



SAUDI BASIC INDUSTRIES CORPORATION (SABIC)

(a joint stock company incorporated under
the laws of the Kingdom of Saudi Arabia)

Commercial Register Number 1010010813

is Offering

SUKUK EXPIRING 2026

The Sukuk expiring 2026 (the “**Sukuk**”) of Saudi Basic Industries Corporation (the “**Issuer**” or “**SABIC**”) are being issued at par, without discount or premium.

On the 15th of July, October, January and April in each year, commencing on 15 October 2006 and up to and including 15 July 2026 or, if any such day is not a Business Day (as defined in the terms and conditions of the Sukuk (the “**Conditions**”)), the next following Business Day (each a “**Periodic Distribution Date**”), the Issuer is expected to pay an amount equal to the Periodic Distribution Amount (as defined in the Conditions) to the holders of the Sukuk (the “**Holders**”) calculated on the basis of the Benchmark Rate (as defined in the Conditions) plus a specified margin, calculated as a percentage rate per annum, (the “**Margin**”) of the face value of the Sukuk as are current at the end of the relevant Periodic Distribution Period (as defined in the Conditions).

Under a purchase undertaking to be entered into by the Issuer for the benefit of the Custodian and the Sukukholders’ Agent (each as defined below) (for, and on behalf of, the Holders) on or about the Closing Date (as defined below) (the “**Purchase Undertaking**”), the Issuer will undertake to purchase the Sukuk from Holders at a specified predetermined Purchase Price (as defined in the Conditions) which decreases over time, on the Periodic Distribution Dates falling on the 15th of July 2011, 2016 and 2021 (each a “**Fifth-year Date**”) (see Condition 11 (Exercise Events) on page 19 of this Offering Circular).

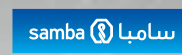
Lead Manager and Bookrunner



Shariah Coordinator



Co - Managers



This Offering Circular includes details given in compliance with the Listing Rules of the Capital Market Authority of Saudi Arabia (the “**Authority**”). The Directors, whose names appear on page 49; collectively and individually accept full responsibility for the accuracy of the information contained in this Offering Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading. The Authority and the Saudi Stock Market (“**Tadawul**”) take no responsibility for the contents of this document, make no representations as to its accuracy or completeness, and expressly disclaim any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this document.

This Offering Circular is dated 7 / 6 / 1427H 3 / 7 / 2006
English Translation of the Official Arabic Offering Circular

The Sukuk will be the subject of a declaration of agency (the "**Declaration of Agency**") to be dated on or about the Closing Date (as defined below) between the Issuer, SABIC Sukuk LLC (the "**Custodian**") and HSBC Saudi Arabia Limited (the "**Sukukholders' Agent**"). Pursuant to a sukuk assets transfer agreement (the "**Sukuk Assets Transfer Agreement**") to be dated on or about the Closing Date, between the Issuer, the Custodian and the Sukukholders' Agent, the Issuer will transfer to the Custodian the Applicable Percentage (as defined in the Conditions) of certain specified rights and obligations under the Marketing Agreements (as defined below) for a period of 20 years (the "**Sukuk Assets**") (see further under "The Marketing Agreements" on page 29 of this Offering Circular). Pursuant to the Declaration of Agency and the Conditions, the Custodian will hold the Sukuk Assets for the benefit of the Holders, *pro rata* according to the face value of Sukuk held by each Holder.

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

The aggregate face value, together with the anticipated net proceeds, of the Sukuk to be issued and the Margin will be determined by agreement between the Issuer and the Lead Manager (as specified on page 61 of this Offering Circular) and announced on a date expected to be around the middle of July 2006 (see "Subscription and Sale" on page 61 of this Offering Circular).

Investing in the Sukuk involves risks that are described in the "Risk Factors" section beginning on page 7 of this Offering Circular.

Application has been made to register the Sukuk on the Official List maintained by the Authority. Tadawul will be appointed as registrar (the "**Registrar**", which expression includes any successor registrar) of the Sukuk and the Sukuk will be admitted to the clearing and settlement system of Tadawul, as described in "Terms and Conditions of the Sukuk - Register, Title and Transfers" and "Subscription and Sale" on page 14 and page 61 of this Offering Circular, respectively.

The Sukuk will be in registered form in denominations of SAR 50,000 and may be held in holdings of at least SAR 500,000 and integral multiples of SAR 50,000 in excess thereof. The Sukuk will be represented at all times by interests in a registered form global certificate, without coupons attached (the "**Global Certificate**"), which will be deposited with the Sukukholders' Agent. The Sukuk may only be held in book-entry dematerialised form and definitive certificates will not be issued to Holders in relation to their holdings of Sukuk.

The investor presentation period for the Sukuk commences on 4 July 2006 and will end ten business days after such date, as further described in "Subscription and Sale" on page 61 of this Offering Circular, (the "**Investor Presentation Period**") and the Sukuk will be issued on a date (the "**Closing Date**") falling no later than ten business days after the end of the Investor Presentation Period.

IMPORTANT NOTICE

This Offering Circular provides details of information relating to the Issuer and the Sukuk being offered. In applying for the Sukuk, investors will be treated as applying on the basis of the information contained in the Offering Circular, copies of which are available for collection from the Issuer and the Lead Manager (as defined below) or by visiting their respective websites (www.sabic.com and www.sabb.com).

HSBC Saudi Arabia Limited has been appointed by the Issuer to act as the Lead Manager and Bookrunner (the “**Lead Manager**”) (together with each Co-Manager specified on page “v”, the “**Managers**”) in relation to the Sukuk described herein.

This Offering Circular includes details given in compliance with the Listing Rules of the Authority. The Directors, whose names appear on page 49; collectively and individually accept full responsibility for the accuracy of the information contained in this Offering Circular relating to the Issuer and the Sukuk and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

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

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

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

References herein to “this Offering Circular” shall be deemed to include this document dated 3/7/2006 together with the drafts as of the date of this Offering Circular of the Purchase Undertaking, the Sukuk Assets Transfer Agreement, the Declaration of Agency, the Sukuk Assets Administration Agreement (as defined in the Conditions) and the Payments Administration Agreement (as defined in the Conditions). English language drafts of the Purchase Undertaking, the Sukuk Assets Transfer Agreement, the Declaration of Agency, the Sukuk Assets Administration Agreement and the Payments Administration Agreement are available for download from the websites of the Issuer (www.sabic.com) and the Sukukholders’ Agent (www.sabb.com) from the date of this Offering Circular until the Closing Date and although these documents will be executed in the English language, Arabic convenience translations of the same will also be made available on such websites on or about the Closing Date. This document must be read together with each of such documents.

The offering, sale and delivery of the Sukuk is limited solely to natural persons who are nationals of the Kingdom of Saudi Arabia or other legal persons with a permanent establishment in the Kingdom of Saudi Arabia 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 of Saudi Arabia and who is not a Specified Counterparty (as defined in the Conditions). The distribution of this Offering Circular and the offering, sale and delivery of the Sukuk in any jurisdictions other than the Kingdom of Saudi Arabia may be restricted by law. Any person who comes into possession of this Offering Circular is required by the Issuer and the Managers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of the Sukuk and on distribution of this Offering Circular and other offering material relating to the Sukuk, see “Subscription and Sale” on page 61 of this Offering Circular.

Financial Information

The audited financial statements as at and for the years ended 31 December 2003, 2004 and 2005 and the notes thereto, each of which are incorporated elsewhere in the Offering Circular, have been prepared in conformity with the Saudi Organization for Certified Public Accountants ("SOCPA") Generally Accepted Accounting Principles. The Issuer publishes its financial statements in Saudi Arabian Riyals.

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

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

Forecasts and Forward Looking Statements

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

Certain statements in this Offering Circular constitute "forward-looking-statements". Such statements can generally be identified by their use of forward-looking words such as "plans", "estimates", "projects", "believes", "expects", "anticipates", "may", "will", "should", "expected", "would be" or the negative or other variation of such terms or comparable terminology. These forward-looking statements reflect the current views of the Issuer with respect to future events, and are not a guarantee of future performance. Many factors could cause the actual results, performance or achievements of the Issuer to be significantly different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. Some of the risks and factors that could have such an effect are described in more detail in other sections of this Offering Circular (see "Risk Factors" section in page 7). 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 Offering Circular as anticipated, believed, estimated, planned or expected.

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

Supplementary Offering Circular

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

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

PARTIES AND ADVISERS

ISSUER

Saudi Basic Industries Corporation

Eastern Circle - King Khalid Airport Road - Exit 8
P.O. Box 5101 - Riyadh 11422 - Kingdom of Saudi Arabia



CUSTODIAN

SABIC Sukuk LLC

Eastern Circle - King Khalid Airport Road - Exit 8
P.O. Box 5101 - Riyadh 11422 - Kingdom of Saudi Arabia



SUKUKHOLDERS' AGENT

HSBC Saudi Arabia Limited

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



PAYMENTS ADMINISTRATOR

The Saudi British Bank

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



REGISTRAR

Tadawul

NCCI building - North Tower - King Fahd Rd
P.O. Box 60612 - Riyadh 11555 - Kingdom of Saudi Arabia



LEAD MANAGER AND BOOKRUNNER

HSBC Saudi Arabia Limited

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



SHARIAH COORDINATOR

SABB Amanah

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



CO-MANAGERS

Banque Saudi Fransi

P.O. Box 56006 - Riyadh 11554
Kingdom of Saudi Arabia



Gulf International Bank

P.O. Box 93413 - Riyadh 11673
Kingdom of Saudi Arabia



The National Commercial Bank

P.O. Box 3555 - Jeddah 21481
Kingdom of Saudi Arabia

**The Saudi British Bank**

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

**Samba Financial Group**

P.O. Box 490 - Jeddah 21411
Kingdom of Saudi Arabia

**Saudi Hollandi Bank**

P.O. Box 1467 - Riyadh 11431
Kingdom of Saudi Arabia

**LEGAL ADVISERS*****To the Issuer*****Baker & McKenzie LLP**

100 New Bridge Street - London
EC4V 6JA - England
Legal Advisors

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

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

***To the Lead Manager*****Clifford Chance LLP**

10 Upper Bank Street - London
E14 5JJ - England

**Al-Jadaan Law Firm**

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

**AUDITORS TO THE ISSUER****Deloitte & Touche Bakr Abulkhair & Co.**

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



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SUMMARY OF THE OFFERING

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

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

Issuer and Sukuk Administrator:	Saudi Basic Industries Corporation (" SABIC ")
Lead Manager and Bookrunner:	HSBC Saudi Arabia Limited
Co-Managers	Banque Saudi Fransi Gulf International Bank The National Commercial Bank The Saudi British Bank Samba Financial Group Saudi Hollandi Bank
Sukukholders' Agent:	HSBC Saudi Arabia Limited
Payments Administrator:	The Saudi British Bank
Custodian:	SABIC Sukuk LLC, a wholly owned subsidiary of SABIC being a limited liability company with commercial registration number 1010220370 issued on 18 Jumad Al-Awwal 1427H with a share capital of SAR500,000.
Registrar:	The Saudi Stock Market ("Tadawul")
Listing:	Application has been made for the Sukuk to be admitted to listing on the Official List maintained by the Authority.
Issue Price:	100 per cent of the aggregate face value of the Sukuk.
Form of the Sukuk:	Sukuk will only be issued in dematerialised registered form and will be represented at all times by interests in a registered form global certificate (as more particularly described in Condition 2 (<i>Form and Denomination</i>) on page 14 of this Offering Circular) without coupons attached, which will be deposited with the Sukukholders' Agent.
Currency:	Sukuk will be denominated in Saudi Riyals.
Status of the Sukuk:	The Sukuk constitute limited recourse obligations of the Issuer as set out in Condition 4 (<i>Status; Limited Recourse; Agreement of Holders</i>) on page 15 of this Offering Circular and will be issued on an unsecured and unsubordinated basis.
Term:	The Sukuk will expire in July 2026. However, Holders will be entitled to sell the Sukuk to the Issuer at the Purchase Price at the end of every 5 years in the circumstances described in Condition 11.1 (<i>Fifth-year Date</i>) on page 19 of this Offering Circular.

Obligatory purchase of the Sukuk by SABIC:	Holders may only oblige SABIC to purchase the Sukuk at the applicable Purchase Price prior to the Expiry Date (as defined in Condition 1 (<i>Definitions</i>) on page 10 of this Offering Circular) on each Fifth-year Date (as described in Condition 11.1 (<i>Fifth-year Date</i>) on page 19 of this Offering Circular) or otherwise in the limited circumstances set out in Condition 11.2 (<i>Events of Default</i>) on page 20 of this Offering Circular.
Purchase Price:	An amount payable upon an obligatory purchase of the Sukuk by SABIC. The Purchase Price applicable to the Sukuk (expressed as a percentage of the face value of the Sukuk) will be 90% at the first Fifth-year Date, 60% at the second Fifth-year Date and 30% at the third Fifth-year Date, as described in Condition 11.3 (<i>Definitions</i>) on page 22 of this Offering Circular. No Purchase Price is payable to the Holders on the expiry of the Sukuk at the end of 20 years.
Periodic Distribution Amount:	The Benchmark Rate plus a specified margin, calculated as a percentage rate per annum, (see further under "Subscription and Sale" on page 61 of this Offering Circular) payable quarterly in arrears out of the Net Income received under the Sukuk Assets.
Net Income:	The Applicable Percentage of the gross income attributable to the Marketing Agreements less the Administrator's Allowable Costs, the Administration Fee and the Agency Fee as further described in Condition 5 (<i>Sukuk Assets</i>) on page 16 of this Offering Circular.
Extra Amount:	An amount payable (up to 10 per cent. of the aggregate face value of the Sukuk) out of the Reserve on each Fifth-year Date and the Expiry Date as further described in Condition 5(c) (<i>Application of Proceeds - Reserve</i>) on page 17 of this Offering Circular.
Denominations:	Sukuk will be issued in denominations of SAR 50,000, subject to a minimum holding of SAR 500,000.
Negative Pledge:	The Sukuk will have the benefit of a negative pledge as described in Condition 6 (<i>Negative Pledge</i>) on page 17 of this Offering Circular under which the Issuer will agree not to create or permit to subsist any security interests (other than certain permitted security interests) upon its undertaking, assets or revenues to secure indebtedness in the form of a security (within the meaning of the Capital Market Law) or a guarantee of such indebtedness.
Cross Default:	The Sukuk will have the benefit of a cross default as described in Condition 11.2 (<i>Events of Default</i>) on page 20 of this Offering Circular.
Taxation:	All payments in respect of the Sukuk will be made free and clear of withholding taxes of the Kingdom of Saudi Arabia unless such withholding is required by law. In that event, the Issuer shall pay such additional amounts as will result in receipt by the Holders of such amounts as would have been received had no such withholding or deduction been required but only to the extent that such amounts are otherwise available for distribution to the Holders from the Net Income and the Reserve.

Selling Restrictions:

The offering, sale and delivery of the Sukuk is limited to persons who are Qualified Persons (as defined in Condition 1 (*Definitions*) on page 10 of this Offering Circular). In addition, the primary distribution of the Sukuk will be only to Institutional Investors (as defined in "Subscription and Sale" on page 61 of this Offering Circular), although persons who are not Institutional Investors may be able to purchase Sukuk from Institutional Investors subsequently. For a more detailed description of these and other restrictions on offers, sales and deliveries of Sukuk and on the distribution of offering material relating to the Sukuk, see "Subscription and Sale" on page 61 of this Offering Circular.

Risk Factors:

A purchase of Sukuk should be made after careful consideration of a potential Holder's investment circumstances. See "Risk Factors" on page 7 of this Offering Circular.

SHARIAH SUPERVISORY COMMITTEE AND PRONOUNCEMENT

Detailed pronouncement of the SABB Amanah Shariah Supervisory Committee

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

Overview of the SABB Amanah Shariah Supervisory Committee

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

Biographical information of the SABB Amanah Shariah Supervisory Committee

Sheikh Abdullah Bin Sulaiman Al-Manea

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

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

Sheikh Abdullah is a member of many Shariah supervisory committees of banks in Saudi Arabia. He is also a member of many Shariah councils such as AAOIFI (Bahrain).

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

Sheikh Dr Abdullah Bin Mohammed Al-Mutlaq

Sheikh Abdullah is a member of the Supreme Judiciary Committee of Saudi Arabia.

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

The Sheikh is a member of many Shariah supervisory committees of banks in the Kingdom of Saudi Arabia.

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

Sheikh Dr Muhammad A Elgari Bin Eid

Sheikh Elgari is a Professor of Islamic Economics at the King Abdul Aziz University (Jeddah) and former Director of the Centre for Research in Islamic Economics in 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 OIC and the Islamic Jurisprudence Academy of the Islamic World League.

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 IDB), Islamic Economics (of the International Association of Islamic Economics, London) and the advisory board of the Harvard Series in Islamic Law.

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

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

RISK FACTORS

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

Factors Relating to SABIC's Business

Performance of SABIC's affiliates and subsidiaries

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

Environmental Factors

SABIC's business involves the manufacture and marketing of petrochemical, steel and fertiliser products, some of which are toxic, hazardous, inflammable or volatile. As with any business that involves the handling, processing, transportation, storage, or manufacturing of potentially dangerous substances, SABIC's business is exposed to environmental risks, accidents involving persons or property, and other liabilities. SABIC has not had any material losses in respect of environmental factors, accidents or other liabilities relating to the nature of its business operations in the past five years. See "Description of the Issuer - Environmental, Health and Safety Matters" on page 44 of this Offering Circular for a description of environmental matters related to SABIC.

Dependence on key suppliers

A key ingredient of SABIC's profitability is its ability, similar to other qualifying Saudi Arabian entities, to obtain feedstock from the Saudi Arabian Oil Company ("**Saudi Aramco**") at prices which are controlled by the Saudi Arabian Government and which are generally below those available outside the Kingdom of Saudi Arabia.

The cost of feedstock purchased from Saudi Aramco represents a significant portion of the operating costs for a number of SABIC's affiliates and subsidiaries. Any increase in prices of such feedstock in line with international prices or any material interruptions in supply from Saudi Aramco could have an adverse effect on SABIC's profitability.

SABIC's manufacturing business is dependent upon the supply of electricity to meet its energy needs. At present, MARAFIQ is the only utility company which supplies electricity within the industrial cities of Yanbu and Jubail, where most of SABIC's Saudi Arabian manufacturing facilities are located. Outside of these two industrial cities, the Saudi Electricity Company has a monopoly on the supply of electricity in the Kingdom of Saudi Arabia. Any material increase in the tariffs charged by these two utility companies or material interruptions in their supply of electricity could have an adverse effect on SABIC's profitability.

Sales of products

SABIC's manufacturing business produces a wide range of products which are sold in a number of international markets. The volatility of international market prices for petrochemical, steel and fertiliser products and the cyclical nature of the petrochemical, steel and fertiliser industries could affect the results of SABIC's business or operations.

Factors that may have an effect on the international market prices for these products include general economic conditions, the level of business activity in the derivative uses of SABIC's products, excess supply or aggressive

pricing by SABIC's competitors, international events or circumstances affecting demand for these products or making delivery difficult, changes in product and process technology and availability of substitute products. In addition, any changes in the regulatory regime relating to the import or sale of products produced by SABIC (such as, for example, introduction of import tariffs or quotas or changes to the applicable specifications or standards for products which may be imported or sold) could have an adverse effect on SABIC's ability to sell the relevant products in the relevant markets.

Intellectual property and technology licences

SABIC depends upon a wide range of intellectual property to support its business and has obtained licences for certain technologies which are used in its manufacturing business. Any cancellation of a material technology licence or disputes related to its use could require the relevant affiliates or subsidiaries to cease using the relevant technology and therefore, adversely affect its ability to produce the relevant products. This could have an adverse effect on the business and financial condition of such affiliate or subsidiary and could, in turn, have an adverse effect on SABIC's profitability.

Reliance upon skilled personnel

In common with other businesses functioning in a competitive environment, SABIC's business and operations are dependent upon its ability to recruit and retain skilled personnel. Historically, SABIC has a good track record of recruiting and retaining the skilled personnel necessary for its business and operations. The continuity of recruiting and retaining skilled personnel is critical to SABIC's operations.

Factors Relating to the Sukuk

Governing law, jurisdiction and enforceability

The Sukuk are governed by, and are to be construed in accordance with, the laws of the Kingdom of Saudi Arabia and in accordance with the rules of the Shariah as applied in the Kingdom of Saudi Arabia. As per Condition 18 (*Governing Law and Jurisdiction*) on page 25 of this Offering Circular, Saudi Arabia's Committee for the Resolution of Securities Disputes and the Appeal Panel shall have exclusive jurisdiction to hear and determine any suit, action or proceedings, and to settle any disputes, which may arise out of or in connection with the Sukuk. However, prospective Holders should note that the Committee has only been established recently and, to the best of SABIC's knowledge, no securities of a similar nature to the Sukuk have previously been offered publicly in the Kingdom of Saudi Arabia. In addition, SABIC is not aware of any securities of a similar nature to the Sukuk being the subject of adjudicatory interpretation or enforcement in the Kingdom of Saudi Arabia. Accordingly, it is uncertain exactly how and to what extent the Sukuk, the Conditions and/or the Sukuk Documents (as defined below) would be enforced by a Saudi Arabian court or other adjudicatory authority.

Trading, settlement and listings

The Issuer intends to apply for the Sukuk to be admitted to trading through a clearing and settlement system to be established in the Kingdom of Saudi Arabia. Until such clearing and settlement system is established, and the Sukuk have been admitted to trading thereon, trading of the Sukuk will be effected in over-the-counter transactions and is thus likely to take longer and be less efficient than it would be if the Sukuk traded through a clearing and settlement system, thereby potentially restricting the liquidity of the Sukuk. Moreover, if a clearing and settlement system is established and the Sukuk are admitted to trading thereon, there can be no assurance that there will be no interruption to, or errors in, trading, clearing, or settlement of the Sukuk, as a result of the inexperience or lack of familiarity of the operators in regard to clearing and settlement systems or of inherent inadequacies of any such clearing and settlement system.

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

Shariah

Prospective Holders should note that different Shariah advisers, and Saudi courts and judicial committees, may

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

Payments under the Sukuk

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

Prospective Holders should note that the amount of the Purchase Price to be paid upon purchase of the Sukuk by SABIC (following a Fifth-year Date or upon any Event of Default) shall be calculated on the aggregate face value of the Sukuk as are current as of such date multiplied by a percentage value which will decrease over the term of the Sukuk. Prospective Holders should be aware that, if they exercise their rights to have their Sukuk purchased on the Fifth-year Date falling in July 2011, they will be entitled to receive a payment of the Purchase Price equal to 90% of the face value of their Sukuk. The Purchase Price payable to Holders on subsequent Fifth-year Dates declines to 60% on the Fifth-year Date falling in July 2016 and 30% on the Fifth-year Date falling in July 2021. If the Sukuk is not purchased by SABIC prior to the Expiry Date, the value of the Sukuk will be zero and the Sukuk will be cancelled.

Holders will also receive (to the extent that there is available Net Income and Reserve on such dates) an Extra Amount of up to 10% of the face value of their Sukuk payable on each Fifth-year Date and the Expiry Date to the extent their Sukuk are current on such dates.

Factors Relating to the Marketing Agreements

Prospective Holders should refer to "Risk Factors related to the Marketing Agreements" on page 30 of this Offering Circular for a description of certain risk factors relating to the Marketing Agreements.

TERMS AND CONDITIONS OF THE SUKUK

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

Introduction

Each of the Sukuk expiring 2026 (the “**Sukuk**”) represents an undivided beneficial ownership in the Sukuk Assets (as defined below) held by SABIC Sukuk LLC (the “**Custodian**”, which expression includes any successor custodian in relation to the Sukuk Assets) for the benefit of the registered holders of the Sukuk (the “**Holders**”).

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

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

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

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

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

1. Definitions

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

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

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

“**Agency Fee**” means the on-going fees and expenses (if any) payable to the Payments Administrator and the Sukukholders’ Agent for their services in connection with the Sukuk as further described in the Payments Administration Agreement or, as the case may be, the Declaration of Agency (the Sukukholders’ Agent will be paid an annual fee of SAR75,000 for its services in relation to the Sukuk. The initial Payments Administrator has waived its annual fee in respect of the same until the first Fifth-year Date. The annual fees of both the Sukukholders’ Agent and the Payments Administrator will fall to be re-negotiated; accordingly, it is anticipated that until the first Fifth-year Date, so long as there is no change in the Payments Administrator

or the Sukukholders' Agent, such amounts will consist of the Sukukholders' Agent annual fee and each of the Sukukholders' Agent and Payments Administrator's respective out-of-pocket expenses);

"Applicable Percentage" means the percentage value obtained by dividing the aggregate face value of Sukuk on the Closing Date by SAR10,000,000,000;

"Authorised Holding" means a holding of Sukuk in the minimum amount of SAR 500,000 or an integral multiple of SAR 50,000 in excess thereof;

"Authority" means the Capital Market Authority in the Kingdom of Saudi Arabia;

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

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

"Closing Date" has the same meaning as set out on page "i" of the Offering Circular;

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

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

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

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

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

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

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

"Expiry Date" means the Periodic Distribution Date falling in July 2026;

"Extra Amount" has the same meaning as set out in Condition 5 (*Sukuk Assets*);

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

"Fifth-year Date" means the Periodic Distribution Date falling in July 2011, July 2016 or July 2021;

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

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

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

"Holders" means the registered holders of the Sukuk;

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

- (a) amounts raised under any note purchase facility;

- (b) the amount of any liability in respect of leases or hire purchase contracts which would, in accordance with applicable law and generally accepted accounting principles, be treated as finance or capital leases;
- (c) the amount of any liability in respect of any purchase price for assets or services the payment of which is deferred for a period in excess of 90 days; and
- (d) amounts raised under any other transaction (including, without limitation, any forward sale or purchase agreement) having the commercial effect of a borrowing;

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

"Lead Manager" means HSBC Saudi Arabia Limited as lead manager and bookrunner;

"Managers" means the Lead Manager and the other managers party to the underwriting agreement relating to the Sukuk;

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

"Marketing Agreements" means the thirteen agreements specified in the section entitled "The Marketing Agreements" on page 29 of the Offering Circular and Schedule 1 (*Marketing Agreements*) to the Sukuk Assets Transfer Agreement;

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

"Offering Circular" means the offering circular dated 3 July 2006 relating to the Sukuk;

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

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

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

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

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

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

"Periodic Distribution Date" means the 15th of July, October, January and April in each year, commencing on 15 October 2006; *provided, however, that* if any such day is not a Business Day, the Periodic Distribution Date will be the next following Business Day;

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

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

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

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

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

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

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

"Qualified Person" means (a) a natural person who is a national of the Kingdom of Saudi Arabia or (b) another legal person with a permanent establishment in the Kingdom of Saudi Arabia holding a current commercial registration number issued by the Ministry of Commerce and Industry, and which, in the case of either (a) or (b), maintains a bank account in the Kingdom of Saudi Arabia and who is not a Specified Counterparty;

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

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

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

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

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

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

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

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

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

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

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

"Subsidiary" means, in respect of any person (the **"first person"**) at any particular time, any other person

(the “**second person**”) controlled by the first person. For this purpose, “**control**” of the second person (being a company) means the ability to influence the acts or decisions of that person by way of the first person having directly or indirectly, alone or jointly with any relative or other participant, more than 50 per cent. of the voting rights in the second person;

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

“**Sukuk Administrator**” means Saudi Basic Industries Corporation in its capacity as administrator of the Sukuk Assets;

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

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

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

“**Sukukholders’ Agent**” has the meaning given to it above under “Introduction”;

“**Taxes**” means any present or future taxes, zakat, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of 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 (*Sukuk Assets*); and

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

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

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

2. **Form and Denomination**

The Sukuk are issued in dematerialised registered form in the denomination of SAR 50,000, subject to a minimum holding of at least SAR 500,000. The Sukuk will be collectively represented by the Global Certificate which will be deposited with the Registrar. Individual Sukuk representing holdings of the Global Certificate will not be issued, but Holders will on request be entitled to receive a statement from the Registrar recording their holding of Sukuk. The Global Certificate will represent all of the Sukuk that are current and the ownership by the Holders of an undivided beneficial ownership interest in the Sukuk Assets.

3. **Register, Title and Transfers**

- (a) *Register*: The Registrar will maintain a register (the “**Register**”) in respect of the Sukuk in accordance with the provisions of the Registry Agreement. In these Conditions, the “**Holder**” of Sukuk means the person in

whose name such Sukuk is for the time being registered in the Register (or, in the case of a joint holding, the first named). Only Qualified Persons may be registered as Holders.

- (b) *Title:* The Holder of each Sukuk shall (except as otherwise required by law) be treated as the absolute owner of such Sukuk for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein).
- (c) *Transfers:* Subject to paragraphs (e) and (f) below, Sukuk may be transferred in accordance with the regulations and procedures established by the Registrar by delivering to the Registrar such information as such regulations and procedures shall require. Sukuk may not be transferred unless:
 - (i) the face value of Sukuk to be transferred together with any existing holding of Sukuk by the party acquiring the Sukuk to be transferred are Authorised Holdings;
 - (ii) where not all of the Sukuk held by a Holder are being transferred, the face value of the balance of Sukuk not transferred are Authorised Holdings; and
 - (iii) the transferee is a Qualified Person.
- (d) *Transfer Charges:* The transfer of Sukuk will be subject to a charge by the Registrar in accordance with its schedule of charges in force for its services and all such charges shall be borne solely by the transferring Holder and the transferee in accordance with the Registrar's practice. For the avoidance of doubt, neither the Issuer, the Sukukholders' Agent nor the Custodian shall be liable to pay any such charges imposed by the Registrar.
- (e) *Transfer Record Dates and Closed Periods:* Prior to the Closing Date it will be announced publicly whether or not transfers of Sukuk effected during the period starting at the opening of business no less than seven Business Days prior to a due date for payment of any Periodic Distribution Amount, or any other principal or distribution in respect of the Sukuk or, if such a day is not a Business Day, on the next following Business Day (a "**Transfer Record Date**"), and ending on (and including) the applicable due date itself (each such period being a "**Closed Period**") may be registered in the usual way or whether they may only be registered after the expiry of the relevant Closed Period. If such transfers may be so registered in the usual way, then, notwithstanding such registration, all payments shall continue to be paid to such persons as are registered as Holders of the Sukuk at the opening of business on the relevant Transfer Record Date. The Registrar may after the Closing Date modify these Conditions insofar as they relate to the registration of transfers effected during Closed Periods by notice to the Issuer and the Holders.
- (f) *Transfers and Standing Instructions:* Where a Holder has completed a Standing Instruction in relation to its Sukuk, and such Standing Instruction has not been revoked by it or any subsequent Holder of such Sukuk, any transfer of such Sukuk will be subject to the Standing Instruction, and any subsequent Holder thereof will be deemed to accept the terms of such Standing Instruction. Notwithstanding the above, a subsequent Holder may revoke a Standing Instruction by notice in writing to the Sukukholders' Agent in accordance with Condition 11.1(a) (*Fifth-year Date*).
- (g) *Regulations concerning transfers and registration:* All transfers of Sukuk and entries on the Register are subject to the regulations and procedures of the Registrar and the provisions of the Registry Agreement. The regulations may be changed by the Registrar at any time.

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

- (a) *Status:* The Sukuk constitute limited recourse obligations of the Issuer as described in Condition 4(b) (*Limited Recourse*) and will at all times rank *pari passu* amongst themselves. The obligations of the Issuer under the Purchase Undertaking will constitute direct, general and unconditional obligations of the Issuer which will at all times rank at least *pari passu* with all other present and future unsecured obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.
- (b) *Limited Recourse:* Proceeds from the Sukuk Assets, payments by the Issuer pursuant to the Purchase Undertaking and monies standing to the credit of the Transaction Account are the sole source of payments on the Sukuk.

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

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

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

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

5. **Sukuk Assets**

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

Pursuant to a sukuk assets administration agreement to be entered into between the Issuer, the Custodian and the Sukukholders' Agent on or about the Closing Date (the "**Sukuk Assets Administration Agreement**"), the Issuer undertakes to provide certain services in respect of the Sukuk Assets in return for the Administration Fee.

- (b) *Application of Proceeds - Net Income*: Pursuant to the Sukuk Assets Administration Agreement, the Issuer shall accumulate all monies (net of the Administrator's Allowable Costs, the Administration Fee and the Agency Fee) received under the Sukuk Assets (the "**Net Income**"). On or prior to 11.00 a.m. (Riyadh time) one Business Day prior to each Periodic Distribution Date, the Issuer shall pay into an account of the Sukukholders' Agent maintained with the Payments Administrator (the "**Transaction Account**") the lesser of (i) such accumulated amount and (ii) the Periodic Distribution Amount. If the Net Income received

under the Sukuk Assets in any Periodic Distribution Period exceeds the Periodic Distribution Amount, the amount of any surplus shall be retained by the Sukuk Administrator as a reserve (the “**Reserve**”). The Reserve shall be recorded by the Issuer through a book-entry notional account and will not be maintained in a separate defined bank account. The Issuer shall have the right to use and invest the Reserve for its own account and it may be recorded as a liability of the Issuer. Any return from such use or investment, and any losses arising therefrom, are solely for the account of the Issuer.

- (c) *Application of Proceeds - Reserve*: Pursuant to the Sukuk Assets Administration Agreement, the Issuer shall retain the Reserve and pay monies standing to the credit of the Reserve (if any) as provided in this Condition 5(c) (*Application of Proceeds - Reserve*).
- (i) On or prior to 11.00 a.m. (Riyadh time) one Business Day prior to each Periodic Distribution Date, the Issuer shall pay into the Transaction Account, the monies (if any) standing to the credit of the Reserve in the following order of priority:
 - (A) firstly, towards the aggregate amount of any shortfall between the amounts paid to Holders on any previous Periodic Distribution Date(s) and the corresponding Periodic Distribution Amount(s) for such date(s) (each, a “**Shortfall**”) to the extent these remain unpaid; and
 - (B) secondly, towards the amount of any Shortfall for the current Periodic Distribution Period.
 - (ii) On or prior to 11.00 a.m. (Riyadh time) one Business Day prior to each Fifth-year Date and the Expiry Date, after making the payments set out in Condition 5(c)(i) (*Application of Proceeds - Reserve*) above the Issuer shall pay the monies (if any) standing to the credit of the Reserve into the Transaction Account at the lesser of an amount equal to 10 per cent. of the aggregate face value of the Sukuk as are current on the third Business Day immediately preceding such Fifth-year Date or the Expiry Date, as the case may be (the “**Extra Amount**”), or such monies as are standing to the credit of the Reserve on such date. The balance of the Reserve, if any, shall be held by the Issuer in accordance with Condition 5(b) (*Application of Proceeds - Net Income*).
 - (iii) Upon dissolution of the Sukuk as specified in Condition 10 (*Dissolution of the Sukuk*), the Issuer shall receive the balance of the Reserve (if any) for its own account as a sukuk assets administration incentive fee.

6. **Negative Pledge**

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

7. **Periodic Distributions**

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

In these Conditions:

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

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

where

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

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

- (i) the Payments Administrator will determine the rate for deposits in Saudi Riyals for a period equal to the relevant Periodic Distribution Period which appears on the Reuters Screen SUAA Page across from the caption "AVG" (or such other page as may replace that page on that service, or such other service as may be nominated by the Payments Administrator as the information vendor for the purpose of displaying comparable rates) as of 11.00 a.m. (Riyadh time) on the second Business Day before the first day of the relevant Periodic Distribution Period (the "**Periodic Determination Date**"); or
- (ii) if such rate does not appear on that page, the Payments Administrator will:
- (A) request the principal office in the Kingdom of Saudi Arabia of each of Samba Financial Group, The Saudi British Bank and Riyadh Bank or any substitute reference bank in the Saudi interbank market appointed by the Payments Administrator, to provide a quotation of the rate at which deposits in Saudi Riyals are offered by it in the Saudi interbank market at approximately 11.00 a.m. (Riyadh time) on the Periodic Determination Date to prime banks in the Saudi interbank market for a period equal to the relevant Periodic Distribution Period and in an amount that is representative for a single transaction in that market at that time; and
- (B) determine the arithmetic mean (rounded, if necessary, to the nearest ten thousandth of a percentage point, 0.00005 being rounded upwards) of such quotations where two or more quotations are available,

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

(c) *Publication:* The Payments Administrator will cause the Benchmark Rate and the Periodic Distribution Amount determined by it, together with the relevant Periodic Distribution Date, to be notified to the Issuer, the Custodian and the Sukukholders' Agent and each stock exchange on which the Sukuk are then listed as soon as practicable after such determination but in any event not later than the first day of the relevant Periodic Distribution Period. Notice thereof shall also promptly be given to the Holders. The Payments Administrator will be entitled to recalculate any Periodic Distribution Amount (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant Periodic Distribution Period.

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

8. **Purchase of Sukuk**

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

9. **Payments**

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

10. **Dissolution of the Sukuk**

The Sukuk will be dissolved on the earlier of:

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

11. **Exercise Events**

11.1 **Fifth-year Date**

- (a) On or prior to the Closing Date, and at any time thereafter, Holders will be entitled to complete a standing instruction available from the Sukukholders' Agent (a "**Standing Instruction**") to the Sukukholders' Agent requesting it to give a notice in the form set out in Schedule 3 to the Purchase Undertaking requiring the Issuer to purchase their Sukuk (an "**Exercise Notice**") 30 days prior to a Fifth-year Date, unless the Holder otherwise advises the Sukukholders' Agent in writing no later than 90 Business Days before the applicable Fifth-year Date.
- (b) Between 90 days and 180 days prior to any Fifth-year Date, the Sukukholders' Agent will give notice to the Holders informing them that the occurrence of such Fifth-year Date will potentially give rise to the Issuer purchasing the Sukuk Assets under the Purchase Undertaking as a result thereof and accordingly describing the consequences of exercising and not exercising their rights in respect thereof.
- (c) Each Holder shall be entitled, by Standing Instruction (including any Standing Instruction deemed to be transferred under Condition 3(f) (*Transfers and Standing Instructions*)) or otherwise by notice in writing given during the period of between 90 days and 30 days prior

to such Fifth-year Date in the form set out in Schedule 1 to the Purchase Undertaking (such a notice being a “**Specific Instruction**”), to require the Sukukholders’ Agent to give an Exercise Notice under the Purchase Undertaking in relation to all of that Holder’s Sukuk and the corresponding portion of the Sukuk Assets. Sukuk in respect of which Standing Instructions are in force in relation to a particular Fifth-year Date may not be transferred after the date which is 30 days prior to such Fifth-year Date and Sukuk in relation to which a Specific Instruction is given may not be transferred after the date of such Specific Instruction. Following receipt of such Standing Instructions or Specific Instructions, the Sukukholders’ Agent shall promptly deliver an Exercise Notice relating to such Sukuk to the Issuer and the Issuer shall, pursuant to the Purchase Undertaking and subject to paragraph (d) below, purchase such Holders’ Sukuk by payment on such Fifth-year Date of the Purchase Price calculated as a percentage to which the Sukuk to be purchased bears to the aggregate face value of such of the Sukuk as are current on such date. Any Periodic Distribution Amount and Extra Amount payable on such Fifth-year Date shall be payable to such person as is registered as the Holder on the opening of business on the relevant Transfer Record Date in accordance with Condition 3(e) (*Transfer Record Dates and Closed Periods*).

- (d) If on or before the date which is 30 days prior to a Fifth-year Date, the Sukukholders’ Agent receives Standing Instructions (which have not been subsequently revoked) and/or Specific Instructions from Holders who together hold, in aggregate, at least 70 per cent. of the face value of such of the Sukuk as are current on such date, the Sukukholders’ Agent shall promptly deliver to the Issuer an Exercise Notice (with a copy to the Holders) so notifying the Issuer. Following receipt of such an Exercise Notice, the Issuer shall, pursuant to the Purchase Undertaking, purchase the Sukuk from all Holders by payment of the Purchase Price and any Extra Amount on such Fifth-year Date.

11.2 **Events of Default**

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

- (a) *Default resulting in non-payment of Periodic Distribution Amount or Extra Amount:*
- (i) the amount distributed to Holders on any Periodic Distribution Date in accordance with Condition 5(b) (*Application of Proceeds - Net Income*) is less than the Periodic Distribution Amount for such Periodic Distribution Date; or
 - (ii) the amount distributed to Holders on any Fifth-year Date is less than the Extra Amount for such Fifth-year Date,
- and such shortfall in amounts remains unpaid in full five days after its due date (as a result of an administrative or technical error) and occurs as a direct result of the Sukuk Administrator’s default or negligence in performing its obligations under the Sukuk Assets Administration Agreement and/or the Declaration of Agency; or
- (b) *Breach of other obligations:* the Sukuk Administrator defaults in the performance or observance of any of its other obligations under or in respect of the Sukuk or the Sukuk Documents and such default remains unremedied for 30 days after written notice thereof, addressed to the Issuer by any Holder, has been delivered to the Issuer or to the specified office of the Payments Administrator; or
- (c) *Cross-default of Sukuk Administrator:*
- (i) any Indebtedness of the Sukuk Administrator is not paid when due or (as the case may be) within any originally applicable grace period;
 - (ii) any such Indebtedness becomes due and payable prior to its stated maturity as a result of an event of default or other acceleration event (howsoever described); or
 - (iii) the Sukuk Administrator fails to pay when due any amount payable by it under any

Guarantee of any Indebtedness;

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

- (d) *Unsatisfied judgment*: one or more judgment(s) or order(s) for the payment of an amount in excess of SAR 175,000,000 (or its equivalent in any other currency or currencies), whether individually or in aggregate is rendered against the Sukuk Administrator and continue(s) unsatisfied and unstayed for a period of 30 days after the date(s) thereof or, if later, the date therein specified for payment; or
- (e) *Insolvency, etc.*: (i) the Sukuk Administrator becomes insolvent or is unable to pay its debts as they fall due, (ii) an administrator or liquidator is appointed over the whole or at least 25 per cent. of the undertaking, assets and revenues of the Sukuk Administrator (or application for any such appointment is made) and such appointment is not discharged within 28 days, (iii) the Sukuk Administrator takes any action for a readjustment or deferment of any of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors (including any arrangement under the Settlement to Avoid Bankruptcy Law) or declares a moratorium in respect of any of its Indebtedness or any Guarantee of any Indebtedness given by it or (iv) the Sukuk Administrator ceases or threatens to cease to carry on all or at least 25 per cent. of its business (otherwise than for the purposes of, or pursuant to, an amalgamation, reorganisation or restructuring whilst solvent approved by an Extraordinary Resolution); or
- (f) *Winding up, etc.*: an order is made or an effective resolution is passed for the winding up, liquidation or dissolution of the Sukuk Administrator (otherwise than for the purposes of, or pursuant to, an amalgamation, reorganisation or restructuring whilst solvent approved by an Extraordinary Resolution); or
- (g) *Failure to take action, etc.*: any action, condition or thing at any time required to be taken, fulfilled or done in order (i) to enable the Issuer lawfully to enter into, exercise its rights and perform and comply with its obligations under and in respect of the Sukuk or the Sukuk Documents and (ii) to ensure that those obligations are legal, valid, binding and enforceable; or
- (h) *Unlawfulness*: it is or becomes unlawful for the Issuer to perform any or all of its obligations under or in respect of the Sukuk or the Sukuk Documents; or
- (i) *Non-Effectiveness of Sukuk Assets*: it is or becomes unlawful for the Issuer or the Custodian to perform any of its material obligations under the Sukuk Assets or any documents relating to the Sukuk Assets or any Sukuk Assets or documents relating to the Sukuk Assets are held by a court not to be legally effective or the Issuer or the Custodian repudiates or evidences an intention to repudiate any document relating to the Sukuk Assets.

If an Event of Default occurs and is continuing, the Sukukholders' Agent will as soon as is reasonably practicable after it receives notice thereof give notice of the occurrence of such Event of Default to the Holders requiring them to indicate within a period of up to 15 days, or such other date as is notified to Holders by the Sukukholders' Agent, (the "**Exercise Period**") whether they wish to exercise their rights under the Purchase Undertaking. Any Holder may then deliver a notice in the form set out in Schedule 2 to the Purchase Undertaking (a "**Purchase Notice**") within such Exercise Period to the Sukukholders' Agent declaring the Sukuk held by it to be purchasable. Sukuk in respect of which a Purchase Notice is so delivered may not be transferred until after the expiry of the Exercise Period and only to the extent not purchased by the Issuer during such Exercise Period in accordance with the Conditions. If the Sukukholders' Agent receives a Purchase Notice, the Sukukholders' Agent shall promptly give notice to the Issuer, the Custodian, the Payments Administrator and the Lead Manager that such a Purchase Notice has been received, specifying the Event of Default referred to therein (but so that such notice shall only be given in relation to the first Purchase Notice received in respect of any Event of Default). If the Sukukholders' Agent receives Purchase Notices from the Required Holders within the Exercise Period, then the Sukukholders'

Agent shall promptly deliver to the Issuer an Exercise Notice so notifying the Issuer (with a copy to the Holders) and, provided that the Event of Default in respect of such Exercise Notice is continuing, the Issuer shall, pursuant to the Purchase Undertaking, immediately purchase the Sukuk from all Holders by payment of the Purchase Price applicable to the Sukuk as of the date on which Purchase Notices from the Holders were first received, together with payment of the Periodic Default Amount (calculated as of the date of such purchase) and any Specified Amount (if relevant).

11.3 **Definitions**

For the purposes of these Conditions:

“Purchase Price” means:

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

Date	Percentage
First Fifth-year Date (the Periodic Distribution Date falling in July 2011)	90%
Second Fifth-year Date (the Periodic Distribution Date falling in July 2016)	60%
Third Fifth-year Date (the Periodic Distribution Date falling in July 2021)	30%

and

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

Date	Percentage
After the Closing Date but before the Periodic Distribution Date falling in July 2010	100%
After the Periodic Distribution Date falling in July 2010 but before the Periodic Distribution Date falling in July 2012	90%
After the Periodic Distribution Date falling in July 2012 but before the Periodic Distribution Date falling in July 2014	80%
After the Periodic Distribution Date falling in July 2014 but before the Periodic Distribution Date falling in July 2015	70%
After the Periodic Distribution Date falling in July 2015 but before the Periodic Distribution Date falling in July 2017	60%
After the Periodic Distribution Date falling in July 2017 but before the Periodic Distribution Date falling in July 2018	50%
After the Periodic Distribution Date falling in July 2018 but before the Periodic Distribution Date falling in July 2020	40%
After the Periodic Distribution Date falling in July 2020 but before the Periodic Distribution Date falling in July 2021	30%
After the Periodic Distribution Date falling in July 2021 but before the Periodic Distribution Date falling in July 2023	20%
After the Periodic Distribution Date falling in July 2023 but before the Periodic Distribution Date falling in July 2025	10%
After the Periodic Distribution Date falling in July 2025 but before the Periodic Distribution Date falling in July 2026	5%
On the Expiry Date	0%

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

12. Enforcement and Exercise of Rights

- (a) Following the distribution of the proceeds of the Sukuk Assets in respect of the Sukuk to the Holders in accordance with these Conditions and the Declaration of Agency, the Sukukholders' Agent shall not be liable for any further sums, and accordingly no Holder may take any action against the Sukukholders' Agent or any other person to recover any such sum in respect of the Sukuk or the Sukuk Assets.
- (b) The Sukukholders' Agent shall not be bound in any circumstances to take any action to enforce or to realise the Sukuk Assets or take any action against the Issuer under any Sukuk Document to which the Issuer or the Custodian is a party unless directed or requested to do so (a) by an Extraordinary Resolution or (b) in writing by the Required Holders and in either case then only if it shall be indemnified to its satisfaction from the Net Income and amounts standing to the credit of the Reserve, to the extent such amounts are otherwise available for distribution to Holders, against all liabilities to which it may thereby render itself liable or which it may incur by so doing.
- (c) No Holder shall be entitled to proceed directly against the Issuer or the Custodian unless (i) the Sukukholders' Agent, having become bound so to proceed, fails to do so within 60 days of becoming so bound and such failure is continuing and (ii) the relevant Holder (or such Holder together with the other Holders who propose to proceed directly against the Issuer or the Custodian) holds at least 25 per cent of the aggregate face value of the Sukuk then current on such date. Under no circumstances shall the Sukukholders' Agent or any Holders have any right to cause the sale or other disposition of any of the Sukuk Assets except pursuant to the Purchase Undertaking, and the sole right of the Sukukholders' Agent and Holders against the Issuer or the Custodian shall be to enforce the obligation of the Issuer to pay the amounts to the credit of, or required to be credited to, the Transaction Account. For the avoidance of doubt, the Sukukholders' Agent shall not be bound to act or proceed unless it has been indemnified to its satisfaction.
- (d) The foregoing paragraphs in this Condition 12 (*Enforcement and Exercise of Rights*) are subject to this paragraph. After distributing the net proceeds of the Sukuk Assets in accordance with Condition 5(b) (*Application of Proceeds - Net Income*) and Condition 5(c) (*Application of Proceeds - Reserve*), the obligations of the Sukukholders' Agent in respect of the Sukuk shall be satisfied and no Holder may take any further steps against the Sukukholders' Agent to recover any further sums in respect of the Sukuk and the right to receive any such sums unpaid shall be extinguished. Without prejudice to any liability that the Issuer may have under the Purchase Undertaking, no Holder shall be entitled to petition or to take any other steps against the Issuer, the Custodian or the Sukukholders' Agent in respect of the Sukuk or the Sukuk Assets.
- (e) Notwithstanding any other provision of the Sukuk Documents and these Conditions, the Sukuk Administrator shall have no liability to any Holder or to the Sukukholders' Agent for any default or negligence, or alleged default or negligence, in the performance of its obligations under the Sukuk Assets Administration Agreement and/or the Declaration of Agency so long as the Sukuk Administrator (or any person on its behalf) transfers into the Transaction Account the full amount of any Periodic Distribution Amount and/or Extra Amount payable to the Holders on the due date in accordance with these Conditions, and upon such payment being made no Event of Default will be deemed to have occurred.

13. Agents

In acting under the Payments Administration Agreement and in connection with the Sukuk, the Payments Administrator acts as agent of the Issuer and does not assume any obligations towards or relationship of agency for or with any of the Holders. The Payments Administrator and its initial specified office are set out on page "iv" of the Offering Circular. The Issuer reserves the right at any time to vary or terminate the appointment of the Payments Administrator and to appoint a successor Payments Administrator;

provided, however, that the Issuer shall at all times maintain a Payments Administrator in the Kingdom of Saudi Arabia. Notice of any change of the Payments Administrator or in its specified office shall promptly be given to the Holders.

14. **Meetings of Holders; Modification**

- (a) *Meetings of Holders:* The Declaration of Agency contains provisions for convening meetings of Holders to consider matters relating to the Sukuk, including the modification of any provision of these Conditions. Any such modification (and certain other proposals) may be made if approved by the Issuer and sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer and shall be convened by the Issuer upon the request in writing of Holders holding not less than one-tenth of the aggregate face value of such of the Sukuk as are current as of such date. The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more persons holding or representing at least half of the aggregate face value of such of the Sukuk as are current as of such date or, at any adjourned meeting, one-quarter of the aggregate face value of such of the Sukuk as are current as of such date.

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

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

15. **Taxation**

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

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

- (a) The Declaration of Agency contains provisions for the indemnification of the Sukukholders' Agent in certain circumstances and for its relief from responsibility, including provisions relieving it from taking action unless indemnified to its satisfaction. In particular, in connection with the exercise of any of its rights in respect of the Sukuk Assets, the Sukukholders' Agent shall in no circumstances take any action unless directed to do so in accordance with Condition 12 (*Enforcement and Exercise of Rights*), and then only if it shall have been indemnified to its satisfaction from the Net Income or amounts standing to the credit of the Reserve, to the extent such amounts are otherwise available for distribution to Holders. Subject thereto, the Sukukholders' Agent waives any right to be indemnified by the Holders in circumstances where such amounts are insufficient to indemnify it in full.
- (b) The Sukukholders' Agent makes no representation and assumes no responsibility for the validity, sufficiency or enforceability of the obligations of the Issuer under any Sukuk Document to which the Issuer is a party and shall not under any circumstances have any liability or be obliged to account to the Holders in respect of any payment which should have been made by the Issuer or on its behalf, but is not so made, and shall not in any circumstances have any liability arising from the Sukuk Assets other than as expressly provided in these Conditions or in the Declaration of Agency.

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

17. **Notices**

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

18. **Governing Law and Jurisdiction**

- (a) *Governing law:* The Sukuk are governed by, and are to be construed in accordance with, the laws and regulations of the Kingdom of Saudi Arabia in accordance with the rules of the Shariah as applied in the Kingdom of Saudi Arabia.
- (b) *Jurisdiction:* The Committee for the Resolution of Securities Disputes and the Appeal Panel (the "**Committee**") shall have exclusive jurisdiction to hear and determine any suit, action or proceedings, and to settle any disputes, which may arise out of or in connection with the Sukuk or the Sukuk Documents and, for such purposes, all relevant parties (including, the Issuer and the Holders) irrevocably submit to the jurisdiction of the Committee. No suit, action or proceedings which may arise out of or in connection with the Sukuk or the Sukuk Documents may be filed or brought outside 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 Sukuk, after deduction of the combined management and selling commission, will be used by the Issuer for general corporate purposes including meeting working capital requirements, financing acquisitions and capital expenditure and the making of other investments.

SELECTED FINANCIAL INFORMATION

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

	For the years ended 31 December		
	2003	2004	2005
	(SAR in thousands)		
INCOME STATEMENT DATA			
Sales	46,782,405	68,539,076	78,253,536
Cost of sales	(33,145,784)	(41,604,638)	(45,169,206)
Gross profit	13,636,621	26,934,438	33,084,330
Administration and marketing expenses	(3,036,495)	(3,429,494)	(3,914,352)
Income from operations	10,600,126	23,504,944	29,169,978
Other income	831,216	1,299,199	1,237,428
Financial charges	(983,794)	(1,020,541)	(1,397,257)
Loss arising from a legal case	-	(1,782,355)	-
Income before minority interests and zakat	10,447,548	22,001,247	29,010,149
Minority interests	(3,451,392)	(7,337,559)	(9,100,464)
Income before zakat	6,996,156	14,663,688	19,909,685
Zakat	(300,000)	(450,000)	(750,000)
Net income for the year	6,696,156	14,213,688	19,159,685

Earnings per share ¹	22.32	47.38	47.89
Earnings per share ²	2.68	5.69	7.66

¹ Calculated on the basis of the number of shares outstanding as at the end of the relevant financial year.

² Calculated on the basis of the number of shares outstanding as at the date of this Offering Circular.

	As at 31 December		
	2003	2004	2005
	(SAR in thousands)		
BALANCE SHEET DATA			
ASSETS			
Current assets:			
Cash and cash equivalents	14,620,902	23,245,131	28,172,569
Accounts receivable	8,585,866	13,504,142	14,520,648
Inventories	7,043,968	9,154,624	10,642,446
Other receivables and prepayments	2,663,417	2,993,208	2,945,182
Total current assets	32,914,153	48,897,105	56,280,845
Non-current assets:			
Investments	2,672,383	2,689,971	5,898,098
Property, plant and equipment	64,760,297	63,843,751	66,096,734
Intangible assets	5,662,629	5,998,646	5,335,038
Other non-current assets	3,290,647	3,515,173	3,339,765
Total assets	109,300,109	124,944,646	136,950,480
LIABILITIES AND EQUITY			
Current liabilities:			
Accounts payable	6,046,360	8,298,460	7,781,718
Short-term bank facilities	459,260	483,529	351,695
Current portion of long-term loans	4,498,021	6,050,315	6,352,264
Accrued liabilities and provisions	5,742,870	7,135,207	7,461,439
Total current liabilities	16,746,511	21,967,511	21,947,116
Non-current liabilities:			
Long-term loans	31,918,236	27,292,725	23,017,180
Other non-current liabilities	4,059,822	4,966,707	6,764,647
Total non-current liabilities	35,978,058	32,259,432	29,781,827
Minority interest	16,305,496	19,835,371	22,880,920
Shareholders' equity:			
Share capital	15,000,000	15,000,000	20,000,000
Statutory reserve	6,495,449	7,500,000	9,415,968
Research and technology reserve	1,291,691	1,291,691	1,291,691
General reserve	11,456,363	13,881,503	17,589,241
Retained earnings	6,026,541	13,209,138	14,043,717
Total shareholders' equity	40,270,044	50,882,332	62,340,617
Total liabilities and shareholders' equity	109,300,109	124,944,646	136,950,480

THE MARKETING AGREEMENTS

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

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

2. Marketing Agreements

The following table sets out the key details of all of the marketing agreements entered into by SABIC which are the subject of the Sukuk Assets (the "**Marketing Agreements**"). These Marketing Agreements represent all of the agreements entered into by SABIC with its subsidiaries and affiliates that are incorporated in the Kingdom of Saudi Arabia, other than those with HADEED and GAS (as these affiliates undertake their own marketing) or YANSAB (as it is scheduled to commence production in 2008).

Counterparty to Marketing Agreement (the "Specified Counterparty")	Date of Agreement	Products
National Methanol Company (IBN SINA)	1 April 1983	Chemical grade methanol and MTBE.
Saudi Methanol Company (AR-RAZI)	16 February 1983	Chemical grade methanol.
Arabian Industrial Fibres Company (IBN RUSHD)	1 January 1996	Aromatics (Xylenes and Benzene), Purified Terephthalic Acid (PTA), Polyester Textile Chips, Textile Staple, Bottle Grade Chips and Carpet Staple.
Al-Jubail Petrochemical Company (KEMYA)	13 November 1984	Polyethylenes and Ethylene.
Arabian Petrochemicals Company (PETROKEMYA)	22 March 1986	Ethylene, Polystyrene, Butene-1, Propylene, Butadiene, Benzene, and Polyethylene (from October 2003).
Saudi European Petrochemical Company (IBN ZAHR)	10 July 1988	MTBE and Polypropylene.
Saudi Petrochemical Company (SADAF)	19 November 1984	Ethylene, Caustic soda, Styrene, Ethylene dichloride, Crude industrial ethanol and MTBE.
Eastern Petrochemical Company (SHARQ)	7 August 1985	Linear low density Polyethylene and Ethylene glycols.
Saudi Arabian Fertilizer Company (SAFCO)	1 April 1991	Ammonia, Urea, Sulphuric Acid and Melamine.
National Chemical Fertilizer Company (IBN AL-BAYTAR)	1 April 1991	Ammonia, Urea, Compound and Phosphate Fertilisers.
Al-Jubail Chemical Fertilizer Company (AL-BAYRONI)	5 July 1994	2 Ethyl Hexanol (2EH) , Dioctyl Phthalate (DOP), Ammonia and Urea.
Saudi Yanbu Petrochemical Company (YANPET)	3 November 1984	Ethylene, Linear low density Polyethylene, high density Polyethylene, Ethylene glycols, Propylene and Polypropylene.
Jubail United Petrochemical Company (UNITED)	20 November 2001	Ethylene, Ethylene glycols, Polyethylene and Linear Alpha Olefins.

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

SABIC's Obligations

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

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

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

SABIC's Rights

Under the Marketing Agreements, SABIC has the right to market and sell the products that it receives from each Specified Counterparty in the specified territories.

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

4. **Risk Factors related to the Marketing Agreements**

Level of marketing fee income

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

Pricing

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

Supply of quantities of the relevant products

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

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

Agreements.

It should be noted, however, that there have been no material interruptions or delays in the supplies of the relevant products from the Specified Counterparties during the last three financial years ending on 31 December 2005. In addition, SABIC and its affiliates and subsidiaries plan to expand production capacity at a number of existing plants which in turn is expected to increase the quantities of products available for marketing by SABIC under a number of the Marketing Agreements (see “Planned Capital Investments and Expansion Plans” on page 43 of this Offering Circular).

Product sales by Specified Counterparties

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

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

It should be noted, however, that there have been no instances of a Specified Counterparty undertaking direct sales of its own products during the last three financial years ending on 31 December 2005.

Termination

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

Amendments

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

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

5. Selected Historical information regarding the Marketing Agreements

Marketing fee income

SABIC’s marketing fee income under the Marketing Agreements for the years 2003, 2004 and 2005 was as follows:

Year	Total Marketing Fee Income (SAR in 000’s)
2003	1,121,493
2004	1,670,648
2005	2,140,600

Costs and expenses

The costs and expenses which fall under the definition of Administrator's Allowable Costs for the years ended 2003, 2004 and 2005 were as follows:

Year	Total Costs and Expenses (SAR in 000's)
2003	47,813
2004	84,528
2005	93,182

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

DESCRIPTION OF THE ISSUER

Introduction

Saudi Basic Industries Corporation ("**SABIC**" and, together with its subsidiaries and affiliates, the "**SABIC Group**"), a joint stock company organised under the laws of the Kingdom of Saudi Arabia ("**Saudi Arabia**"), is a holding company for a group of companies that together constitute the Middle East's largest non-oil industrial company and the 10th largest international petrochemical company in the world, as measured by revenues. The SABIC Group's principal business is the manufacture and sale of basic chemicals, intermediates (including industrial gases), polyolefins, PVC/polyester, fertilisers and steel. It has 20 manufacturing facilities (18 in the Kingdom of Saudi Arabia, one in Germany and one in The Netherlands) and conducts its operations around the world. For the year ended 31 December 2005, SABIC Group had gross revenues of SAR 78 billion and gross profits of SAR 33 billion. Its total assets as at 31 December 2005 were SAR 137 billion.

SABIC Group's businesses (other than SABIC Europe) are grouped into six Strategic Business Units ("**SBU**s") reflecting its product base: Basic Chemicals, Intermediates, Polyolefins, PVC/Polyester, Fertilisers and Metals.

SABIC Group conducts its European operations through SABIC Europe, originally comprising the petrochemical business of DSM N.V. acquired by SABIC Group in 2002 and subsequently becoming the marketing channel for SABIC Group's products sold in Europe and the United States. SABIC Europe is also an integrated producer of polyolefins and olefins.

SABIC's global presence has grown steadily over the years. Its global network consists of several overseas SABIC affiliates, distribution centres, storage facilities, and research, and development units strategically located to serve key markets around the world. The locations of SABIC's manufacturing and trading operations worldwide are set out in Appendix I to this Offering Circular.

The table on the following page sets forth the material subsidiaries and affiliates within the SABIC Group, classified by principal manufacturing activity in which the respective subsidiaries and affiliates are engaged, and showing the percentage interest controlled directly or indirectly by SABIC.

Company	Location	Partnership	Feedstock	Products	Year of Incorporation
AR-RAZI Saudi Methanol Company	Al-Jubail	A 50/50 SABIC joint venture with a consortium of Japanese companies led by Mitsubishi Gas Chemical Company	Methane	Chemical Grade Methanol	1400H
SADAF Saudi Petrochemical Company	Al-Jubail	A 50/50 SABIC joint venture with Pecten Arabian Company, a subsidiary of Shell Oil Co. (USA)	Ethane, Salt, Benzene, Methanol, Butane	Ethylene, Crude Industrial Ethanol, Styrene, Caustic Soda, Ethylene Dichloride, MTBE	1400H
IBN SINA National Methanol Company	Al-Jubail	SABIC (50%), Hoechst-Celanese - USA (25%), Pan Energy - USA (25%)	Methane, Butane	Chemical Grade Methanol, MTBE	1401H
YANPET Saudi Yanbu Petrochemical Company	Yanbu	A 50/50 SABIC joint venture with ExxonMobil (USA)	Ethane, Naphtha, Propane	Ethylene, Polyethylene, Ethylene Glycol, Propylene, Polypropylene	1400H
PETROKEMYA Arabian Petrochemical Company	Al-Jubail	A wholly-owned subsidiary of SABIC	Ethane, Styrene, Propane, Butane, Natural Gasoline	Ethylene, Polystyrene, Butene-1, Propylene, Butadiene, Benzene, and Polyethylene from (Oct. 2003)	1401H
KEMYA Al-Jubail Petrochemical Company	Al-Jubail	A 50/50 SABIC joint venture with ExxonMobil (USA)	Ethane, Naphtha, Propane	Polyethylenes, Ethylene	1400H
SHARQ Eastern Petrochemical Company	Al-Jubail	A 50/50 SABIC joint venture with a consortium of Japanese companies led by Mitsubishi Corporation	Ethylene (supplied by PETROKEMYA)	Linear Low Density Polyethylene (LLDPE), Ethylene Glycol	1401H
IBN ZAHR Saudi European Petrochemical Company	Al-Jubail	SABIC 80%, Ecofuel-Italy (10%), Arab Petroleum Investment Corporation (APICORP) (10%)	Chemical Grade Methanol (supplied by IBN SINA and AR-RAZI), Butene, Methanol	MTBE, Polypropylene	1405H
IBN RUSHD Arabian Industrial Fibers Company	Yanbu	SABIC (53.9%) and 15 Saudi Arabian and regional private sector partners	Ethylene Glycol (supplied by YANPET)	Aromatics (Xylenes and Benzene), Purified Terephthalic Acid (PTA), Polyester Textile Chips, Textile Staple, Bottle Grade Chips, Carpet Staple	1413H
AL-BAYRONI Al-Jubail Chemical Fertiliser Company	Al-Jubail	A 50/50 SABIC joint venture with Taiwan Fertiliser Company (Republic of China)	Methane, Propylene (supplied by PETROKEMYA)	Ammonia, Urea, 2-Ethyl Hexanol, DOP	1400H
SAFCO Saudi Arabian Fertiliser Company	Dammam & Al-Jubail	SABIC (42.99%), SAFCO Employees and Private Saudi Arabian shareholders (57.01%)	Methane	Ammonia, Urea, Sulphuric Acid, Melamine	1384H

IBN AL-BAYTAR National Chemical Fertiliser Company	Al-Jubail	SABIC (71.5%), SAFCO (28.5%)	Methane, Ammonia, Phosphate Rock, Sulphuric Acid, Potash, Urea	Ammonia, Granular Urea, Compound and Phosphate Fertilisers	1405H
HADEED Saudi Iron And Steel Company	Al-Jubail	A wholly-owned subsidiary of SABIC	Limestone, Iron Ore, Scrap Iron & Steel, Natural Gas	Steel Rebar, Wire Coil, Steel Sections Flat Steel Products	1399H
GAS National Industrial Gases Company	Al-Jubail & Yanbu	SABIC (70%) and a group of Saudi Arabian producers of industrial gases (30%)	Air	Oxygen, Nitrogen, Argon, Krypton-xenon	1403H
UNITED Jubail United Petrochemical Company	Al-Jubail	SABIC (75%), Public Pension Fund (15%) and GOSI (10%)	Ethane	Ethylene, Ethylene Glycol, Polyethylene (HDPE), Linear Alpha Olefins	1421H
SABIC EUROPE	Geleen, Netherlands and Gelsenkirchen, Germany	Indirectly wholly-owned by SABIC	Naphta, Condensates, Liquefied petroleum gas, Ethylene and Propylene	Ethylene, Propylene, Low density Polyethylene, high density Polyethylene (including bimodal pipe), Polypropylene copolymer, Polypropylene homopolymer and Polypropylene random.	2002G

History

Saudi Arabia had been extracting oil for decades while flaring off crude oil-associated gases at oil wellheads when, in the early 1970s, the Saudi Government decided to take steps to diversify the Saudi industrial base and to optimize oil extraction operations by capturing any associated benefits. The first step was to capture the gases by establishing a Master Gas System ("**MGS**") to deliver the gases to be used as fuel and raw material to make value-added industrial commodities. In September 1976, SABIC was established by Royal Decree in order to build a chain of basic, large-scale industries located close to the gas resources and linked to the MGS, with the idea that it would develop export-oriented non-oil businesses of strategic importance to Saudi Arabia, including hydrocarbon-based chemicals and basic metal industries. In cooperation with the Royal Commission, which built the surrounding infrastructure, SABIC and its affiliates and subsidiaries transformed a fishing village on the coast of the Arabian Gulf, Al Jubail, into a modern industrial city in the late 1970s and early 1980s, building a well diversified portfolio of basic industries.

The first SABIC joint venture company, Saudi Methanol Company ("**AR-RAZI**"), was formed in 1979 with a consortium of Japanese companies led by Mitsubishi Gas Chemical Company. It completed a methanol plant in 1983. This was followed by a succession of projects. In 1984, the Saudi Government sold 30% of the share capital of SABIC through a public offering to Saudi citizens and citizens of other Gulf Corporation Council ("**GCC**") countries. In 1985, SABIC's total production capacity was about 6.3 million metric tonnes of petrochemical products per year. By the end of 1999, it had exceeded 25 million metric tonnes of petrochemical products and in 2000, its annual petrochemical production capacity increased by nearly 10 million metric tonnes through several expansion projects. SABIC's ultimate goal is to become one of the five largest global manufacturers and marketers of hydrocarbon and steel products.

As it entered the 21st century, SABIC began to roll out its global expansion plan. In 2002, SABIC acquired the petrochemical business of DSM N.V. (comprising DSM Hydrocarbons B.V., DSM Hydrocarbons Americas Inc., DSM Polyethylenes B.V., DSM Polypropylenes B.V., DSM Polypropylenes North America Inc. and DSM Polyolefin GmbH) in Europe and North America, which became SABIC Europe. Overall, SABIC is currently the world's largest producer of granular urea and Mono Ethylene Glycol ("**MEG**") the second largest producer of Methanol and MTBE, the third largest producer of ethylene and polyethylene and the world's fourth largest producer of polypropylene.

In late 2002, SABIC Europe acquired Owens Corning's 50% share in StaMax BV, a joint venture originally formed with DSM in 1999.

In 2003, SABIC Europe, in a 50:50 partnership with Süd-Chemie AG, acquired Scientific Design, Inc. of New Jersey, whose business is process and catalyst-related chemical technologies. In mid 2003, SABIC Europe opened a new propylene plant in Geleen, Netherlands.

In October 2003, SABIC Europe announced plans to build its new European headquarters building in Sittard, Netherlands, scheduled for completion during 2006.

In 2005, SABIC Group produced 47 million metric tonnes of materials.

Strategy

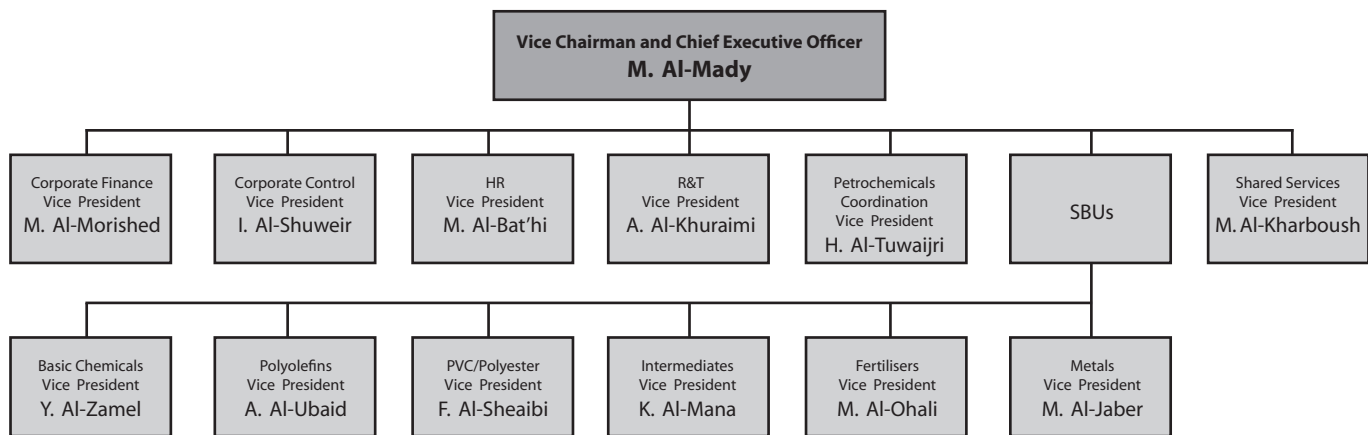
SABIC's vision is to be a leading global manufacturer and marketer of hydrocarbon and steel products. Its strategy to achieve that goal consists of developing a balanced portfolio based upon its core chemical business groups with a balanced geographic presence. The key components of SABIC's strategy are to:

- Maintain cost advantage over its principal competitors through access to competitively priced feedstock.
- Develop and maintain a global market with strategically located distribution facilities.
- Exploit its unique role in Middle East industry.
- Utilise highly focused and productive Research and Technology ("**R&T**") capabilities.
- Pursue and implement attractive acquisitions.
- Invest in human resources and develop world-class management.
- Continuously upgrade knowledge management systems.
- Enhance planning, measuring, and rewarding processes.
- Provide distinctive quality products and services to its customers as well as strengthen and expand its customer base.
- Strengthen its existing partnership relationships and explore new partnership opportunities.

- Optimise SABIC's utilisation of human and natural resources.
- Optimise SABIC's use of technology while maintaining safe and environmentally sound practices.
- Provide efficient and on-time supply of products in expanding overseas markets.

Operations

SABIC’s businesses are grouped into six SBUs, supported by corporate departments and a Shared Services organisation. The SBUs are Basic Chemicals, Intermediates, Polyolefins, PVC/Polyester, Fertilisers and Metals. The SBUs are designed to enhance SABIC’s customer-oriented focus by dedicating specialised resources and expertise to the customer and product segment that each SBU serves. The following chart shows SABIC’s internal corporate organisation:



Basic Chemicals

Overview

Basic Chemicals covers all basic or “commodity” chemicals produced from hydrocarbons extracted in Saudi Arabia and Bahrain that are associated with the production of natural gases and crude oil, including methane, ethane, propane and butane. This SBU is the foundation of SABIC’s business and represents its largest business unit. Raw materials in the form of derivatives are supplied internally within the SABIC Group and in respect of feedstock by Saudi Aramco. Because of its proximity to sources of supply SABIC Group benefits from low transportation costs for raw materials. This SBU comprises three businesses: Olefins, Aromatics and Oxygenates. These businesses form the foundation for SABIC’s higher value-added hydrocarbon activities. In this field, SABIC operates some of the world’s largest plants, with its hydrocarbon cracking plants averaging over one million metric tonnes per year.

Products

The olefins business consists of ethylene, propylene, butene-1 and butadiene. These products have a wide variety of applications including a number of industrial chemicals products such as Polyethylene, Polypropylene and Styrene.

The aromatics business consists of styrene, benzene, pygas and paraxylene used in polyester production. SABIC Group’s total benzene production for 2005 was 400 Kmt. All aromatics production is supplied to a SABIC affiliate, SADAF, for its styrene production. SABIC’s styrene monomer production at the SADAF and PETROKEMYA plants puts it amongst the top global producers with extensive marketing in the Middle East, Europe, South East Asia, and China. Styrene monomer (“**SM**”) is most commonly used in the production of valuable styrenes, which are either solid (“**GPPS**”) or expandable (“**EPS**”). Some GPPS grades are used for the production of disposable transparent containers and EPS grades are useful in the fabrication of block for thermal insulation and boxes for vegetables and fruits. High impact polystyrene is polystyrene blended with rubber to obtain better mechanical properties, which is useful in the production of dairy products, packaging materials and sheets. The copolymers of SM with butadiene and/or acrylonitrile produce valuable products combining the characteristics of synthetic rubbers and strong plastics.

The oxygenates business is comprised of methanol (“**MEOH**”), crude industrial ethanol (“**CIE**”) and methyl tertiary butyl ether (“**MTBE**”), the high-octane gasoline blending component. The key applications for these products are to make formaldehyde (used for glue, industrial paints and decorative laminates), purified ethanol (acetic acid, pharmaceuticals, cosmetics, insecticides and organic products), and as a high-octane gasoline blending component in the case of MTBE.

With overall demand continuing in excess of nameplate, SABIC intends to expand its production capacity through the construction of additional manufacturing operations and expansion of existing facilities.

Customers

SABIC’s principal customers for these products include international lubricant/petrochemical, chemical, and other heavy industry companies. Olefins are used by SABIC downstream units and any surplus is sold to the export market. For aromatics, SABIC’s principal customers include Supreme Pet, LG Polymers and LG Yongzong and BASF (India) and Heqiao. Sales of aromatics are made mostly pursuant to long-term contracts. For oxygenates, SABIC’s key customers include, in the case of methanol, Celanese Singapore Pte, Zhanda Chemical Industry, Dubai Natural Gas, Sabic Americas and Derivados and, in the case of MTBE, Saudi Aramco, Sabic-USA, Union Win and Vitol. The majority of sales for oxygenates are made pursuant to long-term contracts.

Intermediates

Overview

Intermediates are raw materials for products downstream from basic chemicals. SABIC’s Intermediates are produced for use by SABIC and for export to industrial companies around the world using basic chemicals as raw materials. This SBU produced 9,444 Kmt of output in 2005. This SBU comprises four businesses: Chemical Intermediates, Fibre Intermediates, Linear Alpha Olefins and Industrial Gases. Enhancing basic chemicals by converting them for downstream use is a major role of Intermediates. Intermediates chemicals such as EG, ethylene dichloride (“**EDC**”), vinyl chloride monomer (“**VCM**”), 2-ethyl hexanol (“**2-EH**”), caustic soda and dioctyl

phthalate ("**DOP**") are ingredients used by the petrochemical industry to manufacture other products.

SABIC aims to expand production capacity for EG (which is one of the main drivers for profitability for this SBU) at three of its facilities over the next three years.

Products

Products of the Intermediates SBU include EDC, caustic soda, VCM, 2-EH, and DOP. Ethylene dichloride is converted to vinyl chloride monomer, which is used to produce polyvinyl chloride ("**PVC**") for use in pipes, bottles and wire/cable coating. Caustic soda is used in the pulp and paper industry and also in the production of textiles, aluminium and detergents and soaps. 2-EH is used in the production of phthalates for ethyl hexanol rubber and plastic fabricating. DOP is used mainly as a plasticiser resin and estramer.

Customers

SABIC's principal customers for Intermediates are textile, piping, petrochemical, chemical and trading companies mainly in Europe, the Middle East and Asia. SABIC's key customers include Huvis, Indorama, Toray, Teijin and Far Eastern. Sales to customers are conducted mostly pursuant to one year contracts.

Polyolefins

Overview

Polyolefins, comprising polyethylene and polypropylene, are the major petrochemical derivatives produced by SABIC. SABIC is a major producer and exporter of polyolefins and a driving force behind Saudi Arabia's plastics industry. SABIC provides the world's most comprehensive portfolio of polymer resins from a single producer-supplier.

These products are marketed to a large and growing local market and have contributed to industrial growth in Saudi Arabia and the Middle East at large. SABIC is also becoming a key exporter to global markets. Polyethylene and polypropylene are important areas of SABIC's overall thermoplastics business. With the acquisition of DSM N.V's petrochemical business in January 2002, SABIC now ranks third and sixth globally in terms of volume of production in polyethylene and polypropylene, respectively, and the fourth largest producer in terms of volume in polymers.

Customers use SABIC's diverse range of products and grades in all aspects of the converter industry, including packaging, construction, agriculture and medical supplies. SABIC products meet the needs of the converter industry's demands, including the key processes of blown films, injection moulding, and rotomoulding. The Polyolefins Strategic Business Unit has been working closely with its customers, and their feedback is assessed to improve the products further. The polyethylene product range includes all of the commodity thermopolymers: linear low density polyethylene ("**LLDPE**"), low density polyethylene ("**LDPE**") and high density polyethylene ("**HDPE**"). The polypropylene product range includes Random, Homopolymer, Impact Copolymer and specialty automotive grades.

SABIC is one of the largest polymer exporters to Asia and China in particular. SABIC has been streamlining its warehousing and distribution facilities in Singapore, Hong Kong, Shanghai and Shenzhen to better meet customer needs. The spread of SABIC's sales office and its distribution network across major marketing centres around the world is a significant factor in the success of this business.

Ethylene and propylene represent the major cost component for the production of polyolefins. The combination of access to competitively priced gas feedstock and self-sufficiency in ethylene, propylene and butene-1 has allowed this SBU to maintain its feedstock cost relatively flat during years 2002 to 2005.

Products

The polyolefins SBU produces polyethylene and polypropylene. The former has a wide variety of industrial applications, including films, wire, bottles and containers, whilst polypropylene is used in the manufacture of films, fibres, woven sacks, automotive and houseware applications.

Customers

SABIC's principal customers for polyethylene include Canyou, Chun Yip Plastics Li, Napco Modern Plastic, Mbt South Africa and Xiamen Tongrun. Principal customers for polypropylene include Saudi Carpet Factory, Poyshineh Plastic and Al Khaleej Polypropylene (from Turkey). The sales in this SBU are made on a spot basis.

PVC/Polyester

Overview

SABIC Group's PVC/Polyester SBU operates plants in Al-Jubail and Yanbu in Saudi Arabia. This SBU is fully self-sufficient in all its raw material requirements. In the case of polyester, IBN RUSHD manufactures its own paraxylene and PTA and sources all of its MEG from within SABIC Group. In the case of PVC/polystyrene production, PETROKEMYA produces its own EDC and obtains supplies of styrene within SABIC Group.

Products

The products produced by this SBU include PVC, polystyrene, polyester and melamine, which have been in use globally for more than half a century.

Polyvinyl chloride and polystyrene are used for a diverse range of applications that includes pipes and fittings, cable coating, floor covers, rigid and flexible sheets, artificial leather, wall coverings, insulation, industrial and foodstuff packaging, bathroom accessories, disposable hospital equipment, toys, appliances housing and cups. Polyester is a synthetic fibre known for its low cost and remarkable properties. Melamine is used in the production of synthetic thermoset products with hard, glossy surfaces which are durable, hard-wearing and highly resistant to heat, chemicals and moisture.

Customers

Saudi Arabia represents this SBU's largest market. However, geographically revenues are well diversified across Africa and Europe. This SBU's products are generally sold on a spot basis.

Fertilisers

Overview

SABIC is one of the largest producers of urea fertiliser in the world and one of the largest producers of granular urea globally. SABIC has three fertiliser manufacturing affiliates: SAFCO, Al Jubail Fertiliser Company ("**AL-BAYRONI**"), and National Chemical Fertiliser Company ("**IBN AL-BAYTAR**"). SAFCO's fourth fertiliser production facility is currently being built and will become part of this SBU, increasing annual capacity by over two million metric tonnes.

SAFCO was the first fertiliser production company in Saudi Arabia, having commenced production in 1969. SAFCO is a publicly traded company, of which SABIC is a 42.99% shareholder.

AL-BAYRONI (formerly known as SAMAD), a 50/50 joint venture between Taiwan Fertiliser Company and SABIC, was established in 1979 and commenced production in 1983.

IBN AL-BAYTAR, a joint venture between SABIC and SAFCO in which SABIC owns a 71.5% stake and SAFCO the remainder, was established in 1987 and commenced production in 1988.

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

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

Products

Urea. SABIC Group produces and markets the two main grades of urea most widely consumed world-wide: prilled urea and granular urea. Urea is the most popular and economical of all nitrogenous fertilisers. Urea has a nitrogen content of 46%, a higher concentration than is available in other solid sources of nitrogen. Urea is an ideal source of nitrogen for many kinds of crops (including, wheat, barley, rice and maize), and an important raw material for melamine and for the manufacture of other industrial products such as adhesives. SABIC is the largest urea exporting company in the world. More than 80% of SABIC's total urea capacity is earmarked for export to major markets in Africa, Asia, North America and Oceania.

Ammonia/phosphates. Ammonia phosphates constitute SABIC's second group of fertiliser products, after urea. SABIC's production meets 90% of Saudi Arabia's requirements for phosphates and 100% of its requirements for ammonia. Approximately 75% of the ammonia produced by SABIC Group is used by SABIC Group companies to produce urea and other fertilisers; the remainder of which is sold in the international market (mainly Asia). Other products include anhydrous ammonia, a gas that is the principal raw material for the production of urea, and is used as one of the raw materials for the manufacture of several other fertiliser products and has a number of industrial applications; diammonium phosphate, which is used in fertilisers for farming wheat, barley and vegetables; monoammonium phosphate, which is used in fertilisers for farming clover, wheat and barley, especially in sandy soil; and other compounds that are used as ingredients in fertilisers with a number of applications.

Customers

The Fertiliser SBU markets its products widely. The SBU's customers in Saudi Arabia include local distributors and direct end users (farmers). Its principal international customers include government agencies (such as MMTC Limited in India and Trading Corporation of Pakistan); direct captive users (such as KK Animal Nutrition in South Africa and SumiThai in Thailand); national distributors (such as Chia Tai in Thailand); farm cooperatives (such as Farmland Industries Inc and CFI Industries, Inc. in the USA); SABIC affiliates (such as SABIC America and SABIC Asia Pacific); and international traders (such as Keytrade AG, Transammonia, Inc., Helm Düngemittel A.G. and ConAgra International Fertiliser Co.) with facilities to distribute products to difficult markets in Asia, Africa and elsewhere. The majority of sales within the Ammonia/Phosphates Business are on a long-term contract basis, with only a small proportion being on a spot basis.

Metals

Overview

Metals consists of three businesses: Flat Steel, Long Steel, and Aluminium, which are operated through SABIC's wholly-owned subsidiary Saudi Iron & Steel Co. ("**HADEED**"). HADEED operates the largest integrated iron and steel complex in the GCC countries located at Jubail and is the leading regional steel maker. SABIC also has an ownership interest in two aluminium manufacturing affiliates in Bahrain, Aluminium Bahrain B.S.C. ("**ALBA**") and Gulf Aluminium Rolling Mill Company ("**GARMCO**"). HADEED additionally plans to expand capacity by approximately 1,500 Kmt by the end of 2007. HADEED had a competitive advantage in having access to relatively cheap natural gas generated electricity as a source of power for its electricity furnaces. The majority of HADEED's iron ore is sourced under long-term supply contracts.

Products

HADEED has produced long steel products since 1983, primarily for the Saudi construction industry. Its output now includes flat, hot and cold rolled steel which is used in the expanding Saudi and regional engineering and manufacturing industries. SABIC's investments in HADEED's diverse portfolio of long and flat steel products enables it to serve a wide range of downstream customers, mainly in Saudi Arabia. The long steel products facility produces reinforcing bars, wire rods, and sections mainly for the domestic construction industry, whereas hot and cold rolled flat steel products have a wide range of applications. Such products are used to manufacture pre-engineered steel buildings, warehouses and industrial plants and in the manufacture of steel pipes used in the gas and oil industry, water pipes, tanks and oil drums, containers, auto body parts, air conditioning and refrigeration units and household appliances.

Customers

HADEED's principal focus is to satisfy the local market demand for steel products. HADEED has estimated that in 2005 its supply of long steel products accounted for approximately 60% of the market for long steel products in Saudi Arabia. HADEED estimates that its supply of flat steel products accounts for approximately 59% of the domestic market share in the flat steel products that HADEED produces. HADEED's surplus production of flat steel products is sold primarily in other GCC countries, Europe and the Far East. The majority of sales by the Metals SBU are made on a long-term contract basis, with only a small proportion being sold on a spot basis. HADEED's main customers for long and flat steel products, such as Abdullatif & Moh'd. Al-Fozan Co, Abdul Kadir Al-Muhaideb & Sons, Saudi Steel Pipe Company Ltd and Attieh Steel Company, include major distributors and downstream manufacturers.

Competition

SABIC's principal competitors in the segments of basic chemicals, intermediate products, polyolefins, and PVC/polyester products consist of large international petrochemical companies such as BASF AG, Dow Chemical Co., Bassell B.V., and Formosa Plastics Corp. SABIC competes against these companies and other competitors on the basis of price, ability to supply customers with a diversified product offering and proximity to the customer.

SABIC's principal competitors in the fertiliser segment consist of international companies that produce fertilisers on a large scale. SABIC competes in this line of business on a combination of price, quality of product, quality and standard of customer service. SABIC's main competitors in both urea and ammonia are Qafco, GPIC, Fertil in the Arabian Gulf; Kaltim, Bintulu and Petronas from Indonesia & Malaysia and Black Sea producers like JSC-Togliazot of Russia and OPZ of Ukraine. Despite a highly competitive environment, SABIC either leads or maintains its position as among the top three suppliers in most of its strategic markets.

In the steel segment, SABIC's principal market for its long steel products is Saudi Arabia, where it is the dominant supplier. HADEED's management consider that it offers the most competitive product mix among the suppliers to the Saudi market and has extensive knowledge of the market, gained through its many years of experience. There are presently no flat steel producers based in Saudi Arabia other than HADEED. As with long steel products, HADEED competes in the flat steel products market based on its comprehensive product mix and customer service and also benefits from a favourable customs regime compared to imported products made by other suppliers.

Suppliers

Saudi Aramco is the Saudi Government's wholly-owned oil company and is the principal supplier to SABIC's affiliates and subsidiaries of gas and liquid feedstock. SABIC Group's principal feedstock consists of gas and, in relation to its steel business, operated by HADEED, iron ore and scrap metal.

SABIC purchases its gas (ethane, methane, butane, propane, and natural gas) from Saudi Aramco. Supply contracts normally run for 25 to 30 years. Under these contracts, Saudi Aramco is obligated to supply SABIC with the maximum quantity of ethane per annum at the Saudi Government's regulated price, which has been since 1999 set at US\$ 0.75/m British thermal unit. This price is significantly lower than SABIC's principal competitors are able to obtain in the open market. As feedstock costs represent a significant portion of expense for SABIC's chemicals and fertilisers, the arrangement with Saudi Aramco is a significant competitive advantage for SABIC.

Apart from natural gas from Saudi Aramco, SABIC purchases phosphoric acid from OCP Morocco and GCT Tunisia, sulphate of potash from Kali & Shulz Germany and urea formaldehyde from Saudi Formaldehyde Co. KSA.

In relation to iron ore, HADEED's requirements are mostly fulfilled under long term contracts with leading suppliers, such as CFRD, Samarco, MBR (Brazil), KLAP (Sweden), and GILC (Bahrain). Scrap metal is acquired from Saudi-based dealers and other dealers based in the GCC at spot prices.

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

	For the years ended 31 December		
	2003	2004	2005
	(SAR in billion, except percentages)		
Sales	46.8	68.5	78.3
Cost of sales	(33.2)	(41.6)	(45.2)
Cost of sales as a percentage of sales	70.9%	60.7%	57.7%
Gross profit	13.6	26.9	33.1

Within the industrial cities of Yanbu and Jubail, in which most of SABIC's Saudi Arabian manufacturing facilities are located, MARAFIQ, a utility company (in which SABIC has an equity stake of 25%), furnishes the SABIC Group with its water, electricity, and sewage requirements at its normal rates for industrial customers. The only exception to this is SADAF, which commissioned an independent power plant to supply it with most of its electricity requirements. Outside of these two industrial cities, Saudi Electricity Company, a Saudi public utility, furnishes SABIC Group with its electricity requirements across the rest of the Kingdom of Saudi Arabia at normal rates for industrial customers.

Sales and Marketing

The SABIC Group's marketing and sales activities are primarily conducted directly by SABIC through its SBUs. SABIC has entered into several marketing agreements with its subsidiaries and affiliates, pursuant to which SABIC is responsible for selling their products, the proceeds of which sales are passed on to the relevant subsidiaries and affiliates net of distribution expenses and marketing fees. For more details of marketing agreements between SABIC and other SABIC Group members, see "Marketing Agreements" on page 29 of this Offering Circular.

Planned Capital Investments and Expansion Plans

In the period from 1 January 2006 to 31 December 2009, SABIC Group estimates that it will make approximately SAR 100 billion in capital investments. SABIC's expansion plans in the period from 1 January 2006 to 31 December 2009 include:

- the construction of new petrochemical plants in Yanbu to be operated by the Yanbu National Petrochemical Company ("YANSAB") with an annual production capacity of approximately 4 million metric tonnes of ethylene, ethylene glycol, polyethylene and polypropylene products by the end of 2008;
- the capacity expansion at SHARQ, a 50:50 joint venture with SPDC, a Japanese consortium headed by Mitsubishi, to add annual production capacity of approximately 3 million metric tonnes of ethylene, polyethylene and ethylene glycol by the end of 2008;
- the capacity expansion at HADEED to add annual production capacity of approximately 1.5 million metric tonnes of long and flat steel products by the end of 2007;
- the capacity expansion at AR-RAZI of additional annual production capacity of approximately 1.7 million metric tonnes of methanol by the first quarter of 2008;
- the construction of a linear alpha olefins plant, utilizing the SABLIN technology developed by SABIC (this facility will be constructed at Jubail by UNITED and is scheduled for completion in the third quarter of 2006);
- the capacity expansion at IBN ZAHR to add annual production capacity of 500 Kmt of polypropylene as well as construction of a new olefins conversion technology unit with an annual production capacity of 450 Kmt and methyl tertiary butyl ether flares clustering, to be completed in the fourth quarter of 2008;
- the three-stage capacity expansion at SABIC's affiliate, National Industrial Gases Company's Jubail and Yanbu plants, to add production capacity of 5,183 Kmt of oxygen and nitrogen by the end of April 2008; and
- formation of Saudi Kayan Petrochemical Company in Jubail with an expected annual production capacity of 4 million metric tonnes of ethylene, propylene, polypropylene, ethylene glycol, aminoethanols, aminomethyls and dimethylformamide. The project is expected to commence in 2009 and the capital of the company is expected to be SAR 12 billion, with SABIC to provide 35% of the capital.

Historically, SABIC has a good track-record of completing projects in a timely manner. However, there can be no assurance that these investments will be made, that capacity will be increased or plants will be built as planned or within the time currently envisaged. SABIC's expansion plans are subject to revision from time to time.

Capital Resources and Indebtedness

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

As at 31 December 2005, SABIC Group had drawn short term bank facilities of SAR 352 million and had unused short term credit facilities of 1.7 billion. The SABIC Group had long term loans of SAR 29.4 billion as at 31 December 2005 of which the current portion amounted to SAR 6.4 billion. The Issuer does not have any material contingent liabilities and has not issued any debt instruments, in each case, as at the date of this Offering Circular.

For the year ended 31 December 2005, SABIC Group generated cash in the amount of SAR 33.1 billion from operating activities, used cash in the amount of SAR 10.6 billion in investing activities, and used cash in the amount of SAR 17.6 billion in financing activities, yielding a net increase in cash and cash equivalents of SAR 4.9 billion.

The following table sets forth the repayment schedule of long term debt obligations as at 31 December 2005:

	SAR in thousands
2006	6,352,264
2007	9,447,327
2008	4,067,346
2009	2,695,588
2010 or later	6,806,919
Total	29,369,444

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

SABIC is currently rated by Fitch Ratings Limited and Standard & Poor's Ratings Services, which have assigned the following ratings to SABIC:

Fitch		Standard & Poor's	
Long-term	A	Long-term	A
Short-term	F1	Short-term	A-1
Outlook	Stable	Outlook	Stable

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

Environmental, Health and Safety Matters

Environmental matters are regulated in the Kingdom of Saudi Arabia under the Presidency of Environment and Meteorology and the Royal Commission for Jubail and Yanbu also regulates environmental matters within the industrial cities of Jubail and Yanbu. In 2004 the Royal Commission issued new environmental regulations and related guidelines which came into effect in September 2005 (the "**Environmental Regulations**").

SABIC's Corporate Environment & Industrial Hygiene Department introduced the Environmental Management System ("**EMS**") to assess compliance by all of SABIC's affiliates and subsidiaries in the Kingdom of Saudi Arabia with the Environmental Regulations issued by the Royal Commission. The EMS programme consists of quarterly audits of soil, water, noise, and air surrounding SABIC's manufacturing operations to ensure compliance with the Royal Commission's Environmental Regulations. SABIC also conducts comprehensive monitoring on a regular basis and identifies safety, health, and environment areas for improvement. In the near future, the programme will be expanded to include environmental studies relating to waste water treatment, air quality monitoring, and

disposal of solid waste. SABIC believes that all of its subsidiaries and affiliates in the Kingdom of Saudi Arabia are in material compliance with the Environmental Regulations issued by the Royal Commission.

SABIC's Corporate Environment & Industrial Hygiene Department ("**CEIHD**") provides scientific and engineering support for SABIC's affiliates and subsidiaries. SABIC's affiliates and subsidiaries receive support from the department in areas of air emissions control, hydrocarbon emissions monitoring, wastewater management, storage tank emissions and environmental impact. In 2004, CEIHD initiated a program for tracking compliance of SABIC's affiliates and subsidiaries with the Environmental Regulations and completed 28 projects at various manufacturing locations with the aim of improving compliance.

SABIC has developed programs and training material for Environmental Management Systems ("**EMS**") both in its Riyadh headquarters and at manufacturing plants. The EMS programs at the relevant affiliates and subsidiaries of SABIC and the SABIC Headquarters Environmental Management System ("**SHEMS**") provide constant monitoring and improvement of SABIC's environmental policies and procedures to keep within international standards. As at 31 December 2005, 14 SABIC affiliates had received ISO 14001 certification.

The Montreal Protocol calls for the discontinuation of chlorofluorocarbons (CFCs) in manufacturing processes. A number of affiliates and subsidiaries in the SABIC Group have already eliminated the use of CFCs from their operations, well ahead of the Protocol timeline. Its remaining affiliates and subsidiaries have developed and are implementing programs that it is anticipated will eliminate all CFCs within this timeline.

SABIC is committed to achieving the highest standards of health and safety at its operations and has implemented a number of measures towards achieving that goal, including the preparation of environmental awareness materials as well as frequent training workshops. An example of SABIC's high safety record is Jubail United Petroleum Company ("**UNITED**"), which achieved an unprecedented world safety record of 48.2 million safe man-hours, for which it received a "Perfect Safety Award" from the National Safety Council in the United States.

Research and Development

Research and development are conducted by SABIC's Research and Technology Division (the "**R&T Division**"). The R&T Division's main role is to provide research into improving production efficiency, assess modifications to existing products, pilot innovative processes, and to seek and test new and emerging technologies. The division is also involved in selecting new technologies for SABIC's manufacturing plants and in licensing out the use of technologies owned by SABIC (either in whole or in part) to other companies within and outside the Kingdom of Saudi Arabia. SABIC additionally enters into collaborative relationships with national and/or international petrochemical companies, universities, research institutes and consultants. Discoveries, innovations, and new product development are some of the benefits that the Research and Technology Division makes available to the relevant SABIC Group companies.

Some research and development activities that SABIC has undertaken have resulted in the development of new processes for the production of acetic acid and linear alpha olefins with LINDE, Germany, the development of Butene-1 technology with IFP, France; the development of new catalysts and the improvement of catalysts for polyolefins; process improvements for expandable polystyrene; improvements to the PET bottle manufacturing process; improvements in the purification process of carbon dioxide by-product during production of ethylene glycol; and the joint acquisition with Süd-Chemie, Germany, of Scientific Design (a US technology company specialising mainly in EO/EG, catalysts and process technologies). The expected benefits of these steps includes improving SABIC's current technologies and finding new technologies leading to new and improved products; increased production capacity; reduced manufacturing costs; safe and environmentally friendly production processes; new plants and expansions; demonstration plants; penetration of new markets; committed customer technical support and problem solving; joint venture advantages; and licensing-out of developed technologies and the associated royalties.

The commissioning of a modern, world-scale industrial complex for R&T at Riyadh began in 1991, enabling SABIC to launch several R&T projects to support its manufacturing affiliates, subsidiaries and customers. The facility in Riyadh remains the primary centre, employing more than 500 staff including, researchers, engineers and technicians. The complex now consists of several pilot plants, two catalyst manufacturing units and state-of-the-art analytical testing laboratories. Completion of a second laboratory, Lab II, in the second quarter of 2001 reflects the expanding scope of R&T in supporting SABIC's global aspirations. In 1996, SABIC decided to establish SABIC Technology Centres ("**STCs**") in select market locations to strengthen its R&T expertise and to draw on a global

pool of research talent and experience and the first STC was established in Houston, Texas in the same year. The construction of the STC complex in India at Vadodara was completed during 2001. Currently, SABIC maintains five of its own R&T centres, employing more than 1,000 scientists, researchers and technicians.

The R&T Division also carries out Customer Technical Support ("**CTS**") to ensure that its products and services meet or exceed customers' expectations. In addition to providing customers with full support related to SABIC polymers, CTS provides information on other factors related to the plastic production industry, machinery, tools and activities. CTS is also charged with ensuring that SABIC products comply with global standards.

Intellectual Property

SABIC Group depends upon a wide range of intellectual property to support its business. SABIC has obtained licences in relation to certain technologies on behalf of its affiliates and subsidiaries and licenses out intellectual property rights in relation to certain technologies itself on a worldwide basis, including Polyethylene, Acetic Acid, Linear-Alpha Olefins ("**LAO**"), EOG and Butene-1. In 2005, 77 new patents were filed by members of the SABIC Group, bringing SABIC's total number of proprietary patent applications to 405. Although SABIC has successfully negotiated agreements for the licensing of technologies required for the business of SABIC Group, there can be no assurance that they will be renewed at the end of their current term.

Information Technology

Following a quarter century of successful industrial endeavour, SABIC is changing fundamentally the way it runs its global business operations. Rationalising Information Technology ("**IT**") proved beneficial in facilitating and supporting SABIC's goals. Consistent policies and common IT architecture and standards have become key enablers, positioning SABIC as a major player in the global chemical marketplace.

SABIC recently completed a global initiative, called FANAR, to implement common business processes and procedures throughout SABIC's operations supported by a single integrated Enterprise Resource Planning ("**ERP**").

The FANAR project was approved by the SABIC executive management to achieve the following strategic goals:

- Implement a single set of consistent business processes throughout SABIC's worldwide operations; and
- Support these processes with a single enterprise system used by all SABIC locations, eliminating all local IT solutions. The ERP system adopted is a System Application Product (the "**SAP ERP System**").

The FANAR project also concurrently initiated the establishment of the Shared Services Organisation ("**SSO**") unit delivering accounting services, general services, employee services, IT Run & Maintain services, project engineering and supply management.

SSO currently operates as a cost centre supporting all SABIC Group companies in Saudi Arabia, including SABIC's headquarters in Riyadh and Jubail. SABIC expects that SSO will eventually provide services to mutually acceptable third parties in functional areas in which it has gained expertise. Since May 2005, the SAP ERP System, along with the support services offered by the SSO, has been operating in all member companies within the SABIC Group.

SABIC's strategy is to deliver and optimise the benefits flowing from the establishment of common processes across all of its affiliates, subsidiaries and overseas offices. The new, common SAP ERP system should enable SABIC to manage all sales, marketing, planning, and operations activities with a single, integrated set of corporate data.

This should enable faster and better decision-making, resulting in marked improvements in operational efficiency and cost management. Certain critical areas where benefits can be expected to be realized immediately are shortening the intervals between orders and payments, reduced inventory costs and enhanced customer service.

SABIC's management views this initiative an essential undertaking to support SABIC's aim of improving its position in the increasingly competitive global marketplace.

SABIC has also embarked on numerous cost cutting initiatives. The recent establishment of the SSO is a major step taken towards achieving the objective of cost reduction through focused and specialised management

across various functions.

Other than FANAR, notable events in relation to SABIC's IT are:

- The global role of IT as a "*mission critical*" function was formally recognized by the creation of SABIC's Corporate IT organisation, responsible for all enterprise-wide IT policies, procedures, strategic planning, security, architecture, standards, sourcing, and major or group projects, and shared services IT carrying out all IT Run & Maintain.
- IT is progressively becoming a mission-critical component of SABIC's business operations, and a key enabler of new tools providing competitive advantage in the global marketplace.
- SABIC's IT role is growing by emphasising change management, system and network reliability, and business continuity planning. These key roles are targeted towards ensuring achievement of business, corporate, and shareholder goals.
- Through SABIC's five-year IT strategy, IT is positioned to proactively anticipate and deliver services needed by the business to secure current position in the global marketplace as well as provide capacity and access to growth.
- Moreover, FANAR is a key segment of SABIC's three-part IT strategy. The "Foundation Strategy" is designed to put in place a sound platform supporting SABIC's long-term goals.
- "Evolution Strategy" is the second part of overall IT strategy aimed at ensuring Enterprise System and key business applications are effectively supported over time. Under this strategy, business clients, customers and users will receive integration, training, and support thus enabling SABIC to capitalize fully on IT investments.
- The third part of SABIC's long-term approach is the "Business Advantage Strategy", where a number of major value-added applications and sophisticated decision-support systems are planned for implementation. Supply Chain Management, Asset Performance Management, e-business and other innovations are also planned for implementation.

Risk Management

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

Price of Gas Feedstock

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

The Kingdom of Saudi Arabia joined the World Trade Organisation ("**WTO**") in November 2005. One of the key accomplishments of the Kingdom of Saudi Arabia with respect to its accession to the WTO was the fact that the accession was achieved without compromising domestic feedstock pricing policy, which underlies the strong petrochemical competitive cost advantage enjoyed by the petrochemical industry in the Kingdom of Saudi Arabia. As a result, the Kingdom of Saudi Arabia is emerging as a global petrochemicals hub and a premier location for future investment in the petrochemical industry.

Contingencies

Although SABIC is involved from time to time in various legal proceedings arising from its normal business operations, as at the date of this Offering Circular there are no legal or arbitration proceedings pending, or to SABIC's knowledge threatened, which are reasonably likely to have a material impact on the business, financial condition or results of operations of SABIC.

MANAGEMENT AND EMPLOYEES

Management

SABIC's management structure consists of a board of directors (the "**Board**") and a team of executive officers (the "**Executive Management**"). The business address of the members of the Board and Executive Management is Saudi Basic Industries Corporation, P.O. Box 5101, Riyadh 11422, Saudi Arabia.

Board of Directors

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

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

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

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

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

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

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

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

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

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

Mr. Al-Faris was appointed by the Government to the Board of SABIC in 2004. He has previously served with the Saudi Arabian Monetary Agency as Director of the Internal Audit Department and then as the Director of the Public Accounts Department. He also worked with Ernst & Young at its office in Los Angeles, USA. Mr. Al-Faris obtained a bachelors degree in accounting from King Saud University in 1982 and a masters degree in

accounting from Western Illinois University, USA in 1989 . He also qualified as a Certified Public Accountant in California, USA. Mr. Al- Faris worked with the Department of Zakat and Income Tax as its Director General. He is currently the Managing Director for financial services at Abdul Latif Jameel Company Limited.

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

Mr. Abanumay was elected to the Board of SABIC by the general meeting of the shareholders in 1989 and is representative from the private sector. He is the General Manager of the Abanumay Industrial Establishment and is currently a member of the board of directors of United Gulf Industrial Company. He has previously been a member of the board of directors of Samba Financial Group, SAFCO, IBN AL-BAYTAR and the National Shipping Company of Saudi Arabia. Mr. Abanumay obtained a bachelors degree in business administration from Western Illinois University, USA in 1981.

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

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

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

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

Executive Management

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

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

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

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

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

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

degree in engineering from Meiji University, Tokyo in 1984. He obtained a masters degree in engineering from the National Taiwan University in 1989. Mr. Al-Mana is fluent in Japanese and Chinese languages.

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

Dr. Al-Ubaid joined SABIC in 1989 as the Director of Development at the SABIC Industrial Complex for R&D. In 1996, he was promoted to be the Director General of R&D - responsible for the overall research and development activities of SABIC. Following organisational changes, his title was changed to Executive Vice President of Research & Technology. He played an important role in the establishment and management of the state-of-the-art SABIC R&D Complex. Dr. Al-Ubaid is currently the Chairman of the Board of Directors of IBN-ZAHR. He was also the Chairman of SABIC's Technical Committee. Prior to working at SABIC, Dr. Al-Ubaid was Associate Professor of Chemical Engineering at the King Saud University in Riyadh. Dr. Al-Ubaid obtained a bachelors degree in chemical engineering from King Fahd University of Petroleum and Minerals. He holds a masters degree from the University of California and acquired a Ph.D. in chemical engineering from the University of Notre Dame, USA.

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

Mr. Al-Sheaibi was appointed Vice President of SABIC's PVC/Polyester SBU in 2002. Mr. Al-Sheaibi joined SABIC in 1979 as a Petrochemicals Researcher. Between 1980 and 1982 he received training in the United States. In 1984 he became Regional Sales Manager for Europe with responsibility for marketing research, logistics and plastics, progressing to General Manager with responsibility for creating SABIC's European network. In 1991, Mr. Al-Sheaibi returned to Riyadh as Business Manager, Plastics, SABIC Marketing Ltd. with responsibilities for global plastics sales and marketing. In 1994, he became Vice President, Sales. Prior to his present position Mr. Al-Sheaibi was Vice President, Polymers SBU. Mr. Al-Sheaibi obtained a bachelors degree in business administration from King Saud University in 1978.

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

Mr. Al-Jabr joined HADEED in 1983 where he has held a number of different positions in the Sales and Marketing, HR, Financial, and IT fields. He was General Manager of Finance & Administration before his appointment as President of HADEED and Vice President of SABIC's Metals Group in September 2002. Mr. Al-Jabr is a Board member of Aluminium Bahrain (ALBA), and also serves as a member of ALBA's Board Audit Committee and Procurement, Marketing & Hedging Committee (PMHC). He is a Director of the International Iron & Steel Institute (IISI) and was recently elected as Chairman of the Arab Iron & Steel Union (AISU). Mr. Al-Jabr holds a bachelors degree in administrative science, major in economics from the King Saud University in Riyadh.

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

Mr. Al-Ohali heads SABIC's ammonia, phosphate and urea businesses. He is also Vice Chairman of the Board of Directors of SADAF and SAFCO, a Board member of MARAFIQ and a member of the Executive Committee of SABIC R&T. Mr. Al-Ohali is also Chairman of the Arab Fertilisers Association. Mr. Al-Ohali began his career in September 1984 with SADAF as a process engineer and member of the ethanol plant start-up team. He advanced through various positions in operations, technical and planning within SADAF (SABIC/Shell joint venture) and became the President of SADAF in March 1999. On 1 September 2004, Mr. Al-Ohali was appointed Vice President (Fertilisers). Mr. Al-Ohali holds a masters degree in chemical engineering from King Fahd University of Petroleum and Minerals.

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

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

Executive Steering Committee for the SABIC Business Transformation Project.

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

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

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

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

Ibrahim Al-Shuweir, Vice President, Corporate Control (Civil registry number 1-0151-9446-5; year of birth 1376H)

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

Mutlaq H. Al-Morished, Vice President, Corporate Finance (Civil registry number 1-0186-1468-3; year of birth 1375H)

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

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

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

Directors' compensation and interests of directors and executive management

During June 2006, the number of shares held by each of the directors of SABIC (including their respective relatives) in SABIC and other members of the SABIC Group were as follows:

Name of Director	Date of holding	No. of shares held in SABIC	No. of shares held in YANSAB	No. of shares held in SAFCO
His Highness Prince Saud bin Thunayan Al-Saud	15 June 2006	48,331	195	0
Eng. Mohamed H. Al-Mady	7 June 2006	0	5,515	0
Ahmad Ibrahim Al-Hakami	18 June 2006	0	65	0
Saleh bin Eid Al-Husseini	12 June 2006	0	0	0
Abdulmuhsin A. Al-Faris	20 June 2006	0	0	0
Mohammed bin Sulaiman Abanumay	10 June 2006	25,000	0	14,000
Abdullah Mohammed Al-Issa	7 June 2006	250,000	0	0

During June 2006, the number of shares held by the Secretary to the Board and each member of the executive management of SABIC (including their respective relatives) in SABIC and other members of the SABIC Group were as follows:

Name and Title	Date of holding	No. of shares held in SABIC	No. of shares held in YANSAB	No. of shares held in SAFCO
Ahmed bin Mohammed Al-Umar, Secretary to the Board	13 June 2006	0	0	0
Yousef Al-Zamel, Vice President, Basic Chemicals	12 June 2006	27,581	155	16,110
Khaled Al-Mana, Vice President, Intermediate Chemicals	5 June 2006	0	0	0
Abdulrahman Al-Ubaid, Vice President, Polyolefins	21 June 2006	0	0	0
Fahad Al-Sheaibi, Vice President, PVC/Polyester	7 June 2006	6,718	118	56,885
Mohammed S. Al-Jabr, Vice President, Metals	6 June 2006	625	175	300
Mosaed Al-Ohali, Vice President, Fertilisers	10 June 2006	3,125	155	0
Homood Al-Tuwaijri, Vice President, Petrochemicals Coordination	5 June 2006	40	10,110	0
Mohammad Al-Bat'hi, Vice President, Corporate HR	21 June 2006	3,000	0	50
Ali Al-Khuraimi, Vice President, Research & Technology	21 June 2006	0	35	0
Ibrahim Al-Shuweir, Vice President, Corporate Control	6 June 2006	0	0	0
Mutlaq H. Al-Morished, Vice President, Corporate Finance	5 June 2006	6,556	75	0
Mansour Al-Kharboush, Vice President, Shared Services Organization	21 June 2006	0	35	0

Except for the employee stock grant scheme in relation to shares in YANSAB which is described in more detail in note 2 to SABIC's consolidated financial statements for the year ended 31 December 2005 on page 69 of this Offering Circular, no member of the executive management of SABIC has received any commission, discount, brokerage or other non-cash compensation or has been granted special terms or options in connection with the issue or sale of any securities by SABIC or any of its subsidiaries or affiliates in the two years preceding the date of this Offering Circular.

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

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

No contract or arrangement is in effect or contemplated at the date of this Offering Circular in which any of the Chief Operating Officer, the Chief Executive Officer ("CEO") and the directors of SABIC and their respective relatives is materially interested which is significant in relation to the business of SABIC Group.

The compensation of the members of Board of Directors of SABIC is set by proposal of the Board of Directors to the annual general meeting of the shareholders (the "Annual General Meeting"), which must then either approve or reject the Board's recommendation. For the years ended 31 December 2004 and 2005, the aggregate remuneration (including benefits in kind) paid to members of the Board Directors was SAR 1.4 million and SAR 1.4 million respectively.

Appointment of CEO and directors

The representatives of the Government on the Board of SABIC (including the CEO) are appointed directly by the Council of Ministers for periods specified in the relevant resolution of the Council of Ministers, while the other members of the Board of Directors are appointed by the general meeting of the shareholders, normally for a period of three years.

Powers of directors

For a summary of the powers of the directors, see "General Information" on page 63 of this Offering Circular.

Employees

SABIC has approximately 17,000 employees worldwide and approximately 85% of the workforce employed in Saudi Arabia are Saudi Arabian nationals.

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

Position	As at 31 December 2005
Senior-Level Leader Positions	199
Mid-Level Manager Positions	2,567
Other Positions	14,508
Total Positions	17,274

For the purposes of the above table:

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

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

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

There were no material changes to the number of employees within the SABIC Group during the financial year ended 31 December 2005.

RECENT DEVELOPMENTS AND OUTLOOK

SABIC Group's financial performance during 2005 is in line with previous trends. For example, sales for the year ended 31 December 2005 were SAR 78.3 billion, compared to SAR 68.5 billion for the previous year, and while cost of sales have increased to SAR 45.2 billion for the year ended 31 December 2005, compared to SAR 41.6 billion in the previous year, profit margins have improved. This trend is consistent with the improving profit margins over the last three financial years, with cost of sales as a percentage of sales for the year ended 31 December 2005 falling to 57.7% as compared with 60.7% for the year ended 31 December 2004 and 70.9 % for the year ended 31 December 2003. SABIC Group does not contemplate a material change to the nature of its business as described herein. SABIC's performance in respect of the financial year which ended on 31 December 2005, as summarised by the vice chairman and chief executive, is set out on pages 8 to 11 of SABIC's Annual Report 2005.

SABIC's unaudited consolidated income statement and balance sheet for the first quarter ended 31 March 2006 are set out below. SABIC'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.

Consolidated Income Statement

	31 March 2006	31 March 2005
	(SAR in millions)	
Sales	19,267	18,852
Cost of sales	(11,684)	(10,418)
Gross profit	7,583	8,434
Administration and marketing expenses	(969)	(1,032)
Operating income	6,614	7,402
Investment income and others	331	211
Financial charges	(341)	(337)
Income before minority interest and Zakat	6,604	7,276
Minority interests in net income of subsidiaries	(2,271)	(2,059)
Income before Zakat	4,333	5,217
Zakat	(150)	(140)
Net income	4,183	5,077
Earnings per share in SAR (Based on 2.5 billion shares)	1.67	2.03

Consolidated Balance Sheet

	31 March 2006	31 March 2005
	(SAR in millions)	
Current assets		
Cash and cash equivalents	38,843	27,234
Accounts receivable	14,339	13,315
Inventories	11,051	9,750
Other receivables and prepayments	1,789	1,807
Total current assets	66,022	52,106
Non-current assets		
Investment in associates and others	3,047	2,579
Property, plant and equipment-net	68,397	63,999
Intangible assets	4,980	5,700
Other non-current assets	4,504	3,655
Total assets	146,950	128,039
Current liabilities		
Short-term bank facilities	447	445
Accounts payable	8,298	7,703
Current portion-long term loans	6,431	6,032
Accrued liabilities and provisions	7,882	5,744
Total current liabilities	23,058	19,924
Non-current liabilities		
Long-term loans	23,781	27,213
Other non-current liabilities	6,006	5,003
Total non-current liabilities	29,787	32,216
Minority interests	27,582	19,939
Shareholders' equity:		
Share capital	20,000	15,000
Statutory reserve	9,416	7,500
Research and technology reserve	1,292	1,292
General reserve	17,589	13,882
Retained earnings	18,226	18,286
Total shareholders' equity	66,523	55,960
Total liabilities & shareholders' equity	146,950	128,039

DESCRIPTION OF SHARE CAPITAL AND DIVIDENDS

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

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

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

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

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

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

For years ended 31 December 2004 and 2005 earnings per share of SABIC (determined based on the number of shares outstanding at the end of the year) were SAR 47.38 and SAR 47.89, respectively.

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

Record date	Pay date	Amount per share
		(SAR)
22 April 2006	6 May 2006	15.00
30 June 2005	23 July 2005	8.00
16 April 2005	30 April 2005	15.00
17 April 2004	1 May 2004	12.00
19 April 2003	5 May 2003	5.00
31 March 2002	14 April 2002	3.00
18 March 2001	24 April 2001	5.00

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

Prospective Holders should note that a portion of YANSAB shares have been set aside for an employee stock grant scheme which is described in more detail in note 2 to SABIC’s consolidated financial statements for the year ended 31 December 2005 attached to this Offering Circular. Otherwise, no capital of SABIC or any of the other members of the SABIC Group is under any option.

TAXATION AND ZAKAT

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

GCC Holders resident in the Kingdom of Saudi Arabia

Holders who are GCC persons resident in the Kingdom of Saudi Arabia (except for (a) a citizen of a GCC country other than the Kingdom of Saudi Arabia with a permanent establishment in the Kingdom of Saudi Arabia and (b) a legal entity established under the law of a GCC country other than the Kingdom of Saudi Arabia with a permanent establishment in the Kingdom of Saudi Arabia) are not subject to any Saudi Arabian tax, whether by withholding or direct assessment, in respect of any payment or gain realized in respect of Sukuk.

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

"GCC person" means (a) a citizen of any of the GCC Countries (namely, 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 and established under the laws of a GCC country.

Non-GCC Holders resident in the Kingdom of Saudi Arabia

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

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

All payments in the nature of profit in respect of the Sukuk to a Holder who has a PE in the Kingdom of Saudi Arabia will be subject to income tax at the rate of 20%. A non-resident carrying out an activity in the Kingdom of Saudi Arabia through a licensed branch (as defined in Article 4(b)4 of the Income Tax Regulation) is considered to have a PE in the Kingdom of Saudi Arabia.

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

General

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

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

Under the zakat regulations which are in effect as at the date of this Offering Circular in the Kingdom of Saudi Arabia, long-term investments in other companies are deductible from the zakat base of the investor.

If a Holder is either a resident or a non-resident of the Kingdom of Saudi Arabia with a PE in the Kingdom of Saudi Arabia (as defined in Article 4 of the Income Tax Regulation), such Holder will be subject to Saudi Arabian tax/zakat.

SUBSCRIPTION AND SALE

Underwriting Agreement

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

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

Application by potential investors

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

Towards the end of the Investor Presentation Period, the Issuer shall cause the Margin to be published on the websites of the Issuer (www.sabic.com) and the Lead Manager (www.sabb.com).

Persons wishing to purchase the Sukuk will be required to submit a duly completed form (an **"Investor Application Form"**) to any of the Managers before the end of the Investor Presentation Period. Investor Application Forms will be available from any of the Managers. Applications to purchase Sukuk for less than SAR 500,000 or in amounts which are not higher integral multiples of SAR 50,000, or from applicants who are not Institutional Investors, will not be accepted. Persons who are not Institutional Investors may be able subsequently to purchase Sukuk from Institutional Investors.

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

Only persons who are Qualified Persons as defined in Condition 1 (*Definitions*) of the Sukuk may be registered as Holders. **"Qualified Person"** for these purposes means (a) a natural person who is a national of the Kingdom of Saudi Arabia or (b) another legal person with a permanent establishment in the Kingdom of Saudi Arabia holding a current commercial registration number issued by the Ministry of Commerce and Industry, and which, in the case of either (a) or (b), maintains a bank account in the Kingdom of Saudi Arabia and who is not a Specified Counterparty.

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

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

- (a) a person who is authorised to carry on securities business by the Authority;
- (b) an exempt person as specified in Annex 1 to the Securities Business Regulations of the Authority;
- (c) any of the following:
 - (i) any company which owns, or which is a member of a group which owns, net assets of not less than SAR 50 million;
 - (ii) any unincorporated body, partnership or other organisation which has net assets of not less than SAR 50 million; or
 - (iii) any person ("A") whilst acting in the capacity of director, officer or employee of a person ("B") falling within sub-paragraphs (i) or (ii) where A is responsible for B undertaking any securities activity;

- (d) an institution that has received a licence to engage in banking business in accordance with the laws of the Kingdom of Saudi Arabia; or
- (e) any other person who purchases Sukuk through an authorised person (as defined in the Securities Business Regulations of the Authority).

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

General

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

Clearing and Settlement

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

GENERAL INFORMATION

1. The Issuer's legal address is Eastern Circle, King Khalid Airport Road, Exit 8, P.O. Box 5101, Riyadh 11422.
2. The Issuer was incorporated on 13 Ramadan 1396H (corresponding to 6 September 1976) as a public joint stock company under the laws of the Kingdom of Saudi Arabia. Its commercial registration number is 1010010813.
3. As of the date of this Offering Circular, the Issuer has an authorised share capital of SAR 25,000,000,000, represented by 2,500,000,000 of authorised ordinary shares, with a nominal value of SAR 10 each. SABIC has no other classes of shares outstanding.
4. The Extraordinary General Assembly of SABIC has approved in its meeting held on 7 Rabi Al-Awwal 1426H (corresponding to 16 April 2005) an amendment to the Bylaws of SABIC authorising the Board of Directors of SABIC to issue bonds/ sukuk to the public or otherwise in such amounts and on such terms as decided upon by the Board of Directors of SABIC.
5. The creation and issue of the Sukuk and the Issuer's entry into the Sukuk Documents has been authorised by a resolution of the Board of Directors of the Issuer passed at a meeting held on 5 March 2006.
6. There are no legal or arbitration proceedings against or affecting the Issuer's group taken as a whole or any of its assets or revenues, nor is the Issuer aware of any pending or threatened proceedings of such kind, which are or might be material in the context of the issue of the Sukuk.
7. Save as disclosed in this Offering Circular, there has been no adverse change, or any development reasonably likely to involve an adverse change, in the condition (financial or otherwise) or general affairs of the Issuer or the Issuer's group since 31 December 2005, and in the two immediately preceding financial years, that is material in the context of the issue of the Sukuk.
8. For so long as any of the Sukuk are current, copies of the following documents (together with, in the case of items (d) to (g) below, translations thereof into Arabic) may be inspected during normal business hours at the specified office of the Issuer (in respect of paragraph (a) and (b)) and otherwise at the specified office of the Payments Administrator:
 - (a) the Issuer's Bylaws and Commercial Registration Certificate;
 - (b) the audited consolidated financial statements of the Issuer for the years 31 December 2003, 31 December 2004 and 31 December 2005;
 - (c) the latest published unaudited interim consolidated financial statements of the Issuer;
 - (d) the Declaration of Agency;
 - (e) the Sukuk Assets Transfer Agreement;
 - (f) the Sukuk Assets Administration Agreement;
 - (g) the Payments Administration Agreement; and
 - (h) the pronouncement issued by the SABB Amanah Shariah Supervisory Committee.
9. Tadawul will be appointed as registrar of the Sukuk as described in "Terms and Conditions of the Sukuk - Register, Title and Transfers".
10. The following is a summary of the Issuer's Bylaws:

Adoption of Bylaws and Amendments

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

- (a) Amendment dated 23 Ramadan 1406H (corresponding to 31 May 1986) to amend Article 9 of the bylaws regarding the maximum number of shares that a single person may hold in SABIC.
- (b) Amendment dated 18 Ramadan 1407H (corresponding to 16 May 1987) to amend Articles 6 and 24 of the bylaws regarding the authorised share capital of SABIC and the minimum number of shares that a director must own in SABIC.
- (c) Amendments dated 17 Safar 1424H (corresponding to 19 March 2003) to amend Articles 21, 22, 23, 26, 30 and 32 of the bylaws regarding the Board of Directors of SABIC and their powers to manage the company.
- (d) Amendments dated 7 Rabi Al-Awwal 1426H (corresponding to 16 April 2005) to amend Article 6 of the bylaws regarding the authorised share capital of SABIC, Article 30 of the bylaws regarding the powers of the Board of Directors of SABIC to manage the company and to include a new Article 52 in the bylaws to authorise the Board of Directors of SABIC to issue "sukuk" and/or bonds.
- (e) Amendment dated 24 Rabi Al-Awwal 1427H (corresponding to 22 April 2006) to amend Article 6 of the bylaws regarding the authorised share capital of SABIC.

Objects

The objects of SABIC are:

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

Duration of SABIC

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

Government Shareholding

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

Shares

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

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

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

Alteration of Share Capital

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

Management

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

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

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

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

Meetings and Resolutions of the Board of Directors

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

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

Subject to the prerogatives vested in the General Meeting, the Board of Directors shall have the widest authority to manage, and conduct the affairs of, SABIC and to dispose of its assets, properties and real properties. The Board of Directors shall have the power to purchase, sell, transfer, give and release mortgages and to make and receive payments, provided that the minutes and the particulars of the resolution of the Board of Directors relating to the disposal of SABIC's assets, properties and real properties comply with the following conditions: (1) the Board of Directors should specify the reasons and justifications for the sale, (2) the sale price should be the approximate price for comparable assets, (3) it shall be a spot-sale, except in cases of urgency, provided that there are sufficient guarantees and (4) the

disposal does not result in stopping any of SABIC's activities or increasing its commitments.

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

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

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

Meetings and Resolutions of the Ordinary and Extraordinary General Meeting

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

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

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

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

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

The Extraordinary General Meeting shall be empowered with changing the bylaws of SABIC and will be valid only if attended by shareholders representing at least sixty per cent (60%) of the capital. If such quorum is lacking at the first meeting, a second meeting shall be called and shall be valid if attended by shareholders representing at least forty per cent (40%) of the capital. Resolutions of the Extraordinary General Meeting shall be passed by a two thirds (2/3) majority of the shares represented at the meeting. If a resolution concerns the increase or decrease of the capital, extension or reduction of the duration of SABIC, it must be passed by a majority of three quarters (3/4) of the shares represented at the meeting.

Auditors

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

Financial Year

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

Statutory Reserve and Distribution of Dividends

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

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

Dissolution and Liquidation

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

CERTAIN DEFINED TERMS

Set out below is a glossary of certain terms used in “Description of the Issuer” commencing on page 33 of this Offering Circular.

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

Saudi Basic Industries Corporation
A Saudi Joint Stock Company
CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2005

INDEPENDENT AUDITORS' REPORT

31 DECEMBER 2005

AUDITORS' REPORT TO THE SHAREHOLDERS OF SAUDI BASIC INDUSTRIES CORPORATION (SABIC)

Riyadh-Kingdom of Saudi Arabia

We have audited the accompanying consolidated balance sheet of Saudi Basic Industries Corporation - a Saudi joint stock company - and subsidiaries ("the Company") as of December 31, 2005, and the related consolidated statements of income, cash flows and changes in shareholders' equity for the year then ended and notes 1 to 29 which form an integral part of these consolidated financial statements as prepared by the Company's management and presented to us with all the necessary information and explanations which we required. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the Kingdom of Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements taken as a whole present fairly, in all material respects, the consolidated financial position of the company as of December 31, 2005, and the results of its operations and its cash flows for the year then ended in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia appropriate to the nature of the Company, and comply with the Regulations for Companies and SABIC's articles of association with respect to the preparation and presentation of the consolidated financial statements.

Deloitte & Touche
Bakr Abulkhair & Co.

Bakr Abulkhair
License No. 101
Safar 5, 1427
March 5, 2006

Saudi Basic Industries Corporation

A Saudi Joint Stock Company

CONSOLIDATED BALANCE SHEET

As of December 31, 2005

	Note	2005 SR'000	2004 SR'000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	3	28,172,569	23,245,131
Accounts receivable	4	14,520,648	13,504,142
Inventories	5	10,642,446	9,154,624
Other receivables and prepayments	6	2,945,182	2,993,208
TOTAL CURRENT ASSETS		56,280,845	48,897,105
INVESTMENTS			
	7	5,898,098	2,689,971
PROPERTY, PLANT AND EQUIPMENT	8	66,096,734	63,843,751
INTANGIBLE ASSETS	9	5,335,038	5,998,646
OTHER NON CURRENT ASSETS	10	3,339,765	3,515,173
TOTAL ASSETS		136,950,480	124,944,646
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Accounts payable	12	7,781,718	8,298,460
Short term bank facilities	13	351,695	483,529
Current portion of long term loans	14	6,352,264	6,050,315
Accrued liabilities and provisions	15	7,461,439	7,135,207
TOTAL CURRENT LIABILITIES		21,947,116	21,967,511
NON CURRENT LIABILITIES			
Long term loans	14	23,017,180	27,292,725
Other non current liabilities	16	6,764,647	4,966,707
TOTAL NON CURRENT LIABILITIES		29,781,827	32,259,432
MINORITY INTERESTS			
		22,880,920	19,835,371
SHAREHOLDERS' EQUITY			
Share capital	17	20,000,000	15,000,000
Statutory reserve	18	9,415,968	7,500,000
Research and technology reserve	18	1,291,691	1,291,691
General reserve	18	17,589,241	13,881,503
Retained earnings		14,043,717	13,209,138
TOTAL SHAREHOLDERS' EQUITY		62,340,617	50,882,332
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		136,950,480	124,944,646

Saudi Basic Industries Corporation
A Saudi Joint Stock Company
CONSOLIDATED STATEMENT OF INCOME
Year ended December 31, 2005

	Note	2005 SR'000	2004 SR'000
Sales		78,253,536	68,539,076
Cost of sales		(45,169,206)	(41,604,638)
GROSS PROFIT		33,084,330	26,934,438
Administration and marketing expenses	19	(3,914,352)	(3,429,494)
INCOME FROM OPERATIONS		29,169,978	23,504,944
Other income	20	1,237,428	1,299,199
Finance charges		(1,397,257)	(1,020,541)
Loss arising from a legal case	6	-	(1,782,355)
INCOME BEFORE MINORITY INTERESTS AND ZAKAT		29,010,149	22,001,247
Minority interests		(9,100,464)	(7,337,559)
INCOME BEFORE ZAKAT		19,909,685	14,663,688
Zakat	21	(750,000)	(450,000)
NET INCOME FOR THE YEAR		19,159,685	14,213,688
Earnings per share (SR)	22	47.89	35.53

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

Saudi Basic Industries Corporation
A Saudi Joint Stock Company
CONSOLIDATED STATEMENT OF CASH FLOWS
Year ended December 31, 2005

	2005 SR'000	2004 SR'000
OPERATING ACTIVITIES		
Net income for the year before Zakat	19,909,685	14,663,688
Adjustments for:		
Depreciation and amortization	6,530,723	6,424,135
Equity in earnings of associated companies	(526,168)	(331,995)
Minority interests in net income of subsidiaries	9,100,464	7,337,559
Changes in operating assets and liabilities:		
Accounts receivable and prepayments	(968,480)	(5,480,478)
Inventories	(1,487,822)	(2,110,657)
Accounts payable, accrued liabilities and provisions	(889,327)	3,501,714
Other non current liabilities	1,797,940	906,885
Zakat paid	(331,019)	(376,189)
Net cash from operating activities	33,135,996	24,534,662
INVESTING ACTIVITIES		
Additions to property, plant and equipment, net	(7,599,562)	(4,452,453)
Investments, net	(2,681,959)	314,407
Intangible assets, net	183,315	611,901
Other non current assets, net	(528,443)	(1,995,170)
Net cash used in investing activities	(10,626,649)	(5,521,315)
FINANCING ACTIVITIES		
Long term loans, net	(3,973,596)	(3,073,217)
Short term bank facilities, net	(131,834)	24,270
Dividends paid	(7,421,564)	(3,532,486)
Minority interests, net	(6,054,915)	(3,807,685)
Net cash used in financing activities	(17,581,909)	(10,389,118)
INCREASE IN CASH AND CASH EQUIVALENTS	4,927,438	8,624,229
Cash and cash equivalents at the beginning of the year	23,245,131	14,620,902
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (note 3)	28,172,569	23,245,131

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

Saudi Basic Industries Corporation
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CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
Year ended December 31, 2005

	Note	Share Capital		Total share capital SR'000	Statutory reserve SR'000	Research and technology reserve SR'000	General reserve SR'000	Retained earnings SR'000	Total equity SR'000
		Government SR'000	Private sector SR'000						
Balance at December 31, 2003		10,500,000	4,500,000	15,000,000	6,495,449	1,291,691	11,456,363	6,026,541	40,270,044
Dividends		-	-	-	-	-	-	(3,600,000)	(3,600,000)
Board of Directors' remuneration		-	-	-	-	-	-	(1,400)	(1,400)
Transfer to general reserve	18	-	-	-	-	-	2,425,140	(2,425,140)	-
Net income for the year		-	-	-	-	-	-	14,213,688	14,213,688
Transfer to statutory reserve	18	-	-	-	1,004,551	-	-	(1,004,551)	-
Balance at December 31, 2004		10,500,000	4,500,000	15,000,000	7,500,000	1,291,691	13,881,503	13,209,138	50,882,332
Increase in share capital	17	3,500,000	1,500,000	5,000,000	-	-	-	(5,000,000)	-
Annual dividends		-	-	-	-	-	-	(4,500,000)	(4,500,000)
Board of Directors' remuneration		-	-	-	-	-	-	(1,400)	(1,400)
Transfer to general reserve	18	-	-	-	-	-	3,707,738	(3,707,738)	-
Net income for the year		-	-	-	-	-	-	19,159,685	19,159,685
Transfer to statutory reserve	18	-	-	-	1,915,968	-	-	(1,915,968)	-
Interim dividends	26	-	-	-	-	-	-	(3,200,000)	(3,200,000)
Balance at December 31, 2005		14,000,000	6,000,000	20,000,000	9,415,968	1,291,691	17,589,241	14,043,717	62,340,617

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

Saudi Basic Industries Corporation
A Saudi Joint Stock Company
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2005

1 LEGAL FORM AND ACTIVITIES

Saudi Basic Industries Corporation (SABIC) is a Saudi joint stock company established pursuant to Royal Decree number M/66 dated Ramadan 13, 1396 (September 6, 1976) and registered in Riyadh under commercial registration number 1010010813 dated Muharram 14, 1397 (January 4, 1977). SABIC is 70% owned by the Government of the Kingdom of Saudi Arabia and the remaining 30% is owned by citizens of the Kingdom of Saudi Arabia and other Gulf Cooperation Council States.

The principal activities of SABIC and subsidiaries ("the Company") are the setting up of petrochemical, fertilizer, metals, and basic hydrocarbon industries, the execution of projects necessary to supply the Company with its raw material requirements, and the marketing of industrial products inside and outside the Kingdom of Saudi Arabia.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Consolidation

The consolidated financial statements are prepared on the basis of the individual audited financial statements of SABIC and subsidiaries, as adjusted by the elimination of significant inter-company balances and transactions.

The subsidiaries are consolidated from the date on which control is transferred to SABIC. The subsidiary companies consolidated in these financial statements are as follows:

	Shareholding %	
	2005	2004
Arabian Petrochemical Company and subsidiary (Petrokemya)	100.00	100.00
Saudi Iron and Steel Company (Hadeed)	100.00	100.00
SABIC Industrial Investments Company and subsidiaries (SIIC)	100.00	100.00
SABIC Luxembourg S.à.r.l. and subsidiaries	100.00	100.00
SABIC Asia Pacific Pte. Ltd. And subsidiaries	100.00	100.00
SABIC Antilles N.V.	100.00	100.00
Jubail United Petrochemical Company (United)	75.00	75.00
National Chemical Fertilizer Company (Ibn Al-Baytar)	71.50	71.50
National Industrial Gases Company (Gas)	70.00	70.00
Saudi European Petrochemical Company (Ibn Zahr)	70.00	70.00
Arabian Industrial Fiber Company (Ibn Rushd)	53.90	53.90
Saudi Methanol Company (Ar-Razi)	50.00	50.00
Al-Jubail Fertilizer Company (Al-Bayroni)	50.00	50.00
Saudi Yanbu Petrochemical Company (Yanpet)	50.00	50.00
National Methanol Company (Ibn Sina)	50.00	50.00
Saudi Petrochemical Company (Sadaf)	50.00	50.00
Eastern Petrochemical Company (Sharq)	50.00	50.00
Al-Jubail Petrochemical Company (Kemya)	50.00	50.00
Saudi Arabian Fertilizer Company (Safco)	42.99	42.99

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

Saudi Basic Industries Corporation
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
December 31, 2005

2 SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (continued)

Pursuant to the ministerial resolution number 10446 of Dhul-Qa'dah 5, 1426 (December 7, 2005), Yanbu National Petrochemical Company (Yansab), a Saudi joint stock company was established with a share capital of SR 5,625 million, divided into 112.5 million shares of SR 50 each. The Company owns 55.95% of the share capital of Yansab. Included in this holding is 4% (4.5 million shares) owned by SIIC, which the Board of Directors has approved to be sold to eligible employees at par value under the Company's employees stock grant scheme. Yansab's legal incorporation process was completed on Muharram 14, 1427 (February 13, 2006). The accompanying consolidated financial statements reflect the Company's investment in Yansab on cost basis (note 7).

Accounting Convention

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

Property, Plant and Equipment

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

	Years
Plant and equipment	20
Buildings	33
Furniture and office equipment	4-20
Vehicles	4

Inventories

Inventories are stated at the lower of cost and market value. Cost of raw materials, consumables, and goods for resale is determined on a first-in, first- out (FIFO) or on a weighted average cost basis. Spare parts are valued using the weighted average cost basis. Inventories of work in progress and finished goods include cost of raw materials, labor and an appropriate proportion of direct overheads.

Investments

Associated Companies

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

Available For Sale Securities

Investments of less than 20% of the voting capital of investee companies, which are not bought for trading purposes, are classified as available for sale securities and are included under non current assets, unless they will be sold in the next year. Available for sale securities are stated at fair value. Differences between the fair value and the cost, if significant, are reported separately in the statement of changes in shareholders' equity. Any decline other than temporary in the value of these securities is charged to the consolidated statement of income.

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

Saudi Basic Industries Corporation
A Saudi Joint Stock Company
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
December 31, 2005

2 SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (continued)

Held To Maturity

Investments that are bought with the intention of being held to maturity are carried at cost (adjusted for any premium or discount); less any decline other than temporary in their value. Such investments are classified as non current assets with the exception of bonds which mature in the next fiscal period, which are classified as current assets.

Pre-Operating Expenses

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

Accounts Receivable

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

Employees' Home Ownership Program

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

Goodwill and Amortization

The excess of consideration paid over the fair value of net assets acquired is recorded as goodwill and is amortised over the estimated period of benefit or 20 years, whichever is shorter.

Dividends

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

Employees' End of Service Benefits and Early Retirement Plan

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

Revenue Recognition

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

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

Zakat and Income Tax

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

Research and Development Expenses

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

Saudi Basic Industries Corporation
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
December 31, 2005

2 SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (continued)

Administration and Marketing Expenses

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

Foreign Currency Translation

Transactions in foreign currencies (which are not covered by forward foreign exchange contracts) are translated into Saudi Riyals at the rates of exchange prevailing at the time of such transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the exchange rates prevailing at that date. Gains and losses from settlement and translation of foreign currency transactions are included in the consolidated statement of income.

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

Derivative Financial Instruments

The Company uses derivative financial instruments, including interest rate swaps and options, to hedge its risks associated with interest rate and foreign currency fluctuations. Derivative assets related to the financial instruments are initially recognized in the balance sheet at cost and are subsequently measured at fair market value, with gains and losses being included in the consolidated statement of income.

Leases

Capital leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the lower of the fair value of the leased asset at inception, and the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

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

Leases, for which the lessor retains substantially all the risks and benefits of ownership of the asset, are classified as operating leases. Operating lease payments are expensed in the consolidated statement of income on a straight line basis over the lease term.

Impairment

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

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

Where an impairment loss subsequently reverses, the carrying amount of the asset or the cash generating unit is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset or cash generating unit in prior years. A reversal of an impairment loss is recognised as income immediately in the consolidated statement of income.

Saudi Basic Industries Corporation

A Saudi Joint Stock Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

December 31, 2005

3 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of bank balances and cash on hand, short term deposits, and investments that are readily convertible into known amounts of cash and have a maturity of three months or less when purchased. The cash and cash equivalents at December 31 were:

	2005 SR'000	2004 SR'000
Bank balances and cash	4,910,716	4,059,333
Short term deposits	23,261,853	19,185,798
	28,172,569	23,245,131

Cash and cash equivalents at December 31, 2005 included restricted balances of SR 25 million (2004: SR 60 million).

4 ACCOUNTS RECEIVABLE

The accounts receivable at December 31 were:

	2005 SR'000	2004 SR'000
Trade accounts receivable	12,035,888	11,581,895
Amounts due from joint venture partners (note 11)	2,661,764	2,160,429
Allowance for doubtful debts	(177,004)	(238,182)
	14,520,648	13,504,142

No single customer accounts for more than 5% of the Company's sales for the years ended December 31, 2005 and 2004.

5 INVENTORIES

The inventories at December 31 were:

	2005 SR'000	2004 SR'000
Goods for resale and finished goods	5,671,138	4,645,988
Spare parts	2,735,530	2,578,787
Chemicals and raw materials	1,840,039	1,039,553
Work in progress	108,828	504,198
Goods in transit	286,911	386,098
	10,642,446	9,154,624

The Saudi Accounting Standards require that the cost of inventory should be determined using the weighted average method. The management believes that for the finished goods, the first in first out method is more appropriate considering the nature and the physical flow of the products. Had the Company used the weighted average method, the cost of inventory would not have been materially different.

Saudi Basic Industries Corporation
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
December 31, 2005

6 OTHER RECEIVABLES AND PREPAYMENTS

Other receivables and prepayments at December 31 were:

	2005 SR'000	2004 SR'000
Due from Yansab	1,274,745	-
Letter of guarantee	-	1,676,796
Prepaid expenses	307,066	203,199
Employee loans and home ownership receivables	300,453	458,756
Other receivables	1,062,918	654,457
	2,945,182	2,993,208

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

The letter of guarantee represented cash held by a bank in respect of a letter of guarantee issued in connection with a legal case. Pursuant to the judgment of the court in United States of America, with respect to a legal case, the Company made a provision for the full amount of the liability in 2004 consolidated financial statements and settled the amount during 2005.

7 INVESTMENTS

The investments at December 31 were:

	<i>Shareholding %</i>	2005 SR'000	2004 SR'000
Associated companies - (a)			
Gulf Petrochemical Industries Co. (GPIC)	33.33	586,766	546,937
Gulf Aluminum Rolling Mills Co. (GARMCO)	31.28	118,292	108,118
National Chemical Carrier Company (NCC)	20.00	141,921	179,341
Power and Water Utilities Company for Jubail and Yanbu (MARAFIQ)	25.00	651,211	546,618
Aluminum Bahrain BSC (ALBA)	20.00	1,180,470	911,108
Others		188,047	282,694
		2,866,707	2,574,816
Available for sale securities - (b)		-	15,155
Held to maturity securities - (c)		50,000	100,000
Yansab (note 2)		2,981,391	-
		5,898,098	2,689,971

Saudi Basic Industries Corporation
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
December 31, 2005

7 INVESTMENTS (continued)

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

	2005 SR'000	2004 SR'000
Balance at the beginning of the year	2,574,816	2,428,075
Additions during the year	310,231	206,306
Valuation adjustments, net	(18,340)	(59,565)
Balance at the end of the year	2,866,707	2,574,816

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

(b) Available for sale securities consist of investments in ordinary shares of listed companies and are valued at their fair value at the balance sheet date.

(c) Held to maturity securities represent investments held by a subsidiary in Saudi Government Development Bonds.

Saudi Basic Industries Corporation

A Saudi Joint Stock Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

December 31, 2005

8 PROPERTY, PLANT AND EQUIPMENT

	Construction work in progress SR'000	Land and buildings SR'000	Plant and equipment SR'000	Furniture, fixtures and vehicles SR'000	Total 2005 SR'000	Total 2004 SR'000
Cost:						
At the beginning of the year	5,908,063	12,862,649	96,225,590	3,035,287	118,031,589	113,476,165
Currency translation adjustment	(44,318)	(90,707)	(1,141,905)	(34,536)	(1,311,466)	805,573
Additions	6,484,983	29,599	2,467,585	137,741	9,119,908	4,853,921
Transfers to assets	(2,215,464)	255,655	824,267	213,786	(921,756)	(790,509)
Disposals	(26,516)	(49,040)	(394,804)	(175,866)	(646,226)	(313,561)
At the end of the year	10,106,748	13,008,156	97,980,733	3,176,412	124,272,049	118,031,589
Depreciation:						
At the beginning of the year	-	4,370,564	47,603,574	2,213,700	54,187,838	48,715,868
Currency translation adjustment for accumulated depreciation	-	(34,253)	(735,310)	(30,149)	(799,712)	428,921
Charge for the year	-	432,165	4,707,648	206,766	5,346,579	5,369,000
Accumulated depreciation related to assets transferred	-	-	(110,307)	110,020	(287)	(65,813)
Disposals	-	(25,841)	(358,167)	(175,095)	(559,103)	(260,138)
At the end of the year	-	4,742,635	51,107,438	2,325,242	58,175,315	54,187,838
Net book amounts:						
At December 31, 2005	10,106,748	8,265,521	46,873,295	851,170	66,096,734	
At December 31, 2004	5,908,063	8,492,085	48,622,016	821,587		63,843,751

Saudi Basic Industries Corporation
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
December 31, 2005

8 PROPERTY, PLANT AND EQUIPMENT (continued)

The construction in progress mainly represents the expansion of existing plants and new projects being executed by certain subsidiaries. The related commitments are reported in note 27. The finance charges capitalized during the year 2005 amounted to SR 54 million (2004: SR 62 million).

Land and Buildings include an amount of SR 47.7 million at December 31, 2005 and 2004 representing the cost of freehold land.

The recovery of net book value of assets of Ibn Rushd (a 53.90 % owned subsidiary) which are included in property, plant and equipment and intangible assets amounting to SR 5.6 billion (2004: SR 6.1 billion) is dependent upon the success of the future operations of Ibn Rushd.

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

Property, plant and equipment of certain subsidiaries are mortgaged to financial institutions as security for term loans (note 14).

9 INTANGIBLE ASSETS

Intangible assets at December 31 were:

	2005 SR'000	2004 SR'000
Pre-operating expenses and others, net - (a)	2,388,987	2,361,868
Goodwill, net - (b)	2,946,051	3,636,778
	5,335,038	5,998,646

(a) Pre-operating expenses comprise plant commissioning and start up costs. The deferred pre-operating expenses are amortized over a period of benefit not exceeding 7 years. The total accumulated amortisation at December 31, 2005 amounted to SR 4 billion (2004: SR 3.1 billion).

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

	2005 SR'000	2004 SR'000
Cost:		
At the beginning of the year	4,248,960	3,986,002
Exchange differences	(528,320)	262,958
At the end of the year	3,720,640	4,248,960
Amortisation:		
At the beginning of the year	612,182	320,078
Exchange differences	(73,308)	24,032
Provided during the year	235,715	268,072
At the end of the year	774,589	612,182
Net book value as at December 31	2,946,051	3,636,778

Saudi Basic Industries Corporation
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
December 31, 2005

10 OTHER NON CURRENT ASSETS

Other non current assets at December 31 were:

	2005 SR'000	2004 SR'000
Employee loans and home ownership receivables - (a)	1,190,669	1,007,871
Other assets - (b)	2,149,096	2,507,302
	3,339,765	3,515,173

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

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

11 TRANSACTIONS WITH JOINT VENTURE PARTNERS

In the ordinary course of business operations, certain affiliates of SABIC sell their products to joint venture partners in accordance with the marketing and off take agreements. Sales to joint venture partners amounted to SR 16.3 billion (2004: SR 10.4 billion). Certain joint venture partners also provide research and technology and other services to certain SABIC affiliates in conformity with the executed agreements.

See notes 4 and 12, respectively.

12 ACCOUNTS PAYABLE

The accounts payable at December 31 were:

	2005 SR'000	2004 SR'000
Trade accounts payable	7,759,961	8,248,258
Amounts due to joint venture partners (note 11)	21,757	50,202
	7,781,718	8,298,460

13 SHORT TERM BANK FACILITIES

The short term bank facilities at December 31, 2005, which bear finance charges at prevailing market rates, amounted to approximately SR 352 million (2004: SR 483 million). The Company had unused credit facilities at December 31, 2005 of SR 1.7 billion (2004: SR 2.2 billion).

Saudi Basic Industries Corporation

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

December 31, 2005

14 LONG TERM LOANS

The long term loans at December 31 were:

	2005 SR'000	2004 SR'000
Public Investment Fund (PIF)	6,257,974	6,395,431
Saudi Industrial Development Fund (SIDF)	1,172,904	1,427,704
Commercial loans	21,938,566	25,519,905
	29,369,444	33,343,040
Less: Current portion	(6,352,264)	(6,050,315)
Non current portion	23,017,180	27,292,725

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

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

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

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

	2005 SR'000	2004 SR'000
2005	-	6,050,315
2006	6,352,264	5,861,442
2007	9,447,327	10,031,950
2008	4,067,346	3,417,784
2009	2,695,588	2,487,506
2010	2,332,647	1,761,166
Thereafter	4,474,272	3,732,877
Total	29,369,444	33,343,040

15 ACCRUED LIABILITIES AND PROVISIONS

The accrued liabilities and provisions at December 31 were:

	2005 SR'000	2004 SR'000
Zakat and tax provision	3,291,800	2,286,236
Accrued liabilities and other provisions	2,319,407	3,326,531
Dividend payable	616,425	337,989
Other liabilities	1,233,807	1,184,451
	7,461,439	7,135,207

Saudi Basic Industries Corporation
A Saudi Joint Stock Company
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
December 31, 2005

16 OTHER NON CURRENT LIABILITIES

The other non current liabilities at December 31 were:

	2005 SR'000	2004 SR'000
Employees' end of service benefits	3,519,633	3,228,467
Employees' thrift plan	248,784	220,699
Employees' early retirement plan	103,328	229,077
Other liabilities	2,892,902	1,288,464
	6,764,647	4,966,707

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

17 SHARE CAPITAL

The share capital is divided into 400 million shares of SR 50 each (2004: 300 million shares). The General Assembly in its meeting held on Rabi Al Awal 7, 1426 (April 16, 2005) approved to increase the share capital by issuing one bonus share for every three shares held.

18 RESERVES

Statutory Reserve

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

Other Reserves

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

19 ADMINISTRATION AND MARKETING EXPENSES

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

	2005 SR'000	2004 SR'000
Employees' cost	930,288	902,081
Selling and marketing	1,276,497	1,198,981
Depreciation and amortization	394,127	324,194
Administrative expenses	1,313,440	1,004,238
	3,914,352	3,429,494

Saudi Basic Industries Corporation
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December 31, 2005

20 OTHER INCOME

The other income during the year ended December 31 comprised:

	2005 SR'000	2004 SR'000
Earnings on bank deposits	1,141,012	486,532
Equity in earnings of associated companies, net	526,168	331,995
Exchange differences, net	(487,220)	445,294
Miscellaneous	57,468	35,378
	1,237,428	1,299,199

21 ZAKAT

During 2005, DZIT finalized the assessments on the unconsolidated financial statements of SABIC up to December 31, 2002. SABIC has contested these assessments and has discussed them with the preliminary objection committee which has not yet issued its opinion.

In the opinion of the management, adequate provision has been made for any liability to the DZIT that may arise from the decision of the preliminary objection committee.

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

	2005 SR'000	2004 SR'000
Balance at the beginning of the year	1,313,018	1,239,207
Less: Payments during the year, net	(331,019)	(376,189)
Add: Current year provision	750,000	450,000
Balance at the end of the year	1,731,999	1,313,018

22 EARNINGS PER SHARE

The earnings per share are calculated based on the number of outstanding shares at the end of the year. The outstanding number of shares at December 31, 2005 was 400 million shares (400 million shares at December 31, 2004 adjusted retroactively by the issue of bonus shares). The comparative earnings per share for 2004 has been adjusted retroactively to reflect the effect of the bonus shares issued in 2005.

23 SEGMENT INFORMATION

The segment information is provided based on the following three segments:

- the petrochemicals segment, includes basic chemicals, intermediates, PVC and polyesters, polyolefins and fertilizer products
- the metals segment, consists of steel products and investments in aluminium production facilities
- the corporate segment, includes the corporate operations, and research and technology centers

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23 SEGMENT INFORMATION (continued)

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

	<i>Petrochemicals SR'000</i>	<i>Metals SR'000</i>	<i>Corporate SR'000</i>	<i>Total SR'000</i>
2005				
Sales	66,638,178	7,193,152	4,422,206	78,253,536
Gross profit	28,816,673	2,282,748	1,984,909	33,084,330
Net Income	14,757,787	1,874,290	2,527,608	19,159,685
Total assets	86,951,135	14,475,961	35,523,384	136,950,480
Total liabilities	27,309,785	5,287,933	19,131,225	51,728,943
2004				
Sales	59,469,635	6,572,630	2,496,811	68,539,076
Gross profit	22,508,785	2,631,948	1,793,705	26,934,438
Net Income	11,519,590	2,395,986	298,112	14,213,688
Total assets	80,959,837	11,708,257	32,276,552	124,944,646
Total liabilities	30,886,097	4,309,775	19,031,071	54,226,943

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

24 RISK MANAGEMENT

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

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

Interest Rate Risk is the risk that the value of financial instruments will fluctuate due to changes in the market interest rates. The Company has no significant interest bearing long term assets, but has interest bearing liabilities at 31 December 2005. The Company manages its borrowings made at floating rates by using interest rate swaptions (note 25), which have the economic effect of converting borrowings from floating rates to fixed rates. The interest rate swaptions, when exercised, provide the Company with the right to agree with the counter party to exchange, at specified intervals, the difference between fixed contract rates and floating interest amounts, calculated by reference to the agreed notional principal amounts.

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
December 31, 2005

24 RISK MANAGEMENT (continued)

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

Fair Value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction. As the Company's consolidated financial instruments are compiled under the historical cost convention, differences can arise between the book values and fair value estimates. Management believes that the fair value of the Company's consolidated financial assets and liabilities are not materially different from their carrying values.

25 DERIVATIVES

The Company entered into interest rate swap agreements and swaption arrangements to hedge the volatility in interest rates related to loans outstanding at year end amounting to SR 13.2 billion (2004: SR 10.6 billion).

26 APPROVAL OF FINANCIAL STATEMENTS AND APPROPRIATION OF NET INCOME

The Board of Directors has proposed on Dhul Hijjah 17, 1426 (December 19, 2005) to distribute cash dividends of SR 9,200 million (SR 23 per share) for the year ended December 31, 2005 including interim cash dividends of SR 3,200 million (SR 8 per share) which was previously approved by the Board of Directors on Rabie Al-Thani 29, 1426 (June 6, 2005) and distributed.

The Board of Directors, in its meeting held on Safar 5, 1427 (March 5, 2006), approved the consolidated financial statements and proposed the appropriation of the net income for the year ended December 31, 2005 as follows:

- payment of SR 1.4 million as Board of Directors' remuneration
- transfer the remaining balance to the general reserve

The above are subject to the approval of the shareholders at the Annual General Meeting.

27 COMMITMENTS

Capital Commitments

The Company's commitment for capital expenditures at December 31, 2005 amounted to SR 36.1 billion (2004: SR 19.2 billion).

Operating Lease Commitments

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

	2005 SR'000	2004 SR'000
2005	-	221,721
2006	370,924	263,224
2007	414,272	330,614
2008	417,146	293,325
2009	417,944	293,325
Thereafter	3,341,260	1,707,570
	4,961,546	3,109,779

Saudi Basic Industries Corporation
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
December 31, 2005

27 COMMITMENTS (continued)

Obligations under Capital Leases

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

	2005 SR'000	2004 SR'000
2006	82,620	-
2007	82,620	-
2008	82,620	-
2009	82,620	-
Thereafter	1,273,725	-
	1,604,205	-

28 CONTINGENCIES

The Company is involved in litigation matters in the ordinary course of business, which are being defended. While the ultimate results of these matters cannot be determined with certainty, management does not expect that they will have a material adverse effect on the consolidated financial statements of the Company.

The Company's bankers have issued, on its behalf, bank guarantees amounting to SR 1.5 billion (2004: SR 2.7 billion) in the normal course of business.

29 COMPARATIVE FIGURES

Certain of the prior year figures have been re-classified to conform with the current year's presentation.

Saudi Basic Industries Corporation and its Subsidiaries

A Saudi Joint Stock Company

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2004

AUDITORS' REPORT TO THE SHAREHOLDERS OF SAUDI BASIC INDUSTRIES CORPORATION (SABIC)

We have audited the accompanying consolidated balance sheets of Saudi Basic Industries Corporation - a Saudi joint stock company - and its subsidiaries (the company) as at 31 December 2004 and the related statements of income, cash flows and changes in shareholders' equity for the years then ended. These consolidated financial statements are the responsibility of the company's management 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 financial statements are free of material misstatement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable degree of assurance to enable us to express an opinion on the consolidated financial statements.

In our opinion, the consolidated financial statements taken as a whole present fairly, in all material respects, the consolidated financial position of the company as of 31 December 2004 and the results of its operations and cash flows for the years then ended in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia.

for Ernst & Young

Dr. Abdullah A. Baeshen
Registration No. 66

Riyadh: 11 Safar 1426
21 March 2005

Saudi Basic Industries Corporation and its Subsidiaries

A Saudi Joint Stock Company

CONSOLIDATED BALANCE SHEET

As at 31 December 2004

	Note	2004 SR'000	2003 SR'000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	3	23,245,131	14,620,902
Accounts receivable	4	13,504,142	8,585,866
Inventories	5	9,154,624	7,043,968
Other receivables and prepayments	6	2,834,143	2,663,417
TOTAL CURRENT ASSETS		48,738,040	32,914,153
INVESTMENTS	7	2,689,971	2,672,383
PROPERTY, PLANT AND EQUIPMENT	8	63,843,751	64,760,297
INTANGIBLE ASSETS	9	5,998,646	5,662,629
OTHER NON CURRENT ASSETS	10	3,674,238	3,290,647
TOTAL ASSETS		124,944,646	109,300,109
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Accounts payable	12	8,298,460	6,046,360
Short term bank facilities	13	483,529	459,260
Current portion of long term loans	14	6,050,315	4,498,021
Accrued liabilities and provisions	15	7,951,672	5,742,870
TOTAL CURRENT LIABILITIES		22,783,976	16,746,511
NON CURRENT LIABILITIES			
Long term loans	14	27,292,725	31,918,236
Other non current liabilities	16	4,150,242	4,059,822
TOTAL NON CURRENT LIABILITIES		31,442,967	35,978,058
MINORITY INTERESTS		19,835,371	16,305,496
SHAREHOLDERS' EQUITY			
Share capital	17	15,000,000	15,000,000
Statutory reserve	18	7,500,000	6,495,449
Research and technology reserve	18	1,291,691	1,291,691
General reserve	18	13,881,503	11,456,363
Retained earnings		13,209,138	6,026,541
TOTAL SHAREHOLDERS' EQUITY		50,882,332	40,270,044
TOTAL LIABILITIES, AND SHAREHOLDERS' EQUITY		124,944,646	109,300,109

The attached notes 1 to 31 form part of the consolidated financial statements.

Saudi Basic Industries Corporation and its Subsidiaries

A Saudi Joint Stock Company

CONSOLIDATED STATEMENT OF INCOME

Year Ended 31 December 2004

	Note	2004 SR'000	2003 SR'000
Sales		68,539,076	46,782,405
Cost of sales		(41,604,638)	(33,145,784)
GROSS PROFIT		26,934,438	13,636,621
Administration and marketing expenses	19	(3,429,494)	(3,036,495)
INCOME FROM OPERATIONS		23,504,944	10,600,126
Other income	20	1,299,199	831,216
Financial charges	21	(1,020,541)	(983,794)
Loss arising from a legal case	27	(1,782,355)	-
INCOME BEFORE MINORITY INTERESTS AND ZAKAT		22,001,247	10,447,548
Minority interests		(7,337,559)	(3,451,392)
INCOME BEFORE ZAKAT		14,663,688	6,996,156
Zakat	22	(450,000)	(300,000)
NET INCOME FOR THE YEAR		14,213,688	6,696,156
Basic earnings per share (SR)	23	47.38	22.32

The attached notes 1 to 31 form part of the consolidated financial statements.

Saudi Basic Industries Corporation and its Subsidiaries

A Saudi Joint Stock Company

CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended 31 December 2004

	2004 SR'000	2003 SR'000
OPERATING ACTIVITIES		
Net income for the year	14,213,688	6,696,156
Adjustments for:		
Depreciation and amortisation	6,424,135	6,348,893
Share in results of associated companies	(331,995)	(294,802)
Provision for zakat	450,000	300,000
Changes in operating assets and liabilities:		
Accounts receivable and prepayments	(5,321,413)	(2,329,432)
Inventories	(2,110,657)	(177,530)
Accounts payable, accrued liabilities and provisions	4,318,179	2,839,427
Other non current liabilities	90,420	(194,871)
Zakat paid	(376,189)	(231,230)
Net cash from operating activities	17,356,168	12,956,611
INVESTING ACTIVITIES		
Additions to property, plant and equipment, net	(4,452,453)	(8,448,255)
Investments, net	314,407	(204,836)
Intangible assets, net	611,901	(1,607,730)
Other non current assets, net	(2,154,235)	882,424
Net cash used in investing activities	(5,680,380)	(9,378,397)
FINANCING ACTIVITIES		
Long term loans, net	(3,073,217)	2,206,709
Short term bank facilities, net	24,270	(242,674)
Dividends paid	(3,532,486)	(1,473,369)
Minority interests, net	3,529,874	228,041
Net cash (used in) from financing activities	(3,051,559)	718,707
INCREASE IN CASH AND CASH EQUIVALENTS	8,624,229	4,296,921
Cash and cash equivalents at the beginning of the year	14,620,902	10,323,981
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (note 3)	23,245,131	14,620,902

The attached notes 1 to 31 form part of the consolidated financial statements.

Saudi Basic Industries Corporation and its Subsidiaries

A Saudi Joint Stock Company

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Year Ended 31 December 2004

	Notes	Share Capital		Total share capital SR'000	Statutory reserve SR'000	Research and technology reserve SR'000	General reserve SR'000	Retained earnings SR'000	Total equity SR'000
		Government SR'000	Private sector SR'000						
Balance at 31 December 2002		10,500,000	4,500,000	15,000,000	5,825,834	1,291,691	10,394,046	2,563,717	35,075,288
Dividends		-	-	-	-	-	-	(1,500,000)	(1,500,000)
Board of Directors' remuneration		-	-	-	-	-	-	(1,400)	(1,400)
Transfer to general reserve	18	-	-	-	-	-	1,062,317	(1,062,317)	-
Net income for the year		-	-	-	-	-	-	6,696,156	6,696,156
Transfer to statutory reserve	18	-	-	-	669,615	-	-	(669,615)	-
Balance at 31 December 2003		10,500,000	4,500,000	15,000,000	6,495,449	1,291,691	11,456,363	6,026,541	40,270,044
Dividends		-	-	-	-	-	-	(3,600,000)	(3,600,000)
Board of Directors' remuneration		-	-	-	-	-	-	(1,400)	(1,400)
Transfer to general reserve	18	-	-	-	-	-	2,425,140	(2,425,140)	-
Net income for the year		-	-	-	-	-	-	14,213,688	14,213,688
Transfer to statutory reserve	18	-	-	-	1,004,551	-	-	(1,004,551)	-
Balance at 31 December 2004		10,500,000	4,500,000	15,000,000	7,500,000	1,291,691	13,881,503	13,209,138	50,882,332

The attached notes 1 to 31 form part of the consolidated financial statements.

Saudi Basic Industries Corporation and its Subsidiaries

A Saudi Joint Stock Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2004

1 LEGAL FORM AND ACTIVITIES

Saudi Basic Industries Corporation (SABIC) is a joint stock company established under the Royal Decree numbered M/66 dated 13 Ramadan 1396H (corresponding to 6 September 1976) and registered under commercial registration numbered 10813 dated 14 Muharram 1397H (corresponding to 4 January 1977). SABIC is 70% owned by the Government of the Kingdom of Saudi Arabia and is 30% owned by citizens of the Kingdom of Saudi Arabia and other Gulf Cooperation Council States.

The principal purposes of SABIC and its subsidiaries (the company) are the setting up of petrochemical and metal industries, the execution of projects necessary to supply the company with its raw material requirements, and the marketing of industrial products inside and outside the Kingdom of Saudi Arabia.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia. The significant accounting policies as set out are consistent to those adopted in the previous year:

Basis of consolidation

The consolidated financial statements are prepared on the basis of the individual audited financial statements of SABIC and its subsidiaries, as adjusted by the elimination of significant inter company balances and transactions.

The subsidiaries are consolidated from the date on which control is transferred to SABIC. The subsidiary companies consolidated in these financial statements are as follows:

	Shareholding %	
	2004	2003
Arabian Petrochemical Company and its subsidiary (Petrokemya)	100.00	100.00
Saudi Iron and Steel Company (Hadeed)	100.00	100.00
SABIC Industrial Investments Company and its subsidiaries (SIIC)	100.00	100.00
SABIC Luxembourg S.A.R.L. and its subsidiaries	100.00	100.00
SABIC Asia Pacific Pte. Ltd. and its subsidiaries	100.00	100.00
SABIC Antilles N.V.	100.00	100.00
Jubail United Petrochemical Company (United)	75.00	100.00
National Plastic Company and its subsidiary (Ibn Hayyan)	-	100.00
National Chemical Fertilizer Co. (Ibn Al-Baytar)	71.50	71.50
National Industrial Gases Company (Gas)	70.00	70.00
Saudi European Petrochemical Co. (Ibn Zahr)	70.00	70.00
Arabian Industrial Fiber Company (Ibn Rushd)	53.90	53.90
Saudi Methanol Company (Ar-Razi)	50.00	50.00
Al-Jubail Fertilizer Company (Al-Bayroni)	50.00	50.00
Saudi Yanbu Petrochemical Company (Yanpet)	50.00	50.00
National Methanol Company (Ibn Sina)	50.00	50.00
Saudi Petrochemical Company (Sadaf)	50.00	50.00
Eastern Petrochemical Company (Sharq)	50.00	50.00
Al-Jubail Petrochemical Company (Kemya)	50.00	50.00
Saudi Arabian Fertilizer Co. (Safco)	42.99	42.99

All subsidiaries are incorporated in the Kingdom of Saudi Arabia except for SABIC Luxembourg S.A.R.L. and SABIC Antilles N.V., which are incorporated in Luxembourg and the Netherlands, respectively, and SABIC Asia Pacific Pte. Ltd., which is incorporated in the Republic of Singapore.

Saudi Basic Industries Corporation and its Subsidiaries
A Saudi Joint Stock Company
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
31 December 2004

2 SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounting convention

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

Property, plant and equipment

The cost of freehold land and construction work in progress is not depreciated. The property, plant and equipment is stated at cost net of accumulated depreciation. The depreciation is computed on a straight line basis over the estimated useful lives of the assets as stated in note 8.

Leasehold improvements and assets are amortized on a straight line basis over the shorter of the useful life of the leasehold improvements and assets, or the term of the lease.

Expenditure for repairs and maintenance are charged to the consolidated statement of income. Expenditure for betterments that increase the value or materially extends the estimated lives of the related assets is capitalized, and is depreciated on a straight line basis over the estimated extended useful life.

Inventories

Inventories are valued at the lower of cost and market. The cost of inventories is determined as follows:

Raw materials, consumables and goods for resale	- Purchase cost on a first in first out basis
Work in progress and finished goods	- Cost of direct materials and labour plus attributable overheads based on a normal level of activity
Spare parts	- On a weighted average method

The raw materials, consumables and goods for resale in certain subsidiaries are valued on the weighted average method .

Investments

Associated companies

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

Available for sale securities

Investments of less than 20% of the voting capital of investee companies, which are not bought for trading purposes, are classified as available for sale securities and are included under non current assets, unless they will be sold in the next year. Available for sale securities are stated at fair value. Differences between the fair value and the cost, if significant, are reported separately in the statement of changes in shareholders' equity. Any decline other than temporary in the value of these securities is charged to the consolidated statement of income.

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

Held to maturity

Investments that are bought with the intention of being held to maturity are carried at cost (adjusted for any premium or discount), less any decline other than temporary in their value. Such investments are classified as non current assets with the exception of bonds which mature in the next fiscal period, which are classified as current assets.

Saudi Basic Industries Corporation and its Subsidiaries
A Saudi Joint Stock Company
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
31 December 2004

2 SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (continued)

Pre-operating expenses

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

Accounts receivable

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

Employees' home ownership program

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

Goodwill and amortisation

The excess of consideration paid over the fair value of net assets acquired is recorded as goodwill and is amortised over the estimated period of benefit or 20 years, whichever is the shorter.

Dividends

Dividends are recognized as a liability at the time of their approval by the General Assembly.

Employees' end of service benefits and early retirement plan

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

Revenue recognition

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

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

Zakat

Zakat is provided for in accordance with regulations of The Department of Zakat and Income Tax (the DZIT). The provision is charged to the consolidated statement of income. Any differences resulting from the final assessments are recorded in the year of their finalization.

Research and development expenses

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

Administration and marketing expenses

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

Saudi Basic Industries Corporation and its Subsidiaries
A Saudi Joint Stock Company
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
31 December 2004

2 SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency translation

Transactions in foreign currencies (which are not covered by forward foreign exchange contracts) are recorded in Saudi Riyals at the rates prevailing at the dates of such transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates prevailing at the balance sheet date. Exchange differences are taken to the consolidated statement of income.

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

Derivative financial instruments

The company uses derivative financial instruments, including interest rate swaps and options, to hedge its risks associated with interest rate and foreign currency fluctuations. Derivative assets related to the financial instruments are initially recognized in the balance sheet at cost and are subsequently measured at fair market value, with gains and losses being included in the consolidated statement of income.

Leases

Capital leases, which transfer to the company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the lower of the fair value of the leased asset at inception, and the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

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

Leases, for which the lessor retains substantially all the risks and benefits of ownership of the asset, are classified as operating leases. Operating lease payments are expensed in the consolidated statement of income on a straight line basis over the lease term.

Impairment

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

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

Where an impairment loss subsequently reverses, the carrying amount of the asset or the cash generating unit is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset or cash generating unit in prior years. A reversal of an impairment loss is recognised as income immediately in the consolidated statement of income.

Saudi Basic Industries Corporation and its Subsidiaries
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
31 December 2004

3 CASH AND CASH EQUIVALENTS

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

The cash and cash equivalents at 31 December were:

	2004 SR'000	2003 SR'000
Bank balances and cash	4,059,333	3,800,707
Short term deposits	19,185,798	10,820,195
	23,245,131	14,620,902

Cash and cash equivalents at 31 December 2004 included restricted balances of SR 60 million (2003: SR 32 million).

4 ACCOUNTS RECEIVABLE

The accounts receivable at 31 December were:

	2004 SR'000	2003 SR'000
Trade accounts receivable	11,581,895	7,515,101
Amounts due from joint venture partners (note 11)	2,160,429	1,265,792
Allowance for doubtful debts	(238,182)	(195,027)
	13,504,142	8,585,866

No single customer accounts for more than 5% of the company's sales for the years ended 31 December 2004 and 2003.

5 INVENTORIES

The inventories at 31 December were:

	2004 SR'000	2003 SR'000
Goods for resale and finished goods	4,645,988	3,142,543
Spare parts	2,578,787	2,330,068
Chemicals and raw materials	1,039,553	967,778
Work in progress	504,198	339,782
Goods in transit	386,098	263,797
	9,154,624	7,043,968

The Saudi Accounting Standards require that the cost of inventory should be determined using the weighted average method. The management believes that for the finished goods, the first in first out method is more appropriate considering the nature and the physical flow of the products. Had the company used the weighted average method, the cost of inventory would not have been materially different.

Saudi Basic Industries Corporation and its Subsidiaries
A Saudi Joint Stock Company
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
31 December 2004

6 OTHER RECEIVABLES AND PREPAYMENTS

Other receivables and prepayments at 31 December were:

	2004 SR'000	2003 SR'000
Amount restricted under a letter of guarantee (see note below)	1,676,796	1,676,796
Prepaid expenses	203,199	244,861
Employee loans and home ownership receivables	458,756	320,445
Other receivables	495,392	421,315
	2,834,143	2,663,417

The amount restricted under a letter of guarantee represents cash held by a bank in respect of a letter of guarantee issued in connection with a legal case. The liability arising from the verdict issued on that case has been settled by the company on 24 February 2005 (note 27).

7 INVESTMENTS

The investments at 31 December were:

	<i>Shareholding %</i>	2004 SR'000	2003 SR'000
Investments in associated companies - (a)			
Gulf Petrochemical Industries Co. (GPIC)	33.33	546,937	506,320
Gulf Aluminum Rolling Mills Co. (GARMCO)	31.28	108,118	94,678
National Chemical Carrier Company (NCC)	20.00	179,341	138,752
Power and Water Utilities Company for Jubail and Yanbu (MARAFIQ)	25.00	546,618	402,618
Aluminum Bahrain BSC (ALBA)	20.00	911,108	965,348
Petlin	20.00	54,443	54,858
ARG	16.67	150,821	146,997
Others		55,530	118,504
		2,552,916	2,428,075
Available for sale securities - (b)		37,055	44,308
Held to maturity securities - (c)		100,000	200,000
		2,689,971	2,672,383

During the year ended 31 December 2004, the company sold 25% of its interest in United to the General Organisation for Social Insurance (GOSI) and the Pension Fund.

Effective January 1, 2004 Ibn Hayyan was merged with Petrokemya.

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31 December 2004

7 INVESTMENTS (continued)

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

	2004 SR'000	<i>2003 SR'000</i>
Balance at the beginning of the year	2,428,075	2,027,024
Additions during the year	184,406	247,559
Valuation adjustments, net	(59,565)	153,492
Balance at the end of the year	2,552,916	2,428,075

NCC and MARAFIQ are incorporated in the Kingdom of Saudi Arabia. GPIC, GARMCO and ALBA are incorporated in the Kingdom of Bahrain. Petlin, ARG and Others are European companies.

(b) Available for sale securities consist of investments in ordinary shares of listed companies and are valued at their fair value at the balance sheet date. Unrealized losses related to the valuation of available for sale securities reported under the partners' equity of a subsidiary, amounted to SR 25.1 million (2003: SR 27.7 million).

(c) Held to maturity securities represent investments held by a subsidiary in Saudi Government Development Bonds.

Saudi Basic Industries Corporation and its Subsidiaries

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

31 December 2004

8 PROPERTY, PLANT AND EQUIPMENT

The estimated useful lives of the various asset classes for the calculation of depreciation are as follows:

Buildings - 33 years

Plant, machinery and equipment - 20 years

Furniture, fixtures and motor vehicles - 4 to 20 years

	Construction work in progress SR'000	Land and buildings SR'000	Plant, machinery and equipment SR'000	Furniture, fixtures and motor vehicles SR'000	Total 2004 SR'000	Total 2003 SR'000
Cost:						
At the beginning of the year	8,659,586	12,440,943	89,629,508	2,746,128	113,476,165	104,344,820
Currency translation adjustment	17,884	53,810	712,937	20,942	805,573	1,596,398
Additions	3,875,988	64,878	551,003	362,052	4,853,921	6,524,395
Transfers to assets	(6,645,230)	341,218	5,481,591	31,911	(790,510)	1,544,457
Disposals	(166)	(38,200)	(149,449)	(125,746)	(313,561)	(533,905)
At the end of the year	5,908,063	12,862,649	96,225,590	3,035,287	118,031,589	113,476,165
Depreciation:						
At the beginning of the year	-	3,982,595	42,675,825	2,057,448	48,715,868	41,683,885
Currency translation adjustment for accumulated depreciation	-	18,629	392,369	17,923	428,921	804,535
Charge for the year	-	396,066	4,713,959	258,975	5,369,000	5,198,419
Accumulated depreciation related to assets transferred	-	(12,553)	(46,683)	(6,577)	(65,813)	1,360,494
Disposals	-	(14,173)	(131,896)	(114,069)	(260,138)	(331,465)
At the end of the year	-	4,370,564	47,603,574	2,213,700	54,187,838	48,715,868
Net book amounts:						
At 31 December 2004	5,908,063	8,492,085	48,622,016	821,587	63,843,751	
At 31 December 2003	8,659,586	8,458,348	46,953,683	688,680		64,760,297

Saudi Basic Industries Corporation and its Subsidiaries
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
31 December 2004

8 PROPERTY, PLANT AND EQUIPMENT (continued)

The construction in progress mainly represents the expansion of existing plants and new projects for certain subsidiaries. The related commitments are reported in note 29. The financial charges capitalized during the year 2004 amounted to SR 62 million (2003: SR 132.2 million).

Buildings include an amount of SR 410 million (2003: SR 410 million) representing the cost of freehold land.

The recoverability of net book value of assets of Ibn Rushd (a 53.90% owned subsidiary), which are included in property, plant and equipment and other non current assets, amounted to SR 6.1 billion (2003: SR 6.8 billion), is dependent upon the success of the future operations of Ibn Rushd.

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

Property, plant and equipment of certain subsidiaries are mortgaged to financial institutions as security for term loans (note 14).

9 INTANGIBLE ASSETS

Intangible assets at 31 December were:

	2004 SR'000	2003 SR'000
Pre-operating expenses and others, net - (a)	2,361,868	1,996,705
Goodwill, net - (b)	3,636,778	3,665,924
	5,998,646	5,662,629

(a) Pre-operating expenses comprise plant construction costs and start up costs. The deferred pre-operating expenses are amortised over period of benefit estimated to be 7 years. The total accumulated amortisation at 31 December 2004 amounted to SR 3.1 billion (2003: SR 2.8 billion).

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

	2004 SR'000	2003 SR'000
Cost:		
At the beginning of the year	3,986,002	3,035,334
Movement during the year	262,958	950,668
At the end of the year	4,248,960	3,986,002
Amortisation:		
At the beginning of the year	320,078	82,675
Provided during the year	292,104	273,403
At the end of the year	612,182	320,078
Net book value as at 31 December	3,636,778	3,665,924

Saudi Basic Industries Corporation and its Subsidiaries
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31 December 2004

10 OTHER NON CURRENT ASSETS

Other non current assets at 31 December were:

	2004 SR'000	2003 SR'000
Employee loans and home ownership receivables - (a)	1,007,871	1,089,593
Other assets - (b)	2,666,367	2,201,054
	3,674,238	3,290,647

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

(b) Other assets include advances to contractors, deferred taxes and others.

11 TRANSACTIONS WITH JOINT VENTURE PARTNERS

In the ordinary course of business operations, certain affiliates of SABIC sell their products to joint venture partners in accordance with the marketing and off take agreements. Sales to joint venture partners amounted to SR 10.4 billion (2003: SR 7.6 billion). Certain of the joint venture partners also provide research and technology and other services to certain affiliates of SABIC.

See notes 4 and 12, respectively.

12 ACCOUNTS PAYABLE

The accounts payable at 31 December were:

	2004 SR'000	2003 SR'000
Trade accounts payable	8,248,258	6,017,746
Amounts due to joint venture partners (note 11)	50,202	28,614
	8,298,460	6,046,360

13 SHORT TERM BANK FACILITIES

The short term bank facilities at 31 December 2004, which bear financial charges at prevailing market rates, amounted to approximately SR 483 million (2003: SR 459 million). The company had unused credit facilities at 31 December 2004 of SR 2.2 billion (2003: SR 2.6 billion).

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31 December 2004

14 LONG TERM LOANS

The long term loans at 31 December were:

	2004 SR'000	2003 SR'000
Public Investment Fund (PIF)	6,395,431	5,704,918
Saudi Industrial Development Fund (SIDF)	1,427,704	1,238,034
Commercial loans	25,519,905	29,473,305
	33,343,040	36,416,257
Less: Current portion	(6,050,315)	(4,498,021)
Non current portion	27,292,725	31,918,236

The PIF loans are generally repayable in twelve semi annual installments commencing 5 1/2 years after the start up of commercial operations of certain subsidiaries. Financial charges vary up to 6% per annum, depending on the return on equity as defined in the loan agreements.

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

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

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

	2004 SR'000	2003 SR'000
2004	-	4,498,021
2005	6,050,315	6,982,649
2006	11,301,990	10,324,695
2007	4,591,402	4,946,695
2008	3,417,784	2,748,490
2009	2,487,506	1,382,654
Thereafter	5,494,043	5,533,053
Total	33,343,040	36,416,257

Saudi Basic Industries Corporation and its Subsidiaries
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31 December 2004

15 ACCRUED LIABILITIES AND PROVISIONS

The accrued liabilities and provisions at 31 December were:

	2004 SR'000	2003 SR'000
Accrued liabilities and other provisions	4,142,996	2,742,739
Zakat and tax provision	1,900,433	1,388,785
Contracts retentions	227,007	282,292
Dividend payable	337,989	270,475
Other liabilities	1,343,247	1,058,579
	7,951,672	5,742,870

16 OTHER NON CURRENT LIABILITIES

The other non current liabilities at 31 December were:

	2004 SR'000	2003 SR'000
Employees' end of service benefits	3,228,467	2,997,191
Employees' early retirement plan	229,077	113,855
Employees' thrift plan	220,699	192,484
Deferred credits and other liabilities	471,999	756,292
	4,150,242	4,059,822

17 SHARE CAPITAL

The share capital is divided into 300 million shares of SR 50 each (2003: 300 million shares).

18 RESERVES

Statutory reserve

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

Other reserves

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

31 December 2004

19 ADMINISTRATION AND MARKETING EXPENSES

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

	2004 SR'000	2003 SR'000
Employees' cost	1,396,991	1,352,622
Selling and marketing	1,198,981	831,661
Depreciation and amortisation	324,194	318,094
Administrative services	509,328	534,118
	3,429,494	3,036,495

20 OTHER INCOME

The other income during the year ended 31 December comprised:

	2004 SR'000	2003 SR'000
Share in results of associated companies, net	331,995	294,802
Earnings on bank deposits	486,532	271,862
Exchange differences, net	445,294	271,358
Miscellaneous	35,378	(6,806)
	1,299,199	831,216

21 FINANCIAL CHARGES

The financial charges during the year ended 31 December comprised:

	2004 SR'000	2003 SR'000
PIF	92,012	122,605
SIDF	13,215	14,864
Commercial banks	915,314	846,325
	1,020,541	983,794

Saudi Basic Industries Corporation and its Subsidiaries
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31 December 2004

22 ZAKAT

SABIC has not obtained final zakat certificates since its incorporation. SABIC had requested the DZIT to assess its zakat liability based on the consolidated financial statements of SABIC and its subsidiaries, which was contested by the DZIT. During the year ended 31 December 2003, SABIC agreed with the DZIT to file its zakat declaration based on the unconsolidated financial statements. Therefore, the zakat liability for the year represents zakat based on SABIC's unconsolidated financial statements, and SABIC's share in the zakat liabilities of its subsidiaries.

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

	2004 SR'000	2003 SR'000
Balance at the beginning of the year	1,239,207	1,170,437
Less: Payments during the year, net	(376,189)	(231,230)
Add: Current year provision	450,000	300,000
Balance at the end of the year	1,313,018	1,239,207

In the opinion of management, adequate provision has been made for any liability to the DZIT that may arise upon the settlement of any amounts due arising from the final zakat assessments.

23 BASIC EARNINGS PER SHARE

The basic earnings per share is calculated based on the weighted average number of the outstanding shares at the beginning and at end of the year. The outstanding number of shares at 31 December 2004 and 2003 was 300 million shares.

24 SEGMENT INFORMATION

The segment information is provided based on the following three segments:

- the petrochemicals segment, includes basic chemicals, intermediates, PVC and polyesters, polyolefins and fertilizer products
- the metals segment, consists of steel products and investments in aluminium production facilities
- the corporate segment, includes the corporate operations, and research and technology centers

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31 December 2004

24 SEGMENT INFORMATION (continued)

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

	<i>Petrochemicals SR'000</i>	<i>Metals SR'000</i>	<i>Corporate SR'000</i>	<i>Total SR'000</i>
2004				
Sales	59,469,635	6,572,630	2,496,811	68,539,076
Gross profit	22,508,785	2,631,948	1,793,705	26,934,438
Depreciation and amortisation, net	5,731,865	564,344	127,926	6,424,135
Total assets	80,959,837	11,708,257	32,276,552	124,944,646
Total liabilities	30,886,097	4,309,775	19,031,071	54,226,943
Additions to property, plant and equipment, net	4,330,075	33,248	89,130	4,452,453
Investment in associated companies	260,794	-	2,292,122	2,552,916
2003				
Sales	38,682,388	4,900,557	3,199,460	46,782,405
Gross profit	11,312,008	1,449,375	875,238	13,636,621
Depreciation and amortisation, net	5,684,853	539,890	124,150	6,348,893
Total assets	46,129,912	10,068,879	53,101,318	109,300,109
Total liabilities	36,630,237	4,312,333	11,781,999	52,724,569
Additions to property, plant and equipment, net	7,680,625	152,366	615,264	8,448,255
Investment in associated companies	320,364	-	2,107,711	2,428,075

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

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25 RISK MANAGEMENT

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

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

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in the market interest rates. The company has no significant interest bearing long term assets, but has interest bearing liabilities at 31 December 2004. The company manages its borrowings made at floating rates by using interest rate swaptions (note 26), which have the economic effect of converting borrowings from floating rates to fixed rates. The interest rate swaptions, when exercised, provide the company with the right to agree with the counter party to exchange, at specified intervals, the difference between fixed contract rates and floating interest amounts, calculated by reference to the agreed notional principal amounts.

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

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

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction. As the company's consolidated financial instruments are compiled under the historical cost convention, differences can arise between the book values and fair value estimates. Management believes that the fair value of the company's consolidated financial assets and liabilities are not materially different from their carrying values.

26 DERIVATIVES

The company entered into interest rate swap agreements and swaption arrangements to hedge the volatility in interest rates related to loans outstanding at year end amounting to SR 10.6 billion (2003: SR 9.14 billion).

27 LOSS ARISING FROM A LEGAL CASE

On 21 March 2003, the jury of a court in the United States of America delivered an initial verdict against the company in favour of Exxon Chemical Arabia Inc. and Mobil Yanbu Petrochemical Company, Inc. relating to a dispute in respect of certain contractual agreements.

The company filed an appeal in respect of this initial verdict which was rejected by the court on 14 January 2005. The company has consequently made full provision for the resulting liability in the current year.

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31 December 2004

28 APPROVAL OF FINANCIAL STATEMENTS AND APPROPRIATION OF NET INCOME

The Board of Directors, in its meeting held on 11 Safar 1426H (corresponding to 21 March 2005), approved the consolidated financial statements and proposed the appropriation of the net income for the year ended 31 December, 2004 as follows:

- issue of bonus shares at 1 for 3 of existing shares held, in addition to distribution of cash dividends of SR 4,500 million (SR 15 per share)
- payment of SR 1,4 million as Board of Directors' remuneration
- transfer of the remaining balance to the general reserve

The above are subject to the approval of the shareholders at the Annual General Meeting.

29 COMMITMENTS

Capital commitments

The board of directors has authorized future capital expenditure amounting to SR 19.2 billion (2003: SR 24 billion).

Operating lease commitments

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

	2004 SR'000	2003 SR'000
2004	-	223,516
2005	221,721	213,157
2006	263,224	194,018
2007	330,614	236,478
2008	330,269	230,300
Thereafter	1,963,951	1,295,588
	3,109,779	2,393,057

Obligations under capital leases

There were no significant obligations for capital leases at 31 December 2004 and 2003.

30 CONTINGENT LIABILITIES

The company is involved in litigation matters in the ordinary course of business, which are being defended. While the ultimate results of these matters cannot be determined with certainty, management does not expect that they will have a material adverse effect on the consolidated financial statements of the company.

The company's bankers have issued, on its behalf, bank guarantees amounting to SR 2.7 billion (2003: SR 752 million) in the normal course of business.

31 COMPARATIVE FIGURES

Certain of the prior year figures have been re-classified to conform with the current year's presentation

LETTER FROM DIRECTORS

The directors of SABIC have submitted a letter to the Authority in accordance with section 4(a)(4) of Annex V to the Listing Rules of the Authority, confirming that the financial information has been extracted without material adjustment from the audited financial statements, and that such financial statements have been prepared and audited in accordance with the accounting standards issued by SOCPA.

APPENDIX I

SABIC Global Directory

Country	Name of Company
Bahrain	ALBA, Aluminium Bahrain Gulf Petrochemical Industries Company
Belgium	SABIC Belgium N.V.
Czech Republic	SABIC Central Europe
China	SABIC Asia Pacific Pte. Ltd.
Denmark, Sweden, Norway and Finland	SABIC Nordic A/S
Egypt	SABIC Egypt
France	SABIC France S.A.S.
Germany	SABIC Deutschland GmbH & Company. KG
Hong Kong	SABIC Hong Kong Ltd.
Italy	SABIC Italia SPA
India	SABIC India Pvt. Ltd. SABIC Research & Technology Pvt. Ltd.
Japan	SABIC Japan Ltd.
Netherlands	SABIC Europe B.V.
Philippines	SABIC Asia Pacific Pte LTD.
Poland	SABIC Poland
Singapore	SABIC Asia Pacific Pte. Ltd.
South Korea	SABIC Korea Ltd
Saudi Arabia	SABIC Terminal Services Company Saudi Methanol Company (AR-RAZI) Al-Jubail Fertilizer Company (AL-BAYRONI) National Chemical Fertilizer Company (IBN AL-BAYTAR) National Industrial Gases Company (GAS) Saudi Iron & Steel Company (HADEED) Al-Jubail Petrochemical Company (KEMYA) Arabian Petrochemical Company (PETROKEMYA) Arabian Industrial Fiber Company (IBN RUSHD) Saudi Petrochemical Company (SADAF) Saudi Arabian Fertilizer Company (SAFCO) National Methanol Company (IBN SINA) Eastern Petrochemical Company (SHARQ) Ibn Hayyan Plastic Products Company (TAYF) Jubail United Petrochemical Company (UNITED) Yanbu National Petrochemical Company (YANSAB) Saudi Yanbu Petrochemical Company (YANPET) Saudi European Petrochemical Company (IBN ZAHR)
Spain	SABIC Marketing Iberica S.A.
Taiwan	SABIC Asia Pacific Pte Ltd.
Turkey	SABIC Turkey
United Arab Emirates	SABIC U.A.E.
United Kingdom and Ireland	SABIC UK Ltd.
United States of America	SABIC Americas. Inc.

APPENDIX II Copy of Pronouncement

بسم الله الرحمن الرحيم

ملخص شروط و أحكام صكوك شركة سابك
الحمد لله رب العالمين والصلاة والسلام على رسول الله محمد وعلى آله وصحبه أجمعين

لا تغني قراءة هذا الملخص عن قراءة الشروط والأحكام المفصلة لصكوك شركة سابك المرفق بها
هذا الملخص

تقوم سابك بإصدار صكوك يمثل كل منها جزءا مشاعا من موجودات الصكوك يتم عرضها على مستثمرين
ويقوم المستثمرون الراغبون في الشراء بتعبئة طلب اكتتاب يقبلون بموجبه تعيين شركة بنك اتش اس بي سي
العربية السعودية المحدودة Saudi Arabia وكلا لهم وتعيين شركة سابك للصكوك أمينا لموجودات
الصكوك بالنيابة عنهم ، ويحددون بالطلب عدد الصكوك التي يرغبون شراءها .

تقوم سابك عند اكتمال طلبات اكتتاب الصكوك بتحويل موجودات الصكوك إلى أمين موجودات الصكوك
وإصدار الصكوك للمستثمرين و من ثم يقوم وكيل حملة الصكوك بإصدار الأمر بتحويل قيمة الصكوك إلى
شركة سابك .

الأطراف

مُصدر الصكوك الشركة السعودية للصناعات الأساسية ("سابك")، وهي شركة مساهمة تأسست في
المملكة العربية السعودية ("المُصدر")

شركة سابك للصكوك شركة سابك للصكوك ("شركة سابك للصكوك") شركة تابعة مملوكة بالكامل لسابك تم
تأسيسها كشركة ذات مسئولية محدودة في المملكة العربية السعودية لمدة أولية 25 عاما
برأسمال قدره [500.000] ريال سعودي. وستكون شركة سابك للصكوك شركة جديدة
حيث سيتم تأسيسها لغرض مزاولة الأنشطة المتعلقة بهذه الصكوك والأنشطة المماثلة في
المستقبل.

حملة الصكوك هم حملة الصكوك المسجلون من حين لآخر

المدير الرئيسي بنك اتش اس بي سي العربية السعودية المحدودة HSBC Saudi Arabia
المفوض و مستشار اختيار سعر الإصدار

وكيل حملة الصكوك بنك اتش اس بي سي العربية السعودية المحدودة HSBC Saudi Arabia سوف يعمل
وكيلا لحملة الصكوك لصالح حملة الصكوك وفقا لشروط وأحكام الصكوك (ويُطلق عليها
فيما يلي "شروط الصكوك") ووفقا لإعلان وكالة مؤرخ في أو قريب من تاريخ الإقفال
(ويُطلق عليه فيما يلي "إعلان الوكالة").

أمين موجودات الصكوك وفقا لإعلان الوكالة، ستعمل شركة سابق للصكوك ("أمين موجودات الصكوك") أمينا
لصالح ونيابة عن حملة الصكوك فيما يتعلق بموجودات الصكوك.

مدير الدفعات يقوم البنك السعودي البريطاني كمدير للدفعات (ويُطلق عليه فيما يلي "مدير الدفعات")
بموجب شروط اتفاقية إدارة دفعات تُبرم بين البنك السعودي البريطاني و المصدر
(ويُطلق عليها فيما يلي "اتفاقية إدارة الدفعات"). ومن جملة أمور أخرى، يقوم مدير
الدفعات بتشغيل حساب العملية وتحصيل وقبض الدفعات من المصدر طبقا لشروط
اتفاقية إدارة موجودات الصكوك و تعهد الشراء، كما يوضح مدير الدفعات معدل
العمولة الأساسي ومبالغ التوزيع الدورية التي تتعلق بالصكوك لكل فترة توزيع دوري
وسداد الدفعات المستلمة من المصدر، فيما يتعلق بموجودات الصكوك، أو من المصدر،
بموجب شروط تعهد الشراء، إلى حملة الصكوك.

المُسجل تداول/ الشركة السعودية لتسجيل الأسهم.

الهيئة الشرعية هيئة الرقابة الشرعية للأمانة بالبنك السعودي البريطاني.

المراجعون القانونيين ديوليت توشي بكر ابو الخير ومشاركوه Deloitte Touche.

موجودات الصكوك ويُقصد بها الحق الذي مدته 20 عاما في نسبة مئوية معينة من الحقوق والالتزامات
المعينة المحددة بموجب عقود تسويق معينة وفقا لوصفها التفصيلي الوارد أدناه. سيتم
تحويل موجودات الصكوك من قبل سابق إلى أمين موجودات الصكوك.



قامت سابك بإبرام اتفاقيات تسويق مع عدد معين من شركاتها التابعة والمنتسبة (المشتركة) تقوم سابك بموجبها بدور المُسوق لمنتجات معينة مقابل الحصول على مقابل لخدمات التسويق. وتوجد قائمة بتاريخ كل عقد تسويق مخصص للصكوك (ويُطلق عليهم فيما يلي "عقود التسويق") وكذلك اسم الشركة التابعة أو المنتسبة (المشتركة) التي هي طرف فيه في جزء عقود التسويق من مذكرة الإصدار هذه.

عقود التسويق
المخصصة للصكوك

تحول سابك، بموجب اتفاقية تحويل ملكية موجودات الصكوك، ملكية نسبة مئوية (%) (ويُطلق عليها فيما يلي "النسبة المئوية المطبقة") من حقوق والتزامات معينة واردة في عقود التسويق إلى شركة سابك للصكوك لفترة 20 عاما.

اتفاقية تحويل ملكية
موجودات الصكوك

في هذه الوثيقة يشار بـ "صافي الدخل" إلى إجمالي الدخل الناتج عن النسبة المئوية المطبقة فيما يتصل بعقود التسويق (ناقضا أتعاب الإدارة وتكاليف الإدارة المسموح بها بوصفها تكاليف مباشرة معينة سيتم تحديدها في ملحق باتفاقية إدارة موجودات الصكوك)).

صافي الدخل

بموجب اتفاقية إدارة موجودات الصكوك المُبرمة بين سابك و أمين موجودات الصكوك ووكيل حملة الصكوك) يتم تعيين شركة سابك مديرا لموجودات الصكوك، على نحو غير قابل للإلغاء، لتقديم الخدمات التالية حسب الأحوال، لصالح حملة الصكوك لفترة تمتد حتى 20 عاما، وهذه الخدمات هي :

اتفاقية إدارة
موجودات الصكوك

(أ) خدمات التسويق

الاستمرار في تقديم كافة خدمات التسويق المطلوبة للشركة المعنية التابعة/ المنتسبة لسابك وبذل أفضل الجهود في ذلك وعلى الأقل بذات المستوى الذي تم النص عليه طبقا لعقود التسويق . يسعى بكامل طاقته لكي يضمن أن صافي الدخل المقبوض لا يقل عن مبلغ التوزيع الدوري و مبلغ الحافز في فترة التوزيع الدوري المعنية (مع مراعاة أوضاع السوق التي ليست تحت سيطرة المدير)؛

(ب) ضبط التكاليف

بذل الحرص اللازم فيما يتعلق بمستوى تكاليف الإدارة المسموح بها والحفاظ على نسب التكاليف/ الدخل السابقة، أو تحسينها حسب مستويات متفق عليها وعدم تكبد أي تكاليف إضافية إلا ما يكون لازما لتقديم الخدمات. وإذا تجاوزت

التكاليف أو نسب التكلفة/ الدخل تلك المستويات المحددة، يتعهد فوراً باستخدام جهوده المعقولة لخفض إجمالي مثل هذه التكلفة إلى مستويات مسموح بها؛

ج) إدارة الدخل

التعهد بالحفاظ على الدخل الخاص بموجودات الصكوك و حمايته عن طريق (أ) التأكد من قيد النسبة المئوية المطبقة من كل الدخل الناتج عن عقود التسويق المخصصة للصكوك باعتباره دخلاً لحملة الصكوك و(ب) وبالنسبة للسعى بكامل طاقته لكي يضمن أن صافي الدخل المقبوض لا يقل عن مبلغ التوزيع الدوري و مبلغ الحافز في فترة التوزيع الدوري المعنية ، فيمكنه إعادة ترتيباته بموجب عقود التسويق؛

د) المراجعة والتدقيق

التأكد من القيد المنتظم لدفاتر الحسابات والدخل والنفقات الخاصة بأمين موجودات الصكوك وأن يتم إعداد حساباتها وفقاً للمعايير والمبادئ المحاسبية المتعارف عليها على أن تخضع للمراجعة السنوية بواسطة المراجع القانوني؛

هـ) التقيد بالأنظمة والمستحقات الضريبية

التأكد من قيام أمين موجودات الصكوك بالمتطلبات النظامية والوفاء بالمستحقات الضريبية النظامية؛

و) إدارة النقد

الحفاظ على دخل حملة الصكوك الناتج عن موجودات الصكوك ودفع جزء أو كل الدخل الصافي في كل تاريخ توزيع دوري بما لا يزيد عن مبلغ التوزيع الدوري.

وفقاً لاتفاقية إدارة موجودات الصكوك ، يكون للمدير الحق في قبض الاتي من شركة سابك للصكوك:

أجور الإدارة

أ) الأجور نصف السنوية

أتعاب إدارة واجبة الدفع بنهاية كل فترة 6 أشهر تُعادل تكاليف مدير موجودات الصكوك المسموح بها أثناء السنة (6) أشهر الأخيرة زائداً 1% عن كل سنة مقابل القيام بخدمات الإدارة (أي أن مقابل الخدمات مبني على أساس التكلفة زائداً نسبة محددة من التكلفة).

إعداد الحسابات/

تسويات صافي الدخل

تقوم شركة سابك للصكوك (بمساعدة المدير) بإعداد حسابات سنوية مدققة وحسابات ربع سنوية غير مدققة تتعلق بإجمالي صافي الدخل المقبوض أثناء الفترة المعنية. وعند وجود أي تفاوت، بعد نشر تلك الحسابات، فيما يتصل بمبلغ صافي الدخل الخاص بأي فترة طبقاً لما تُثبتته تلك الحسابات، وبعد المقارنة مع ما تم احتسابه في وقت سابق بواسطة المدير، فإنه يجب إجراء تسوية لمبالغ الاحتياطي حسب ما يكون مطبقاً.

مبلغ التوزيع الدوري

و الاحتياطي

مبلغ التوزيع الدوري هو الناتج فيما يتعلق بأي فترة عائد، لـ (أ) مجموع معدل العمولة الأساسي زاندا نسبة مئوية قدرها (ـ%) لكل سنة (ويُطلق عليها فيما يلي "الهامش")، (ب) إجمالي القيمة الاسمية لتلك الصكوك القائمة في تاريخ قيد التحويل الذي يسبق مباشرة آخر يوم من فترة التوزيع الدوري المعنية و(ج) عدد الأيام الفعلي في فترة التوزيع الدوري المعنية مقسوماً على 360 يوماً).

إذا كان الدخل الصافي زاندا عن مبلغ التوزيع الدوري (ويُطلق عليه فيما يلي "الدخل الزائد") يتم الاحتفاظ به بواسطة مدير موجودات الصكوك (ويُطلق على إجمالي مثل هذه المبالغ التي تكون مستحقة من وقت لآخر "الاحتياطي").

أي تكون مبالغ الاحتياطي مسجلة كقيد دفترى بواسطة مدير موجودات الصكوك ولن يتم الحفاظ عليها في حساب مصرفي محدد ومستقل. و يحق لمدير موجودات الصكوك استخدام أموال الاحتياطي و استثمارها لمصلحته و يكون عائد استخدامها و استثمارها حق للمدير وحده و يتحمل مدير موجودات الصكوك وحده خسارتها باعتبارها مطلوبات على المصدر طبقاً لتوزيع الاحتياطي أدناه.

توزيع الاحتياطي

يتم توزيع الاحتياطي وفقاً للأولويات التالية:

أولاً: إذا لم يحصل حملة الصكوك في أي تاريخ توزيع دوري سابق على مبلغ التوزيع الدوري المعني أو حصلوا على مبلغ أقل من مبلغ التوزيع الدوري المعني ثم تحقق عائد في فترة دفع تالية فيعطى حملة الصكوك مبالغ من التوزيع الدوري المتحقق بما يغطي مبالغ العجز السابق وذلك إلى الحد الذي تظل فيه هذه المبالغ غير مدفوعة.

ثانياً: إذا كان مبلغ صافي الدخل الواجب الدفع إلى حملة الصكوك فيما يتعلق بفترة التوزيع الدوري أقل من مبلغ التوزيع الدوري لتلك الفترة، فيدفع لحملة الصكوك من الاحتياطي مبلغ يعادل ذلك العجز .

ثالثاً: الدفع إلى حملة الصكوك في نهاية كل سنة خامسة، مبلغ إضافي يصل إلى ما يعادل 10% من إجمالي القيمة الاسمية للصكوك كما هي في يوم العمل الثالث الذي يسبق مباشرة تاريخ سنة خامسة (العائد الإضافي).

رابعاً: يبقى المتبقي من الاحتياطي مع المدير ليستخدم في تغطية الخطوات أولاً وثانياً وثالثاً أعلاه في نهاية كل سنة خامسة ، وحين تتم تصفية الصكوك وفي ذلك الوقت فقط يُدفع باقي رصيد حساب الاحتياطي إلى مدير موجودات الصكوك كحافز أتعاب لإدارة موجودات الصكوك سواء أكانت التصفية قبل نهاية المدة (20 عاماً) أو بعد نهاية المدة.

يُثبت الضرر المستحق للتعويض بظهور العجز نتيجة إهمال المدير أو تقصيره في الحالات التالية:

التعويض عن
الأضرار

- أ- إذا كان إجمالي صافي الدخل والاحتياطي الموزع على حملة الصكوك، في أي تاريخ توزيع دوري، غير كاف لدفع مبلغ التوزيع الدوري إلى حملة الصكوك و/أو
- ب- إذا كانت مبالغ الاحتياطي الموزعة على حملة الصكوك، في أي تاريخ سنة خامسة، غير كاف لدفع مبلغ العائد الإضافي إلى حملة الصكوك.

و في هاتين الحالتين يحق لحملة الصكوك الحصول على تعويض عن الضرر المتمثل في العجز من المدير بمجرد الإثبات المعقول لإهمال المدير أو تقصيره.

تعهد الشراء

تقوم سوابك بتوقيع تعهد شراء ملزم لصالح حملة الصكوك تتعهد بموجبه بشراء كل أو بعض الصكوك في نهاية كل خمس سنوات الافي حالات الأخفاق إذ يجب على المصدر شراء الصكوك حسب المادة رقم () بعد إرسال إشعار الممارسة بواسطة وكيل حملة الصكوك نيابة عن جميع أو أي من حملة الصكوك ويكون ثمن الشراء على النحو التالي:



الفترة	ثمن الشراء (نسبة مئوية من القيمة الاسمية للصك)
2. في نهاية السنة الخامسة (5)	[90]%
3. في نهاية السنة العاشرة (10)	[60]%
4. في نهاية السنة الخامسة عشرة (15)	[30]%

و يتم إصدار إشعار الممارسة عند حلول أي تاريخ سنة خامسة. وفي وقت شراء الصكوك في كل فترة، يكون لحملة الصكوك الحق في تعبئة نموذج توجيه صادر إلى وكيل حملة الصكوك يقضي بطلب إرسال إشعار ممارسة فيما يتعلق بصكوكهم مباشرة قبل تاريخ السنة الخامسة المعني ما لم يخطر حامل الصك وكيل حملة الصكوك بخلاف ذلك خطيا في فترة لا تتجاوز [90] يوم عمل قبل تاريخ السنة الخامسة المعني.

وفي الفترة الممتدة بين 90 يوما إلى 180 يوما قبل أي تاريخ سنة خامسة، يقوم وكيل حملة الصكوك بإرسال إشعار إلى حملة الصكوك يخبرهم بقرب حلول تاريخ السنة الخامسة المعني وبحقوقهم الناشئة بموجب تعهد الشراء نتيجة لحلول ذلك التاريخ ويصف في الإشعار النتائج المترتبة عن ممارسة أو عدم ممارسة حقوقهم.

إذا تسلم وكيل حملة الصكوك في أو قبل التاريخ الذي يقع قبل 30 يوما قبل تاريخ سنة خامسة توجيهات دائمة (ولم تلغ فيما بعد) و/أو توجيهات محددة من حملة صكوك، يملكون مجتمعين، ما لا يقل عن 70% من القيمة الاسمية لتلك الصكوك القائمة في ذلك التاريخ، فسوف يقدم وكيل حملة الصكوك قبل 30 يوم من تاريخ انتهاء السنة الخامسة إلى المصدر إشعار ممارسة (ويرسل نسخة إلى حملة الصكوك) بذلك. وبعد تسلم إشعار الممارسة هذا، يقوم المصدر، وفقا لتعهد الشراء، بشراء الصكوك من جميع حملة الصكوك وذلك بدفع سعر الشراء وأي مبلغ عائد اضافي في تاريخ السنة الخامسة.

تشكل كل واحدة من الأحداث والظروف التالية "حالة إخفاق":

حالات الإخفاق




(أ) الإخفاق الناتج عن عدم دفع مبلغ توزيع دوري أو مبلغ العائد الإضافي

1. إذا كان المبلغ الموزع على حملة الصكوك في أي تاريخ توزيع دوري وفقاً للشرط 5 (ب) (استخدام المتحصلات - صافي الدخل) أقل من مبلغ التوزيع الدوري المقرر لتاريخ التوزيع الدوري المعني، أو

2. إذا كان المبلغ الموزع على المالكين في أي تاريخ سنة خامسة أقل من مبلغ العائد الإضافي المقرر لتاريخ السنة الخامسة المعني،

واستمر ذلك العجز غير مدفوع بالكامل عند تاريخ استحقاقه لمدة خمسة أيام (نتيجة لخطأ إداري أو فني) وحدثت كنتيجة مباشرة لإخلال أو إهمال المدير في الوفاء بالتزاماته بموجب اتفاقية إدارة موجودات الصكوك [و/ أو إعلان الوكالة]، أو

(ب) الإخلال بالتزامات الأخرى

إخفاق المدير في الوفاء بأي من التزاماته الأخرى أو فيما يتعلق بأي من التزاماته بموجب الصكوك أو وثائق الصكوك، واستمر ذلك الإخفاق دون معالجة لمدة 30 يوماً بعد توجيه إشعار خطي بذلك إلى المدير من قبل حامل الصكوك وتسليمه إلى المدير أو إلى المكتب المحدد لمدير إدارة الدفعات،

(ج) التقصير المتقاطع Cross-default من جانب المصدر

1. عدم سداد أي مديونية على المدير في موعد استحقاقها أو (حسب الحالة) خلال أي فترة سماح مقررة في الأصل.

2. أن تصبح أي مديونية مستحقة وواجبة السداد قبل موعد استحقاقها المقرر نتيجة لأي حالة إخفاق أو تقصير أو أحد شروط التعجيل (أيا كان وصفه)،

3. إذا فشل المصدر في أن يسدد في موعد الاستحقاق أي مبلغ مستحق عليه بموجب أي ضمان لأي مديونية.

وذلك بشرط أن يزيد مبلغ المديونية المشار إليه في الفقرة الفرعية (1) و/أو الفقرة الفرعية (2) أعلاه و/أو المبلغ المستحق بموجب أي ضمان مشار إليه في الفقرة الفرعية (3) أعلاه، بصورة مستقلة أو إجمالاً، عن 175.000.000 ريال (أو ما يعادله بأية عملة أو عملات أخرى)،

(د) الحكم بحير المنفذ

عند صدور حكم أو أكثر أو أمر أو أكثر في مواجهة المدير بدفع مبلغ يزيد عن

175.000.000 ريال (أو ما يعادله بأي عملة أو عملات)، سواء بصورة مستقلة أو إجمالاً، واستمر ذلك الحكم أو الأمر غير منفذ ومؤجل للتنفيذ لمدة 30 يوماً من تاريخ صدوره، أو، إذا كان بعد ذلك، من التاريخ المحدد للدفع،

(هـ) الإعسار ... الخ

(1) إذا أصبح المدير معسراً أو غير قادر على تسديد ديونه عند استحقاقها (2) تم تعيين مصفٍ لجميع أو خمسة وعشرين بالمائة على الأقل من تعهدات المصدر أو أصوله أو إيراداته (أو تقديم طلب لمثل هذا التعيين) ولم يتم إلغاء هذا التعيين خلال 28 يوماً، (3) اتخاذ المصدر إجراء لتعديل أو تأجيل أي من التزاماته أو أجرى تنازلاً عاماً أو ترتيباً أو صلحاً مع دائنيه أو لصالحهم (بما في ذلك القيام بترتيب بموجب نظام التسوية الواقية من الإفلاس) أو أعلن قراراً بتأجيل سداد أي من ديونه أو أي ضمان لمديونية مقدم منه أو (4) أوقف المصدر أو هدد بوقف جميع أنشطته أو خمسة وعشرين بالمائة منها على الأقل (إلا أن يكون ذلك لأغراض الاندماج أو عملية إعادة تنظيم أو إعادة هيكلة، مع الملاءة المالية، معتمدة بقرار غير العادي)،

(و) انقضاء المدير

عند صدور أمر أو اعتماد قرار ساري المفعول بحل المدير وتصفيته (إلا إذا كان ذلك لأغراض الاندماج أو عملية إعادة تنظيم أو إعادة هيكلة، مع الملاءة المالية، معتمدة بقرار غير العادي)،

(ز) الفشل في اتخاذ إجراء ... الخ

أي إجراء أو شرط أو شيء مطلوب اتخاذه أو أدائه في أي وقت من أجل (1) تمكين المصدر من إبرام أو ممارسة حقوقه بطريقة مشروعة وأداء التزاماته والتفدي بها بموجب الصكوك أو وثائق الصكوك أو فيما يتعلق بها و(2) التأكد من أن تلك الالتزامات قانونية ومشروعة وملزمة وقابلة للتنفيذ،

(ح) عدم المشروعية

إذا أصبح أو سيصبح من غير المشروع قيام المصدر بأداء أي من التزاماته أو جميعها بموجب الصكوك أو وثائق الصكوك أو فيما يتعلق بها،

(ط) عدم صلاحية موجودات الصكوك

إذا أصبح أو سيصبح من غير المشروع قيام المصدر أو أمين موجودات الصكوك بأداء أي من التزاماته الأساسية بموجب موجودات الصكوك أو أي وثائق تتعلق بموجودات الصكوك، أو اعتبرت أي موجودات للصكوك أو وثائق تتعلق بموجودات الصكوك من قبل محكمة أنها لا

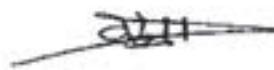


صلاحية لها أو إذا أنكر المصدر أو أمين موجودات الصكوك لأي من الوثائق المتعلقة بموجودات الصكوك أو أبدى نية في إنكار أي من تلك الوثائق.

في حالة وقوع حالة إخفاق واستمرار تلك الحالة، يقوم وكيل حملة الصكوك في أقرب فرصة عملية، بعد تسلمه إشعاراً بذلك، بتقديم إشعار بحدوث حالة الإخفاق المعنية إلى حملة الصكوك طالبا منهم أن يبدوا خلال فترة [لغاية 15 يوما/ تحدد من قبل وكيل حملة الصكوك] ("فترة الممارسة") ما إذا كانوا يريدون ممارسة حقوقهم المنصوص عليها في تعهد الشراء أم لا. وحينها يجوز لأي حامل صكوك أن يقدم إشعاراً ("إشعار شراء") خلال تلك المهلة إلى وكيل حملة الصكوك يذكر فيه أن ما يملكه من صكوك قابل للشراء. وإذا تسلم وكيل حملة الصكوك إشعار شراء، وجب عليه القيام فوراً بإبلاغ المصدر وأمين موجودات الصكوك ومدير الدفعات والمدير بذلك محددا حالة الإخفاق المشار إليها في إشعار الشراء الذي تسلمه (ولكن بشرط تقديم ذلك الإشعار بخصوص أول إشعار شراء تم استلامه بخصوص حالة الإخفاق). وإذا تسلم وكيل حملة الصكوك إشعارات شراء من عدد من حملة الصكوك يشكل النصاب المطلوب من حملة الصكوك، وجب حينها على وكيل حملة الصكوك أن يقدم للمصدر إشعار ممارسة (مع إرسال نسخة إلى حملة الصكوك)، بشرط أن تكون حالة الإخفاق المعنية بإشعار الممارسة ما زالت مستمرة، ويقوم المصدر، وفقاً لتعهد الشراء، على الفور بشراء الصكوك من جميع حملة الصكوك بدفع سعر الشراء المنطبق على الصكوك في اليوم الذي تم فيه استلام إشعارات الشراء من حملة الصكوك إضافة إلى مبلغ التوزيع المتعلق بالإخفاق (محتسب بتاريخ الشراء المعنى) و أي مبلغ محدد (إذا انطبق الحال).

سعر الشراء في تاريخ غير تاريخ سنة خامسة يكون ناتج ضرب إجمالي القيمة الاسمية لجميع الصكوك وفقاً لما تكون عليه في ذلك التاريخ في النسبة المبينة مقابل الفترة التي يقع فيها ذلك التاريخ كما في الجدول التالي:

النسبة السنوية	التاريخ
[100%]	بعد تاريخ الإقفال لكن قبل تاريخ التوزيع الدوري الواقع في [] 2010م
[90%]	بعد تاريخ التوزيع الدوري الواقع في [] 2010م لكن قبل تاريخ التوزيع الدوري الواقع في [] 2012م
[80%]	بعد تاريخ التوزيع الدوري الواقع في [] 2012م لكن قبل تاريخ التوزيع الدوري الواقع في [] 2014م


[%70]	بعد تاريخ التوزيع الدوري الواقع في [] 2014م لكن قبل تاريخ التوزيع الدوري الواقع في [] 2015م
[%60]	بعد تاريخ التوزيع الدوري الواقع في [] 2015م لكن قبل تاريخ التوزيع الدوري الواقع في [] 2017م
[%50]	بعد تاريخ التوزيع الدوري الواقع في [] 2017م لكن قبل تاريخ التوزيع الدوري الواقع في [] 2018م
[%40]	بعد تاريخ التوزيع الدوري الواقع في [] 2018م لكن قبل تاريخ التوزيع الدوري الواقع في [] 2020م
[%30]	بعد تاريخ التوزيع الدوري الواقع في [] 2020م لكن قبل تاريخ التوزيع الدوري الواقع في [] 2021م
[%20]	بعد تاريخ التوزيع الدوري الواقع في [] 2021م لكن قبل تاريخ التوزيع الدوري الواقع في [] 2023م
[%10]	بعد تاريخ التوزيع الدوري الواقع في [] 2023م لكن قبل تاريخ التوزيع الدوري الواقع في [] 2025م
[%5]	بعد تاريخ التوزيع الدوري الواقع في [] 2025م لكن قبل تاريخ التوزيع الدوري الواقع في [] 2026م
[%0]	تاريخ الإنتهاء

بيانات و أحكام إضافية

المدة	تكون المدة الكاملة للصكوك 20 عاما ومع ذلك، يكون لحملة الصكوك الحق في بيع الصكوك على المصدر بنهاية كل خمس سنوات بموجب تعهد الشراء.
تاريخ الإقفال	[] 2006.
سعر الإصدار	100% من إجمالي القيمة الاسمية للصكوك.
الوضع القانوني للصك	يُمثل كل صك حقا محددًا غير قابل للقسمة بالنسبة لموجودات الصكوك التي تحوزها أمين موجودات الصكوك لفترة 20 عاما وتكون جميع الصكوك في مرتبة متساوية مع أي صكوك أخرى. وتعطي الصكوك حقا محدودا بالرجوع على المصدر.





تواريخ التوزيع الدورية	يتم التوزيع ربع سنوي في اليوم [الخامس عشر] من كل شهر من الشهور: يوليو، أكتوبر، يناير و إبريل، وإذا لم يكن اليوم المذكور يوم عمل، فيكون ذلك في يوم العمل التالي مباشرة، على أن تكون بداية ذلك في [__/__/2006]. يوم العمل يعني أي يوم تفتح فيه البنوك التجارية في الرياض أبوابها لتقديم خدماتها للجمهور.
فترة التوزيع الدوري	الفترة التي تبدأ من تاريخ الإقفال إلى تاريخ التوزيع الدوري الأول وكل فترة متعاقبة تبدأ من تاريخ التوزيع الدوري إلى تاريخ التوزيع الدوري التالي.
تصفية الصكوك	تتم تصفية الصكوك بطريقتين : أ- عند بيع جميع الصكوك إلى سابقك وفقاً لتعهد الشراء نتيجة حالة ممارسة. ب عند انتهاء الصكوك وتنتهي الصكوك في تاريخ الإنتهاء بعد 20 عاما من اصدارها دون أي إجراء إضافي من جانب المُصدر ما لم يتم انتهاؤها عن طريق شراؤها. "تاريخ الإنتهاء" يُقصد به آخر تاريخ توزيع دوري يقع في [] 2026.
تسجيل الصكوك	يتم إصدار شهادات الصكوك ("الصكوك") وتسجل فقط في المملكة العربية السعودية دون إرفاق أي كوبونات. تمثل الصكوك حصة شائعة في شهادة رئيسية Global Certificate يتم إيداعها في تداول بدوره المسجل. ولن يتم إصدار صكوك تمثل حصة فردية من الشهادة الرئيسية، ومع ذلك يحق لكل مالك تسليم كشف من المسجل يبين حصته من الصكوك بين الحين والآخر.
المقاصة والتسوية	الأنظمة الخاصة بالتحويل والتسجيل: تخضع جميع عمليات تحويل الصكوك وتسجيلها في السجل لأنظمة وإجراءات المسجل (تداول) ونصوص اتفاقية التسجيل. وقد يقوم المسجل بتغيير الأنظمة في أي وقت.
وحدة الإصدار	سيتم إصدار الصك بالريال السعودي بقيمة 50.000 ريال سعودي لكل صك و بحد تملك أدنى قدره 500.000 ريال سعودي.





حساب العملية يحتفظ مدير الدفعات بحساب الصكوك العملية ويديره نيابة عن وكيل حملة الصكوك. ويتم توزيع المبالغ الناتجة عن موجودات الصكوك بواسطة المصدر على حملة الصكوك من الأموال الثابتة والمقيدة في حساب العملية.

التكاليف تتحمل سابع جميع التكاليف المستحقة قبل إصدار و طرح الصكوك وهي على سبيل المثال ما يلي :

الأتعاب المتفق عليها والعمولات الخاصة بمستشار اختيار سعر الإصدار فيما يتعلق بترتيب وتسويق وتوزيع وبيع الصكوك والأتعاب والمصروفات الخاصة بالمستشار القانوني لمستشار اختيار سعر الإصدار وأتعاب ومصروفات وكيل حملة الصكوك وأمين موجودات الصكوك ومدير الدفعات وتكاليف الطباعة والإعلان والأتعاب والمصروفات المتكبدة فيما يتعلق بإدراج الصكوك في السوق المالية السعودي والحصول على الموافقات الحكومية والنظامية الضرورية وغيرها من الموافقات وكذلك أي مصروفات أخرى فيما يتعلق بإنشاء وإصدار الصكوك.

الضرائب أما التكاليف اللاحقة لعملية الإصدار و الطرح فتوفر من صافي دخل الصكوك. يتم دفع جميع دفعات رأس المال أو التوزيعات المتعلقة بالصكوك التي تدفع من قبل المدير أو نيابة عنه خالية من أي استقطاعات أو خصومات ضريبية، ما لم يكن استقطاع أو خصم تلك الضرائب متطلباً بموجب النظام. وفي تلك الحالة، سيدفع المصدر تلك المبالغ الإضافية ("مبلغ الضريبة") التي تنتج في تسليم حملة الصكوك المبالغ التي كان سيتسلمه لو لم يلزم إجراء تلك الاستقطاعات أو الخصومات وذلك فقط بقدر ما توفر من تلك المبالغ للتوزيع على حملة الصكوك من صافي الدخل أو المبالغ القائمة كرسيد دائن في الاحتياطي. وإذا لم تكف تلك المبالغ لدفع مبلغ الضريبة، فلن يتم دفع أية مبالغ أخرى إلى حملة الصكوك.

محدودية حق الرجوع (أ) الوضع القانوني: تشكل الصكوك التزامات محدودة لحق الرجوع من قبل المصدر كما هو موضح في الشرط 4(ب) (محدودية حق الرجوع) وسنكون في جميع الأوقات في مرتبة مساوية لبعضها بعضاً. وستشكل التزامات المصدر بموجب تعهد الشراء التزامات




مباشرة وعامة وغير مشروطة على المُصدر وستعامل في جميع الأوقات على نحو متساو مع جميع التزامات المُصدر الأخرى الحالية والمستقبلية غير المضمونة، فيما عدا تلك الالتزامات التي تحظى بأفضلية بموجب أحكام النظام والتي تعتبر إلزامية وتطبق بشكل عام.

(ب) **محدودية حق الرجوع:** تعتبر متحصلات موجودات الصكوك والدفعات التي يدفعها المُصدر وفقا لتعهد الشراء والمبالغ الموجودة في حساب العملية هما مصدر الدفعات الوحيد الخاص بالصكوك. وبناء على ذلك، فانه باستثناء ما يتعلق بالمطالبات المتعلقة بمبالغ مستحقة من المُصدر بموجب تعهد الشراء أو أي وثيقة أخرى من وثائق الصكوك، لن يكون لحملة الصكوك أي حق للرجوع على أي من أصول المُصدر أو أمين موجودات الصكوك (وتجنباً للشك، فإن موجودات الصكوك ليست من أصول أمين موجودات الصكوك ولن تعتبر كذلك) أو وكيل حملة الصكوك، أو مدير الدفعات أو المسجل أو مدير الإصدار أو أي من مؤسساتهم التابعة، بقدر وفاء كل منهم بجميع التزاماته بموجب وثائق الصكوك ذات العلاقة التي هو طرف فيها، فيما يتعلق بأي عجز في المبالغ المتوقعة من موجودات الصكوك. وبالرغم مما سبق، فإن المُصدر ملزم بدفع المبالغ المطلوبة بموجب وثائق الصكوك التي هو طرف فيها مباشرة إلى مدير الدفعات أو في حالات معينة سيكون لوكيل حملة الصكوك (بشرط تعويضه تعويضا مقبولا له)، بصفته وكيلاً لحملة الصكوك ، حق رجوع مباشر على المُصدر لاستعادة مدفوعات مستحقة لمدير الدفعات أو وكيل حملة الصكوك لحساب حملة الصكوك وفقا لوثائق الصكوك تلك.

ربما يكون صافي العوائد الناتج من موجودات الصكوك، أو فيما يتعلق بتنفيذها، غير كافيا للوفاء بجميع الدفعات المستحقة فيما يتصل بالصكوك. وإذا بقي، بعد توزيع العوائد نقص في الدفعات المستحقة بموجب الصكوك، فلن يكون لأي حامل الصك، إلا في الحالات الموضحة في الشرط 11 (حالات الممارسة) والشرط 12 (تنفيذ وممارسة الحقوق)، أي مطالبة بحق المُصدر أو أي من مؤسساته التابعة أو أي أصول أخرى بالنسبة لذلك النقص وأية مطالبات غير مسددة، ولن يستطيع حملة الصكوك تقديم التماس أو الانضمام إلى أي شخص آخر في رفع دعوى قضائية للمطالبة بإعادة تنظيم أو تصفية أو حل أو تعيين حارس قضائي على المُصدر أو أمين موجودات الصكوك أو وكيل حملة الصكوك أو مدير الدفعات أو المسجل أو مدير الإصدار أو من مؤسساتهم التابعة كنتيجة



لذلك العجز أو غير ذلك.

(ت) **اتفاق حملة الصكوك:** ب شراء كل حامل صكوك للصكوك، بالرغم من أي شيء يناقض ذلك في أي من وثائق الصكوك، ولكن دون المساس بالشرط 11 (حالات الممارسة) والشرط 12 (تنفيذ وممارسة الحقوق) والتزامات المصدر بموجب تعهد الشراء، فإن هذا يعني موافقة حامل الصك المعني على أنه (1) لن يتم دفع أي مبلغ من قبل المصدر أو أمين موجودات الصكوك أو وكيل حملة الصكوك أو مدير الدفعات أو المسجل أو المدير أو أي من وكلائهم المعنيين نيابة عنهم إلا في حدود الأموال المتوفرة لذلك من موجودات الصكوك و(2) لن يكون له حق الرجوع والمطالبة بدفع أي مبلغ يستحق بموجب مذكرة الإصدار هذه أو بموجب أي من وثائق الصكوك، سواء بدفع أي رسوم أو أي مبلغ آخر بموجب أي التزام أو مطالبة أخرى تنشأ أو تستند إلى إعلان الوكالة أو أية وثيقة صكوك أخرى، ضد المصدر أو أمين موجودات الصكوك أو مدير الدفعات أو المسجل أو المدير بسبب أي قضية إفلاس أو إعادة تنظيم أو ترتيب أو إجراءات تصفية أو أية قضية أخرى بموجب أي نظام إفلاس أو ما شابه.

تنفيذ وممارسة الحقوق

(أ) بعد توزيع عوائد موجودات الصكوك فيما يتعلق بالصكوك على حملة الصكوك وفقا لهذه الشروط وإعلان الوكالة، لا يجوز لأي حامل صكوك اتخاذ أي إجراء بحق وكيل حملة الصكوك أو أي شخص آخر لاسترداد أي مبلغ يتعلق بالصكوك أو بموجودات الصكوك.

(ب) لن يكون وكيل حملة الصكوك ملزما تحت أي ظرف باتخاذ أي إجراء لتنفيذ حقوق حملة الصكوك على موجودات الصكوك أو باتخاذ أي إجراء بحق المصدر بموجب أي وثيقة من وثائق الصكوك يكون المصدر أو أمين موجودات الصكوك طرفا فيها إلا إذا تلقى أمرا أو طلبا بذلك (1) بقرار غير العادي أو (2) خطيا من قبل نصاب حملة الصكوك وفي أي من الحالتين بشرط أن يتلقى تعهدا بالتعويض مقنعا له من صافي الدخل أو المبالغ القائمة كرصيد دائن في الاحتياطي، وذلك فقط بقدر ما تتوفر تلك المبالغ للتوزيع على حملة الصكوك، عن جميع الالتزامات التي يعتبر نفسه مسؤولا عنها أو تلك التي تترتب عليه نتيجة لذلك.



(ج) لا يحق لحامل الصك إقامة دعوى بحق المدير أو أمين موجودات الصكوك إلا (1) إذا وجب على وكيل حملة الصكوك إقامة دعوى ولم يفعل ذلك خلال 60 يوما من وجوب إقامة الدعوى واستمر ذلك و(2) إذا كان حامل الصكوك المعني يملك بمفرده (أو مع حملة الصكوك آخرين ينوون إقامة دعوى مباشرة ضد المصدر أو مدير الحفظ) 25 في المائة على الأقل من إجمالي القيمة الاسمية للصكوك القائمة حينئذ في ذلك التاريخ. ولن يكون لوكيل حملة الصكوك أو لأي من حملة الصكوك تحت أي ظرف أي حق في بيع أي من موجودات الصكوك أو التصرف بها بأي شكل آخر إلا وفقا لتعهد الشراء، وسيكون الحق الوحيد لوكيل حملة الصكوك و حملة الصكوك ضد المصدر أو أمين موجودات الصكوك هو تنفيذ التزام المصدر بدفع المبالغ المطلوبة في حساب العملية. وتجنبنا للشك، لن يكون وكيل حملة الصكوك ملزما باتخاذ إجراء أو رفع دعوى إلا إذا تلقى تعويضا مقنعا له.

اجتماعات حملة الصكوك

- أ - يتم إيراد الأحكام المتعلقة باجتماعات حملة الصكوك للمناقشة في المسائل المتعلقة بالصكوك بما في ذلك تعديل أي شرط من شروط الصكوك في نشرة شروط وأحكام الصكوك.
- ب - يتم تعديل أي شرط من شروط الصكوك بموافقة الجمعية العامة غير العادية لحملة الصكوك.
- ج - للمدير الدعوة للاجتماع في أي وقت و يجب عليه الدعوة للاجتماع إذا طلب منه ذلك واحد أو أكثر من حملة الصكوك يمثلون 10% من إجمالي القيمة الأصلية للصكوك المتبقية.
- د- يشترط لصحة انعقاد الجمعية العامة غير العادية لحملة الصكوك حضور شخصين أو أكثر من حملة الصكوك يملكون أو يمثلون [50%] من إجمالي القيمة الاسمية للصكوك السارية في تلك الأثناء و في حالة عدم اكتمال النصاب في الاجتماع الأول يكون النصاب مكتملا في الاجتماع المؤجل بحضور شخصين أو أكثر من حملة الصكوك يملكون أو يمثلون [25%] من إجمالي القيمة الاسمية للصكوك.
- هـ- تصدر القرارات من الجمعية العامة غير العادية لحملة الصكوك بموافقة أكثر من 50 % من الصكوك الممثلة في ذلك الاجتماع.



و- يجوز للمدير تعديل وثائق الصكوك دون موافقة حملة الصكوك وذلك لتصحيح خطأ حسابي أو خطأ في الطباعة. و يجوز لأطراف وثائق الصكوك الاتفاق على تعديل أي من أحكامها على أنه لا يجوز لوكيل حملة الصكوك الموافقة على هذا التعديل إلا بموافقة حملة الصكوك مالم يكن التعديل في الصياغة أو بسيطاً أو ذو طبيعة فنية يتم إجراءه لتعديل خطأ حسابي أو خطأ في الطباعة أو أنه في رأي أطراف الوثيقة غير مهم ولا يؤثر بشكل جوهري على مصالح حملة الصكوك.

الإدراج

سيتم تقديم طلب لقبول الصكوك وإدراجها ضمن القائمة الرسمية للهيئة و/أو قبول إدراجها وتداولها و/أو تسعيرها من قبل أي سلطة رسمية أخرى في المملكة العربية السعودية.

وثائق الصكوك

تشمل وثائق الصكوك ما يلي :

- 1- اتفاقية تحويل ملكية موجودات الصكوك
- 2- اتفاقية إدارة موجودات الصكوك
- 3- تعهد الشراء
- 4- إعلان الوكالة
- 5- اتفاقية وكالة الدفع
- 6- الصكوك
- 7- أي اتفاقيات أخرى ووثائق يتم تسليمها أو توقيعها فيما يتعلق بذلك (حسب تعريفها في شروط الصكوك).

النظام والاختصاص

القانون الواجب التطبيق و الاختصاص القضائي

القانون الواجب التطبيق

القضائي

- 1) تخضع الصكوك للقوانين والأنظمة المعمول بها في المملكة العربية السعودية وطبقاً





للشريعة الإسلامية المطبقة في المملكة وتفسر وفقاً لذلك.

(2) الاختصاص القضائي: تعتبر لجنة الفصل في منازعات الأوراق المالية وهيئة الاستئناف ("اللجنة") هي الجهة الوحيدة صاحبة الاختصاص الحصري في النظر والبت في أية قضية أو دعوى أو أي إجراء قضائي وتسوية أية نزاعات قد تنشأ عن الصكوك أو وثائق الصكوك، ولهذه الأغراض، يقر جميع الأطراف ذوي العلاقة بما فيهم مالكو الصكوك إقراراً لا رجعة فيه بخضوعهم للاختصاص القضائي للجنة. ولا يجوز رفع أي قضية أو دعوى أو أي إجراء قضائي بخصوص الصكوك أو وثائق الصكوك لدى أية جهة خارج المملكة العربية السعودية ولن يكون لأي محكمة أو سلطة قضائية خارج المملكة العربية السعودية صلاحية النظر في أية دعوى بهذا الخصوص.



الحمد لله و صلى الله على رسول الله و بعد

فقد اطلعت الهيئة الشرعية للأمانة على شروط و أحكام الاستثمار في برنامج صكوك الاستثمار التسويقي لمسابك، و بعد مراجعة هذه الشروط و الأحكام و إجراء التعديلات اللازمة عليها، لم يظهر للهيئة بعد ذلك ملاحظة عليها بعد أن تمت صياغتها على النحو المذكور في صفحات هذه النشرة بما جرى التوقيع عليه من قبل الهيئة. و الله المستعان.

التاريخ: 21 جمادي الأول 1427 هـ

معالي الشيخ / عبدالله بن سليمان المنيع

فضيلة الشيخ الدكتور عبدالله بن محمد المطلق

فضيلة الشيخ الدكتور محمد علي إبراهيم القرني بن عيد

