

**SAUDI BASIC INDUSTRIES CORPORATION (SABIC)**  
**(SAUDI JOINT STOCK COMPANY)**

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS AND**  
**AUDITORS' REVIEW REPORT**  
**FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2007**

**SAUDI BASIC INDUSTRIES CORPORATION (SABIC)**  
**(SAUDI JOINT STOCK COMPANY)**

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS AND  
AUDITORS' REVIEW REPORT  
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## AUDITORS' REVIEW REPORT ON INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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To the shareholders  
Saudi Basic Industries Corporation (SABIC)  
(Saudi Joint Stock Company)  
Riyadh, Saudi Arabia

We have reviewed the accompanying interim consolidated balance sheet of Saudi Basic Industries Corporation (SABIC) a Saudi joint stock company and its subsidiaries ("the Company") as of March 31, 2007, and the related interim consolidated statements of income, cash flows and changes in shareholders' equity for the three month period then ended. These interim consolidated financial statements are the responsibility of Company's management and were prepared and presented to us with all the necessary information and explanations which we requested.

We conducted our review in accordance with the standard of the interim financial statements issued by the Saudi Organization for Certified Public Accountants. A review consists principally of applying analytical review procedures to financial data and information and making inquiries of persons responsible for financial accounting matters. The scope of the review is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion on the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying interim consolidated financial statements for them to be in conformity with generally accepted accounting standards.

Deloitte & Touche  
Bakr Abulkhair & Co.



Bakr A. Abulkhair  
License No. 101

Rabie Al-Awal 29, 1428  
April 17, 2007

**SAUDI BASIC INDUSTRIES CORPORATION (SABIC)**  
(SAUDI JOINT STOCK COMPANY)

**INTERIM CONSOLIDATED BALANCE SHEET (Unaudited)**  
**AS OF MARCH 31, 2007**

	Note	2007 SR 000	2006 SR 000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		43,833,803	38,842,898
Accounts receivable		16,716,921	14,338,988
Inventories		14,147,474	11,051,057
Prepaid expenses and other receivables		2,924,547	1,788,896
<b>Total current assets</b>		<b>77,622,745</b>	<b>66,021,839</b>
<b>Non-current assets</b>			
Investments in associates and others	2	8,971,288	3,047,478
Property, plant and equipment		84,129,446	68,396,930
Intangible assets		5,018,720	4,979,738
Other non-current assets		4,975,316	4,503,627
<b>Total non-current assets</b>		<b>103,094,770</b>	<b>80,927,773</b>
<b>TOTAL ASSETS</b>		<b>180,717,515</b>	<b>146,949,612</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Accounts payable		11,776,490	8,297,858
Short term bank facilities		784,239	447,016
Dividend payable	8	6,885,029	554,446
Current portion of long term debt		4,823,080	6,431,125
Accrued liabilities and provisions		9,319,689	7,327,563
<b>Total current liabilities</b>		<b>33,588,527</b>	<b>23,058,008</b>
<b>Non-current liabilities</b>			
Long term debt	9	38,448,877	23,781,289
Other non-current liabilities		6,709,834	6,005,481
<b>Total non-current liabilities</b>		<b>45,158,711</b>	<b>29,786,770</b>
<b>EQUITY</b>			
<b>Shareholders' equity</b>			
Share capital	4	25,000,000	20,000,000
Statutory reserve		11,445,362	9,415,968
Research and technology reserve		1,291,691	1,291,691
General reserve		28,894,706	17,589,241
Retained earnings		6,287,387	18,226,279
<b>Total shareholders' equity</b>		<b>72,919,146</b>	<b>66,523,179</b>
<b>Minority interests</b>		<b>29,051,131</b>	<b>27,581,655</b>
<b>Total equity</b>		<b>101,970,277</b>	<b>94,104,834</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>180,717,515</b>	<b>146,949,612</b>

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

**SAUDI BASIC INDUSTRIES CORPORATION (SABIC)**  
**(SAUDI JOINT STOCK COMPANY)**

**INTERIM CONSOLIDATED STATEMENT OF INCOME (Unaudited)**  
**FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2007**

	Note	March 31, 2007 SR 000	March 31, 2006 SR 000
Sales	7	26,266,286	19,267,153
Cost of sales		(15,563,207)	(11,683,881)
<b>GROSS PROFIT</b>		<b>10,703,079</b>	<b>7,583,272</b>
Administrative and marketing expenses		(1,139,990)	(969,073)
<b>INCOME FROM OPERATIONS</b>		<b>9,563,089</b>	<b>6,614,199</b>
Investment and other income		791,620	330,630
Financial charges		(580,008)	(341,287)
<b>INCOME BEFORE MINORITY INTERESTS AND ZAKAT</b>		<b>9,774,701</b>	<b>6,603,542</b>
Minority interests		(2,937,314)	(2,270,980)
<b>INCOME BEFORE ZAKAT</b>		<b>6,837,387</b>	<b>4,332,562</b>
Zakat	5	(550,000)	(150,000)
<b>NET INCOME FOR THE PERIOD</b>		<b>6,287,387</b>	<b>4,182,562</b>
<b>Earnings per share (SR)</b>	11	<b>2.51</b>	<b>1.67</b>

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

**SAUDI BASIC INDUSTRIES CORPORATION (SABIC)**  
**(SAUDI JOINT STOCK COMPANY)**

**INTERIM CONSOLIDATED STATEMENT OF  
CHANGES IN SHAREHOLDERS' EQUITY (Unaudited)  
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2007**

	Note	Share capital SR 000	Statutory reserve SR 000	Research and technology reserve SR 000	General reserve SR 000	Retained earnings SR 000	Total SR 000
<b><u>March 31, 2007</u></b>							
Balance as of January 1, 2007	4	25,000,000	11,445,362	1,291,691	20,631,558	14,514,548	72,883,159
Annual dividends of 2006	8	-	-	-	-	(6,250,000)	(6,250,000)
Board of directors remuneration	8	-	-	-	-	(1,400)	(1,400)
Transfer to general reserve	8	-	-	-	8,263,148	(8,263,148)	-
Net income for the period		-	-	-	-	6,287,387	6,287,387
Balance as of March 31, 2007		<u>25,000,000</u>	<u>11,445,362</u>	<u>1,291,691</u>	<u>28,894,706</u>	<u>6,287,387</u>	<u>72,919,146</u>
<b><u>March 31, 2006</u></b>							
Balance as of January 1, 2006	4	20,000,000	9,415,968	1,291,691	17,589,241	14,043,716	62,340,617
Net income for the period		-	-	-	-	4,182,562	4,182,562
Balance as of March 31, 2006		<u>20,000,000</u>	<u>9,415,968</u>	<u>1,291,691</u>	<u>17,589,241</u>	<u>18,226,278</u>	<u>66,523,179</u>

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

**SAUDI BASIC INDUSTRIES CORPORATION (SABIC)**  
**(SAUDI JOINT STOCK COMPANY)**

**INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (Unaudited)**  
**FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2007**

	2007 SR 000	2006 SR 000
<b>OPERATING ACTIVITIES</b>		
Income before zakat	6,837,387	4,332,562
Adjustments for:		
Depreciation and amortization	1,457,470	1,691,696
Equity in earnings of associated companies	(219,822)	74,708
Minority interest in net income of subsidiaries	2,937,314	2,270,980
Changes in operating assets and liabilities:		
Accounts receivable and prepaid expenses	(553,007)	1,337,946
Inventories	(489,229)	(408,611)
Payables, accrued liabilities and provisions	2,975,423	1,056,023
Other non-current liabilities	(53,035)	(759,166)
Zakat paid	(1,361,152)	(207,334)
<b>Net cash from operating activities</b>	<b>11,531,349</b>	<b>9,388,804</b>
<b>INVESTING ACTIVITIES</b>		
Additions to property, plant and equipment, net	(5,387,743)	(3,676,924)
Investments, net	(5,219,627)	2,775,912
Intangible assets	(71,726)	229,534
Other non-current assets, net	(1,038,943)	(1,353,064)
<b>Net cash used in investing activities</b>	<b>(11,718,039)</b>	<b>(2,024,542)</b>
<b>FINANCING ACTIVITIES</b>		
Long-term debt, net	4,139,155	842,970
Short-term bank facilities, net	176,617	95,321
Dividends paid	(29,753)	(61,979)
Minority interest, net	(1,493,261)	2,429,755
<b>Net cash from financing activities</b>	<b>2,792,758</b>	<b>3,306,067</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>2,606,068</b>	<b>10,670,329</b>
Cash and cash equivalents, January 1	41,227,735	28,172,569
<b>CASH AND CASH EQUIVALENTS, MARCH 31</b>	<b>43,833,803</b>	<b>38,842,898</b>

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

**SAUDI BASIC INDUSTRIES CORPORATION (SABIC)**  
**(SAUDI JOINT STOCK COMPANY)**

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)**  
**FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2007**

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**1. ORGANIZATION AND ACTIVITIES**

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

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying interim consolidated financial statements have been prepared in accordance with the Standard of Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants (SOCPA). The significant accounting policies adopted by the Company in preparing its interim consolidated financial statements, summarized below, are in conformity with those described in the annual audited consolidated financial statements for the year ended December 31, 2006. The interim consolidated financial statements and the accompanying notes should be read with the annual audited consolidated financial statements and the related notes for the year ended December 31, 2006.

**Use of estimates**

The preparation of the interim consolidated financial statements by management requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities. The actual results ultimately may differ from these estimates.

**Basis of consolidation**

The interim consolidated financial statements include the individual financial statements of SABIC and its subsidiaries, as adjusted by the elimination of intercompany balances and transactions. An investee company is classified as a consolidated subsidiary based on the degree of effective control exercised by SABIC compared to other shareholders, from the date on which control is transferred to SABIC.



**SAUDI BASIC INDUSTRIES CORPORATION (SABIC)**  
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**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2007**

The subsidiary companies consolidated in these financial statements are as follows:

	Shareholding %	
	2007	2006
SABIC Industrial Investments Company and its subsidiaries (SIIC)	100.00	100.00
SABIC Luxembourg S.a.r.l. and its subsidiaries	100.00	100.00
SABIC Asia Pacific Pte. Ltd. and its subsidiaries	100.00	100.00
Arabian Petrochemical Company and its subsidiary (Petrokemya)	100.00	100.00
Saudi Iron and Steel Company (Hadeed)	100.00	100.00
SABIC Antilles N.V.	100.00	100.00
SABIC Sukuk Company (SUKUK)	100.00	-
Saudi European Petrochemical Company (Ibn Zahr)	80.00	70.00
Jubail United Petrochemical Company (United)	75.00	75.00
National Chemical Fertilizer Company (Ibn Al-Baytar)	71.50	71.50
National Industrial Gases Company (Gas)	70.00	70.00
Yanbu National Petrochemical Company (Yansab)	55.95	-
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.a.r.l., SABIC Antilles N.V. and SABIC Asia Pacific Pte. Ltd., which are incorporated in Luxembourg Netherlands and Republic of Singapore, respectively.

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

**SAUDI BASIC INDUSTRIES CORPORATION (SABIC)**  
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**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2007**

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SABIC is currently in the process of incorporating "Saudi Kayan Petrochemical Company" (SAUDI RAYAN), located in Madinat Al-Jubail Al-Sinaiyah with a share capital amounting to SR 15 billion, in which SABIC and Kayan Petrochemical Company will hold 35% and 20% of the shares respectively and the remaining 45% will be offered for public subscription. The initial public offering of 675 million shares at par value, as announced by the Capital Market Authority, will occur during the period between April 28, 2007 and May 7, 2007.

**Interim results**

The results of operations for the interim periods may not be a fair indication of the results of the full year operations.

**Accounting convention**

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

**Investments in associated companies and other**

Investments of 20% or more in the capital of investees, other than subsidiary companies, and over which there is significant influence, are reflected in the consolidated financial statements based on the equity method. The Company's share in the results of these investee companies is classified as investment income in the interim consolidated statement of income.

Investments in financial assets are reflected at market value and are classified as securities available for sale. If there is no readily available market such investment are stated at cost less any decline in value which is other than temporary, if any. Investment income is recognized as dividends are declared.

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 in value which is other than temporary. 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.

**Inventories**

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

**SAUDI BASIC INDUSTRIES CORPORATION (SABIC)**  
**(SAUDI JOINT STOCK COMPANY)**

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2007**

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**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.

**Goodwill**

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

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

If material, the carrying amount of negative goodwill is netted off from fair value of property and equipment.

**Impairment of assets**

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 interim 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 interim consolidated statement of income.

**SAUDI BASIC INDUSTRIES CORPORATION (SABIC)**  
(SAUDI JOINT STOCK COMPANY)

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2007**

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**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

**Revenue recognition**

Sales represent the invoiced value of goods shipped and services rendered by the Company during the period, 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 interim consolidated statement of income. Any differences resulting from the final assessments are adjusted in the year of their finalization. Foreign shareholders in subsidiaries are subject to income tax which is included in minority interest in the interim consolidated financial statements.

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

**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 interim consolidated statement of income.

**SAUDI BASIC INDUSTRIES CORPORATION (SABIC)**  
**(SAUDI JOINT STOCK COMPANY)**

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2007**

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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.

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

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

**Cash and cash equivalents**

Cash and cash equivalents include cash, demand deposits, and highly liquid investments with original maturities of three months or less.

**Research and development expenses**

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

**Cost of sales and 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.

**Dividends**

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

**Derivative financial instruments**

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

**Leasing**

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

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

**SAUDI BASIC INDUSTRIES CORPORATION (SABIC)**  
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**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2007**

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

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

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

**3. 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 interim consolidated financial statements of the Company.

The Company's bankers have issued, on its behalf, bank guarantees amounting to SR 2.3 billion (SR 1.7 billion as of March 31, 2006) in the normal course of business.

**4. SHARE CAPITAL**

The share capital amounting to SR 25 billion is divided into 2.5 billion shares of SR 10 each as of March 31, 2007 (SR 20 billion divided into 2 billion shares of SR 10 as of March 31, 2006). The Extraordinary General Assembly in its meeting held on 24 Rabi Al Awal, 1427, corresponding to April 22, 2006, approved to increase the share capital by SR 5,000 million through issuing 1 bonus share for every 4 shares held.

In accordance with the capital Market Authority's announcement No. 4/154/2007 dated Safar 27, 1427 (March 27, 2006) issued based upon the councils of Ministers resolutions to split the shares of joint stock companies, the par value of the shares has been split to SR 10 instead of SR 50. Accordingly, the Company's number of shares became 2 billion shares. The shares resumed trading after the split effective Rabie Al-Awal 17, 1427 (April 15, 2006).

**5. ZAKAT**

SABIC has finalized and settled the zakat assessments with the DZIT for the years upto December 31, 2004. The DZIT has issued final zakat clearance certificates for the years up to December 31, 2004. The zakat assessment for the years 2005 and 2006 are under review by DZIT.

**SAUDI BASIC INDUSTRIES CORPORATION (SABIC)**  
(SAUDI JOINT STOCK COMPANY)

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2007**

**6. SEGMENT INFORMATION**

The Company's operations consist of the following segments:

- **The petrochemicals segment**, includes basic chemicals, intermediates, polymers, polyolefin and fertilizer products
- **The metals segment**, consists of steel products and investments in aluminum production facilities
- **The corporate segment**, includes the corporate operations, and research and technology centers

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

	Petrochemicals SR 000	Metals SR 000	Corporate SR 000	Total SR 000
<b><u>March 31, 2007</u></b>				
Sales	22,461,132	2,429,691	1,375,463	26,266,286
Gross profit	9,552,583	700,488	450,008	10,703,079
Net income	4,739,917	551,095	996,375	6,287,387
Total assets	115,285,783	16,790,842	48,640,890	180,717,515
Total liabilities	39,164,799	6,302,494	33,279,945	78,747,238
<b><u>March 31, 2006</u></b>				
Sales	16,608,850	1,590,940	1,067,363	19,267,153
Gross profit	6,737,805	482,543	362,924	7,583,272
Net income	3,099,150	362,510	720,902	4,182,562
Total assets	95,262,424	14,649,322	37,037,866	146,949,612
Total liabilities	28,254,361	6,073,715	18,516,702	52,844,778

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. It is not practicable to summarize the sales of the petrochemicals segment by geographic areas.

**7. SALES**

The main reason for the increase in sales is due to the increase in prices and quantities of products sold compared to those of the comparable prior period.

**SAUDI BASIC INDUSTRIES CORPORATION (SABIC)**  
**(SAUDI JOINT STOCK COMPANY)**

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2007**

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**8. APPROPRIATION OF NET INCOME**

The General Assembly, in its annual meeting held on March 31, 2007, approved the appropriation of the net income for the year ended December 31, 2006 as follows:

- distribution of cash dividends of SR 10 billion (SR 4 per share) including interim cash dividends of SR 3.75 billion (SR 1.5 per share)
- transfer 10% of net income to statutory reserve
- payment of SR 1.4 million as Board of Directors' remuneration
- transfer the remaining balance to the general reserve

**9. SUKUK**

On July 29, 2006, the Company issued a SR 3 billion Sukuk, at par value of SR 50,000 each without discount or premium, maturing in 2026.

The Sukuk bears a maximum rate of return based on SIBOR plus a margin of 40 basis points per annum payable quarterly in arrears from the net income received under the Sukuk assets held by the Sukuk custodian "SABIC Sukuk Company", a wholly owned subsidiary of the Company.

At the end of each five year period, the Company shall pay an amount equal to 10% of the aggregate face value of the Sukuk as bonus to the Sukuk holders.

The Company has provided an undertaking to the Sukuk holders to purchase the Sukuk from the shareholders in the years 2011, 2016, 2021 at an amount equivalent to 90%, 60% and 30% of the face value respectively.

As of March 31, 2007, total Sukuk issued by the Company under the above mentioned facility amounted to SR 3 billion. The periodic distributions expensed during the period amounted to SR 40 million.

**10. DERIVATIVES**

The Company entered into interest rate swap agreements and swap arrangements to hedge the volatility in interest rates related to loans outstanding at period end amounting to SR 13.2 billion (SR 9.8 billions as of March 31, 2006). The swap agreements can be exercised on different dates. The agreements state that premiums should be paid quarterly.



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**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
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**11. EARNINGS PER SHARE**

The earnings per share are calculated based on the number of outstanding shares at the end of the period. The outstanding number of shares at March 31, 2007 was 2.5 billion shares (2 billion shares at March 31, 2006 adjusted for stock split).

The calculation of the earnings per share for the previous financial periods for 2006 has been adjusted retroactively to reflect the stock split and bonus shares.

**12. COMPARATIVE FIGURES**

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