DECEMBER 2010

PETROCHEMICAL SECTOR

NCB CAPITAL

4Q10 EARNINGS PREVIEW

We present our 4Q 2010 Net Income and EPS estimates for our petrochemical companies under coverage.

- **Pricing:**
  The average oil price in 4Q10 has been USD84/bbl in-line with our estimate of USD85/bbl. Petrochemical prices in 4Q10 also have been broadly in-line with our expectations. We therefore do not expect any major price driven surprises from the 4Q10 results of the companies.

- **Temporary shutdown at Tasnee's TiO2 facility in Ohio:**
  Tasnee's titanium arm, Cristal Global, announced an unscheduled shutdown during 26 Sept - 22 Nov 2010 at its Ashtabula facility in Ohio. This facility has an annual capacity of 216,000 mt offset by the higher titanium prices, and improving petrochemical prices backed by increasing oil prices.

- **India imposed anti-dumping duties on Saudi polypropylene producers:**
  In November 2010, India imposed anti-dumping charges for a period of 5 years (effective from 30 July 2009) on polypropylene imports from Saudi Arabia. Saudi producers including Tasnee, Advanced Petrochemical Co and SABIC are charged duties ranging from USD51/mt to USD88/mt of polypropylene exported to India. We do not forecast this move to have a significant impact on the 4Q10E results of the KSA petrochemical companies.

- **Summary**
  We are Overweight on Sipchem and Tasnee. We are Neutral on Yansab, Sahara, Saudi Kayan and Petrochem. We expect growth of 233% YoY and 13% QoQ in 4Q10 net income for the petrochemical companies under our coverage. Sipchem should show the highest YoY growth of 139% and QoQ growth of 61% to SAR135mn. Saudi Kayan and Petrochem, both being in a pre-operational stage are expected to continue reporting losses of SAR5.5mn and SAR2.7mn respectively for the 4Q10.

Exhibit 1: Petrochemical stocks under coverage

	Ticker	Rating	Price (SR)	Price Target (SR)	Net income 4Q10E SRmn	% YoY	% QoQ	EPS 4Q10E
Sipchem	2310.SE	Overweight	27.6	32.0	135	139.1	60.7	0.41
Tasnee	2060.SE	Overweight	35.3	39.5	356	64.7	(4.7)	0.70
Sahara	2260.SE	Neutral	23.6	24.9	79	50.1	14.4	0.27
Yansab	2290.SE	Neutral	46.8	47.6	425	n/a	19.4	0.76
Saudi Kayan	2350.SE	Neutral	19.2	18.5	(5.5)	n/a	n/a	(0.00)
Petrochem	2002.SE	Neutral	20.9	15.3	(2.7)	n/a	n/a	(0.01)
Total					**987**	**232.9**	**12.9**	

Source: NCBC Research estimates, Prices as of 22/12/2010

Tariq Al-alaiwat
t.alalaiwat@ncbc.com
+966 2 690 7627

Kindly send all mailing list requests to research@ncbc.com

Head of Research

Eiji Aono
e.aono@ncbc.com
+966 2690 7786

Brokerage website

www.alahlitadawul.com
www.alahlibrokerage.com

Corporate website

www.ncbc.com

NCBC Investment Ratings

OVERWEIGHT: Target price represents expected returns in excess of 15% in the next 12 months

NEUTRAL: Target price represents expected returns between -10% and +15% in the next 12 months

UNDERWEIGHT: Target price represents a fall in share price exceeding 10% in the next 12 months

PRICE TARGET: Analysts set share price targets for individual companies based on a 12 month horizon. These share price targets are subject to a range of company specific and market risks. Target prices are based on a methodology chosen by the analyst as the best predictor of the share price over the 12 month horizon

Other Definitions

NR: Not Rated. The investment rating has been suspended temporarily. Such suspension is in compliance with applicable regulations and/or in circumstances when NCB Capital is acting in an advisory capacity in a merger or strategic transaction involving the company and in certain other situations

CS: Coverage Suspended. NCBC has suspended coverage of this company

NC: Not covered. NCBC does not cover this company