IGC's CO plant resulting in the failure of IGC to supply IAC with CO would also result in the shutdown of IAC's AA plant.

In the event that any of the Operating Companies do not receive feedstock or utilities as contracted for or if any of the suppliers of these feedstocks or utilities defaults in its obligation to supply, or is relieved of its obligation to supply due to a force majeure event, the business and operations of the Sipchem Group may be interrupted. In certain cases, it may not be possible or commercially feasible for the Sipchem Group to arrange alternative sources of supply and, accordingly, any such interruption may be prolonged. There can be no assurance that the Sipchem Group's suppliers will supply all of the feedstocks and utilities required for its operations in accordance with the relevant supply agreements, or that any shortfall or interruption in such supply would not have a materially adverse effect on the Sipchem Group's results of operations. The failure to receive the necessary feedstocks and utilities under such contracts could result in a material diminution in the Sipchem Group's operating revenues which could have a material adverse effect on its financial condition and results of operations, reducing the funds available to Sipchem to meet its obligations to make payments under the Sukuk Documents and, accordingly, available to Sipchem to make payment of all amounts due and payable under the Mudaraba Sukuk.

Feedstock and Utility Price Risk

The main feedstock for the production of methanol by IMC and CO by IGC is natural gas. Sipchem has contracted with Saudi Aramco for the delivery of natural gas, at a price as specified by the Ministry of Petroleum and Minerals (**PetMin**) and Saudi Aramco from time to time, which is currently 0.75 United States dollars (**USD**) (SR 2.81) per million British thermal units (**BTU**). The pricing agreement between PetMin and industry participants is scheduled to be reviewed in early 2012.. There can be no guarantee that the price of natural gas or any other feedstocks will remain at current levels and may be subject to change during the term of the Mudaraba Sukuk. If the price of natural gas and any other feedstocks increases, this could have an impact on the Sipchem Group's financial condition, net income and results of operations, reducing the funds available to Sipchem to meet its obligations to make payments under the Sukuk Documents and, accordingly, available to Sipchem to make payment of all amounts due and payable under the Mudaraba Sukuk. Further, there can be no assurance as to the natural gas price that may be agreed between PetMin and industry participants, as no agreement has been reached in this regard as of the date of this Prospectus.

The main feedstock for the production of BDO by IDC is butane supplied by Saudi Aramco. IDC has agreed to purchase up to 4,000 barrels of butane per day from Saudi Aramco at a variable price of around SR 375 per metric tonne. According to the Supreme Council of Petroleum and Mineral Affairs Resolution No. 15, dated 11/3/1422, butane is currently priced as a function of the Naphtha price in Japan. Such formula may be altered by the Government of Saudi Arabia (the **Government**) after 2011 as the pricing agreement between PetMin and industry participants for butane is also due for review in early 2012. This price increase might adversely affect the financial performance of IDC and Sipchem due to the increase in the price of the main raw material for the BDO plant.

The price of natural gas, butane and other feedstocks could be affected by a number of factors outside of the Sipchem Group's control, including changes in economic conditions in the Kingdom, the economic policies of the Government, global and/or regional economic conditions and international treaties or other similar commitments to which the Kingdom is or becomes a party (including commitments made by the Government in connection with the Kingdom's membership in the World Trade Organisation (**WTO**)).

The price that the Sipchem Group pays for utilities such as water, power and industrial gases are likely to increase from time to time in accordance with the terms of the relevant supply agreements or the pricing policies of the relevant supplier, as the case may be.

In the event that the prices of any of the Operating Companies' feedstocks or utilities increase significantly then this could have a material adverse effect on the Sipchem Group's financial condition and results of operations, reducing the funds available to Sipchem to meet its obligations under the Sukuk Documents and, accordingly, available to the Issuer to make payment of all amounts due and payable by it under the Mudaraba Sukuk.

Technology Risk

Development

Technologies and processes are being continuously developed in the petrochemical sector worldwide. Significant developments in technology could result in existing technologies and processes utilised by any of the Operating Companies becoming uncompetitive, adversely impacting the competitiveness of the relevant Operating Company or the Sipchem Group. Sipchem has attempted to mitigate this risk by obtaining commercially proven technologies from leading international technology developers such as Davy Process Technology Limited (**Davy**), Huntsman Corporation (**Huntsman**), Jacobs Engineering UK Limited (**Jacobs Engineering**), E.I. du Pont de Nemours and Company (**DuPont**), Eastman Chemical Company (**Eastman**), Exxon Mobil Corporation (**Exxon Mobil**) and Rhodia S.A. (**Rhodia**). In some cases, the Sipchem Group is entitled to receive technology upgrades during the relevant licence term.

Reliance on Third Parties

The Operating Companies rely on third party technology providers for the right to use certain technology utilised in its various production processes. Such technology may be material to the production process. In the case of some of the Operating Companies, the technology providers are also equity investors in the Operating Company. In the event that these third parties withhold the authorisation to use these technologies or do not renew or extend the provisions contained in the agreements or fail to perform the agreements, the Sipchem Group will be compelled to search for alternatives that might be of a lesser quality or more costly to implement, or subject to delays in their implementation, thus adversely impacting the financial performance and operations of the Sipchem Group.

Offtake Contract Risk

The Operating Companies have entered into long-term offtake arrangements with various parties in relation to the sale of their products. To the extent that an Operating Company is required to fulfil its obligations under these contracts, the relevant Operating Company remains exposed to supply shortfall, and force majeure risk related to the long term nature of these contracts. In addition, in the event that the relevant offtaker fails to meet or defaults on its contractual obligations, the financial performance of the relevant Operating Company may be adversely impacted.

Construction and Completion Risk

When developing new projects, Sipchem commissions what it considers to be reputable contractors and suppliers in relation to the construction of the plants and facilities. The progress of any new project may from time to time be materially adversely affected by one or more factors commonly associated with large industrial projects, including unanticipated shortages of equipment, materials and labour, a failure of performance by any contractor or subcontractor working on the project and an inability to find replacements, delays in delivery or the availability of essential equipment and materials, labour disputes and labour performance issues, blockades or embargoes, litigation, adverse weather conditions, increases in costs, natural disasters, accidents, changes in law, environmental or geological problems and other adverse circumstances. In addition, market conditions and dynamics can change rapidly from time to time in the Kingdom and the Gulf region, and the Sipchem Group may encounter unanticipated difficulties as a result. No assurance can be given that any increased costs or delays as may be associated with the factors noted above would not materially adversely affect the progress of any new project. The risk of cost over-runs and delays due to reliance on third parties in the construction and completion of new projects may adversely impact the operations and financial position of Sipchem.

In addition, while the plants to be developed as part of the Sipchem Group's new projects are subject to a careful and rigorous design process, it is possible that the completed plants are subject to material variations to design specification, and such variations might require significant or material remedy. In that case, the ability to commence production on schedule may be impacted. An extended disruption of all or a material portion of a project's operations could require the Sipchem Group to suspend deliveries of the relevant petrochemicals and prevent it from earning revenues from the sale of such products. There can be no assurance that any disruption will not result in Sipchem incurring liabilities or damages to the relevant offtakers under the terms of any offtake agreement or under any completion guarantee given by Sipchem to the financing parties for such project.

Any delay in construction or disruption to operating activities, as described above, could result in a material diminution in Sipchem's operating revenues, reducing the funds available to Sipchem to meet its obligations to make payments under the Sukuk Documents and, accordingly, available to Sipchem to make payment of all amounts due and payable under the Mudaraba Sukuk.

Reliance Upon Skilled Personnel

A large number of petrochemical projects are being implemented in the Kingdom and the GCC region. Sipchem and its subsidiaries may not be able to retain existing key employees, or it may not be possible for Sipchem or its subsidiaries to continue to attract and employ key personnel with the skills and experience considered suitable by the relevant entity. This might result in a shortage of trained and qualified personnel. Such shortage of personnel may be a constraint on the Sipchem Group's ability to retain the resources required to run its operations effectively and expand in the future.

Financing Risk

Availability of Financing

In order to finance, or assist in the financing of its existing and future projects, which require substantial capital investment, the Sipchem Group relies mainly on its ability to procure commercial and other (export credit agency, Saudi Industrial Development Fund (**SIDF**) and Public Investment Fund (**PIF**)) loans, on competitive market terms. Should the Sipchem Group be unable to obtain such financing in the future, or fail to meet current financing obligations (including compliance with covenants and ratios to which Sipchem or any of the Operating Companies are subject), the financial performance of the Sipchem Group, and its ability to expand might be adversely impacted.

Financing Costs Volatility

The Operating Companies rely on commercial and other debt to finance their projects. While, in some cases, the Operating Companies utilise a variety of financial hedging instruments for approximately 70 per cent. of their debt, they are exposed to the risk of commission rate fluctuation on the remaining 30 per cent., which might increase their debt servicing costs, thus adversely affecting their financial performance.

Foreign Exchange Risk

The Riyal is, as of the date of this Prospectus, pegged to the US dollar (at an exchange rate of SR 3.75 to USD 1.00) in accordance with the Government's current monetary policy. Although neither the Government nor the Saudi Arabian Monetary Agency has given any official indication of a change in this policy, there can be no assurance that the exchange rate will remain fixed. A portion of the Sipchem Group's capital expenditures and a portion of its operating expenses will be denominated in Riyals, while substantially all of its revenues and long-term liabilities will be denominated in US dollars. Accordingly, if the exchange rate was allowed to fluctuate freely and if the Riyal was to increase in value against the US dollar, the amount of the Sipchem Group's Riyal-denominated expenses would increase in US dollar terms.

Adverse movements in the Euro or other currencies may also negatively impact Sipchem's results. In particular, the products lifted under the various offtake agreements are paid for in US dollars and adverse movements in the value of the US dollar against other currencies may negatively impact the value of these agreements. Sipchem has taken steps to minimise this impact by hedging certain foreign exchange transactions that remain outstanding for longer terms. However, it does not have hedging arrangements in place for all such exposure.

Each of these risks could have a material impact on the Sipchem Group's financial position and results of its operations, leading to a material diminution in the operating revenues of the Sipchem Group. In turn, this could lead to a material reduction in the funds available to Sipchem to meet its obligations to make payments under the Sukuk Documents and, accordingly, available to Sipchem to make payment of all amounts due and payable under the Certificates.

Dividend Restrictions

Certain financing arrangements entered into by the Operating Companies contain restrictions on the timing and amount of dividends that can be paid by the Operating Companies to their shareholders (including Sipchem). If these dividend tests are not satisfied or waived, dividends will not be payable from the relevant Operating Company to its shareholders (including Sipchem) and this could have an adverse effect on Sipchem.

Risks Related to Sipchem's Reliance on the Results of its Subsidiaries and Structural Subordination to Subsidiary Debt

The Sipchem Group's operations are principally conducted through Sipchem's subsidiaries and, as a holding company, Sipchem relies on dividends from its subsidiaries, marketing fees it charges for the sale of products produced by the Operating Companies, and other fees and charges it generates from certain administrative and other technical services it provides to the Operating Companies. Certain of the Operating Companies are parties to agreements that contain financial covenants and other restrictions in certain circumstances on their ability to upstream dividends and make other payments to Sipchem. In addition, any declining profitability of Sipchem's subsidiaries could have an effect on their ability to make dividend and other payments. In the event of an insolvency, bankruptcy, liquidation, dissolution or winding up of the business of any subsidiary of Sipchem, creditors of such subsidiary will have the right to be paid in full before any distribution is made to Sipchem. As a result, to the extent that Sipchem is dependent on a distribution from a subsidiary for any payment to be made under the Mudaraba Sukuk, Sukukholders will be structurally subordinated to and will rank behind the claims of all holders of debt securities and other creditors, including trade creditors, of that subsidiary. Accordingly, the payment to Sukukholders of the relevant amount due and owing under the Mudaraba Sukuk in these circumstances on any insolvency, bankruptcy, liquidation, dissolution or winding up of the relevant subsidiary, will be subject to the creditors of that subsidiary first having received payment in full of the amounts due and owing to them. The claims of Sukukholders will also rank behind the claims of all secured creditors, if any, of Sipchem in any insolvency, bankruptcy, liquidation, dissolution or winding up of Sipchem.

Production and Transportation of Hazardous and Highly Combustible Materials

The Sipchem Group's production operations comprise the processing of natural and other gas and raw materials (including chemical feedstocks) in connection with the production of petrochemicals. The petrochemicals and waste gases and materials produced are, by their nature, hazardous materials that are highly combustible. The nature of the Sipchem Group's production operations exposes it to heightened risks from accidents involving explosions and fire. The Sipchem Group's operations are also subject to operational risks common in the petrochemical sector, such as interruptions to power supplies, technical failures, flooding, or other accidents.

Such risks and hazards could result in damage or harm to, destruction or death (as the case may be) of, properties, production facilities, people and/or the environment. In addition, if a spill or other contamination resulting from the Sipchem Group's production, storage, export, shipment or sale of petrochemicals occurs, the Sipchem Group could be exposed to significant environmental liabilities. Claims could be brought against the Sipchem Group even if the spill or contamination was caused by or attributable to a third party, or party acting on the Sipchem Group's behalf as its agent or which is transporting products for the Sipchem Group. Any or all of these hazards, as well as any possible legal liability of the Sipchem Group that may arise, could have a material adverse effect on the Sipchem Group's financial conditions and results of operations. Although the Sipchem Group maintains and will maintain insurance against certain risks and losses, not all operating risks are insurable (as to which see further the risk factor below entitled "*Insurance Risk*") and the occurrence of any such event that affects operations and is not fully covered by insurance could have a material adverse effect on its financial condition and results of operations. Furthermore, SIDF, as a condition of its participation in the financing of any project, requires that it has first right to compensation under any insurance claim in the event the relevant plant or facilities are not repaired. Thus, any claim that Sipchem (and any other financing parties) may have will be a residual claim for the proceeds not taken by SIDF.

As a result, the funds available to Sipchem to meet its obligations to make payments under the Sukuk Documents and, accordingly, available to Sipchem to make payment of all amounts due and payable under the Murabaha Sukuk could be materially reduced.

Litigation Risk

Whilst no litigation is currently pending or (to the best of Sipchem's knowledge) threatened against the Sipchem Group, as with any other petrochemical operation, from time to time the Sipchem Group may be involved in commercial disputes. Should the Sipchem Group be unsuccessful in defending any claim against it, this could have a material adverse effect on the Sipchem Group's business and operations.

Insurance Risk

The Sipchem Group holds what it believes is adequate insurance coverage consistent with the risks that are usually insured against by skilled and experienced owners or operators of comparable petrochemical plants and facilities in the Middle East under the same or similar conditions, where such insurance is obtainable on commercially reasonable terms. However, only limited sabotage and terrorism insurance is held by the Sipchem Group under the project finance arrangements of certain of the Operating Companies. Insurances will not cover all risks to which the Sipchem Group will be exposed. If an event occurs for which insurance is held by the Sipchem Group, such insurance may not adequately compensate the Sipchem Group for the actual losses suffered by it. In particular, even if a loss of or damage to equipment or other assets is insured, the location of the Sipchem Group's plants and facilities, the large size and unique nature of some of the equipment used in these plants and facilities, and the extended period often needed to manufacture replacement units, could give rise to significant delays in replacement and could impede the Sipchem Group's operations.

All of the Sipchem Group's production operations are located at a single site, and the Sipchem Group does not maintain alternative production facilities. In the event the Sipchem Group were to suffer a total or partial loss of its production facilities, the Sipchem Group would not be able to shift production to another facility and would be forced to suspend or reduce the manufacture of the relevant petrochemicals.

There can be no assurance that the Sipchem Group's insurance policies, once obtained, will continue to be available on commercially reasonable terms, or at all. The occurrence of an event for which the Company is not insured (such as sabotage or terrorism), recoveries under any insurance policy which are inadequate to meet the cost of reconstruction or replacement of damaged or destroyed assets, delays in construction or production resulting from an event (whether or not insured for) and/or a limitation on the disbursement of insurance proceeds in prepayment of outstanding debt as a result of SIDF's priority security right, could all materially reduce the funds available to Sipchem to meet its obligations to make payments under the Sukuk Documents and, accordingly, to make payment of all amounts due and payable under the Mudaraba Sukuk.

Sipchem's Liability for Operating Company Obligations

Sipchem has entered into many agreements with third parties (including land leases and seawater cooling and electricity supply and terminal services). Sipchem then on-supplies these services to the relevant Operating Companies via back-to-back agreements (or a sub-lease). However, Sipchem remains primarily liable under the main agreements if the relevant Operating Company cannot meet any claim under the relevant back-to-back agreement. Sipchem has also novated certain technology, marketing, off-take and supply agreements to the relevant Operating Companies and the terms of such novation may include Sipchem remaining liable for the obligations of the relevant Operating Company.

Environmental Risk

The Sipchem Group is subject to environmental protection laws and regulations in the Kingdom, including the Public Environmental Law and its implementing regulations (together, the **PEL Regulations**) and the environmental regulations of the Royal Commission of Jubail and Yanbu (**RCJY** and the **RCJY Regulations**). The PEL Regulations permit the imposition of fines and imprisonment for the discharge of hazardous or toxic materials and the levy of fines and payment of damages for serious environmental offences. The could, at its discretion, close or suspend business activities indefinitely should Sipchem or its Operating Companies fail to comply with orders that require it to correct or stop operations causing environmental damage.

It is intended that projects of the Sipchem Group will be designed, constructed and operated in accordance with the PEL Regulations and the RCJY Regulations, applicable consents have been or will be obtained and that appropriate systems have been or will be put in place to treat waste materials and safeguard against accidents. However, the discovery of previously unknown environmental conditions, the adoption of more stringent environmental standards by the Presidency of Meteorology and Environment (**MEPA**) and the RCJY and/or the imposition of new regulations or changes in interpretation of laws and regulations could lead to additional measures being needed to be adopted by the Sipchem Group. Any of these developments could result in increased environmental protection costs and liabilities for the Sipchem Group and could require significant capital expenditure, any of which could have a material adverse effect on Sipchem's business, prospects, financial condition and results of operations and on its ability to meet its obligations to make payments under the Sukuk Documents and, accordingly, to make payment of all amounts due and payable under the Mudaraba Sukuk.

Further, environmental remediation obligations can result in significant costs associated with the investigation and clean-up of contaminated properties or water bodies as well as claims for damage to property. In addition, the Sipchem Group could face claims in respect of the death or injury of persons resulting from exposure to hazardous materials associated with, or any adverse impact on the environment as a result of, its operations.

FACTORS RELATING TO THE MUDARABA SUKUK

Governing Law, Jurisdiction and Enforceability

The Mudaraba Sukuk are governed by, and are to be construed in accordance with, the laws of the Kingdom. Except in the case of the Order Notes (in respect of which disputes may only be heard by the Negotiable Instruments Committee in the Kingdom of Saudi Arabia), pursuant to Condition 18 (*Governing Law and Jurisdiction*), Saudi Arabia's Committee for the Resolution of Securities Disputes (the **Committee**) and the Appeal Panel shall have exclusive jurisdiction to hear and determine any suit, action or proceedings, and to settle any disputes, which may arise out of or in connection with the Mudaraba Sukuk. Prospective Sukukholders should note that to the best of the Issuer's knowledge, no securities of a similar nature to the Mudaraba Sukuk have previously been the subject of adjudicatory interpretation or enforcement in the Kingdom. Accordingly, it is uncertain exactly how and to what extent the Mudaraba Sukuk, the Conditions and/or the Sukuk Documents would be enforced by a Saudi Arabian court or the Committee, the Appeal Panel or any other Saudi Arabian adjudicatory authority.

Bankruptcy Laws

The enforceability in the Kingdom of the Mudaraba Sukuk, the Conditions and/or the Sukuk Documents is limited by Saudi Arabian law relating to bankruptcy, insolvency, reorganisation, moratorium, liquidation, readjustment of debt and other similar laws of general application relating to or affecting the enforcement of the rights of any party thereto generally. In particular, Article 110 of the Commercial Court Regulations promulgated under Royal Decree No. M/32 dated 15/1/1350H. (corresponding to 2 June 1931) authorises a Saudi Arabian court to declare a contract of a debtor void or ineffective in the event that such debtor has been already declared bankrupt by such court prior to the entry into such contract. Accordingly, it is uncertain exactly how and to what extent the Mudaraba Sukuk, the Conditions and/or the Sukuk Documents would be enforced by a Saudi Arabian adjudicatory body if such Saudi Arabian adjudicatory body were to void or otherwise cause such document, or any part thereof, to be void or ineffective pursuant to Article 110 of the Commercial Court Regulations (following a declaration of bankruptcy).

Shari'ah

Prospective Sukukholders should note that the Riyad Capital *Shari'ah* Committee has issued a pronouncement confirming that the Mudaraba Sukuk is in compliance with *Shari'ah* principles, although such pronouncement is subject to change, may be disputed by other *Shari'ah* scholars and would not bind a Saudi Arabian court or judicial committee, including in the context of any insolvency or bankruptcy proceedings relating to the Issuer. See "Appendix 2 (*Shari-ah Committee Pronouncement*)". If they so desire, prospective Sukukholders should consult their own legal and *Shari'ah* advisers to receive an opinion as different *Shari'ah* advisers, and Saudi courts and judicial committees, may form different opinions on identical issues. Any Saudi Arabian court or judicial committee has discretion to make its own determination about whether the Mudaraba Sukuk, the Sukuk Documents and the related structure (or any part thereof) complies with Saudi law and *Shari'ah* principles and therefore is enforceable. Accordingly, no representation is made that the Mudaraba Sukuk, the Conditions and any other Sukuk Documents comply with *Shari'ah* principles and in particular no representation is made regarding the *Shari'ah* pronouncement issued by the Riyad Capital *Shari'ah* Committee regarding the Mudaraba Sukuk.

Trading, Settlement and Listing

The Mudaraba Sukuk will be admitted to the trading, clearing and settlement system of the Registrar. However, there can be no assurance that there will be no interruption to, or errors in, trading, clearing or settlement of the Mudaraba Sukuk as a result of the inexperience or lack of familiarity of the operation of the Registrar's trading, clearing and settlement systems or of inherent inadequacies of any such trading, clearing or settlement systems. Moreover, secondary sales in the Sukuk market are limited and there can be no assurance that the Mudaraba Sukuk will be sold by the Sukukholders easily. The market value of the Mudaraba Sukuk may fluctuate. Consequently, any sale of Mudaraba Sukuk by Sukukholders in any secondary market may be at a price that is higher or lower than the initial offering price depending on many factors, including prevailing interest rates, the Issuer's performance and the market for similar securities or may not be possible at all. The Joint Lead Managers and Joint Bookrunners are under no obligation to provide pricing on or make a market in the Mudaraba Sukuk. Accordingly, no assurance can be given as to the liquidity of, or trading market for, the Mudaraba Sukuk and an investor in the Mudaraba Sukuk must be prepared to hold the Mudaraba Sukuk for an indefinite period of time or until their maturity.

Payments under the Mudaraba Sukuk – Periodic Distribution Amount

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

For further information on the Issuer's obligations under the Mudaraba Sukuk, see "*Terms and Conditions of the Mudaraba Sukuk*" and "*Summary of the Sukuk Documents*" on pages 27 and 54, respectively, of this Prospectus.

Modification, Waivers and Substitution

The Conditions contain provisions for calling meetings of the Sukukholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Sukukholders, including Sukukholders who did not attend and vote at the relevant meeting and the Sukukholders who voted in a manner contrary to the majority.

Suitability of Investments

The Mudaraba Sukuk may not be a suitable investment for all investors. Each potential investor in the Mudaraba Sukuk must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Mudaraba Sukuk, the merits and risks of investing in the Mudaraba Sukuk and the information contained in this Prospectus;

- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Mudaraba Sukuk and the impact the Mudaraba Sukuk will have on its overall investment portfolio;

- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Mudaraba Sukuk, including where the currency of payment is different from the potential investor's currency;

- understand thoroughly the terms of the Mudaraba Sukuk and be familiar with the behaviour of any relevant financial markets; and

- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic and other factors that may affect its investment and its ability to bear the applicable risks.

TERMS AND CONDITIONS OF THE MUDARABA SUKUK

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

Introduction

Each of the mudaraba sukuk expiring [●] 20[●]G (the "**Mudaraba Sukuk**") represents an undivided ownership interest in the Mudaraba Assets (as defined below) and will at all times rank *pari passu* amongst themselves. The Mudaraba Assets will be held by Saudi International Petrochemical Company (as *mudareb*) (the "**Issuer**") for the benefit of the registered holders of the Mudaraba Sukuk (as *raab al maal*) (the "**Sukukholders**") pursuant to a mudaraba agreement dated on or about the Closing Date (as defined below) between the Issuer and the Sukukholders' Agent (as defined below) on behalf of the Sukukholders (the "**Mudaraba Agreement**"). The obligations of the Issuer in respect of the Reserve Account (as defined below) are secured pursuant to the Account Pledge Agreement (as defined below).

Pursuant to a declaration of agency (the "**Declaration of Agency**") to be entered into on or about the Closing Date by the Issuer and Riyad Capital as sukukholders' agent (the "**Sukukholders' Agent**", which expression includes any successor Sukukholders' Agent in relation to the Mudaraba Sukuk), the Sukukholders' Agent will be appointed to act as agent for and on behalf of the Sukukholders. Each Sukukholder by subscribing to, acquiring and holding Mudaraba Sukuk agrees to the terms of the Declaration of Agency including, but not limited to, the appointment of the Sukukholders' Agent. The appointment of the Sukukholders' Agent may be revoked or terminated (or the Sukukholders' Agent may resign its appointment) in accordance with the provisions of the Declaration of Agency.

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

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

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

Certain provisions of these Conditions are summaries of the Sukuk Documents and are subject to their detailed provisions. The Sukukholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Sukuk Documents applicable to them. For so long as any Mudaraba Sukuk are current, copies of the Sukuk Documents are available for inspection from the Closing Date by Sukukholders during normal business hours at the specified offices of each of the Issuer and the Sukukholders' Agent, the specified offices of which are set out in the section entitled "*Parties and Advisers*" in this Prospectus.

1. Definitions

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

"**Account Pledge Agreement**" means a first priority pledge of the Reserve Account in favour of the Sukukholders' Agent (for and on behalf of the Sukukholders) to be entered into on or about the Closing Date by the Issuer, Riyad Capital as the Sukukholders' Agent and Riyad Bank as the account bank;

"**Agency Fees**" means the on-going fees and expenses (if any) payable to the Payments Administrator and the Sukukholders' Agent for their services in connection with the Mudaraba Sukuk as further described in the Payments Administration Agreement or, as the case may be, the Declaration of Agency;

"**Authorised Holding**" has the meaning given to it in Condition 2 (*Form and Denomination*);

"**Beneficial Rights Transfer Agreement**" means the beneficial rights transfer agreement to be entered into on or about the Closing Date between the Issuer, the Mudareb and the Sukukholders Agent;

"**Business Day**" means a day on which commercial banks are open for general business in the Kingdom of Saudi Arabia;

"**Closed Period**" has the meaning given to it in Condition 3(e) (*Transfer Record Dates and Closed Periods*);

"**Closing Date**" means [●] 2011;

"**Collection Account**" has the meaning given to it in Condition 5(b) (*Application of Proceeds – Mudaraba Income*);

"**Committee**" means the Committee for the Resolution of Securities Disputes, established pursuant to the Capital Market Law, promulgated by Royal Decree No. (M/30) dated 2/6/1424H (corresponding to 31 July 2003) or any successor body;

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

"**Consolidated EBITDA**" means, in respect of the most recent twelve (12) month period for which consolidated financial statements are available, the operating profit of the Group before taxation (excluding the results from discontinued operations):

(a) without inclusion of any commission, fees, discounts, prepayment fees, premiums or charges and other finance payments whether paid or payable;

(b) without inclusion of any amount attributable to the amortisation, depreciation or impairment of assets (and taking no account of the reversal of any previous impairment charge made in that specified period);

(c) without inclusion of any Exceptional Items;

(d) after deducting the amount of any profit of any Non-Group Entity to the extent that the amount of the profit included in the financial statements of the Issuer exceeds the amount actually received in cash by the Issuer through Distributions by the Non-Group Entity;

(e) without inclusion of any unrealised gains or losses on any financial instrument (other than that part of any derivative instrument that is accounted for in the operating profit on a hedge accounting basis under the accounting standards applicable to the Group); and

(f) without inclusion of any gain arising from an upward revaluation of any other asset at any time,

in each case, to the extent added, deducted or taken into account, as the case may be, for the purposes of determining adjusted operating profits of the Group before taxation and without duplication;

"**Consolidated Finance Charges**" means, in respect of the most recent twelve (12) month period for which consolidated financial statements are available, the aggregate amount of the non-capitalised commission (including the commission element of leasing and hire purchase payments), fees, discounts and other finance payments or accruals to parties outside the Group (including any commission, fees, discounts and other finance payments or accruals to parties outside the Group under any non-capitalised commission rate hedging arrangement in respect of Indebtedness but after deducting any commission, fees, discounts and other finance payments received or accrued as receivable by the Group under any non-capitalised commission rate hedging instrument in respect of Indebtedness) less any commission receivable by the Group on any deposit or bank account, *provided* that the amounts of any payments or accruals under any commission rate hedging arrangements shall be determined by reference to the ongoing payment obligations under such arrangements and not any amount payable on any early termination or cancellation of such arrangements unless the Group intends to so terminate or cancel such arrangements or such arrangements are terminated or cancelled;

"**Consolidated Finance Charges Cover**" means the ratio calculated by dividing (a) Consolidated EBITDA by (b) the Consolidated Finance Charges;

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

"**Disposal Redemption Amount**" has the meaning given to it in sub-clause (d) of the definition of "Permitted Disposal";

"**Distribution**" means:

(a) any dividend, charge, fee or other distribution (or commission on any unpaid dividend, charge, fee or other distribution) (whether in cash or in kind) on or in respect of the equity share capital of any Subsidiary (or any part or class thereof);

(b) any redemption, reduction, repurchase, defeasance, retirement or repayment of share capital, share premium or other capital reserves by any Subsidiary;

(c) any repayment of principal, payment of commission or payment of other amounts in respect of shareholder loans by any Subsidiary;

(d) any distribution, return, refund or payment of any amount in respect of an indemnity or other obligations of any Subsidiary relating to any Guarantee of Indebtedness of such Subsidiary by the Issuer; and

(e) any other payment of management, advisory or other fees or distributions of any kind by any Subsidiary to the Issuer (other than by way of reimbursement or other payment by any Subsidiary to the Issuer for any shared services or back-to-back or other corresponding obligation of the Issuer to the extent the amount received by the Issuer is equal to the amount paid or payable by the Issuer in respect of such services or obligation);

"**Early Redemption Amount**" has the meaning given to it in Condition 8(c) (*Mandatory Redemption under Permitted Disposals and/or Extraordinary Distributions*);

"**Early Redemption Date**" has the meaning given to it in Condition 8(c) (*Mandatory Redemption under Permitted Disposals and/or Extraordinary Distributions*);

"**Early Redemption Notice**" has the meaning given to it in Condition 8(c) (*Mandatory Redemption under Permitted Disposals and/or Extraordinary Distributions*);

"**Event of Default**" has the meaning given to it in Condition 11 (*Events of Default*);

"**Event of Default Date**" has the meaning given to it in Condition 11 (*Events of Default*);

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

"**Exceptional Items**" means any exceptional or extraordinary items under the accounting standards applicable to the Group;

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

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

"**Expiry Date**" means the last Periodic Distribution Date falling on or nearest to [●], 20[●]G;

"**Extraordinary Distribution**" means any Distribution made to the Issuer by any Subsidiary resulting from any Refinancing (in whole or in part) of such Subsidiary;

"**Extraordinary Distribution Amount**" has the meaning given to it in Condition 6(c) (*Covenants and Undertakings*);

"**Extraordinary Resolution**" means a resolution passed at a duly convened meeting of the Sukukholders by a majority of at least fifty-one per cent. (51%) of the aggregate Nominal Amount of the Mudaraba Sukuk represented, save in the case of a resolution passed in relation to any Standing Instructions or release of amounts standing to the credit of the Collection Account as contemplated by Condition 5(d)(iii), which must be a unanimous resolution of the holders of all of the Mudaraba Sukuk current as of the date of such resolution;

"**Fair Market Value**" means, with respect to any asset or property, the price which could be negotiated in an arm's length, free market transaction, for cash, between a willing seller and a willing and able buyer, neither of whom is under undue pressure or compulsion to complete the transaction;

"**First Order Note Period**" means the eleven (11) month period immediately following the Closing Date;

"**GCC**" means the Gulf Cooperation Council;

"**Global Suk**" means the registered form global suk representing the Mudaraba Sukuk;

"**Group**" means the Issuer and its Subsidiaries;

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

(a) any obligation to purchase such Indebtedness;

(b) any obligation to lend money, to purchase or subscribe shares or other securities or to purchase assets or services in order to provide funds for the payment of such Indebtedness;

(c) any indemnity against the consequences of a default in the payment of such Indebtedness; and

(d) any other agreement to be responsible for such Indebtedness;

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

(a) moneys borrowed from and debit balances at financial institutions;

(b) any amount raised by acceptance under any acceptance credit facility or bill discounting facility (including any dematerialised equivalent);

(c) any amount raised pursuant to any note purchase facility or the issue of sukuk, bonds, notes, debentures, loan stock or any similar instrument;

(d) the amount of any liability in respect of an agreement which would, in accordance with generally accepted accounting principles, be treated as a finance or capital lease;

(e) receivables sold or discounted outside of the Group other than pursuant to marketing or off take arrangements in the ordinary course of business of the Group;

(f) any amount raised under any other transaction (including any vendor financing, forward sale or purchase agreement, sale and sale-back, sale and lease-back or deferred purchase agreement) having the commercial effect of a borrowing (excluding, for the avoidance of doubt, any trade payables whether for the supply of feedstock, catalysts or more generally);

(g) the acquisition cost of any asset or service to the extent payable before or after its acquisition or possession by the party liable where the advance or deferred payment:

(i) is arranged primarily as a method of raising finance or financing the acquisition or construction of that asset or the acquisition of that service (but excluding trade credit on customary commercial terms); or

(ii) involves a period of more than six (6) months before or after the date of acquisition or supply;

(i) shares which are expressed to be redeemable;

(j) any transaction entered into in connection with protection against or to benefit from fluctuation in any rate or price (and, when calculating the value of any such transaction, only the marked to market value shall be taken into account which, for the avoidance of doubt, may be an addition to or subtraction from the amount of Indebtedness);

(k) any counter-indemnity obligation in respect of a guarantee, indemnity, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution;

(l) any financing transaction or other arrangement entered into which is expressed to be made in accordance with the principles and rules of *Shari'ah* (but for the avoidance of doubt, may be governed by another system of law); and

(m) the amount of any liability in respect of any Guarantee in respect of an underlying liability of any Person which is of the nature referred to in the above paragraphs;

"**Independent Qualified Party**" means an investment banking firm, accounting firm or appraisal firm of international standing; *provided*, however, that such firm is not an affiliate of the Issuer;

"**Investor Application Form**" means the form required to be submitted to the Joint Lead Managers and Joint Bookrunners before the end of the Investor Presentation Period by the Persons wishing to invest in the Mudaraba Sukuk;

"**Investor Presentation Period**" means the investor presentation period for the Mudaraba Sukuk commencing 16/07/1432H (corresponding to 18/06/2011G) and ending on 27/07/1432H (corresponding to 29/06/2011G), unless notified otherwise by the Issuer and the Joint Lead Managers and Joint Bookrunners;

"**Issuer**" means Saudi International Petrochemical Company in its capacity as issuer and *mudareb* of the Mudaraba Sukuk, as the context requires;

"**Joint Lead Managers and Joint Bookrunners**" means Deutsche Securities Saudi Arabia LLC and Riyad Capital, acting as joint lead managers and joint bookrunners;

"**Joint Venture**" means any joint venture entity, whether a company, unincorporated firm, undertaking, association or joint venture or partnership;

"**Kingdom**" means the Kingdom of Saudi Arabia;

"**Late Payment Amount**" means in relation to any Overdue Amount a late payment amount that is calculated on a daily basis in respect of the period from, and including, the due date for such Overdue Amount to, but excluding, the date of settlement in full of such Overdue Amount, as the product of: (i) 2 per cent. per annum; (ii) the Overdue Amount; and (iii) the number of days when such Overdue Amount is outstanding divided by 360;

"**Loss**" means the amount (if any) by which (x) the Market Value of the Mudaraba Sukuk on the relevant date of redemption is less than (y) the Market Value of the Mudaraba Sukuk on the Closing Date and which is not covered by the sum of (i) the amount standing to the credit of the Collection Account on the relevant date and (ii) the amount owed by the Issuer as a debt for the Withdrawn Amounts as specified in Condition 5(c) (*Application of Proceeds — Collection Account, Withdrawn Amounts and Order Notes*);

"**Margin**" means [●];

"**Market Value**" means, on the Expiry Date, the Event of Default Date, the Early Redemption Date or the Refinancing Redemption Date, the market value of the Mudaraba Sukuk as are current at that time, as determined by the Sukukholders' Agent acting in its reasonable discretion and in accordance with any Standing Instructions with respect to such market value given by the Sukukholders prior to such date;

"**Modification**" has the meaning given to it in sub-clause (b) of the definition of "Permitted Indebtedness";

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

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

"**Mudaraba Costs**" means the Agency Fees and all costs, charges, expenses (including legal and audit expenses) and liabilities properly incurred by the Issuer, the Sukukholders' Agent or the Payments Administrator in carrying out their functions under the Mudaraba Agreement, the Payments Administration Agreement or the Declaration of Agency, as the case may be;

"**Mudaraba Income**" has the meaning given to it in Condition 5(b) (*Application of Proceeds – Mudaraba Income*);

"**Mudareb**" means the Issuer in its capacity as *mudareb* of the Mudaraba Sukuk;

"**Mudareb Profit**" has the meaning given to it in Condition 5(b) (*Application of Proceeds – Mudaraba Income*);

"**Negotiable Instruments Committee**" means the Committee for the Settlement of Negotiable Instruments Disputes, established pursuant to the Minister of Commerce Decisions Number 353 and 354 dated 11/5/1388H. (corresponding to 5 August 1968) and Number 358 dated 16/5/1388H. (corresponding to 10 August 1968) or any successor body;

"**Net Profit**" has the meaning given to it in Condition 5(b) (*Application of Proceeds – Mudaraba Income*);

"**Nominal Amount**" means the nominal amount of the Mudaraba Sukuk, which is SAR 100,000;

"**Non-Group Entity**" means any investment or entity (that is not itself a member of the Group (including associates and Joint Ventures)) in which any member of the Group has an ownership interest;

"**Order Note**" has the meaning given to it in Condition 5(c) (*Application of Proceeds — Collection Account, Withdrawn Amounts and Order Notes*);

"**Order Note Period**" means the First Order Note Period and each successive eleven (11) month period immediately following the First Order Note Period;

"**Overdue Amount**" means any amount that the Issuer fails to pay that is due and payable in accordance with the Sukuk Documents;

"**Partial Periodic Distribution Amount**" means, in relation to any day on which the Issuer is to redeem the Mudaraba Sukuk due to the occurrence of an Event of Default or as contemplated by Condition 8(c) (*Mandatory Redemption under Permitted Disposals and/or Extraordinary Distributions*) or Condition 8(d) (*Redemption at the Option of the Issuer on Refinancing*), an amount calculated as follows:

$$\frac{P \text{ x } (S + M) \text{ x } D}{N}$$

where

P = the aggregate Nominal Amount of such Mudaraba Sukuk as are current on the Transfer Record Date immediately preceding the date of such redemption;

S = SIBOR for the Periodic Distribution Period in which the date of such redemption falls;

M = the Margin; and

D = the number of days between the immediately preceding Periodic Distribution Date and the date of such redemption;

N = the number of days between the immediately preceding Periodic Distribution Date and the next scheduled Periodic Distribution Date calculated on the basis of a 360 day year.

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

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

"**Periodic Determination Date**" has the meaning given to it in Condition 7(b) (*Saudi Interbank Offered Rate (SIBOR)*);

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

"**Periodic Distribution Date**" means the [●] of [●], [●], [●] and [●] in each year, commencing on [●] 20[●]G and up to and including [●] 20[●]G, *provided*, however, that if any such day is not a Business Day, the Periodic Distribution Date will be the immediately following Business Day;

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

"**Permitted Disposal**" means:

(a) any disposal of assets in the ordinary course of trade on arm's length terms (including the sale or disposal of obsolete assets);

(b) any disposal of up to fifteen per cent. (15%) of the aggregate issued share capital or ownership or other equity interests of any Subsidiary of the Issuer existing as at the Closing Date, *provided* that the Issuer shall at all times following such disposal retain the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Subsidiary;

(c) any disposal of any issued share capital or ownership or other equity interests of the International Polymers Company or any other Subsidiary of the Issuer not existing as at the Closing Date and before that Subsidiary commences commercial operations for the purposes of raising Indebtedness from a Saudi Arabian government agency;

(d) any disposal greater than fifteen per cent. (15%) of the aggregate issued share capital or ownership or other equity interests of any Subsidiary of the Issuer existing as at the Closing Date, *provided* that the consideration received by the Issuer for such disposal is at least equal to the Fair Market Value of the relevant shares or ownership or other equity interests of such Subsidiary and the Issuer applies eighty-five per cent. (85)% of such proceeds (the "**Disposal Redemption Amount**") to redeem, on a *pro rata* basis amongst the Sukukholders, the Mudaraba Sukuk in accordance with Condition 8(c) (*Mandatory Redemption under Permitted Disposals and/or Extraordinary Distributions*), and *provided* further that the Issuer shall not be required to so redeem the Mudaraba Sukuk if the Issuer applies the proceeds of such disposal to another project or venture within 12 months of receipt of such funds (or such later date for so long as the Issuer has entered into good faith negotiations with a potential partner which commenced within such 12 month period and such negotiations are ongoing). The Fair Market Value of such disposal will be determined by the board of directors of the Issuer. The board of directors' determination must be based upon either: (i) an opinion or appraisal issued by an Independent Qualified Party if the Fair Market Value exceeds SAR 150,000,000, or (ii) a competitive bid process of three or more bidders held on arm's length terms;

(e) any disposal of any issued share capital or ownership or other equity interests of any Subsidiary of the Issuer in connection with any share swap, amalgamation, demerger, merger or consolidation of one or more Subsidiaries with another Subsidiary, in each case of the Issuer;

(f) any sale and lease-back of the Issuer's principal office premises, *provided* that the consideration received by the Issuer for such sale is at least equal to the Fair Market Value of the office premises and on arm's length terms; or

(g) any transfer of assets between or among the Issuer and its Subsidiaries.

"**Permitted Indebtedness**" means:

(a) any Indebtedness or Guarantee of Indebtedness which exists as at the Closing Date and which is listed in schedule 1 (*Permitted Indebtedness*) of the Mudaraba Agreement;

(b) any amendment, restatement, modification, renewal, supplement, refunding, replacement or refinancing (each a "**Modification**") of any Indebtedness incurred pursuant to (a) above or (e) below; *provided* that: (i) the principal amount of such Indebtedness is no more than the amount of outstanding Indebtedness which is the subject of such Modification; (ii) the date on which such Indebtedness is repayable (other than any provision providing for the repurchase or repayment of such Indebtedness at the option of the holder thereof upon the happening of any contingency) is the same or later than the date of repayment of the Indebtedness which is the subject of such Modification; and (iii) the terms and conditions of any such Modifications do not contain any materially greater restriction on the payment of Distributions or any other amounts by a Subsidiary to the Issuer from those contained in the agreements for the Indebtedness which is the subject of such Modification;

(c) any Indebtedness incurred with respect to Project Developments on a temporary basis by the Issuer prior to incurrence of long term Indebtedness by a Subsidiary (which Indebtedness of the Issuer shall be repaid by the proceeds of such Indebtedness incurred by the Subsidiary), such Indebtedness in aggregate not to exceed SAR 250,000,000 at any time;

(d) any Indebtedness incurred pursuant to the Sukuk Documents;

(e) any Indebtedness incurred in respect of any transaction entered into in connection with protection against or to benefit from fluctuation in any rate or price, *provided* that such Indebtedness is entered into in the ordinary course of business (which includes, without limitation, any such Indebtedness entered into in respect of any other Permitted Indebtedness or Indebtedness incurred with respect to Project Developments) and not for speculative purposes;

(f) any Indebtedness incurred by a Subsidiary of the Issuer that is owed to any of that Subsidiary's shareholders, *provided* that such Indebtedness is incurred to each shareholder on a *pro rata* basis to that shareholder's shareholding or, if not *pro rata*, that the proportion of such indebtedness incurred to Sipchem is no less than Sipchem's *pro rata* share (and to the extent this is not the case it will only be the amount of such Indebtedness representing the difference between the Indebtedness incurred to Sipchem and Sipchem's *pro rata* share that will be subject to Condition 6(a) and the remainder of such Indebtedness will continue to constitute Permitted Indebtedness under this paragraph (f)); and

(g) any other Indebtedness (not covered in (I) (a) to (e) above or (II) (f) above to the extent such Indebtedness is owed to Sipchem or there is no commission or any fees or other charges accruing for such Indebtedness) entered into on arm's length terms provided the aggregate principal amount of such Indebtedness does not exceed in aggregate the sum of: (i) SAR 250,000,000; and (ii) the amount which is the difference between the aggregate principal amount of the gross proceeds of the Mudaraba Sukuk and SAR 1,500,000,000;

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

(a) in the case of the Issuer's Subsidiaries, any asset-based financing (including, without limitation, a securitisation or project financing) where the primary source of repayment of the obligations secured by such Security Interest is the assets or revenues subject to such Security Interest;

(b) Security Interests existing on the Closing Date which have been disclosed to the Sukukholders' Agent;

(c) any Security Interest existing on any property at the time of the acquisition of such property (or on the property of any Person at the time such Person becomes a Subsidiary of the Issuer or is merged with or into or consolidated with the Issuer or any Subsidiary of the Issuer), *provided* that such Security Interest was not created in contemplation of such event;

(d) Security Interests on specific items of inventory or other goods (and the proceeds thereof) of any Person securing such Person's obligations in respect of bankers' acceptances issued or created in the ordinary course of business for the account of such Person to facilitate the purchase, shipment or storage of such inventory or other goods;

(e) Security Interests arising out of conditional sale, title retention, consignment or similar arrangements for the sale of feedstock, catalysts and other goods and materials entered into in the ordinary course of business;

(f) Security Interests for Taxes, assessments or governmental charges or claims that are not yet delinquent or that are being contested in good faith by appropriate proceedings promptly instituted and diligently concluded, *provided* that any reserve or other appropriate provision as is required in conformity with the Issuer's applicable accounting standards has been made;

(g) Security Interests imposed by law, in each case, incurred in the ordinary course of business;

(h) Security Interests created pursuant to the Account Pledge Agreement;

(i) Security Interests arising out of any sale and lease-back of the Issuer's principal office premises; and

(j) any other Security Interests (not covered in (a) to (i) above) entered into in the ordinary course of business on arm's length terms provided the aggregate principal amount of such Security Interests does not exceed SAR 250,000,000;

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

"**Project Developments**" means any new project or venture (including any project or venture in the process of implementation by the Issuer on the date of issuance of the Mudaraba Sukuk) or any additional capital expenditure (including debottlenecking) of an existing project or venture, where in each case the primary source of repayment of any Indebtedness incurred with respect to any such project, venture or additional capital expenditure is the direct or indirect revenues of such project, venture or additional capital expenditure;

"**Prospectus**" means the prospectus dated 10/07/1432H (corresponding to 12/06/2011G) relating to the Mudaraba Sukuk;

"**Qualified Person**" means (a) a natural Person who is a national of the Kingdom of Saudi Arabia or a GCC country or (b) another legal Person with a permanent establishment in the Kingdom of Saudi Arabia or a GCC country and, in the case of the Kingdom of Saudi Arabia, holding a current commercial registration number issued by the Ministry of Commerce and Industry, which, in the case of either (a) or (b), maintains a bank account in the Kingdom of Saudi Arabia;

"**Redemption Amount**" means the Market Value. If there is a Loss in respect of the Mudaraba Sukuk, then the Redemption Amount of the Mudaraba Sukukk may be less than a Sukukholder's original investment;

"**Refinancing**" means the: (i) incurrence of any Indebtedness (including any *Shari'ah* compliant financing) to refinance in whole or in part any debt of a Subsidiary; (ii) any amendment of the terms and conditions of the Indebtedness of any Subsidiary to extend the term of such debt; or (iii) the incurrence of Indebtedness by any Subsidiary upon the expiry of any Indebtedness of such Subsidiary in existence on the Closing Date that is not applied in whole, directly or indirectly, in or towards any capital expenditure to increase the production capacity or efficiency of the operations of the Subsidiary;

"**Refinancing Redemption Date**" has the meaning given to it in Condition 8(d) (*Redemption at the Option of the Issuer on Refinancing*);

"**Register**" means the registry system administered by the Registrar or any successor entity;

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

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

"**Required Sukukholders**" as of any date, means Sukukholders holding at least thirty-three and one-third per cent. (33⅓%) in aggregate Nominal Amount of the Mudaraba Sukuk as are current on such date;

"**Reserve Account**" has the meaning given to it in Condition 6(c) (*Covenants and Undertakings*);

"**Reserve Amount**" has the meaning given to it in Condition 5(e) (*Reserve Account*);

"**SAR**" or "**Saudi Riyals**" means the lawful currency of the Kingdom of Saudi Arabia;

"**Saudi Interbank Offered Rate (SIBOR)**" or "**SIBOR**" means, in relation to any Periodic Distribution Period, the rate (expressed as a percentage per annum) determined in accordance with Condition 7(b) (*Saudi Interbank Offered Rate (SIBOR)*) in relation to such Periodic Distribution Period;

"**Security Interest**" means any mortgage, charge (fixed or floating), pledge, encumbrance, lien or hypothecation, any taking of title, reservation of title, set-off or trust arrangement for the purpose of taking security, any assignment by way of security or any other security interest securing any obligation of any Person or any other agreement or arrangement having a similar effect including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction;

"**Shortfall**" has the meaning given to it in Condition 5(d) (*Application of Proceeds – Transaction Account*);

"**Standing Instruction**" means an instruction and/or waiver provided by a Sukukholder to the Sukukholders' Agent in the Investor Application Form with respect to the Market Value and certain other matters specified therein;

"**Subsidiary**" means any Person, company or corporation or company:

(a) which is controlled, directly or indirectly, by the Issuer;

(b) more than fifty per cent. (50%) of the issued share capital or ownership or other equity interests of which is beneficially owned, directly or indirectly, by the Issuer; or

(c) which is a Subsidiary of another Subsidiary of the Issuer;

"**Sukuk Documents**" means the Mudaraba Agreement, the Declaration of Agency, the Payments Administration Agreement, the Registry Agreement, the Mudaraba Sukuk (including the Global Suk), the Investor Application Form, the Account Pledge Agreement, the Beneficial Rights Transfer Agreement and any other agreements and documents delivered or executed in connection therewith;

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

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

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

"**Transaction Account**" has the meaning given to it in Condition 5(d) (*Application of Proceeds – Transaction Account*);

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

"**Winding Up Proceeding**" has the meaning given to in Condition 11(f) (*Events of Default*); and

"**Withdrawn Amounts**" has the meaning given to it in Condition 5(c) (*Application of Proceeds – Collection Account, Withdrawn Amounts and Order Notes*).

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

1.2 All references in these Conditions to an agreement, instrument or other document (including the Mudaraba Agreement, the Declaration of Agency, the Payments Administration Agreement, the Registry Agreement, the Mudaraba Sukuk (including the Global Suk), the Beneficial Rights Transfer Agreement, the Account Pledge Agreement and the Investor Application Form) shall be construed as a reference to that agreement, instrument or other document as the same may be amended, supplemented, replaced or novated.

2. Form and Denomination

The Mudaraba Sukuk are issued in dematerialised registered form in the denomination of SAR 100,000 (the "**Authorised Holding**"). The Mudaraba Sukuk will be collectively represented by the Global Suk which will be deposited with the Sukukholders' Agent. Individual Mudaraba Sukuk representing holdings of the Global Suk will not be issued but Sukukholders will on request be entitled to receive a statement from the Registrar recording their holding of Mudaraba Sukuk. The Global Suk will represent all of the Mudaraba Sukuk that are current and the ownership by the Sukukholders of an undivided ownership interest in the Mudaraba Assets.

3. Register, Title and Transfers

(a) *Register*: The Registrar will maintain the Register in respect of the Mudaraba Sukuk in accordance with the provisions of the Registry Agreement. In these Conditions, a "**Sukukholder**" means the Person in whose name such Mudaraba Sukuk is for the time being registered in the Register (or, in the case of a joint holding, the first named). Only Qualified Persons may be registered as Sukukholders.

(b) *Title*: Each Sukukholder shall (except as otherwise required by law) be treated as the absolute owner of such Mudaraba Sukuk for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein).

(c) *Transfers*: Subject to paragraphs (e) and (f) below, the Mudaraba Sukuk may be transferred in accordance with the regulations and procedures established by the Registrar by delivering to the Registrar such information as such regulations and procedures shall require. The Mudaraba Sukuk may not be transferred unless:

(i) the Nominal Amount of Mudaraba Sukuk to be transferred together with any existing holding of Mudaraba Sukuk by the party acquiring the Mudaraba Sukuk to be transferred are Authorised Holdings;

(ii) where not all the Mudaraba Sukuk held by a Sukukholder are being transferred, the Nominal Amount of the balance of Mudaraba Sukuk not transferred is an Authorised Holding;

(iii) the transferee is a Qualified Person; and

(iv) the transferee has agreed to accept and be bound by the terms of any Standing Instruction in relation to such Mudaraba Sukuk.

(d) *Transfer Charges*: The transfer of Mudaraba Sukuk will be subject to a charge by the Registrar in accordance with its schedule of charges in force for its services and all such charges shall be borne solely by the transferring Sukukholder and the transferee in accordance with the Registrar's practice. For the avoidance of doubt, neither the Issuer nor the Sukukholders' Agent shall be liable to pay any such charges imposed by the Registrar.

(e) *Transfer Record Dates and Closed Periods*: Prior to the Closing Date, it will be announced publicly whether or not transfers of Mudaraba Sukuk effected during the period starting at the opening of business no less than five (5) Business Days prior to a due date for payment of any Periodic Distribution Amount, or any other principal or distribution in respect of the Mudaraba Sukuk or, if such a day is not a Business Day, on the immediately following Business Day (a "**Transfer Record Date**"), and ending on (and including) the applicable due date itself (each such period being a "**Closed Period**") may be registered in the usual way or whether they may only be registered after the expiry of the relevant Closed Period. If such transfers may be so registered in the usual way, then, notwithstanding such registration, all payments shall continue to be paid to such Persons as are registered as Sukukholders at the opening of business on the relevant Transfer Record Date. The Registrar may after the Closing Date modify these Conditions insofar as they relate to the registration of transfers effected during Closed Periods by notice to the Issuer and the Sukukholders.

(f) *Standing Instruction*: When a Sukukholder has completed a Standing Instruction in relation to its Mudaraba Sukuk, and such Standing Instruction has not been revoked by it or any subsequent Sukukholder of such Mudaraba Sukuk (and where all of the Sukukholders have completed Standing Instructions, such Standing Instructions may only be revoked by an Extraordinary Resolution of Sukukholders), any transfer of such Mudaraba Sukuk will be subject to the Standing Instruction, and any subsequent Sukukholder thereof will be deemed to accept and be bound by the terms of such Standing Instruction.

(g) *Regulations concerning transfers and registration*: All transfers of Mudaraba Sukuk and entries on the Register are subject to the regulations and procedures of the Registrar and the provisions of the Registry Agreement. The regulations may be changed by the Registrar at any time.

4. Status; Limited Recourse

(a) *Status*: The Mudaraba Sukuk constitute undivided ownership interests in the Mudaraba Assets and will at all times rank *pari passu* amongst themselves. The obligations of the Issuer in respect of the Reserve Account are secured pursuant to the Account Pledge Agreement. The Mudaraba Sukuk constitute unsubordinated obligations of the Issuer and, except as otherwise required by law, shall rank equally in right of payment to all other unsecured obligations of the Issuer (other than subordinated obligations, if any).

(b) *Limited Recourse*: The Issuer is obliged to make the payments under the relevant Sukuk Documents to which it is a party directly to the Payments Administrator (or in certain circumstances, the Sukukholders' Agent) and the Sukukholders' Agent (subject to it being indemnified to its satisfaction), as agent for and on behalf of the Sukukholders, will have direct recourse against the Issuer to recover payments due to the Payments Administrator or the Sukukholders' Agent for the account of the Sukukholders, pursuant to such Sukuk Documents.

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

Administrator, the Registrar, the Joint Lead Managers and Joint Bookrunners or any of their affiliates as a consequence of such shortfall or otherwise.

5. Mudaraba Assets

(a) *Mudaraba Assets*: The proceeds of the sale of the Mudaraba Sukuk will constitute the capital of the Mudaraba and will be used by the Sukukholders' Agent (acting for and on behalf of Sukukholders) to purchase an undivided interest in the Issuer's existing and future business (including, amongst other things, the right to share in Distributions and any other payments made by any Subsidiary to the Issuer once received by the Issuer but excluding the shares of any Subsidiary of the Issuer or any interest in such shares or any votes attached to them) pursuant to the Beneficial Rights Transfer Agreement, which undivided interest will constitute the assets (the "**Mudaraba Assets**") of the mudaraba constituted by the Mudaraba Agreement (the "**Mudaraba**"). The Mudaraba will commence on the Closing Date and will end either: (i) on the later of the Expiry Date and the date on which the Mudaraba Sukuk are redeemed in full; or (ii) in the event that the Mudaraba Sukuk are redeemed in full prior to the Expiry Date, on the day immediately following such redemption.

The Issuer shall be further entitled to commingle its own interests with the interests of the Sukukholders' Agent (acting for and on behalf of Sukukholders) in the Mudaraba Assets and the Mudaraba Assets shall revert automatically to the Issuer (for its own account) following the redemption in full of the Mudaraba Sukuk and the end of the Mudaraba.

On the Closing Date the Issuer shall acknowledge the undivided interest of the Sukukholders' Agent (acting for and on behalf of the Sukukholders) in the Mudaraba Assets.

(b) *Application of Proceeds – Mudaraba Income*: Pursuant to and in accordance with the terms of the Mudaraba Agreement, the Mudaraba Assets are held for and on behalf of the Sukukholders.

The proportional shares of the Sukukholders and the Issuer in the Distributions and any other payments in respect of the Mudaraba Assets received by the Issuer from any Subsidiary, after deduction of the Mudaraba Costs (the "**Net Profit**"), shall be calculated using the following ratios:

Sukukholders: 90 per cent. of the Net Profit from the Mudaraba Assets (the "**Mudaraba Income**"); and

Issuer: 10 per cent. of the Net Profit from the Mudaraba Assets (the "**Mudareb Profit**").

The Mudaraba Income shall be credited when received to an account to be maintained by the Issuer in its books for and on behalf of the Sukukholders (the "**Collection Account**") from which the Periodic Distribution Amounts and the Redemption Amount (together with any Partial Periodic Distribution Amount) under the Mudaraba Sukuk will be paid by the Issuer in accordance with Condition 5(d) (*Application of Proceeds - Transaction Account*) below.

(c) *Application of Proceeds –Collection Account, Withdrawn Amounts and Order Notes*:

(i) So long as no Event of Default has occurred and is continuing, the Issuer may withdraw any amounts standing to the credit of the Collection Account from time to time (the amounts so withdrawn the "**Withdrawn Amounts**"). The primary purpose of the Collection Account is for it to be held for the benefit of the Sukukholders. The Withdrawn Amounts are for the Issuer's own account and may be used by the Issuer for any purpose. Any losses arising in respect of the Withdrawn Amounts are solely for the account of the Issuer. The Withdrawn Amounts shall be owed as a debt to the

Sukukholders’ Agent (acting for and on behalf of the Sukukholders) and shall be repayable from the Issuer's own funds on demand to meet the amounts owing and due under the Mudaraba Sukuk.

(ii) If the amount due to the Sukukholders on any Periodic Distribution Date, the Expiry Date or the Event of Default Date, is greater than the aggregate amount standing to the credit of the Collection Account, the Issuer shall on or prior to 11.00a.m. (Kingdom time) two (2) Business Days prior to such date, repay by way of a corresponding credit to the Collection Account either (x) the aggregate of the Withdrawn Amounts (to the extent these remain unpaid) or (y) the amount due to the Sukukholders on the relevant date taking into account the amount standing to the credit of the Collection Account, whichever is the lesser.

(iii) The Issuer shall deliver to the Sukukholders’ Agent on the Closing Date order notes substantially in the form set forth in schedule 2 (*Form of Order Note*) of the Mudaraba Agreement (each an “**Order Note**”) in respect of the expected Withdrawn Amounts for the eleven (11) month period immediately following the Closing Date (the **First Order Note Period**) and as agreed with the Sukukholders' Agent. For each successive eleven (11) month period immediately following the First Order Note Period (together with the First Order Note Period, each an **Order Note Period**), the Issuer will deliver replacement Order Notes to the Sukukholders’ Agent in respect of the expected Withdrawn Amounts for such Order Note Period and as agreed with the Sukukholders’ Agent. Such replacement Order Notes will be delivered to the Sukukholders’ Agent by the end of each Order Note Period, and in substitution for the Order Notes held by the Sukukholders’ Agent in respect of that Order Note Period, and the Sukukholders’ Agent shall destroy any Order Note so substituted (including any Order Note held by the Sukukholders' Agent on the day immediately following the redemption in full of the Mudaraba Sukuk).

Each Order Note shall evidence the relevant debt owed to the Sukukholders' Agent for the Withdrawn Amounts and not be deemed to be any guarantee of any obligations of the Issuer with respect to any Periodic Distribution Amount or the Redemption Amount. The Sukukholders’ Agent shall hold each Order Note on behalf of the Sukukholders and each Order Note constitutes direct, unconditional and irrevocable obligations of the Issuer, subject to the terms of the Sukuk Documents.

The delivery to the Sukukholders’ Agent of each Order Note shall not limit, restrict, prejudice or otherwise affect in any way or to any extent the obligations of the Issuer under the Sukuk Documents.

The Sukukholders’ Agent shall not present any Order Note for payment or permit the presentation thereof to any person other than to the Negotiable Instruments Committee in the Kingdom of Saudi Arabia. Order Notes may also only be presented for payment in respect of a claim for an amount no greater than the amounts which are then due and payable by the Issuer under the Mudaraba Sukuk and in the event any greater amount is awarded by the Negotiable Instruments Committee, the Sukukholders' Agent undertakes to pay any amount in excess of the amount due and payable under the Mudaraba Sukuk to the Issuer.

(d) Application of Proceeds – Transaction Account:

(i) On or prior to 11.00a.m. (Kingdom time) one (1) Business Day prior to each Periodic Distribution Date, the Issuer shall pay to the account maintained by the Sukukholders’ Agent with the Payments Administrator for the payment of amounts due and owing on the Mudaraba Sukuk (the “**Transaction Account**”) from the monies (if any) standing to the credit of the Collection Account the following amounts:

(A) the aggregate amount of any shortfall between the amounts paid to Sukukholders on any previous Periodic Distribution Date(s) and the corresponding Periodic Distribution Amount(s) for such date(s) (each, a "**Shortfall**") to the extent these remain unpaid; and

(B) the amount due for the current Periodic Distribution Period,

which amounts shall be paid in the above order of priority.

(ii) On or prior to 11.00a.m. (Kingdom time) one (1) Business Day prior to the Expiry Date or the Event of Default Date, the Issuer shall pay to the Transaction Account from the monies (if any) standing to the credit of the Collection Account the amount due to the Sukukholders to pay the Redemption Amount and, in the case of the Event of Default Date, the Partial Periodic Distribution Amount.

(iii) The Sukukholders shall have the option in the Investor Application Form to release to the Issuer any amounts standing to the credit of the Collection Account following redemption or purchase and cancellation of the Mudaraba Sukuk on the Expiry Date or the Event of Default Date, which in the absence of any Extraordinary Resolution of Sukukholders to the contrary shall be deemed to be so released.

(e) Reserve Account

The Issuer will, on the Closing Date, deposit or cause to be deposited in the Reserve Account from its own funds, an amount equal to the two Periodic Distribution Amounts due on the next two succeeding Periodic Distribution Dates with respect to the Mudaraba Sukuk (the "**Reserve Amount**"). The Reserve Amount will be calculated by reference to the Saudi Interbank Offered Rate (SIBOR) applying in respect of the calculation of the first such Periodic Distribution Amount and the Margin. The Issuer shall ensure that the Reserve Account is at all times credited with at least the Reserve Amount (as determined by the Payments Administrator on each Periodic Determination Date by reference to the Margin and the Saudi Interbank Offered Rate (SIBOR) then applying). The amount standing to the credit of the Reserve Account may be applied by the Sukukholder's Agent towards any amount due and owing by the Issuer under the Mudaraba Sukuk from time to time if such amount is not received by the Sukukholder's Agent in the Transaction Account on the date on which it is payable by the Issuer under these Conditions. The amount standing to the credit of the Reserve Account shall be released to, or paid to the order of, the Issuer (i) to the extent that such amount is at any time greater than the Reserve Amount (although any amount so released or paid shall be limited to the amount of such excess)or (ii) on redemption or purchase and cancellation of the Mudaraba Sukuk on the Expiry Date or the Event of Default Date (and, at the request and direction of the Issuer, may be paid in satisfaction of any amounts payable by the Issuer under this Condition 5 on the redemption or purchase of all of the Mudaraba Sukuk then current).

6. Covenants and Undertakings

(a) The Issuer will not, and will not permit any of its Subsidiaries to, directly or indirectly, create, incur, issue, assume, guarantee or otherwise become directly or indirectly liable, contingently or otherwise with respect to (collectively, "*incur*") any Indebtedness, *provided*, however, that the Issuer or any of its Subsidiaries may incur Indebtedness (i) if no Event of Default has occurred or is continuing (or would occur as a result of the incurrence of such Indebtedness); (ii) the Consolidated Finance Charges Cover exceeds 2.5 to 1, determined on a *pro forma* basis (including *pro forma* application of the proceeds of such Indebtedness and all other Indebtedness incurred and outstanding) as if such Indebtedness had been incurred at the beginning of the relevant twelve (12) month period and (iii) the Issuer notifies the Sukukholders Agent in writing of the amount of the outstanding Indebtedness of the Issuer and its Subsidiaries both before and after the incurrence of the proposed additional Indebtedness together with a calculation in reasonable detail of the Consolidated Finance Charges Cover before and after the incurrence of the proposed additional Indebtedness at least 10 days prior to incurrence of such proposed additional Indebtedness.

Nothing in this paragraph (a) prohibits the incurrence of any Permitted Indebtedness, *provided* no Event of Default has occurred or is continuing (or would occur as a result of the incurrence of such Permitted Indebtedness).

(b) The Issuer shall not, and the Issuer shall procure that none of its Subsidiaries shall:

(i) create or permit to subsist any Security Interest (other than a Permitted Security Interest) upon the whole or any part of its present or future undertaking, assets or revenues (including uncalled capital) to secure any Indebtedness or Guarantee of Indebtedness, without at the same time or prior thereto securing equally and rateably with such Security Interest the obligations of the Issuer to the Sukukholders' Agent (for and on behalf of the Sukukholders) under the Mudaraba Agreement, the Declaration of Agency and the Mudaraba Sukuk or providing such other security for those obligations as may be approved by an Extraordinary Resolution;

(ii) enter into or permit to exist any transaction or series of transactions (whether related or not) and whether voluntary or involuntary to sell, transfer, lease, assign, loan or otherwise dispose of all or any part of its assets located inside the Kingdom of Saudi Arabia or any material part of its consolidated assets located outside the Kingdom of Saudi Arabia or any shares or ownership interests in any Subsidiary, except in connection with (a) a Permitted Disposal and (b) with respect to sub-clauses (b) and (d) of the definition of "Permitted Disposal" in these Conditions where, on the date of the proposed transaction(s) the Consolidated Finance Charges Cover exceeds 2.5 to 1, determined on a *pro forma* basis (including *pro forma* application of the proceeds of such disposal and any reduction in any Indebtedness as a result of such disposal) as if the disposal had been made at the beginning of the relevant 12 month period;

(iii) use the proceeds of the issue the Mudaraba Sukuk for any purpose other than as set out in this Prospectus;

(iv) with respect to the Issuer only, declare, pay or make any cash distribution unless: (a) the aggregate amount of the cash distribution(s) in any financial year would not exceed fifty per cent. (50%) of the sum of: (i) the amount legally available for distribution during such relevant financial year; and (ii) the amount of any stock dividend(s) made since 1 December 2010 (*provided* that such amount of stock dividend(s) has not previously been used in calculating the amount of any cash distribution that may be declared, paid or made pursuant to this Condition 6(a)(iv)) and (b) at the time of such payment no Event of Default is outstanding or would occur as a result of the payment of such distribution; and

(v) make any loan, or provide any form of credit to any Person, except to any Subsidiary, or give or have outstanding any Guarantee by it of any obligation of any other Person other than a Subsidiary; and

(vi) create or permit to exist or become effective any consensual encumbrance or restriction (X) on the ability of any Subsidiary to pay Distributions to the Issuer, or (Y) with respect to any other interest or participation in any Subsidiary's profits, or (Z) on the ability of any Subsidiary to pay any Indebtedness owed to the Issuer, *provided* that this provision will not apply to encumbrances or restrictions existing under or by reason of:

(1) agreements governing existing Indebtedness as in effect on the date of the issue of the Mudaraba Sukuk and any Modification of those agreements or any similar agreements entered into in connection with any new project or venture (including any project or venture in the process of implementation by the Issuer), *provided* that the terms and conditions of any such Modification or similar agreements are not more restrictive with respect to the acts contemplated by (X), (Y) and (Z) above than those contained in those agreements in effect on the date of the issue of the Mudaraba Sukuk;

(2) the Mudaraba Agreement and the Mudaraba Sukuk; and

(3) applicable law, rule, regulation, decree or order;

(c) The Issuer shall:

(i) open and maintain an account with the Payments Administrator into which the Issuer will deposit or cause to be deposited from its own funds on the Closing Date the Reserve Amount (the "**Reserve Account**") and thereafter ensure that the Reserve Account (as security for the Issuer's obligation to repay any Withdrawn Amounts) has at all times an amount at least equal to the Reserve Amount in accordance with Condition 5(c) (*Application of Proceeds – Collection Account, Withdrawn Amounts and Order Notes*);

(ii) apply eighty-five per cent. (85)% of any Extraordinary Distribution (the "**Extraordinary Distribution Amount**") to redeem, on a *pro rata* basis amongst the Sukukholders, the Mudaraba Sukuk in accordance with Condition 8(c), *provided* that the Issuer shall not be required to so redeem the Mudaraba Sukuk if the Issuer applies the proceeds of the Extraordinary Distribution to another project or venture within 12 months of receipt by the Issuer (or such later date for so long as the Issuer has entered into good faith negotiations with a potential partner which commenced within such 12 month period and such negotiations are continuing).

7. Periodic Distributions

(a) *Periodic Distribution Dates*: Subject to Condition 5(b) (*Application of Proceeds – Mudaraba Income*), Condition 5(c) (*Application of Proceeds – Collection Account, Withdrawn Amounts and Order Notes*), Condition 5(d) (*Application of Proceeds – Transaction Account*), Condition 5(e) (*Reserve Account*) and Condition 9 (*Payments*), the Issuer shall instruct the Payments Administrator to distribute to the Sukukholders *pro rata* a distribution in relation to the Mudaraba Sukuk on each Periodic Distribution Date equal to the applicable Periodic Distribution Amount. If any Periodic Distribution Date is not a Business Day, it shall be postponed to the following Business Day.

In these Conditions:

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

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

where

P = the aggregate Nominal Amount of such Mudaraba Sukuk as are current on the Transfer Record Date immediately preceding the last day of such Periodic Distribution Period;

D = the actual number of days in such Periodic Distribution Period;

S = SIBOR for such Periodic Distribution Period; and

M = the Margin.

(b) *Saudi Interbank Offered Rate (SIBOR)*: The Saudi Interbank Offered Rate (SIBOR) for each Periodic Distribution Period shall be determined by or on behalf of the Payments Administrator on the following basis:

(i) the Payments Administrator will determine the rate for deposits in Saudi Riyals for a period equal to the relevant Periodic Distribution Period which appears on the Reuters Screen SUAA Page across from the caption "AVG" (or such other page as may replace that page on that service, or such other service as may be nominated by the Payments Administrator as the information vendor for the purpose of displaying comparable rates) as of 11.00 a.m. (Kingdom time) on the second Business Day before the first day of the relevant Periodic Distribution Period (the "**Periodic Determination Date**"); or

(ii) if such rate does not appear on that page, the Payments Administrator will:

(A) request the principal office in the Kingdom of Saudi Arabia of each of The Saudi British Bank, The National Commercial Bank and Riyad Bank or any substitute reference bank in the Saudi interbank market appointed by the Payments Administrator, to provide a quotation of the rate at which deposits in Saudi Riyals are offered by it in the Saudi interbank market at approximately 11.00 a.m. (Kingdom time) on the Periodic Determination Date to prime banks in the Saudi interbank market for a period equal to the relevant Periodic Distribution Period and in an amount that is representative for a single transaction in that market at that time; and

(B) determine the arithmetic mean (rounded, if necessary, to the nearest ten thousandth of a percentage point, 0.00005 being rounded upwards) of such quotations where two or more quotations are available,

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

(c) *Publication*: The Payments Administrator will cause the Saudi Interbank Benchmark Offered Rate (SIBOR) and the Periodic Distribution Amount determined by it, together with the relevant Periodic Distribution Date, to be notified to the Issuer and the Sukukholders' Agent and each stock exchange on which the Mudaraba Sukuk are then listed as soon as practicable after such determination but in any event not later than the first day of the relevant Periodic Distribution Period. Notice thereof shall also promptly be given to the

Sukukholders. The Payments Administrator will be entitled to recalculate any Periodic Distribution Amount (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant Periodic Distribution Period.

(d) *Cessation of Accrual:* No further amounts shall be payable on any Mudaraba Sukuk from and including its due date for redemption unless, upon due presentation, payment in respect of the Mudaraba Sukuk is improperly withheld or refused or unless default is otherwise made in respect of payment, in which event such amounts payable on the Mudaraba Sukuk shall continue to be due and payable and the Issuer shall have an obligation to pay the Late Payment Amount on such delayed payments to a charity chosen by the Sukukholders' Agent.

(e) *Notifications*: All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 7 (*Periodic Distributions*) by the Payments Administrator will (in the absence of manifest error) be binding on the Issuer, the Sukukholders' Agent and the Sukukholders and (subject as aforesaid) no liability to any such Person will attach to the Payments Administrator in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

8. Purchase of Mudaraba Sukuk, Mandatory Redemption and Redemption at the Option of the Issuer on Refinancing

(a) *Purchase*: The Issuer may at any time purchase Mudaraba Sukuk in the open market or otherwise and at any price agreed between the Sukukholder and the Issuer.

(b) *Cancellation*: If any Mudaraba Sukuk are so purchased by the Issuer such Mudaraba Sukuk shall be cancelled and may not be reissued or resold.

(c) *Mandatory Redemption under Permitted Disposals and/or Extraordinary Distributions:* If the proceeds of any Permitted Disposal or any Extraordinary Distribution have not been applied in accordance with the manner set out in sub-clause (d) of the definition of "Permitted Disposal" in these Conditions or pursuant to Condition 6 (c)(ii) respectively, the Issuer is required to apply the Disposal Redemption Amount or the Extraordinary Distribution Amount (as relevant), which amount shall be deemed to be Mudaraba Income and credited to the Collection Account, accordingly (such amount, the "**Early Redemption Amount**") to redeem the relevant portion of the Mudaraba Sukuk as provided below. The Issuer shall promptly (and in any event within ten (10) days) of the failure to apply the proceeds or cessation of negotiations resulting in the non such application of the proceeds as contemplated by sub-clause (d) of the definition of "Permitted Disposal" or pursuant to Condition 6(c)(iii) give notice (the "**Early Redemption Notice**") to the Sukukholders' Agent and the Payments Administrator of such redemption and of the portion of the Mudaraba Sukuk to be so redeemed. Such redemption will be at a price equal to the Redemption Amount of the Mudaraba Sukuk to be redeemed, in each case as of the date on which the notice from the Issuer was first received by the Sukukholders' Agent, together with payment of the Partial Periodic Distribution Amount, calculated as of the date of such redemption. The Mudaraba Sukuk to be redeemed by the Issuer shall be selected by the Payments Administrator on a *pro rata* basis amongst the Sukukholders, taking into account that the Early Redemption Amount may only be applied to redeem a whole number of Mudaraba Sukuk and that no fractional entitlements shall be permitted. Such Mudaraba Sukuk shall be redeemed by the Issuer on the date set forth in the Early Redemption Notice, which date shall not be more than five (5) days after the date of such notice (the "**Early Redemption Date**"). On or prior to 11.00a.m. (Kingdom time) one (1) Business Day prior to the Early Redemption Date, the Issuer shall pay from the Collection Account to the Transaction Account the Early Redemption Amount and the Partial Periodic Distribution Amount, which monies shall then be applied to redeem the relevant Mudaraba Sukuk and pay such Partial Periodic Distribution Amount.

(d) *Redemption at the Option of the Issuer on Refinancing:* In connection with any financing of the redemption of the Mudaraba Sukuk, the Issuer may, having given:

(i) not less than 15 nor more than 30 days' notice to the Sukukholders in accordance with Condition 17 (*Notices*); and

(ii) notice to the Sukukholders' Agent not less than 15 days before the giving of the notice referred to in (i) above,

(which notice shall be irrevocable and shall specify the date fixed for redemption), redeem all (but not some only) of the Mudaraba Sukuk, on any date falling not more than 2 months before the Expiry Date (such date, the "**Refinancing Redemption Date**") and on such redemption each Sukukholder shall receive its *pro rata* share of the Redemption Amount and the Partial Periodic Distribution Amount.

On or prior to 11.00a.m. (Kingdom time) one (1) Business Day prior to the Refinancing Redemption Date, the Issuer shall pay from the Collection Account to the Transaction Account the Redemption Amount and the Partial Periodic Distribution Amount, which monies shall then be applied to redeem the Mudaraba Sukuk and pay the Partial Periodic Distribution Amount on the Refinancing Redemption Date.

9. Payments

(a) *General*: Payments under the Mudaraba Sukuk shall be made by wire transfer to a Saudi Riyal account maintained by the payee with a bank in the Kingdom of Saudi Arabia as notified in writing to the Registrar and the Payments Administrator not later than 11.00 a.m. (Kingdom time) one (1) Business Day prior to the date of the relevant payment.

(b) *Payments subject to Applicable Laws*: All payments in respect of the Mudaraba Sukuk are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment. Except as provided in Condition 15 (*Taxation*), no deductions or expenses shall be charged to the Sukukholders in respect of such payments.

(c) *Payments on Business Days*: Payment instructions will be initiated for value on the due date, or, if the due date is not a Business Day, for value on the next succeeding Business Day. A Sukukholder shall not be entitled to any distribution or other payment in respect of any delay in payment resulting from the due date for a payment not being a Business Day.

(d) *Transfer Record Date*: Each payment in respect of the Mudaraba Sukuk will be made to the Person shown as the Sukukholder in the Register at the opening of business in the place of the Registrar's specified office on the Transfer Record Date.

10. Dissolution of the Mudaraba Sukuk

Unless previously redeemed, or purchased and cancelled, the Mudaraba Sukuk shall be redeemed on the Expiry Date and subject to Condition 4(b) (*Status; Limited Recourse*), each Sukukholder shall receive its *pro rata* share of the Redemption Amount. On payment of all amounts due under the Sukuk Documents, the Mudaraba will be dissolved, the Mudaraba Sukuk purchased by the Issuer cancelled and the Mudaraba Assets will revert automatically to the Issuer (for its own account).

11. Events of Default

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

(a) *Default resulting in non-payment of Periodic Distribution Amount*: the amount distributed to Sukukholders on any Periodic Distribution Date in accordance with Condition 5(b) (*Application of Proceeds – Mudaraba Income*) is less than the Periodic Distribution Amount for such Periodic Distribution Date and such shortfall in amounts has not been paid in full three (3) Business Days days after its due date and occurs as a direct result of the Issuer's default or negligence in performing its obligations under the Sukuk Documents; or

(b) *Breach of other obligations*: the Issuer defaults in the performance or observance of any of its other obligations under or in respect of the Mudaraba Sukuk or the Sukuk Documents and (except in any case where the failure is incapable of remedy where no continuation or notice as is hereunder mentioned will be required) such default remains unremedied for thirty (30) days after written notice thereof, addressed to the Issuer by any Sukukholder and/or the Sukukholders' Agent, has been delivered to the Issuer or to the specified office of the Payments Administrator; or

(c) *Cross-default of Issuer*:

(i) any Indebtedness of the Issuer or any of its Subsidiaries becomes due and payable prior to its stated maturity as a result of an acceleration event (howsoever described) following an event of default; or

(ii) any of the Issuer's or any of its Subsidiaries' creditors exercise any or all of their rights, remedies, powers or discretions under any Security Interest granted to them following an event of default (including, without limitation, instructing the relevant account bank(s) to cease to comply with instructions from the Issuer or its Subsidiaries and instead requiring the relevant account bank(s) to comply with the instructions of the creditors from time to time in relation to such accounts); or

(iii) the Issuer fails to pay any amount payable by it under any Guarantee of any Indebtedness within any applicable grace period;

provided that the amount of Indebtedness referred to in sub-paragraph (i) and/or sub-paragraph (ii) above and/or the amount payable under any Guarantee referred to in sub-paragraph (iii) above, individually or in the aggregate, exceeds SAR 75,000,000 (or its equivalent in any other currency or currencies); or

(d) *Unsatisfied judgment*: one or more judgment(s) or order(s) for the payment of an amount in excess of SAR 75,000,000 (or its equivalent in any other currency or currencies), whether individually or in aggregate is rendered against the Issuer or any of its Subsidiaries and continue(s) unsatisfied and unstayed for a period of thirty (30) days after the date(s) thereof or, if later, the date therein specified for payment; or

(e) *Insolvency*: (i) the Issuer or any of its Subsidiaries becomes insolvent or is unable to pay its debts as they fall due, (ii) an administrator or liquidator is appointed over the whole or at least twenty-five per cent. (25%) of the undertaking, assets and revenues of the Issuer or any of its Subsidiaries (or application for any such appointment is made) and such appointment is not discharged within twenty-eight (28) days, (iii) the Issuer or any of its Subsidiaries makes a general assignment or an arrangement or composition with or for the benefit of its creditors (including any arrangement under the Settlement to Avoid Bankruptcy Law) or declares a moratorium in respect of any of its Indebtedness or any Guarantee of any Indebtedness given by it or (iv) the Issuer or any of its Subsidiaries ceases or threatens to cease to carry on all or any substantial part of its business (otherwise than for the purposes of, or pursuant to, an amalgamation, reorganisation or restructuring whilst solvent which is approved by an Extraordinary Resolution); or

(f) *Winding up*: an order is made or an effective resolution is passed for the winding up, liquidation or dissolution of the Issuer or any of its Subsidiaries (otherwise than for the purposes of, or pursuant to, an amalgamation, reorganisation or restructuring whilst solvent which is approved by an Extraordinary Resolution (any such event, a "**Winding Up Proceeding**"); or

(g) *Analogous event*: any event occurs under the laws, regulations or rules of the Kingdom of Saudi Arabia which has an analogous effect to any of the events referred to in paragraphs (d) (*Unsatisfied judgment*) to (f) (*Winding up of the Issuer*) above; or

(h) *Failure to take action*: any action, condition or thing at any time required to be taken, fulfilled or done in order: (i) to enable the Issuer lawfully to enter into, exercise its rights and perform and comply with its obligations under and in respect of the Mudaraba Sukuk or the Sukuk Documents; and (ii) to ensure that those obligations are legal, valid, binding and enforceable is not taken, fulfilled or done; or

(i) *Unlawfulness*: it is or becomes unlawful for the Issuer to perform or comply with any or all of its obligations under or in respect of the Mudaraba Sukuk or the Mudaraba Assets or any of the Sukuk Documents are held by a court not to be legally effective, or the Issuer repudiates or evidences an intention to repudiate any of the Sukuk Documents.

If an Event of Default occurs and is continuing, the Sukukholders' Agent will as soon as is reasonably practicable after it receives notice thereof give notice of the occurrence of such Event of Default to the Sukukholders requiring them to indicate within a period of up to three (3) Business Days, or such other date as is notified to the Sukukholders by the Sukukholders' Agent, (the "**Exercise Period**") whether they wish to exercise their rights pursuant to the Mudaraba Agreement to require the Issuer to redeem the Mudaraba Sukuk from all Sukukholders by payment of their *pro rata* share of the Redemption Amount. Any Sukukholder may then deliver a notice (an "**Event of Default Notice**") within such Exercise Period to the Sukukholders' Agent declaring the Mudaraba Sukuk held by it to be purchasable or declining to declare the Mudaraba Sukuk held by it to be purchasable.

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

12. Enforcement and Exercise of Rights

(a) Following the distribution of the Mudaraba Income in respect of the Mudaraba Sukuk to the Sukukholders and, in the case of the Redemption Amount, the redemption and/or purchase of the Mudaraba Sukuk using the Mudaraba Income and other sources available to the Issuer, in accordance with these Conditions, the Declaration of Agency and any Standing Instructions, the Sukukholders' Agent shall not be liable for any further sums, and accordingly no Sukukholder may take any action against the Sukukholders' Agent or any other Person to recover any such sum in respect of the Mudaraba Sukuk or the Mudaraba Assets.

(b) The Sukukholders' Agent shall not be bound in any circumstances to take any action against the Issuer under any Sukuk Document to which the Issuer is a party unless directed or requested to do so (a) by an Extraordinary Resolution or (b) in writing by the Required Sukukholders and in either case then only if it shall be indemnified and/or secured to its satisfaction against all liabilities to which it may thereby render itself liable or which it may incur by so doing.

(c) No Sukukholder shall be entitled to proceed directly against the Issuer unless (i) the Sukukholders' Agent, having become bound so to proceed, fails to do so within sixty (60) days of becoming so bound and such failure is continuing; and (ii) the relevant Sukukholder (or such Sukukholder together with the other Sukukholders who propose to proceed directly against the Issuer) holds at least twenty-five per cent. (25%) of the aggregate Nominal Amount of the Mudaraba Sukuk then current on such date. Under no circumstances shall the Sukukholders' Agent or any Sukukholders have any right to cause the sale or other disposition of any of the Mudaraba Assets, and the sole right of the Sukukholders' Agent and Sukukholders against the Issuer shall be to enforce the obligation of the Issuer to pay the Periodic Distribution Amount and the Redemption Amount, if due and payable, from the Mudaraba Income (and, in the case of the Redemption Amount, from any other sources available to the Issuer). For the avoidance of doubt, the Sukukholders' Agent shall not be bound to act or proceed unless it has been indemnified to its satisfaction.

(d) To the extent permitted under applicable laws and regulations, written resolution signed by or on behalf of the Sukukholders of not less than two-thirds of the aggregate Nominal Amount of the Mudaraba Sukuk as are current of such date shall be valid and effective as a duly passed Extraordinary Resolution, save in the case of any Extraordinary Resolution in relation to any Standing Instructions or release of amounts standing to the Credit of the Collection Account as contemplated by Condition 5(d)(iii).

13. Agents

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

14. Meetings of Sukukholders; Modification

(a) *Meetings of Sukukholders*: The Declaration of Agency contains provisions for convening meetings of Sukukholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Mudaraba Sukuk, these Conditions or any relevant provision of the Declaration of Agency which is also approved by the Issuer. Such a meeting may be convened by the Issuer and shall be convened by the Issuer upon the request in writing of Sukukholders holding not less than one-tenth of the aggregate Nominal Amount of such of the Mudaraba Sukuk as are current as of such date. The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more Persons holding or representing at least half of the aggregate Nominal Amount of such of the Mudaraba Sukuk as are current as of such date or, at any adjourned meeting, one-quarter of the aggregate Nominal Amount of such of the Mudaraba Sukuk as are current as of such date.

An Extraordinary Resolution requires the affirmative vote of at least one more Sukukholder than half of those represented in the relevant meeting in order for it to be passed. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all

Sukukholders, whether present or not. The Declaration of Agency provides that a written resolution signed by or on behalf of the holders of not less than two-thirds of the aggregate Nominal Amount of the Mudaraba Sukuk as are current as of such date shall be valid and effective as a duly passed Extraordinary Resolution, save in the case of any Extraordinary Resolution in relation to any Standing Instructions or release of amounts standing to the Credit of the Collection Account as contemplated by Condition 5(d)(iii).

(b) *Modification*: The Declaration of Agency provides that the Sukukholders' Agent may agree, without the consent of the Sukukholders, to any modification (subject to certain exceptions as provided in the Declaration of Agency) of, or to any waiver or authorisation of any breach or proposed breach of, any of these Conditions or any of the provisions of the Declaration of Agency, or may determine that an Event of Default, shall not be treated as such which in any such case, in the opinion of the Sukukholders' Agent, is not materially prejudicial to the interests of the Sukukholders or to any modification of any of these Conditions or any of the provisions of the Declaration of Agency which is (in the opinion of the Sukukholders' Agent) of a formal, minor or technical nature or which is made to correct a manifest error or to comply with mandatory provisions of law. Any such modification, waiver, authorisation or determination shall be binding on the Sukukholders and, unless the Sukukholders' Agent agrees otherwise, any such modification shall be notified to the Sukukholders as soon as practicable thereafter in accordance with Condition 17 (*Notices*).

In connection with the exercise by it of any of its powers, authorities or discretions (including, but without limitation, any modification, waiver, authorisation or substitution), the Sukukholders' Agent shall have regard to the interests of the Sukukholders as a class and, in particular, but without limitation, need not have regard to the consequences of such exercise for individual Sukukholders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory and the Sukukholders' Agent shall not be entitled to require, nor shall any Sukukholder be entitled to claim, from the Issuer or any other Person any indemnification or payment in respect of any Tax consequence of any such exercise upon individual Sukukholders.

Any certificate or determination issued or made by the Sukukholders' Agent as to any rate or amount payable pursuant to these Conditions or any other Sukuk Document (including, without limitation, as to the Market Value of the Mudaraba Sukuk) shall, in the absence of manifest error, be conclusive and binding on the Sukukholders.

15. Taxation

All payments or distributions in respect of the Mudaraba Sukuk by or on behalf of the Issuer to the Sukukholders shall be made free and clear of, and without deduction for or on account of, any withholding tax unless the deduction of such withholding tax is required by the applicable laws. In that event, but only to the extent that such amounts are otherwise available for distribution to the Sukukholders from the Mudaraba Income or amounts standing to the credit of the Reserve, the Issuer shall pay such additional amounts (the "**Tax Amount**") as would result in the receipt by the Sukukholders of such amounts as would have been received if no such deduction of withholding tax had been required. If such amounts are insufficient to pay the Tax Amount, no further amounts shall be payable to the Sukukholders. References herein to the Periodic Distribution Amount and any other amounts payable to the Sukukholders, shall include any additional amounts so payable pursuant to this Condition 15 (*Taxation*). No additional amounts will be payable to Sukukholders under this Condition 15 (*Taxation*) in respect of any zakat obligations of a Sukukholder for which Sukukholders are themselves responsible.

16. Indemnification and Liability of the Sukukholders' Agent

(a) The Declaration of Agency contains provisions for the indemnification of the Sukukholders' Agent in certain circumstances and for its relief from responsibility, including provisions relieving it from taking action unless indemnified and/or secured to its satisfaction. In particular, in connection with the exercise of any of its rights in respect of the Mudaraba Assets. The Sukukholders' Agent shall in no circumstances take any action unless directed to do so in accordance with Condition 12 (*Enforcement and Exercise of Rights*), and then only if it shall have been indemnified and/or secured to its satisfaction.

(b) The Sukukholders' Agent makes no representation and assumes no responsibility for the validity, sufficiency or enforceability of the obligations of the Issuer under any Sukuk Document to which the Issuer is a party and shall not under any circumstances have any liability or be obliged to account to the Sukukholders in respect of any payment which should have been made by the Issuer or on its behalf, but is not so made, and shall not in any circumstances have any liability arising from the Mudaraba Assets other than as expressly provided in these Conditions or in the Declaration of Agency.

(c) The Sukukholders' Agent is excepted from: (i) any liability in respect of any loss or theft of the Mudaraba Assets or any cash; (ii) any obligation to insure the Mudaraba Assets or any cash and; (iii) any claim arising from the fact that the Mudaraba Assets or any cash are held by or on behalf of the Sukukholders' Agent or on deposit, unless such loss or theft arises as a result of gross negligence, wilful default or fraud of the Sukukholders' Agent.

17. Notices

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

18. Governing Law and Jurisdiction

(a) *Governing law*: The Sukuk Documents and the Mudaraba Sukuk are governed by, and are to be construed in accordance with, the laws and regulations of the Kingdom of Saudi Arabia.

(b) *Jurisdiction*: The Committee and the Appeal Panel shall have exclusive jurisdiction to hear and determine any suit, action or proceedings, and to settle any disputes, which may arise out of or in connection with the Mudaraba Sukuk or the Sukuk Documents and, for such purposes, all relevant parties (including, the Issuer and the Sukukholders) irrevocably submit to the jurisdiction of the Committee and the Appeal Panel. No suit, action or proceedings which may arise out of or in connection with the Mudaraba Sukuk or the Sukuk Documents may be filed or brought outside the Kingdom of Saudi Arabia and no court or any judicial authority outside the Kingdom of Saudi Arabia shall have jurisdiction to hear any such claim.

USE OF PROCEEDS

The net proceeds of the issue of the Mudaraba Sukuk, after deduction of the combined management and selling commission, will constitute the Mudaraba Capital and will be used by the Sukukholders' Agent (acting for and on behalf of Sukukholders) to purchase the Mudaraba Assets from the Issuer. The Issuer estimates its total costs and expenses in relation to the issue of the Mudaraba Sukuk will be approximately SR 15 million, including, without limitation, listing, legal and accounting fees and expenses, Agency Fees and the combined management and selling commission, costs and other expenses of the Joint Lead Managers and Joint Bookrunners. The Issuer will use the proceeds of sale of the Mudaraba Assets for its general corporate purposes, including its equity investment in IPC to fund construction of the plants and facilities for the manufacture of EVA and LDPE, as well as the construction of the plants and facilities for its other proposed projects (namely the production of W&C and EA) and other future projects and ventures it may develop together with additional capital expenditure and debottlenecking exercises in connection with the improvement and expansion of the Sipchem Group's existing operations.

SUMMARY OF THE SUKUK DOCUMENTS

The following is a summary of certain key provisions of the Mudaraba Agreement, the Beneficial Rights Transfer Agreement and the Account Pledge Agreement. This summary is for information purposes only and is not intended to be (nor should it be construed as being) all inclusive. Prospective Sukukholders should note that this summary is not a substitute for reviewing the relevant Sukuk Documents in full, which are available for inspection during normal business hours at the specified offices of each of the Issuer and the Sukukholders' Agent. Prospective Sukukholders are reminded that pursuant to the Conditions, all Sukukholders are bound by, and are deemed to have notice of, all the provisions of the Sukuk Documents. Except as indicated otherwise below, terms and/or expressions used and not defined herein have the same meanings as is given to them in the Conditions.

MUDARABA AGREEMENT

The Issuer (in its capacity as Issuer and as Mudareb), and the Sukukholders' Agent are party to the Mudaraba Agreement, pursuant to which:

(1) the Sukukholders' Agent (on behalf of the Sukukholders) irrevocably appoints the Mudareb to exercise the rights, powers and discretions delegated to it in the Mudaraba Agreement (together with such rights, remedies, powers and discretions as are reasonably incidental thereto) for the duration of the Mudaraba Sukuk and the Mudareb agrees to act as Mudareb in respect of the Mudaraba Assets for and on behalf of the Sukukholders' Agent;

(2) the Mudareb agrees, to the extent practicable and in accordance with applicable laws and regulations, to manage, administer, perform and discharge its obligations relating to the Mudaraba Assets (with absolute freedom and discretion acting reasonably) and, in particular and without prejudice to the generality of the foregoing and for so long as any Mudaraba Sukuk remains current, to: (a) maintain appropriate collection procedures in respect of the Distributions and any other payments made to the Issuer from any Subsidiary; (b) ensure that all income received by it and in relation to the Mudaraba Assets (net of the Mudaraba Costs) is accumulated and recorded as Net Profit; (c) credit the Mudaraba Income to the Collection Account from which the Periodic Distribution Amounts and the Redemption Amount (together with any Partial Periodic Distribution Amount) under the Mudaraba Sukuk will be paid by the Issuer; (d) deduct the relevant amount from the Collection Account and make payment of such amount to the Transaction Account one Business Day prior to each Periodic Distribution Date; (e) maintain the Collection Account and pay monies (if any) standing to the credit of the Collection Account in accordance with the terms of the Mudaraba Agreement; (f) ensure that accounting books and income, including Net Profit, are regularly recorded and that its accounts are prepared to the applicable generally accepted accounting principles; and (g) ensure that all material regulatory, zakat and taxation requirements are met (the **Duties**);

(3) The Mudareb undertakes to perform the Duties: (a) in accordance with all applicable laws and regulations; and (b) with the degree of skill and care that it would exercise in respect of its own assets that are not Mudaraba Assets. The Mudareb shall be entitled to commingle its own assets and funds with the Mudaraba Assets;

(4) The Mudareb shall exercise such rights, powers and discretions as arise under the Sukuk Documents (together with any other incidental rights, powers, authorities and discretions), and shall be entitled to take such action as it deems appropriate unless directed by the Sukukholders' Agent, acting reasonably, to refrain from taking or to take alternative action (the **Discretions**). The Mudareb shall be obliged to take such action as the Sukukholders' Agent, acting reasonably, may direct, save that no direction may be given by the Sukukholders' Agent requiring the Mudareb to take or refrain from

taking any action to the extent such action relates to the operation of the Issuer's business comprised in the Mudaraba Assets;

(5) The Mudareb shall not be entitled to waive, vary, enforce or take or refrain from taking any action or proceedings or acquiesce in any action not otherwise contemplated by the Duties or Discretions and without first obtaining the written approval of the Sukukholders' Agent, such approval not to be unreasonably withheld or delayed;

(6) The Mudareb shall not agree to amend, modify, supplement or waive any provisions of the Mudaraba Agreement or any Sukuk Document (save to correct manifest error) without the written consent of the Sukukholders' Agent, acting on the instructions of the Sukukholders, if the effect thereof would be to: (a) change the currency of payment under any Sukuk Document; (b) extend or defer the required date of payment of any amount payable under any Sukuk Document; (c) amend any term of the Mudaraba Agreement that requires the Mudareb to seek the consent of the Sukukholders' Agent in order to amend, supplement, waive or vary any provision of the Mudaraba Agreement; or (d) change the amount of or the method of calculation of any Periodic Distribution Amount; and

(7) The Mudareb shall perform its obligations pursuant to the Mudaraba Agreement according to best industry standards and practices and shall be responsible for any losses incurred by the Sukukholders occurring as a direct result of the Mudareb's default or negligence in performing its obligations under the Mudaraba Agreement, while any other losses are to be born solely by the Sukukholders.

BENEFICIAL RIGHTS TRANSFER AGREEMENT

The Issuer acting in its capacity as Issuer and as Mudareb and the Sukukholders' Agent are party to the Beneficial Rights Transfer Agreement, pursuant to which the Issuer agrees to sell, and the Sukukholders' Agent (acting for and on behalf of Sukukholders) agrees to purchase, the Mudaraba Assets on the Closing Date.

On the Closing Date the Issuer shall acknowledge the undivided interest of the Sukukholders' Agent (acting for and on behalf of the Sukukholders) in the Mudaraba Assets.

ACCOUNT PLEDGE AGREEMENT

The Issuer, the Sukukholders' Agent and Riyad Bank as the account bank are party to the Account Pledge Agreement, pursuant to which the Issuer agrees to pledge and assign all of its rights, title and interest in any amount standing to the credit of the Reserve Account and any amount paid in to the Reserve Account for so long as any Mudaraba Sukuk remains current (the **Secured Assets**) in favour of the Sukukholders' Agent, for and on behalf of the Sukukholders, as security for the payment of all amounts payable by the Issuer to the Sukukholders' Agent (acting for and on behalf of the Sukukholders) under the Mudaraba Sukuk from time to time. The Account Bank will deliver to the Sukukholders' agent a letter of pledge on each day on which: (a) any amount is credited to the Reserve Account; and/or (b) any transfer of an amount credited to the Reserve Account is made.

COMMON TERMS OF ALL DOCUMENTS

Assignment

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

Termination

Each of the Sukuk Documents shall commence on the Closing Date and terminate on (i) the later of the Expiry Date and the date on which the Mudaraba Sukuk are redeemed in full; or (ii) in the event that the Mudaraba Sukuk are redeemed in full prior to the Expiry Date, on the day immediately following such redemption.

INDUSTRY OVERVIEW

SAUDI ARABIA ECONOMIC POSITION

According to Banque Saudi Fransi, (January 2011 report), the Kingdom's economy is expected to continue to grow in 2011 following a return to growth during the year ending 31 December 2010. Nominal gross domestic product (**GDP**), or GDP expressed in current prices, is expected to increase from SR 1,630 billion as at 31 December 2010 to SR 1,795 billion as at 31 December 2011, a 10.1 per cent. increase. Real GDP, or GDP expressed in 1999 prices, is expected to increase by 4.2 per cent. for the period from 31 December 2010 to 31 December 2011. Real GDP growth during the year ending 31 December 2010 was 3.8 per cent. According to the Kingdom's Central Department of Statistics and Information,, during the year ending 31 December 2009, the Kingdom's oil production accounted for approximately 28 per cent. of the Kingdom's real GDP, 86 per cent. of budget revenues and 81 per cent. of export earnings.

According to Banque Saudi Fransi, as at 31 December 2010, the Kingdom's budget surplus amounted to SR 108.5 billion compared with a budget deficit of SR 86.6 billion as at 31 December 2009, and revenues increased as at 31 December 2010 by SR 225.2 billion from SR 509.8 billion as at 31 December 2009 to SR 735 billion as at 31 December 2010. According to Banque Saudi Fransi, the average price of oil exported by the Kingdom increased by around 24 per cent. between 31 December 2009 and 31 December 2010. According to the Kingdom's Ministry of Finance, as at 31 December 2009, fiscal revenue amounted to SR 505 billion, which was 54 per cent. less than 31 December 2008, whilst spending is estimated to have increased by 5.8 per cent. to SR 550 billion during the same period.

PETROCHEMICAL INDUSTRY TRENDS

Two of the primary sources for basic petrochemicals are crude oil and natural gas. However, only a fraction of global oil and gas production is consumed by the petrochemical industry. Global demand for energy and its consequent impact on oil and gas prices, therefore, is one of the key contributors to the costs of petrochemical production.

As at 31 December 2009, recoverable crude oil and condensate reserves in the Kingdom were estimated at approximately 260.1 billion barrels and recoverable gas reserves were estimated at approximately 275.2 trillion cubic feet (source*:* Saudi Aramco). The majority of natural gas in the Kingdom is associated gas, which means its production is dependent on crude oil production. However, crude oil volumes are subject to the quotas imposed by the Organisation of the Petroleum Exporting Countries (OPEC).

Prices charged for natural gas supplied to industrial consumers in the Kingdom are regulated and are set according to Government policy from time to time. Since 1999, the Government specified price of natural gas has been USD 0.75 (SR 2.81) per million BTU. The pricing agreement between PetMin and industry participants for this price is scheduled to be reviewed in early 2012.

Historically the petrochemical industry has demonstrated strong cyclicality in pricing, as imbalances in supply and demand develop. Periods of high pricing and margins have resulted in increased construction of plants and facilities, with construction lead times resulting in periods of excess supply and low pricing during which investment is reduced. As prices decrease, producers with the highest cash costs are the first to reduce capacity until pricing and margins improve.

The petrochemical industry in the Kingdom enjoys a significant competitive advantage due to the availability of basic petrochemical feedstocks at competitive prices. The Kingdom also provides access to cheap utility services together with the necessary industrial and transport infrastructure.

PRODUCT PORTFOLIO

The Sipchem Group's current product portfolio consists of the following:

- methanol produced by IMC;
- BDO and THF produced by IDC;
- AA and AAn produced by IAC;
- VAM produced by IVC.

From 2013, it is also intended that the Sipchem Group will commence production of EVA, LDPE and EA.

MARKET TRENDS AND HISTORICAL DATA

SMSC maintains a significant marketing and distribution role in the marketing of products produced within the Sipchem Group. SMSC's participation in the global markets combined with the knowledge it receives from the foreign partners and marketing agents of the Sipchem Group, makes SMSC a market expert for products sold by the Sipchem Group. SMSC utilises its market expertise gained through its operations and information subscribed to from various global marketing consultants (including J&J) and Tecnon to generate historical price and supply/demand data and also to forecast forward looking trends for products sold or expected to be sold within the Sipchem Group. See also "*Important Notice – Industry and Market Data*" on page vi of this Prospectus.

J&J is a market analysis and intelligence provider to the methanol, fuel ethanol and ethers industries worldwide. Tecnon has been active since 1975 and is a marketing consultancy specialising in the bulk chemicals, petrochemicals and plastics industries.

Each of the above marketing consultants has consented to the use of information previously provided by it to the Sipchem Group in this Prospectus and for itself to be named as the source of that information. Such consents were not withdrawn as at the date hereof.

METHANOL

Methanol is a liquid chemical produced primarily from natural gas and typically used as a chemical feedstock in the manufacture of other chemicals and derivatives. See "*Description of Sipchem - Operating Companies - Phase I - International Methanol Company and International Diol Company - International Methanol Company - Overview*" on page 84 of this Prospectus.

Methanol is essentially a commodity produced to a single specification. The key differentiating factor in its production is the cost base of the producer. This has resulted in a trend towards increased plant scale and plants and facilities moving to locations that provide access to low cost gas supplies. While these locations are relatively remote from the main consuming markets of North America and Western Europe, the higher logistics costs are more than offset by the lower gas prices. Gas prices in North America and Western Europe are also much more affected by higher oil prices, as gas in these markets has a greater alternative energy-related value. As a result, between 1984 and 2007 methanol production moved from 60 per cent. of production being based in North America and Western Europe and 40 per cent. in more remote locations such as Saudi Arabia to 20 per cent. of production being based in North America and Western Europe and 80 per cent. being based in more remote locations) (source: SMSC).

Methanol demand for most regions has remained relatively steady in recent years. The most significant influence on global methanol demand is the Asia Pacific region (including China), with demand having grown from 19.7 million metric tonnes in 2008 to 23.8 million metric tonnes in 2009, which represented an increase of 8.3 per cent. in 2008 and 21 percent. in 2009. China has been a net importer of methanol for the last decade. The table below shows methanol demand by region to 2010.

Methanol demand by region

	2008	2009	2010*
		('000 metric tonnes)	
North America	7,101	5,952	6,418
Europe	9,038	7,686	8,026
Asia Pacific	19,672	23,799	25,599
South America	1,888	2,013	1,935
Middle East & Africa	2,758	2,944	3,018
Total	**40,457**	**42,393**	**44,996**

(Source: J&J)

* 2010 figures are estimated based on the most recently available source information.

Global utilisation rates for methanol plants are currently around 65 per cent. The table below provides a breakdown by region of global methanol production capacities to 2010.

Regional breakdown by methanol production capacity

	2008	2009	2010*
		('000 metric tonnes)	
North America	1,195	935	935
Europe	8,662	8,662	8,662
Asia Pacific	22,244	25,807	32,942
South America	12,614	12,614	13,114
Middle East & Africa	12,970	13,670	14,670
Total	**57,685**	**61,688**	**70,323**

(Source: J&J)

* 2010 figures are estimated based on the most recently available source information.

Despite the demand and supply imbalance evidenced by the 69 per cent. global utilisation rate for methanol plants in 2009, Sipchem's position as a low cost producer means that it was able to continue to operate at a profitable margin for the year ended 31 December 2009 (with net income of SR 194 million for this period). This was during a period when methanol prices were less than half those in 2008. Since 31 December 2009, methanol prices have improved by approximately 60 per cent. for the year ended 31 December 2010. See "*Historical prices*" below.

BDO

BDO is a clear, almost odourless liquid, which is used primarily as an intermediate in manufacturing other chemicals. The highest volume derivative of BDO production is THF, which comprises approximately 45 per cent. of the total derivative BDO production volume, with polybutylene terephthalate (**PBT**), polyurethane (**PU**) and gamma-butyrolactone (**GBL**) comprising the other approximately 30 percent., 15 per cent. and 10 per cent., respectively. PBT, PU and GBL are used in the manufacture of polyesters, flexible PU and polyester plasticizers (as additives that increase the plasticity of the products to which they are added) (source: SMSC). For a further description of the uses of BDO and THF, see "*Description of Sipchem - Operating Companies - Phase I - International Methanol Company and International Diol Company - International Diol Company - Overview*" on page 86 of this Prospectus.

As methanol is the principal feedstock for BDO production, the same considerations outlined above in relation to methanol are also applicable to BDO. BDO demand in 2010 was largely influenced by the recovery of the automotive industry but BDO demand is expected to be impacted in the short term with new plant capacity in the process of construction in China. The table below shows BDO demand by region to 2010.

BDO demand by region

	2008	**2009**	**2010***
		('000 metric tonnes)	
North America	425	421	458
Western Europe	332	327	340
Asia	370	444	462
Middle East & Africa	76	79	82
Total	**1,204**	**1,272**	**1,342**

(Source: SMSC)

* 2010 figures are estimated based on the most recently available source information.

BDO plant capacity utilisation rates are currently considered to be at an operational average of around 80 per cent., with further capacity scheduled to become operational. The table below provides a breakdown by region of global BDO production capacities to 2010.

Regional breakdown by BDO production capacity

	2008	2009	2010*
		('000 metric tonnes)	
North America	360	410	460
Western Europe	405	455	505
East Asia	993	1,056	1,056
Middle East & Africa	75	75	75
Total	**1,833**	**1,996**	**2,096**

(Source: SMSC)

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* 2010 figures are estimated based on the most recently available source information.

BDO pricing in recent years has been less influenced by the overall supply and demand balance than the performance of the automotive industry. However, this may become more of a factor in the short term, as more capacity is projected to become operational. Again, as IDC's BDO plant becomes fully operational IDC expects to be well placed to compete in this market due to its relatively low cost base.

AA/AAn

AA is primarily used to produce VAM with approximately 40 per cent. of AA production used for this purpose. Approximately a further 10 per cent. of AA production is used to manufacture AAn. See "*Sipchem Description - Phase II - International Gases Company, International Acetyl Company And International Vinyl Acetate Company - International Acetyl Company - Overview*" on page 91 of this Prospectus. Other uses of AA include the production of polyethylene terephthalic resin (with approximately 20 per cent. of the total AA production volume used for this purpose), which in turn is used in the manufacture of plastic beverage bottles (source: SMSC).

Global demand for AA has grown substantially since 2006 at an average annual rate of 7.1 per cent. In the second half of 2008, demand fell significantly as the global economy went into recession. The table below indicates AA demand by region to 2010.

AA demand by region

	2008	2009	2010*
		('000 metric tonnes)	
North America	2,483	2,501	2,561
Latin America	513	542	586
Western Europe	1,604	1,508	1,523
Eastern Europe	246	245	244

Middle East & Africa	208	214	330
Japan	1,140	1,168	1,196
China	3,380	3,656	3,963
Other Asia/Oceania	2,297	2,156	2,214
Total	**11,871**	**11,989**	**12,616**

(Source: SMSC)

* 2010 figures are estimated based on the most recently available source information.

Between 2000 and 2010 global AA capacity is believed to have increased by over 6 million metric tonnes from 9.6 million metric tonnes in 2000 to an estimated 16.1 million metric tonnes in 2010. China has accounted for most of the growth in global capacity from 845,000 metric tonnes in 2000 to more than an estimated 6.7 million metric tonnes in 2010. From an 8 per cent. share of global capacity in 2000, China has increased this to an estimated 42 per cent. share by 2010. The table below provides an overview of global production capacities for AA to 2010.

Regional breakdown by AA production capacity

	2008	2009 ('000 metric tonnes)	2010*
North America	3,557	3,288	3,288
Latin America	65	65	65
Western Europe	1,270	1,270	930
Eastern Europe	525	525	525
Middle East & Africa	241	241	801
Japan	1,237	1,254	1,271
China	3,405	4,485	6,705
Other Asia/Oceania	2,561	2,561	2,561
Total	**12,860**	**13,688**	**16,146**

(Source: SMSC)

* 2010 figures are estimated based on the most recently available source information.

VAM

VAM is a key raw material in the production of polyvinyl acetate and polyvinyl alcohol, with approximately 80 per cent. of the total VAM production volume used to make these two chemicals (source: SMSC). See "*Sipchem Description - Phase II - International Gases Company, International Acetyl Company and International Vinyl Acetate Company - International Vinyl Acetyl Company - Overview*" on page 93 of this Prospectus.

Global demand for VAM has also grown significantly since 2006 at an average annual growth ate of 7 per cent. With the onset of the recession in the second half of 2008, demand declined and Celanese Corporation (**Celanese**) closed its VAM production facilities in Mexico and Western Europe. The table below indicates VAM demand by region to 2010.

VAM demand by region

	2008	**2009**	**2010***
		('000 metric tonnes)	
North America	913	907	921
Latin America	281	292	303
Western Europe	986	887	896
Eastern Europe	77	78	80
Middle East & Africa	152	156	160
Japan	571	581	588
China	1,594	1,707	1,819
Other Asia/Oceania	986	1,026	1,078
Total	**5,560**	**5,635**	**5,819**

(Source: SMSC)

* 2010 figures are estimated based on the most recently available source information.

While growth in demand for VAM is expected to improve as the global economy moves out of recession, significant capacity additions in 2011 and 2012 are expected. In 2010 the plant utilisation rate was estimated to be 86 per cent. but this is expected to reduce to around 84 per cent. with two new plants scheduled to commence operations. An indication of global capacity for VAM production to 2010 is set out in the table below.

Regional breakdown by VAM production capacity

	2008	2009 ('000 metric tonnes)	2010*
North America	1,641	1,641	1,641
Latin America	215	103	80
Western Europe	1,020	1,005	875
Eastern Europe	150	150	150
Middle East & Africa	50	50	380
Japan	685	685	685
China	1,571	1,771	1,821
Other Asia/Oceania	1,075	1,075	1,100
Total	**6,407**	**6,480**	**6,732**

(Source: SMSC)

* 2010 figures are estimated based on the most recently available source information.

EVA and LDPE

EVA is a copolymer of ethylene and VAM produced in a process plant that will also be capable of producing homopolymer low density polyethylene (**LDPE**) resin. EVA is created by adding varying quantities of VAM during the manufacturing process. The primary use of EVA is in film (usually blended with other resins), foam moulding applications (including shoe soles) and adhesives. The primary use of LDPE resin is in film applications, which accounts for almost two thirds of total consumption.

Out of the total current demand of 2.5 million metric tonnes of EVA per year, the EVA market is dominated by Exxon Mobil with a 12 per cent market share, followed by China Petroleum & Chemical Corporation (**Sinopec**) with 10 per cent., Hanwha Chemical Company (**Hanwha**) and DuPont with 7 per cent. each and BASF SE (**BASF**) and Dow Chemical Company (**Dow**) with 5 per cent. each. All other producers hold less than a 4 per cent. market share.

In the case of the LDPE market, out of the current total of 14 million metric tonnes per year the largest interest is held by LyondellBasell Industries AF S.C.A. (**Lyondell**) with an 8 per cent. market share, followed by Dow and Sinopec with 6 to 7 per cent., Saudi Basic Industries Corporation (**SABIC**) with around 4 per cent. and all other producers with a less than 4 per cent. market share. Both EVA and LDPE have significant oversupply and, in the case of LDPE, a further 4.1 million tonnes of new capacity is expected to commence operations by 2013.

Several smaller producers and less efficient plants in less competitive areas were forced to shut down in 2010 due to this over supply of EVA and LDPE. However, Sipchem still expects to be able to compete effectively in this market due to its lower cost base relative to other producers.

(Source: SMSC)

EA

EA is an active solvent with (i) paint and coating and (ii) printing inks accounting for approximately 50 percent. and 15 per cent., respectively, of total estimated EA production in 2010. See "*Sipchem Description – Phase III Products – Ethylene Acetate Project*" on page 97 of this Prospectus.

The top nine producers of EA account for approximately 50 per cent. of global production with the smaller of these nine producers making similar volumes of EA to the 100,000 metric tonnes per year (**MTPY**) proposed to be produced by the Sipchem Group. In 2010, the total operating rate of EA production is estimated to have represented approximately 65 per cent. of global demand. This imbalance is expected to narrow in coming years due to the increasing use of EA as a replacement for other chemicals in solvent applications as a result of EA being more environmentally friendly than other aromatic solvents. EA production is also lower than actual plant capacities due to the ability of EA plants to make other esters like as butyl and propyl acetates.

The Sipchem Group expects to position itself as a low cost producer of this chemical.

(Source: Tecnon)

HISTORICAL PRICES

The major feedstocks for the Sipchem Group are natural gas, butane and ethylene. The tables below set out the average historical feedstock and product prices for each of methanol, AA, VAM and BDO. The feedstock prices represent the average prices paid by the relevant Operating Companies for each feedstock (other than in the case of ethylene, which represents the average published spot price in Asia and Europe, with the price payable by IVC being the European contract price less duties and freight costs for the shipment of ethylene from the Kingdom to Europe) and the product prices are based on the collated average cost and freight prices for sales of these products into Asia, which is the price for the relevant product in that market on the basis that freight costs are paid by the customer.

			Year ended 31 December	
	Unit	**2008**	**2009**	**2010**
Natural gas	USD/Million BTU	0.75	0.75	0.75
Butane	USD/metric tonne	536	366	578
Ethylene	USD/metric tonne	1,156	860	887

			Year ended 31 December	
	Unit	**2008**	**2009**	**2010**
Methanol	USD/metric tonne	382	217	347
BDO	USD/metric tonne	2,101	1,514	2,275

AA	USD/metric tonne	601	421	463
VAM	USD/metric tonne	1,265	822	859

(Source: SMSC)

DESCRIPTION OF THE SIPCHEM GROUP

INTRODUCTION AND OVERVIEW

Sipchem is a public joint stock company incorporated in the Kingdom under commercial registration number 1010156910. The principal business of the Sipchem Group is the manufacture and sale of basic chemicals and chemical intermediates. Total production from the Sipchem Group's products for the year ended 31 December 2010 was around 2.2 million metric tonnes, making the Sipchem Group one of the largest private sector petrochemical groups in the GCC.

The basic chemicals and chemical intermediates manufactured by the Sipchem Group are methanol, BDO**,** THF, CO, AA, AAn and VAM. The end applications of these products include paint, adhesives, textile finishes, automotive plastics, footwear, polyester fibre, plastic packaging and sheets, cigarette filters, pharmaceuticals and electrical wire and cable insulation.

The table below shows the Sipchem Group's sales, net income and total assets for each of the years ended and as at 31 December 2008, 2009 and 2010.

	Year ended/As at 31 December		
	2008	**2009**	**2010**
		(*SR millions*)	
Sales	1,709	830	1,993
Net income	537	141	378
Total assets	10,833	11,818	12,027
Long term loans and obligations under capital lease	3,581	4,642	4,561

The petrochemical complex of the Sipchem Group occupies an area of around nine hundred thousand square metres in the industrial city of Al-Jubail. Al-Jubail provides the necessary infrastructure for the Sipchem Group's operations through ready availability of the requisite feedstocks, economic export access through the King Fahd Industrial Port to Europe, the Middle East, Africa and the Far East and relative proximity to Europe and South East Asia, which are the main export markets for the Sipchem Group's products.

The operations of the Sipchem Group have been designed to capitalise on the availability of relatively cheap supplies of natural gas and other chemical feedstocks in the Kingdom in order to position the Sipchem Group as a low cost producer relative to its international competitors. By using its products as feedstocks for higher value chemical products, the Sipchem Group aims to maintain this advantage as it moves up the petrochemical value chain. This is achieved through the Sipchem Group's different plants and facilities operating as an integrated downstream petrochemical manufacturing processes, with:

(a)the methanol produced by the Sipchem Group comprising the primary feedstock for its BDO, THF and AA production;

(b)the CO produced by the Sipchem Group providing the other key feedstock for AA production; and

(c)AA comprising one of the key feedstocks for the Sipchem Group's VAM production.

See "Integrated *Operations*" below.

HISTORY AND DEVELOPMENT

Sipchem was initially incorporated as a closed joint stock company on 22 December 1999. Sipchem's shares have been listed on the Saudi Stock Exchange since 2006 following the public offer of 30 per cent. of Sipchem's share capital by Sipchem's founding shareholders, including Zamil Holding Group Co. (**Zamil Group**), the National Industries Group, the Arab Investment Company and Olayan Financing Company (**OFC**). The Saudi Arabian Public Pension Agency (**PPA**) was also a significant founding shareholder of Sipchem and continues to hold a 7.7 per cent. interest in Sipchem.

Phase I. Sipchem established IMC and IDC in 2002 as Phase I. IMC and IDC commenced commercial operations in December 2004 and March 2006, respectively. IMC produces methanol and the nameplate capacity of its plant is 970,000 MTPY. Actual production is typically expected to exceed the nameplate capacity. IDC produces BDO and THF. IDC's plant has a total nameplate capacity of 75,000 MTPY.

Phase II. As Phase II, Sipchem established IGC, IAC and IVC in 2006 as Phase II, all of which commenced commercial operations in June 2010. IGC produces CO and its plant has a nameplate capacity of 340,000 MTPY. IAC produces AA and AAn, and its plant has a total nameplate capacity of 459,000 MTPY. IVC produces VAM and its plant has a nameplate capacity of 330,000 MTPY.

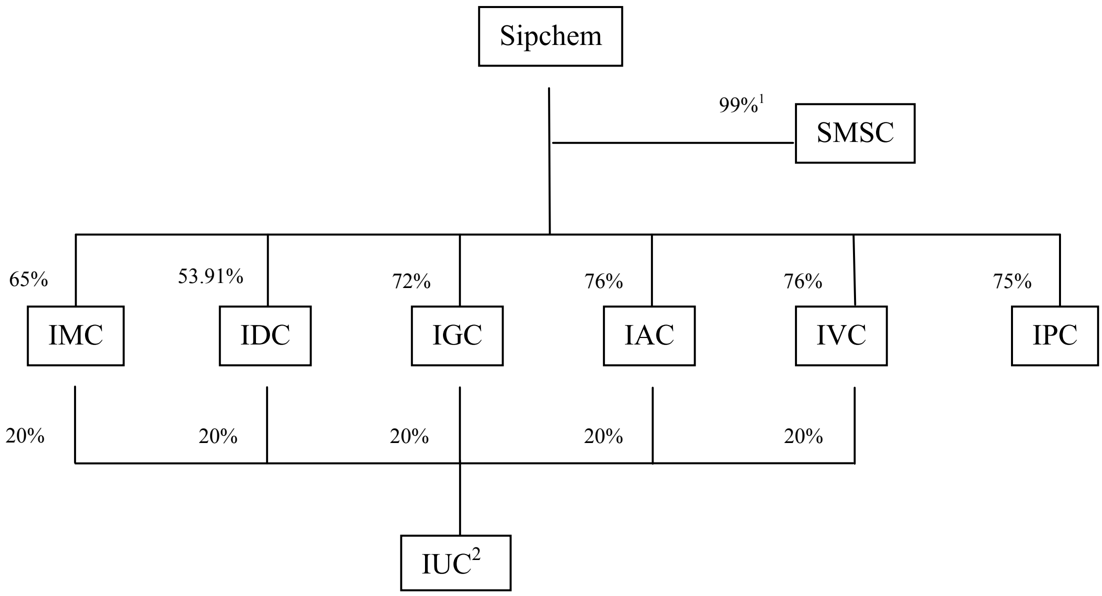
Sipchem established SMSC in 2007 for the marketing and sale of the Sipchem Group's products and IUC in 2009 for the management, operation and maintenance of utilities facilities and services at the Sipchem Group's Al-Jubail petrochemical complex.

Phase III. The Sipchem Group is in the process of implementing projects for the construction of plants and facilities for the manufacture of EVA, LDPE, EA and W&C as Phase III. These plants are scheduled to be commercially operational in 2013 and will continue the expansion of the integrated operations of the Sipchem Group through the downstream application of its VAM and EA production. VAM is one of the key feedstocks for EVA, LDPE and W&C and AA is a key feedstock for EA.

Sipchem established IPC in 2009, which will be the operating company for the Sipchem Group's EVA and LDPE projects. Sipchem expects IPC to commence commercial operations in 2013. Sipchem has not yet established operating companies for its EA and W&C projects.

STRUCTURE

The following diagram sets out the corporate structure of the Sipchem Group and the respective percentage shareholdings in each company of Sipchem or each other relevant Sipchem Group company.



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(1) Mr. Ahmad Al-Ohali, Chief Executive Officer of Sipchem, holds 1 per cent. of the shares in SMSC as nominee for Sipchem in order to satisfy the requirement under Saudi law for there to be two shareholders of SMSC as a limited liability company.

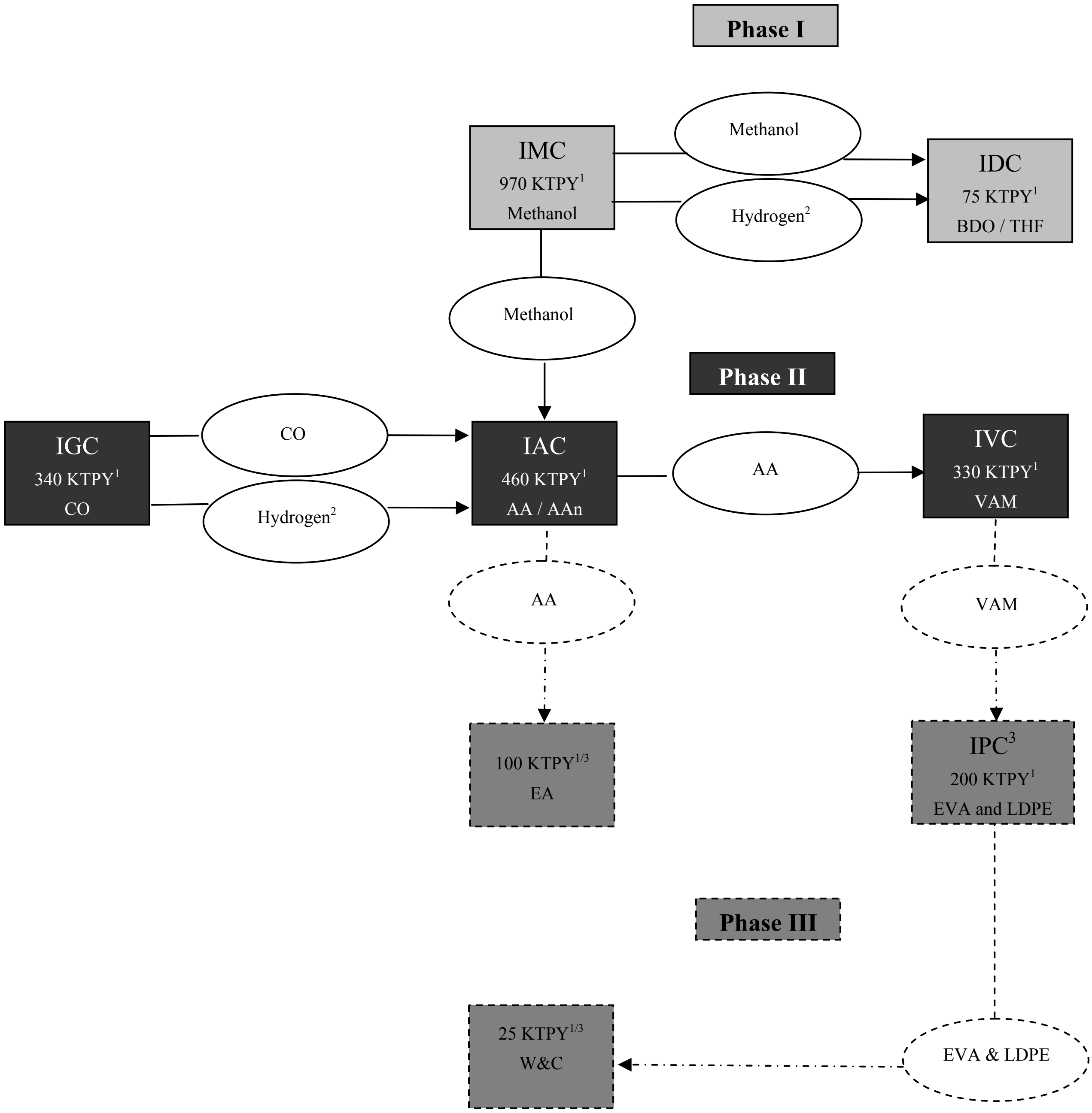
(2) IUC is owned in equal proportions by each of IMC, IDC, IGC, IAC, and IVC.

The following table sets out each shareholder and its respective shareholding for each Operating Company.

Operating Company	Shareholders						
IMC	Sipchem (65%)	Japan-Arabia Methanol Company Limited (**JAMC**) (35%)					
IDC	Sipchem (53.91%)	PPA (19.13%)	General Organisation for Social Insurance (**GOSI**) (9.56%)	Davy (4.35%)	Huntsman MA Investments (Netherlands) C.V. (4.35%)	Abdullatif Saud Al Babtain Co. for Industrial & Commercial Projects (**Al Babtain**) (4.35%)	Arab Supply & Trading Company (**ASTC**) (4.35%)
IGC	Sipchem (72%)	National Power Company (**NPC**) (25%)	Ministry of Endowment (**MoE**) (3%)				
IAC	Sipchem (76%)	Ikarus Petroleum Industries Company (**IPIC**) (11%)	Helm Arabia (10%)	MoE (3%)			
IVC	Sipchem (76%)	IPIC (11%)	Helm Arabia (10%)	MoE (3%)			
IPC	Sipchem (75%)	Hanwha (25%)					

INTEGRATED OPERATIONS

The following diagram sets out the integrated operations of the Sipchem Group.



(1) Nameplate capacity.

(2) Hydrogen is a byproduct of the production of methanol and CO by each of IMC and IGC, respectively.

(3) Commercial operation of the plant and facilities for EVA, LDPE, EA and W&C production is not scheduled to commence until 2013.

PRODUCTION AND OFF-TAKE SUMMARY

The following table summarises the production and off-take arrangements for the Sipchem Group.

Operating Company	Feedstock	Product	Nameplate capacity[1]	Commercial operations start date	Applications	Off-taker	Expiry of term[2]
IMC (Phase I)	Natural gas supplied by Saudi Aramco	Methanol	970 KTPY	December 2004	Chemical feedstock used in the manufacture of other chemicals and derivatives, including formaldehyde, methyl tertiary butyl ether, tertiary amyl methyl ether and AA. Its end uses include paints and adhesives.	JAMC	31 December 2011
						SMSC	31 December 2011
						IAC	31 December 2022
						IDC	2025
IDC (Phase I)	Butane supplied by Saudi Aramco and, hydrogen and methanol supplied by IMC	BDO/ THF	75 KTPY	March 2006	An intermediate chemical used in the manufacture of elastane fibres, specialty plastics, solvents and other products. Its end uses include paints, adhesives, automotive plastics, footwear, recreational equipment, appliances and furniture.	Vinmar Inter-national Ltd (**Vinmar**)	March 2013
						Will & Co. B.V. (**Will & Co**)	March 2013
						SMSC	31 December 2018
IGC (Phase II)	Natural gas supplied by Saudi Aramco and Nitrogen supplied by GAS	CO	340 KTPY	June 2010	Widely used industrial gas, which is used as a fuel and also as a reducing agent in the chemical industry. It is a key feedstock for AA and AAn production.	IAC	August 2022
						SABIC	Off-take terms to be agreed[3]
IAC (Phase II)	Methanol supplied by IMC and CO and hydrogen supplied	AA	400 KTPY	June 2010	Key feedstock for VAM and used in the production of polyester fibre. It is also used in the production of resin for plastic	Helm Arabia GmbH & Co KG. (**Helm Arabia**)	August 2020

	by IGC				packaging and film applications, particularly for water and soft drink bottles. Other end uses of AA include pharmaceuticals, printing inks, paints and adhesives.	IVC SMSC	August 2022 August 2020
		AAn	59 KTPY	June 2010	Primarily used to make cellulose acetate, which is used in cigarette filters and textile applications. It is also used in aspirin and other pharmaceuticals.	Eastman	August 2016
IVC (Phase II)	AA supplied by IAC and ethylene supplied by SEPC	VAM	330 KTPY	June 2010	The end uses of VAM include paints, adhesives and textile finishes. It is also a key feedstock for EVA and LDPE production.	Helm Arabia SMSC	August 2020 August 2020
IPC (Phase III)	Ethylene to be supplied by SABIC and VAM to be supplied by IVC	EVA/ LDPE	200 KTPY	2013	The end uses of EVA and LDPE include plastic packaging, bags wrapping and sheets, as well as insulation and semi-conductive layers for electrical wires and cables.	Hanwha SMSC	12 years from start of commercial operations.

(1) Each off-taker's obligation to purchase feedstock is based on the nameplate capacity.

(2) On expiry of the initial terms for the above third party off-take agreements it is the Sipchem Group's intention to increasingly assume the sales and marketing responsibilities for the Sipchem Group's products through SMSC. See "*Other Operations - Marketing and Sales - Sipchem Marketing and Services Company*" below.

(3) The supply of CO to SABIC was a condition of the Sipchem Group's ethane feedstock allocation from PetMin for Phase III of its development. See "*Phase III Projects - Ethane Feedstock Allocation*" below.

CAPITALISATION AND INDEBTEDNESS

Sipchem

Sipchem's most recent capital raising exercise was a rights issue in 2008 which raised SR 1,999,999,995 and resulted in a total nominal share capital of SR 3,333,333,333. Sipchem's capital was increased by a further

10 per cent., effective on 15 March 2011, to SR 3,666,666,666 through an issuance of bonus shares that has resulted in the capitalisation of retained earnings in an amount of SR 333,333,33.3

The table below shows the changes in Sipchem's capital since its incorporation.

	1999 Dec	2003 Sep	2005 Sep	2007 May	2008 Mar	2011 Mar
			(*SR millions*)			
Initial capital	500	-	-	-	-	-
Additional capital	-	150	850	-	-	-
Bonus share issue	-	-	-	500	-	333
Rights issue	-	-	-	-	1,333	-
Balance (paid in capital)	**500**	**650**	**1,500**	**2,000**	**3,333**	**3,666**

As at the date of this Prospectus, Sipchem has not issued any form of options in respect of any of its share capital and Sipchem has no outstanding debt instruments. See "- *Sipchem – Financing Arrangements*" for a description of the obligations of Sipchem in respect of the Sipchem Group's financing arrangements.

As at 31 December 2010, the total consolidated long term indebtedness of the Sipchem Group was SR 4.97 billion and the total contingent liabilities of Sipchem in respect of guarantees and letters of credit were SR 471 million.

Operating Companies

The following tables summarise the outstanding indebtedness of each Operating Company and the repayment schedules for such indebtedness from 2011 to 2014. For a further description of the financing arrangements entered into by each Operating Company, see "- *Operating Companies*", "- *Phase I – International Methanol Company and International Diol Company – International Methanol Company - Financing Arrangements*" and "- *International Diol Company - Financing Arrangements*" and "- *Phase II Financing Arrangements*" below.

International Methanol Company

Lender	**Original loan Amount** (***SR thousands***)	**Outstanding loan balance as at 31 December 2010** (***SR thousands***)*	**Number of Instalments**	**Date of first payment**	**Date of final payment**
Commercial banks	535,133	401,351	20 semi-annual	10 July 2007	10 January 2017
SIDF**	400,000	0	-	-	-

Lender	Personal Guarantee	Pledge	Personal Guarantee & Pledge	No Pledge	Neither Personal Guarantee nor Pledge
Commercial banks	-	-	-	-	X
SIDF	-	-	X***	-	-

* The outstanding loan balance includes the current portion of the loan reflected in Sipchem's balance sheet.

** IMC repaid SIDF in full in 2009 ahead of the loan repayment schedule.

*** Sipchem provided a guarantee to SIDF in respect of a corresponding amount of this loan to its 65 per cent. ownership interest in IMC and JAMC has provided an equivalent guarantee corresponding to its 35 per cent. ownership interest in IMC. IMC is in the process of releasing the security it provided for this loan following its repayment in full in 2009.

Schedule of Loan Repayments	Commercial banks	PIF	SIDF
		(*Saudi Riyals*)	
January 2011	21,405,405	-	-
July 2011	21,405,405	-	-
January 2012	21,405,405	-	-
July 2012	26,756,757	-	-
January 2013	26,756,757	-	-
July 2013	32,108,108	-	-
January 2014	32,108,108	-	-
July 2014	32,108,108	-	-
January 2015	37,459,459		
July 2015	37,459,459		
January 2016	37,459,459		
July 2016	37,459,459		

International Diol Company

Lender	Original loan Amount	Outstanding loan balance as at 31	Number of Instalments	Date of first payment	Date of final payment

	(*SR thousands*)	**December 2010** (***SR thousands***)*			
Commercial banks	176,000	104,464	10 semi-annual	31 January 2012***	31 July 2016
SIDF	400,000	370,000	13 semi-annual	24 September 2010	20 July 2016
PIF	431,250	316,500	13 semi-annual	15 February 2012***	15 February 2018

Lender	**Personal Guarantee**	**Pledge**	**Personal Guarantee & Pledge**	**No Pledge**	**Neither Personal Guarantee nor Pledge**
Commercial banks	-	-	-	-	X
SIDF	-	-	X**	-	-
PIF	-	-	-	-	X

* The outstanding loan balance includes the current portion of the loan reflected in Sipchem's balance sheet.

** Sipchem has provided a guarantee to SIDF in respect of a corresponding proportion of the amount of this loan to its 53.91 per cent. ownership interest in IDC and the remaining shareholders have provided equivalent guarantees corresponding to their percentage ownership interests in IDC.

*** Date of first payment after rescheduling of the loan in May 2010, as no provision was made for a market downturn. See "- *Operating Companies - Phase I – International Methanol Company and International Diol Company - International Diol Company – Financing Arrangements*" on page 90 of this Prospectus..

The above commercial and PIF facilities are secured against certain accounts and material contracts of IDC. The SIDF facility is secured by a mortgage of IDC's property, plant, equipment and related assets and assignments of technology rights and insurances associated with IDC's operations.

Schedule of Loan Repayments	**Commercial banks**	**PIF**	**SIDF**
		(*Saudi Riyals*)	
March 2011	-	-	15,000,000
September 2011	-	-	15,000,000
January 2012	1,305,806	-	-

February 2012	-	3,585,937	-
March 2012	-	-	20,000,000
July 2012	3,917,415	-	-
August 2012	-	10,757,813	-
September 2012	-	-	20,000,000
January 2013	6,144,960	-	-
February 2013	-	16,875,000	25,000,000
July 2013	6,144,960	-	-
August 2013	-	16,875,000	25,000,000
January 2014	6,144,960	-	-
February 2014	-	16,875,000	30,000,000
July 2014	7,373,951	-	-
August 2014	-	20,250,000	30,000,000
January 2015	7,373,951	-	-
February 2015	-	20,250,000	40,000,000
July 2015	7,373,951	-	50,000,000
August 2015	-	20,250,000	-
January 2016	7,373,951	-	50,000,000
February 2016	-	20,250,000	-
July 2016	51,310,379	-	50,000,000
August 2016	-	30,000,000	-

Phase II – International Gases Company, International Acetyl Company and International Vinyl Acetate Company

International Gases Company

Lender	**Original loan Amount (*SR thousands*)**	**Outstanding loan balance as at 31 December 2010 (*SR***	**Number of Instalments**	**Date of first payment**	**Date of final payment**

		thousands*)			
Commercial banks	80,548**	76,722	20 semi-annual	10 August 2010	10 February 2020
SIDF	400,000	400,000	14 semi-annual	20 March 2011	9 July 2017
PIF	142,500	135,375	20 semi-annual	31 December 2010	30 June 2020

Lender	**Personal Guarantee**	**Pledge**	**Personal Guarantee & Pledge**	**No Pledge**	**Neither Personal Guarantee nor Pledge**
Commercial banks	-	-	-	-	X
SIDF	-	-	X***	-	-
PIF	-	-	-	-	X

* The outstanding loan balance includes the current portion of the loan reflected in Sipchem's balance sheet.

** Following a reduction in the original loan amount after the PIF facility was entered into.

*** Sipchem has provided a guarantee to SIDF in respect of a corresponding proportion of the amount of this loan to its 72 per cent. ownership interest in IGC and the remaining shareholders have provided equivalent guarantees corresponding to their percentage ownership interests in IGC.

Schedule of Loan Repayments	**Commercial banks**	**PIF**	**SIDF**
		(*Saudi Riyals*)	
February 2011	3,826,052	-	-
March 2011	-	-	10,000,000
June 2011	-	7,125,000	-
August 2011	3,826,052	-	-
September 2011	-	-	20,000,000
December 2011	-	7,125,000	-
February 2012	3,826,052	-	-
March 2012	-	-	20,000,000

June 2012	-	7,125,000	-
August 2012	3,826,052	-	-
September 2012	-	-	20,000,000
December 2012	-	7,125,000	-
February 2013	3,826,052	-	25,000,000
June 2013	-	7,125,000	-
August 2013	3,826,052	-	25,000,000
December 2013	-	7,125,000	-
February 2014	3,826,052	-	30,000,000
June 2014	-	7,125,000	-
August 2014	3,221,938	-	30,000,000
December 2014	-	7,125,000	-
February 2015	3,221,938	-	30,000,000
June 2015	-	7,125,000	-
July 2015	-	-	30,000,000
August 2015	3,221,938	-	-
December 2015	-	7,125,000	-
January 2016	-	-	40,000,000
February 2016	3,221,938	-	-
June 2016	-	7,125,000	-
July 2016	-	-	47,000,000
August 2016	3,221,938	-	-
December 2016	-	7,125,000	-

International Acetyl Company

Lender	**Original loan Amount** (***SR thousands***)	**Outstanding loan balance as at 31 December 2010** (***SR thousands***)*	**Number of Instalments**	**Date of first payment**	**Date of final payment**
Commercial banks	810,057**	771,579	20 semi-annual	10 August 2010	10 February 2020
SIDF	400,000	400,000	14 semi-annual	20 March 2011	9 July 2017
PIF	768,750	730,313	20 semi-annual	31 December 2010	30 June 2020

Lender	**Personal Guarantee**	**Pledge**	**Personal Guarantee & Pledge**	**No Pledge**	**Neither Personal Guarantee nor Pledge**
Commercial banks	-	-	-	-	X
SIDF	-	-	X***	-	-
PIF	-	-	-	-	X

* The outstanding loan balance includes the current portion of the loan reflected in Sipchem's balance sheet.

** Following a reduction in the original loan amount after the PIF facility was entered into.

*** Sipchem has provided a guarantee to SIDF in respect of a corresponding proportion of the amount of this loan to its 76 per cent. ownership interest in IAC and the remaining shareholders have provided equivalent guarantees corresponding to their percentage ownership interests in IAC.

Schedule of Loan Repayments	**Commercial banks**	**PIF** (*Saudi Riyals*)	**SIDF**
February 2011	38,477,711	-	-
March 2011	-	-	10,000,000
June 2011	-	38,437,500	-
August 2011	38,477,711	-	-

September 2011	-	-	10,000,000
December 2011	-	38,437,500	-
February 2012	38,477,711	-	-
March 2012	-	-	15,000,000
June 2012	-	38,437,500	-
August 2012	38,477,711	-	-
September 2012	-	-	15,000,000
December 2012	-	38,437,500	-
February 2013	38,477,711	-	20,000,000
June 2013	-	38,437,500	-
August 2013	38,477,711	-	20,000,000
December 2013	-	38,437,500	-
February 2014	38,477,711	-	30,000,000
June 2014	-	38,437,500	-
August 2014	32,402,283	-	30,000,000
December 2014	-	38,437,500	-
February 2015	32,402,283	-	30,000,000
June 2015	-	38,437,500	-
July 2015	-	-	40,000,000
August 2015	32,402,283	-	-
December 2015	-	38,437,500	-
January 2016	-	-	40,000,000
February 2016	32,402,283	-	-
June 2016	-	38,437,500	-
July 2016	-	-	40,000,000
August 2016	32,402,283	-	-
December 2016	-	38,437,500	-

International Vinyl Acetate Company

Lender	Original loan Amount (*SR thousands*)	Outstanding loan balance as at 31 December 2010 (*SR thousands*)*	Number of Instalments	Date of first payment	Date of final payment
Commercial banks	466,245**	444,099	20 semi-annual	10 August 2010	10 February 2020
SIDF	400,000	400,000	14 semi-annual	20 March 2011	9 July 2017
PIF	438,750	416,813	20 semi-annual	31 December 2010	30 June 2020

Lender	Personal Guarantee	Pledge	Personal Guarantee & Pledge	No Pledge	Neither Personal Guarantee nor Pledge
Commercial banks	-	-	-	-	X
SIDF	-	-	X***	-	-
PIF	-	-	-	-	X

* The outstanding loan balance includes the current portion of the loan reflected in Sipchem's balance sheet.

** Following a reduction in the original loan amount after the PIF facility was entered into.

*** Sipchem has provided a guarantee to SIDF in respect of a corresponding proportion of the amount of this loan to its 76 per cent. ownership interest in IVC and the remaining shareholders have provided equivalent guarantees corresponding to their percentage ownership interests in IVC.

Schedule of Loan Repayments	Commercial banks	PIF	SIDF
		(*Saudi Riyals*)	
February 2011	22,146,689	-	-
March 2011	-	-	10,000,000
June 2011	-	21,937,500	-
August 2011	22,146,689	-	-

September 2011	-	-	10,000,000
December 2011	-	21,937,500	-
February 2012	22,146,689	-	-
March 2012	-	-	15,000,000
June 2012	-	21,937,500	-
August 2012	22,146,689	-	-
September 2012	-	-	15,000,000
December 2012	-	21,937,500	-
February 2013	22,146,689	-	20,000,000
June 2013	-	21,937,500	-
August 2013	22,146,689	-	20,000,000
December 2013	-	21,937,500	-
February 2014	22,146,689	-	30,000,000
June 2014	-	21,937,500	-
August 2014	18,649,835	-	30,000,000
December 2014	-	21,937,500	-
February 2015	18,649,835	-	30,000,000
June 2015	-	21,937,500	-
July 2015	-	-	40,000,000
August 2015	18,649,835	-	-
December 2015	-	21,937,500	-
January 2016	-	-	40,000,000
February 2016	18,649,835	-	-
June 2016	-	21,937,500	-
July 2016	-	-	40,000,000
August 2016	18,649,835	-	-
December 2016	-	21,937,500	-

All of the above commercial and PIF facilities are secured against certain accounts and material contracts of each of IGC, IAC and IVC. Each of IGC, IAC and IVC have also provided a cross-guarantee to certain leaders in respect of each other's liability under these facility agreements.

The SIDF facilities are secured by a mortgage of property, plant, equipment and related assets and assignments of technology rights and insurances associated with the operations of the relevant Operating Company from each of IGC, IAC and IVC.

Shareholder Loans

The following table sets out the total amount of shareholder loans for each Operating Company from shareholders other than Sipchem.

Operating Companies	IDC	IGC	IAC (*SR*)	IVC	**Total for each shareholder**
Short term loans					
NPC	-	3,275,921	-	-	3,275,921
Total	-	**3,275,921**	-	-	**3,275,921**
Long term loans					
PPA	21,521,250	-	-	-	21,521,250
GOSI	10,755,000	-	-	-	10,755,000
Al Babtain	4,893,750	-	-	-	4,893,750
ASTC	4,893,750	-	-	-	4,893,750
NPC	-	92,262,754	-	-	92,262,754
Helm Arabia	-	-	23,466,324	24,564,089	48,030,413
IPIC	-	-	68,460,785	58,958,026	127,418,811
MoE	-		18,671,178	16,079,519	34,750,697
Total	**42,063,750**	**92,262,754**	**110,598,287**	**99,601,634**	**344,526,425**

The Sipchem Group has no other outstanding commercial loans or borrowing arrangements than those set out above.

COMPETITIVE STRENGTHS

The competitive strengths of the Sipchem Group are as follows.

Secure low cost feedstock supplies. Sipchem has been successful in securing long-term commitments of feedstock supplies (natural gas and butane) from Saudi Aramco for terms of 20 years from 24 January 2009 and 30 years from 1 January 2003, respectively. Natural gas is the primary feedstock of the Sipchem Group and is purchased from Saudi Aramco at the price specified by the Government from time to time. This price has been USD 0.75 (SR 2.81) per million BTU since 1999, although the pricing agreement between PetMin and industry participants for this price is scheduled to be reviewed in early 2012., as compared to annual average natural gas prices on the New York Mercantile Exchange for 2009, 2008 and 2007 of USD 4.16, USD 8.90 and USD 7.11 per million BTU, respectively (source: U.S. Energy Information Administration)[1]. The Government has expressed its commitment to the development of the downstream petrochemicals industry in the Kingdom and so even if natural gas feedstock prices were to rise, Sipchem would not expect any such increases to affect its position as a low cost producer relative to its international competitors.

Integration of operations. The Sipchem Group is able to realise economies of scale and cost savings, as well as security of feedstock supply through operating integrated downstream petrochemical manufacturing processes and exploiting the available feedstocks within the Sipchem Group in the development of new projects. See "*Integrated Operations*" below. This approach provides the Sipchem Group with a significant advantage over its competitors that rely on external resources for feedstock supply, as it is able to source a number of its key feedstocks from within the Sipchem Group at significantly less than full market prices.

Record of successful development and construction and of procuring financing on competitive terms. Sipchem has a record of successful development and construction of petrochemical plants under Phase I and Phase II, and of procuring financing from commercial and government sources on competitive terms including flexible repayment profiles reflecting the cyclical nature of the petrochemical industry. For example, IMC's methanol plant was completed approximately seven weeks ahead of schedule and approximately 6 per cent. under budget, and was successfully refinanced on completion.

Shared utilities and services. Certain synergies between the utility requirements of the different members of the Sipchem Group, combined with their proximity on a single site, provide capital and operating cost savings through the building and operation of a common utilities infrastructure. In addition to shared utilities, corporate administration, finance, technical and maintenance and project management and other services are also all provided by Sipchem. This realises considerable efficiencies and enables each company within the Sipchem Group to benefit from the experience of Sipchem's management, including obtaining project financing on favourable terms.

Geographic location and proximity to markets. The Sipchem Group has established its operations in Al-Jubail. This location provides the Sipchem Group with advantages not available to other competing global producers, including the availability of suitable infrastructure, geographical proximity to feedstock and strategic positioning between the main export markets of Asia and Europe, as well as the Middle East and Africa.

Joint venture partners. Sipchem has been able to procure equity financing for its projects from some of the GCC region's leading private sector institutional and individual investors (namely ASTC, the Al Babtain Group, NPC and IPIC). It has also been able to procure equity financing from the PPA and GOSI, as well as from leading international technology providers and marketing organisations in the international petrochemical industry (namely JAMC, Huntsman, Davy, Helm Arabia, and Hanwha), which has enabled it to secure access to proprietary technology for the purposes of AA and VAM production that is not readily available in the industry. Sipchem expects these partners to significantly enhance the success rate of its projects through the experience they will bring as well as the technology contribution they will make and access they will provide to international markets.

STRATEGY

The Sipchem Group's objective is to operate one of the largest fully-integrated private sector petrochemical complexes in the Middle East, which leverages favourably priced feedstocks, shared utilities and

[1] Based on delivery at the Henry Hub in Louisiana for futures contracts specifying the earliest delivery date, being the calendar month following the trade date.

infrastructure and strategic relationships with leading global petrochemical producers to manufacture high quality and competitively priced products for global markets. Its strategy to implement this objective is as follows.

Further downstream investment and development. Sipchem's strategy is to continue to invest in further downstream opportunities in the petrochemical industry in order to capitalise on the feedstocks produced from its existing operations. Sipchem is in the process of implementing Phase III of the Sipchem Group's development with the construction of the plant and facilities for IPC's production of EVA and LPDE. The other projects included in Phase III are the development and construction of plants and facilities for the manufacture of EA and W&C. Planning for these projects is also well advanced. See "*Phase III Projects*" below.

Target strategic third party alliances. In pursuing these opportunities, Sipchem intends to continue developing strategic third party alliances. In identifying partners for these alliances Sipchem targets internationally recognised organisations with proven and demonstrable technical skills or marketing capabilities. Sipchem seeks to align its interests with such partners through joint venture equity shareholdings. Each of Sipchem's partners is expected to contribute equity, technology and/or an off-take commitment for the global marketing of a significant portion of the Sipchem Group's production volumes.

Increase sales and marketing capacity. As production by the Sipchem Group of its products matures and the initial marketing and off-take arrangements come to an end, Sipchem aims to increasingly assume responsibility for its own sales and marketing activities through SMSC. For those of its operations that are now established, Sipchem believes that the Sipchem Group can take advantage of its existing track record and customer base in order to market and sell its own products. By doing this the Sipchem Group expects to increase its returns from its existing products and strengthen its customer base. See "*Other Operations - Marketing and Sales - Sipchem Marketing and Services Company*" below.

Debottlenecking, efficiency enhancements, modifications and expansion. The Sipchem Group increased the capacity of IGC's CO plant by 30 per cent. in connection with the ethane feedstock allocation Sipchem received from PetMin for Phase III of the Sipchem Group's development. In 2009, the production output of IDC's BDO plant was improved through the addition of a new unit and related modifications. The Sipchem Group also anticipates identifying and implementing various optimisation activities in the ordinary course of the initial operations of the IGC, IAC and IVC plants. The Sipchem Group is constantly monitoring the performance of its plants and facilities in order to identify efficiency enhancements that can be implemented. Through such improvements, the Sipchem Group anticipates it will be able to continue to increase production levels with relatively limited capital expenditure requirements.

SIPCHEM

Sipchem directs and coordinates planning and project development for the Sipchem Group, including securing the necessary feedstock supplies and the negotiation of the relevant project agreements, technology licensing, marketing, off-take and other related services agreements. It then plans, implements and directs all major projects to ensure the corporate objectives are achieved to the prescribed quality and within the prescribed time frame and funding parameters. In the initial planning stages, management of the project is undertaken by the Corporate division of Sipchem (including its Corporate Finance, Corporate Planning and Legal departments). Once a project reaches the construction and development stage it is then managed by the Technical & Shared Services division and the Major Projects department. See "*Management and Employees*" on page 106 of this Prospectus.

Sipchem also provides a range of corporate finance functions to the Sipchem Group, focusing on long-term financing and investment. It further provides plant maintenance (including major non-routine maintenance), engineering, technical, laboratory, analytical, safety, environmental and information technology services, and marketing and sales support (see also "*Other Subsidiaries – Sipchem Marketing and Services Company*" below). In addition it is responsible for the finance and accounting, purchasing, public relations and corporate affairs, training and administration and human resources functions of the Sipchem Group.

Each Operating Company's management is responsible for all of the commercial aspects of the Operating Company's business including operation of its plant and facilities. The Operating Companies are supported by Sipchem through the provision of administrative, financial and technical support services pursuant to each Operating Company's shared servicing agreement with Sipchem. As of 31 December 2010, Sipchem had 256 personnel immediately available to provide services to the Operating Companies through its Technical & Shared Services division and 74 third party personnel contracted by Sipchem to provide additional maintenance and support services.

Supply Arrangements

Sipchem has entered into the following supply arrangements for the Sipchem Group's operations. Sipchem has separately entered into back-to-back arrangements with each relevant Operating Company for the supply of the requisite products or services required by such company, although its obligations for such supply are limited to the products or services it actually receives pursuant to the principal agreement.

Saudi Aramco. Sipchem and Saudi Aramco have entered into a natural gas supply agreement effective 24 January 2009 by which Saudi Aramco will deliver a daily maximum of 165,240 million BTU of dry gas to Sipchem. The term of this agreement is 20 years from 24 January 2009. The purchase price payable by Sipchem is the price specified by the Government from time to time, which has been USD 0.75 (SR 2.81) per million BTU since 1999.

National Industrial Gases Company. Sipchem and the National Industrial Gases Company (**GAS**), a subsidiary of SABIC, entered into an agreement on 5 September 2006 for the supply of nitrogen and oxygen to Sipchem. These gases are used in the operations of IMC, IDC, IGC and IAC, with the volumes to be supplied under this agreement aligned to the requirements of these operations. The agreement includes provision for the contracted volumes to vary from month to month subject to certain minimum volumes and for reduced volumes to apply during scheduled maintenance periods. This agreement will terminate on 31 October 2019 unless terminated earlier in accordance with its terms. The pricing arrangements are volume based for each type of gas and fixed for the duration of the agreement, subject to specified increases or decreases based on changes to the underlying electricity costs for GAS.

Saudi Electricity Company. Sipchem and the Saudi Electricity Company (**SEC**) entered into an agreement on 23 March 2004, for the supply of the requisite electricity for the Sipchem Group's operations charged at the prevailing industrial tariffs. This agreement is ongoing until cancelled by either party on one year's notice. IUC and SEC entered into a memorandum of understanding on 23 February 2010 for the supply of the requisite electricity for Phase III of the Sipchem Group's development.

The Power & Water Utility Company for Jubail and Yanbu. Sipchem and The Power & Water Utility Company for Jubail and Yanbu (**Marafiq**) entered into a utility user agreement for the supply of utilities services by Marafiq to Sipchem with effect from 1 January 2003 and for an initial term of 30 years. This agreement is on Marafiq standard terms and the services to be supplied include potable and irrigation water and sanitary and waste water collection and treatment.

Saudi Ethylene and Polyethylene Company. Sipchem and SEPC entered into an agreement on 24 July 2006 for the supply of ethylene to Sipchem. Ethylene is used in the operations of IVC. The initial term of this agreement expires in August 2025. Under this agreement SEPC is to supply 115,000 MTPY of ethylene to Sipchem at a purchase price based on the European contract price for ethylene less duties and freight costs relating to the shipment of ethylene to Europe from the Kingdom.

Lease of Al-Jubail Petrochemical Complex Site

Sipchem entered into a lease agreement for the site (the **Sipchem Site**) of the Sipchem Group's Al-Jubail petrochemical complex with the RCJY on 30 March 2002, as amended on 20 September 2006. The total area of the Sipchem Site is 886,476.9m^2. The lease is for an initial term of 30 Hijri years with annual rent of SR 1 per square metre (SR 886,476.9 in total), which may be increased every 10 Hijri years by up to 50 per cent. A rent increase to SR 4.5 per square metre (SR 3,989,146.05 in total) has been agreed for this year. The lease permits Sipchem to establish and operate a petrochemicals facility on the Sipchem Site, provided this is in accordance with RCJY requirements, including its regulations and permits. See "*Environment and Health and Safety - Environment*" below.

Sipchem may sub-lease its lease of the Sipchem Site only with the RCJY's approval. Sipchem has entered into RCJY approved sub-leases with each of IMC, IDC, IGC, IAC and IVC for the respective sites of their plant and facilities. Each sub-lease has been provided on substantially the same terms as the primary lease. Specifically, Sipchem has limited its liability under each sub-lease to the extent of any amount it is able to recover from RCJY under the primary lease.

Financing Arrangements

The project loans by SIDF to each of the Operating Companies other than IMC are guaranteed by Sipchem. The IDC guarantee expires in 2014. The IGC, IAC and IVC guarantees expire in 2018. See "*Operating Companies - Phase I - International Methanol Company and International Diol Company - International Diol Company - Financing arrangements - SIDF facility agreement*" and "*Operating Companies - Phase II – International Gases Company, International Acetyl Company and International Vinyl Acetate Company - Phase II Financing Arrangements*" below.

As of the date of this Prospectus, Sipchem does not otherwise have any outstanding long term debt or contingent obligations. However, Sipchem anticipates it will be required to provide completion guarantees in connection with the financing arrangements for the projects under Phase III of the Sipchem Group's development. These guarantees will be required until the projects reach commercial operation and will be provided by Sipchem in proportion to its shareholding in IPC and any other relevant project companies. The completion guarantees given by Sipchem for the projects of IMC, IDC, IGC, IAC and IVC have all now been released.

See also "*Management and Employees – Saudi Housing Programme*".

Sipchem Product & Application Development Centre

As one of the conditions of Sipchem's ethane feedstock allocation from PetMin for Phase III of its development, Sipchem is in the process of establishing a corporate Product & Application Development Centre (**PADC**) on a plot of 15,000m^2 at the King Abdullah bin Abdulaziz Science Park of the Dhahran Techno-Valley in the Eastern Province of the Kingdom.

Sipchem proposes to invest over SR 80 million in the PADC. The PADC will support the development of the products and the process technology of IPC and other polymer projects of the Sipchem Group.

The PADC will be the first technical centre focusing on polymer technology in the Kingdom. It will (i) engage with the polymer industry in the Kingdom, (ii) assist SMSC in achieving commercial targets for new product development, competitive analysis, technical services to customers and technical market development activities by providing a dedicated research and development centre for the operations of IPC and (iii) improve the processes of IPC through process optimisation and pilot-plant research.

A network of academic contacts in the region has been established, not only to complement the technical activity of the PADC, but also to provide exposure for emerging researchers to the career opportunities presented by the industrial research and development at the PADC.

The PADC is scheduled to open in 2012 with an initial staff of approximately 30 employees.

COMPETITION

The principal competitors of the Sipchem Group vary by product. The markets in which the Operating Companies sell their products are global, generally highly competitive and affected significantly by global supply and demand. Such markets are also highly cyclical. New entrants to markets in which the Operating Companies operate and expansions of existing plants and facilities in pursuit of economies of scale, can all lead to increased levels of supply and competition. Increased levels of competition and volatility might result in global excess capacity, thus exposing the relevant Operating Company to the possibility of holding large inventories and/or reduced sales or prices in some cases.

The key differentiating factor for the Sipchem Group as compared to its competitors is its significant cost advantage. This is due to its access to low cost feedstock supplies either as a result of the pricing policies of the Government insofar as its base feedstocks are concerned or due to the integrated operations of the Sipchem Group. Sipchem has also obtained exclusive licences in certain territories for the AA and VAM production technology used by IAC and IVC, respectively (see "*Phase II - International Gases Company, International Acetyl Company Limited and International Vinyl Acetate Company - IAC - Technology*" and "*- IVC - Technology*) below. It also has access to long term project financing on competitive terms from governmental agencies such as SIDF and PIF.

The following table sets out the principal competitors for the key products of each Operating Company.

Operating Company	**Product**	**Estimated percentage share of the Sipchem Group in global production capacity for 2010/15[1]**	**Principal Competitors**
IMC	Methanol	1.4 per cent.	Saudi Basic Industries Corporation
			Petrochemical Commercial Co. (Iran)
IDC	BDO	3.8 per cent.	BASF
			Dairen Chemical Corporation
IAC	AA	2.5 per cent.	BP p.l.c. (**BP**)
			Celanese
IVC	VAM	4.9 per cent.	Celanese
			Dow
IPC	EVA	3.5 per cent.	Exxon Mobil
	LDPE	0.9 per cent.	Lyondell
-	EA	2.6 per cent.	BP and Celanese

(1) Source: SMSC. Estimated global production capacity is provided for 2010, in the case of methanol, BDO, AA and VAM and for 2015, in the case of EVA, LDPE and EA. Production capacity as used in the above table is the estimated design capacity of the relevant plants and facilities

and does not necessarily reflect actual production levels. As a low cost producer, the Sipchem Group would expect to produce a greater percentage of its production capacity relative to demand than other higher cost producers.

OPERATING COMPANIES

Phase I - International Methanol Company and International Diol Company

International Methanol Company

Overview

Sipchem holds a 65 per cent. interest in IMC. The remaining 35 per cent. is held by JAMC, which is a special purpose subsidiary owned by a consortium of Japanese companies including Mitsui & Co. Limited (55 per cent.), Mitsubishi Corporation (15 per cent.), Daicel Chemical Industries Limited (15 per cent.) and Iino Kaiun Kaisha Limited (15 per cent.). IMC has a total nominal share capital of SR 361 million.

The principal business of IMC is the manufacture and sale of methanol. Methanol is a liquid chemical produced primarily from natural gas and typically used as a chemical feedstock in the manufacture of other chemicals and derivatives, including formaldehyde, methyl tertiary butyl ether, tertiary amyl methyl ether and AA. See also the "*Production and Off-take Summary*" above for examples of other end uses for methanol. The primary feedstock for methanol production is natural gas, which typically represents the most significant cost component of the methanol production process. See "*Feedstock - Natural Gas*" below for a summary of the back-to-back agreement between Sipchem and IMC for the supply of natural gas to IMC from Saudi Aramco.

The table below shows IMC's sales, net income, total assets and long term loans for each of the years ended and as at 31 December 2008, 2009 and 2010.

	Year ended/As at 31 December		
	2008	**2009**	**2010**
		(*SR millions*)	
Sales	1,141	497	844
Net income	798	194	552
Total assets	2,003	1,443	1,611
Long term loans and obligations under capital lease	528	401	359

IMC's access to a relatively cheap supply of natural gas through Sipchem's supply arrangements with Saudi Aramco provides IMC with a cost advantage relative to its international competitors. IMC's methanol plant has a nameplate capacity of 970,000 MTPY. Total methanol production by IMC has exceeded this nameplate capacity for each of the last four years.

Following production, the purified methanol product that is not required for the Sipchem Group's downstream operations is transported through an IMC pipeline to the facilities of the Sipchem Group at the King Fahd Industrial Port in Al-Jubail (the **KFIP Port Facilities**) for export. The distance between IMC's methanol plant and the KFIP Port Facilities is approximately 15 kilometres. The KFIP Port Facilities include a methanol storage and pumping facility, as well as truck loading facilities. IMC maintains an on-site methanol storage facility of approximately 40,000 metric tonnes and has storage for approximately a further 80,000 metric tonnes at the KFIP Port Facilities.

Responsibility for IMC's operations is assumed by its General Manager who reports to the Sipchem President of Operations. See "*Management and Employees*" on page 106 of this Prospectus. As of 31 December 2010, IMC had 54 employees for the operation of its plant and facilities in addition to the Sipchem personnel available to provide support services as described under "*Sipchem*" above.

Production Process

IMC's production process for methanol incorporates, in general terms, the following key steps:

- the purification of the natural gas feedstock (which primarily comprises methane);

- the conversion of the purified natural gas feedstock into a synthetic gas (**Syngas**) consisting of CO, carbon dioxide (**CO_2**), water and hydrogen through the production of a catalytic reaction between the methane component of the natural gas feedstock and steam;

- a further catalytic conversion of the CO and hydrogen components of the above Syngas (using a reactor vessel under a high temperature and pressure) to produce methanol; and

- purification by distillation of the reactor effluent to produce a purified methanol product, with the remaining product returned to the production process.

Technology and Catalysts

The methanol production process used by IMC is based on the low pressure technology of ICI Chemicals & Polymers Ltd. (**ICI**), which is now owned by Johnson Matthey Plc, and Methanol Casale S.A. IMC was granted a licence from Jacobs Engineering for the use of this technology pursuant to an agreement dated 30 September 2002 in return for payment of one-off royalty fees, all of which have been paid. Jacobs Engineering also supplied the initial catalysts for the methanol plant.

Feedstock

Natural gas. Sipchem and IMC entered into a back-to-back natural gas supply agreement on 18 March 2003 by which Sipchem agreed to deliver a daily maximum of 124,200 BTU of dry gas to IMC from the natural gas it receives from Saudi Aramco (see "*Sipchem - Supply Arrangements - Saudi Aramco*" above). If Sipchem receives a lesser volume of natural gas from Saudi Aramco than the contracted maximum amount, IMC accepts that to the extent Sipchem is unable to meet its obligations to IMC as a result then the natural gas Sipchem receives from Saudi Aramco will be apportioned between IMC and the other relevant Operating Companies in proportion to the maximum gas volume each Operating Company has contracted to receive from Sipchem.

Sales and Marketing

For an indication of average methanol prices over the last three years see "*Industry Overview - Historical Prices*" on page 65 of this Prospectus.

JAMC marketing and off-take agreement. IMC and JAMC entered into a marketing and off-take agreement on 13 November 2002 by which IMC agrees to provide methanol to JAMC in return for a purchase price calculated on the basis of a marketing fee and, following the deduction of this fee and any costs of sale, the balance of the price at which the methanol is sold to third parties. Under the current terms of this agreement, IMC must deliver to JAMC "free on board" (**FOB**) in King Fahd Industrial Port at least 695,000 metric tonnes of methanol per contract year until December 2011. IMC is currently in the process of agreeing revised methanol off-take arrangements with JAMC to take account of the methanol supply arrangements with IAC described below. Each of the parties must pay compensation to the other if it is unable to comply with its respective delivery or off-take obligations.

SMSC marketing and off-take agreement. IMC and Sipchem also entered into a marketing and off-take agreement on 13 November 2002, the fulfilment of which is now undertaken by SMSC. This agreement is on the same terms as the JAMC marketing and off-take agreement above other than the volume of methanol the subject of this agreement, which is 250,000 metric tonnes per contract year.

IDC hydrogen and methanol sales. IMC and IDC entered into agreements for the sale by IMC to IDC of methanol and hydrogen on 10 June 2003 and 13 July 2003, respectively. These agreements are for a 20 year period and can be renewed on terms acceptable to both parties. IMC is required to deliver to IDC (a) sufficient purge gas from its methanol plant to enable IDC to extract 12,000 kilogrammes of hydrogen per hour at a price of USD 200 (SR 750) per tonne of hydrogen extracted and (b) 8,000 metric tonnes of methanol per contract year at a price calculated by reference to the average FOB price of methanol based on indices agreed between the parties for the three months preceding the month in which the methanol is delivered.

IAC methanol sales. IMC and IAC entered into an agreement for the supply of methanol by IMC to IAC on 20 December 2006. The initial period for this agreement expires on 31 December 2022. Under this agreement IMC is required to deliver to IAC 248,000 metric tonnes of methanol per contract year at a price based on various factors, including IMC's actual variable production costs, direct fixed production costs and capital expenditure and the market price for methanol.

Financing Arrangements

IMC entered into an Islamic lease facility agreement with certain financial institutions on 10 January 2007 for SR 535,133,261. This facility is secured against certain accounts and material contracts of IMC and expires on 10 January 2017. The lease facility agreement includes standard representations and covenants by IMC, including covenants relating to the non-disposal of assets and non-incurrence of financial indebtedness (other than for certain exclusions). Limitations also apply to the making of distributions, including no distribution being made unless IMC is in compliance with a facilities service cover ratio.

International Diol Company

Overview

Sipchem holds a 53.91 per cent. interest in IDC. The remaining 46.09 per cent. is held by the PPA (19.13 per cent.), GOSI (9.56 per cent.), Davy (4.35 per cent.), Huntsman MA Investments (Netherlands) C.V. (4.35 per cent.), Al Babtain (4.35 per cent.) and ASTC (4.35 per cent.). IDC has a total nominal share capital of SR 431 million.

The principal business of IDC is the manufacture and sale of BDO and its derivative THF. BDO is an intermediate chemical whose derivatives (including THF) are used in the manufacture of elastane fibres, specialty plastics, solvents and other products. See also the "*Production and Off-take Summary*" above for examples of other end uses for BDO and THF. The primary feedstocks for BDO production are (a) methanol and hydrogen supplied by IMC and (b) butane supplied by Saudi Aramco under a supply agreement with Sipchem. See "*Feedstock*" below.

The table below shows IDC's sales, net income, total assets and long term loans for each of the years ended and as at 31 December 2008, 2009 and 2010.

	Year ended/As at 31 December		
	2008	**2009**	**2010**
		(*SR millions*)	
Sales	469	308	587
Net income	8	(84)	147
Total assets	1,400	1,383	1,557
Long term loans	798	713	761

IDC's BDO plant has a nameplate capacity of 75,000 MTPY. Following production, the finished BDO product is either transported by truck to the KFIP Port Facilities for export or transported directly by truck to Middle Eastern customers in International Organisation for Standardisation (**ISO**) containers. THF is transported by truck in ISO containers either to Dammam's King Abdul Aziz port for export to Europe, Asia and the United States or directly to Middle Eastern customers.

Responsibility for IDC's operations is assumed by its General Manager who reports to the Sipchem President of Operations. See "*Management and Employees*" on page 106 of this Prospectus. As of 31 December 2010, IDC had 59 employees for the operation of its plant and facilities in addition to the Sipchem personnel available to provide support services as described under "*Sipchem*" above.

Production Process

IDC's production process for BDO and THF incorporates, in general terms, the following key steps:

- the butane feedstock received from Saudi Aramco contains isobutane and n-butane. IDC uses the Butamer technology of Universal Oil Products LLC (**UOP**) to produce n-butane only from this butane feedstock by a process that starts by separating the isobutane and then rearranges the isobutane molecules to form n-butane;

- maleic anhydride (**MAn**) is then produced from the n-butane by a process using the technology of Huntsman, which involves the catalytic oxidation of the n-butane;

- the MAn produced from the above process is subsequently converted to BDO and THF by a three stage process (the **Davy Process**) using the technology of Davy. This involves the initial esterification of the MAn with methanol to produce dimethyl maleate (**DM**). The DM is then hydrogenated to produce a crude product containing BDO and THF at a moderate temperature and pressure. This crude product is then refined to market quality BDO and THF by distillation, with the methanol recovered from this process recycled to the esterification stage.

In 2009 a new unit was added to IDC's BDO plant to improve product quality and increase capacity under the Davy Process.

Technology

Butamer process technology. IDC and UOP entered into an agreement on 17 May 2003 by which IDC is granted a non-exclusive licence to use UOP's butamer process technology in return for payment of a series of one-off royalty fees, all of which have been paid.

MAn technology transfer agreement. IDC and Tioxide Europe SAS (**TES**) entered into a technology transfer agreement for MAn manufacture by IDC on 22 February 2004. Under this agreement, in return for payment of a one-off licence fee, which has been paid, IDC is granted a non-exclusive licence to use the MAn intellectual property owned by TES to design, construct and operate the MAn unit at IDC's BDO plant for the manufacture of up to 84,750 MTPY of crude MAn and up to 30,000 MTPY of refined MAn. Any increase in this licensed capacity will incur a further one-off licence fee for such increased capacity, the amount of which is fixed at a volume discount to the original fee.

BDO technology sale agreement. IDC and Davy entered into a technology sale agreement for BDO manufacture by IDC on 22 February 2004. Under this agreement, in return for payment of a one-off licence fee, which has been paid, IDC is sold the BDO technology to design, construct, operate and maintain its BDO plant for the manufacture of up to 75,000 MTPY of BDO equivalent. Davy also gives certain performance guarantees in respect of the BDO unit.

Catalysts

Huntsman. IDC and Huntsman entered into an agreement on 22 February 2004 for the supply of MAn catalysts to IDC. This agreement is for an initial period of 20 years with the originally agreed prices of the relevant catalysts adjusted for inflation.

Davy. IDC and Davy entered into an agreement on 22 February 2004 for the supply of BDO catalysts to IDC. This agreement is initially until 14 April 2012, and from year to year thereafter unless terminated by either party on 12 months written notice, with the prices of the relevant catalysts subject to adjustment by agreement between both parties for future orders.

Feedstock

Butane. IDC and Saudi Aramco entered into a butane supply agreement on 1 January 2003 by which Saudi Aramco will deliver up to 4,000 barrels of butane per day to IDC for 30 years from the date of this agreement. The purchase price payable by IDC is a combination of a market based price and Saudi Aramco's yearly fixed butane rate.

Hydrogen and methanol. See "*IMC - Sales and marketing - IDC hydrogen and methanol sales*" above.

Sales and marketing

For an indication of average BDO prices over the last three years see "*Industry Overview - Historical Prices*" on page 65 of this Prospectus.

Vinmar marketing and off-take agreement. IDC and Vinmar entered into a marketing and off-take agreement on 25 June 2003 by which IDC must deliver and Vinmar must purchase a 45,000 metric tonnes per contract year of BDO equivalent (consisting of the specified percentage quantities of BDO (93 per cent.) and THF (7 per cent.)). The purchase price payable by Vinmar is the price at which the BDO is sold by Vinmar to third parties on arms length terms less Vinmar's costs of sale and a marketing fee (the **Netback Price**). The initial term of this agreement expires in March 2013 and there is an option to extend this term with the agreement of both parties.

Will & Co. marketing and off-take agreement. IDC and Will & Co entered into a marketing and off-take agreement on 25 June 2003 by which IDC must deliver and Will & Co must purchase a minimum of 15,000 metric tonnes per contract year of BDO equivalent (consisting of the specified percentage quantities of BDO (90 per cent.) and THF (10 per cent.)). The purchase price payable by Will & Co is the Netback Price and the initial term of this agreement expires in March 2013. On expiry of the initial term the agreement is automatically extended for a further two years unless either party notifies the other that it does not wish to extend the agreement 12 months before the expiry date.

Financing arrangements

Commercial facility agreement. IDC entered into a term loan facility agreement with certain financial institutions on 30 October 2004 (as subsequently amended and rescheduled in May 2010, as no provision was made for a market downturn) for up to USD 47,000,000 (SR 176,000,000). This facility is secured against certain accounts and material contracts of IDC and is repayable in 10 semi-annual instalments with the first instalment now due on 31 January 2012 and the final instalment due on 31 July 2016. The facility agreement includes standard representations and covenants by IMC, including covenants to maintain certain financial ratios. It also contains restrictions on payments of dividends or in respect of shareholder loans, including where certain of the financial covenant ratios are not met.

PIF facility agreement. IDC entered into a term loan agreement with PIF on 11 January 2005 (as subsequently amended and rescheduled in July 2010, as no provision was made for a market downturn) for up to USD 115,000,000 (SR 431,250,000). This facility shares in the same security as the above commercial facility agreement and is repayable in 13 semi-annual instalments with the first instalment now due on 15 February 2012 and the final instalment due on 15 February 2018. The facility agreement includes standard PIF terms, including covenants to maintain certain financial ratios and the same restrictions on payments of dividends or in respect of shareholder loans as for the above commercial facility agreement.

SIDF facility agreement. IDC entered into a term loan agreement with the SIDF on 5 July 2004 for up to SR 400,000,000 (as subsequently amended and rescheduled on 23 March 2009). This facility is secured by a mortgage of land, assignment of technology rights and assignment of insurances and is repayable in 12 unequal semi-annual instalments with the final instalment due on 20 July 2016. The facility agreement includes standard SIDF terms, including covenants to maintain certain financial ratios and restrictions on dividend payments.

Shareholder funding. Pursuant to shareholder letters of commitment dated 4 June 2010 and murabaha agreements dated 16 May 2010, Sipchem, the PPA, GOSI and the ASTC have agreed to provide USD 20,000,000 in additional funding to IDC if there is a funding shortfall. In the event that there is an additional funding shortfall, Sipchem will provide 68 per cent. of this shortfall.

Phase II - International Gases Company, International Acetyl Company and International Vinyl Acetate Company

International Gases Company

Overview

Sipchem holds a 72 per cent. interest in IGC, NPC holds a 25 per cent. interest and the remaining 3 per cent. is held by MoE. NPC is jointly owned by the Zamil Group (50 per cent.) and El-Seif Group (50 per cent.). IGC has a total nominal share capital of SR 425 million.

The principal business of IGC is the manufacture and sale of CO, which is used as a fuel, feedstock and reducing agent in petrochemical and chemical processes. The primary feedstocks for IGC are (a) natural gas supplied by Saudi Aramco under a supply agreement with Sipchem and (b) nitrogen supplied by Sipchem. See "*Feedstock*" below.

The table below shows IGC's sales, net income, total assets and long term loans for each of the years ended and as at 31 December 2008, 2009 and 2010.

	Year ended/As at 31 December		
	2008	**2009**	**2010**
		(*SR millions*)	
Sales	0.0	0.0	94
Net income	(1)	(2)	(13)
Total assets	1,439	1,581	1,455
Long term loans	342	532	560

IGC's CO plant has a nameplate capacity of 340,000 MTPY and commenced commercial operations in June 2010. IGC was required to increase the capacity of its CO plant by 30 per cent. as one of the conditions of the ethane feedstock allocation letter from PetMin for Phase III of the Sipchem Group's development. This increased capacity is to be sold to SABIC pursuant to the arrangements described below. IGC's CO plant is now one of the largest in the world of its kind.

Responsibility for IGC's operations is assumed by its General Manager who reports to the Sipchem President of Operations. See "*Management and Employees*" on page 106 of this Prospectus. As of 31 December 2010, IGC had 84 employees for the operation of its plant and facilities in addition to the Sipchem personnel available to provide support services as described under "*Sipchem*" above.

Production Process

IGC's production process for CO incorporates, in general terms, the following key steps:

- the purification of the natural gas feedstock;
- the conversion of the purified natural gas feedstock into a Syngas consisting of CO, hydrogen and CO_2 through the production of a catalytic reaction between the methane component of the natural gas feedstock and steam;
- CO_2 is recovered from the Syngas using an absorbent and the Syngas cooled to produce a CO-rich liquid from which the hydrogen is removed and a nitrogen-rich gaseous CO stream produced;
- the nitrogen-rich CO stream is then purified to remove the requisite nitrogen to meet the CO purity requirements for IAC's AA plant;
- the CO_2 recovered above is recycled to react with hydrogen and produce steam and CO. CO_2 produced by IVC in the manufacture of VAM is also added to this process in order to enhance the volume of CO produced; and
- some of the excess hydrogen produced is recovered and used in IAC's AA plant while the remainder is reused again in the above process.

Feedstock

Natural gas. Sipchem and IGC have entered into a back-to-back natural gas supply agreement effective 1 October 2009 by which Sipchem has agreed to deliver a daily maximum of 41,040 million BTU of dry gas to

IGC from the natural gas it receives from Saudi Aramco (see "*Sipchem - Supply Arrangements - Saudi Aramco*" above). This back-to-back agreement is on the same terms as the agreement for the supply of natural gas between Sipchem and IMC. See "*IMC - Feedstock - Natural gas*" above.

Nitrogen. Sipchem and IGC also entered into a back-to-back agreement for the supply of nitrogen on 20 December 2006 by which Sipchem has agreed to supply to IGC the nitrogen feedstock for its CO plant at a minimum rate of $330m^3$ per hour and a maximum rate of $600m^3$ per hour. This agreement is otherwise on the same terms as the supply agreement between Sipchem and GAS (see "*Sipchem - Supply Arrangements – National Industrial Gases Company*" above).

<u>Sales and Marketing</u>

IAC CO and hydrogen sales. IGC and IAC entered into an agreement for the supply of CO and hydrogen on 20 December 2006. The term of this agreement is 12 years from the commencement of commercial operations for IGC's CO plant in the middle of this year. This term is renewable with the agreement of both parties. Under this agreement IGC is required to supply a minimum of 240,000 metric tonnes of CO per contract year and a maximum of 25,00 metric tonnes of hydrogen per contract year. IAC is required to deliver annual, quarterly and monthly plans for product volume, with each monthly plan constituting a binding take or pay obligation. IAC is to pay IGC USD 225 per metric tonne of CO or hydrogen and IGC is to pay a semi-annual rebate of USD 40 per metric tonne of CO and hydrogen.

<u>Financing Arrangements</u>

Each of the Phase II Operating Companies has entered into the same financing arrangements with the only differences under the facilities being the amounts of the respective loans. For a description of these arrangements see "*Phase II Financing Arrangements*" below.

International Acetyl Company

<u>Overview</u>

Sipchem holds a 76 per cent. interest in IAC. The remaining 24 per cent. is held by IPIC (11 per cent.), Helm Arabia (10 per cent.) and MoE (3 per cent.). Sipchem's economic interest in IAC is 78.52 per cent. once other shareholder arrangements are taken into account. IAC has a total nominal share capital of SR 1 billion.

The principal business of IAC is the manufacture and sale of AA and AAn. AA is used in the production of VAM and in turn polyvinyl acetate, as well as in the production of pure terephtahlic acid and acetate esters. AAn is used in the production of cellulose acetate which is used for filters, fabrics and similar products. Other applications for AAn include the production of cellulose acetate polymers such as cellulose acetate moulding resin, cellulose acetate propionate (which is used in printing ink and nail polish) and cellulose acetate butyrate (which is used in paints). AAn is also used for the addition of the acetyl group of chemicals in the synthesis of surfactants, drugs, pesticides, dyes and additives. See also the "*Production and Off-take Summary*" above for examples of other end uses for AA and AAn. The primary feedstocks for IAC are methanol and CO supplied by IMC and IGC, respectively.

The table below shows IAC's sales, net income, total assets and long term loans for each of the years ended and as at 31 December 2008, 2009 and 2010.

	Year ended/As at 31 December		
	2008	**2009**	**2010**
		(*SR millions*)	
Sales	0.0	0.0	272
Net income	(1)	(1)	(48)
Total assets	2,735	3,481	3,595
Long term loans	1,130	1,820	1,728

IAC's AA plant has a nameplate capacity of 400,000 MTPY of AA and 59,000 MTPY of AAn. It commenced commercial operations in June 2010.

Responsibility for IAC's operations is assumed by its General Manager who reports to the Sipchem President of Operations. See "*Management and Employees*" on page 106 of this Prospectus. As of 31 December 2010, IAC had 96 employees for the operation of its plant and facilities in addition to the Sipchem personnel available to provide support services as described under "*Sipchem*" above.

Production Process

IAC's production process for AA and AAn incorporates, in general terms, the following key steps:

- AA is produced from a catalytic reaction of methanol and CO, with a sulphuric acid catalyst used to produce a catalytic reaction from AA and methanol to create methyl acetate;
- methyl acetate is reacted with CO to produce AAn and the surplus AAn is reacted with methanol to produce AA and methyl acetate, which is recycled;
- the catalyst is extracted from the effluent streams and returned to the methyl acetate and AAn reactors; and
- the AA and AAn are separated and purified by distillation.

The above process differs from the usual methanol carbonylation process involving the reaction of methanol and CO to produce AA in that it is based on the carbonylation of methyl acetate to produce AAn. The technology for this process is provided by Eastman.

Technology

Sipchem and Eastman entered into a technology agreement on 5 May 2005 (which has been novated to IAC) by which IAC is granted a licence (without the right to sub-licence) to use Eastman's AA and AAn production technology. This is an exclusive licence in certain Middle Eastern and North African territories up to 5 May 2019 (the **Exclusivity Period**), with a right of first refusal on any technology licences Eastman proposes to grant in these territories from 5 May 2019 up to 5 May 2034. IAC is also granted a non-exclusive licence to use, sell and import AA worldwide except in the United States, Canada or Mexico.

The licensed capacity is 400,000 MTPY of AA and 59,000 MTPY of AAn, which may be increased by 10 per cent. during the Exclusivity Period plus a further 1 per cent. per year up to a maximum capacity of

480,000 MTPY of AA and 59,000 MTPY of AAn. The one-off fees for these licences were payable in instalments and have all now been paid. IAC may increase this licensed capacity by a further 60,000 MTPY of AA on payment of a pre-agreed one-off fee indexed for inflation.

Feedstock

Methanol. Operating at nameplate capacity, IAC requires approximately 248,000 MTPY of methanol for its AA plant, which is provided by IMC. This represents approximately 25 per cent. of the nameplate capacity of IMC's methanol plant, which is presently operating in excess of its nameplate capacity (see "*IMC - Overview*" above). IAC has entered into a methanol supply agreement with IMC. See "*IMC - Sales and marketing - IAC methanol sales*" above.

CO and hydrogen. Operating at nameplate capacity, IAC requires approximately 256,000 MTPY of CO for its AA plant. This represents approximately 75 per cent. of the nameplate capacity of IGC's CO plant. The effective over-sizing of IGC's CO plant is designed to provide a significant operational reserve margin for the supply of CO to IAC and future projects of the Sipchem Group. IAC has entered into a CO and hydrogen supply agreement with IGC. See "*IGC - Sales and marketing - IAC CO sales*" above.

Sales and Marketing

For an indication of average AA prices over the last three years see "*Industry Overview - Historical Prices*" on page 65 of this Prospectus.

Helm Arabia AA marketing and off-take agreement. Sipchem and Helm Arabia entered into a marketing and off-take agreement on 5 June 2005 (which has been novated to IAC) by which Helm Arabia must purchase a minimum of 35.3 per cent. of IAC's annual production quantity of AA in each contract year up to a maximum of 150,000 metric tonnes per contract year. The purchase price payable by Helm Arabia is the Netback Price and the initial term of this agreement expires in August 2020.

Sipchem AA marketing and off-take agreement. Sipchem and Helm Arabia entered into a marketing and off-take agreement on 5 June 2005 (which has been novated to IAC) by which Sipchem must purchase a minimum of 14.1 per cent. of IAC's annual production quantity of AA in each contract year up to a maximum of 60,000 metric tonnes per contract year. The purchase price payable by Sipchem is the Netback Price and the initial term of this agreement expires in August 2020.

IVC AA supply agreement. IAC and IVC entered into an AA supply agreement on 20 December 2006. IAC is required to supply a minimum of 220,000 metric tonnes of AA to IVC per contract year at its cost price. This agreement expires in August 2022.

Eastman AAn supply agreement. Sipchem and Eastman entered into an AAn supply agreement on 5 May 2005 (which has been novated to IAC) for the supply of minimum and maximum annual quantities of 30,000 and 50,000 metric tonnes of AAn respectively by IAC to Eastman. Instead of receiving AAn under this Agreement, Eastman may instead elect to receive AA. The purchase price payable by Eastman for the volume of AAn supplied is based on various published prices and the initial term of this agreement expires in August 2016.

Financing Arrangements

Each of the Phase II Operating Companies has entered into the same financing arrangements with the only differences under the facilities being the amounts of the respective loans. For a description of these arrangements see "*Phase II Financing Arrangements*" below.

International Vinyl Acetate Company

Overview

Sipchem holds a 76 per cent. interest in IVC. The remaining 24 per cent. is held by IPIC (11 per cent.), Helm Arabia) (10 per cent.) and the MoE (3 per cent.). Sipchem's economic interest in IVC is 78.52 per cent. once other shareholder arrangements are taken into account. IVC has a total nominal share capital of SR 676 million.

The principal business of IVC is the production of VAM. VAM is used as an intermediate in a range of end products. The greatest use of VAM is in the production of polyvinyl acetate, which is used mainly for adhesives. Polyvinyl acetate resins are thermoplastic copolymers, which are used for making emulsion (latex) products including interior and exterior paints, adhesives, paper coatings and textile treatments. Another key use of VAM is in the production of polyvinyl alcohol, which is used in packaging. See also the "*Production and Off-take Summary*" above for examples of other end uses for VAM. The primary feedstocks for IVC are (a) AA supplied by IAC and (b) ethylene supplied by SEPC under a supply agreement with Sipchem. See "*Feedstocks*" below.

The table below shows IVC's sales, net income, total assets and long term loans for each of the years ended and as at 31 December 2008, 2009 and 2010.

	Year ended/As at 31 December		
	2008	**2009**	**2010**
		(*SR millions*)	
Sales	0.0	0.0	362
Net income	0.1	(1)	(46)
Total assets	1,838	2,375	2,583
Long term loans	783	1,176	1,153

IVC's VAM plant has a nameplate capacity of 330,000 MTPY of VAM. It commenced commercial operations in August 2010.

Responsibility for IVC's operations is assumed by its General Manager who reports to the Sipchem President of Operations. See "*Management and Employees*" on page 106 of this Prospectus. As of 31 December 2010, IVC had 59 employees for the operation of its plant and facilities in addition to the Sipchem personnel available to provide support services as described under "*Sipchem*" above.

Production Process

IVC's production process for VAM incorporates, in general terms, the following key steps:

- sulphur bearing compounds are removed from the ethylene feedstock before the ethylene is vaporised together with AA and the AA/ethylene gas mixture produced is further mixed with oxygen;

- a catalytic reaction of the above combination of gases is used to create VAM together with CO_2 and water as by-products;

- the gas from the reactors is cooled to recover the crude VAM product. Crude VAM and un-reacted AA are extracted as a liquid stream from the reactor effluent, from which CO_2 is also removed before it is recycled back to the reactors;

- the extracted liquids are then distilled to separate the VAM from the mixture of VAM, AA, water, ethyl acetate and other by-products; and

- the separated VAM is further distilled to remove the remaining impurities.

The above vapour phase ethylene oxidation process is the technology of DuPont and the technology for the removal of CO_2 is owned by Eickmeyer & Associates Inc. (**Eickmeyer**).

Technology

DuPont VAM production technology. Sipchem and DuPont entered into a technology sale agreement on 26 July 2004 (as subsequently amended and novated to IVC) by which IVC is granted an exclusive licence to use DuPont's VAM production technology in the manufacture, construction and operation of its VAM plant. The licensed production volume is 330,000 MTPY, which may be increased by 5 per cent. per year up to a total of 10 per cent. of the original licensed production volume.

The licence is exclusive within the Middle East and Western Europe for eight years from the commencement of the plant's commercial operations in the middle of this year. In addition, DuPont is restricted for a further two years from selling its VAM production technology to parties in the two regions unless they produce at least 100,000 MTPY of AA. The one-off licence fees were payable in instalments, all of which have now been paid.

Eickmeyer CO_2 removal technology. Eickmeyer granted Sipchem a non-exclusive licence on 11 February 2005 (which has been novated to IVC) for the technology used in the removal of CO_2 under IVC's VAM production process. A one-off fee has been paid to Eickmeyer for this licence.

Feedstock

AA. Operating at nameplate capacity, IVC requires approximately 218,000 MTPY of AA for its AA plant, which is provided by IAC. This represents approximately 47 per cent. of the nameplate capacity of IAC's AA plant. IAC has entered into an AA supply agreement with IVC. See "*IAC - Sales and marketing - IVC AA supply agreement*" above.

Ethylene. Sipchem and IVC entered into a back-to-back ethylene supply agreement on 20 December 2006 by which Sipchem has agreed to supply ethylene to IVC on the same terms as its supply agreement with SEPC. See "*Sipchem - Supply Arrangements - Saudi Ethylene and Polyethylene Company*" above.

Sales and Marketing

For an indication of average VAM prices over the last three years see "*Industry Overview - Historical Prices*" on page 65 of this Prospectus.

Helm marketing and off-take agreement. Sipchem and Helm Arabia entered into a marketing and off-take agreement on 5 June 2005 (which has been novated to IVC) by which Helm Arabia must purchase a minimum of 60 per cent. of IVC's annual production quantity of VAM in each contract year up to a maximum of 240,000 metric tonnes per contract year. The purchase price payable by Helm Arabia is the Netback Price and the initial term of this agreement expires in August 2020.

Sipchem marketing and off-take agreement. Sipchem and Helm Arabia entered into a marketing and off-take agreement on 5 June 2005 (which has been novated to IAC) by which Sipchem must purchase a minimum of

20 per cent. of IVC's annual production quantity of VAM in each contract year up to a maximum of 60,000 metric tonnes per contract year. Sipchem is also entitled to purchase all of IVC's VAM production in any contract year exceeding 300,000 metric tonnes. The purchase price payable by Sipchem is the Netback Price and the initial term of this agreement expires in August 2020.

<u>Financing Arrangements</u>

Each of the Phase II Operating Companies has entered into the same financing arrangements with the only differences under the facilities being the amounts of the respective loans. For a description of these arrangements see "*Phase II Financing Arrangements*" below.

Phase II Financing Arrangements

The following are the financing arrangements that have been entered into by each of the Phase II Operating Companies. Each of IGC, IAC and IVC have also provided a cross-guarantee to certain lenders in respect of each other's liability under the commercial facility agreements and the PIF facility agreements described below.

Commercial facility agreement. IGC, IAC and IVC entered into a term loan facility agreement with certain financial institutions on 28 April 2008 for USD 79 million (SR 296 million), USD 421 million (SR 1.6 billion) and USD 241 million (SR 905 million), respectively, which was reduced to USD 22 million (SR 81 million), USD 216 million (SR 810 million) and USD 124 million (SR 466 million), respectively, on entry into of the PIF facility agreement below. The relevant amounts under this facility are secured against certain accounts and material contracts of each of IGC, IAC and IVC and the relevant facility amounts are repayable by each of IGC, IAC and IVC in equal semi-annual instalments with the first instalment due on 10 August 2010 and the final instalment due on 10 February 2020. The facility agreement includes standard representations and covenants by each of IGC, IAC and IVC, including covenants to maintain certain financial ratios. No distributions may be made to shareholders unless certain conditions are met, including an annual debt service coverage ratio

PIF facility agreement. IGC, IAC and IVC entered into a term loan agreement with PIF on 14 February 2009 for USD 38,000,000 (SR 142,500,000), USD 205,000,000 (SR 768,750,000) and USD 117,000,000 (SR 438,750,000), respectively. The relevant amounts under this facility share in the same security as the above commercial facility agreement and the relevant facility amounts are repayable by each of IGC, IAC and IVC in 20 equal semi-annual instalments with the first instalment having been due on 31 December 2010 and the final instalment due on 30 June 2020. The facility agreement includes standard PIF terms, including covenants to maintain certain financial ratios and the same restrictions on the making of distributions as the above commercial facility agreement. The funds received by IGC, IAC and IVC under this facility were used to partially repay the Commercial Facility Agreement described immediately above.

SIDF facility agreement. IGC, IAC and IVC entered into a term loan agreement with the SIDF on 10 December 2007 for SR 400,000,000, SR 400,000,000 and SR 400,000,000, respectively. The relevant amounts under this facility are secured by a mortgage of land, assignment of technology rights and assignment of insurances from each of IGC, IAC and IVC and the relevant facility amounts are repayable by each of IGC, IAC and IVC in 14 unequal semi-annual instalments with the final instalment due on 9 July 2017. The facility agreement includes standard SIDF terms, including covenants to maintain certain financial ratios and restrictions on dividend payments.

PHASE III PROJECTS

Ethane Feedstock Allocation

Access to new ethane allocations in the Kingdom have been limited in recent years, as competition for natural gas and ethane resources has intensified, principally as a result of increased power generation and desalination requirements and chemical feedstocks. Despite this, PetMin has allocated Sipchem 17 million standard cubic feet per day of ethane through a shared feedstock allocation with SABIC for Phase III of the Sipchem Group's development.

The conditions of this allocation included Sipchem increasing the capacity of IGC's CO plant during its construction phase by 30 per cent. (with the excess CO production to be supplied to SABIC, although the terms of any such supply are still to be agreed with SABIC) and the establishment by Sipchem of the PADC (see "*Sipchem - Sipchem Product & Application Development Centre*" above). In accordance with standard PetMin practice Sipchem's ethane feedstock allocation is currently undergoing its annual review by PetMin.

Sipchem's ethane allocation is to be converted into ethylene through a tolling arrangement with Jubail United Petrochemical Co., an affiliate of SABIC, and in return Sipchem is to supply SABIC with CO on terms to be agreed. SABIC will also provide IPC with supplemental ethylene from the spot market.

International Polymers Company

Sipchem holds a 75 per cent interest in IPC and the remaining 25 per cent. is held by Hanwha.

Ethylene-Vinyl Acetate and Low Density Polyethylene Projects

The principal business of IPC is intended to be the production of EVA and LDPE. EVA has various end-use applications including packaging film, foam, hot melt adhesives and W&C. LDPE has similar end-use applications including packaging and non-packaging films, W&C, extrusion coating, sheet and injection and blow moulding. See also the "*Production and Off-take Summary*" above for examples of other end uses for EVA and LDPE. The primary feedstocks are ethylene, VAM and propylene. The technology to be used by IPC is Exxon Mobil's EVA technology.

IPC will receive its ethylene feedstock requirements from SABIC (see "*Ethane Feedstock Allocation*" above) and IVC will supply IPC with its VAM feedstock requirements. Sipchem is currently in negotiations to secure the necessary supplies of propylene.

Sipchem and Hanwha have agreed off-take arrangements between them in respect of IPC's future EVA and LDPE production and the engineering, design and construction contracts have been awarded to G.S. Engineering & Construction Corporation of South Korea following an industry standard tender process.

The total capital expenditure requirements for the construction and development of the plants and facilities for the manufacture of EVA and LDPE are estimated to be USD 860 million. Sipchem and Hanwha intend to fund this through a combination of shareholders' equity and term loans from SIDF, PIF and commercial lenders. Sipchem's equity contribution is expected to be USD 258 million.

Wire and Cable Polymer Project

The proposed W&C project is to consist of the following two production lines:

- medium voltage cross-linked polyethylene (**XLPE**) compound at a production capacity of 20,000 MTPY; and

- medium voltage semi-conductive outer (insulation) and inner (conductor) shield compounds at a production capacity of 5,000 MTPY.

XLPE is a form of polyethylene with cross-links to other polymers, combining electrical and mechanical characteristics. XLPE is commonly used as insulation material in the wire and cable industries. Semi-conductive compounds consist of cross-linkable compounds to distribute and minimise electrical stress in power cables.

The principal feedstocks required will be EVA and LDPE sourced from IPC's EVA and LDPE production.

The technology for W&C is highly proprietary and restricted. Hanwha is one of three global producers of a full range of W&C products. Typically W&C is only produced in-house and this will be the first joint venture for W&C production.

Sipchem announced on 26 April 2011 that it has signed a joint venture agreement with Hanwha for the construction of the plant for its W&C project and the engineering, design and construction contract has been awarded to eTEC Engineering & Construction Company of South Korea. A preliminary estimate of the total capital expenditure requirements for this project is USD 60 million (SR 225 million). This is expected to be funded with a loan from SIDF for 50 per cent. of these costs and equity contributions from Sipchem and Hanwha for the remaining 50 per cent. Production is expected to commence in the second quarter of 2013.

Ethyl Acetate and Polybutylene Terephthalate Projects

The proposed EA project involves the construction of plant and facilities for the manufacture of 100,000 MTPY of EA. EA is an active solvent which is widely used in the production of industrial lacquers, varnishes and thinners, and surface coating resins. Coatings and printing inks are the major applications for EA on a global basis. EA is also used in adhesives, as an intermediate in the production of pharmaceuticals, in liquid crystal displays, as an extraction solvent in the production of pharmaceuticals and food, as a carrier solvent for some herbicides and to decaffeinate coffee beans and tea leaves.

The principal feedstocks for EA are ethanol and AA. To produce the proposed yearly volume of EA above will require 56,000 MTPY of ethanol and 69,000 MTPY of AA from IAC's AA production.

The technology for the EA plant and facilities is to be provided by Rhodia, the French specialty chemicals producer, which will also provide marketing and off-take arrangements and assist in the procurement of the necessary ethanol feedstock.

The EA plant will be designed as a swing facility with the flexibility to produce butyl acetate (**BA**) in place of EA depending on demand. BA is also an active solvent with similar applications to EA.

The estimated total capital expenditure requirements for the EA project is USD 110 million, which is intended to be funded with a loan from SIDF for 50 per cent. of these costs and an equity contribution from Sipchem for the remaining 50 per cent.

Sipchem is also at an advanced stage in assessing a possible project to construct plant and facilities for the manufacture of polybutylene terephthalate (**PBT**). PBT is a thermoplastic engineering polymer that is used as an insulator in the electrical and electronics industries. If investment in this project is approved, Sipchem may commence development of this project this year.

OTHER OPERATIONS

Marketing and Sales - Sipchem Marketing and Services Company

SMSC was established in 2007 and functions independently in the marketing and sales of the entire range of the Sipchem Group's products. It largely sells the Sipchem Group's products to the construction, solvents, automotive, electronics, polymer, coatings and pharmaceutical industries.

The significant majority of the Sipchem Group's products are currently the subject of marketing and off-take arrangements with Sipchem's equity partners in the relevant Operating Companies or otherwise used in downstream applications within the Sipchem Group. For example, as IAC's AA/AAn plant starts operating at full capacity it will require 248,000 MTPY of methanol from IMC (or 26 per cent. of IMC's nameplate methanol production capacity), which has previously been sold to third party customers.

The target markets of Sipchem and now SMSC for the Sipchem Group's products has historically been the Middle East and Asia, with the Sipchem Group's third party marketing and off-take partners undertaking sales into Western Europe, the Far East and North America. As the initial terms for these third party agreements come to an end, the Sipchem Group intends to increasingly assume the sales and marketing responsibilities for its products through SMSC.

By initially working with third party partners in this manner, the Sipchem Group is able to minimise the risk involved in marketing itself as a new supplier of a product. However, once a market for its products is established and the relevant customer relationships in place, the Sipchem Group is able to assume the ongoing marketing arrangements for these products. In marketing the Sipchem Group's products, SMSC also has the significant pricing advantage associated with the low cost base of the Sipchem Group relative to its competitors.

As a large manufacturer of petrochemicals, Sipchem has a dynamic network of customers worldwide. The aim of SMSC is to focus on customer satisfaction and retention while optimising sales prices and keeping logistics costs low. The Sipchem Group does not have any significant exposure to any single end customer and sales of its products are undertaken through a combination of contract and spot sales.

Responsibility for SMSC's operations is assumed by the Sipchem Group's General Manager - Marketing & Sales. SMSC has a total of six employees in addition to the Sipchem personnel available to provide support services as described under "*Sipchem*" above.

SMSC is also seeking to establish a presence in Europe through the acquisition of a small trading company with seven employees.

Shared Services

In order to minimise capital costs and to benefit from economies of scale, (i) IMC and IDC, (ii) IGC, IAC and IVC, and (iii) IPC separately own and share certain utilities on the basis of an agreement between the Operating Companies.

The shared existing utilities include water, cooling, steam generation, waste water treatment systems, storage facilities and electricity sub-stations, which are owned (by way of undivided interest) by the respective groupings above in approximate proportion to each company's use of the facilities. Each of the Operating Companies maintains sufficient onsite storage facilities for feedstock and its products in order to address any short-term interruptions in supply or unscheduled downtime of plant and facilities. Additional storage is also available at the KFIP Port Facilities and the facilities of IPC at the Jubail Commercial Port (the **JCP Port Facilities**).

IUC is a Saudi limited liability company established in 2009. The company is owned equally by all of the Operating Companies other than IPC. The purpose of the company is to manage, operate and maintain utilities facilities and services at the Sipchem Group's Al-Jubail petrochemical complex. See "*Related Party Transactions*" below.

SHAREHOLDERS

Sipchem is a publicly listed company and Sipchem's principal shareholders holding directly 5 per cent. or more of Sipchem's issued share capital as at 31 December 2010 are set out in the table below together with each of their respective direct and indirect shareholding numbers and percentages.

Shareholder name	Domicile	Number of Shares held directly	Direct shareholding percentage	Number of Shares held indirectly	Total number of Shares held directly and indirectly
Zamil Group	Saudi Arabia	32,317,614	9.7%	-	32,317,614
Ikarus Petrochemicals Holding Company	Kuwait	27,746,282	8.3%	-	27,746,282
PPA	Saudi Arabia	25,823,195	7.7%	-	25,823,195
OFC	Saudi Arabia	18,750,000	5.6%	-	18,750,000

Source: Tadawul

RELATED PARTY TRANSACTIONS

A number of the Operating Companies' shareholders undertake marketing and off-take arrangements for the relevant Operating Companies. All of these arrangements are on arms length terms. Shareholder loans are also provided to the Operating Companies and Sipchem provides services and assistance to the Operating Companies in return for certain fees and other payments.

The Operating Companies also purchase each others products on the terms described above and share utilities and other services.

IPC entered into a memorandum of understanding with IUC on 10 April 2010 relating to a project for the installation of the required power transmission lines for the supply of electricity to IPC's proposed EVA and LDPE plant. IPC is to meet the costs of this project and once completed, IUC is to facilitate the continued supply of electricity to IPC through an agreement between IUC and SEC and back-to-back arrangements between IUC and IPC.

ENVIRONMENT AND HEALTH AND SAFETY

Environment

The Sipchem Group is subject to environmental protection laws and regulations in the Kingdom, including the PEL Regulations and the RCJY Regulations, which relate to environmental protection (including air emissions, waste water quality, sea discharges and the handling, storage, transportation, treatment, disposal and import and export of hazardous waste and chemicals) and public safety.

Sipchem's Health, Safety and Environmental Policy is based on the PEL Regulations and the RCJY Regulations, which as a minimum are generally consistent with the environmental standards of the World Bank and United States Environmental Protection Agency (the **US EPA**). The plants of the Operating Companies are subject to ongoing monitoring by the MEPA and the RCJY for compliance with environmental and safety requirements. In the first year of operation of any new plant and facilities, the Sipchem Group is required to submit to the RCJY monthly reports demonstrating permit compliance for specified air streams and water discharges; quarterly reporting is required thereafter.

The PEL Regulations require an environmental impact report to be prepared for each new project as part of the environmental approval and licensing process conducted by MEPA and the Ministry of Commerce and Industry (**MOCI**). The PEL Regulations permit the imposition of fines and imprisonment for the discharge of hazardous or toxic materials and the levy of fines and payment of damages for serious environmental offences.

The RCJY Regulations require the Sipchem Group:

- to obtain an environmental consent to construct permit in relation to each new project and any additions thereto;

- to obtain an environmental consent to operate permit in relation to each new project and any additions thereto; and

- generally to comply with all standards and regulations of the RCJY.

The activities of the Sipchem Group the subject of specific environmental regulation by the RCJY include the following.

Air emissions. The ambient air quality standards set by the RCJY are as strict, and in some cases more strict, than those of the US EPA. The World Bank also has far fewer standards for air quality than the RCJY. The standards apply to both ambient air quality and for specific maximum levels of emissions into the atmosphere. In addition to normal plant emissions, there are further limits related to unexpected emissions of hydrocarbons. For example, during unplanned shutdowns.

Wastewater. The treatment of wastewater prior to its return to the environment is ultimately the responsibility of the RCJY but plant and facility operators are required to pre-treat water effluents prior to their return to the RCJY. The RCJY also set limits in respect of the waster water returned by operators as well as requiring each operator to have at least three days of storage for its industrial wastewater output. Sea water used in the cooling systems does not come into direct contact with any hydrocarbon streams and, subject to meeting temperature differential limits with the prevailing sea water temperature, is discharged directly back to the sea.

Solid and hazardous waste. The RCJY has detailed guidelines for the handling of hazardous waste materials including required record keeping procedures. Waste material of the Sipchem Group primarily comprises spent catalyst, alumina, sorbents and molecular sieves, additives and chemical bags and drums. Hazardous waste is handled in accordance with RCJY guidelines and sent to approved disposal sites or recycling centres. Non-hazardous waste (determined according to either MEPA or US EPA standards) is regularly collected and disposed of by the RCJY.

Noise. RCJY standards require that noise levels at the boundary of the Sipchem Site should not exceed 75 decibels (**dBA**) more than 10 per cent. of the time. This is 5 dBA higher than the World Bank standard, although the RCJY limit is set for a dedicated industrial area.

The RCJY may, at its discretion, close or suspend business activities indefinitely should any member of the Sipchem Group fail to comply with orders that require it to correct or stop operations causing environmental damage.

The Sipchem Group currently possesses all necessary environmental permits and licences required for its operations and is in compliance with all applicable environmental standards and regulations.

Health and Safety

Sipchem has implemented health and safety programmes comparable to best practice in the international chemical industry, including the requirements of western regulatory agencies like the United States Occupational Safety & Health Administration (**US OSHA**). Its health and safety programmes are based on the Code of Federal Regulations (**CFR**) administered by the US OSHA relating to the recording and reporting of occupational injuries and illness (29 CFR 1904) and occupational safety and health standards (29 CFR 1910). As a result of its high emphasis on safety, the Sipchem Group has completed 10 million man-hours since first commencing operations without a lost work day due to injury or any significant process safety incident.

The Sipchem Group has implemented a Process Safety Management (**PSM**) programme, which focuses on prevention and mitigation of the consequences of catastrophic chemical releases. The activities undertaken by the Sipchem Group as part of this programme include regular staff training and development, internal auditing and total incident reporting, verification of safety instrument systems and risk based inspections.

DuPont Safety Resources, a subsidiary of DuPont, a leader in process safety, has trained the Sipchem Group's senior managers in process safety and risk management, and conducted a bench marking study of the Sipchem Group's PSM programme. The two week study, which involved interviews with employees and an extensive review of internal safety documentation was intended to compare the recently initiated Sipchem PSM programme with international standards. This study found several elements of the PSM programme to be world class - that is at performance levels equivalent to best global practice.

The Sipchem Group's commitment to preservation of the environment is reflected in all its activities. Sipchem has established an environmental management system, in accordance with ISO 14001 and independent third party audits have certified Sipchem to be fully compliant with ISO 14001.

Safety, health and environment programmes are managed by various safety committees which involve employees throughout the organisation. Employees are provided with the training and skills necessary for performing their tasks, managing risks and ensuring safe operations. To reinforce this safety culture, a behavioural safety process, which trains and empowers employees to recognise and correct unsafe acts, has been implemented, with the assistance of a world leader in behavioural safety programmes.

The Sipchem Group has a programme of informal management inspections of site facilities as part of its commitment to workplace safety. In addition to these informal inspections, formal auditing of workplace practices is conducted. A formal process is in place for identifying, investigating and correcting abnormal or undesirable events or situations. An emergency response programme is also in place.

Sipchem has recently adopted the voluntary initiative of the global chemical industry, Responsible Care. Under this initiative, companies, through their national associations (which in Sipchem's case is the Gulf Petrochemicals and Chemicals Association) work together to continuously improve their health, safety and environmental performance, and to communicate with stakeholders about their products and processes. The Sipchem Group is currently conducting a gap analysis against the codes of the Responsible Care programme in order to identify improvement opportunities. A Responsible Care project implementation plan is also in development.

Environment and Health and Safety Programme Management

The Sipchem Group's environment and health and safety programmes are managed by the Operational Excellence department of Sipchem's Technical & Shared Services division, which had 25 employees as of 31 December 2010.

PROPERTY

In addition to the lease of the Sipchem Site from RCJY, Sipchem leases the KFIP Port Facilities and the JCP Port Facilities under long term leases from the Saudi Ports Authority. The KFIP Port Facilities comprise 127,872 square metres of land at the King Fahd Industrial Port and the JCP Port Facilities comprise 33,222 square metres of land at the Jubail Commercial Port, primarily to provide facilities for the future export of EVA, LDPE and W&C by IPC. The KFIP Port Facilities are operated by SABIC Terminal Services Company (**SABTANK**) through a terminal services agreement entered into with Sipchem in December 2003 and back-to-back arrangements with the relevant Operating Companies.

Sipchem also owns its headquarters in Al-Khobar, which were specifically constructed for Sipchem in 2008. The total net book value of the Sipchem Group's land and buildings as of 31 December 2009 was SR 43 million, as compared to the total net book value of its plant and equipment of SR 1.9 billion.

INSURANCE

Sipchem and each of the Operating Companies have each entered into various insurance policies effecting a range of insurance coverage that each company believes is appropriate for its businesses, including property damage, business interruption, third party liability, marine and land transit insurance, as well as engineering, procurement and construction insurance when a project is in the construction phase. The insurance coverage held by the Sipchem Group is believed to be consistent with the risks that are usually insured against by skilled and experienced owners or operators of comparable petrochemical plants and facilities in the Middle East under the same or similar conditions, where such insurance is obtainable on commercially reasonable terms.

Such insurance is usually obtained following a competitive tendering process. This process is managed centrally by Sipchem with insurance obtained on a Sipchem Group level where appropriate in order to benefit from more favourable pricing and terms. Certain of the finance agreements entered into by the Operating Companies also require the maintenance of adequate insurance policies.

The insurance coverage held by the Sipchem Group does not cover all risks to which the Sipchem Group will be exposed and may not be adequate to fully compensate the Sipchem Group for any actual loss suffered by it. There can also be no assurance that the Sipchem Group will be able to continue to maintain its existing insurance coverage on commercially reasonably terms. See "*Risk Factors - Risks Relating to the Issuer and the Sipchem Group - Insurance Risk*" on page 22 of this Prospectus.

INFORMATION TECHNOLOGY

Sipchem regularly reviews, updates and upgrades its hardware and software systems to ensure that it has the systems necessary to support its day-to-day operations and the administration of the Sipchem Group's business. Sipchem has a backup system that runs on a daily basis or on multiple occasions each day depending on the criticality of the system and data concerned. Critical data is moved weekly to an off-site location. Sipchem also has plans and practices in place for restoring its system in the event of either software or hardware issues or failure.

INTELLECTUAL PROPERTY

Save for the registration of its trademark in the Kingdom and Jordan, Lebanon, Turkey, Japan, Kuwait, South Korea, Iran and Oman, neither Sipchem nor any other member of the Sipchem Group has any registered intellectual property rights or relies in any material respect on any intangible asset or other intellectual property other than the technology licences held by each relevant Operating Company. The following table summarises the different technology licences held by the Sipchem Group. All of the royalty fees for these licences have been paid and there is no material restriction on the duration of any of these licenses.

Operating Company	Licence	Material conditions	Further details
IMC	ICI low pressure technology licence	None	See "*Description of the Sipchem Group - Operating Companies - Phase I - International Methanol Company and International Diol Company - International Methanol Company -*

			Technology and Catalysts" on page 85 of this Prospectus
IDC	Non-exclusive licence to use UOP's butamer process	None	See "- *International Diol Company - Technology - Butamer process technology*" on page 87 of this Prospectus
	Non-exclusive licence to use MAn technology of TES	Increases in licensed capacity will incur further one-off licence fees at a fixed volume discount to the original fee	See "- *International Diol Company - Technology - MAn technology transfer agreement*" on page 87 of this Prospectus
	Davy BDO technology licence	Licence for the manufacture of up to 75,000 MTPY of BDO equivalent	See "- *International Diol Company – Technology - BDO technology sale agreement*" on page 88 of this Prospectus
IAC	Eastman AA and AAn production technology licence	Exclusive licence for a specified period in certain Middle Eastern and North African territories and a non-exclusive licence to use, sell and import AA worldwide except in the United States, Canada or Mexico. Licensed capacity of 400,000 MTPY of AA and 59,000 MTPY of AAn, with provision to increase these capacities	See "- *Phase II - International Gases Company, International Acetyl Company and International Vinyl Acetate Company - International Acetyl Company - Technology*" on page 92 of this Prospectus
IVC	DuPont VAM production technology licence	Licensed production volume of 330,000 MTPY with provision to increase this capacity. Exclusive licence within the Middle East and Western Europe for a specified period	See "- *International Vinyl Acetate Company - Technology - DuPont VAM production technology*" on page 94 of this Prospectus
	Eickmeyer technology licence for CO_2 removal process	Non-exclusive licence	See "- *International Vinyl Acetate Company - Technology - Eickmeyer CO_2 removal technology* " on page 95 of this Prospectus

LITIGATION

No litigation is currently pending or (to the best of Sipchem's knowledge) threatened against the Sipchem Group.

Saudi Ethylene and Polyethylene Company

Sipchem and SEPC have entered into an agreement for the supply of ethylene to Sipchem. See "*Sipchem - Supply Arrangements - Saudi Ethylene and Polyethylene Company*" above.

Under this agreement, SEPC is claiming up to USD 29 million in compensation for a failure by Sipchem to lift the annual contract quantity of ethylene during the period from 1 March 2009 to 31 December 2009 when IVC's VAM plant was not yet operational. Sipchem is contesting this claim on the basis, among other things, that SEPC was kept updated on a regular basis as to the progress of construction of IVC's VAM plant and notified well in advance that the lifting of ethylene would not commence from 1 March 2009. As per the agreement, SEPC sold the ethylene into the international market through SABIC. SEPC would not otherwise seem to have taken the measures specified in the agreement for mitigating losses it may have incurred (if any) as a result of the delay in Sipchem commencing to lift ethylene.

Separately, there is a disagreement between SEPC and Sipchem as to the freight price that is to apply to ethylene supplied to Sipchem by SEPC under this agreement, the price of which is to be based on the European contract price for ethylene less freight costs relating to the shipment of ethylene to Europe from the Kingdom. This disagreement concerns the amounts of the transport and logistics costs to be deducted from the European contract price in order to determine the purchase price for Sipchem.

As of the date of this Prospectus, no litigation is pending or has been threatened in connection with these claims and these claims are being vigorously opposed by Sipchem.

Anti-Dumping Investigations

Increased competition in certain sectors of the petrochemical industry in recent years has resulted in governments taking measures to protect domestic producers, including through anti-dumping investigations. The Government has been active in working together with companies in the Kingdom in resolving such investigations and to date none of the Sipchem Group's products have had any material duty or other restrictions imposed as a result of any anti-dumping investigation.

A producer is typically considered to be "dumping" a product if that producer exports the product at a price lower than the price it normally charges on its home market. Other means of calculating whether a producer is dumping include the price charged by that producer for its products in another country or a calculation based on the combination of that producer's production costs, other expenses and normal profit margins.

The WTO agreement on dumping provides for countries to take action against dumping that would otherwise breach the relevant principles of the General Agreement on Tariffs and Trade (GATT) insofar as the application of tariffs and discrimination between trading partners is concerned. Anti-dumping measures usually result in an extra import duty being charged on the relevant product in order to bring its price closer to its "normal value" or to remove the injury to domestic industry in the relevant importing country.

Sipchem, together with a number of other petrochemical companies in the Kingdom and several other countries, has been the subject of two anti dumping investigations of the Chinese government in relation to BDO and methanol exports to China. In November of this year the Chinese Ministry of Commerce decided to end its methanol anti-dumping investigations against Saudi Arabian producers without imposing any anti-dumping duty on firms exporting methanol to China from the Kingdom.

The Chinese Ministry of Commerce previously imposed an anti-dumping duty of 4.5 per cent. on exports of BDO by IDC to China. This represented the lowest anti-dumping duty imposed on any producer in connection with this investigation with duties ranging from 4.5 per cent. to 20.9 per cent. China is not a significant export market for IDC and the imposition of this duty is not considered material for IDC.

Celanese

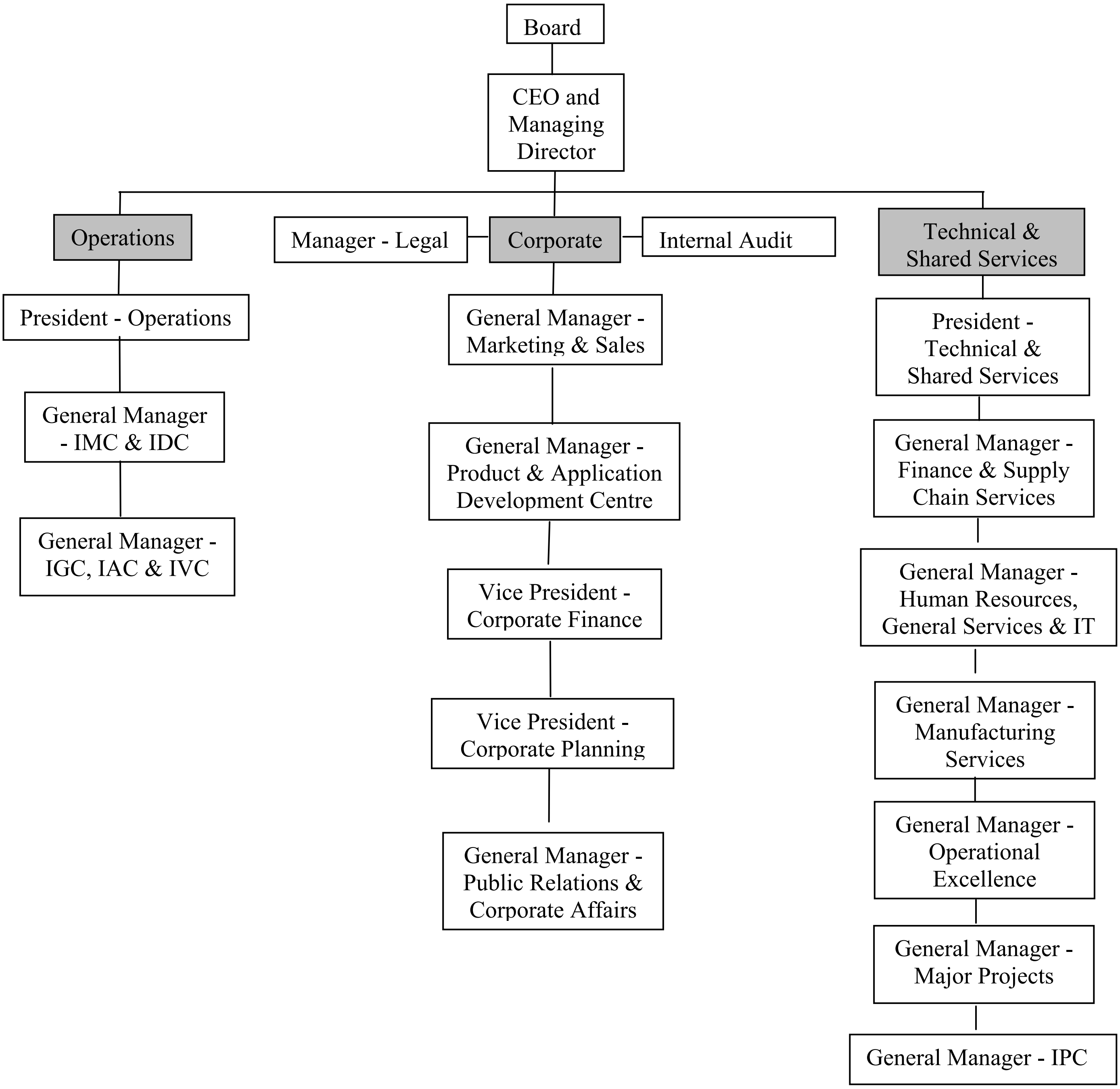
From late 2006 until a settlement was reached in 2009, Sipchem, IVC and IAC were involved in legal proceedings filed by Celanese in relation to a claim by Celanese that these Operating Companies had used technology belonging to Celanese. An out of court settlement was reached with Celanese in 2009, which did not involve any payment being made by either party and the Sipchem Group has no ongoing financial liability to Celanese in connection with this settlement.

MANAGEMENT AND EMPLOYEES

The Board of Directors (the **Board**) has overall responsibility for Sipchem's management and sets its goals and strategy. The Chief Executive Officer and executive management team are responsible for the day-to-day management of Sipchem's business and affairs. The Board monitors the performance of Sipchem and supervises the executive management team.

An Audit Committee, Remuneration and Nominations Committee and Executive Committee have also been established by the Board.

The senior management team of Sipchem is organised as set out in the chart below.



Board of Directors and Company Secretary

The Board is appointed by ordinary general meeting of Sipchem's shareholders for a term of three years and is to consist of 11 directors. The current Board was appointed at the Ordinary General Assembly held on 28 September 2010 with effect from 10 December 2010 and for a term of three years.

The Board meets quarterly. The total fees and expenses paid to the directors of Sipchem was SR 2.4 million in each of 2009 and 2008. See "*Management*" in paragraph 12 under "*General Information*" for a summary of the powers of the Directors in managing the affairs and business of Sipchem.

As at the date of this Prospectus, the members of the Board are as follows:

Name	Position	Age	Nationality
H.E. Eng Abdulaziz A. Al-Zamil	Director and Chairman (Non-Executive)	70	Saudi
Eng. Reyadh S. Ahmed	Director (Non-Executive)	40	Kuwait
Dr. Saleh H. Al-Humaidan	Director (Independent)	73	Saudi
Dr. Abdulrahman A. Al-Zamil	Director (Independent)	68	Saudi
Mr. Abdulrahman A. Al-Turki	Director (Independent)	80	Saudi
Dr. Abdulaziz A. Al-Gwaiz	Director (Non-Executive)	69	Saudi
Mr. Abdulaziz A. Al-Khames	Director (Non-Executive)	57	Saudi
Mr. Fahad S. Al-Rajhi	Director (Non-Executive)	52	Saudi
Eng. Mohammed A. Al-Ghurair	Director (Independent)	59	UAE
Dr. Sami M. Zaidan	Director (Non-Executive)	63	Saudi
Eng. Ahmad A. Al-Ohali	Chief Executive Officer (**CEO**) and Managing Director (Executive)	52	Saudi
Mr. Rashid M. Al-Dossary	Company Secretary	53	Saudi

The following biographies provide certain information about Sipchem's directors:

H.E. Eng Abdulaziz A. Al-Zamil. H.E. Eng Al-Zamil graduated from the University of Southern California, Los Angeles, United States (**USC**) in 1968 with a Masters Degree in Industrial Engineering. From 1976 to 1983 he was Vice Chairman and Chief Executive Officer of SABIC and from 1983 to 1995 he was Minister of Industry and Electricity for the Kingdom of Saudi Arabia. He has been Chairman of the Executive Committee of the Zamil Group since 1996.

Eng. Reyadh S. Ahmed. Eng. Ahmed obtained a Bachelor of Science in Chemical Engineering from Newcastle University, United Kingdom in 1995. From 1999 to 2001 he was Assistant General Manager of Petrochemical Projects at National Industries Group Holding (**NIG**) and since 2001 he has been the Senior Manager of the Industrial Investment and Development Division of NIG.

Dr. Saleh H. Al-Humaidan. Dr. Al-Humaidan was awarded a PhD in the Economics of Agriculture from the University of Oklahoma, United States in 1981. From 1973 to 1989 he held a variety of management positions in the Ministry of Planning and Saudi Industrial Development Fund. Since 1989 he has held the position of General Manager at the Arab Investment Company.

Dr. Abdulrahman A. Al-Zamil. Dr. Al-Zamil was awarded a PhD in International Relations from USC in 1972. From 1977 to 1980 he was the Vice Governor of the General Electricity Establishment and from 1980 to 1996 he was the Deputy Ministry of Commerce. He has been Chairman of the Board of Directors of the Zamil Group since 1997.

Mr. Abdulrahman A. Al-Turki. Mr. Al-Turki obtained a Diploma in Sales and Marketing from the Priant and Strato Institute, Buffalo, United States in 1965. He held a variety of management positions in the Ministry of transportation from 1958 to 1966 and has been Chairman and Managing Director of the ATCO Group.

Dr. Abdulaziz A. Al-Gwaiz. Dr. Al-Gwaiz was awarded a PhD in Chemistry from the University of California, Los Angeles, United States in 1972. He was Dean of the Science Department of King Fahad University of Petroleum and Minerals, Dhahran, Saudi Arabia (**KFUPM**) from 1975 to 1977 and has more than 25 years of experience in teaching at KFUPM. He has held the position of Chairman at several companies including the Saudi Petrochemical Company (SADAF) (**SADAF**), an affiliate of SABIC, Saudi Electricity Company, National Chemical Industries Corporation (Bahrain) and Gulf Manufacturing Company (Bahrain). He is currently Chairman of IDC.

Mr. Abdulaziz A. Al-Khames. Mr Al-Khames graduated from Northeastern University, Boston, Massachusetts, United States with a Bachelor of Economics in 1985. Since 2006 he has held the position of General Manager, Financial Investment at the PPA. From 1985 to 2006 he held various positions at the Saudi Arabian Monetary Agency.

Mr. Fahad S. Al-Rajhi. Mr Al-Rajhi graduated from KFUPM in 1983 with a Bachelor of Science in Industrial Management. From 1995 to 1997 he was a Director of the Saudi Cement Company and from 1995 to 2000 he was a Director of the Saudi Industrial Investment Group.

Eng. Mohammed A. Al-Ghurair. Eng. Al-Ghurair obtained a Bachelor of Science in Mechanical Engineering from the California Polytechnic State University, United States in 1978. Since 1986 he has held the position of General Manager and Director of the Saudi Cement Company and since 1980 he has been a Director of Mashreq Bank.

Dr. Sami M. Zaidan. Dr. Zaidan was awarded a PhD in Computer Science from USC in 1980 and has served as Professor of Mathematics and Computer Sciences at KFUPM. From 1979 he held the position of Chief Executive Officer of Arabian Data Systems, a Saudi company owned by a number of private individuals specialising in computer facilities management and systems integration of which he is now Chairman.

Eng. Ahmad A. Al-Ohali. Eng. Al-Ohali graduated from KFUPM in 1981 with a Bachelor of Science in Chemical Engineering. From 1981 to 1996 he held a number of management and executive positions with

SABIC. Between 1996 to 1999, Eng. Al-Ohali successfully launched several medium sized enterprises in the film and plastics fields and was one of the founders of Sipchem in 1999 when he assumed the role of President of Sipchem. In addition to his role as CEO and Managing Director of Sipchem, Eng. Al-Ohali also serves on the boards of several other industrial and commercial companies and associations.

Mr. Rashid M. Al-Dossari. Mr Al-Dossari graduated from King Abdulaziz University, Jeddah in 1990 with a Bachelor of Science in Administrative Science. Before joining Sipchem in 2002, he held various positions at SADAF in the Human Resources area. His responsibilities at Sipchem include his role as Company Secretary and managing Sipchem's investor relations.

Audit Committee

The Audit Committee reports directly to the Board. As of the date of this Prospectus, it comprises the following members.

Name	Position
Mr. Fahad S. Al-Rajhi	Committee Chairman - Director
Mr. Adib A. Al-Zamil	Committee Member
Mr. Saud S. Al-Johani	Committee Member
Mr. Khaled S. Al-Dossary	Committee Secretary

The functions and responsibilities of the Audit Committee include the following:

(a)to supervise the company’s internal audit department to ensure its effectiveness in executing the activities and duties specified by the Board of Directors;

(b) to review the internal audit procedure and prepare a written report on such audit and its recommendations with respect to it;

(c) to review the internal audit reports and pursue the implementation of the corrective measures in respect of the comments included in them;

(d) to recommend to the Board of Directors the appointment, dismissal and the Remuneration of external auditors; upon any such recommendation, regard must be made to their independence;

(e) to supervise the activities of the external auditors and approve any activity beyond the scope of the audit work assigned to them during the performance of their duties;

(f) to review together with the external auditor the audit plan and make any comments thereon;

(g) to review the external auditor’s comments on the financial statements and follow up the actions taken about them; and

(h) to review the interim and annual financial statements together with the auditor’s review and audit reports thereon before their submission to the Board and to review the applicable accounting policies and opinions and recommendations thereon before their submission to the Board..

The Audit Committee meets quarterly.

Remuneration and Nominations Committee

The Remuneration and Nominations Committee must consist of at least three members, including two independent members. As of the date of this Prospectus, it comprises the following members.

Name	Position
H.E. Eng Abdulaziz A. Al-Zamil	Committee Chairman - Board Chairman
Dr. Abdulaziz A. Al Gwaiz	Committee Member - Director
Dr. Saleh H. Al-Humaidan	Committee Member - Director
Dr. Sami M. Zaidan	Committee Member - Director
Mr. Fahad S. Al-Rajhi	Committee Member - Director
Mr. Abdullah N. Al-Jaber	Committee Secretary

The functions and responsibilities of the Remuneration and Nominations Committee include the following:

(a) recommend to the Board of Directors appointments to membership of the Board in accordance with the approved policies and standards; the Committee shall ensure that no person who has been previously convicted of any offense affecting honour or honesty is nominated for such membership;

(b) annual review of the requirement of suitable skills for membership of the Board of Directors and the preparation of a description of the required capabilities and qualifications for such membership, including, inter alia, the time that a Board member should reserve for the activities of the Board;

(c) review the structure of the Board of Directors and recommend changes;

(d) determine the points of strength and weakness in the Board of Directors and recommend remedies that are compatible with the company's interest;

(e) ensure on an annual basis the independence of the independent members and the absence of any conflict of interest in case a Board member also acts as a member of the Board of Directors of another company; and

(f) draw clear policies regarding the indemnities and remunerations of the Board members and top executives; in laying down such policies, the standards related to performance shall be followed.

Executive Committee

The Executive Committee reports directly to the Board. As of the date of this Prospectus, it comprises the following members.

Name	Position
H.E. Eng Abdulaziz A. Al-Zamil	Committee Chairman - Director
Dr. Abdulaziz A. Al Gwaiz	Committee Member - Director
Mr. Fahad S. Al-Rajhi	Committee Member - Director
Eng. Ahmad A. Al-Ohali	Committee Member - CEO and Managing Director
Eng. Reyadh S. Ali Ahmed	Committee Member - Director
Eng. Mohammed A. Al-Ghurair	Committee Member - Director

The functions and responsibilities of the Executive Committee include the following:

(a)reviewing the matters referred to the Executive Committee by the Board and taking the necessary action for the implementation of such matters as authorised by the Board;

(b)the management and direction of Sipchem's activities and business affairs within the authorities and powers of the Board, with the exception of such matters as have been empowered by the Board to any of the other committees of the Board and with the exception of any matters the Board would not be otherwise authorised to do;

(c)recommendations for new projects and investments by Sipchem;

(d)recommendations for strategic decisions relating to Sipchem's operational priorities;

(e)acting on the Board's behalf and carry on all powers and authorities of the Board, including the taking of those results which cannot be delayed until the next scheduled meeting of the Board or otherwise authorised by the Board;

(f)providing the Board with minutes of its meetings, including full details of all resolutions of and recommendations made by the Executive Committee; and

(g)to review and re-evaluate periodicially the adequacy of these regulations and to prepare any amendments as may be required for submission to the Board.

The Executive Committee meets semi-annually.

Executive Management

Sipchem's executive management team oversees the daily operations of the Sipchem Group. As of the date of this Prospectus, Sipchem's executive management team is as follows.

Name	Position		
Eng. Ahmad A. Al-Ohali	Chief Executive Officer	52	Saudi
Mr. Abdulrahman A. Al-Saif	President, Technical & Shared Services	53	Saudi
Mr. Abdullah S. Al-Saadoon	President, Operations	53	Saudi
Mr. Kevin J. Hayes	Vice President, Corporate Finance	55	USA
Dr. Abdullatif M. Bhairi	Vice President, Corporate Planning	62	USA
Mr. Rashid M. Al-Dossari	General Manager, Public Relations & Corporate Affairs	53	Saudi
Mr. Albert E. Biggs	General Manager, Operational Excellence	62	USA
Mr. Abdullah N. Al-Jaber	General Manager, Human Resources, General Services & IT	53	Saudi
Mr. Khaled S. Al-Dossary	General Manager, Finance & Supply Chain Services	53	Saudi
Mr. Trevor John Hutley	General Manager, Product & Application Development Centre	62	USA
Mr. Franchoan Smit	General Manager, Marketing & Sales	42	South Africa
Mr. Ibrahim A. Al-Rushoud	General Manager, Manufacturing Services	42	Saudi

The following biographies provide certain information about Sipchem's executive management team.

Eng. Ahmad A. Al-Ohali. See "*Board of Directors*" above.

Mr. Abdulrahman A. Al-Saif. Mr Al-Saif graduated from KFUPM in 1980 with a Bachelor of Science in Chemical Engineering. Following graduation he joined the Al Jubail Petrochemical Company (Kemya), a SABIC/Exxon Mobil joint venture, at its inception as an engineer and progressed to executive positions. Mr

Al-Saif joined Sipchem in 2001 as President of IDC. He is currently President of Technical & Shared Services.

Mr. Abdullah S. Al-Saadoon. Mr Al-Saadoon graduated from KFUPM in 1980 with a Bachelor of Science in Chemical Engineering. He joined Sipchem in 2001 and previously held various positions at SABIC and worked with the Saline Water Conservation Corporation. He is currently President of Operations and sits on the boards of IGC and SMSC.

Mr. Kevin J. Hayes. Mr Hayes graduated from the Florida Atlantic University College of Business, Boca Raton, Florida in 1977 with a Bachelor of Business Administration in Accounting. From 1995 to 2006 he held various positions at Qatar Petroleum and he joined Sipchem in 2006 in his current position as Vice President, Corporate Finance.

Dr. Abdullatif M. Bhairi. Dr. Bhairi was awarded a PhD in Chemical Engineering from Oklahoma State University, United States in 1984. He spent five years at the Research Institute of KFUPM studying various petrochemical projects before joining the Arabian Industrial Development Company as a Project Development Manager in 1990. Dr Bhairi joined Sipchem in 2000 as Vice President of Planning and Project Development. His current position is Vice President, Corporate Planning.

Mr Albert Biggs. Mr Biggs graduated from the University of California, Berkeley in 1974 with a Bachelor of Science in Materials Science and Engineering. Mr Biggs joined ARCO Chemical Company in 1979 where he held a number of positions (including for five years following its acquisition by Lyondell) until he joined Sipchem in 2006. His current position is General Manager, Operational Excellence.

Mr Abdullah N. Al-Jaber. Mr Al-Jaber graduated from KFUPM in 1981 with a Bachelor of Science in Industrial Management. Between 1981 and 2006 he held a number of positions with different SABIC Group companies, including his final position as General Manager, Employee Services. Mr Al-Jaber joined Sipchem in 2006 as General Manager, Administration & Human Resources. His current position is General Manager, Human Resources, General Services & IT.

Mr. Khaled S. Al-Dossary. Mr Al-Dossary graduated from Temple University, Philadelphia, United States in 1984 with a Bachelor of Arts in Business Administration. Between 1984 and 1988, Mr Al-Dossary held the position of Manager, Corporate Banking Group at Saudi American Bank and was Finance Manager at the National Methanol Company between 1996 and 2003 when he joined Sipchem. His current position is General Manager, Finance & Supply Chain Services.

Dr. Trevor John Hutley. Dr Hutley was awarded a PhD in Polymer Engineering from the Cranfield Institute of Technology, United Kingdom in 1988. He also holds an MBA from the Business School Lausanne, Switzerland, which he obtained in 1991. Dr Hutley is a Chartered Chemist, Chartered Scientist, Member of The Royal Society of Chemistry, Member of The Institute of Materials and a Senior Member of the Society of Plastics Engineers and has worked with 12 previous companies and organisations including Dunlop, DuPont and Lotus Engineering. He joined Sipchem in 2009 to develop Sipchem's research and development division at the PADC and his current position is General Manager, Product and Application Development Centre.

Dr. Franchoan Smit. Dr Smit was awarded a PhD in Biochemistry from the University of Johannesburg in 1993 and obtained a Masters Degree in Commerce in 1995. He spent 16 years in a number of different positions at Sasol, including being responsible for global marketing and business management for Sasol Chemical Industries since 2000, before joining Sipchem in 2009. Dr Smit's current position is General Manager, Marketing & Sales.

Mr. Ibrahim A. Al-Rushoud. Mr Al-Rushoud graduated from KFUPM in 1994 with a Bachelor of Science in Electrical Engineering. He held a number of positions at Saudi Aramco from 1993 to 2004 when he joined

Sipchem as Engineering and Technical Service Department Manager. Mr Al-Rushoud has since held the positions of General Manager, Major Projects and General Manager, IGC Operations. His current position is General Manager, Manufacturing Services.

Ownership of Shares by Directors and Senior Executives as of 31 December 2010

Name	Position	Number of shares held	Percentage shareholding
Dr. Abdulrahman A. Al-Zamil	Director	1,140,000	0.34 per cent.
Mr. Abdulrahman A. Al-Turki	Director	7,550,000	2.27 per cent.
Dr. Abdulaziz A. Al-Gwaiz	Director	30,000	0.01 per cent.
Mr. Fahad S. Al-Rajhi	Director	5,340,000	1.60 per cent.
Eng. Mohammed A. Al-Ghurair	Director	2,788,000	0.84 per cent.
Eng. Ahmed Al-Ohali	CEO and Managing Director	202,521	0.06 per cent.

In addition to the shares directly owned by directors and senior executives of Sipchem set out in the table above, H.E. Eng Abdulaziz A. Al-Zamil and Dr. Abdulrahman A. Al-Zamil each hold 6.8 per cent. of the shares in Zamil Group, Sipchem's largest shareholder, which represents an indirect interest in 10.1 per cent. of Sipchem's shares. Other than the persons listed above, no other director or senior executive (or their relatives) owns any shares in Sipchem other than an indirect interest of 0.4 per cent. through the Sipchem Group's Employee Incentive Programme - see "*- Employee Incentive Programme*" below.

Conflicts of Interest

According to Article 69 of the regulations for companies in Saudi Arabia promulgated under Royal Decree No. M/6 dated 22/3/1385H (corresponding to 20 July 1965) as amended (the **Companies Regulations**) and Article 18 of the Companies Corporate Governance Regulations in the Kingdom of Saudi Arabia, issued by the Board of the CMA under Resolution No. 1-212-2006 on 21 Shawwal 1427H (corresponding to 12 November 2006) (the **Corporate Governance Regulations)**, a director may not have any interest, whether directly or indirectly, in the transactions and contracts made for the account of a company, except with authorisation from the ordinary general meeting of the company, which shall be renewed annually. Transactions made by way of public tender are excluded from this prohibition, if the director has submitted the best offer.

A director must also declare to the board any personal interest he may have in any transactions or contracts made for the account of the company. Such declarations must be recorded in the minutes of the relevant board meeting. In addition, the director in question shall not participate in the voting on any resolution to be adopted in respect of any such transaction or contract.

The chairman of the board shall communicate to the ordinary general meeting of the company (when the meeting is convened) the transactions and contracts in which any director has a personal interest. Such communication shall be accompanied by a special report from the auditor.

Article 70 of the Companies Regulations and Article 18 of the Corporate Governance Regulations also provide that a director may not, without authorisation from the ordinary general meeting of the company, which shall be renewed annually, participate in any business in competition with that of the company, or engage in any of the commercial activities carried on by the company. Otherwise, the company shall have the right either to claim damages from that director or to consider the operations he has conducted for his own account as having been conducted for the account of the company.

Finally, the directors may not vote for any decisions relating to their own remuneration or bonuses and benefits.

Declaration from the Board of Directors and Key Officers

The Directors, the CEO and Managing Director and the Company Secretary confirm that:

- they have neither been declared bankrupt nor have they been subject to bankruptcy proceedings;
- except as disclosed in "*Ownership of shares by directors and senior executives as of 31 December 2010*" above, neither they, nor their relatives, nor any other related party have or has a direct or indirect interest in Sipchem's shares;
- neither they, nor any of their relatives nor any other related party have or has a direct or indirect interest in any contract or arrangement in effect or contemplated and which is significant in relation to the business of the Sipchem Group;
- there are no powers that allow them or any senior executive to borrow from Sipchem or to vote on remuneration to themselves;
- they have not received any commission, discount, brokerage or other non-cash compensation or have been granted special terms of options in connection with the issue or sale of any securities by Sipchem or any of its subsidiaries or affiliates in the two years preceding the date of this Prospectus; and
- Sipchem has no intention to materially change the nature of its business.

Employees

As at 31 December 2010and 2009, the Sipchem Group had 714 and 686 employees, respectively. The table below sets out a breakdown of these employees by the main category of activity of each employee.

Employee numbers by company and function		**2009**			**2010**		
Company	**Function**	**Number of employees**	**Number of Saudi employees**	**Number of non-Saudi employees**	**Number of employees**	**Number of Saudi employees**	**Number of non-Saudi employees**
Sipchem	Executive	13	6	7	12	7	5
	Sub total	**13**	**6**	**7**	**12**	**7**	**5**
Corporate	Public Relations & Corporate Affairs	62	60	2	59	56	3
	Corporate Finance	3	1	2	4	2	2
	Corporate Planning	6	1	5	5	1	4
	Legal	2	1	1	2	1	1

	Product & Application Development Centre	1	0	1	3	0	3
	Sub total	**74**	**63**	**11**	**73**	**60**	**13**
Technical & Shared Services	Manufacturing Services	89	66	23	107	81	26
	Finance & Supply Chain Services	47	33	14	51	39	12
	Human Resources, General Services & IT	52	45	7	52	44	8
	Operational Excellence	22	11	11	25	16	9
	Major Projects	31	20	11	21	6	15
	Sub total	**241**	**175**	**66**	**256**	**186**	**70**
Operations	Planning & Improvement	0	0	0	15	10	5
	Sub total	**0**	**0**	**0**	**15**	**10**	**5**
SMSC	Marketing & Sales	5	4	1	6	5	1
	Sub total	**5**	**4**	**1**	**6**	**5**	**1**
IMC		60	41	19	54	42	12
IDC		63	33	30	59	35	24
IGC		90	53	37	84	48	36
IAC		86	44	42	96	57	39
IVC		54	30	24	59	35	24
	Sub total	**353**	**201**	**152**	**352**	**217**	**135**
	TOTAL	**686**	**449**	**237**	**714**	**485**	**229**

The main reasons for the increased number of employees in 2010 was the establishment of the Department of Planning & Improvement, in addition to the expansion of the Sipchem Group. This resulted in the number of Saudi employees increasing by 36, which reflects the desire of management to increase the proportion of Saudi employees when new employment opportunities arise.

Saudization

Approximately 69 per cent. of the Sipchem Group's employees are Saudi nationals. The Sipchem Group has signed agreements with the Human Resources Development Fund for financing Saudi manpower training and hiring programmes. The Sipchem Group is committed to providing ongoing programmes for training to Saudi nationals in line with its Saudization policy.

Employee Incentive Programme

The Sipchem Group has established an Employee Incentive Programme (**SEIP**). Certain of the founding shareholders have allocated 1,536,697 shares to the SEIP (now 1,690,367 shares following the bonus share issue of 15 March 2011), the cost of which was funded by Sipchem. It is anticipated that this amount may increase through further allocations of shares in the future.

SEIP enables employees to buy shares at a discount and make payments towards the subscription price of any shares purchased in monthly instalments, subject to a minimum subscription of 250. The terms and conditions of the SEIP vary depending on whether the employee is a Saudi national or an ex-patriate. A minimum of one year's service is required for an ex-patriate and three months for a Saudi national. Approximately 27.4 per cent. of the Sipchem Group's employees currently participate in the SEIP.

Employee Savings Plan

Sipchem established a *Shari'a* compliant Employee Savings Plan (**ESP**) in January 2011 for employees who are GCC nationals. Each eligible employee may contribute up to a maximum of 15 per cent. per annum of their basic salary into the ESP and in return, Sipchem will contribute an equal amount to such employee's ESP subject to a maximum of 10 per cent. per annum of the eligible employee's basic salary. The ESP is subject to other terms and conditions relating to when withdrawals may be made from, and the maximum period that funds may remain in, the ESP.

Saudi Housing Programme

The Sipchem Group is in the process of implementing a housing programme for its Saudi national employees who meet certain criteria, including without limitation, a minimum service period. The housing programme envisages the Sipchem Group obtaining finance for, and procuring the construction of, housing developments in the Kingdom. Upon completion of the construction, the houses will be allocated to eligible employees who will be required to make a down payment and on-going payments. The Sipchem Group is considering alternative structures for facilitating the housing programme as between Sipchem and its subsidiaries and affiliates. Sipchem estimates that the total amount of financing that will be required in connection with the construction of the planned housing developments will be approximately SR 487 million.

Corporate Governance Regulations

Sipchem has implemented all of the mandatory rules set out in Articles 9, 12 and 14 of the Corporate Governance Regulations. Sipchem has also implemented the majority of the advisory guidelines set out in the Corporate Governance Regulations including, in particular, the guidelines relating to the rights of shareholders and compliance with disclosure and transparency procedures.

MANAGEMENT’S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

The following discussion and analysis of the Sipchem Group's financial condition and results of operations is based upon and should be read in conjunction with:

- the consolidated financial statements as at and for the year ended 31 December 2008, which have been audited by Deloitte; and

- the consolidated financial statements as at and for the years ended 31 December 2009 and 2010 which have been audited by Ernst and Young.

The audited consolidated financial statements for the years ended 31 December 2008, 2009 and 2010 and the notes thereto (the **Consolidated Annual Financial Statements**), which are included elsewhere in this Offering Circular, have been prepared in compliance with the standards and regulations promulgated by SOCPA and with the relevant provisions of the Companies Regulations and the By-laws relating to the preparation and presentation of consolidated financial statements. The Sipchem Group publishes its financial statements in Saudi Arabian Riyals.

This discussion contains some forward-looking statements that involve risks and uncertainties. Actual results for the Sipchem Group could differ materially from those indicated in any forward-looking statements as a result of various factors, including those discussed below and in "*Risk Factors*".

OVERVIEW

The principal business of the Sipchem Group is the manufacture and sale of basic chemicals and chemical intermediates. Total production from the Sipchem Group's products for the year ended 31 December 2010 was around 2.2 million metric tonnes, making the Sipchem Group one of the largest private sector petrochemical groups in the GCC.

The basic chemicals and chemical intermediates manufactured by the Sipchem Group are methanol, BDO, THF, CO, MAn, AA, AAn and VAM. The end applications of these products include paint, adhesives, textile finishes, automotive plastics, footwear, polyester fibre, plastic packaging and sheets, cigarette filters, pharmaceuticals and electrical wire and cable insulation.

The operations of the Sipchem Group have been designed to capitalise on the availability of relatively cheap supplies of natural gas and other chemical feedstocks in the Kingdom in order to position the Sipchem Group as a low cost producer relative to its international competitors. By using its products as feedstocks for higher value chemical products, the Sipchem Group aims to maintain this advantage as it moves up the petrochemical value chain. This is achieved through the Sipchem Group's different plants and facilities operating as an integrated downstream petrochemical manufacturing processes, with (i) the methanol produced by the Sipchem Group comprising the primary feedstock for its BDO, THF and AA production, (ii) the CO produced by the Sipchem Group providing the other key feedstock for AA production and (iii) AA comprising one of the key feedstocks for the Sipchem Group's VAM production. See "*Description of Sipchem - Integrated Operations*" on page 68 of this Prospectus.

Sipchem established IMC and IDC in 2002 as part of the first stage of the Sipchem Group's development. IMC and IDC commenced production of methanol in December 2004 and BDO, THF and MAn in March 2006, respectively and these two companies accounted for more than 50 per cent. of Sipchem Group’s sales and net income in 2008, 2009 and 2010, respectively.

As part of the second stage of the Sipchem Group's development, Sipchem established IGC, IAC and IVC in 2006, all of which commenced commercial operations in mid-2010. IGC produces CO all of which is currently sold to IAC and the sale proceeds are, therefore, eliminated as inter-company transactions in the Consolidated Financial Statements. Both IAC and IVC generated revenues from the sale of AA and AAn (in the case of IAC) and VAM (in the case of IVC) for the Sipchem Group in the year ended 31 December 2010.

The Sipchem Group's results are affected by fluctuations in the demand for the petrochemical products produced by it. During the first half of 2008, the Sipchem Group benefitted from strong demand and high sales prices although sales prices fell significantly from the third quarter of 2008. These trends principally impacted IMC, whose sales fell by 56 per cent. from SR 1,140 million in 2008 to SR 497 million in 2009, reflecting a fall in the average net back sale price per metric ton of methanol which was above SR 1,000 in 2008 but had fallen to around SR 500 in 2009. However, in 2010 the net back sales prices increased due to greater stability in the global economy and sales increased by 69.8 per cent. from SR 497 million in 2009 to SR 844 million in 2010. The net back sale price is the price realised by the Sipchem Group after taking account of marketing expenses and distributor commissions, see "*– Significant Account Policies – Revenue Recognition*". IDC's sales fell by 34 per cent. from SR 469.5 million in 2008 to SR 308.0 million in 2009, notwithstanding an increase in the volume of its production over the year. However, in 2010 IDC's sales increased by 90.6 per cent. from SR 308 million in 2009 to SR 587 million, mainly due to an increase in sales prices.

In June 2009, Sipchem sold an 11 per cent. interest in each of IVC and IAC to Ikarus Petroleum Industries, a Kuwaiti company, for cash consideration of SR 239.2 million. As a result, Sipchem's ownership interest in these two subsidiaries fell from 87 per cent. to 76 per cent.. Both IVC and IAC commenced commercial production in mid-2010.

In January 2010, Sipchem sold a 25 per cent. interest in IPC to Hanwha Overseas Holdings Ltd., a South Korean company, for cash consideration of SR 79.0 million. As a result, Sipchem's ownership interest in IPC fell from 100 per cent. to 75 per cent. IPC is conducting feasibility studies in relation to its proposed projects and the sale enabled Sipchem to release a substantial part of a provision it had previously made against the proposed projects, see "*- Results of Operations for the Three Years Ended 31 December 2010 – Provision No Longer Required/Provision for Projects' Development Cost*".

SIGNIFICANT ACCOUNTING POLICIES

The Sipchem Group's significant accounting policies are set out in Note 2 to the Consolidated Financial Statements and are summarised below.

Principles of Consolidation

The consolidated financial statements incorporate the financial statements of Sipchem and the financial statements of the subsidiaries which are controlled by Sipchem using unified accounting policies. Control is achieved where Sipchem has the power to govern the financial and operating policies of the subsidiary so as to obtain benefits from its activities. The consolidation of subsidiaries' financial statements starts from the date control is obtained by Sipchem until the date this control is ended. The ownership shares related to other shareholders of consolidated subsidiaries are classified under minority interest in the Consolidated Financial Statements.

All significant inter-group transactions and balances between Sipchem Group companies have been eliminated in preparing the Consolidated Financial Statements.

Accounting Convention

The Consolidated Financial Statements have been prepared using the historical cost convention modified to include the measurement at fair value for the interest rate swaps.

Revenue Recognition

The Sipchem Group makes direct sales to end users of certain of its products and also markets its products through third parties where the price received by Sipchem is related to the sales prices achieved by the third parties, see "*Description of Sipchem – Production and Off-Take Summary*" and "*Description of Sipchem – Operating Companies*". Sales through third parties are recorded at provisional sales prices at the time of shipment, which are later adjusted based on the actual selling prices received by the third parties. Adjustments are made as they become known to the Sipchem Group. Both export and local sales are recognised at the time of delivery of the product at the loading terminals located at the King Fahd Industrial Port in Jubail Industrial City.

Project Development Costs

Project development costs mainly represent legal and feasibility-related costs incurred by Sipchem in respect of developing new projects. Upon the formation of a company to implement the project, the costs associated with the project are transferred to the company so established. Project development costs relating to projects which are determined to be non-viable are written off at the point that the determination is made.

Intangible Assets

Since 1 January 2009, intangible assets represent maintenance costs. The maintenance undertaken by the Sipchem Group is both planned (being regularly scheduled maintenance) and unplanned (relating to unexpected occurrences). Costs incurred in connection with planned maintenance are deferred and amortised over the period to the date of the next planned maintenance. If unplanned maintenance is required, any previously unamortised deferred costs from the date of the previously undertaken planned maintenance are immediately expensed and the unplanned maintenance costs are amortised over the period to the next planned maintenance date.

Prior to 1 January 2009, intangible assets also included debt acquisition and arrangement costs and pre-operating costs incurred in connection the construction of new plants. However, these costs were reclassified to plant and equipment with effect from 1 January 2009 as the Sipchem Group determined that this classification better reflected the nature of the costs involved. See "*– Balance Sheet – Property, Plant and Equipment*" for a discussion of the sums re-classified.

Capitalisation of Construction Costs and Directly Attributable Costs

The Sipchem Group capitalises the construction costs and other costs directly attributable to the projects which it undertakes as the costs are incurred. These costs are recorded in the balance sheet as construction work in progress under property, plant and equipment as and when incurred and are then depreciated in accordance with the Sipchem Group's depreciation policy. In this connection, construction costs include all the costs incurred to bring the assets to the location and working condition necessary for them to be capable of operating in the manner intended, which includes costs of testing to ensure the assets are functioning properly after deducting the net proceeds from the sale of any production generated during the testing phase. Directly attributable costs include employee costs, site preparation costs, installation costs, licensing fees, professional fees and borrowing costs.

Permanent Impairment of Non-Current Assets

At each balance sheet date, the Sipchem Group reviews the carrying values of its property, plant and equipment and other non-current assets to determine whether there is any indication that those assets have suffered impairment. If any such indication exists, the recoverable amount of the affected asset is estimated in order to determine the extent of impairment (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Sipchem Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Where impairment is determined to exist, the carrying value of the affected asset (or cash generating unit) on the balance sheet is reduced to the recoverable value. The difference between the previous and new carrying values is an impairment loss, which is recognised as an expense in the consolidated statement of income in the period in respect of which the loss arises.

Where an impairment loss subsequently reverses, the carrying value of the affected asset (cash generating unit) is increased to the lower of the revised estimate of its recoverable amount and the carrying amount that would have been determined had no impairment loss been recognised for the affected asset (cash generating unit) in prior years. The difference between the previous and new carrying values is recognised as income in the consolidated statement of income in the period in respect of which it arises.

See "*Results of Operations - Provision for Project Cost/Provision No Longer Required*" for a discussion of the provision recorded by the Sipchem Group in 2008 and substantially reversed by it in 2009.

Derivative Financial Instruments

Derivative financial instruments are initially recorded in the consolidated balance sheet at cost and are re-measured to fair value at subsequent balance sheet dates.

A cash flow hedge is a hedge of the exposure to variability in cash flows relating to a recognised asset or liability, an unrecognised firm commitment or a forecasted transaction. To the extent that the hedge is effective, the portion of the gain or loss on the hedging instrument is recognised initially directly in equity and offset in long term liabilities and minority interests. Subsequently, the recorded liability and equity amounts are adjusted as of the date of the relevant financial statements for mark-to-market changes based on the cost of procuring a similar hedge for the remaining hedge period. For hedges of forecasted transactions, the gain or loss on the hedging instrument will adjust the recorded carrying amount of the acquired asset or liability.

See Note 11 to the Consolidated Annual Financial Statements for a description of the hedging transactions entered into by certain Sipchem Group companies.

Provision for obligations

A provision is recognised when the Sipchem Group has a legal or constructive obligation as a result of a past event, and the settlement of such obligations is probable and can be measured reliably.

RESULTS OF OPERATIONS FOR THE THREE YEARS ENDED 31 DECEMBER 2010

The following table shows the Sipchem Group's consolidated statements of income for the three years ended 31 December 2008, 2009, and 2010 respectively.

	Year ended 31 December			
	2008	**2009**	**2010**	**Compound Annual Growth Rate (CAGR)**
		(*SR thousands*)		
Sales	1,708,582	830,403	1,992,536	8%
Cost of sales	(693,775)	(594,666)	(1,131,183)	28%
Gross profit	1,014,807	235,737	861,353	-8%
General and administrative expenses	(70,687)	(67,405)	(97,202)	17%
Income from main operations	**944,120**	**168,332**	**764,151**	**-10%**
Investment income	52,722	14,726	7,533	-62%
Provision no longer required/(Provision for projects' development cost)	(77,600)	75,000	-	-100%
Financial charges	(79,118)	(45,388)	(107,246)	16%
Net (expenses)/income of pre-operating activities	504	(1,708)	(958)	-
Other (expenses)/income	10,058	(560)	(3,430)	-
Income before minority interest and zakat	**850,686**	**210,402**	**660,050**	**-12%**
Minority interest	(283,526)	(29,164)	(238,029)	-8%
Income before zakat	**567,160**	**181,238**	**422,021**	**-14%**
Zakat	(30,379)	(40,358)	(43,943)	20%
Net income	**536,781**	**140,880**	**378,078**	**-16%**

Source: Consolidated Annual Financial Statements

Sales

The principal products sold by the Sipchem Group in the three years ended 31 December 2010 were methanol produced by IMC, BDO, THF and MAn produced by IDC, AA and AAn produced by IAC, VAM produced by IVC and CO produced by IGC. The table below shows the Sipchem Group's revenues from the sales by IMC, IDC and others for the three years ended 31 December 2008, 2009, and 2010 respectively.

	Year ended 31 December						
	2008	**% of total**	**2009**	**% of total**	**2010**	**% of total**	**CAGR**
			(*SR thousands*)				
IMC	1,140,782	67%	497,020	60%	844,059	42%	-14%
IDC	469,450	27%	308,031	37%	587,212	29%	12%
Other	292,759	17%	190,111	23%	1,409,163	71%	119%
Intercompany adjustments	(194,409)	-11%	(164,759)	-20%	(847,898)	-43%	109%
Total sales	**1,708,582**	**100%**	**830,403**	**100%**	**1,992,536**	**100%**	**8%**

Source: Audited financial statements of the respective companies for the years ended 31 December 2008, 2009 and 2010

The table below shows the Sipchem Group's revenues from its sales by region for the three years ended 31 December 2008, 2009 and 2010, respectively.

	Year ended 31 December		
	2008	2009	2010
		(*Saudi Riyals*)	
USA	65,397,342	2,362,391	10,121,115
Europe	609,119,084	242,420,157	463,852,303
Asia	731,071,039	375,541,680	777,043,053
Local, Middle East and India	302,994,196	210,078,606	741,519,542
Total sales	**1,708,581,661**	**830,402,834**	**1,992,536,013**

Source: Management accounts for the years ended 31 December 2008, 2009 and 2010

Sipchem's sales have grown at a CAGR of 8 per cent. from SR 1,708 million in 2008 to SR 1,992 million in 2010, mainly due to the increase in sales of IDC by a CAGR of 12 per cent. and sales increases from other companies within the Sipchem Group i.e. IGC, IAC and IVC, which commenced commercial operations in 2010, by a CAGR of 119 per cent. This was partially offset by a decrease in IMC's sales by a CAGR of 14 per cent. In 2010 the sales of IGC, IAC and IVC were SR 94 million, SR 272 million and SR 362 million, respectively, as against no sales for each of these companies in 2009 and 2008.

The reasons for the above changes are explained in more detail below:

- The Sipchem Group's sales decreased in 2009 by SR 878,179 thousand, or 51.4 per cent., from SR 1,708,582 thousand in 2008 to SR 830,403 thousand. This decrease principally reflected significantly lower sale prices realised by IMC in the first nine months of 2009 compared to the equivalent period of 2008 but this trend also impacted the Sipchem Group's other sales in 2009. As a result of the global economic slowdown and financial crisis the sales prices of petrochemical products dropped considerably.

- The Sipchem Group's sales increased in 2010 by SR 1,162,133 thousand, or 139.9 per cent., from SR 830,403 thousand in 2009 to SR 1,992,536 thousand. This increase reflected higher sales prices realised by IMC in 2010 compared to 2009, higher sales prices and volumes achieved by IDC in 2010 compared to 2009 and the sales recorded by IGC, IAC and IVC in 2010, which accounted for the majority of the increase in the "Other" category in the table above. All CO sales made by IGC are eliminated at the consolidated level since all of these sales are made to IAC and the AA sales by IAC to IVC for the production of VAM are similarly eliminated.

Cost of Sales

In addition to the cost of raw materials, which accounts for the majority of cost of sales, the Sipchem Group also includes a range of other costs in its cost of sales. These costs include the salaries and benefits of the employees directly engaged in the production process, the cost of spare parts used, training costs and a range of other cash expenses. In addition, cost of sales includes non cash depreciation expenses related to operations and amortisation of intangible assets related to the production process, such as the amortisation of maintenance costs. In the year ended 31 December 2009, non cash expenses comprised 28.8 per cent. of total cost of sales.

The main raw material used by IMC is natural gas, which is supplied by Saudi Aramco under a long-term contract at what have been historically low prices, see "*Description of Sipchem – Competitive Strengths – Secure low cost feedstock supplies*" and "*Description of Sipchem – Sipchem – Supply Arrangements*".

The main raw materials used by IDC are methanol, hydrogen and butane. IDC purchases its methanol and hydrogen from IMC under a long-term contract at a fixed price in the case of hydrogen and a variable market price in the case of methanol. IDC purchases its butane from Saudi Aramco under a long-term contract at prices which are a combination of market based prices and Saudi Aramco's yearly fixed butane rate. See "*Description of Sipchem – Operating Companies – Phase 1 – International Methanol Company and International Diol Company – International Diol Company – Sales and Marketing*" on page 88 of this Prospectus.

The main raw material used by IGC is natural gas, which is supplied by Saudi Aramco on the same terms as for IMC above.

The main raw material used by IAC is methanol. IAC purchases its methanol from IMC under a long-term contract at a variable market price. IAC also purchases CO and hydrogen under a long-term contract with IGC. See "*Description of Sipchem - Phase II - International Gases Company, International Acetyl Company and International Vinyl Acetate Company - International Acetyl Company - Sales and Marketing*" on page 93 of this Prospectus.

The main raw materials used by IVC are AA and ethylene. IVC purchases its AA from IAC under a long-term contract at its cost price. IVC's ethylene is supplied by SEPC at a purchase price based on the European contract price for ethylene less duties and freight costs relating to the shipment of ethylene to Europe from the Kingdom. See "*Description of Sipchem - Phase II - International Gases Company, International Acetyl Company and International Vinyl Acetate Company - International Vinyl Acetate Company - Sales and Marketing*" on page 95 of this Prospectus.

The table below shows the Sipchem Group's cost of sales for each of IMC, IDC and the other companies within the Sipchem Group for the three years ended 31 December 2008, 2009, and 2010 respectively.

	Year ended 31 December						
	2008	**% of total**	**2009**	**% of total**	**2010**	**% of total**	**CAGR**
			(*SR thousands*)				
IMC	300,513	43%	267,615	45%	272,479	24%	-5%
IDC	404,722	58%	338,991	57%	373,949	33%	-4%
Other	182,949	26%	152,819	26%	1,335,582	118%	170%
Intercompany adjustments	(194,409)	-28%	(164,759)	-28%	-850,826	-75%	109%
Total Cost of Sales	**693,775**	**100%**	**594,666**	**100%**	**1,131,183**	**100%**	**28%**

Source: Audited financial statements of the respective companies for the years ended 31 December 2008, 2009 and 2010

The total of the Sipchem Group's cost of sales has grown at a CAGR of 28 per cent. from SAR 694 million in 2008 to SR 1,131 million in 2010. This is mainly due to the increase in cost of sales of IGC, IAC and IVC as they commenced commercial operation in 2010 by a CAGR of 170 per cent., which was offset slightly by a decrease in the costs of sales of IMC and IDC by a CAGR of 5 per cent. and 4 per cent., respectively. In 2010 the cost of sales of IGC, IAC, and IVC were SR 92 million, SR 265 million and SR 382 million, respectively, as against no cost of sales for each of these companies in 2009.

The reasons for the above changes are explained in more detail below:

- The Sipchem Group's cost of sales decreased in 2009 by SR 99,109 thousand, or 14.3 per cent., from SR 693,775 thousand in 2008 to SR 594,666 thousand. This decrease principally reflected decreases in the cost prices of butane used in the operations of IDC.

- The Sipchem Group's cost of sales increased in 2010 by SR 536,517 thousand, or 90.2 per cent., from SR 594,666 thousand in 2009 to SR 1,131,183 thousand. This increase reflected both increased volumes of products sold by IDC as well as increases in the cost prices of raw materials, especially ethylene and butane, together with the impact of the cost of sales incurred by each of IGC, IAC and IVC in 2010.

Gross Profit

Reflecting the above factors, the Sipchem Group's gross profit decreased by a CAGR of 8 per cent. from SR 1,014 million in 2008 to SR 861 million in 2010. This was due to an increase in sales by a CAGR of only 8 per cent. while cost of sales increased by a CAGR of 28 per cent..

Gross profit decreased in 2009 by SR 779,070 thousand, or 76.8 per cent., from SR 1,014,807 thousand in 2008 to SR 235,737 thousand and increased in 2010 by SR 625,616 thousand, or more than 265 per cent., from SR 235,737 thousand in 2009 to SR 861,353 thousand.

The Sipchem Group's gross profit margin was 59.4 per cent. in 2008, 28.4 per cent. in 2009 and 43.2 per cent. in 2010, reflecting the fact that a proportion of its cost of sales is not sensitive to volumes produced or movements in market prices of its raw materials.

General and Administrative Expenses

The table below shows the Sipchem Group's general and administrative expenses for the three years ended 31 December 2008, 2009, and 2010 respectively.

	Year ended 31 December						
	2008	**% of total**	**2009**	**% of total**	**2010**	**% of total**	**CAGR**
			(*SR thousands*)				
Employee costs	41,353	59%	38,573	57%	64,637	66%	25%
Board of directors fees and expenses	1,217	2%	1,116	2%	1,367	1%	6%
Depreciation	9,101	13%	7,485	11%	5,250	5%	-24%
Others	19,016	27%	20,231	30%	25,948	27%	17%
Total general and administrative expenses	**70,687**	**100%**	**67,405**	**100%**	**97,202**	**100%**	**17%**

Source: Consolidated Annual Financial Statements

Total general and administrative expenses have increased from SR 71 million in 2008 to SR 97 million in 2010 thereby having a positive CAGR of 17 per cent. This is mainly due to an increase in employee costs by a CAGR of 25 per cent., which represents 66 per cent. of the total of general and administrative expenses in 2010. Other costs has increased by a CAGR of 17 per cent. while depreciation cost has decreased by a CAGR of 24%. This is further explained below:

- Employee costs comprise salaries and other allowances provided to permanent employees other than those whose salaries are charged under cost of sales. Employee costs decreased in 2009 by SR 2,780 thousand, or 6.7 per cent., from SR 41,353 thousand in 2008 to SR 38,573 thousand as the Sipchem Group sought to further manage and reduce its employee costs against the background of adverse market conditions by not hiring staff as planned and not replacing staff that resigned. These increased in 2010 by SR 26,064 thousand, or 67.6 per cent., from SR 38,573 thousand in 2009 to SR 64,637 thousand, which principally reflected the effect of the commencement of commercial operations by IGC, IAC and IVC.

- Board of directors' fees and expenses comprise the remuneration paid to members of the Board as well as certain allowances and expenses incurred by them. The amount of these expenses has not changed materially in each year.

- Depreciation comprises the depreciation costs of furniture, software, office equipment, motor vehicles and other assets which are related to the administration offices and are not charged under cost of sales. In 2009, depreciation expenses fell by SR 1,616 thousand, or 17.8 per cent., from SR 9,101 thousand in 2008 to SR 7,485 thousand and decreased again in 2010 by a further SR 2,235 thousand, or 29.85 per cent., to SR 5,250 thousand. The decrease in 2009 was as a result of the full depreciation in 2008 of certain motor vehicles and information technology (**IT**) assets of IDC and IMC and the decrease in 2010 was again as a result of the full depreciation of certain IT assets.

- Other expenses include the cost of office supplies, stationery, subscriptions, donations, and participation in local and international exhibitions and seminars. Other expenses increased in 2009 by SR 1,215 thousand, or 6.4 per cent., from SR 19,016 thousand in 2008 to SR 20,231 thousand and increased again in 2010 by a further SR 5,717 thousand, or 28.3 per cent., to SR 25,948. Other expenses have increased generally over this period, although most of the increase in 2010 was due to the commencement of commercial operations by IVC, IGC and IAC. Previously these expenses were included as pre-operating expenses.

Investment Income

Investment income comprises the income earned by the Sipchem Group on its cash and cash equivalent balances by making short term investments in murabaha deposits. Investment income of Sipchem group has decreased by a CAGR of 62 per cent. from SR 53 million in 2008 to SR 8 million in 2010, mainly due to the following reasons:

- The Sipchem Group's investment income decreased in 2009 by SR 37,996 thousand, or 72.1 per cent., from SR 52,722 thousand in 2008 to SR 14,726 thousand. Reflecting its significantly lower sales revenues in 2009 as compared to 2008, the Sipchem Group utilised its cash and cash equivalents in 2009 and, as a result, its murabaha deposits were SR 1,365 million at the end of 2009 as compared to SR 2,142 million at the end of 2008.

- The Sipchem Group's investment income decreased in 2010 by SR 7,193 thousand, or 48.8 per cent., from SR 14,726 thousand in 2009 to SR 7,533 thousand. This reflected reduced cash balances invested in murabaha deposits as the Sipchem Group made significant investments in the projects being undertaken by IGC, IAC and IVC as well as generally lower rates received on the investments in 2010 when compared to 2009.

Provision No Longer Required/Provision for Projects' Development Cost

During 2008, the Sipchem Group recorded a provision of SR 77.6 million against the development costs incurred in relation to IPC. Although Sipchem had not decided to terminate the project, the provision was taken as a conservative measure against the background of rapidly decreasing petrochemical sales prices and falling demand. In the first quarter of 2009, SR 25 million of this provision was reversed as market conditions began to improve. Later in 2009, a further SR 50 million of the provision was reversed following a joint venture being agreed in relation to IPC in which the previously incurred project development costs were accepted by the joint venture partners. As a result, SR 75 million of the SR 77.6 million provision against the development costs of new projects made in 2008 was reversed in 2009. The remainder of this provision reversed in 2010 as market conditions were still positive.

Financial Charges

Financial charges are principally related to the financial facilities obtained by the Sipchem Group. Financial charges of the Sipchem group have increased by a CAGR of 16 per cent. from SR 79 million in 2008 to SR 107 million in 2010, mainly due to IGC, IAC and IVC and IGC commencing commercial operations in 2010. This resulted in the financial charges of these companies which were capitalised in 2008 and 2009 being charged to the income statement from the commencement of commercial operations in 2010. This is explained in more detail below.

Financial charges decreased in 2009, by SR 33,730 thousand, or 42.6 per cent., from SR 79,118 thousand in 2008 to SR 45,388 thousand. These declines reflected:

- a significant decrease in interest rates from the fourth quarter of 2008 which reduced the cost of the Sipchem Group's unhedged floating rate borrowings;
- the repayment in 2008 of all the short-term loans obtained by the Sipchem Group which amounted to SR 878 million at 31 December 2007. The Sipchem Group had paid SR 10 million and SR 9 million as financial expenses in relation to these loans in 2007 and 2008 respectively;
- the prepayments by IMC of an SR 52.4 million SIDF loan balance in 2009; and
- a 10 per cent. decrease in IMC's capital lease obligations in each year as the lease was repaid in accordance with its terms.

The financial charges incurred by each of IGC, IAC and IVC over the majority of this three year period were capitalised as each of these companies remained in the pre operating stage until mid-2010.

The Sipchem Group's financial charges increased in 2010 by SR 61,858 thousand, or 136.3 per cent., from SR 45,388 thousand in 2009 to SR 107,246 thousand. This increase principally reflected the inclusion of financial charges in relation to loans made to IGC, IAC and IVC as an expense following their commencement of commercial operations. Prior to that as discussed above in 2009, these financial charges were capitalised as construction work in progress.

Other Expenses/Income

The Sipchem Group's other expenses/income principally comprise non-recurring items. Other expenses/income decreased in 2009, by SR 10,618 thousand from income of SR 10,058 thousand in 2008 to an expense of SR 560 thousand.

The Sipchem Group's other expenses/income also decreased in 2010 by a further SR 2,870 thousand, or 514 per cent., to expenses of SR 3,430 thousand due to the other expenses relating to IGC, IAC and IVC being included as part of pre-operating expenses in 2009 but as other expenses from the commencement of commercial operation in 2010.

Income before Minority Interest and Zakat

Reflecting the above factors, the Sipchem Group's income before minority interest and zakat decreased in 2009 by SR 640,284 thousand, or 75.3 per cent., from SR 850,686 thousand in 2008 to SR 210,402 thousand and increased in 2010 by SR 449,648 thousand, or 213.7 per cent., to SR 660,050 thousand.

Minority Interest

Minority interest represents the interest of non-Sipchem Group shareholders in Sipchem's subsidiaries. Minority interest was SR 283,526 thousand in 2008, SR 29,164 thousand in 2009 and SR 238,029 thousand in 2010. The increase in minority interest in 2010 as compared to 2009 reflected the fact that the minority shareholders' share of profits in certain subsidiaries was more than the minority shareholders' share of losses in other subsidiaries.

Zakat

In general, in the Kingdom zakat is levied at a fixed rate of 2.5 per cent. on the higher of adjusted taxable profits or the zakat base. The CAGR of zakat for the Sipchem Group from 2008 to 2010 was 20 per cent. mainly due to the following reasons:

- The Sipchem Group's zakat charge was SR 30,379 thousand in 2008 SR 40,358 thousand in 2009, reflecting an increase in the Sipchem Group's zakat base over these two years.

- The Sipchem Group's zakat charge in 2010 increased by SR 3,585 thousand to SR 43,943 thousand, reflecting changes in the Sipchem Group's zakat base which increased in 2010 due to its increased profits but this was partially offset by the Sipchem Group increasing its investment in the projects being undertaken by IGC, IAC and IVC, diluting its interest in IPC by 25 per cent. and paying a dividend of SR 333 million.

Net Income

Reflecting the above factors, net income of theSipchem group has decreased by a CAGR of 16 per cent. from SR 537 million in 2008 to SR 378 million in 2010. The Sipchem Group's net income decreased in 2009 by SR 395,901 thousand, or 73.8 per cent., from SR 536,781 thousand in 2008 to SR 140,880 thousand and increased in 2010 by SR 237,198 thousand, or 168.4 per cent., from SR 140,880 thousand in 2009 to SR 378,078 thousand.

The Sipchem Group's net income margin was 31.4 per cent. in 2008, 17.0 per cent. in 2009 and 19 per cent. in 2010.

CASH FLOW FOR THE THREE YEARS ENDED 31 DECEMBER 2010

The table below summarises the Sipchem Group's cash flows for the three years ended 31 December 2008, 2009 and 2010, respectively.

	Year ended 31 December			
	2008	**2009**	**2010**	**CAGR**
		(*SR thousands*)		
Net cash (used in)/from operating activities	1,214,127	(174,858)	374,839	-44%
Net cash used in investing activities	(2,807,286)	(1,327,160)	-305,858	-67%
Net cash from financing activities	2,612,181	752,186	-279,539	-
Net change in cash and cash equivalents	**1,019,022**	**(749,832)**	**-210,558**	**-**
Cash and cash equivalents at 1 January	1,562,012	2,581,034	1,831,202	8%
Cash and cash equivalents at 31 December	**2,581,034**	**1,831,202**	**1,620,644**	**-21%**

Source: Consolidated Annual Financial Statements

As outlined in the above table, the Sipchem Group had a negative cash and cash equivalent CAGR from 2008 to 2009 of 21 per cent., with cash and cash equivalents reducing from SR 2,581 million in 2008 to SR 1,620 million in 2010. This was as a result of a negative CAGR for operating, investing and financing activities which is explained in more details below:

In 2008, the Sipchem Group's net cash from operations was SR 1,214,127 thousand. The Sipchem Group's net cash used in investing activities in 2008 was SR 2,807,286 thousand, principally reflecting the cost of construction activities related to the projects being undertaken by IGC (amounting to SR 617 million), IAC (amounting to SR 1,316 million) and IVC (amounting to SR 735 million). The net cash raised by the Sipchem Group from financing activities in 2008 was SR 2,612,181 thousand. This reflected the net effect of the following:

- SR 1,967,008 thousand raised through a rights issue;
- SR 1,981,350 in net new long-term borrowing;
- the repayment of SR 878,250 thousand in short-term loans; and
- the payment of SR 333,333 thousand in dividends by Sipchem.

In 2009, the Sipchem Group's net cash used in operations was SR 174,858 thousand. This principally reflected the significantly lower profit of the Sipchem Group in 2009 compared to the previous year. The Sipchem Group's net cash used in investing activities in 2009 was SR 1,327,160 thousand, principally reflecting the cost of construction activities related to the projects being undertaken by IGC (amounting to SR 80.3 million), IAC (amounting to SR 772 million) and IVC (amounting to SR 576 million). In 2009, the Sipchem Group received SR 239,209 thousand in proceeds from the sale of an 11 per cent. interest in each of IVC and IAC. The net cash raised by the Sipchem Group from financing activities in 2009 was SR 752,186 thousand. This primarily reflected the net effect of the following:

- SR 1,179,122 thousand in net new long-term borrowing and SR 122,041 thousand in long-term advances from shareholders of joint venture companies;
- A decrease of SR 203,088 in minority interest; and
- the payment of SR 333,333 thousand in dividends by Sipchem.

In 2010, the Sipchem Group's net cash used in operating activities was SR 374,839 thousand. The Sipchem Group's net cash used in investing activities in 2010 was SR 305,858 thousand, principally reflecting the final costs of construction activities related to the projects being undertaken by IGC, IAC and IVC before these companies commenced commercial operations in mid-2010. The net cash used by the Sipchem Group in financing activities in 2010 was SR 279,539 thousand and principally reflected capital lease repayments and a change in minority interest and dividends paid aggregating SR 466,222 thousand less net long-term loans borrowed and partner advances made.

BALANCE SHEET

The table below shows the Sipchem Group's balance sheet as at 31 December, 2008, 2009 and 2010.

	As at 31 December			
	2008	**2009**	**2010**	**CAGR**
		(*SR thousands*)		
Current assets				
Cash and cash equivalents	2,581,034	1,831,202	1,620,644	-21%
Accounts receivable, prepayments and other receivables	153,861	307,792	596,395	97%
Inventories	106,729	78,682	208,530	40%
Total current assets	**2,841,624**	**2,217,676**	**2,425,569**	**-8%**
Non-current assets				
Property, plant and equipment	7,682,107	9,517,403	9,505,559	11%

Projects' development cost	109,733	52,032	62,624	-24%
Intangible assets	199,925	31,092	32,793	-59%
Total non-current assets	**7,991,765**	**9,600,527**	**9,600,976**	**10%**
Total assets	**10,833,389**	**11,818,203**	**12,026,545**	**5%**
Current liabilities				
Accounts payable, other payables and provisions	803,601	620,189	446,523	-25%
Short-term advances from partners	29,928	19,492	3,276	-67%
Current portion of long-term loans	103,064	220,610	363,901	88%
Obligations under capital lease – current portion	42,811	42,811	42,811	0%
Total current liabilities	**979,404**	**903,102**	**856,511**	**-6%**
Non-current liabilities				
Long-term loans	3,136,393	4,240,780	4,201,965	16%
Obligations under capital lease	444,162	401,351	358,541	-10%
Long-term advances from partners	135,131	257,172	355,595	62%
Employees' terminal benefits	33,531	40,319	52,611	25%
Fair value of interest rate swaps	246,501	143,524	187,429	-13%
Total non-current liabilities	**3,995,718**	**5,083,146**	**5,156,141**	**14%**
Total liabilities	**4,975,122**	**5,986,248**	**6,012,652**	**10%**
Shareholders' equity and minority interest				
Share capital	3,333,333	3,333,333	3,333,333	0%
Statutory reserve	864,300	878,388	916,196	3%
General reserve	275,000	275,000	275,000	0%
Reserve for the results of sale of shares in subsidiaries	-	54,519	48,893	-10%
Retained earnings	692,500	483,759	488,496	-16%
Net change in fair value of interest rate swaps	(200,539)	(102,917)	(140,434)	-16%
Total shareholders' equity	**4,964,594**	**4,922,082**	**4,921,484**	**0%**
Minority interest	**893,673**	**909,873**	**1,092,409**	**11%**
Total shareholders' equity and minority interest	**5,858,267**	**5,831,955**	**6,013,893**	**1%**
Total liabilities, shareholders' equity and minority interest	**10,833,389**	**11,818,203**	**12,026,545**	**5%**

Source: Consolidated Annual Financial Statements

Assets

Total assets of the Sipchem Group have increased by a CAGR of 5 per cent. over the period from 2008 to 2010, with total assets of SR 10,833 million in 2008 and SR 12,027 million in 2010. This was mainly due to an increase in non-current assets by a CAGR of 10 per cent. from SR 7,992 million in 2008 to SR 9,601 million in 2010 and a decrease in current assets by a CAGR of minus 8 per cent. from SR 2,842 million in 2008 to SR 2,426 million in 2010. This is explained in more detail below.

The Sipchem Group's most significant assets are its property, plant and equipment and its cash and cash equivalents which, together, comprised 93 per cent. of its total assets at 31 December 2010, 96 per cent. of its total assets at 31 December 2009 and 95 per cent. of its total assets at 31 December 2008.

Property, Plant and Equipment

Information relating to the Sipchem Group's property, plant and equipment is set out in Note 6 to the Consolidated Annual Financial Statements.

Property plant and equipment of the Sipchem Group has increased from SR 7,682 million in 2008 to SR 9,505 million in 2010 at a positive CAGR of 11 per cent. mainly due to the capitalisation of the plants and facilities of IGC, IAC and IVC, as explained below.

As at 31 December 2009, 79 per cent. of the Sipchem Group's property, plant and equipment comprised construction work in progress related to projects being undertaken by subsidiaries including, in particular, IAC, IGC and IVC. In addition, a further 23 per cent. comprised plant and machinery principally owned by IMC and IDC.

As at 31 December 2010, only 4 per cent. of the Sipchem Group's property, plant and equipment comprised construction work in progress while 92 per cent. comprised plant and machinery. This change reflected the completion of the projects undertaken by each of IGC, IAC and IVC during the year ended 31 December 2010.

Certain of the Sipchem Group's property, plant and equipment has been pledged as security against loans borrowed by Sipchem Group companies. See "*– Liabilities – Borrowings*".

Effective 1 January 2009, the Sipchem Group reclassified certain debt acquisition and arrangement costs and pre-operating costs from intangible assets to plant and equipment to better reflect their nature, as the costs transferred were directly attributable to the construction of plants. Accordingly, SR 32 million in IMC and SR 81 million in IDC was transferred from intangible cost to plant and equipment.

In 2010, the Sipchem Group changed the estimated useful lives of its plants from 20 years to 25 years to better reflect the estimated useful lives of these plants. The change in estimate was accounted for prospectively with effect from 1 January 2010. As a result, net income for the year ended 31 December 2010 was SR 16 million higher than it would have been had the change not been made.

Cash and Cash Equivalents

The table below shows the Sipchem Group's cash and cash equivalents as at 31 December 2008, 2009 and 2010 respectively.

	As at 31 December			
	2008	**2009**	**2010**	**CAGR**
		(*SR thousands*)		
Cash and bank balances	438,767	466,013	453,818	2%
Murabaha deposits	2,142,267	1,365,190	1,166,826	-26%
Total cash and cash equivalents	**2,581,034**	**1,831,202**	**1,620,644**	**-21%**

Source: Consolidated Annual Financial Statements

The Sipchem Group's cash and cash equivalents comprise cash held on short-term deposit with banks and invested in murabaha deposit arrangements with maturities of less than three months. The Sipchem Group holds its cash balances with Saudi Arabian banks and in accordance with the terms of its financing arrangements to the extent applicable.

The Sipchem Group's cash and cash equivalents have decreased from SR 2,581 million in 2008 to SR 1,620 million in 2010, resulting in a CAGR of minus 21 per cent., which is explained in the cash flow section above.

Accounts Receivable and Other Receivables

	As at 31 December			
	2008	2009	2010	CAGR
		(*SR thousands*)		
Trade receivables	106,040	251,831	517,474	121%
Accrued investment income	1,791	1,820	1,281	-15%
Prepayments and other receivables	46,030	54,141	77,640	30%
Total accounts receivable and other receivables	**153,861**	**307,792**	**596,395**	**97%**

Source: Consolidated Annual Financial Statements

Accounts receivable and other receivables have increased by a CAGR of 97 per cent. from SR 154 million in 2008 to SR 596 million in 2010, mainly due to an increase in trade accounts receivable by a CAGR of 121 per cent. followed by an increase in prepayments and other receivables by a CAGR of 30 per cent.. This was partially offset by a CAGR of minus 15 per cent. for accrued investment income. The reasons for this increase in trade and other receivables are explained below:

- The Sipchem Group's trade receivables amounted to SR 106,040 thousand at 31 December 2008, SR251,831 thousand at 31 December 2009 and SR 517,474 thousand at 31 December 2010. The outstanding balance of the trade receivables at 2008 represents the uncollected portion of IMC, IDC and Sipchem sales and, in 2009 and 2010, also includes receivables of SMSC as it commenced its commercial operations in 2009 and in 2010 includes receivables of IGC, IVC and IAC due to the commencement of their respective operations.

- The average credit period in relation to the Sipchem Group's trade receivables increased from 33 days in 2008 to 135 days in 2009 and then to 109 days in 2010. The Sipchem Group's terms of sale include credit periods ranging from 45 days to 90 days depending on the subsidiary and customer involved. The decrease in the number of days in 2008 as compared to 2009 and 2010 principally reflects the significant decrease in sales made by IMC and IDC in the last months of 2008. Out of SR 1,709 million total revenue generated by the Sipchem Group during 2008, only SR 236 million, or 14 per cent., was generated in the fourth quarter of 2008. The subsequent increase in the credit period in 2009 reflected extended credit periods granted by the Sipchem Group in the context of adverse market conditions.

Liabilities

Total liabilities of Sipchem group have increased by a CAGR of 10 per cent. from SR 4,975 million in 2008 to SR 6,013 million in 2010, which is mainly due to an increase in non-current liabilities by a CAGR of 14 per cent. from SR 3,996 million in 2008 to SR 5,156 million in 2010 and a decrease in current liabilities by a CAGR of minus 6 per cent. from SR 979 million in 2008 to SR 857 million in 2010. These changes are explained in more detail below.

The Sipchem Group's principal liabilities are its borrowings and its accounts payable and other liabilities which, together, accounted for 50 per cent. of the Sipchem Group's total liabilities at 31 December 2010 and at 31 December 2009 and 54 per cent. of its total liabilities at 31 December 2008.

Borrowings

The total borrowings of the Sipchem Group have increased by a CAGR of 17 per cent. from SR 3,891 million in 2008 to SR 5,326 million in 2010, which is mainly due to an increase in long term borrowings by a CAGR of 15 per cent. from SR 3,715 million in 2008 to SR 4,916 million in 2010 and an increase in short term borrowings by a CAGR of 53 per cent. from SR 176 million in 2008 to SR 410 million in 2010.

The Sipchem Group's borrowings comprise loans from commercial banks, advances from partners and obligations under capital leases, each of which are described in more detail below. The table below summarises the Sipchem Group's borrowings at 31 December in each of 2008, 2009 and 2010.

	As at 31 December			
	2008	**2009**	**2010**	**CAGR**
	(*SR thousands*)			
Short-term advances from partners	29,928	19,492	3,276	-67%
Current portion of long-term loans	103,064	220,610	363,901	88%
Current portion of obligations under capital lease	42,811	42,811	42,811	0%
Total short-term borrowings	**175,803**	**282,913**	**409,988**	**53%**
Long-term loans	3,136,393	4,240,780	4,201,965	16%
Obligations under capital lease	444,162	401,351	358,541	-10%
Long-term advances from partners	135,131	257,172	355,595	62%
Total long-term borrowings	**3,715,686**	**4,899,303**	**4,916,101**	**15%**
Total borrowings	**3,891,489**	**5,182,216**	**5,326,089**	**17%**

Source: Consolidated Annual Financial Statements

Short-Term Advances from Partners

During 2008, IVC and IAC obtained short-term advances from their non-Sipchem Group shareholders in the form of bridge loans to fund the ongoing construction activities of these companies. These short-term funds carry financial charges at nominal commercial rates. Short term advances from partners have decreased from 2008 to 2010 by a CAGR of minus 67 per cent. due to repayments made to partners in 2009 and 2010.

Long-Term Loans

The table below summarises the Sipchem Group's long-term loans at 31 December in each of 2008, 2009 and 2010 respectively.

	As at 31 December		
	2008	**2009**	**2010**
	(*SR thousands*)		
Syndicated bank loans			
For IDC – current portion	20,893	20,893	-
For IDC – long term portion	104,464	83,571	104,464
For IVC – current portion	-	23,312	44,293
For IVC – long term portion	462,832	439,508	399,806
For IAC – current portion	-	40,503	76,955
For IAC – long term portion	810,057	769,554	694,624
For IGC – current portion	-	4,027	7,653
For IGC – long term portion	80,548	76,521	69,070
SIDF Loan			
For IMC – current portion	24,796	-	-
For IMC – long-term portion	83,392	-	-
For IDC – current portion	-	7,000	30,000
For IDC – long-term portion	377,000	370,000	340,000
For IVC – current portion			20,000
For IVC – long term portion	320,000	320,000	380,000
For IAC – current portion	-	-	20,000
For IAC – long term portion	320,000	320,000	380,000
For IGC – current portion	-	-	30,000
For IGC – long term portion	261,600	320,000	370,000
PIF Loan			

For IDC – current portion	57,375	57,375	-
For IDC – long term portion	316,500	259,125	316,500
For IVC – current portion	-	21,937	43,875
For IVC – long term portion	-	416,813	372,938
For IAC – current portion	-	38,437	76,875
For IAC – long term portion	-	730,313	653,438
For IGC – current portion	-	7,125	14,250
For IGC – long term portion	-	135,375	121,125
Gross total	**3,239,457**	**4,461,390**	**4,565,866**
Less: current portion	**103,064**	**220,610**	**363,901**
Total long-term loans	**3,136,393**	**4,240,780**	**4,201,965**

Source: Audited financial statements of the respective companies for the years ended 31 December 2008, 2009 and 2010

Syndicated Bank Loans

In 2004, IDC entered into a commercial facility agreement, which was restructured in 2010, as described under "*Description of Sipchem – Operating Subsidiaries – Phase I – International Methanol Company and International Diol Company – International Diol Company – Financing Arrangements*". The loan carries financial charges at LIBOR plus a variable margin. The total amount of the loan outstanding at 31 December 2010 was SR 104.5 million. IDC is currently working on converting its outstanding commercial loan facility into an Islamic mode of financing.

In 2006, IAC, IVC and IGC entered into a Joint Commercial Facility Agreement as described under "*Description of Sipchem – Operating Subsidiaries – Phase II Financing Arrangements*". The loan carries financial charges at LIBOR plus a fixed margin. The total amount of the loan outstanding at 31 December 2010 was SR 1,292.4 million.

Saudi Industrial Development Funds (SIDF) Loans

In 2002, SIDF granted a loan to IMC for SR 400 million. This loan was fully repaid in November 2009.

In 2004, SIDF granted a loan to IDC for SR 400 million, which was restructured in 2010, as described under "*Description of Sipchem – Operating Subsidiaries – Phase I – International Methanol Company and International Diol Company – International Diol Company – Financing Arrangements*". The total amount of the loan outstanding at 31 December 2010 was SR 370 million including the current portion amounting to SR 30 million.

In 2007, SIDF granted separate loans to each of IAC, IVC and IGC as described under "*Description of Sipchem – Operating Subsidiaries – Phase II Financing Arrangements*". The total amount of the loans outstanding at 31 December 2010 was SR 400 million for each company.

Public Investment Fund (PIF) Loans

In 2005, PIF granted a loan to IDC for SR 431.25 million, which was restructured in 2010, as described under "*Description of Sipchem – Operating Subsidiaries – Phase I – International Methanol Company and International Diol Company – International Diol Company – Financing Arrangements*". The loan carries financial charges at LIBOR plus a margin. The outstanding balance as at 31 December 2010 amounted to SR 316 million. In 2005, IDC entered into an interest rate swap contract with a local commercial bank, which aims to cap the financial charges associated with the PIF loan. The notional contract value was SR 316.5 million at 31 December 2010.

In 2009, PIF granted separate loans to each of IAC, IVC and IGC as described under "*Description of Sipchem – Operating Subsidiaries – Phase II Financing Arrangements*". The outstanding balances at 31

December 2010 amounted to SR 730 million (for IAC), SR 416.8 million (for IVC) and SR 135.4 million (for IGC), respectively, including current portions of SR 76.9 million (for IAC), SR 43.9 million (for IVC) and SR 14.3 million (for IGC), respectively.

Note 12 to the Consolidated Interim Financial Statements contains a breakdown by maturity of the Group's term loans.

Obligations under Capital Lease

In 2007, IMC entered into an Islamic lease facility agreement as described under "*Description of Sipchem – Operating Subsidiaries – Phase I – International Methanol Company and International Diol Company – International Diol Company – Financing Arrangements*".

The table below summarises the outstanding amounts under the Sipchem Group's capital lease at 31 December in each of 2008, 2009 and 2010 respectively.

	As at 31 December			
	2008	**2009**	**2010**	**CAGR**
		(*SR thousands*)		
For IMC – current portion	42,811	42,811	42,811	0%
For IMC- long term portion	444,162	401,351	358,541	-10%
Total obligation under capital lease	**486,973**	**444,162**	**401,352**	**-9%**

Source: Consolidated Annual Financial Statements

At 31 December 2010, the total outstanding amount under the capital lease agreement was SR 401,352 thousand including the current portion amounting to SR 42,811 thousand. Repayments made amounted to around SR 42,810 in each of 2009 and 2010 as a result of which the obligations under the capital lease agreement have decreased by a CAGR of minus 9 per cent.

Long-Term Advances from Partners

The partners of IAC, IVC and IGC have made long-term advances to finance a certain percentage of those companies' project costs in accordance with the respective joint venture agreements and long term advances from partners increased by a CAGR of 62 per cent. from 2008 to 2010. Partners' advances are required to be repaid only after the repayment of external indebtedness and the funding of a reserve account.

At 31 December 2010, Sipchem and the minority partners have made total long-term advances to these companies of SR 1,289 million and SR 314 million, respectively. Sipchem and the minority partners have also made short-term advances of SR 22.6 million and SR 3.3 million, respectively, at the same date. The long-term advances do not carry any financial charges whereas the short-term advances carry financial charges at normal commercial rates.

Accounts Payable and Other Liabilities

The table below shows the Sipchem Group's accounts payable and other liabilities at 31 December in each of 2008, 2009 and 2010, respectively.

	As at 31 December			
	2008	**2009**	**2010**	**CAGR**
		(*SR thousands*)		
Accounts payable	107,613	263,282	189,514	33%
Retentions	51,688	40,393	8,733	-59%
Accruals and other liabilities	614,298	246,169	187,634	-45%
Dividends payable	-	21,000	-	-
Zakat and income tax provision	30,002	49,345	60,642	42%
Total accounts payable and other liabilities	**803,601**	**620,189**	**446,523**	**-25%**

Source: Consolidated Annual Financial Statements

Total accounts payable and other liabilities have decreased by a CAGR of minus 25 per cent. from SR 804 million in 2008 to SR 447 million in 2010 mainly due to an increase in accounts payable by a CAGR of 33 per cent. from SR 108 million in 2008 to SR 190 million in 2010, a decrease in retentions by a CAGR of minus 59 per cent. from SR 52 million in 2008 to SR 9 million in 2010 and a decrease in accruals by a CAGR of minus 45 per cent. from SR 614 million in 2008 to SR 188 million in 2010. This was partially offset by an increase in zakat and income tax provisions by a CAGR of 42 per cent. from SR 30 million in 2008 to SR 61 million in 2010. the decrease in total accounts payable and other liabilities is explained in more detail below.

Accounts Payable

The Sipchem Group's accounts payable at 31 December 2008 amounted to SR 107,613 thousand, of which SR 56 million was accounts payable related to IAC. In the third quarter of 2009, IAC, IGC and IVC commenced trial production with a view to commencing commercial production from mid-2010 as a result, accounts payable to the suppliers of feedstock for these companies increased at 31 December 2009 before decreasing at 31 December 2010 as amounts were settled during 2010.

Retentions

Retentions principally represent amounts retained by IGC, IAC and IVC from progress payments made to construction contractors. As the majority of the construction work was carried out in 2008 and 2009, the retentions were higher in those periods and they declined significantly in 2010, as they were settled.

Accruals and Other Liabilities

Accrued expenses principally comprise accruals for contractors' work, accrued employees' benefits, accrued utilities expenses and other accruals. Accrual for contractors' work represents that portion of the work executed by contractors but not billed at 31 December in each year. The decrease in accruals and other liabilities at 31 December 2009 reflects the SR 326 million advances received in 2007 from Ikuras Petroleum Industrial Company relating to the sale to it of 11 per cent. of the shares in IAC and IVC. The funds received were recorded in Sipchem's books as other payables and, in 2009, when the transaction was completed, the accruals and other liabilities reduced by SR 326 million. The decrease in accruals and other liabilities at 31 December 2010 reflects mainly the SR 61 million advances received in 2009 from Hanwa Chemical Overseas Holdings Company Limited relating to the sale to it of 25 per cent. of the shares in IPC. The funds received were recorded in Sipchem's books as other payables and, in 2010, when the transaction was completed, the accruals and other liabilities reduced by SR 61 million.

Dividends payable

Dividend payable relates to the minority partners in IMC. During 2009, SR 600 million dividends were declared by IMC out of which SR 540 million were paid to the partners in 2009 and the balance of SR 60 million was paid in 2010. The portion of unpaid dividend relating to the majority shareholder (Sipchem) is eliminated in consolidation.

Zakat and Income Tax Provision

This provision represents amounts owed to the Department of Zakat and Income Tax by the Sipchem Group.

Shareholders' Equity

The table below shows the Sipchem Group's shareholders' equity at 31 December in each of 2008, 2009, and 2010 respectively.

	As at 31 December			
	2008	**2009**	**2010**	**CAGR**
		(*SR thousands)*		
Share capital	3,333,333	3,333,333	3,333,333	0%
Statutory reserve	864,300	878,388	916,196	3%
General reserve	275,000	275,000	275,000	0%
Reserve for the results of sale of shares in subsidiaries	-	54,519	48,893	
Fair value of cash flow hedge	(200,539)	(102,917)	(140,434)	-16%
Retained earnings	692,500	483,759	488,496	-16%
Total shareholders' equity	**4,964,594**	**4,922,082**	**4,921,484**	**0%**

Source: Consolidated Annual Financial Statements

Total shareholder's equity has decreased by SR 44 million from 2008 to 2010 which is due to a decrease in both retained earnings and fair value of cash flow hedge by a CAGR of minus 16 per cent., which was partially offset by an increase in statutory reserve by a CAGR of 3 per cent. This is explained in more detail below.

Share Capital

In 2008, Sipchem issued 133,333,333 shares to its shareholders by way of a rights issue with a premium of SR 5 for each share. The premium received was transferred to the statutory reserve after deducting transaction costs.

Statutory Reserve

As required by applicable Saudi Arabian regulations, Sipchem and its subsidiaries transfer 10 per cent. of the profit for the year, net of brought forward losses if any, to a statutory reserve. This has resulted in the statutory reserve increasing a CAGR of 3 per cent. from 2008 to 2010.

The increase in the statutory reserve in 2008 also reflects the share premium resulting from the rights issue in that year which was credited to the statutory reserve.

On 22 June 2009, Sipchem sold 11 per cent. of its share in IVC and IAC to Ikarus Petroleum Industries, a Kuwaiti company, for SR 239 million. The gain on these sales, amounting to SR 54 million, was treated as an addition to the statutory reserve as Sipchem continues to maintain control over these subsidiaries.

Reserve for the results of sale of shares in subsidiaries

On 30 June 2010, the Saudi Organization for Certified Public Accountants issued its opinion regarding the appropriate treatment of the difference between the fair value of the consideration received and the amount of the change in minority interest upon the sale of shares in a subsidiary where the parent company retains control of the subsidiary after the sale. In accordance with this opinion, the Sipchem Group has changed its accounting policy so that these differences are recorded in a reserve for the results of sale of shares in subsidiaries instead of recording them in the statutory reserve. The change in accounting policy has been applied retrospectively.

Retained Earnings

The table below shows the movement in the Sipchem Group's retained earnings at 31 December in each of 2008, 2009, and 2010 respectively.

	As at 31 December			
	2008	**2009**	**2010**	**CAGR**
		(*SR thousands*)		
Opening balance	544,930	692,500	483,759	-6%
Net income for the period	536,781	140,880	378,078	-16%
Dividends	(333,333)	(333,333)	(333,333)	0%
Transfer to statutory reserve	(53,678)	(14,088)	(37,808)	-16%
Directors remuneration	(2,200)	(2,200)	(2,200)	0%
Closing balance	**692,500**	**483,759**	**488,496**	**-16%**

Source: Consolidated Annual Financial Statements

Retained earnings decreased by a CAGR of minus 16 per cent. from SR 693 million in 2008 to SR 489 million in 2010 mainly due to a decrease in net income by a CAGR of minus 16 per cent. over this period.

In 2009, retained earnings decreased by SR 208,741 thousand mainly due to a decrease in profits for the year 2009 by SR 395,901 thousand from SR 536,781 in 2008 to SR 140,880 thousand and the payment of a dividend of SR 333,333 thousand.

In 2010, retained earnings increased by SR 4,737 thousand mainly due to an increase in profits for the year 2010 by SR 237,199 thousand from SR 140,880 in 2009 to SR 378,079 thousand and the payment of dividend of SR 333,333 thousand.

Commitments and Contingencies

Notes 22 and 23 to the Consolidated Annual Financial Statements set out information on the Sipchem Group's commitments and contingencies as at 31 December 2008, 2009 and 2010, respectively.

In addition, Sipchem is disputing a zakat assessment of SR 24.3 million which relates to the period 2001 through 2008, see Note 21 to the Consolidated Annual Financial Statements.

To the best of Sipchem's knowledge and belief there are no additional material contingent liabilities and commitments other than those referred to above.

RECENT DEVELOPMENTS

The consolidated interim financial statements (together with the limited review report of Ernst & Young thereon) of the Sipchem Group for the three month period ended 31 March 2011 (the **Consolidated First Quarter Financial Statements**) were published by Sipchem on 13 April 2011. Copies of the Consolidated First Quarter Financial Statements are available by visiting the following website (www.sipchem.com).

TAXATION AND ZAKAT

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

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 the Issuer is not obliged to update this section for any subsequent changes or modification to the applicable zakat/tax regulations.

GCC SUKUKHOLDERS RESIDENT IN THE KINGDOM OF SAUDI ARABIA

Sukukholders who are GCC nationals with permanent residence in the Kingdom (except for (a) a citizen of a GCC country other than the Kingdom with a permanent establishment in the Kingdom and (b) a legal entity established under the law of a GCC country other than the Kingdom with a permanent establishment in the Kingdom) are not subject to Saudi Arabian corporate income tax, whether by withholding or direct assessment, in respect of any payment or gain realised in respect of the Mudaraba Sukuk.

However, such a Sukukholder will be subject to zakat. This summary does not consider the extent to which a potential Sukukholder would be liable to zakat as a consequence of acquiring, holding or disposing of its Mudaraba Sukuk. A citizen of a GCC country other than the Kingdom with a permanent establishment in the Kingdom and a legal entity established under the law of a GCC country other than the Kingdom with a permanent establishment in the Kingdom will be subject to Saudi Arabian income tax.

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

NON-GCC PERSONS RESIDENT IN THE KINGDOM OF SAUDI ARABIA

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

"(A) A natural person is considered a resident in the Kingdom of Saudi Arabia for a taxable year if he meets either of the two following conditions:

(1) He has a permanent place of residence in the Kingdom of Saudi Arabia and resides in Kingdom of Saudi Arabia for a total of not less than thirty (30) days in the taxable year; or

(2) He resides in the Kingdom of Saudi Arabia for a period of not less than one hundred eighty three (183) days in the taxable year.

For the purposes of this paragraph, residence in the Kingdom of Saudi Arabia 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 of Saudi Arabia.

(B) A company is considered resident in the Kingdom of Saudi Arabia during the taxable year if it meets either of the following conditions:

(1) It is formed in accordance with the Saudi Arabian companies law promulgated pursuant to Royal Decree M/6 dated 22/03/1388H (corresponding to 21/07/1965G), as amended from time to time; or

(2) Its central management is located in the Kingdom of Saudi Arabia."

SUKUKHOLDERS WHO ARE NOT RESIDENT IN THE KINGDOM

Sukukholders who are not residents in the Kingdom (whether such Sukukholders are Saudi Arabian nationals or not Saudi Arabian nationals including Sukukholders resident in GCC) will be subject to withholding tax at the rate of 5 per cent. (rate applicable on loan charges or interest) on all payments in the nature of profit in respect of the Mudaraba Sukuk based on the practice currently followed by the Department of Zakat and Income Tax (**DZIT**). The DZIT currently treats payments in the nature of profit in respect of the Mudaraba Sukuk as loan charges or interest for withholding tax purposes. Prospective purchasers of Mudaraba Sukuk should consult their own tax advisers to seek further advice on the treatment of profits in respect of the Mudaraba Sukuk for tax purposes.

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

Subject to the exceptions stipulated in the Income Tax Regulation, PE means a permanent establishment of a non-resident in the Kingdom which represents a permanent place for the non-resident's activity where he conducts the activity either fully or partly; this also includes the activity conducted by the non-resident through an agent.

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 PE in the Kingdom.

All payments in the nature of profit in respect of the Mudaraba Sukuk to a Sukukholder who has a PE in the Kingdom will be part of the Sukukholder's gross income that is subject to income tax after deduction of allowable costs and certain other adjustments, at the current rate of 20 per cent. Further, more transfer of profit by the PE to the head office is considered to be a distribution of profit and is subject to a 5 per cent. withholding tax.

A Sukukholder, whether such Sukukholder 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 Bylaws to the Income Tax Regulation) and whether such a Sukukholder has or does not have a PE in the Kingdom, will be subject to capital gains tax at the rate of 20 per cent. on any gain realised on the disposal or repurchase (including on transfer of Mudaraba Sukuk to heirs on death) of its Mudaraba Sukuk if such Mudaraba Sukuk is not traded in accordance with the Capital Market Law of the Kingdom of Saudi Arabia and its implementing regulations.

GENERAL

Sukukholders 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.

Sukukholders will not be deemed to be resident, domiciled or carrying on business in the Kingdom solely by reason of holding any Mudaraba Sukuk.

Under the zakat regulations which are in effect as the date of this Prospectus in the Kingdom, long-term investments in Mudaraba Sukuk are not deductible from the zakat base of the investor.

SUBSCRIPTION AND SALE

SUBSCRIPTION AGREEMENT

Deutsche Securities Saudi Arabia LLC and Riyad Capital will enter into a subscription agreement before the Closing Date (as the same may be amended, supplemented or novated, the **Subscription Agreement**) with the Issuer relating to the placement of the Mudaraba Sukuk. Deutsche Securities Saudi Arabia LLC and Riyad Capital will solicit on a best efforts basis on behalf of the Issuer offers for investment in the Mudaraba Sukuk and procure payment for the Mudaraba Sukuk by prospective Sukukholders. Once the Issuer has determined based on a book building process the Margin and the aggregate Nominal Amount of the Mudaraba Sukuk to be issued, Deutsche Securities Saudi Arabia LLC and Riyad Capital will severally agree to purchase any Mudaraba Sukuk for which orders have been received from potential investors during the Investor Presentation Period but for which no monies have been received from such purchasers.

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 net proceeds of the issue of the Mudaraba Sukuk to the Issuer. If the Subscription Agreement is terminated prior to the Closing Date, the offer of Mudaraba Sukuk 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 for acquiring the Mudaraba Sukuk, during which time the Issuer and the Joint Lead Managers and Joint Bookrunners shall consult and agree on the Margin.

Persons wishing to purchase the Mudaraba Sukuk 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 Mudaraba Sukuk in accordance with the instructions contained in the Investor Application Form. Investor Application Forms will be available from any of the Joint Lead Managers and Joint Bookrunners. Applications to purchase Mudaraba Sukuk for less than SR 1,000,000 or in amounts which are not higher integral multiples of SR 100,000 will not be accepted.

Allocation of Mudaraba Sukuk will be at the discretion of the Issuer and the Joint Lead Managers and Joint Bookrunners and will be made following the end of the Investor Presentation Period. Once the allocation of Mudaraba Sukuk has been completed, the Issuer shall cause the Margin and the aggregate Nominal Amount, together with the anticipated aggregate net proceeds of the Mudaraba Sukuk to be issued, to be published by the Issuer on the following website (www.sipchem.com).

Only persons who are Qualified Persons in the Kingdom will be initially registered as Sukukholders.

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

GENERAL

Other than the application for listing of the Mudaraba Sukuk on the Official List maintained by the CMA in the Kingdom, no action has been or will be taken in any jurisdiction by the Issuer, the Joint Lead Managers and Joint Bookrunners that would, or is intended to, permit an offering of the Mudaraba Sukuk, or possession or distribution of this Prospectus or any other offering material thereto, where action for that purpose is required. Persons into whose hands this Prospectus comes are required by the Issuer 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 Mudaraba Sukuk or the possession or distribution of this Prospectus or any other offering material relating to the Sukuk, in all cases at their own expense.

TRANSFERS AND PAYMENTS

The Registrar will maintain the Register in respect of the Mudaraba Sukuk in accordance with the provisions of the Registry Agreement. Investors must either maintain an account directly with the Registrar or through a custodian or other intermediary in order to hold the Mudaraba Sukuk. All the transfers shall be effected in accordance with Condition 3 (*Register, Title and Transfers*).

In addition, pursuant to Condition 9 (*Payments*), all payments under the Mudaraba Sukuk 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 Mudaraba Sukuk in such an account. Investors are required to consult their own advisers as to the requirements of setting up the accounts referred to above and must take any necessary action in respect of opening such account themselves. Neither the Issuer nor 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 Mudaraba Sukuk 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.

GENERAL INFORMATION

1. The Issuer's legal address is P.O. Box 130, Industrial Area City, Al-Khobar 31952, the Kingdom of Saudi Arabia.

2. The Issuer was incorporated pursuant to Ministerial Resolution No. 1653 dated 06/09/1420H (corresponding to 14 December 1999) as a joint stock company under the laws of the Kingdom. Its commercial registration number is 1010156910.

3. As of the date of this Prospectus, the Issuer has an authorised share capital of SR 3,666,666,666 represented by 366,666,666 of authorised ordinary shares, with a nominal value of SR 10 each. The Issuer has no other classes of shares outstanding.

4. The Ordinary General Meeting of the Issuer adopted a resolution at its meeting held on 21/12/1431H (corresponding to 27 November 2010) approving the issuance of Mudaraba Sukuk by the Issuer and authorising the Board of Directors of the Issuer to determine the timing, the amounts and the terms applicable to any Mudaraba Sukuk issued by the Issuer.

5. The Board of Directors of the Issuer authorised the issuance of the Mudaraba Sukuk by resolution number 253/48-2010 dated 07/01/1432H (corresponding to 13 December 2010).

6. Except as highlighted under "*Description of the Sipchem Group – Litigation*", the Issuer is not aware of any pending or threatened legal or arbitration proceedings affecting it or any of its assets or revenues, which are or might be material in the context of the issue of the Mudaraba Sukuk.

7. Save as disclosed in this Prospectus, 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 2010 that is material in the context of the issue of the Mudaraba Sukuk. Sipchem's management does not anticipate any events that could lead to a disruption of current trends with respect to its future financial and trading prospects for the balance of this financial year, but there can be no assurance that this will remain the case (see "*Risks relating to the Issuer and the Sipchem Group*" on page 16 of this Prospectus).

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

9. As at 08/01/2032H (corresponding to 14 December 2010), none of the experts (nor any of their relatives) identified under "*Parties and Advisers*" (for the avoidance of doubt, only the auditors to the Issuer constitute experts for the purposes of the Listing Rules) have any shareholding or interest of any kind in the Issuer. The Issuer also confirms that none of the Joint Lead Managers and Joint Bookrunners (except for any shares held by a Joint Lead Manager and Joint Bookrunner under swap agreements entered into by it with investors resident outside the Kingdom in accordance with the circular dated 20/8/1429H (corresponding to 21 August 2008) issued by the CMA) nor any of the legal advisers own any shares or has any interest of any kind in the Issuer.

10. There has not been any suspension to the operations of the activities of either Sipchem or the Sipchem Group in the 12 months preceding the date of this Prospectus. The Board do not intend to materially change the nature of the activities of Sipchem or the Sipchem Group.

11. Sipchem is of the opinion that subject to (i) the issuance of the Mudaraba Sukuk and (ii) the drawing down upon the bank and other facilities available to the Issuer as more particularly described in this

Prospectus, the working capital available to it is sufficient for the 12 months immediately following the date of this Prospectus.

12. For so long as any Mudaraba Sukuk are outstanding, copies of the following documents (which will be made available in Arabic) may be inspected during normal business hours at the specified office of the Issuer (in respect of paragraph (a), (b) and (c)) and the Sukukholders' Agent:

(a) the Issuer's Bylaws and Commercial Registration Certificate;

(b) the audited consolidated financial statements of the Issuer for the years ended 31 December 2008, 31 December 2009 and 31 December 2010 and the auditors' report thereon and the notes thereto;

(d) the Declaration of Agency;

(e) the Mudaraba Agreement;

(f) the Beneficial Rights Transfer Agreement;

(g) the Payments Administration Agreements;

(h) the Account Pledge Agreement; and

(i) the Registry Agreement.

13. Tadawul will be appointed as registrar of the Mudaraba Sukuk as described in Condition 3 *(Register, Title and Transfers).*

SUMMARY OF THE ISSUER'S BY-LAWS

The following is a summary of the Issuer's By-Laws, as amended.

Date of Incorporation and Type of Company

Sipchem was incorporated on 14/09/1420H corresponding to 22 December 1999 as a closed joint stock company. Sipchem became a Saudi Joint Stock Company listed on Tadawul on 16/8/1428H (corresponding to 9 September, 2006G).

Objects of Sipchem

The objects for which Sipchem has been incorporated are as follows:

(1) to invest in industrial projects in the chemical and petrochemical industries, including, in particular, the production of methanol, AA, MAn, BDO and other petrochemical and hydrocarbon products;

(2) to own and implement the necessary projects for providing Sipchem with its feedstock and utility requirements;

(3) to market Sipchem's products inside and outside the Kingdom;

(4) to conduct wholesale and retail trading in relation to Sipchem's business; and

(5) to own real property and construct buildings and warehouses necessary to keep and store Sipchem's products, and to display such products and for other uses such as the manufacturing, storage, selling and purchasing activities of Sipchem.

Duration of Sipchem

The By-Laws provide that the duration of Sipchem will be 99 years from the date of the Minister of Commerce and Industry's decision declaring Sipchem's incorporation, which may be extended by a resolution of the extraordinary general meeting of Sipchem at least 1 year prior to the end of this term.

Shares

All of the shares of Sipchem shall be registered and may not be issued for less than their nominal value. However, they may be issued for more than their nominal value, in which case the difference in value shall be added to the statutory reserve even if such reserve has reached its maximum.

Sipchem's shares may be traded after registration electronically in the automated system for trading in shares of Saudi companies listed on Tadawul.

Sukuk and Bonds

Sipchem may issue negotiable and indivisible bonds or sukuk pursuant to a resolution of an ordinary general meeting, which may delegate this power to the Board.

Alteration of Capital

Subject to the provisions of Article 14 of Sipchem's By-Laws and the Companies Regulations, the share capital of Sipchem may be increased by resolution of an extraordinary general meeting (after obtaining the approval of the competent authorities) *provided* that the original share capital is paid-up in full. Shareholders shall have priority in subscribing for any new cash shares.

Sipchem's share capital may be reduced by resolution of an extraordinary general meeting (based on reasonable justifications and after obtaining the approval of the competent authorities) if its capital is in excess of its needs or it has sustained losses. Such resolution may be adopted only after reviewing the auditor's report setting out the reasons necessitating the reduction, the liabilities of Sipchem and the effect of the reduction on these liabilities and in conformity with the Companies Regulations.

If the reduction of capital is due to an excess of capital over Sipchem's requirements, Sipchem's creditors must be invited to express their objections within sixty days from the date of publication of the resolution for the reduction in capital in a daily newspaper published in the location of Sipchem's head office, namely Riyadh. If any creditor objects to the reduction and submits to Sipchem, within the specified period, supporting documentation for his objection, Sipchem must repay that creditor's debt (if due) or furnish adequate security for its payment.

Management

According to Article 16 of Sipchem's By-Laws, Sipchem shall be managed by a Board of Directors consisting of 11 directors appointed by the ordinary general meeting of Sipchem for a term of three years.

Subject to those powers reserved to the ordinary general meeting, the Board shall have the widest powers in managing the affairs and business of Sipchem, including but not limited to, disposing of its assets, property, and real estate. The Board shall have the right to purchase, mortgage, release any mortgage of, sell and transfer title to any assets, property or real estate provided that the minutes of the relevant meeting of the Board contain the reasons therefore and the Board observes certain conditions.

The Board may conclude loan agreements with government funds and finance institutions regardless of the duration thereof, and conclude commercial loan agreements for terms not exceeding the duration of Sipchem, subject to certain conditions regarding loans with terms exceeding three years.

The Board shall have the right to settle, assign, contract, assume obligations and make commitments in the name of and on behalf of Sipchem and to perform all acts that may achieve the objectives of Sipchem.

The Board, in its own discretion, shall have the right to discharge any debtors of Sipchem if that is in the interests of Sipchem, provided that such decision is recorded in the minutes of the relevant Board meeting and provided that the legal reasons for such decision observe certain conditions.

The Board shall have the right, within its authority, to authorise or delegate to one or more of its members or a third party to conduct certain matters.

The Board shall meet at the head office of Sipchem upon the summons of the Chairman of the Board. The Chairman of the Board must convene a meeting upon the request of two directors. The Board may meet outside the head office, provided all directors agree to this.

The quorum for a meeting of the Board is six directors. Resolutions of the Board will be passed by a majority of votes cast and, in case of an equality of votes, the Chairman will have a casting vote. The Board of Directors is entitled to remuneration subject to a maximum of 10 per cent. of Sipchem's remaining profits and other limits imposed by the Companies Regulations and other relevant regulations and limitations. The Board is required to submit to the ordinary general assembly meeting a detailed statement of payments received by directors during the preceding fiscal year.

Ordinary and Extraordinary Meetings and Resolutions

With the exception of matters falling within the competence of an extraordinary general meeting, an ordinary general meeting shall be vested with the authority to determine any matter concerning Sipchem. An ordinary general meeting shall be held at least once a year and within 6 months following the end of Sipchem's fiscal year. Other ordinary general meetings may be convened whenever the need arises.

An extraordinary general meeting has the power to amend the By-Laws (with the exception of those provisions that are exempt from amendment). An extraordinary general meeting shall be empowered to pass resolutions with respect to matters that fall within the competence of an ordinary general meeting, on the same terms and conditions that apply to an ordinary general meeting.

Shareholders' general meetings shall be convened upon the invitation of the Board. The Board shall convene an ordinary general meeting if required to do so by the auditor or by a number of shareholders representing at least 5 per cent. of Sipchem's capital. Notice of a general meeting shall be published in the Official Gazette and in a daily newspaper circulating in the city where Sipchem's head office is located at least 25 days before the date set for the meeting. Such notice shall include an agenda for the meeting. A copy of the notice and the agenda shall be sent to MOCI within the period stipulated for publication.

A general meeting shall be held in the city of the location of Sipchem's head office and any shareholder holding at least 20 shares shall have the right to attend. Voting at an ordinary and extraordinary general meeting shall be on the basis of one vote for each share represented at the meeting. No Shareholder, whether present in person or by proxy may vote more than 20 per cent. of Sipchem's shares where the resolution at an ordinary or extraordinary meeting relates to the appointment or removal of members of the Board or auditors or the amendment of the By-Laws.

The resolutions of an ordinary general meeting shall be passed by an absolute majority of the shares represented at that meeting. However, resolutions at an extraordinary general meeting shall be passed by a two-thirds majority of the shares represented. Resolutions will be valid only if passed by a three quarters majority of the shares represented at the ordinary or extraordinary general meeting in the case of any resolution for an increase or decrease in Sipchem's share capital, an extension of the term of Sipchem, the dissolution of Sipchem prior to the expiration of its term and the merger or consolidation of Sipchem with another company or establishment.:

An ordinary general meeting will be valid only if attended by shareholders representing at least 50 per cent. of the outstanding share capital. If this quorum is not attained at the first meeting, a second meeting shall be convened, which will be valid regardless of the number of shares represented.

An extraordinary general meeting will be valid only if attended by shareholders representing at least 50 per cent. of the share capital. If this quorum is not attained at the first meeting, a second meeting shall be convened, which will be valid if attended by shareholders representing at least 25 per cent. of the outstanding share capital.

Financial Year

Sipchem's fiscal year shall start on 1 January and end on 31 December of each year.

Statutory Reserve and Distribution of Dividends

Sipchem shall set aside ten percent. of its net profits each year to form a statutory reserve. An ordinary general meeting of Sipchem may resolve to stop such allocation or to reduce the rate at which it is made once the statutory reserve is equal to half the capital of Sipchem. Based on a recommendation of the Board, an ordinary general meeting of Sipchem may also require a certain percentage of net profits to form a contingency reserve.

From the remaining profits, a dividend distribution of a minimum of 5 per cent. of Sipchem's paid up capital shall be made to shareholders. A percentage not exceeding 10 per cent. of the sum that is left may be allocated as remuneration to the Board and the balance shall be distributed to shareholders as an additional dividend.

The Board will determine the place and dates for the distribution of dividends to shareholders in accordance with the applicable guidelines of the Ministry of Commerce and Industry.

Dissolution of Sipchem

If Sipchem losses 75 per cent. of its share capital, then the Board shall call an extraordinary general meeting to consider whether Sipchem shall be dissolved before the term specified in its By-Laws. In the event of an extraordinary general meeting resolving to dissolve Sipchem before the expiry of its term, the meeting shall, upon the recommendation of the Board, determine the manner of dissolution and shall appoint one or more liquidators and determine their powers and remuneration.

The powers of the Board shall end with the dissolution of Sipchem. However, the Board shall continue to manage Sipchem until the liquidator has been appointed and Sipchem's staff shall remain to the extent their interests do not conflict with those of the liquidator.

APPENDIX 1 - FINANCIAL STATEMENTS

SAUDI INTERNATIONAL PETROCHEMICAL COMPANY
(SAUDI JOINT STOCK COMPANY)

CONSOLIDATED FINANCIAL STATEMENTS AND AUDITORS' REPORT
FOR THE YEARS ENDED 31 DECEMBER 2010, 2009 AND 2008

SAUDI INTERNATIONAL PETROCHEMICAL COMPANY
(SAUDI JOINT STOCK COMPANY)

CONSOLIDATED FINANCIAL STATEMENTS AND AUDITORS' REPORT
FOR THE YEARS ENDED 31 DECEMBER 2010, 2009 AND 2008

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AUDITORS' REPORT TO THE SHAREHOLDERS OF SAUDI INTERNATIONAL PETROCHEMICAL COMPANY (SAUDI JOINT STOCK COMPANY)

Scope of audit:

We have audited the accompanying consolidated balance sheets of Saudi International Petrochemical Company (Saudi joint stock company) and its subsidiaries as at 31 December 2010, 2009 and 2008 and the related consolidated statements of income, cash flows and changes in shareholders' equity for the years then ended. These consolidated financial statements are the responsibility of the parent company and have been prepared by them and submitted to us together with all the information and explanations which we required. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the Kingdom of Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable degree of assurance to enable us to express an opinion on the consolidated financial statements.

Unqualified opinion:

In our opinion, the consolidated financial statements taken as a whole present fairly, in all material respects, the consolidated financial position of the company as at 31 December 2010, 2009 and 2008 and the consolidated results of its operations and its consolidated cash flows for the years then ended in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia.

Emphasis of matter:

Without qualifying our opinion we draw attention to the fact that the consolidated financial statements for the year ended 31 December 2008 have been audited by another auditor who has issued unqualified audit opinions on 24 Muharram 1430H, corresponding to 21 January 2009.

for Ernst & Young

Abdulaziz Saud Alshubaibi
Certified Public Accountant
Registration No. 339

10 Rabi' I 1432H
13 February 2011
Alkhobar

SAUDI INTERNATIONAL PETROCHEMICAL COMPANY
(SAUDI JOINT STOCK COMPANY)

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2010, 2009 AND 2008

	Note	2010 SR 000	2009 SR 000	2008 SR 000
ASSETS				
Current assets				
Cash and cash equivalents	3	**1,620,644**	1,831,202	2,581,034
Accounts receivable, prepayments and other receivables	4	**596,395**	307,792	153,861
Inventories	5	**208,530**	78,682	106,729
Total current assets		**2,425,569**	2,217,676	2,841,624
Non-current assets				
Property, plant and equipment	6	**9,505,559**	9,517,403	7,682,107
Projects' development costs	7	**62,624**	52,032	109,733
Intangible assets	8	**32,793**	31,092	199,925
Total non-current assets		**9,600,976**	9,600,527	7,991,765
TOTAL ASSETS		**12,026,545**	11,818,203	10,833,389
LIABILITIES, SHAREHOLDERS' EQUITY AND MINORITY INTEREST				
Current liabilities				
Accounts payable, other payables and provisions	9	**446,523**	620,189	803,601
Short term advances from partners	12	**3,276**	19,492	29,928
Current portion of long term loans	11	**363,901**	220,610	103,064
Current portion of obligation under capital lease	11	**42,811**	42,811	42,811
Total current liabilities		**856,511**	903,102	979,404
Non-current liabilities				
Long term loans	11	**4,201,965**	4,240,780	3,136,393
Obligation under capital lease	11	**358,541**	401,351	444,162
Fair value of interest rate swaps	11	**187,429**	143,524	246,501
Long term advances from partners	12	**355,595**	257,172	135,131
Employees' terminal benefits	13	**52,611**	40,319	33,531
Total non-current liabilities		**5,156,141**	5,083,146	3,995,718
TOTAL LIABILITIES		**6,012,652**	5,986,248	4,975,122
Shareholders' equity and minority interest				
Share capital	1	**3,333,333**	3,333,333	3,333,333
Statutory reserve		**916,196**	878,388	864,300
General reserve	15	**275,000**	275,000	275,000
Reserve for the results of sale of shares subsidiaries	16	**48,893**	54,519	-
Net change in the fair value of interest rate swaps	11	**(140,434)**	(102,917)	(200,539)
Retained earnings		**488,496**	483,759	692,500
Total shareholders' equity		**4,921,484**	4,922,082	4,964,594
Minority interest	14	**1,092,409**	909,873	893,673
Total shareholders' equity and minority interest		**6,013,893**	5,831,955	5,858,267
TOTAL LIABILITIES, SHAREHOLDERS' EQUITY AND MINORITY INTEREST		**12,026,545**	11,818,203	10,833,389

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

SAUDI INTERNATIONAL PETROCHEMICAL COMPANY
(SAUDI JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF INCOME
FOR THE YEARS ENDED 31 DECEMBER 2010, 2009 AND 2008

	Note	2010 SR 000	2009 SR 000	2008 SR 000
Sales		**1,992,536**	830,403	1,708,582
Cost of sales		**(1,131,183)**	(594,666)	(693,775)
Gross profit		**861,353**	235,737	1,014,807
General and administrative expenses	19	**(97,202)**	(67,405)	(70,687)
Income from main operations		**764,151**	168,332	944,120
Investment income		**7,533**	14,726	52,722
Provision no longer required / (provision for projects' development cost)	7	**-**	75,000	(77,600)
Financial charges		**(107,246)**	(45,388)	(79,118)
Net (expenses) / income of pre-operating activities		**(958)**	(1,708)	504
Other (expenses) / income		**(3,430)**	(560)	10,058
Income before minority interest and zakat		**660,050**	210,402	850,686
Minority interest		**(238,029)**	(29,164)	(283,526)
Income before zakat		**422,021**	181,238	567,160
Zakat	18	**(43,943)**	(40,358)	(30,379)
NET INCOME		**378,078**	140,880	536,781
Earnings per share (from net income)		**1.13**	0.42	1.66
Earnings per share (from main operations)		**2.29**	0.50	2.92
Weighted average number of outstanding shares		**333,333**	333,333	323,498

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

SAUDI INTERNATIONAL PETROCHEMICAL COMPANY
(SAUDI JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED 31 DECEMBER 2010, 2009 AND 2008

	Share capital SR 000	Statutory reserve SR 000	General reserve SR 000	Reserve for the results of sale of shares in subsidiaries SR 000	Net change in the fair value of interest rate swaps SR 000	Retained earnings SR 000	Total SR 000
1 January 2008	2,000,000	176,948	275,000	-	-	544,930	2,996,878
Increase in share capital (note 1)	1,333,333	-	-	-	-		1,333,333
Premium on increase in share capital	-	633,674	-	-	-	-	633,674
Net income for the year	-	-	-	-	-	536,781	536,781
Net change in fair value of interest rate swaps	-	-	-	-	(200,539)	-	(200,539)
Dividends	-	-	-	-	-	(333,333)	(333,333)
Transfer to statutory reserve	-	53,678	-	-	-	(53,678)	-
Directors' remuneration	-	-	-	-	-	(2,200)	(2,200)
31 December 2008	3,333,333	864,300	275,000	-	(200,539)	692,500	4,964,594
Results of sale of shares in subsidiaries (note 1)	-	-	-	54,519	-	-	54,519
Net income for the year	-	-	-	-	-	140,880	140,880
Net change in fair value of interest rate swaps	-	-	-	-	97,622	-	97,622
Dividends	-	-	-	-	-	(333,333)	(333,333)
Transfer to statutory reserve	-	14,088	-	-	-	(14,088)	-
Directors' remuneration	-	-	-	-	-	(2,200)	(2,200)
31 December 2009	3,333,333	878,388	275,000	54,519	(102,917)	483,759	4,922,082
Results of sale of shares in subsidiaries (note 1)	-	-	-	(5,626)	-	-	(5,626)
Net income for the year	-	-	-	-	-	378,078	378,078
Net change in fair value of interest rate swaps	-	-	-	-	(37,517)	-	(37,517)
Dividends	-	-	-	-	-	(333,333)	(333,333)
Transfer to statutory reserve	-	37,808	-	-	-	(37,808)	-
Directors' remuneration	-	-	-	-	-	(2,200)	(2,200)
31 December 2010	**3,333,333**	**916,196**	**275,000**	**48,893**	**(140,434)**	**488,496**	**4,921,484**

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

SAUDI INTERNATIONAL PETROCHEMICAL COMPANY
(SAUDI JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED 31 DECEMBER 2010, 2009 AND 2008

	2010 SR 000	2009 SR 000	2008 SR 000
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before zakat	422,021	181,238	567,160
Adjustments for:			
Depreciation	295,692	167,286	152,349
Gain on disposal of property, plant and equipment	-	-	(50)
Amortization of intangible assets	9,496	3,736	53,057
(Provision no longer required) / provision for projects' development costs	-	(75,000)	77,600
Employees' terminal benefits, net	12,292	6,788	13,724
Financial charges	107,245	45,388	79,118
Minority interest	238,029	29,164	283,526
Net expenses / (income) of pre-operating activities	958	1,708	(504)
Changes in operating assets and liabilities:			
Receivables	(288,603)	(153,931)	177,830
Inventories	(59,826)	28,047	(4,965)
Payables	(186,494)	(157,319)	(53,452)
Cash from operations	550,811	77,105	1,345,393
Financial charges paid	(107,245)	(185,512)	(58,252)
Zakat and income tax paid	(68,727)	(66,451)	(73,014)
Net cash (used in)/from operating activities	374,839	(174,858)	1,214,127
CASH FLOWS FROM INVESTING ACTIVITIES			
Net (expenses) / income of pre-operating activities	(958)	(1,708)	504
Increase in intangible assets	(5,156)	-	(84,839)
Purchase of property, plant and equipment	(359,910)	(1,532,362)	(2,686,608)
Proceeds from disposal of property, plant and equipment	-	-	234
Additions to projects' development costs	(10,592)	(32,299)	(36,577)
Refund of excess amount received from the minority interest	(8,214)	-	-
Proceeds from sale of share in subsidiaries, net	78,972	239,209	-
Net cash used in investing activities	(305,858)	(1,327,160)	(2,807,286)
CASH FLOWS FROM FINANCING ACTIVITIES			
Change in short term loans		-	(878,250)
Change in long term loans and obligations under capital lease	61,665	1,179,122	1,981,350
Board of Directors' remuneration paid	(2,200)	(2,200)	(2,200)
Advances from partners	82,207	111,605	63,007
Change in minority interest	(87,878)	(203,008)	(185,401)
Proceeds from rights issue	-	-	1,967,008
Dividends paid	(333,333)	(333,333)	(333,333)
Net cash (used in) / from financing activities	(279,539)	752,186	2,612,181
Net change in cash and cash equivalents	(210,558)	(749,832)	1,019,022
Cash and cash equivalents at 1 January	1,831,202	2,581,034	1,562,012
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	1,620,644	1,831,202	2,581,034

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

SAUDI INTERNATIONAL PETROCHEMICAL COMPANY
(SAUDI JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)
31 DECEMBER 2010, 2009 AND 2008

SUPPLEMENTARY CASH FLOWS INFORMATION:

Non-cash transactions are as follows:

	2010 SR 000	2009 SR 000	2008 SR 000
Net change in fair value of interest rate swaps	**37,516**	97,622	200,539
Amortization of debt arrangement and acquisition cost capitalized in property, plant and equipment	-	-	5,927
Reclassification of debt arrangement and acquisition cost and pre-operating cost from intangibles to property, plant and equipment	-	199,106	-
Transfer from property plant and equipment to inventory	**70,021**	-	-
Transfer from property, plant and equipment to deferred turnaround cost	**6,041**	-	-
Reclassification of project development cost to property, plant and equipment	**68,235**	165,000	-

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

1. ORGANIZATION AND ACTIVITIES

Saudi International Petrochemical Company ("the parent company" or "Sipchem") is a Saudi joint stock company, registered in the Kingdom of Saudi Arabia under commercial registration No. 1010156910 dated 14 Ramadan 1420 H (corresponding to 22 March 1999). The company's head office is in the city of Riyadh with one branch in Al-Khobar, where the head quarters for the executive management is located, which is registered under commercial registration number 2051023922 dated 30 Shawwal 1420H (corresponding to 6 February 2000). The share capital of the Company is SR 3,333 million, divided into 333.3 million shares of SR 10 each.

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

The board of directors of Sipchem, in their meeting dated 9 July 2007, decided to recommend to the stockholders to increase the share capital of the Company by way of a rights issue. The Capital Market Authority authorized the increase in 2007. During the year 2008, the stockholders approved the rights issue in their Extraordinary General Assembly Meeting. The company issued 133,333,333 shares with a premium of SR 5 for each share. The premium received on the shares issue has been transferred to the statutory reserve after deducting transaction costs.

The Company has the following subsidiaries (the Company and its subsidiaries hereinafter referred to as "the Group":

Subsidiaries – Saudi limited liability companies	**Effective Percentage of shareholding**		
	2010	2009	2008
International Methanol Company ("IMC")	**65%**	65%	65%
International Diol Company ("IDC")	**53.91%**	53.91%	53.91%
International Vinyl Acetate Company Ltd.("IVC")	**76%**	76%	87%
International Acetyl Company Ltd. ("IAC")	**76%**	76%	87%
International Gases Company Ltd. ("IGC")	**72%**	72%	72%
Sipchem Marketing and Services Company ("SMSC")	**100%**	100%	100%
International Utility Company ("IUC")	**68.58%**	68.58%	-
International Polymers Company ("IPC")	**75%**	100%	-

On 22 June 2009, the company sold off 11% of its share in IVC and IAC to Ikarus Petroleum Industries, a Kuwaiti company, for SR 239.2 million. Gain on these transactions amounting to SR 54.5 million has been recorded directly in shareholders' equity as the company continues to maintain control over these subsidiaries. Accordingly, the company's shares in IVC and IAC decreased from 87% to 76%.

On 25 January 2010, the company sold off 25% of its share in IPC to Hanwha Chemical Oversees Holdings Ltd., a South Korean company. The legal requirements for the transfer of shares to the new partner have been completed in April 2010.

IAC and IGC commenced commercial operations on 5 June 2010 whereas IVC commenced commercial operations on 7 August 2010 following the successful commissioning, testing and acceptance formalities with the main contractors

On 21 Dhu Al-Hijjah 1431H corresponding to 27 November 2010, the Extraordinary General Assembly has permitted the company to issue Islamic Bonds (Sukuk) so as to be compliant with Shari'a Laws, for the purpose of financing the capital expansions of the company's new projects. The company is in the process of submitting a request to the Capital Market Authority for registration and listing. The company's Management expects the value of offered bonds (Sukuk) to be SR 1.5 billion and the offering process to be made during the first quarter of the year 2011.

1. ORGANIZATION AND ACTIVITIES (continued)

The Board of Directors of the company, at its meeting held on 14 Muharram 1432H corresponding to 20 December 2010, has recommended increasing the company's share capital by %10 by way of capitalizing a part of the profits through the issuance of one bonus share for every ten shares held by the shareholder. As a result, the capital shall be increased from SR 3,333,333,330 to SR 3,666,666,660. The bonus shares shall be limited to the existing shareholders registered in the records of the company with (Tadawul) at the end of trading on the day of holding the Extraordinary General Assembly meeting which shall be determined later, following the necessary approvals of competent authorities.

The plants of the group are located at Jubail Industrial City, Kingdom of Saudi Arabia.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying consolidated financial statements have been prepared in compliance with the standards and regulations promulgated by the Saudi Organization for Certified Public Accountants. The following is a summary of significant accounting policies applied by the Company and its subsidiaries:

Accounting convention
The consolidated financial statements have been prepared using the historical cost convention modified to include the measurement at fair value for the interest rate swaps.

Use of estimates
The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year.

Basis of consolidation of the financial statements
The consolidated financial statements incorporate the financial statements of the Company and financial statements of subsidiaries controlled by the Company prepared for the same year using unified accounting policies. Control is achieved where the Company has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities. The consolidation of the subsidiaries' financial statements in these financial statements start from the date control is obtained by the Company until the date this control is ended. The acquisition of subsidiaries is accounted for using the purchase method. The ownership shares related to other parties in the group of companies are classified under minority interest in these consolidated financial statements. All significant inter-group transactions and balances between group companies have been eliminated in preparing the consolidated financial statements.

Revenue recognition
The group markets its products through marketers. Sales are made directly to final customers and also to the Marketers' distribution platforms. The sales through the distribution platforms are recorded at provisional prices at the time of shipments, which are later adjusted based on actual selling prices received by the Marketers from their final customers, after deducting the cost of shipping, distribution and marketing. Adjustments are made as they become known to the group. Both export and local sales are recognized at the time of delivery of the product at the loading terminals located at the King Fahd Industrial Port in Jubail Industrial City.

Expenses
All period expenses except for production costs, financial charges and net expenses of pre-operating activities are classified as general and administrative expenses.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounts receivable
Accounts receivable are stated at original invoice amount less allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

Inventories
Inventories comprise of spare parts and finished goods and are stated at the lower of cost or market value. Costs of manufactured goods include raw materials, direct labor and manufacturing overheads.

The cost of spare parts and finished goods are arrived at using the weighted average cost method. Appropriate provisions are made for slow moving and redundant inventories.

Projects' development cost
Projects' development cost represent mainly legal and feasibility related costs incurred by the parent company in respect of developing new projects. Upon successful development of the projects, costs associated with the projects are transferred to the respective company subsequently established for each project. Projects development costs relating to the projects determined to be non-viable are written off immediately.

Property, plant and equipment
Property, plant and equipment are stated at cost less accumulated depreciation. Expenditure on maintenance and repairs is expensed, while expenditure for betterment is capitalized. Depreciation is provided over the estimated useful lives of the applicable assets using the straight line method. The estimated useful lives of the principal classes of assets are as follows:

	Years
Plant and machinery	10 – 25 (2009 and 2008: 10-20)
Buildings	2 - 33.3
Vehicles	4
Catalyst & tools	1 – 10
Computer, furniture, fixtures and office equipment	1 – 10

Intangible assets
Intangible assets represent turnaround maintenance costs. The planned turnaround costs are deferred and amortized over the year until the date of the next planned turnaround. Should an unexpected turnaround occur prior to the previously envisaged date of planned turnaround, then the previously unamortized deferred costs are immediately expensed and the new turnaround costs are amortized over the year likely to benefit from such costs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Permanent impairment of non-current assets
At the end of each fiscal year, the group reviews the carrying values of property, plant and equipment and other non-current assets to determine whether there is any indication that those assets have suffered impairment. If such indicators exist, the recoverable amount of the asset is estimated in order to determine the extent of impairment (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash generating unit to which the asset belongs.

The carrying value of the asset (or cash generating unit) is reduced to the recoverable value when the recoverable value is below the carrying value. Impairment loss is recognized as expense when incurred.

Where an impairment loss subsequently reverses, the carrying value of the asset (cash generating unit) is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash generating unit) in prior years. The reversal of impairment loss is recognized as income once identified.

Derivative financial instruments
Derivative financial instruments are initially recorded at cost and are re-measured to fair value at subsequent reporting dates. Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognized in the consolidated statement of income as they arise.

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

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

Foreign currency transactions
Foreign currency transactions are translated into Saudi Riyals at the rates of exchange prevailing at the time of the transactions. Monetary assets and liabilities denominated in foreign currencies at the consolidated balance sheet date are translated at the exchange rates prevailing at that date. Gains and losses from settlement and translation of foreign currency transactions are included in the consolidated statement of income.

Employee's terminal benefits
Provision is made for amounts payable under the employment contracts applicable to employee's accumulated periods of service at the consolidated balance sheet date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provision for obligations
A provision is recognized when the company has a legal or constructive obligation as a result of a past event, and the settlement of such obligations is probable and can be measured reliably.

Zakat
The Company and its subsidiaries are subject to zakat and income tax regulations in the Kingdom of Saudi Arabia. Zakat and income taxes are provided on an accrual basis. Additional amounts, if any, that may become due on finalization of an assessment are accounted for at that time. The zakat charge in the consolidated financial statements represents the zakat for the Company and the Company's share of zakat in subsidiaries. The zakat charge and income tax, assessable on the minority shareholders, is included in minority interest.

Statutory reserve
In accordance with Saudi Arabian Regulations for Companies, the parent company must set aside 10% of its net income in each year until it has built up a reserve equal to one half of the capital. The reserve is not available for distribution.

Reserve for the results of sale of shares in subsidiaries
The gains or losses resulting from sale of shares in subsidiaries, when the parent company continues to exercise control over the respective subsidiary, are booked in the reserve for the results of sale of shares in subsidiaries.

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

Segmental Analysis
A segment is a distinguishable component of the group that is either engaged in providing products or services (a business segment) or in providing products or services within a particular economic environment (a geographical segment) which is subject to risks and rewards that are different from those of other segments. As substantial portion of the group sales is made outside the Kingdom and all the group's products are considered within one business segment. Hence, no segmental analysis was presented.

Earnings per share
Basic earning per share from net income is calculated by dividing the net income for the year by the weighted average number of shares outstanding during the same year.

Basic earnings per share from main operations is calculated by dividing income from main operations for the year by the weighted average number of shares outstanding during the year.

3. CASH AND CASH EQUIVALENTS

	2010 SR 000	2009 SR 000	2008 SR 000
Cash and bank balances	**453,818**	466,012	438,767
Murabaha deposits	**1,166,826**	1,365,190	2,142,267
	1,620,644	1,831,202	2,581,034

4. ACCOUNTS RECEIVABLE, PREPAYMENTS AND OTHER RECEIVABLES

	2010 SR 000	2009 SR 000	2008 SR 000
Trade receivables	**517,474**	251,831	106,040
Accrued investment income	**1,281**	1,820	1,791
Deposits, prepayments and other receivables	**77,640**	54,141	46,030
	596,395	307,792	153,861

5. INVENTORIES

	2010 SR 000	2009 SR 000	2008 SR 000
Finished products	**82,142**	25,733	54,330
Spare parts and others	**126,388**	52,949	52,399
	208,530	78,682	106,729

The spare parts inventory primarily relates to plant and machinery and, accordingly, this inventory is expected to be utilized over a period exceeding one year.

SAUDI INTERNATIONAL PETROCHEMICAL COMPANY
(SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
31 DECEMBER 2010, 2009 AND 2008

6. PROPERTY, PLANT AND EQUIPMENT

	Plant & equipment SR 000	Land & buildings SR 000	Catalyst & tools SR 000	Vehicles, computer, furniture, fixtures & office equipment SR 000	Construction work in progress SR 000	**Total 2010 SR 000**	Total 2009 SR 000	Total 2008 SR 000
Cost								
1 January	2,586,591	50,366	168,610	47,983	7,500,689	**10,354,239**	8,221,667	5,803,803
Additions	13,672	-	17,034	3,604	325,600	**359,910**	1,672,486	2,398,461
Transfers	7,179,526	68,902	72,713	4,862	(7,402,065)	**(76,063)**	460,086	20,476
Disposals	-	-	-	-	-	-	-	(336)
Write off	-	-	-	-	-	-	-	(737)
31 December	9,779,789	119,268	258,357	56,449	424,224	**10,638,087**	10,354,239	8,221,667
Depreciation								
1 January	672,785	7,759	118,461	37,831	-	**836,836**	539,560	387,384
Charge for the year	241,522	2,348	48,244	3,578	-	**295,692**	167,286	152,349
Transfers	-	-	-		-	-	129,990	-
Disposals	-	-	-		-	-	-	(151)
Write off	-	-	-		-	-	-	(22)
31 December	914,307	10,107	166,705	41,409	-	**1,132,528**	836,836	539,560
Net book value								
31 December 2010	**8,865,482**	**109,161**	**91,652**	**15,040**	**424,224**	**9,505,559**		
31 December 2009	1,913,806	42,607	50,149	10,152	7,500,689		9,517,403	
31 December 2008	1,886,663	41,943	25,769	15,746	5,711,986			7,682,107

Property, plant and equipment include plant and equipment held under capital lease obligations which have a cost of SR 535.1 million (2009: SR 535.1 million, 2008: SR 535.1 million) and accumulated depreciation of SR 155.9 million (2009: SR 135.8 million, 2008: SR 109.1 million).

6. PROPERTY, PLANT AND EQUIPMENT (continued)

Effective 1 January 2009, the group reclassified the net book value of debt acquisition and arrangement costs and pre-operating costs from intangible assets to plant and equipment to better reflect their nature, as these costs are directly attributable to the construction of the plants.

The property, plant and equipment are constructed over a land in Jubail Industrial City leased from the Royal Commission for Jubail and Yanbu' for 30 years commencing on 16 Muharram 1423H corresponding to 30 March 2002. The lease agreements are renewable upon the agreement between the two parties.

Some of the company's property, plant and equipment are pledged as security against Saudi Industrial Development Fund loans, Public Investment Fund loans and commercial term loans (note 11).

Construction work in progress stated at cost and is comprised of construction costs under various agreements and directly attributable costs to bring the asset for its intended use which also includes costs of testing to ensure the asset is functioning properly, and after deducting net proceeds from the sale of production generated during the testing phase. Directly attributable costs include employee benefits, site preparation costs, installation costs, licensing fees, professional fees and borrowing costs.

Financing costs related to the projects of IAC, IAVC and IGC capitalized during the year in construction work in progress amounted to SR 436.5 million (2009: SR 140.1 million, 2008: SR 121.5 million).

In 2010 the board of directors of the company resolved to change the estimated useful lives of the plants from 20 years to 25 years based on the technical opinion of the technology licensors and consultants to better reflect the estimated useful lives of these plants. The change in estimate was accounted for prospectively with effect from 1 January 2010. As a result, net income for the year ended 31 December 2010 was higher by SR 16 million compared to the results had the old estimate been used.

7. PROJECTS' DEVELOPMENT COST

The movement in the projects' development cost during the year was as follows:

	2010 SR 000	2009 SR 000	2008 SR 000
1 January	**52,032**	109,733	170,739
Additions during the year	**78,827**	32,299	37,070
Provision for projects' development cost	**-**	-	(77,600)
Provision for projects' development cost no longer required	**-**	75,000	-
Transferred to construction work in progress	**(68,235)**	(165,000)	(20,476)
	62,624	52,032	109,733

During 2008, a provision of SR 77.6 million was made against the new projects' development cost. The management of the group had not taken a decision to discontinue any ongoing projects. However, this provision was made on a conservative basis against any projects which may not be pursued further in the future at that time. During the first quarter of 2009, the group's management reversed SR 25 million of the provision provided for earlier. Subsequently, the company successfully signed the license agreement for the projects the company intends to undertake. In addition, the company entered into a joint venture agreement with other partners in which they have accepted the project development costs previously incurred by the company amounting to SR 165 million. Consequently, there is no need for the provision which the company has made previously. Therefore, the company has reversed the remaining provision of SR 50 million in the third quarter of 2009. The total amount of the provision reversed during the year ended 31 December 2009 amounted to SR 75 million.

8. INTANGIBLE ASSETS

	2010 Total SR 000	2009 Total SR 000	2008 Total SR 000
Cost			
1 January	**45,974**	357,129	272,290
Additions	**5,156**	-	84,839
Transfers	**6,041**	(311,155)	-
31 December	**57,171**	45,974	357,129
Amortization			
1 January	**14,882**	157,204	104,147
Charge for the year	**9,496**	3,736	53,057
Transfers	**-**	(146,058)	-
31 December	**24,378**	14,882	157,204
Net book value			
31 December 2010	32,793		
31 December 2009		31,092	
31 December 2008			199,925

9. ACCOUNTS PAYABLE, OTHER PAYABLES AND PROVISIONS

	2010 SR 000	2009 SR 000	2008 SR 000
Accounts payable	**189,514**	263,282	107,613
Retentions	**8,733**	40,393	51,688
Accrued expenses	**159,608**	158,386	229,260
Dividends payable	**-**	21,000	-
Other payables	**28,026**	87,783	385,038
Zakat provision (note 18)	**60,642**	49,345	30,002
	446,523	620,189	803,601

10. BANK FACILITIES

The Group has short term facilities with local commercial banks including short term revolving loans, guarantees, letters of credit, and other facilities. The revolving loans facilities carry financial charges at SIBOR/RIBOR plus a margin and are secured by promissory notes equivalent to the total facilities.

11. LONG TERM DEBT

	2010 SR 000	2009 SR 000	2008 SR 000
Obligation under capital lease	**401,352**	444,162	486,973
Saudi Industrial Development Fund loans	**1,570,000**	1,337,000	1,386,788
Syndicated bank loans	**1,396,867**	1,457,890	1,478,794
Public Investment Fund loans	**1,598,999**	1,666,500	373,875
	4,967,218	4,905,552	3,726,430
Less: current portion of obligation under capital lease	**42,811**	42,811	42,811
Less: current portion of term loans	**363,901**	220,610	103,064
	4,560,506	4,642,131	3,580,555

Obligation under capital lease

IMC entered into an Islamic lease agreement with a syndicate of financial institutions for the purpose of converting a commercial loan into an Islamic mode of financing. IMC has the right to purchase property and equipment leased for a nominal fee at the end of the leasing agreement. The company's commitment under the lease is secured by the lessor's ownership of the leased assets.

	2010 SR 000	2009 SR 000	2008 SR 000
Minimum lease payments (fixed and variable rental payments)	**541,416**	580,052	703,800
Less: variable rental payments	**97,254**	93,079	168,665
	444,162	486,973	535,135
Less: Payments made during the year	**42,811**	42,811	48,162
Present value of minimum lease payments	**401,351**	444,162	486,973
Less: current portion of obligation under capital lease	**42,811**	42,811	42,811
	358,540	401,351	444,162
Future minimum lease payments:			
Within a year	**42,811**	42,811	42,811
More than one year and less than five years	**246,163**	214,054	192,649
More than five years	**112,378**	187,297	251,513
	401,352	444,162	486,973

Saudi Industrial Development Fund loans

The Saudi Industrial Development Fund (SIDF) granted loans to IDC, IAC, IVC and IGC. These loans are secured by partners' guarantees proportionate to their shareholding and a first priority mortgage on all present and future assets. The loans are repayable in unequal semi-annual installments. The loan agreements include covenants to maintain financial ratios during the loans period. Management and follow up fees are charged to the loans as stated in the loan agreements.

Syndicated bank loan

IDC on one hand, and IAC, IVC and IGC on the other hand entered into two credit facility agreements with two syndicates of financial institutions. The loans are secured by partners' guarantees and a second priority mortgage on the assets already mortgaged to SIDF. Under a partner support agreement for the projects financing, the partners are obligated following completion of a project to provide a letter of credit for support of operations during the life of the loans. The loans are repayable in unequal semi-annual installments. The Agreements include covenants to maintain certain financial ratios and also require maintenance of certain restricted bank accounts. The loans carry financial charges at LIBOR plus a variable margin.

11. LONG TERM DEBT (continued)

Public Investment Fund loan - IDC

The Public Investment Fund (PIF) granted loans to IDC, IAC, IVC and IGC to finance the construction of the plants of these companies. The obligation under this loan agreement at all times ranks at pari passu with all other creditors. The loans are repayable in unequal semi-annual installments except IDC loan which is repayable in equal semi-annual installments. The Agreements include covenants to maintain certain financial ratios. The loans carry financial charges at LIBOR plus a fixed margin. The loan agreements require the companies to enter into an interest rate swap contract to cap the financial charges associated with the PIF loans.

Interest Rate Swap

At 31 December 2010, IDC, IAC, IVC and IGC had interest rate swap ("IRS") contracts with local commercial banks in relation to the loans obtained from Public Investment Fund and commercial loans from syndicate of financial institutions as required by the loans agreements. At 31 December 2010, the notional amount of IRS contracts was SR 2,145 million (2009: SR 2,299 million, 2008: 2,022.2 million). The fair value of the interest rate swap at 31 December 2010 has decreased by SR 187.4 (2009: SR 143.5 million, 2008: SR 246.5 million) lower than the fair value at the inception of the contract. Sipchem's share of the fair value amounting to SR 140.4 million (2009: SR 102.9 million, 2008: SR 200.5 million) has been recorded in equity. This amount represents what has to be paid in case the Company decides to cancel the agreement. However, the group has no intention to settle the agreement. In case of the increase in the interest rates this difference will be eliminated and may become positive.

12. ADVANCES FROM PARTNERS

The partners of IAC, IVC and IGC have agreed to contribute long term advances to finance certain percentage of their projects' costs as per the joint venture agreements. Partners' advances shall be repaid as per the joint venture agreements after the repayment of external indebtedness and funding of reserve account. At 31 December 2010, the parent Company and the minority partners have long term advances of SR 1,288.9 million and SR 313.5 million, respectively (2009: SR 799.2 million and SR 215.1 million, respectively, 2008: SR 777 million and SR 135 million respectively). The parent company and the minority partners have also made short term advances of SR 22.6 million and SR 3.3 million, respectively (2009: SR 95.5 million and SR 19.5 million, respectively, 2008: SR 381.8 million and SR 29.9 million, respectively). The long term advances do not carry any financial charges whereas the short term advances carry financial charges at normal commercial rates.

13. EMPLOYEES' TERMINAL BENEFITS

	2010 **SR 000**	2009 SR 000	2008 SR 000
1 January	**40,319**	33,531	19,807
Provision for the year	**14,845**	8,823	15,084
Payments made during the year	**(2,553)**	(2,035)	(1,360)
	52,611	40,319	33,531

14. MINORITY INTEREST

	2010 SR	2009 SR	2008 SR
International Methanol Company	**352,339**	281,030	414,585
International Diol Company	**202,574**	136,067	172,345
International Acetyl Company Ltd.	**209,533**	223,945	114,110
International Vinyl Acetate Company Ltd.	**139,838**	152,385	78,311
International Gases Company Ltd.	**111,744**	116,446	114,322
International Polymers Company	**76,381**	-	-
	1,092,409	909,873	893,673

15. GENERAL RESERVE

In 2007, the General Assembly approved the Board of Directors proposal to establish a general reserve of SR 275 million, through transfer from retained earnings to finance the needs of the Group's future projects.

16. RESERVE FOR THE RESULTS OF SALE OF SHARES IN SUBSIDIRIES

On 30 June 2010, the Saudi Organization for Certified Public Accountants issued its opinion regarding the treatment of the difference between the fair value of the consideration received and the amount of the change in minority interest upon the sale of shares in a subsidiary without the parent company losing its control on it. Accordingly, the parent company changed the presentation in this regard so that such differences are recorded in the reserve for the results of sale of shares in subsidiaries instead of recording them in the statutory reserve. The change in the presentation has been applied retrospectively.

17. RELATED PARTY TRANSACTIONS

Material related party transactions during the year were as follows:

- One of the subsidiaries purchased fixed assets from a foreign partner during the year 2010. Total purchases in this regard amounted to SR 20.3 million (2009: SR 19.7, 2008: Nil)

- Certain foreign partners market part of the group's products. Total sales made to foreign partners amounted to SR 1,543.7 million (2009: SR 364.7 million, 2008: SR 974.2 million).

- The parent Company and the minority partners grant advances to the companies of the group to support their operations and comply with debt covenants. The long term advances do not carry any financial charges and have no specific maturity date. Short term advances carry financial charges at normal commercial rates.

The prices and terms of the above transactions are approved by the boards of directors of the companies of the group.

18. ZAKAT

Zakat charge:
The zakat charge consists of:

	2010 SR 000	2009 SR 000	2008 SR 000
Current year provision	**43,943**	40,358	30,379

The zakat charge for the Group was as follows:

	2010 SR	2009 SR	2008 SR
Current year zakat charge of the parent company	**21,086**	32,267	13,356
Parent company's share in the zakat of subsidiaries	**22,857**	8,091	17,023
Charge in consolidated statement of income	**43,943**	40,358	30,379

Movements in zakat provision
The movement in the zakat provision was as follows:

	2010 SR 000	2009 SR 000	2008 SR 000
January 1	**49,345**	30,002	20,876
Provision for the year	**43,943**	40,358	30,379
Payments during the year	**(32,646)**	(21,015)	(21,253)
	60,642	49,345	30,002

Status of zakat assessments

The parent company received zakat assessments for the years from 2001 through 2008 which showed an additional amount due of SR 24.2 million. The parent company filed an appeal against the assessments received from the Department of Zakat and Income Tax (DZIT). The company's assessment for the year 2009 has not been raised by the DZIT yet. The zakat assessments for IGC have been agreed with the DZIT up to 2007. The assessments of the other subsidiaries for all years have not been raised by the DZIT yet.

19. GENERAL AND ADMINISTRATIVE EXPENSES

	2010 SR 000	2009 SR 000	2008 SR 000
Employee costs	**64,637**	38,573	41,353
Expenses of board of directors and board meetings for the group	**1,367**	1,116	1,217
Depreciation	**5,250**	7,485	9,101
Others	**25,948**	20,231	19,016
	97,202	67,405	70,687

20. OPERATING LEASE ARRANGEMENTS

	2010 SR 000	2009 SR 000	2008 SR 000
Payments under operating leases recognized as an expense during the year	**2,165**	2,165	2,165

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

The minimum lease payments under non-cancellable operating leases are as follows:

	2010 SR 000	2009 SR 000	2008 SR 000
Less than one year	**2,165**	2,165	2,165
Year two	**2,165**	2,165	2,165
Year three	**2,165**	2,165	2,165
Year four	**2,165**	2,165	2,165
Year five	**2,165**	2,165	2,165
More than five years	**35,001**	37,166	39,332
Net minimum lease payments	**45,826**	47,991	50,157

21. DIVIDENDS

In April 2010, the Company distributed cash dividends in the amount of SR 333.3 million of SR 1/ share, which equals to 10% of the share capital for shareholders on records on 11 Rabih II 1431 H corresponding to 27 March 2010.

22. CAPITAL COMMITMENTS

As at 31 December 2010 the Group had letters of credit and letters of guarantee amounting to SR 471 million (2009: SR 137.5 million, 2008: SR 178.6 million) and outstanding capital commitments amounting to SR 480 million (2009: SR 63.7 million, 2008: SR 719.3 million).

23. CONTINGENCIES

Some Chinese companies filed a petition in respect of anti-dumping the Chinese market with Methanol products against companies in several countries including IMC, where the Chinese companies requested to impose anti-dumping duty. Recently, the Chinese Ministry of Commerce decided not to impose any protective duties on Saudi Methanol Exports

Sipchem and Saudi Ethylene and Polyethylene Company (SEPC) have entered into an agreement for the supply of Ethylene to Sipchem. SEPC is claiming compensation for the failure by Sipchem to lift the annual contract quantity during the period from 1 March 2009 up to 31 December 2009, when the related plant was not yet operational. Sipchem management believes that SEPC will not be awarded any compensation.

24. FAIR VALUES

The fair values of the Group's financial assets and liabilities approximate their carrying amounts in the financial statements.

APPENDIX 2 - *SHARI'AH* COMMITTEE PRONOUNCEMENT

بسم الله الرحمن الرحيم

ترغب شركة الرياض المالية في أن تعرض على الهيئة الشرعية الموقرة هيكلا لإصدار الصكوك لأحد عملائها بالوصف التالي:

<u>تقوم صكوك المضاربة للشركة السعودية العالمية للبتروكيماويات على الخطوات التالية:</u>

1 – تصدر الشركة السعودية العالمية للبتروكيماويات صكوك المضاربة متوافقة مع أحكام الشريعة الإسلامية وذلك لاستثمارها في تطوير مشاريع حالية وجديدة متوافقة مع أعمال الشركة الحالية وذلك بقيمة لا تتعدى قيمة رأس مال الشركة الحالي لمدة (--) سنوات بحيث تكون الشركة هي المضارب وحملة الصكوك هم أرباب المال، وتشارك الشركة في وعاء المضاربة وتحصل على نصيبها من الربح باعتبارها رب مال.

2 – يجري تقويم أصول شركة سبكيم لتكون قيمة هذه الأصول هي مساهمة شركة سبكيم في الوعاء المتكون من رأس مال حملة الصكوك والقيمة النقدية لشركة سبكيم.

3 – يجري اقتسام الأرباح في نهاية كل (--) أشهر بين المضارب وحملة الصكوك طوال مدة الصكوك بحسب النسب المتفق عليها مسبقاً، على سبيل التنضيض الحكمي بحيث يكون نصيب حملة الصكوك ما يساوي (--%) من الأرباح ونصيب المضارب (--% ثم تتجدد المضاربة حكمياً في بداية كل (--) أشهر حتى نهاية السنوات أل (--).

4 – في نهاية كل (--) أشهر يتسلم حملة الصكوك العائد لتلك الفترة بحيث يتم احتساب قسمة الربح بين المضارب وأرباب المال إذا كان ربح أرباب المال أعلى من مستوى التوزيع المتفق عليه، ويستمر ذلك

حتى نهاية عمر الصكوك، وما زاد عن ذلك فيما يتعلق بكل فترة فيرصد في حساب احتياطي لصالح حملة الصكوك لغرض تحقيق الاستقرار في العائد المشار إليه (--%)، فإذا نقص الإيراد المتحقق في فترة بحيث لم يكن كافيا لدفع مبلغ التوزيع المتفق عليه فأن العجز يغطى من الحساب الاحتياطي تغطية كاملة أو جزئية، وإذا لم يكن في حساب الاحتياطي أي مبلغ فليس لحملة الصكوك إلا ما تحقق لهم من عائد وفي نهاية عمر الصكوك ويبقى رصيد الاحتياطي (بعد خصم التكاليف المتعلقة بالصكوك) ملكاً لحملة الصكوك ويمكنهم الحصول عليه في نهاية مدة العقد، ولهم أن يتنازلوا بإرادتهم عنه أو عن جزء منه في أي وقت قبل ذلك.

5 – اذا لم تقع أي حالة ممارسة، فان الصكوك سوف تطفئ تلقائيا بنهاية السنة ال (--)

هذا وسوف نقوم بعرض مستندات الصكوك عند اكتمالها لأخذ الموافقة الشرعية عليها بأذن الله

والله ولي التوفيق،،،

٢/١٠/٢٠١٠