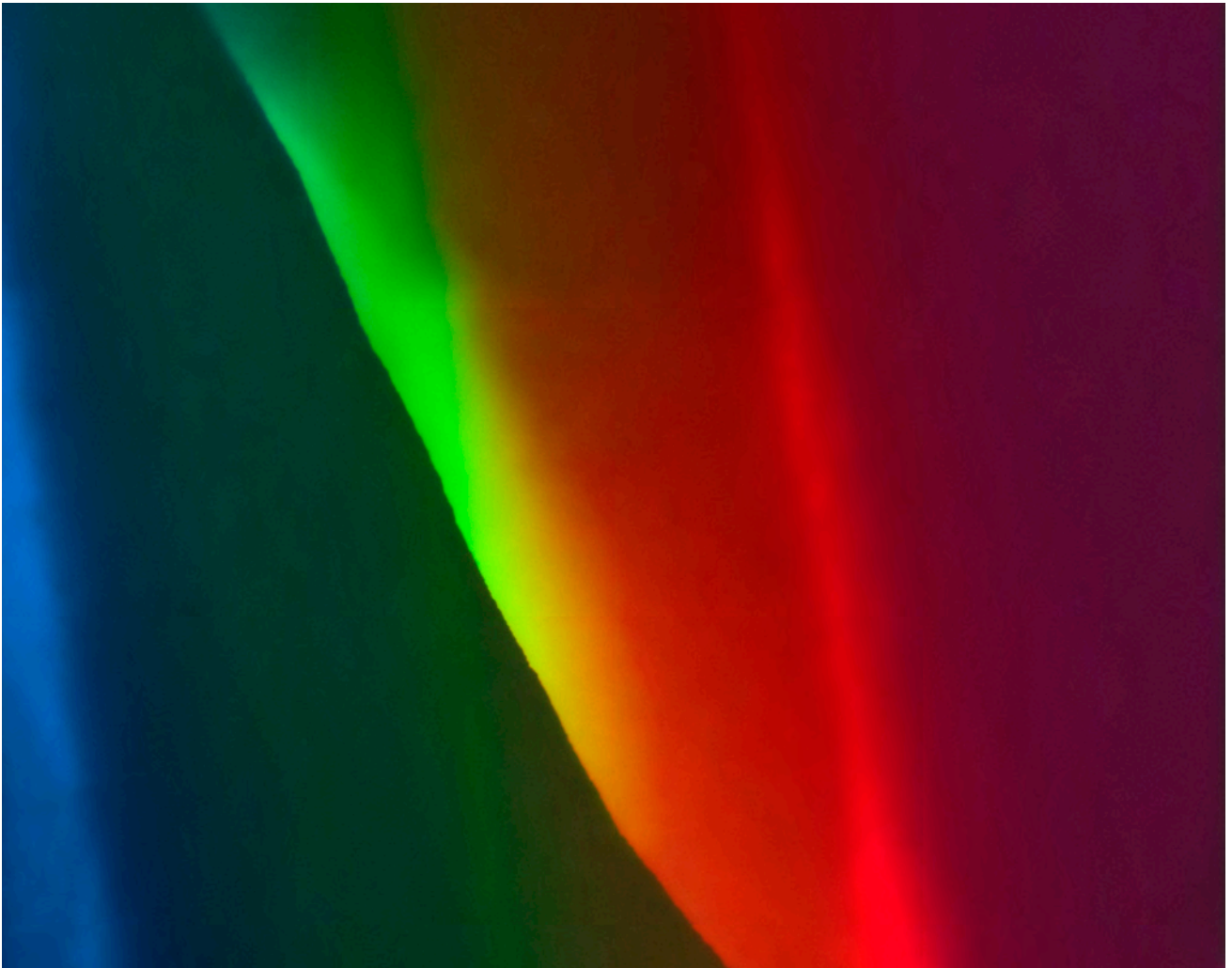


A culture of innovation, a year of success

Report & Accounts 2010



Sharing our futures

## NET INCOME

SR 21 billion

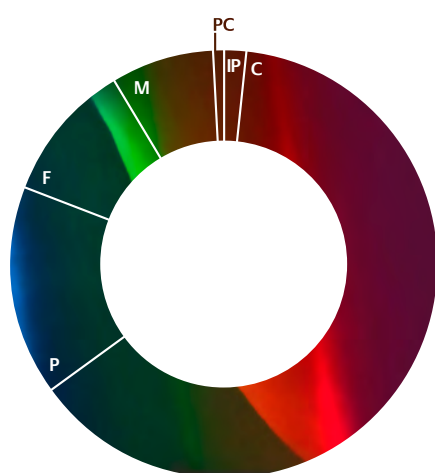
## SALES REVENUE

SR 152 billion

## TOTAL ASSETS

SR 317 billion

Total production by business unit  
'000 metric tons



C	Chemicals	42,268
PC	Performance Chemicals	458
IP	Innovative Plastics	1,231
P	Polymers	10,667
F	Fertilizers	7,043
M	Metals	5,191

## Our values



### Inspire

Our winning attitude and passionate approach are a part of all that we do.

Empowered by training and leadership skills, we work together to create an action-oriented environment that develops solutions and results for our customers.



### Engage

We respect and value differences in our people and their business approaches, fostering a great working environment.

Our unfailing commitment to the communities in which we operate helps us remain a positive influence throughout the company and the world.



### Create

Our curiosity is never satisfied and we are always challenging conventional thinking.

Through long-term alliances with our customers, we seek new ways to uncover opportunities in both product and process to find the next innovative solution.

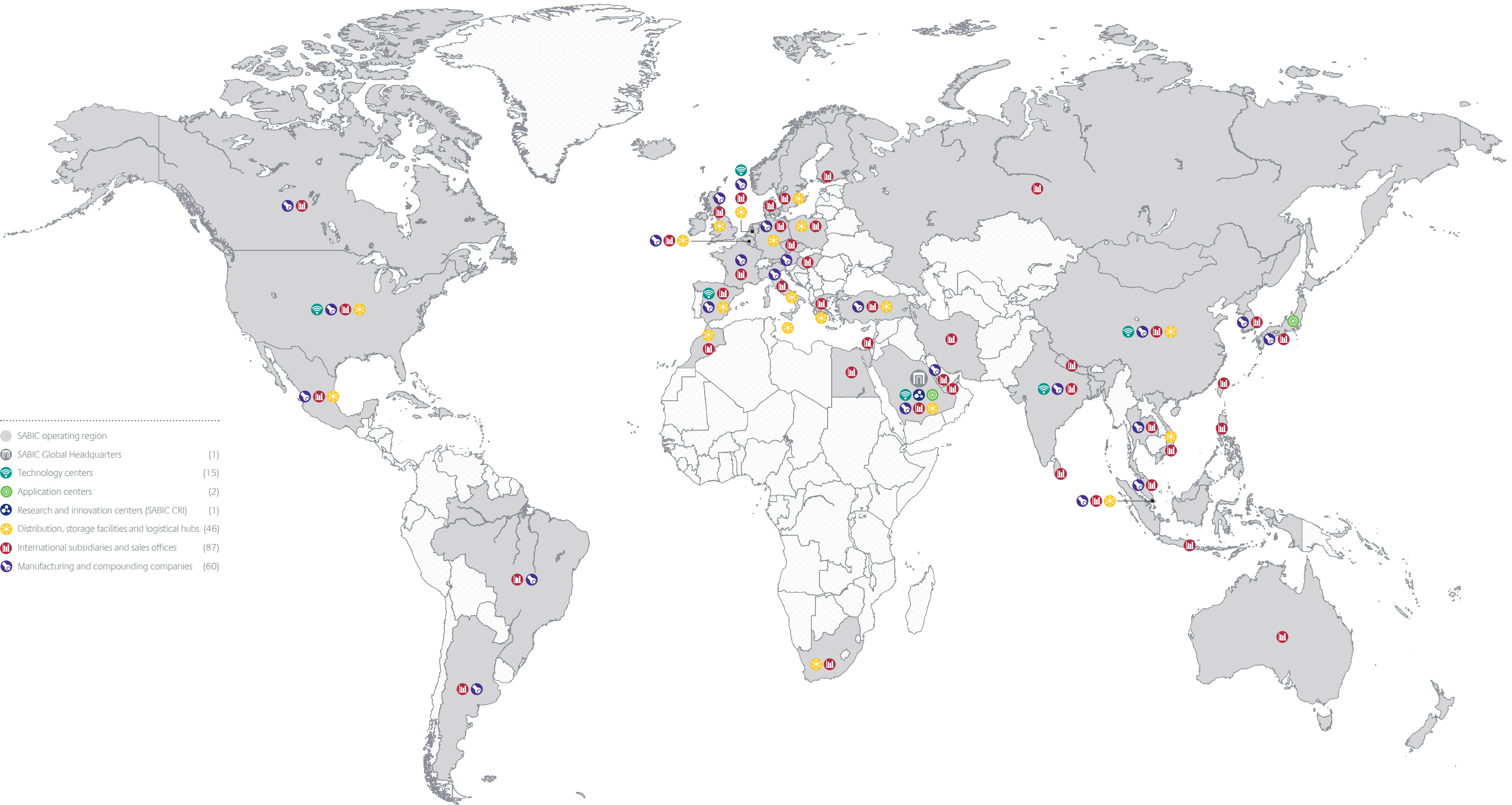


### Deliver

We lead by developing extraordinary breakthroughs for our customers.

Our unwavering focus on flawless execution drives our joint success and ensures world-class environmental responsibility, health, and safety.

# Our global operations



# Our vision and mission

Saudi Basic Industries Corporation (SABIC) ranks among the world's top petrochemicals companies. The company is among the world's market leaders in the production of polyethylene, polypropylene and advanced thermoplastics, glycols, methanol, and fertilizers—and one of the largest producers of steel in the Middle East.

Our vision is to be the preferred world leader in chemicals.

Our mission is to responsibly provide quality products and services through innovation, learning and operational excellence while sustaining maximum value for our stakeholders.

## Statements & reports

- 01 Our vision and mission
- 02 Chairman's statement
- 04 Vice Chairman and Chief Executive Officer's report
- 08 Board of Directors

## Success stories

- 10 Investing in talent
- 12 Introducing new capacities
- 14 Collaborating for sustainable solutions
- 16 Partnering for innovation
- 18 Meeting our customer needs
- 20 Manufacturing excellence

## Business review

- 22 Chemicals
- 25 Performance Chemicals
- 26 Innovative Plastics
- 30 Polymers
- 32 Fertilizers
- 34 Metals
- 35 Technology and Innovation
- 37 Supply chain (EMDAD)

## Our responsibilities

- 39 Our People
- 40 Corporate Social Responsibility
- 44 Sustainability
- 47 Environment, Health, Safety, and Security

## Financial statements

- 52 Auditors' report
- 53 Consolidated balance sheet
- 54 Consolidated statement of income
- 55 Consolidated statement of cash flows
- 56 Consolidated statement of changes in shareholders' equity
- 57 Notes to the consolidated financial statements

## Our companies

- 74 Our manufacturing and compounding companies
- 78 Global directory



# Chairman's statement

**SABIC has enjoyed another successful year, with solid advances in all key areas – production, revenues and profitability.**

As the world's economies began to emerge from the downturn which has dominated the business landscape over the previous couple of years, demand for SABIC products, from chemicals to polymers, from fertilizers to metals, picked up strongly, helping absorb the major new productive capability we are bringing on-stream, while also sustaining margins.

The credit for this year's performance lies firmly with our people, who have come through a difficult period with calm professionalism and dedication, and are now beginning to reap the rewards. Their commitment to strong, simple values, and doing the right thing whatever the circumstances, is core to our mission as a company and as an organization.

Our excellent workforce has not come about by chance. We have for many years practiced what we preach about the fundamental value of our people to SABIC. What helps us attract, retain and effectively motivate the very best is the way we invest in our people and provide a supportive environment in which they can fulfill their potential: partly in terms of training and education, both in-house and in partnership with academic institutions.

SABIC plans its work and works its plan. This year has seen further progress in our well-established path towards our long-term goals. We continue to bring new productive capacity on-stream: in the Kingdom, in Europe and the US, and particularly in Asia Pacific, where the greatest growth in demand is anticipated. We continue to build our distribution capabilities and open new offices close to our customers, to better understand and deliver what they need. And we continue

to transform our supply chain, to improve our ability to deliver exactly what's needed, where and when it's needed, with the greatest efficiency and at the lowest possible cost.

And we continue to bring new and improved materials to market, enabling our customers to make things that are better, stronger, lighter – and easier to manufacture. And to partner with them and with our people to integrate sustainability ever more deeply into everything we do. Our business prospers when our customers prosper. And together we can help make the world a better, cleaner, healthier place for the generations to come.

The work goes on. At the end of a successful year, with much to celebrate and more in prospect, we face the future with optimism and enthusiasm. We will continue to innovate. We will continue to apply ourselves to the task of making things better, and making better things. And we will continue to develop our enterprise, for the benefit of our people, our customers, and all our other stakeholders, all around the world.

“The credit for this year’s performance lies firmly with our people, who have come through a difficult period with calm professionalism and dedication.”



Prince Saud bin Abdullah bin Thenayan Al-Saud

# Vice Chairman and Chief Executive Officer's report

## A year of success, a future of promise

SABIC has had an exceptionally good year, and we believe even better prospects lie ahead. During 2010 we made a great deal of progress as we added new capacities, made innovations in products and processes, and continued to invest in our key asset—our people. We look forward to taking on the key challenge of our era: how to achieve the vital duality of corporate profits along with general economic and social progress.

This year has been both challenging and exciting. As the world is continuing to emerge from the downturn, we find ourselves in a new economic climate with Asia-Pacific setting the pace and with more and more petrochemical production capacities migrating to the Middle East. It is a time of challenge and a time of opportunity. The improving economic climate is also accompanied by political and social unrest. We face improving prospects, but in a world hungry for social progress and economic opportunities, and increasingly unwilling to compromise on issues of sustainability and environmentalism.

## A business model that delivers customer value

SABIC completed its first full year as a completely integrated, truly global enterprise and the results have been extremely gratifying. The business model we adopted and implemented has brought about the combined strengths and operating efficiencies needed to be more responsive to the needs of customers. As a result, we are vastly more capable of handling large-scale projects across continents and yet be nimble enough to meet customer needs and expectations in any of our markets.

## New capacities

This has been another in a series of years

of substantial increases in productive capacity as we gear up to help meet the needs of millions seeking a better life throughout the world, particularly in Asia and China.

Two new petrochemical complexes came on-stream this year: our joint venture with SINOPEC SABIC Tianjin Petrochemical Company (SSTPC), in Tianjin, China; and SAUDI KAYAN in Al-Jubail, Saudi Arabia. Altogether, our Chemicals production grew by over 5 million metric tons in 2010 as compared with the previous years—and this increase is expected to rise again to more than 8 million metric tons during 2011, with the new plants running at capacity.

In Europe, major new capacity has come on-stream. For example, in the UK, we commissioned a new 400,000-metric-ton LDPE plant; a new Ultem resin facility in Spain that will boost our Ultem resin capacity by 35 percent; and, in Belgium, operations began at the new greenfield polypropylene plant aimed at supplying the automotive manufacturing industry.

In Saudi Arabia, the previous year's start-ups at SHARQ (Eastern Petrochemical Company) and YANSAB (Yanbu National Petrochemical Company) brought much-needed new supply to customers in the Middle East and Asia this year. Major new productive capacities were also in development for phosphate fertilizers with a new 4-million-metric-ton facility in partnership with Ma'aden Phosphate Company. In Metals, HADEED's Long Product Expansion project in Al-Jubail aims to increase production by 700,000 metric tons a year.

## Product innovation

Innovation is the lifeblood of SABIC. Our Technology and Innovation (T&I) organization works closely with all our SBUs to continuously improve

everything we make. SABIC has already begun showing how innovation can help stay ahead of the competition, with improvements in product and processes helping to sustain performance even in the face of increasing supply.

Investment in research and development is essential to keep the petrochemical industry innovative and competitive, and SABIC plays an additional unique role as one of the most important drivers of the economic development in Saudi Arabia. Also, as one of the world's largest petrochemical companies, SABIC has sought throughout its distinctive history to build a robust research and technology system.

SABIC directly employs over 1,400 people in our 18 research and application centers around the world, with eight "Communities of Excellence" linked together to optimize our global innovation resources. We have recently created four new Group Centers globally: a new Plastics Application Development Center under construction in Riyadh, and due to open in 2012; a new SABIC Research and Innovation Center at King Abdullah University for Science and Technology (KAUST) for research on industry projects; and two others in Bangalore and Shanghai.

## Manufacturing and sales excellence

Yet product innovation is only part of the story. We are also committed to ongoing process innovation: to continuously improving everything that's involved in meeting customers' needs and guaranteeing their continuing satisfaction.

Often this is about focusing on the actual production process within the plant. Beyond the actual production process, however, great opportunities also exist to improve the ways basic things are done, enhancing customer satisfaction. Key to this is getting closer to customers—both literally, in terms of continuing to develop

“During 2010 we achieved a great deal of progress as we added new capacities, made innovations in products and processes, and continued to invest in our key asset—our people.”



Mohamed H. Al-Mady

# Vice Chairman and Chief Executive Officer's report



**SAUDI KAYAN, Al-Jubail: Saudi Arabia**

Giant cooling fans in the largest seawater cooling tower in the Middle East are part of SAUDI KAYAN's utilities for the entire petrochemical complex.

our distribution network to ensure that we are wherever they need us to be, and in the sense of using the latest tools and techniques to “reach out and touch” them—or making it easy for them to access us.

SABIC, for one example, this year opened new offices in Cape Town, South Africa and Rabat, Morocco, expanding sales and services to customers in Africa. SABIC also created a Sales Excellence department in Polymers SBU to improve, harmonize and streamline sales processes, and measure and improve customer satisfaction, and developed Quick Polymers: a cash-and-carry concept enabling customers to simply walk into a warehouse and make on-the-spot purchases.

Such Sales Excellence initiatives represent an important element in our plans for the future: getting closer to our customers to serve them better.

## Partnering with customers

Innovation at SABIC comes increasingly through collaboration with some of our key customers. In 2010, for example, SABIC's Innovative Plastics SBU fulfilled a five-year collaboration with one of China's leading motor manufacturers. This collaboration saw SABIC materials used in front fenders, energy absorbers, and an undertray molded with a SABIC compound for their sports coupe. SABIC also worked with global leaders to co-develop materials for aircraft interiors, replacing die-cast aluminum components that are 50 percent lighter and have excellent safety performance.

Such partnerships exemplify an important element in SABIC's future strategy: ever closer relationships with key partners, pooling resources, ideas and expertise to meet common goals more effectively—and swiftly—for mutual benefit.



**KAUST, Thuwal: Saudi Arabia**

A new SABIC Research and Innovation Center at King Abdullah University for Science and Technology (KAUST).

## Seamless global supply chain

2010 saw our EMDAD supply chain project progress to full-scale implementation and delivery: a series of integrated solutions providing advanced capabilities in business processes, information systems and logistics, enabling enhanced planning, service and execution which ultimately allows us to ensure the right product in the right place at the right time—and at the lowest possible cost.

The latest technology means total end-to-end visibility from the moment a bar-code goes on a package to its delivery to the customer. The systems track inventory and match it with delivery requirements and logistic capabilities, while interactive information flows from a core communication hub that empowers planning and underpins reliability. It is this kind of service that reinforces excellent products and protects profitability even during an economic downturn.

Our supply chain management now operates as a single, seamless global operation that both delivers cost-reducing economies of scale, synergies and rationalizations and enables universal maintenance of the very highest standards of service and reliability, from factory gate to customer premises, on a truly worldwide basis.



“At SABIC, we believe we have an important role to play in supporting inclusive economic growth and development everywhere we operate.”

### Investing in our people

We know that ultimately the source of our success is people.

SABIC has for many years talked of itself as “a learning organization.” We know that developing our people and their skills is key. For just the latest example, this year saw construction begin on a new state-of-the-art learning center on SABIC’s Headquarters campus in Riyadh.

Yet we also know there is more to attracting, retaining and making the best possible use of the best people. We recognize that skilled people are in great demand—and are well aware of that fact, and of the opportunities it brings.

We operate a talent review process to ensure that our people are always in positions that reflect—and make full use of—their specific skills, and help them reach their full potential. We take an active, and proactive, approach to ensuring that we continue to attract, retain, develop and make best use of the best available people, and that they continue to view SABIC as their “employer of choice.”

### Sustainability is key

Sustainability has moved to center stage in the world’s corporate thinking. It’s smart business. We need to work more efficiently: producing better products, using less energy and raw materials, and with minimal environmental impact.

Our commitment starts at the top. As CEO, I chair the SABIC Corporate Sustainability Council. Each SBU and corporate function takes responsibility for tracking and improving its own performance. We willingly accept our responsibility to publicly benchmark our progress and to hold ourselves internally accountable.

For the moment, we are focused on two clear goals: To reduce our own operating footprint, with better use of raw resources,



SSTPC, Tianjin: China

One of two new SABIC joint venture petrochemical complexes that came on-stream this year.

energy and water, and lower emissions; and to work more closely with our customers to develop products and applications and solutions that respond to their own sustainability needs.

We view sustainability as integral to our future. Whatever we do, and wherever we do it, we must and will do it sustainably. This will involve all our people and encompass the total product life cycle—from raw materials through end use and recycling or disposal. It is a comprehensive campaign to boost efficiency throughout the process.

SABIC was gratified to be awarded the King Khalid Award for Responsible Competitiveness for its efforts during 2010 to develop and qualify young leaders, and to support education institutions and social progress.

### Toward a better future

At SABIC, we believe we have an important role to play in supporting inclusive

economic growth and development everywhere we operate.

Our products play a key role in stimulating economic growth wherever we go—from efficient and productive farming to feed the world, to raw materials that feed our customers’ plants, bringing jobs to millions and enabling materials that support every aspect of the life the world’s people wish to live, from clothing to transport, from communication to entertainment.

We at SABIC have had a good year, and we anticipate more and even better years to come.

# Board of Directors



1. **Prince Saud bin Abdullah bin Thenayan Al-Saud**  
Chairman of the Board
2. **Mohamed H. Al-Mady**  
Vice Chairman and Chief Executive Officer

3. **Ahmed Ibrahim Al-Hakami**
4. **Abdulmuhsin Ibn Abdulaziz Al-Faris**
5. **Saleh E. Al-Husseini**
6. **Abdullah M. Al-Issa**
7. **Mohammed S. Abanumay**





Statements & reports

Success stories

Business review

Our responsibilities

Financial statements

Notes to the accounts

Our companies

# Investing in talent





SABIC attracts, retains and develops the best people by investing in them and helping them reach their full potential. We educate, we train, we plan strategically to ensure they get to where their specific capabilities can add maximum value. And we maintain a flexibility that recognizes today's busy lifestyles and the demands of a seamless global economy.





# Introducing new capacities





Start-up at the new joint venture complex in Tianjin, China, was one of the major new facilities to go on-stream this year, increasing Chemicals SBU output by over 5 million metric tons—a figure expected to rise to 8 million metric tons by the end of 2011, when all new plants will have been in full operation for a year.



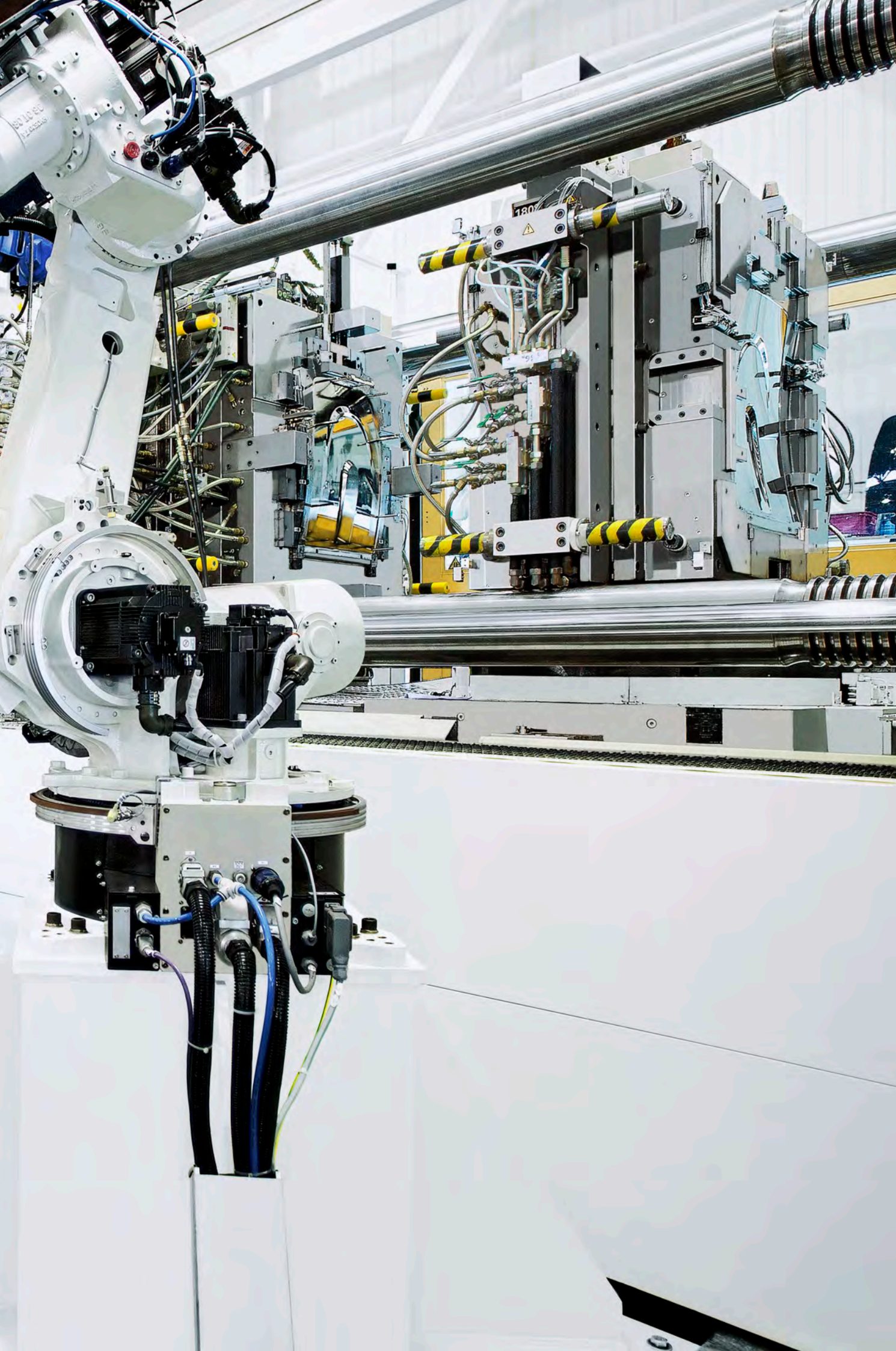




# Collaborating for sustainable solutions

SABIC's Innovative Plastics SBU works closely with global auto manufacturers to develop innovative materials that, by substituting for metal, offer designers greater scope for styling complexity while also delivering improved fuel-efficiency and substantial reductions in greenhouse gas emissions.





Statements & reports

Success stories

Business review

Our responsibilities

Financial statements

Notes to the accounts

Our companies



# Partnering for innovation





Utilizing state-of-the-art application development facilities at the Polymer Processing Development Center, SABIC engineers worked closely with key Aerospace tiers to develop a new high strength carbon fiber reinforced Ultem composite that provides a 50 percent lighter weight alternative to die cast aluminum components used in aircraft seating.







# Meeting our customer needs



SABIC works tirelessly to extend and diversify its product portfolio and accelerate the exploration of new chemical and polymer value chains to meet customers' needs. Ever closer customer relationships, consistently excellent product quality and service, and security of feedstock supply create value, drive growth and spur innovation.

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Statements & reports

Success stories

Business review

Our responsibilities

Financial statements

Notes to the accounts

Our companies

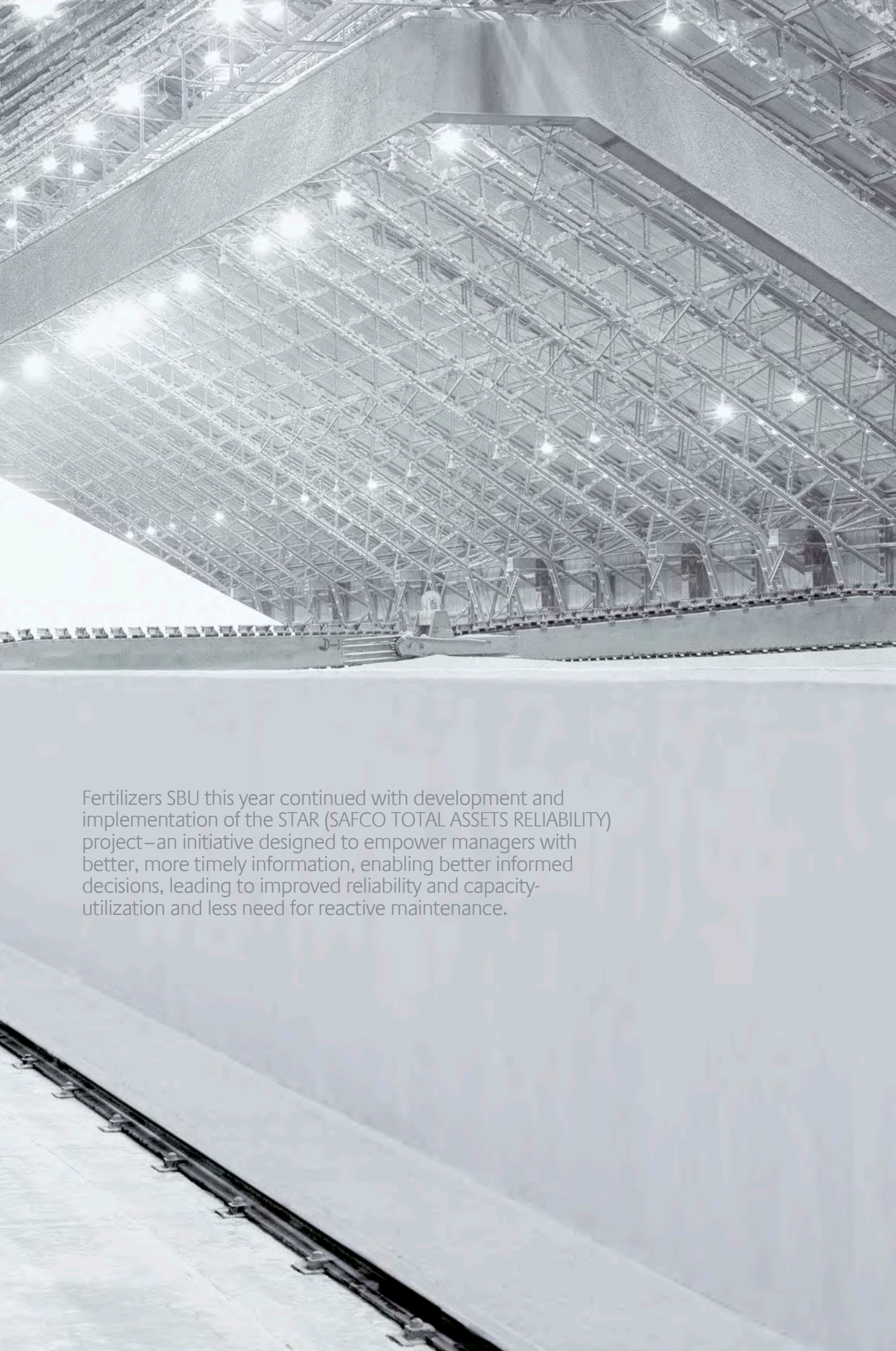




# Manufacturing excellence







Fertilizers SBU this year continued with development and implementation of the STAR (SAFCO TOTAL ASSETS RELIABILITY) project—an initiative designed to empower managers with better, more timely information, enabling better informed decisions, leading to improved reliability and capacity-utilization and less need for reactive maintenance.



# Chemicals

The Chemicals Strategic Business Unit (SBU) is SABIC's largest single unit. Starting from basic hydrocarbon feedstocks such as methane, ethane and naphtha, the Chemicals SBU manufactures the basic building blocks used to produce a wide range of other chemicals, plastics and advanced materials that are ultimately employed in the manufacture of a large number of industrial and consumer goods.

The Chemicals SBU operates through four business units:

## Olefins and Gases

Ethylene, propylene, butadiene, butene-1 and industrial gases (nitrogen, oxygen and argon).

## Aromatics and Chlor-Alkali

Benzene, styrene monomer (SM), paraxylene (PX), purified terephthalic acid (PTA), cyclohexane, ethylene dichloride (EDC), vinyl chloride monomer (VCM) and caustic soda.

## Glycols

Monoethylene glycol (MEG), diethylene glycol (DEG) and triethylene glycol (TEG).

## Oxygenates

Methanol and methyl tert-butyl ether (MTBE).

The olefins and aromatics are used in the manufacture of polyolefins and other polymers. Glycols and PTA are used to make polyester fabrics and packaging materials. Caustic soda is used in a wide range of industrial applications including paper and textile production. The oxygenates serve as solvents and to improve fuel.

## A year of solid success

2010 was a year that surpassed expectations. Despite significant global industry capacity increases—particularly in olefins—recovery in China and other emerging markets, together with an



**YANSAB, Yanbu: Saudi Arabia**  
All crackers covered derivative requirements to the maximum possible rate.

active turnaround season, kept operating rates at reasonable levels and yielded good financial results.

## Olefins and Gases

Rising oil prices, global economic recovery and internal growth in olefins consumption helped improve operating rates and margins in 2010. Even in a tight feedstock environment, all downstream requirements were met, with all crackers covering derivative requirements to the maximum possible rate, and healthy co-product prices for propylene and butadiene.

In gases, nitrogen and oxygen sales were up over 2009. The nitrogen pipeline network project between the existing Jubail I gas plant and the future plant in Jubail II was completed, and the contract for a similar pipeline for oxygen was awarded. The Mega ASU (Air Separation Unit) project with 1.3 million metric tons per year capacity of oxygen is under construction in Jubail I, and ahead of schedule, with mechanical completion expected in October 2011.

## Aromatics and Chlor-Alkali

Start-up of the aromatics unit at the Yanbu National Petrochemical Company (YANSAB) in late 2009 and the new aromatics facility in SAUDI KAYAN increased SABIC's benzene production in 2010. This extra volume, in addition to high operating rates at the aromatics

plant in the UK, reduced the amount of purchased benzene required for SABIC's captive demand. The aromatics business has been managed globally since the beginning of 2010, providing synergies within the Chemicals SBU, and coordinating requirements of the Polymers, Performance Chemicals and Innovative Plastics SBUs.

Styrene monomer production and sales exceeded expectations. Improved demand saw sales to Europe and the Indian Subcontinent exceed both plan and the previous year. SABIC continues to compete and maintain market share in all major markets.

The chlor-alkali business also saw positive results, exceeding budgeted plan production and sales figures.

## Glycols

The year saw over 1 million metric tons of new SABIC capacity starting up, divided between Al-Jubail in Saudi Arabia and Tianjin in China. This additional production was successfully placed into the market with a high degree of responsibility and without affecting margins. SABIC maintains its position as the world's largest producer of monoethylene glycol (MEG), with a total production of over 5 million metric tons globally (excluding partners' share) supplying almost 20 percent of total global demand. SABIC is doing business with most of the world's main MEG consumers, and maintains a strong position through long-term contracts. 2010 exemplified this, with several major new customers acquired, and a large proportion of sales secured via contracts going into 2011.

On-purpose diethylene glycol (DEG) production increased in 2010. SABIC successfully developed a new DEG application in the production of solar panels and also entered the European triethylene glycol distribution market.





#### SSTPC, Tianjin: China

Two new petrochemical complexes came on-stream in 2010: pictured here, the Chinese joint venture SINOPEC SABIC Tianjin Petrochemical Company (SSTPC) in Tianjin, China.

#### Oxygenates

Use of a new catalyst in the methanol plants III and IV at Saudi Methanol Company (AR-RAZI) increased yields and reduced maintenance down-time. Other highlights included the positive resolution of an antidumping case, with a preliminary determination that there was no dumping of Saudi methanol into the Chinese market.

SABIC continued acquiring new markets for MTBE in Morocco and Bulgaria, pursuant to the phase-out of lead components in

gasoline. SABIC also successfully marketed bio-MTBE, effectively creating a new market for this gasoline component which uses second-generation bio-methanol from renewable sources. This represents a significant move toward compliance with European Union targets for the use of renewable energy in transportation by 2020.

#### New production capacity

During the second half of 2009, SABIC managed commercial production of olefins, aromatics and glycols from the

Yanbu National Petrochemical Company (YANSAB) and the Eastern Petrochemical Company (SHARQ) facilities. Two new petrochemical complexes also came on-stream in 2010: the Chinese joint venture SSTPC (SINOPEC SABIC Tianjin Petrochemical Company) in Tianjin, China, and SAUDI KAYAN in Al-Jubail, Saudi Arabia. All told, these four projects boosted Chemicals SBU production by over 5 million metric tons over previous years: an increase due to rise even higher during 2011 as all new plants operate simultaneously for a full year.

# Chemicals



**SHARQ, Al-Jubail: Saudi Arabia**

During 2010 SABIC produced olefins, aromatics and glycols from its new capacities at the Eastern Petrochemical Company (SHARQ).



**YANSAB, Yanbu: Saudi Arabia**

Production from Yanbu National Petrochemical Company (YANSAB) increased SABIC's benzene production in 2010.

## Embedding technology and innovation

In addition to the introduction of the new catalyst at AR-RAZI III and the bio-MTBE outlined above, SABIC achieved other improvements by leveraging the company's technology base and further embedding a culture of innovation. The SBU is engaged in a continuous effort with SABIC's Corporate Technology and Innovation throughout the world to improve catalysts and processes. This effort provides value through improvement in competitiveness, innovation and response to business requirements.

## Strengthening the supply chain

The implementation of EMDAD solutions went live, with Chemicals Supply Chain Management (SCM) now running a truly global operation. All SBU requirements were met during the year with competitive freights and shipping capacity.

SCM initiatives and highlights during 2010 include:

Competitive freight contracts with major shipping companies. A global contracting approach helped unify the company's terms and conditions with suppliers.

Effective implementation of a logistics network modeling tool to optimize terminals and hubs, shipping methods

and routes. This both enhanced reliability and customer service levels and rationalized costs and inventories.

Established enhanced planning mechanisms to further improve SABIC's supply and demand and logistic capacity requirement plans, on an 18-month cycle.

## Sustainability

The Chemicals SBU embraced SABIC sustainability initiatives. A cross-functional team was set up to develop strategies and plans for further improvements in greenhouse gas reductions, energy efficiency, water utilization and new product development. Chemicals has a number of initiatives underway, such as process benchmarking and efficiency projects for all major processes in Europe and Saudi Arabia. In addition, the SBU is assessing ways of purifying CO<sub>2</sub> streams from its processes and using them to produce valuable chemicals such as methanol and urea. Supply Chain Management (SCM) sustainability programs were enhanced through the use of larger vessels, backhauling and by using younger, less CO<sub>2</sub>-emitting vessels and trucks.

## Preparing for tomorrow

The year 2010 provided major challenges and good results. Looking ahead, we are redesigning all activities to improve our

profitability, with a particular focus on supply chain improvement, technology and innovation, maximizing asset utilization, manufacturing reliability, and approaching the entire business on a genuinely global basis. A risk management framework has been put in place to anticipate issues that could potentially affect the company's operations and supply to world markets.

SCM developed a comprehensive Chemicals long-term strategy, including a SABTANK plan to overcome limitations at the existing KFIP export facilities in Al-Jubail and cater to SABIC's export growth.

# Performance Chemicals

Performance Chemicals is at the forefront of SABIC's increasing moves toward higher value-added chemicals and polymers. Focusing on growing industries from personal care to automotive, from building & construction to electronics, from aviation to sustainable energy, Performance Chemicals is set for rapid growth, with a target of accounting for around 10 percent of Group revenues by 2020.

Performance Chemicals SBU comprises three business units: Base Products, Functional Chemicals and Functional Polymers, each with its own distinct marketing approach, reflecting its particular products and customer base. The SBU also has a discrete "New Business Commercialization group," dedicated to identifying and capitalizing on new areas with good commercial potential.

## A year of good performance

2010 saw good progress in a number of areas: improving the performance of existing products including acetic acid (AA), isopentane (iC-5), dioctyl phthalate (DOP), 2-ethylhexanol (2EH) and linear alpha olefins (LAO); aligning the SBU's go-to-market more closely with customer requirements and the particular nature of the business; developing new customers in new markets, both geographically and in terms of market sector; increasing operating rates on key products such as AA and DOP; and achieving significant improvement in reliability at the LAO plant.

The SBU worked closely with the IBN RUSHD operations team to improve performance for AA. Re-commissioning the SABOXR reactor increased operating rates. And at SAUDI KAYAN in December, acetone, part of the phenolic chain, successfully commenced production, at an initial rate of 140 kta.



**SAUDI KAYAN, Al-Jubail: Saudi Arabia**

SAUDI KAYAN has the largest seawater cooling facilities in the Middle East and provides cooling water utility for SAUDI KAYAN plants.

## New products, new customers, new markets

Within the Oxo business, which includes 2EH and DOP, the operations team at AL-BAYRONI have helped achieve another very profitable year, especially for 2-EH – currently the best value-add to propylene feedstock in SABIC's portfolio. New customers in new markets (such as 2-EH nitrite in fuel additives) have been developed, to refocus the business away from the traditional 2-EH plasticizer markets which are experiencing stagnation. The SBU team have been able to increase operating rates at the DOP plant and add further value to 2-EH while serving increasing numbers of customers in the GCC and wider Middle East region.

## Developing sustainable substitutes

The Performance Chemicals SBU has been working closely this year with SABIC Technology and Innovation to develop environmentally friendly products that

address the limitations of existing materials. This action will open up new applications and markets and exemplify SABIC's commitment to important product sustainability needs.

## Strengthening in a key market

The LAO business turned in a net profit for the year, with a value addition to ethylene comparable to other C2-derivatives. The technology co-developed by SABIC has now been fully commercialized, and the LAO plant is running at the operating rates planned. LAO co-monomer products play an important role in supporting SABIC's global polyethylene business. The team also succeeded in gaining new customer approvals for the higher LAO cuts in the elastomer, lubricant and surfactant markets, resulting in higher prices and record profitability. Continued marketing efforts and future expansion plans are set to further strengthen SABIC's position in global LAO markets.



# Performance Chemicals



SAUDI KAYAN, Al-Jubail: Saudi Arabia

## Preparing to enter new markets

Within the ethylene oxide (EO) derivatives business, work has continued on implementing the ethoxylates and ethanolamines marketing plan in preparation for SABIC's entry into these markets in early 2012, following the SAUDI KAYAN'S plants start-up. A full sales and marketing infrastructure has been developed, reflecting ethoxylates' strategic importance to SABIC as a platform for future growth. The team is working closely with SABIC T&I to develop the resources and capability to diversify the ethoxylates product portfolio, access value-adding applications, and deliver innovative solutions to meet customer requirements.

The team this year also successfully progressed the Natural Detergent Alcohol project from concept through technology accession agreement to the start of Front End Engineering Design (FEED). Raw material for the plant, planned for SAUDI KAYAN, will come from natural, renewable, sustainably-grown sources based on palm oil from Southeast Asia. This will be further derivatized into oleochemical streams, strengthening the ethoxylates business and making new streams available in the KSA for value-addition and downstream investment.

The SBU is also working on a project to enable the addition of N-butanol to SABIC's Oxo business in 2013, which will strengthen our value proposition in key

growing markets such as acrylates for paints and coatings, where today we can offer only 2-EH.

The SBU is also working on a project which will enable the addition of Acrylonitrile (ACN), Methyl Methacrylate (MMA) and Sodium Cyanide (NaCN) to SABIC's business. For MMA, this year's focus was on acquiring a competitive and sustainable technology that would ensure strong entry in the business. Reflecting ACN's status as an area of strategic importance to SABIC and a platform for future growth, the SBU is creating a dedicated sales and marketing infrastructure.

Adding ACN to SABIC's 2014 portfolio will strengthen our value proposition in the growing functional polymer and mining markets. It will not only mark the first manufacture of these products in the Middle East, but will represent an important platform for downstream industrial development, in cooperation with the National Industrial Cluster Development Program (NICDP).

## Working in partnership

The SBU is also working on several other new projects which will enable the addition of new products such as ACN and MMA to SABIC's business. In this regard, among other things, sustainability screening will be used as a criterion to select the best technology for the company. This practice has already been implemented in the MMA project.

# Innovative Plastics

**The Innovative Plastics SBU leads the global thermoplastics industry through customer collaboration, leading-edge products and ongoing investments in new polymer and process technologies, sustainability solutions, global production capacity and state-of-the-art application development capabilities.**

The business unit offers an exceptionally broad and deep portfolio of about 40,000 thermoplastic resins, specialty compounds, film and sheet products, additives and intermediates and coatings for a broad range of industries including automotive, electronics, transportation, healthcare, lighting and building & construction.

Innovative Plastics has operations in over 35 countries worldwide, approximately 9,000 employees and more than 10,000 customers.

## Capacity expansion

In 2010, the Innovative Plastics SBU increased capacity to support key target regions and markets. A new Ultem® resin facility was opened in Cartagena, Spain, increasing Ultem resin capacity by 35 percent.

The largest greenfield polypropylene (PP) compounding plant ever built in Europe opened in Genk, Belgium, to supply automotive customers in Europe and Asia Pacific with SABIC PP compounds and SABIC STAMAX® long glass fiber-reinforced PP (LGFP) composites. Complementing this European expansion, the addition of specialty PP compounding to the Bay St. Louis, Mississippi, site is scheduled for early 2011 to supply North America's automotive sector.

## Customer collaboration

Application development with key customers is at the heart of Innovative Plastics' winning strategy. In 2010 the SBU worked with business and industry leaders

on several new breakthrough solutions.

For example, a five-year collaboration with China's Chery Automobile culminated in a new vehicle called the A3CC sports coupe, sporting front fenders molded of Noryl GTX\* resin, a Xenoy\* resin energy absorber, and an undertray molded from STAMAX LGFPP compound.

In automotive glazing, Innovative Plastics' Exatec\* business announced a collaboration with ULVAC to accelerate high-volume production of plasma-coated Lexan\* polycarbonate (PC) glazing for vehicle windows.

Innovative Plastics worked with key Aerospace tiers to co-develop carbon and glass reinforced Ultem composites for aircraft components. This tough, lightweight, high performance composite solution offers a cost competitive injection molded solution.

Another co-development project helped Japan's Nissei Eco Company Ltd. create a more sustainable wire harness insulation featuring flame-retardant Flexible Noryl\* resin, which is free of heavy metal additives.

KISSsoft, a Swiss software company, helped develop calculations for the use of LNP\* specialty compounds in gears, with a view to encouraging metal-to-plastic conversion.

#### Global events

At ChinaPlas 2010 in Guangzhou, China, the Innovative Plastics SBU spotlighted several diverse applications for the Asia market: new automotive steering wheel concepts featuring Lexan EXL resin; one-piece fiber optic connectors molded from wavelength-specific Ultem resin; and Valox\* and Lexan grades using new advanced flame retardants and recycled content.

K2010, in Düsseldorf, Germany, saw the



SABIC Innovative Plastics, Cartagena: Spain  
Innovative Plastics compounding plant.

launch of the SBU's expanded Sustainability Solutions portfolio featuring a wide range of products and technologies designed to address society's toughest environmental challenges. These range from products made from post-consumer recycled content to automotive light-weighting solutions to resins and conductive compounds for LED lighting and new ultra-high-heat Extrem\* resins.

The Aircraft Interiors Expo in Hamburg, Germany, featured innovative carbon fiber-filled Ultem resin for weight reduction in interior components. Key customer Vaupel displayed concept parts molded from Ultem resin for superior weight-out and strength advantages over aluminum.

Another key application displayed at the Aircraft Interiors Expo was an LSG SkyChef in-flight trolley. The trolley incorporated Innovative Plastics' Noryl and Ultem resins for enhanced durability, light weight, flame-smoke-toxicity (FST) performance and colorability.

#### Product and technology innovations

In building & construction, double-width, multi-wall Lexan\* Thermoclick 50mm sheet delivers very low U-values and can reduce energy consumption by up to 17 percent compared with traditional high-return, double-pane glass. It also helps cut costs, requiring only half as many panels as traditional-width configurations, reducing the need for support elements and saving labor and time.

#### New market opportunities

Innovative Plastics' materials offer performance, aesthetics, cost and sustainability benefits that are highly desirable for differentiated applications in numerous key sectors.

#### Transportation

New ultra-tough FR Lexan F6000 sheet was chosen by Plexx AS to thermoform passenger train window frames for Norwegian State Railways. This material replaces sheet molded composite for significantly improved performance and faster cycle times.

# Innovative Plastics



**SABIC Innovative Plastics BV, Bergen op Zoom:  
The Netherlands**

The Global Application Technology team's (GApT) expertise in design, tooling, molding and testing of large parts helps customers like China's Chery to launch new, lightweight applications such as front fenders molded from Noryl GTX\* resin, energy absorber in Xenoy\* resin and an undertray in STAMAX LGFP resin on their new A3CC sports coupe.

## Lighting

OSRAM used Lexan\* FXD PC resin for outstanding performance, aesthetics and safety in its new line of high-end retrofit CFL candle bulbs. Norka chose extreme-performance Lexan DMX resin for its new tubular luminaires with LEDs.

## Automotive

New advanced Noryl\* and Valox\* automotive resins help customers create

alternative power train solutions by displacing weight and increasing performance for hybrid, plug-in hybrid and battery-electric vehicles. They can also cut coefficient of thermal expansion by 20–40 percent over previous grades for increased dimensional stability and improved gap and flush management, offering designers greater freedom to create larger, high-precision body panels.

## Healthcare

Materials used in medical equipment are undergoing many changes to meet demands such as increased chemical resistance to stronger disinfectants, better ergonomics for patients and clinicians and cost reduction. A special grade of Ultem resin helped Ritter's award-winning Polyesteribox® sterilization and transport container meet tougher autoclaving and chemical cleaning



requirements. New LNP Stat-Loy\* compounds with permanent anti-static performance enabled inhalation devices whose anti-static properties help deliver repeatability of dosing and efficient dispensing, which can reduce drug costs. Valox\* V3900WX resin meets the market's growing need for housings with high impact and excellent chemical resistance combined with superior UV stabilization to optimize retention of physical properties and color.

#### Electrical/Electronics

China's Chianguy Electric selected Flexible Noryl\* resin, a halogen-free flame retardant (FR) alternative to polyvinyl chloride (PVC), to produce ultra-white, high-end charger and data cables. Three additions to the Valox ENH resin series, offering advanced non-brominated FR and outstanding mechanical and electrical performance, were launched. Such materials help customers comply with global environmental regulations. Lexan\* EFR film delivers non-brominated, non-chlorinated FR performance at thinner gauges than flame-retardant polypropylene, enabling OEMs to cut material costs and create flatter, lighter-weight notebook computers.

#### Building & Construction

High-performance, lightweight, high-impact and UV-resistant monolithic Lexan PC sheet was chosen for glazing for the Soweto Soccer City Stadium in South Africa, where the opening and closing matches of the FIFA World Cup 2010 were played. Lexan Thermoclear\* multiwall sheet was chosen for the roof glazing of the Peter Mokaba Stadium in Polokwane, another FIFA site.

#### Awards

The Hyundai Sonata's plastic door module made with STAMAX LGFP resin won a Society of Plastics Engineers Innovation Award. Lexan Exell sheet won "Best Project in Innovation" from the European



K2010, Düsseldorf, Germany  
K2010, in Düsseldorf, Germany, saw launch of the SBU's expanded Sustainability Solutions portfolio featuring a wide range of products and technologies designed to address society's toughest environmental challenges.

#### Polycarbonate Sheet Extruders.

Innovative Plastics also won two awards in Aviation Week's first annual "Suppliers' Innovation Challenge" competition.

#### Supporting customers globally

In 2010, Innovative Plastics established its Middle East and Africa business unit in Riyadh, Saudi Arabia. Globally, the company continued to provide value-added services including collaboration on design, development and commercialization of new applications; expedited provision of resin samples; on-site technical assistance with tooling and processing optimization; and custom color services through ColorXpress. Innovative Plastics also offers proactive testing and certification of its materials to comply with industry standards such as Underwriters Laboratories' ratings, helping customers cut costs and shorten time to market for new applications.

#### Sustainability

The expansion of the Sustainability Solutions portfolio further advanced Innovative Plastics' mission to help customers capitalize on business opportunities arising from the world's environmental and resource challenges. The portfolio includes more than 20 product families and hundreds of material grades. It helps customers identify



SABIC Innovative Plastics, Selkirk, New York: USA  
Colour Xpress room.

materials to address key sustainability issues, including automotive weight reduction, advanced flame retardance, incorporation of PCR content and greater energy efficiency. New PCR resins were the latest additions to a wide range of solutions including longstanding environmental successes such as Noryl GTX\* resin for tough automotive exteriors and Valox iQ\* and Xenoy iQ\* resins based on up-cycled, post consumer polyethylene terephthalate (PET).

A rigorous environmental benefits validation process, featuring a "Sustainable Product Scorecard" developed in partnership with an environmental sustainability consulting firm was introduced. Claims validated by the consulting firm using the scorecard are summarized in an Environmental Product Data Sheet, enabling customers to differentiate their products and showcase sustainability initiatives.

Innovative Plastics is actively seeking to diversify and strengthen the company's sustainability initiatives and expand the sustainability portfolio to more fully support customers' environmental efforts.

\* Trademarks of SABIC Innovative Plastics IP B.V.

Polysteribox is a trademark of Ritter GmbH.

STAMAX is a trademark of SABIC Petrochemicals B.V.



# Polymers

SABIC is one of the world's largest producers of the two most important polymers, Polyethylene (PE) and Polypropylene (PP), in addition to a regional position of others—namely PET, PVS and PS—which, along with its wide range of other high-value polymers products, provide essential materials for thousands of downstream manufacturers all over the world.

The global plastics conversion industry is worth over \$500 billion in annual sales, with the highest growth potential in markets around SABIC's largest production hub in Saudi Arabia and joint-venture plants in China.

SABIC produces and ships from facilities in Saudi Arabia, Europe, and Asia, and more are planned and under construction to supply high-growth emerging markets.

Intensive research, in conjunction with both academic institutions and converters, is ongoing, to equip the SBU to ever better meet future trends and trend drivers.

## Increasing production capacities

SABIC continued to make strategic additions to capacity during the year, through organic growth of its production assets in Saudi Arabia and Europe, and new joint-venture additions in Asia.

The previous year's start-ups at SHARQ (Eastern Petrochemical Company) and YANSAB (Yanbu National Petrochemical Company) brought much needed new supply to customers in the Middle East and Asia. SINOPEC SABIC Tianjin Petrochemical Co Ltd. (SSTPC), SABIC's new 4-million-metric-ton 50/50 joint venture with China Petroleum and Chemical Corporation, also began operation in late 2009, bringing production closer to customers in China.

2010 saw the start of production of polymers (and other products) at the



SHARQ, Al-Jubail: Saudi Arabia

The previous year's start-ups at SHARQ (Eastern Petrochemical Company) and YANSAB (Yanbu National Petrochemical Company) brought much needed new supply to customers in the Middle East and Asia.

massive new SAUDI KAYAN petrochemical complex in Al-Jubail, and the commissioning of the new 400,000-metric-ton LDPE plant at Wilton in the UK, aimed primarily to meet the needs of SABIC's European customers.

## Extending sales and support

SABIC opened a number of new sales and service offices during 2010 to get closer to its customers and enable better support in regions where demand for its polymers and other products is increasing.

A new office opened in South Africa's Cape Town during the third quarter, complementing the Durban storage and distribution center, strengthening existing business relationships, and expanding sales and services to new customers in the south and throughout Sub-Saharan Africa, a region with good growth potential. The company also inaugurated its Morocco office in Rabat during the last quarter of 2010.

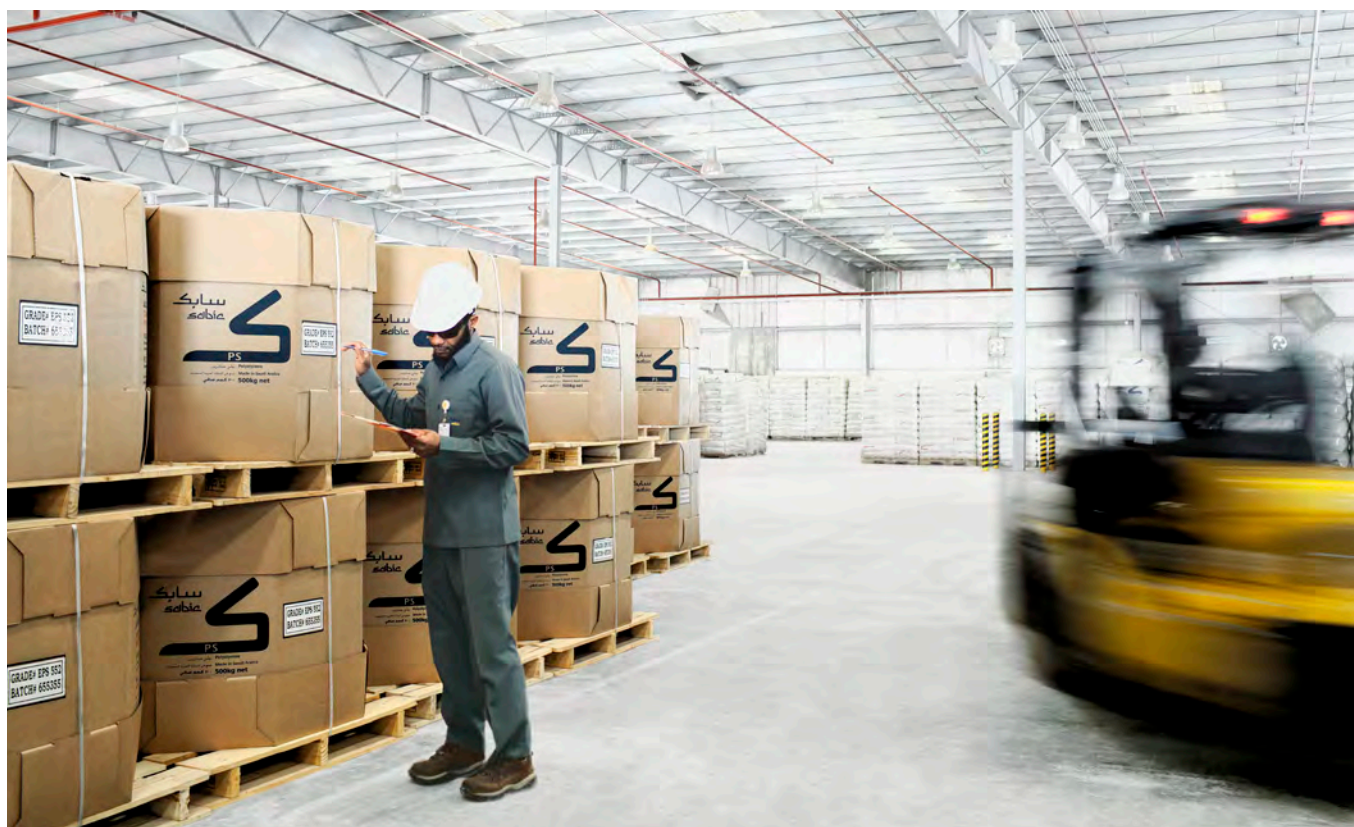
## Sales Excellence

The Polymers Strategic Business Unit (SBU) created a Sales Excellence department in 2010 with a mission to improve the skills of SABIC Polymer sales people; to uniform and streamline sales processes; and to measure and improve customer satisfaction.

Sales Excellence also developed Quick Polymers, a cash-and-carry concept for the company's small warehouse customers. The customer can walk in any of the company's warehouses in Riyadh, Jeddah, or Dammam—where common polymer grades are stocked—and make spot purchases with an electronic payment transaction.

## Research and innovation

Ongoing research helps to enhance the product portfolio and supports growth of downstream industries. Continuing investment in technology, collaboration, talent management and sustainability



#### Polymers Warehouse, Riyadh: Saudi Arabia

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projects supports SABIC's long-term growth strategy. Much of the laboratory capability in SABIC's worldwide network of Technical and Application Centers is devoted to polymers research and innovation. SABIC also works closely with customers in product development, as well as with academic institutions in Saudi Arabia and elsewhere.

The company established a "SABIC Chair" in polymer catalysis at King Abdullah University of Science and Technology (KAUST), as well as building its flagship SABIC Center for Research and Innovation

in KAUST's Research Park. SABIC also signed contracts for building of the new SABIC Plastics Application Development Center (SPADC) at King Saud University's Riyadh Techno Valley research complex. The facility will be the largest of its kind in the Middle East, and will help local customers design and manufacture new products not currently made in the Middle East countries, and support the growth of polymers downstream industries in Saudi Arabia and the Gulf Region.

SABIC also this year signed contracts for a new Technology and Innovation Center in

Shanghai, alongside its new Greater China Headquarters. The 41,000 m<sup>2</sup> Center will focus on advanced materials and emerging applications in the Asia Pacific region, and provide technical support to local Chinese and international customers.

#### New products launched

A number of breakthrough solutions in key polymers product areas emerged during 2010, including:

SABIC PP Flowpact Copolymers. The new grades reduce cycle times and energy costs, and increase down-gauging possibilities:

# Polymers



**SABIC Technology Center, Riyadh: Saudi Arabia**  
Ongoing research develops new applications, improves performance, reduces cost, helps increase sales and grows downstream industries.

a good example of SABIC's strategy of creating high added value products to complement core commodity materials.

SABIC LD/LLDPE. Combined-concept, multi-layer film materials which offer converters cost savings, improved down-gauging opportunities and higher speed processing with lower energy consumption.

SABIC PP Qrystal. A highly transparent polypropylene random copolymer with good antistatic properties that lets converters offer new levels of optical performance while cutting production energy costs.

SABIC® Vestolen A Rely. A new family of tough, sustainable and cost-effective bimodal HDPE materials for pressure pipe applications. The introduction of this material was accompanied by the presentation of a new strain-hardening test for evaluating slow crack growth resistance behavior of HDPE. The new test was developed by SABIC.

SABIC LDPE Ultra Melt Strength. Lower density foam applications which maintain mechanical properties while also improving thermal performance.

SABIC HDPE Bimodal for film extrusions. Responding to industry demands for improved mechanical properties,

processing advantages on new machines and good bubble stability for high speed machines.

SABIC HDPE Industrial Container Product range. Combining very high impact and rigidity with excellent processing performance and optimal resistance to stress cracks and chemicals.

During the year SABIC also launched its polyethylene terephthalate tape fabric, developed jointly with Starlinger and Co. GmbH, which dramatically cuts the material input required while retaining PET's high-quality chemical and physical characteristics.

## Sustainability strategy

The SBU provides a variety of materials that reduce energy use and environmental impact at various places in the value chain. The SBU provides customers with materials that allow them to make lighter, thinner and stronger plastic products to support a more sustainable economy. Polymers has integrated sustainability thinking into its overall strategy. Polymers SBU seeks to address the critical environment issues of our industry with innovations that will drive growth for our customers and our business.

# Fertilizers

**SABIC's Fertilizers SBU supplies a comprehensive portfolio of fertilizers such as urea, ammonia, phosphate, compound and liquid from its three affiliates: Saudi Arabian Fertilizers Company (SAFCO), the Al-Jubail Fertilizer Company (AL-BAYRONI) and National Chemical Fertilizer Company (IBN AL-BAYTAR). The SBU has built its capabilities over the years to the point where it is now one of the industry's global leaders, particularly in nitrogen. Total production this year has exceeded 6.5 million tons.**

## 2010: challenges, innovations and milestones

With marketing operations in over 20 countries worldwide, the SBU is committed to continually improving its ability to anticipate and meet customer requirements. In 2010 its new e-commerce portal was launched, to enable easier monitoring of orders and related documents for domestic customers.

The SBU is now the world's leading exporter of granular urea, with a strong presence in key markets such as the Indian subcontinent, Southeast Asia, North America, Oceania and South Africa. Following deep recession in 2009, the market recovered well in 2010, and the SBU achieved good sales figures despite significant new capacity hitting the market, and stiff competition from global peers.

A significant milestone was reached this year in ammonia, with one million tons in sales, reflecting many years' effort delivering excellent service and building strong customer relationships. Significant increases in swap sales helped reduce logistics costs while meeting customers' demands for on time delivery.

The SBU successfully overcame global raw materials supply challenges to meet local



farmers' requirements in diammonium phosphate and compound fertilizers.

Demand in Asia is expected to increase significantly over the next few years: the SBU has begun implementing medium and long-term plans to increase production and marketing capacities in nitrogen, phosphate and compound based fertilizers.

In South Africa, an office was opened this year to support local sales and marketing and provide a base for future growth elsewhere in Africa, particularly East Africa where phosphates are viewed as offering great sales potential.

#### New products and technologies

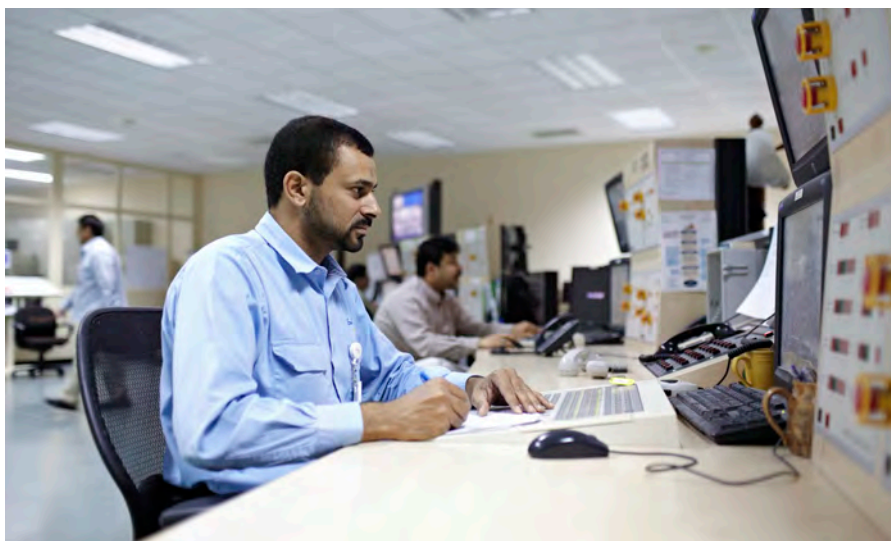
In line with SABIC's sustainability commitments, Fertilizers SBU has an ongoing project to produce Technical Grade Urea (TGU), which will reduce emissions from various industrial applications such as diesel trucks and power plant stacks.

Society depends on expanded agricultural production and fertilizers are a key aspect of this sustainability need. Efforts are underway to develop a wide variety of granular NPK products, for both local and international export markets. State-of-the-art product formulation, NPK granulation plant upgrades and a fully integrated supply chain should help SABIC become the answer to every farmer's fertilizer needs, in the region and beyond.

#### Environmental improvement

The SBU this year continued improving performance in energy, steam and potable water consumption, achieving overall year on year savings of 5 percent.

Ammonia and Urea dust emission project was commissioned to reduce liquid and solid waste emissions from urea plant, and recover ammonium sulfate, a valuable fertilizer, whereby enhances the SBU's manufacturing environmental compliance.



#### SAFCO, Al-Jubail: Saudi Arabia

The SBU continued the development and implementation of the STAR (SAFCO TOTAL ASSETS RELIABILITY) project in its affiliate, an initiative designed to enable better informed plant management decisions leading to improved reliability and capacity-utilization and a reduced need for reactive maintenance.

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Fertilizers SBU also has a strong program to reduce the environmental footprint in operations by embarking on a new stand-alone urea plant in SAFCO complex. The new urea plant will greatly reduce the GHG and Water intensities from present levels by 2014.

The year saw efforts continue, in collaboration with the Saudi Arabian Ministry of Agriculture, to reduce the Red Palm Weevil's threat to the region's date palm trees, in what is emerging as a major threat to their future not only in Saudi

Arabia but throughout the world.

Trials are planned to investigate the use of X-ray and acoustic techniques for early detection of the weevils.

#### Customer satisfaction survey

The SBU this year undertook a Net Promoter Score (NPS) survey, in order to gauge customers' perceptions of how well we service them, measuring customer loyalty and satisfaction. An independent third party organization was appointed to carry out the survey, to assure an expert and unbiased result. A high percentage NPS was achieved, reflecting high levels of satisfaction in the quality of our products, our delivery capabilities and our general ability to meet customers' expectations.

#### Awards

AQIS (Australian Quarantine and Inspection Services) this year awarded our plants their

# Fertilizers



**SAFCO, Al-Jubail: Saudi Arabia**

FSBU also has a strong program to reduce its environmental footprint in operations by embarking on a new stand-alone urea plant in SAFCO complex.

Level 1 Gold System Status, in recognition of its industry best practice systems.

Our affiliate SAFCO/IBN AL-BAYTAR came second runner-up among 29 applications from around the world, in the International Fertilizer Association (IFA)'s Green Leaf Award for safety, health and environmental excellence in fertilizer production.

## Joint venture

A joint venture with Saudi Arabian Mining Company (Ma'aden) to tap growing worldwide demands for phosphate and ammonia fertilizers was launched. A joint venture company, Ma'aden Phosphate Company, was created, with SABIC and Ma'aden holding stakes of 30 percent and 70 percent respectively. Construction is about to complete, and start-up is scheduled for 2011, with eventual production estimated at 2.9 million tons of phosphate fertilizers and 1.1 million tons of ammonia.

# Metals

**SABIC's Metals SBU encompasses wholly-owned affiliate, Saudi Iron and Steel Company (HADEED), SABIC's interest in the Aluminum Bahrain (ALBA) joint venture, and the Gulf Aluminum Rolling Mill Company (GARMCO), also in Bahrain.**

The SBU leads the Gulf region in steel production, manufacturing long and flat steel products used by many downstream industries. Long steel is used mostly in the construction industry, in the form of rebar and wire rods; flat steel is used in products such as steel pipes, panels, oil drums, car parts and many household appliances. The company's products play a key role in the economic and infrastructure development of the Gulf Region, and are shipped to customers in over 30 countries around the world.

## Expanding production

HADEED Long Product Expansion project in Al-Jubail aims to increase long product capacity by 700,000 tons per year and reduce billets imports by 300,000 tons per year.

A debottlenecking project at DRI Production Module "D" is aiming to identify and solve productivity problems, enabling production increases of around 250,000 tons a year.

Metals SBU will continue its evaluation for all attractive investment opportunities to expand horizontally and vertically to achieve additional competitive edge.

## Progress through innovation

Technology and Innovation (T&I) continued to focus metals-related research work on process improvement and product development, with over 25 projects during 2010.

One example brought development of high strength, high toughness API X70 line pipe steels of up to 16mm thickness, tested and approved for critical applications such as gas pipelines. Another at a steel

plant used computer simulations and plant trials to both extend tundish life 25 percent and boost annual production by around 15,000 tons.

SBU staff and HADEED engineers attended seven workshops and training courses, along with representatives from customers. T&I also expanded its research capabilities through external networking, for example signing a collaboration agreement with the Center for Iron and Steel Making Research at Carnegie Mellon University, USA.

Metals' Innovation Group, launched in November 2009, made good progress, including an innovation workshop in March, the first of its kind under 1 SABIC, setting a precedent for future 1 SABIC initiatives. An innovation workflow was designed and implemented, to enable the processing, filtering and maturing of ideas in support of the SBU's strategy; and an innovation road map designed, to plot all activities necessary for a robust, ongoing innovation system within Metals.

## The year in Long Product

Despite falling prices on world markets and imports by competitors, SABIC this year maintained both its premium prices and market share.

Marketing initiatives included advertising campaigns stressing SABIC's credentials as a high quality producer and mainstay of the Saudi economy, and an "open day" at which we strengthened our customer relationships and gained valuable feedback to support our continuous improvement.

Saudi Arabian distribution channels were expanded to help meet increasing demand for rebar, particularly in cities, where supply can be problematic. The SBU also supported government projects by selling directly to contractors to ensure continuity of major infrastructure projects in the Kingdom, doubling 2009 sales.

Additionally, Metals SBU marketed



# Technology and Innovation

"Sludge," setting new records for by-product sales.

## The year in Flat Product

The SBU's share of the pre-painted galvanized steel market rose by over 27 percent compared to 2009. A new Make-To-Stock strategy for common market sizes reduced delivery times, increasing customer satisfaction.

Specialty Sales Management made the first ever local market sales of API Sour application—the first Saudi Aramco project supplied, opening the door for more.

A quantity of 20KMT of Sour application material has been sold in the export market. A detailed planning material structure was created to help optimize flat steel production in relation to market requirements and production constraints, leading to an 80 percent drop in unneeded products compared with 2009.

## Technology Management

Technology Management took part in a variety of workshops, seminars and conferences during the year.

Efforts continued to proactively identify and resolve customer problems, including on-site visits and use of an automated Customer Complaint Management System, which successfully resolved 93.3 percent of all technical complaints. Technology Management also undertook a customer inquiry evaluation process designed to use feedback to improve production, quality, and ultimately customer satisfaction.

A modified straightened rebar testing and certification system was launched, to reduce re-testing lead times, both cutting costs and improving availability to customers.

A Net Promoter Score customer satisfaction survey saw a 35 percent score, 5 percent above target.

As a Climate Action Member of the World



**HADEED, Al-Jubail: Saudi Arabia**

HADEED Long Product Expansion project aims to increase long product capacity by 700,000 tons per year.

Steel Association, HADEED is systematically recording its environmental impact as part of a program aiming to monitor for emissions with steel makers around the world.

Life Cycle Analysis carried out by Technology Management along with the SABIC Technical Centers at Bangalore and Al-Jubail has established HADEED's carbon footprint, overall and at each process step. The results, compared to similar facilities using the leading alternative production process, show HADEED to be significantly lower in carbon emissions. Technology Management also presented a paper on "Need to Market Low CO<sub>2</sub> Steel Product" at the SBB Steel Markets Middle East 2010 Seminar in Dubai, with the aim to start the dialogue between the customer and producers of steel in the Middle East around sustainability.

All 2011 business projects currently being pursued have been assessed to determine their sustainability and business impact, in order to integrate sustainability principles into business decisions.

Technology Management took part in the Direct Reduction Technology seminar organized by Midrex, helping us stay abreast of the latest technological developments.

Two new steel grades are being studied for development and are slated for commercial production by beginning of 2012.

**Creativity and technical innovation are vital assets in an increasingly competitive market environment. Developing new technologies, processes and products is key to SABIC's business strategies, manufacturing capabilities and profitability.**

Technology and Innovation (T&I) continued in 2010 to focus its programs both on process improvement and product development, serving SABIC's SBUs: Chemicals, Performance Chemicals, Polymers, Innovative Plastics, Fertilizers and Metals.

We continued to develop our new brand for innovation: "Innovate how we innovate." An innovation process encompassing idea capturing, refinement, prioritization and implementation helped bring the brand to life, and ideation workshops generated over 700 ideas, the best of which will be utilized to program SABIC research for 2011.

Our Corporate R&D program works to develop breakthrough technologies with commercial potential. We this year established a new chair for polymer catalysis research at King Abdullah University for Science & Technology, adding to the three chairs already sponsored, for research in polymers, catalysis and corrosion at King Saud University, King Abdulaziz University and King Fahd University of Petroleum & Minerals respectively. A concurrent Innovation Fund backing internal technology development looks to help build a portfolio of technology and business model options with long-term strategic business potential for current and possible new SBUs.

## Sustainability for competitive advantage

Major corporations have recognized the need to integrate sustainability into the heart of innovation. SABIC is assessing

# Technology and Innovation

innovation sustainability through Life Cycle Analysis from raw materials through manufacturing, to use, to end-of-life. For one example, extensive Life Cycle Analysis for the HADEED Iron and Steel making process has helped achieve carbon emissions 55 percent lower than those associated with the process currently standard in the global steel industry.

## A global community

T&I is a community of more than 1,400 people worldwide, working at over 15 locations as one virtual network. This network currently contains eight “Communities of Excellence” linked up to optimize SABIC’s resources throughout the global organization.

To add to the existing network of SBU legacy SABIC Technology Centers, SABIC has created four new Group Centers globally. A new Plastics Application Development Center is under construction in Riyadh, and due to open in 2012. The Center will develop specialty and advanced plastics applications for automotive, tires, accessories, electronic devices, household appliances, fiber and packaging materials, pipes, medical devices, and other applications to meet a variety of industrial and consumer needs. A new SABIC Center for Research and Innovation at King Abdullah University for Science and Technology will recruit over 150 scientists to work in various research fields such as renewable feedstock. Two further new Technology Centers in Bangalore and Shanghai mark SABIC’s commitment to drawing on, combining and building expertise in two of its most important future growth markets.

## Chemicals

Invented a proprietary catalyst to produce benzene from light naphtha: a significant national breakthrough, enabling Saudi light naphtha to be turned into a valued



SABIC Technology Center, Houston, Texas: USA  
Research investigations lead to new products and process improvements.

feedstock. The catalyst is also more resistant to sulfur poisoning.

Continues to support the business by recommending the best catalysts for SABIC plants. Recommendations made this year for methanol, ethylene glycol and styrene plants.

## Performance Chemicals

Developed a new catalyst for one step production of acrylic acid from propane. The catalyst is being scaled up for commercialization.

Construction of the ethoxylates pilot plant began this year, with a view to supporting premarket of a wide range of products prior to the SAUDI KAYAN start-up.

## Polymers

Developed PET woven-tape fabric with many potential applications—large and small sacks, geotextiles, carpet backing, flex signage and composites, with 30 percent cost savings over existing woven multi-filament PET fabrics.

Two advanced HDPE pipe grades (part of the new SABIC Vestolen-A RELY family) were also developed, based on SABIC proprietary catalyst technology. This new standard for HDPE high-pressure pipe applications offers converters considerable energy savings and enables environmentally responsible pipe installation. The launch is supported by the introduction of SABIC’s revolutionary new Strain Hardening method: a rapid, cost-efficient and highly accurate way to gauge HDPE’s slow crack growth resistance.

New Bimodal HDPE Film grade (F11157) was developed to serve a new segment. The new product will add value in terms of better mechanical properties (puncture and tear), processing advantages on new machines and bubble stability.

An LDPE Ultra-High Melt strength foam grade was developed, enabling the density of foam applications to be lowered considerably while maintaining mechanical properties and improving thermal performance.

# Supply Chain (EMDAD)



SABIC Innovative Plastics, Pittsfield, Massachusetts: USA  
Product testing facility.



SABIC Innovative Plastics, Bangalore: India  
Research and development in India's important growth market.

SABIC also introduced three new Polypropylene grades PP511A, PP519A and PP524K, for non-woven spun-bond applications, high speed (high stretching rate) non-woven spun-bond application (soft fabric), and BOPP film application respectively.

T&I works constantly to improve productivity, as for example in modifying the LLDPE catalyst used at KEMYA, boosting downstream production by 32,000 tons a year. For another example, improved formulation for the HDPE catalyst at SHARQ-II increased annual HDPE production by at least 33,000 tons a year.

## Innovative Plastics

Started up the new 5,000 metric-ton Ultem polyetherimide plant in Cartagena, Spain, increasing global Ultem resin capacity by 35 percent. Benefits of the new flexible process used in this plant include enabling the use of alternative monomers to manufacture Extem thermoplastic polyimides capable of glass transition temperatures of up to 280°C, as against 220°C for Ultem.

Commercialized ~4 micron thick Ultem film in the manufacture of power capacitors. Ultem brings performance at higher temperatures and good electrical properties to this application. Another important new application development is long glass and carbon fiber composites

for aircraft interiors utilizing Ultem, offering low heat release and low smoke and toxic gas generation.

About 10 new products were added to the Lexan HFD product line, a resin family offering improved flow/ductility balance over conventional polycarbonate. Potential commercial targets in a wide range of applications have been identified. A successful manufacturing trial for Lexan CFR, a new co-polycarbonate resin with improved eco-FR capability, was completed, and sampling to LED applications has begun.

## Metals

Developed high strength and toughness API X70 line pipe steels with thicknesses up to 16mm. The steels have passed the stringent API Drop Weight Tear Test required for critical applications such as gas transmission pipelines.

Research involving computer simulations and plant trials led to a 25 percent increase in tundish life as well as boosting production by around 15,000 tons a year.

## Materials & Corrosion

Over one hundred research studies aiming to avoid failures and unplanned shutdowns were completed, covering various areas such as metallurgical failure analysis and corrosion research, offering potential savings.

2010 saw SABIC's EMDAD Supply Chain project transition into full scale implementation and delivery mode. SABIC's vision of a leading supply chain began to become reality in the form of a series of integrated solutions providing advanced capabilities in business processes, information systems and logistics infrastructure. EMDAD is delivering real value for SABIC and its customers with enhanced planning, service excellence and efficient execution at every step of the supply chain, from manufacturing to delivery.

## Transforming customer service

Customer service excellence is a core pillar of the EMDAD vision and strategic blueprint. Better planning and informed decision-making based on accurate, timely and transparent information ensures that the right product is in the right location at the right time.

The latest in technology provides full inventory visibility, real-time order confirmation, track and trace and all the benefits of a leading e-commerce solution. From the moment a bar-code goes on a package, EMDAD's systems track inventory and match it with delivery requirements and logistic capabilities. A communication hub offers service providers interactive information flows to empower planning and enhance reliability. This end-to-end visibility lets SABIC commit to delivery dates at the time of order and ensures that product can be tracked at every step of its journey from the plant gates to the customer's. An e-commerce portal lets customers access relevant data from SABIC's systems, providing order management capability, comprehensive product information and financial transaction details.

## Enhancing transportation

SABIC transports about 60 million metric



# Supply Chain (EMDAD)



European Headquarters, Sittard: The Netherlands  
Customer service excellence is a core pillar of the EMDAD vision and strategic blueprint.

tons of product every year. A critical element of the SABIC supply chain is the Al-Jubail and Yanbu Export Corridors. In 2010, EMDAD completed a number of key activities with a view to ensuring appropriate infrastructure:

Supported reactivation of Al-Jubail Commercial Port, where the port operator has installed high capacity cranes allowing for higher throughput and substantially reduced lead times compared with the current operations through Dammam; and prepared for final implementation of new portside logistics facilities, barcoding and truck terminals.

Implemented an Export Management Group (EMG) and logistics operations pilot for Fertilizers SBU in preparation for roll-out to all SBUs.

Introduced advanced network modeling to determine optimal locations for distribution hubs and inventory to maximize service levels and rationalize costs.

## Empowering decision-making

Accurate and timely information is key to making the right decisions. Whether determining the viability of investment in new infrastructure or making informed sales and marketing decisions, SABIC's new business intelligence capability combines transparent visibility with sophisticated reporting tools and globally integrated data to optimize decision-making.

## Safety, security and sustainability

EMDAD also delivers benefits beyond the core supply chain to substantially improve environment, health, safety, security and sustainability for local communities:

Logistics changes will mean fewer trucks, reducing emissions, accidents and congestion between Al-Jubail and Dammam, and between Yanbu and Jeddah.

Larger vessels and better decision-making will optimize utilization, reducing the carbon impact of global transportation.

The latest logistic facilities and transportation routing help improve safety, for both employees and the community at large.

## Transformational change

Delivering EMDAD demands a step change in employee skills and capabilities. From the outset, EMDAD in cooperation with SABIC Learning has implemented an active change management program of communication, training and skill building. Over 29,000 man-hours of training have gone into supporting a smooth transition to the operations of tomorrow.

EMDAD is now taking SABIC and its operations to the next level of Supply Chain Excellence. Transforming EMDAD from vision into reality has established capabilities that will transform SABIC itself for the journey ahead. The EMDAD project, due for completion in 2012, will leave a potent legacy of world leading processes, systems, infrastructure and technology, to enable growth for today and well into the future.



# Our people

SABIC has a long and proud tradition of investing in, developing and looking after its people. We work hard to find the people we need. We recognize our responsibilities to the societies and communities in which we work, and know that their interests as well as ours are served by our finding, and making best use of, the right people.

Our worldwide family of 33,000 employees has weathered major economic storms over recent years with a resolute commitment and calm professionalism which have served us well. We are confident that those same qualities will continue to stand us in good stead in the coming years.

## Working in partnership

We work closely with universities throughout Saudi Arabia and globally to provide opportunities for talented individuals who can help us build an ever stronger, more innovative organization.

Once we've found them, we work hard to develop them; investing to help them develop their full potential is good for both them and us. And we take the broad view: global and far into the future, using a variety of mechanisms, formal and informal, to move skills around the world, so we always have the capabilities we need when and where we need them.

Our Human Resources approach and team has become truly global: a seamless worldwide resource with a global mindset. As we move toward the SABIC 2020 vision, the HR team is focused on developing leaders and employees, engaging all employees to their full potential, and ensuring a strong pipeline of future talent across the globe.

## Strong employee brand globally

We think, and act, globally.

As a global organization, it is important that we take a broad view, and use the latest and best technology to gain a



SSTPC, Tianjin: China

seamless, transparent overview of the resources we have available at any given time, cross-referencing them against the strategic challenges that lie ahead. Such a proactive, broad-based approach helps ensure that we have the skills we need in place by the time they are needed.

We recognize that, in today's ever more open business environment, talent is in great demand—and ever more aware of the opportunities available to them. We strive to offer the career opportunities, challenge, pay and benefits, and development that people would expect from a world-class company so that we can truly be recognized globally as an “employer of choice.”

For the second time, SABIC has been named Top Employer in the Netherlands by CRF—an independent international company that conducts research into best business practice. SABIC has also been recognized as a third party Top Employer in Greater China.

## Opportunities for global career growth

Today's successful employee is very often a “world citizen,” whose career plans take periods living in different countries around the world as a given. We operate numerous programs to support mobility for our employees and their families.

We also offer opportunities and paths to grow, with multiple career lines



European Headquarters, Sittard: The Netherlands

introduced in 2010. A business-wide technical career path was launched through Technology and Innovation (T&I) in 2010, providing recognition and career progression opportunities for our leaders in technical innovation across the company. Similar models exist in manufacturing in the Americas, Asia and Europe with plans to fully globalize in manufacturing and other functions in 2011. Manufacturing Technical Career Plan (MTCP) platform offers career paths for individual contributors in Asia. MTCP provides a career path also for those individual contributors who work in Manufacturing.

## Finding talent

SABIC takes a proactive approach to finding the talent it will need for its future.

In Saudi Arabia, SABIC was a prominent participant in the Career Day organized by the King Abdullah University of Science and Technology, the 27th Annual Career Day at the King Fahd University of Petroleum and Minerals, and the Career Day at Taibah University in Madinah.

All around the world, we have established solid relationships with the schools who produce the best talent needed for the future.

## A learning culture

SABIC has established itself as “a learning organization.” Developing people, developing skills, is key not only to the future of the company but of the society

# Our people



SABIC Innovative Plastics, Selkirk, New York: USA



SABIC Innovative Plastics, Cartagena: Spain

of which it is part. With the future never certain—other than that hydrocarbon reserves are ultimately finite—there is a widespread awareness that its future lies in that of our human resources.

SABIC has for many years engaged closely with the universities in the Kingdom and around the world, both by building and sponsoring facilities and chairs and by partnering in research and technology.

For just the latest example, this year saw the creation of a new state-of-the-art learning center on SABIC's Riyadh HQ campus, and a new chair for polymer catalysis research at King Abdullah University for Science & Technology. These add to ongoing sponsorship for a number of existing chairs such as those for research in polymers, catalysis and corrosion at King Saud University, King Abdulaziz University and King Fahd University of Petroleum & Minerals respectively.



SSTPC, Tianjin: China



SAFCO, Al-Jubail: Saudi Arabia

# Corporate Social Responsibility

**SABIC has always been open and transparent about the values it holds and how it lives by them.**

We are committed to treating our employees and all other stakeholders with respect, as well as the communities and societies in which we live and work, and in minimizing our impact on the environment, for the benefit of current and future generations.

We have always considered our reputation as integral to our mission in society. Being—and being recognized to be—a force for good, in the broadest sense, is no less important to us than any other measures by which we are judged.

## Many cultures, one set of values

No organization can be considered socially responsible that fails to treat all stakeholders, inside or outside the company, ethically and in a responsible manner, and to uphold the highest global standards in everything they do, and how.

It is important, however, to recognize that values and culture are two different things. As a global company, we at SABIC understand the importance of being alert to cultural nuance. What is considered polite in one society may be seen as rude in another. Putting values to work in day to day behavior can be challenging.

Nevertheless, our standards—our core values—are clear and unequivocal. Wherever we operate, we recognize our obligation to:

Improve the quality of life for our employees and their families, for our stakeholders and for society at large.

Support the sustainable use of energy, materials and natural resources.

Focus the efforts of all SABIC companies on key issues where we can make a difference in each society.

What is more, when we say “our,” we mean collectively and individually. Everyone working for—or with—SABIC, from the board and senior executive team to plant employees and contractors, shares a responsibility to ensure that we live up to the values we espouse; that the company is socially responsible in everything it does.

#### The year in education

In 2010, SABIC supported numerous educational programs and initiatives in the Kingdom, such as:

SR 50 million financial support toward construction of the new Prince Salman Oasis for Sciences.

SR 563 million support to the Research Center at King Abdullah University of Science and Technology.

SR 45 million support to the Rehabilitation of Autism Research program (House of Autism) at the Research Center, King Faisal Specialist Hospital. This is an ambitious national genetics program, seeking to identify the gene responsible for autism.

SR 375 million for the establishment of SABIC Plastics Applications Development Center at Riyadh Technology Valley, jointly with King Saud University.

SABIC school bag program at SR 200,000. More than 2000 male and female students have benefited from this program.

SABIC around the world also engaged in a variety of educational programs and initiatives:

#### Bring to life

SABIC Innovative Plastics headquarters in Pittsfield, Massachusetts, donated over US\$100,000 to public schools and enrichment funds to “bring to life” creative ideas in the areas of science, technology, engineering, and math.

#### Discover Science

Mount Vernon, Indiana site conducted



**SABIC Innovative Plastics, Cartagena: Spain**  
Since opening its new plant in Cartagena, SABIC has been supporting The Custodian Association of the Disabled.

a program where volunteers visited schools and educated and entertained students with live demonstrations and experiments on acids/bases, chemical reactions, polymers, cryogenics and pyrotechnics.

#### Youth & Chemistry in Europe

Launched 15 years ago, this initiative aims to introduce youngsters to chemistry in a playful way. We maintained our support this year, with special site tours and gadgets for the kids.

#### First Lego League

SABIC Bergen op Zoom site in the Netherlands sponsors First Lego League, bringing science and technology closer to school children. Around 30 SABIC employees coached 15 teams from local high schools, two of which took 1st and 2nd place at the regional final in November.

#### Young SABIC Professionals

February 2010 saw the launch of SABIC Professionals Bergen op Zoom, aiming

to support young professionals' introduction to and professional development within SABIC, and help them build a social network.

#### Children Challenging Industry

Three CCI events saw around 70 young students come to SABIC's Wilton, UK site on a half day visit: furthering SABIC's effort to engage with local schools, encourage children to consider science as a study option, and showcase SABIC as a future local preferred employer.

#### Student Scholarship Program

The program's fourth year saw around 88 young Saudis studying various engineering and business degree courses in the UK. Complemented by the offer of 4–6 week internships in SABIC companies within Saudi Arabia, the program supports SABIC's future sustainability.

#### Education Liaison Group

The group continued to engage with local schools and colleges, both spreading



# Corporate Social Responsibility



**Beach, Al-Jubail: Saudi Arabia**  
SABIC affiliate IBN ZAHR employees and family members prepare for beach clean-up.

awareness of SABIC and encouraging student takeup of STEM subjects (Science, Technology, Engineering and Mathematics).

## **SABIC National Drug Prevention Initiative**

The SABIC Drug Prevention Initiative aims to counter drug abuse among the young. The National Program for the Prevention of Drugs, designed in partnership with the National Committee for Narcotics Control, benefits from SR 50 million of support from SABIC toward the costs of its planned five-year lifespan.

The program aims both to educate the young directly on the dangers of drugs, and to support the efforts of parents, teachers and other community members in combating drug abuse and contributing to anti-drug programs.

A ceremony to launch the program will take place during the first quarter of 2011, and will be attended by Prince Nayef bin Abdulaziz, Second Deputy Prime Minister and Interior Minister, Chairman of the National Committee for Narcotics Control.

## **Volunteering**

### **The Americas**

SABIC Innovative Plastics' largest site, at Mount Vernon, Indiana, celebrated its 50th anniversary by conducting 60 additional volunteer projects over and above its usual volunteering program, resulting in a year total exceeding



**SABIC Innovative Plastics, Mount Vernon, Indiana: USA**  
SABIC Innovative Plastics' largest site, at Mount Vernon, Indiana, celebrated its 50th anniversary.

1300 volunteer hours.

SABIC in the Americas undertook a wide range of volunteer activities and events: helping the needy, cleaning up rivers and lakes, building and repairing community centers and much more. Volunteers in Chile supported local earthquake victims, while, in Mexico, donations of food, clothing and water were made to victims of flooding in Veracruz and Chiapas.

### **Korea**

Seventeen volunteers from the Seoul office partnered with Habitat (an international organization that builds houses for homeless people) for a one-day activity to build shelters. SABIC volunteers worked with the Red Cross, distributing coal briquettes and organizing a Kimchi Day, bringing fuel and Korea's staple food to the needy.

### **India**

SABIC and its employees in Gurgaon, northern India, through matched donations, provided an Uninterrupted Power Supply to

Janata Rehabilitation Training Center, to overcome frequent power failures. In another initiative, SABIC employees in Vadodara, along with volunteers from Friends Society, organized a one-day sports event for children with special needs.

### **China**

Employees of the SABIC plant in Nansha cheered on their plant manager as she joined the torch relay at the 16th Asian Games, exemplifying SABIC's support for sporting events worldwide.

### **The Netherlands**

All SABIC volunteering, sponsoring and "Helpende Hand" initiatives were integrated into one—SABIC HELPS: a coordinated effort to extend our contribution to our community and promote SABIC as an "engaged" member of that community. At a "Luchtballon" event, 80 employees in Ossendrecht renovated the pool and created an outdoor theater.



## UK

The Brinefields, an area of the North Tees site, took part in the British Trust Ornithology challenge, building bird boxes, resurfacing a lagoon with the help of local volunteers, and helping a local school design and install their own bird boxes.

## Sponsorship

SABIC's 2010 sponsorship initiatives included:

Strategic Partnership for one year with Prince Salman Prize for Young Businessmen at SR 4 million. The prize aims to establish and entrench a culture of excellence, strengthen the spirit of initiative among entrepreneurs, and contribute to building a creative generation of future leaders who will contribute to driving the march of advancement and prosperity of the nation.

Continuing sponsorship of Hail Rally as a major sporting activity in the Kingdom and its economic and tourism implications on Hail region.

Sponsored a workshop at the National Center for Palm Research in Al-Ahsa, looking into problems facing local farmers at harvest and post-harvest, local and global marketing, and new storage and packaging solutions.

Sponsored many dates festivals throughout the Kingdom, with a view to helping young farmers market their products at the lowest possible cost.

SABIC also backed numerous forums, conferences, seminars and similar events during the year, including:

### Boao Forum for Asia

SABIC was Diamond Sponsor for this year's Boao Forum for Asia in Boao, Hainan Province, China. The Forum aims to bring together great minds and ideas from governments, businesses and

academia from across Asia and indeed around the world, under the theme "Green Recovery: Asia's Realistic Choice for Sustainable Growth."

### American Society of Safety Engineers Conference

SABIC was Platinum Sponsor of the Ninth Career Development Conference and Exhibition of the American Society of Safety Engineers (Middle East Branch) in Bahrain, addressing "Solutions to regional challenges in the area of safety, health and the environment."

A presentation at the event highlighted SABIC's environmental performance – among the world's best – including low carbon emission manufacturing technologies, and re-use of manufacturing carbon dioxide emissions for manufacture of other products.

### HR Conference

SABIC was Diamond Sponsor of the 10th Human Resources Conference, organized by the Arabian Society for Human Resources Administration and held in Bahrain, where SABIC's experience in attracting and qualifying talented people and providing a conducive work atmosphere to boost its innovative capabilities.

### Red Palm Weevil workshop

A two day workshop on "Red Palm Weevil: The Challenge" was held at SABIC corporate headquarters in Riyadh, with leading scientists, researchers and experts from the Kingdom of Saudi Arabia and around the world coming together to look at ways to deal with the red palm weevil, which has become a major problem, infecting over 80,000 palm trees in Saudi Arabia alone, and threatening date, coconut and oil palms worldwide.



**SABIC Innovative Plastics, Nansha: China**  
Employees of the SABIC plant in Nansha cheered on their plant manager as she joined the torch relay at the 16th Asian Games.

### Prisoner and Family Welfare Committee Forum

SABIC was the Platinum Sponsor of this year's Second Forum of the Prisoner and Family Welfare Committee, a national group with representatives from both public and private sectors, which aims at caring for prisoners and their families, helping integrate released prisoners back into society and preventing recidivism.

### Donations and support

#### Support for Pakistan flood victims

SABIC's Board of Directors this year donated SR 5 million for flood victims in Pakistan. The donation followed a call from Custodian of the Two Holy Mosques King Abdullah bin Abdulaziz for a "people's campaign" to help the flood victims and under a wider campaign by Saudi Arabia to lend support to people affected by natural calamities.

### Down Syndrome Center and Jubail Charity Endowment

SABIC donated SR 100,000 to the Down Syndrome Center of the Jubail Association for Persons with Special Needs in support of the association's efforts to help people with special needs and offer them the best services and rehabilitation programs.

SABIC has so far provided over SR 10 million in financial contributions over recent years, in addition to steel

# Corporate Social Responsibility



**IBN SINA, Al-Jubail: Saudi Arabia**  
Volunteer scouts encourage use of seat belts for better road safety in a campaign organized by SABIC affiliate IBN SINA.

rebar worth SR 2 million for use in the Endowment building.

## Supporting the disabled in Cartagena, Spain

Since opening its new plant in Cartagena, SABIC has been supporting The Custodian Association of the Disabled, which works to enhance quality of life and foster equal opportunities for the intellectually disabled and/or those who suffer from cerebral palsy, and their families. The plant has bought the Association's handicrafts, and commissioned its gardening services for its grounds and gardens.

## Helping victims of Haiti earthquake

When a massive earthquake near the capital of Haiti caused catastrophic destruction in the hemisphere's poorest country, our Americas sites responded. SABIC Innovative Plastics and SABIC America's employees' voluntary donations were matched dollar for dollar by SABIC corporate, bringing the total donation to Haiti Relief to US\$86,000.

## Supporting the United Way

SABIC US sites raised over US\$600,000 in 2010 from employee pledges and fund raising events for the United Way—a worldwide network that helps people in need.

# Sustainability

**Sustainability is at the core of SABIC's business strategy. SABIC seeks to embed Sustainability into the fabric of our company, building on our heritage of using the valuable natural gas resources of the Kingdom of Saudi Arabia and on our excellent record of environmental performance. To accomplish this, Sustainability has become a vital element of SABIC's leadership agenda, touching every business and operation around the world.**

## Rising to the global challenge

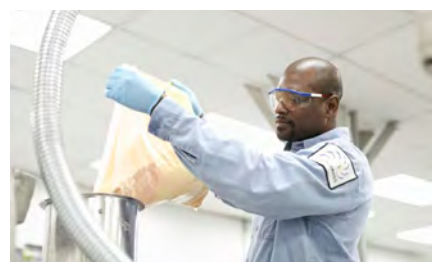
Our industry and the products we produce serve many of world's most vital needs, enhancing the quality of life of many people and enabling population and economic expansion around the globe. However, these very benefits bring with them challenges to the capability of the planet to serve humanity's long-term requirements.

These challenges have set in motion a fundamental shift in the global business landscape, requiring corporations to respond to new government or market regulations, changing customer expectations and innovating in every aspect of the product life cycle.

Recognizing the criticality of these issues, our goal at SABIC is to produce our products as efficiently as possible, which includes minimizing our environmental impact and maximizing the conservation of our finite natural resources. We also recognize our responsibility to deliver products that help our customers to be more successful in their sustainability goals. The outcome of addressing these responsibilities will be to fuel SABIC's long-term growth.

## SABIC's Sustainability Program

SABIC's ambition is to be the preferred supplier within our industries, which means we must also be a leader in sustainability. To achieve this, we have



**SABIC Innovative Plastics, Selkirk, New York: USA**  
SABIC Innovative Plastics announced the expansion of its already extensive Sustainable Solutions Portfolio.

developed an integrated, global Sustainability Program with emphasis on the role of business leadership and employee engagement. Mohamed Al-Mady, SABIC Vice Chairman and CEO, chairs SABIC's Corporate Sustainability Council. The Council oversees the global Sustainability Program, and its membership includes the company's top leadership from each Strategic Business Unit (SBU) and Corporate function. Every SBU and function has teams dedicated to sustainability and developing sustainability strategies for their organization. Our plans aim to engage and maximize the skills and commitment of all our employees and leaders, including those from our many Affiliates.

Our formal Sustainability Program has two broad goals for each SBU: First, we are focused on continuously reducing the intensity of our global operational footprint, including: reducing our carbon intensity, improving energy and water use, and increasing material efficiency. Reducing these elements of our footprint will protect the environment we live in, improve our operating cost, divert more gas from energy production to products, and make our products more attractive to customers who, like us, are aiming to protect our environment.

Second, we are focused on the marketplace, where we are committed





**SABIC Innovative Plastics BV, Bergen op Zoom:  
The Netherlands**

Resins like Noryl GTX help meet the auto industry's hunger to reduce weight, improve fuel economy and reduce emissions.

to sharing our expertise and working even more closely with our customers to develop products, applications and solutions that respond to their sustainability needs. Examples include cutting energy costs during the customer's manufacturing processes and applications, reducing the weight of their products and using materials that are more recyclable or include post-consumer recycled content.

**2010 Accomplishments**

**Operational Environmental Footprint**

In 2010 we achieved a significant

milestone in our goal to reduce the intensity of our global operational footprint by completing the first comprehensive map of our greenhouse gas (GHG) emissions, energy and water usage across all manufacturing sites. This important footprint work now sets the stage for manufacturing sites, SBUs and other functions to develop rigorous, targeted action plans to improve our site and product environmental footprints. Some examples include:

**Polymers SBU**

In Europe, we are transferring our LDPE production from autoclave to tubular polymerization reactors, which will reduce CO<sub>2</sub> emission intensity of the affected production volume by more than 15 percent, annually. Olefins 4 plant upgrades will cut GHGs approximately 100,000 tons/yr and make the cracker one of the best in Europe. Cumulatively, we save from 50 million to 100 million Euros worth of energy each year by upgrading equipment and plants with respect to energy efficiency.

# Sustainability



SHARQ, Al-Jubail: Saudi Arabia

SABIC has also played a key role in introducing Responsible Care throughout the Middle East through its leadership in the Gulf Petrochemicals and Chemicals Association.

## Metals SBU

The Metals SBU operates one of the world's largest and most energy efficient processes. A thorough life cycle analysis has demonstrated that the HADEED process is world class with respect to energy consumption and greenhouse gas emissions.

## Fertilizers SBU

Fertilizers SBU has launched a program at AL-BAYRONI, an affiliate of SABIC, aimed at cutting energy use by about 15 percent in its ammonia plant and package boilers will be completed in Q1 2013. The SBU will launch similar energy optimization projects at its other facilities.

## SABIC Innovative Plastics

SABIC Innovative Plastics projects under way within its eight largest sites that together will save more than 30,000 MT CO<sub>2</sub>e in GHGs annually.

## Supply Chain

Several strategic initiatives already are making SABIC's supply chain more efficient. By using larger vessels and pursuing other efficiencies such as swaps and backhauling, we have reduced our shipping by 7 percent—reducing fuel usage and our carbon footprint. Overall our distribution initiative, EMDAD, will reduce distribution greenhouse gases by 40 percent.

## Responsible Care

The Environment, Health, Safety and Security team has implemented Responsible Care across SABIC. SABIC has also played a key role in introducing Responsible Care throughout the Middle East through its leadership in the Gulf Petrochemicals and Chemicals Association.

## Sustainable Materials Solutions

SABIC Innovative Plastics announced the expansion of its already extensive

Sustainable Solutions Portfolio, which now comprises more than 20 sustainability solutions families and hundreds of product grades. These materials address today's most important environmental initiatives, including post-consumer recycled content, automotive weight-out, advanced flame retardance, and energy efficiency. Meeting the automotive industry's hunger for lightweight materials to improve fuel economy and reduce emissions is a key part of the SABIC Innovative Plastics portfolio. Examples include: Noryl GTX\* resin for body panels... Lexan\* polycarbonate for automotive glazing applications... Xenoy iQ\* resin in pedestrian protection systems... SABIC STAMAX® long glass-filled polypropylene for front-end module assemblies... and Flexible Noryl resin for ultra-thin-wall wire coating. Collectively, use of these materials may reduce the weight of a typical car by more than 24 kg.

The Polymers SBU introduced new solutions that enable part downgauging, promote recycling efforts, and reduce energy use in manufacture and operations. A new marketplace introduction is SABIC PP Qrystal, which can be processed at significantly lower temperature than comparable grades, delivering energy savings of as much as 15 percent to the converter. SABIC also provides know-how to customers that will allow them to produce LL/LDPE multi-layer film for consumer packaging that is thinner and consumes less energy in processing.

## Moving forward

SABIC's focus on sustainability requires a strong focus on innovation. In 2010, building on the strength of our technology and innovation centers already in place worldwide, we announced that we are developing four new SABIC laboratories worldwide that will play a major role in delivering sustainability innovations.



# Environment, Health, Safety, and Security



**SAUDI KAYAN, Al-Jubail: Saudi Arabia**  
The Polymers SBU introduced new solutions that enable part downgauging, promote recycling efforts.

SABIC recognizes that sustainability has emerged as one of the most significant issues of our time, and that the challenges are large and solutions are not short-term. Across the world, we will continue to seek out products and processes that build on our reputation for innovation, that help our customers be more successful, and which enable our manufacturing facilities to be more efficient. We believe our commitment and efforts in this area will be significant over time, and that sustainability will be a major contributor to SABIC as a preferred supplier of materials. This is our vision and commitment.

\* Trademarks of SABIC Innovative Plastics IP B.V.

STAMAX is a trademark of SABIC Petrochemicals B.V.

SABIC management provides holistic leadership to maintain an EHS&S culture throughout the organization as an integral element in achieving its vision: “To be the Preferred World Leader in Chemicals.”

EHS&S responsibility is inculcated in every SABIC employee at the very outset of employment and reiterated during employment.

SABIC facilities worldwide are provided with a set of EHS&S Management Standards (SHEMS) for compliance. The SHEMS and numerous EHS&S programs, covering EHS&S risk analysis & management, training and awareness, regulatory compliance, incident reporting and learning from incidents, audit & performance monitoring, environmental & industrial hygiene and award & recognition, are key EHS&S drivers for effective EHS&S systems & improvements in EHS&S performance at SABIC facilities.

Learning from incidents is embedded within SABIC EHS&S systems. We ensure that not only incidents at SABIC facilities –and lessons learned– are shared widely across SABIC, but incidents from other organizations are shared and viewed as opportunities for learning and for improvement.

## Key Performance Indicators; continuous improvement

SABIC monitors numerous Leading & Lagging EHS&S Performance Indicators including Key Process Safety Indicators for performance evaluation and for continuous improvement. Some of the EHS&S indicators monitored are:

- Management commitment
- Process Safety Incident
- EHS&S Incidents–SHER
- OSHA–incident rates



**SSTPC, Tianjin: China**  
SABIC monitors numerous Leading & Lagging EHS&S Performance Indicators.

## IH & Environment

- Process Hazard Analysis
- Reliability program
- Training & Awareness
- EHS&S audits
- Nearmiss reporting

This systematic and proactive approach has driven steady improvement over the years to EHS&S performance on a par with the world's best. SABIC EHS&S performance shows a significant and continuous improvement, over the years, and is comparable to the best in class industries throughout the world. The SABIC Incidence Rate is a measure modeled after the standards established by Occupational Safety and Health Administration (OSHA), USA, to compare Safety performances. The OSHA Recordable Incidence Rate was 0.43 for direct hire employees in 2005, and by end of the Year 2010, it was at 0.36, which is equivalent to 17 percent improvement. The OSHA Incidence Rate including Contractor employees was 0.34 in 2005 and by end of 2010 it was at 0.30, which shows 12 percent improvement. SABIC also tracks EHS&S performance as SHER (EHS&S Incident Rate) which includes all types of EHS&S incidents and not only injuries. The SHER Rate has shown improvement over the same period –SABIC's overall SHER in the

# Environment, Health, Safety, and Security

Year 2005 was 3.55 and by the end of the Year 2010 it stood at 1.59 which is equivalent to about 56 percent reduction in SHER rate.

## Safety, Health & Environment Management Standards (SHEMS)

SHEMS integrates process safety, environment, health, occupational safety, security and emergency preparedness & response management systems/standards to manage business risk and continually improve performance consistently throughout SABIC's worldwide facilities. This integration delivers significant benefits:

Combining evidence from different areas for a "big picture" of overall performance.

Reducing duplication of effort.

Application of a consistent "best practice" approach across disciplines.

Consolidating multiple:

Management review systems

Objectives, targets, & programs

Manuals

Audit systems

Corrective & preventive action systems

Documentation systems

The new SHEMS standards were derived from international standards, industry good practices and our own experience, and formulated to integrate seamlessly with our management systems.

Developed by SABIC Corporate Global EHS&S Group, each SHEM standard has gone through an extensive review process undertaken by EHS&S professionals before being issued for compliance. The Plan, Do, Check, Act cycle is used to drive continuous improvement.

2010 saw extensive alignment and integration across regions, along with revision of some standards and



**SABIC Innovative Plastics, Cartagena: Spain**  
SHEMS is now a globally accepted EHS&S standard, with all SABIC sites worldwide reporting incidents using its classification.

development of a new SHEM standard on security by multi-regional teams. SABIC SHEMS is now a globally accepted EHS&S standard, with all SABIC sites worldwide reporting incidents using its classification. A comprehensive audit process that includes Self (element owners), Internal (affiliate) and SABIC (corporate) governs implementation of SHEMS at all facilities. During 2010, SABIC EHS&S audited five affiliates in Saudi Arabia.

## Product Stewardship

SABIC EHS&S has established a system for Product Stewardship to ensure that SABIC products risks are proactively identified and effectively communicated to the customers. SABIC ensures that health and environmental impacts of all its products are managed during the lifecycle of the product.

## Projects and programs

SABIC EHS&S undertook several other

EHS&S Projects & initiatives during 2010 as part of their stride toward continuous improvements. Some of the key projects and initiatives are:

## SAFER (SABIC Assurance program For EHS&S Risks)

A program to systematically identify, assess, record, mitigate & steward EHS&S risks to ensure acceptable levels has been developed and was piloted at two Saudi Arabia affiliates and will be rolled over across affiliates/sites in coming years.

## Responsible Care

SABIC is one of the eight founding members of Gulf Petrochemicals and Chemicals Association (GPCA), which is working to promote Responsible Care within Gulf Petrochemical Industries. GPCA is currently led by SABIC's CEO. During 2010, SABIC has initiated an aggressive program to comply with Responsible Care requirements at its facilities and several workshops were



conducted to introduce the program within SABIC.

### Crisis Management

Effective Crisis Management capabilities are in place to mitigate any crisis situation. In 2010 Regional Crisis Management procedures were delivered and updated and desktop exercises/drills were conducted to ensure SABIC is prepared to manage any crisis.

### EHS&S IT Solution

SABIC EHS&S is working to implement uniform EHS&S IT solutions to improve efficiency, support the company's overall EHS&S strategy, and to assist SABIC affiliates to comply with SHEM & Regulatory Authorities' requirements.

### Clean Development Mechanism Project

In 2010 SABIC workshops were organized at Saudi sites on CDM with participation from the CDM National Committee Consultants and SABIC CDM Team members, to discuss and review the potential CDM projects of Affiliates, and give full guidance and advice to the Affiliates regarding project development and implementation.

### SABIC Integrated Enterprise Security Solution

Implementation of a project to introduce the latest and best security technology in a single, uniform, integrated system, throughout SABIC's Saudi Arabia facilities was initiated during 2010.

### EHS&S Award Program

The SABIC EHS&S Award is presented annually to the best performing sites, based on set criteria, such as:

Track process safety leading and lagging indicators which are in line with SABIC values.

Inspire us to be leaders and to make improvements in our EHS&S performance and programs through healthy



#### SHARQ, Al-Jubail: Saudi Arabia

A program to systematically identify, assess, record, mitigate & steward EHS&S risks to ensure acceptable levels has been developed and was piloted at two KSA Affiliates and will be rolled over across affiliates/sites in coming years.

competition and recognition.

Engage management, employees and contractors in making improvements in EHS&S and building effective relationships.

Create a challenging climate to improve and to excel in EHS&S.

Constitute a driving force for all of us to deliver best in class EHS&S performance.

During 2010, the Award program was introduced to two major Innovative Plastics SBU sites in Europe and two in the US. Henceforth the program will include all affiliates in Saudi Arabia, five sites in Europe and two in the US. The review of Affiliates/sites to declare winners of the award will be carried out by a multi-regional team with members from all Regions where SABIC operates—thus making it a truly global award.

# Consolidated financial statements



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52	Auditors' report
53	Consolidated balance sheet
54	Consolidated statement of income
55	Consolidated statement of cash flows
56	Consolidated statement of changes in shareholders' equity
57	Notes to the consolidated financial statements

**AUDITORS' REPORT TO THE SHAREHOLDERS OF  
SAUDI BASIC INDUSTRIES CORPORATION (SABIC)  
(Saudi Joint Stock Company)**

**Scope of audit**


We have audited the accompanying consolidated balance sheet of Saudi Basic Industries Corporation (SABIC) - A Saudi Joint Stock Company - and its subsidiaries (the Group) as at 31 December 2010 and the related consolidated statements of income, cash flows and shareholders' equity for the year then ended. These consolidated financial statements are the responsibility of the Group's management and have been prepared by them in accordance with the provisions of Article 123 of the Regulations for Companies 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable degree of assurance to enable us to express an opinion on the consolidated financial statements.

**Unqualified opinion**

In our opinion, the consolidated financial statements taken as a whole:

- i) present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2010 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.
- ii) comply with the requirements of the Regulations for Companies and SABIC's bye-laws in so far as they affect the preparation and presentation of the consolidated financial statements.

for Ernst & Young

  
Abdulaziz A. Al-Sowailim  
Certified Public Accountant  
Registration No. 277



Riyadh: 20 Rabi Awal 1432H  
(23 February 2011)



# Consolidated balance sheet

As of 31 December 2010

	NOTE	2010 SR'000	2009 SR'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	4	50,648,387	57,197,186
Accounts receivable	5	28,889,528	20,533,768
Inventories	6	26,122,077	23,769,990
Prepayments and other current assets	7	11,439,378	4,962,740
<b>Total current assets</b>		<b>117,099,370</b>	<b>106,463,684</b>
<b>Non-current assets</b>			
Investments	8	8,904,419	8,298,741
Property, plant and equipment	9	164,888,871	157,539,066
Intangible assets	10	22,624,270	21,901,313
Other non-current assets	11	4,062,973	2,658,498
<b>Total non-current assets</b>		<b>200,480,533</b>	<b>190,397,618</b>
<b>TOTAL ASSETS</b>		<b>317,579,903</b>	<b>296,861,302</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Accounts payable	13	13,386,914	11,706,251
Accrued liabilities and other payables	14	12,368,821	12,268,388
Short-term bank borrowings	15	1,120,508	939,774
Current portion of long-term debt	16	15,633,638	5,537,199
Zakat payable	17	1,794,833	1,720,962
<b>Total current liabilities</b>		<b>44,304,714</b>	<b>32,172,574</b>
<b>Non-current liabilities</b>			
Long-term debt	16	93,848,012	100,537,782
Employees' benefits payable	18	7,528,538	7,044,485
Other non-current liabilities	19	5,752,060	4,476,261
<b>Total non-current liabilities</b>		<b>107,128,610</b>	<b>112,058,528</b>
<b>Total liabilities</b>		<b>151,433,324</b>	<b>144,231,102</b>
<b>EQUITY</b>			
<b>Shareholders' equity</b>			
Share capital	20	30,000,000	30,000,000
Statutory reserve	21	15,000,000	15,000,000
General reserve	21	58,753,396	54,478,089
Retained earnings		17,028,665	8,776,707
<b>Total shareholders' equity</b>		<b>120,782,061</b>	<b>108,254,796</b>
<b>Minority interests</b>	22	<b>45,364,518</b>	<b>44,375,404</b>
<b>Total equity</b>		<b>166,146,579</b>	<b>152,630,200</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>317,579,903</b>	<b>296,861,302</b>

The accompanying notes 1 to 33 form an integral part of these consolidated financial statements.

# Consolidated statement of income

Year ended 31 December 2010

	NOTE	2010 SR'000	2009 SR'000
Sales		151,970,027	103,105,167
Cost of sales		(103,423,348)	(74,486,184)
<b>GROSS PROFIT</b>		<b>48,546,679</b>	<b>28,618,983</b>
Selling, general and administrative expenses	23	(10,654,084)	(8,634,207)
Impairment of goodwill	10	-	(1,181,250)
<b>INCOME FROM MAIN OPERATIONS</b>		<b>37,892,595</b>	<b>18,803,526</b>
Investment and other income	24	1,256,077	1,497,234
Financing charges		(3,394,268)	(3,025,509)
<b>INCOME BEFORE MINORITY INTERESTS AND ZAKAT</b>		<b>35,754,404</b>	<b>17,275,251</b>
Minority interests in the net results of subsidiaries	22	(11,725,739)	(7,301,529)
<b>INCOME BEFORE ZAKAT</b>		<b>24,028,665</b>	<b>9,973,722</b>
Zakat	17	(2,500,000)	(900,000)
<b>NET INCOME FOR THE YEAR</b>		<b>21,528,665</b>	<b>9,073,722</b>
<b>EARNINGS PER SHARE (SR):</b>			
Attributable to income from main operations	25	12.63	6.27
Attributable to net income for the year	25	7.18	3.03

The accompanying notes 1 to 33 form an integral part of these consolidated financial statements.



# Consolidated statement of cash flows

Year ended 31 December 2010

	2010 SR'000	2009 SR'000
<b>OPERATING ACTIVITIES</b>		
Income before zakat	24,028,665	9,973,722
Adjustments for:		
Depreciation, amortization and impairment	10,609,854	10,772,512
Share in results of associated companies, net	(630,234)	(229,501)
Minority interests share in the net earnings of subsidiaries	11,725,739	7,301,529
Changes in operating assets and liabilities:		
Accounts receivable, prepayments and other current assets	(14,832,398)	(5,428,871)
Inventories	(2,352,087)	589,761
Accounts payable, accrued liabilities and other payables	1,741,672	3,847,719
Other non-current liabilities	1,759,853	1,349,839
Zakat paid	(2,426,129)	(1,344,601)
<b>Net cash from operating activities</b>	<b>29,624,935</b>	<b>26,832,109</b>
<b>INVESTING ACTIVITIES</b>		
Property, plant and equipment, net	(16,100,221)	(23,987,968)
Investments, net	24,556	626,593
Intangible assets, net	(1,934,441)	(1,155,398)
Other non-current assets, net	(2,052,429)	(118,840)
<b>Net cash used in investing activities</b>	<b>(20,062,535)</b>	<b>(24,635,613)</b>
<b>FINANCING ACTIVITIES</b>		
Long-term debt, net	3,406,669	14,654,245
Short-term bank borrowings, net	180,734	(295,769)
Dividends paid	(8,961,977)	(3,750,108)
Minority interests, net	(10,736,625)	(6,635,264)
<b>Net cash (used in) from financing activities</b>	<b>(16,111,199)</b>	<b>3,973,104</b>
<b>(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(6,548,799)</b>	<b>6,169,600</b>
Cash and cash equivalents at the beginning of the year	57,197,186	51,027,586
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (NOTE 4)</b>	<b>50,648,387</b>	<b>57,197,186</b>

The accompanying notes 1 to 33 form an integral part of these consolidated financial statements.

# Consolidated statement of changes in shareholders' equity

Year ended 31 December 2010

	SHARE CAPITAL SR '000	STATUTORY RESERVE SR '000	GENERAL RESERVE SR '000	RETAINED EARNINGS SR '000	TOTAL SR '000
Balance as of 1 January 2009	30,000,000	14,702,984	43,652,631	14,576,859	102,932,474
Annual dividends	-	-	-	(3,750,000)	(3,750,000)
Board of directors remuneration	-	-	-	(1,400)	(1,400)
Transfer to general reserve	-	-	10,825,458	(10,825,458)	-
Net income for the year	-	-	-	9,073,722	9,073,722
Transfer to statutory reserve	-	297,016	-	(297,016)	-
<b>Balance as of 31 December 2009</b>	<b>30,000,000</b>	<b>15,000,000</b>	<b>54,478,089</b>	<b>8,776,707</b>	<b>108,254,796</b>
Annual dividends (note 29)	-	-	-	(4,500,000)	(4,500,000)
Board of directors remuneration (note 29)	-	-	-	(1,400)	(1,400)
Transfer to general reserve (note 29)	-	-	4,275,307	(4,275,307)	-
Interim dividends (note 29)	-	-	-	(4,500,000)	(4,500,000)
Net income for the year	-	-	-	21,528,665	21,528,665
<b>Balance as of 31 December 2010</b>	<b>30,000,000</b>	<b>15,000,000</b>	<b>58,753,396</b>	<b>17,028,665</b>	<b>120,782,061</b>

The accompanying notes 1 to 33 form an integral part of these consolidated financial statements.



# Notes to the consolidated financial statements

31 December 2010

## 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 1396H (corresponding to 6 September 1976) and registered in Riyadh under commercial registration No. 1010010813 dated 14 Muharram 1397H (corresponding to 4 January 1977). SABIC is 70% owned by the Government of the Kingdom of Saudi Arabia and 30% by the private sector.

SABIC and its subsidiaries (the "Group") are engaged in the manufacturing, marketing and distribution of chemical, fertilizer and metal products in global markets.

## 2. BASIS OF CONSOLIDATION

The consolidated financial statements are comprised of the financial statements of the Group, as adjusted by the elimination of significant inter-company balances and transactions. A subsidiary is an entity in which SABIC has a direct or indirect equity investment of more than 50% or over which it exerts effective management control. The financial statements of the subsidiaries are prepared using accounting policies which are consistent with those of SABIC. The subsidiaries are consolidated from the date on which SABIC is able to exercise effective management control.

The subsidiaries consolidated in these consolidated financial statements are as follows:

	DIRECT AND INDIRECT SHAREHOLDING % 2010	DIRECT AND INDIRECT SHAREHOLDING % 2009
SABIC Industrial Investments Company (SIIC) and its subsidiaries	100.00	100.00
SABIC Luxembourg S.a.r.l.(SLUX) and its subsidiaries	100.00	100.00
SABIC Asia Pacific Pte. Ltd. (SAPPL) 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 Sukuk Company (SUKUK)	100.00	100.00
SABIC Industrial Catalyst Company (SABCAT)	100.00	-
Saudi European Petrochemical Company (Ibn Zahr)	80.00	80.00
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)	51.95	51.95
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
Arabian Industrial Fiber Company (Ibn Rushd)	47.26	47.26
Saudi Arabian Fertilizer Company (Safco)	42.99	42.99
Saudi Kayan Petrochemical Company (Saudi Kayan)	35.00	35.00

All subsidiaries are incorporated in the Kingdom of Saudi Arabia except for SLUX, and SAPPL which are incorporated in Luxembourg and the Republic of Singapore, respectively. Yansab, Safco, and Saudi Kayan (currently in the development stage) are Saudi Joint Stock Companies.

# Notes to the consolidated financial statements (continued)

31 December 2010

## 2. BASIS OF CONSOLIDATION (continued)

SINOPEC/SABIC Tianjin Petrochemical Co. Ltd

During the year 2009, SIIC concluded a joint venture agreement with China Petroleum & Chemical Corporation (SINOPEC) to form SINOPEC/SABIC Tianjin Petrochemical Co. Ltd, a jointly controlled entity, equally owned by the two parties. The Group has proportionately consolidated its interest in this jointly controlled entity.

SABIC Industrial Catalyst Company (SABCAT)

During the year 2010, SABIC Industrial Catalyst Company was incorporated. The company is engaged in the development and construction of plants to produce catalysts used in the production of Polymers, Methanol, Ethylene Glycol, Butadiene and other products.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with the accounting standards generally accepted in the Kingdom of Saudi Arabia. The significant accounting policies, applied consistently, are as follows:

### Accounting convention

The consolidated financial statements are prepared under the historical cost convention except for the measurement at fair value for available for sale investments and derivative financial instruments.

### Use of estimates

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

### Cash and cash equivalents

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

### Accounts receivable

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

### 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.

### 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 on improvements is capitalized. Depreciation is provided over the estimated useful lives of the applicable assets using the straight-line method.

Leasehold improvements are depreciated over the shorter of the estimated useful life or the remaining term of the lease.

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

The estimated years of depreciation of the principal classes of assets are as follows:

	YEARS
Buildings	33
Plant and equipments	20
Furniture, fixtures and vehicles	4–10

### Investments

Associated companies

Investments of 20% or more in the share capital of investees, other than subsidiary companies, and over which the Group exercises significant influence, are reflected in the consolidated financial statements based on the equity method. The Group's share in the financial results of these investees is recognized in the consolidated statement of income.



# Notes to the consolidated financial statements (continued)

31 December 2010

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Investments (continued)

#### Available for sale

This represents investments in financial assets neither acquired for trading purposes nor to be held to maturity. These are stated at fair value. Differences between the fair value and the cost, if material, are reported separately in the consolidated statement of changes in shareholders' equity. Any decline other than temporary in the value of these investments 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 acquired 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 investments maturing in the following twelve months.

#### Jointly controlled entities

A jointly controlled entity is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control. In the consolidated financial statements, the Group reports its interests in jointly controlled entities using proportionate consolidation, whereby the Group's share of the assets, liabilities, income and expenses of jointly controlled entities is combined on a line-by-line basis with the equivalent items in the Group's consolidated financial statements.

### Intangible assets

#### Goodwill

The excess of consideration paid over the fair value of net assets acquired is recorded as goodwill. Goodwill is periodically re-measured and reported in the consolidated financial statements at carrying value after being adjusted for impairment, if any. The carrying amount of negative goodwill, if any, is netted off against the fair value of non-current assets.

#### Pre-operating expenses

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

### Impairment

The Group periodically reviews the carrying amounts of its long term tangible and intangible assets to determine whether there is any indication that those assets have suffered any impairment loss. 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 is recognized in the consolidated statement of income.

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 Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Except for goodwill, where impairment 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 been recognized for the asset or cash generating unit in prior years. A reversal of impairment is recognized in the consolidated statement of income.

### Accounts payable and accruals

Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed by the suppliers and service providers or not.

### Dividends

Final 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.

### Zakat and income tax

Zakat is provided in accordance with the Regulations of the Department 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. Differences, if any, 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 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.

# Notes to the consolidated financial statements (continued)

31 December 2010

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Employees' benefits

Employees' end of service benefits are provided for in accordance with the requirements of the Saudi Arabian Labor Law and Group's policies. Employees' early retirement plan costs are provided for in accordance with the Group's policies and are charged to the consolidated statement of income in the year the employee retires. The Group has pension plans for its employees in overseas jurisdictions. The eligible employees participate in either defined contribution or defined benefit plans. The pension plans take into consideration the legal framework of labor and social security laws of the countries where the companies are incorporated.

### 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 with the eligible employees, the relevant housing units are classified under other non-current assets.

### Revenue Recognition

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

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

### Selling, general and administrative 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 selling, general and administrative expenses.

### Technology and innovation expenses

Technology and innovation expenses are charged to the consolidated statement of income when incurred.

### Foreign currency translation

Transactions in foreign currencies 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 retranslated at the exchange rates prevailing at the balance sheet 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 Group uses derivative financial instruments to hedge its exposure to certain portions of its interest rate risks arising from financing activities. The Group generally designates these as cash flow hedges of interest rate risk. The use of financial derivatives is governed by the Group's policies, which provide principles on the use of financial derivatives consistent with the Group's risk management strategy. The Group does not use derivative financial instruments for speculative purposes. Derivative financial instruments are initially measured at fair value on the contract date and are re-measured to fair value at subsequent reporting dates.

Changes in the fair value of derivative financial instruments that are designated as effective hedges of future cash flows are recognized directly in equity, if material and the ineffective portion is recognized in the consolidated statement of income. If the cash flow hedge of a firm commitment or forecasted transaction results in the recognition of an asset or a liability, then, at the time the asset or liability is recognized, the associated gain or loss on the derivative that had previously been recognized is included in the initial measurement of the asset or liability. For hedges that do not result in the recognition of an asset or a liability, amounts deferred in equity are recognized in consolidated statement of income in the same period in which the hedged item affects net income or loss.

Changes in fair value of derivative financial instruments that do not qualify for hedge accounting are recognized in the consolidated statement of income as they arise. Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, for forecast transactions, any cumulative gain or loss on the hedging instrument recognized in equity is retained in equity until the forecasted transactions occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognized in equity is transferred to consolidated statement of income for the period.

### 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 Group 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.



# Notes to the consolidated financial statements (continued)

31 December 2010

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Leasing (continued)

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

Rental payments under operating leases are charged to the consolidated statement of income on a straight line basis over the term of the operating lease.

### Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (a business segment) or in providing products or services within a particular economic environment, which is subject to risks and rewards that are different from those of other segments.

## 4. CASH AND CASH EQUIVALENTS

	2010 SR'000	2009 SR'000
Time deposits	45,660,671	54,008,191
Bank balances	4,987,716	3,188,995
	50,648,387	57,197,186

Cash and cash equivalents at 31 December 2010 includes restricted cash balances amounting to SR 845 million (2009: SR 820 million), which represents employee savings plan deposits held in separate bank accounts which are not available to the Group.

## 5. ACCOUNTS RECEIVABLE

	2010 SR'000	2009 SR'000
Trade accounts receivable	25,176,957	17,943,086
Amounts due from joint venture partners (note 12)	4,036,000	2,891,288
	29,212,957	20,834,374
Less: Provision for doubtful debts	(323,429)	(300,606)
	28,889,528	20,533,768

No single customer accounts for more than 5% of the Group's sales for the years ended 31 December 2010 and 2009.

## 6. INVENTORIES

	2010 SR'000	2009 SR'000
Finished goods	12,741,517	9,989,150
Raw materials	7,578,824	5,797,700
Spare parts	5,349,106	5,796,358
Goods in transit	1,256,396	636,902
Work in progress	133,947	2,331,844
	27,059,790	24,551,954
Less: Provision for slow moving and obsolete items	(937,713)	(781,964)
	26,122,077	23,769,990

# Notes to the consolidated financial statements (continued)

31 December 2010

## 7. PREPAYMENTS AND OTHER CURRENT ASSETS

	2010 SR'000	2009 SR'000
Short term investments	8,874,080	2,313,912
Taxes and subsidy receivables	670,049	523,577
Prepaid expenses	579,695	921,423
Employee advances and home ownership receivables	214,840	208,781
Others	1,100,714	995,047
	11,439,378	4,962,740

Short term investments represents deposits placed with banks for periods of more than three months but less than a year. Others include advances to contractors, accrued income on time deposits, and miscellaneous assets.

## 8. INVESTMENTS

	SHAREHOLDING %	SHAREHOLDING IN EQUITY 2010 SR'000	SHAREHOLDING IN EQUITY 2009 SR'000
<b>Associated companies</b>			
Gulf Petrochemical Industries Co. (GPIC)	33.33	578,646	522,890
Gulf Aluminum Rolling Mills Co. (GARMCO)	31.28	175,124	164,274
Ma'aden Phosphate Company (MPC)	30.00	1,850,906	1,788,750
Power and Water Utilities Company (MARAFIQ)	25.00	1,508,741	1,392,839
Aluminum Bahrain BSC (ALBA)	20.62	1,431,672	1,317,234
National Chemical Carrier Company (NCC)	20.00	207,535	189,202
Others		638,557	823,960
		6,391,181	6,199,149
Available for sale		142,721	187,204
Held to maturity		2,370,517	1,912,388
		8,904,419	8,298,741

The movement of investments in associated companies is as follows:

	2010 SR'000	2009 SR'000
Balance at the beginning of the year	6,199,149	6,329,192
Share in earnings for the year, net (note 24)	630,234	229,501
Additions during the year	78,793	49,297
Disposals during the year	(186,960)	(102,294)
Dividends received	(326,592)	(317,866)
Currency translation adjustments, net	(3,443)	11,319
Balance at the end of the year	6,391,181	6,199,149

NCC, MARAFIQ and MPC 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 SLUX and its subsidiaries.

### Available for sale

This item comprises investments in the mutual funds and other financial assets. These are recorded at market price.

### Held to maturity

This item represents investment in Sukuks and bonds.



# Notes to the consolidated financial statements (continued)

31 December 2010

9. PROPERTY, PLANT AND EQUIPMENT	LAND AND BUILDINGS SR'000	PLANT AND EQUIPMENTS SR'000	FURNITURE, FIXTURES AND VEHICLES SR' 000	CONSTRUCTION WORK IN PROGRESS SR'000	TOTAL 2010 SR'000	TOTAL 2009 SR'000
<b>Cost:</b>						
At the beginning of the year	20,657,392	139,679,554	2,777,203	80,307,324	243,421,473	219,735,695
Additions	245,187	6,655,579	165,341	13,276,220	20,342,327	25,116,285
Transfers/disposals	1,058,899	33,618,515	157,587	(39,654,818)	(4,819,817)	(2,387,808)
Currency translation adjustment	(178,038)	(1,093,790)	(31,111)	(195,494)	(1,498,433)	957,301
<b>At the end of the year</b>	<b>21,783,440</b>	<b>178,859,858</b>	<b>3,069,020</b>	<b>53,733,232</b>	<b>257,445,550</b>	<b>243,421,473</b>
<b>Depreciation:</b>						
At the beginning of the year	7,977,687	75,672,937	2,231,783	-	85,882,407	78,295,518
Charge for the year	1,020,898	7,939,210	230,112	-	9,190,220	8,573,418
Transfers/disposals	(272,023)	(1,519,927)	(62,448)	-	(1,854,398)	(1,361,152)
Currency translation adjustment	105,509	(744,325)	(22,734)	-	(661,550)	374,623
<b>At the end of the year</b>	<b>8,832,071</b>	<b>81,347,895</b>	<b>2,376,713</b>	<b>-</b>	<b>92,556,679</b>	<b>85,882,407</b>
<b>Net book amounts:</b>						
<b>At 31 December 2010</b>	<b>12,951,369</b>	<b>97,511,963</b>	<b>692,307</b>	<b>53,733,232</b>	<b>164,888,871</b>	
At 31 December 2009	12,679,705	64,006,617	545,420	80,307,324		157,539,066

Construction work in progress mainly represents the expansion of existing plants and new projects being executed by certain subsidiaries. The related capital commitments are reported in note 30. The financing charges capitalized during the year 2010 amounted to SR 0.3 billion (2009: SR 1.4 billion).

Land and Buildings include an amount of SR 47.7 million at 31 December 2010 and 2009 representing the cost of freehold land. The land on which plant and related facilities of certain subsidiaries are constructed were leased from the Royal Commission for Jubail and Yanbu under renewable lease agreements for a period up to 30 years.

Property, plant and equipment of certain subsidiaries are mortgaged to Saudi Industrial Development Fund (SIDF) as security for term loans.

Statements &amp; reports

Success stories

Business review

Our responsibilities

Financial statements

Notes to the accounts

Our companies

# Notes to the consolidated financial statements (continued)

31 December 2010

## 10. INTANGIBLE ASSETS

	2010 SR'000	2009 SR'000
Goodwill	13,372,811	14,060,957
Patents, trademarks and other intangibles, net	5,698,951	6,252,288
Pre-operating and deferred costs, net	3,552,508	1,588,068
	22,624,270	21,901,313
<b>Goodwill</b>		
The movement in the Group's reported goodwill at 31 December was as follows:		
At the beginning of the year	14,060,957	14,972,195
Impairment	-	(1,181,250)
Exchange differences, net	(688,146)	270,012
At the end of the year	13,372,811	14,060,957

### Impairment assessment

Based on the goodwill impairment test performed at the Group level during the year ended 31 December 2010, no indicators of impairment were identified. The goodwill impairment test carried out during the year ended 31 December 2009 determined that the goodwill had impaired to the extent of SR 1,181 million at the Group level. The difference in impairment at the Group and the relevant cash generating units, is due to the impact of synergies expected to be realized by the Group, different reporting dates and different financial accounting standards.

Goodwill's recoverable amount has been determined based on 'value-in-use' calculations on the basis of discounted cash flows based on management approved projected cash flows for the relevant cash generating units for a five-year period. The cash flows beyond the five-year period are extrapolated using an estimated terminal growth rate. Management believes the growth rate used does not exceed the long-term average growth rate for the business. The discount rate used is pre-tax and reflects specific risks relevant to the business. The 'value-in-use' method shows that the recoverable amount calculation is most sensitive to changes in the long-term and terminal growth rates, discount rate, working capital and capital expenditures assumptions in the terminal period.

### Patents, trademarks and other intangibles

Patents, trademarks and other intangible assets are amortized over varying expected periods of benefit.

### Pre-operating and deferred costs

Pre-operating expenses include plant commissioning and start-up costs. The deferred pre-operating expenses are amortized over a period of benefit not exceeding 7 years.

## 11. OTHER NON-CURRENT ASSETS

	2010 SR'000	2009 SR'000
Employees' advances and home ownership receivables	1,458,031	1,481,411
Deferred taxes	1,479,246	1,055,803
Others	1,125,696	121,284
	4,062,973	2,658,498

### Employees' advances and home ownership receivables

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 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.

### Deferred taxes

Deferred taxes relate to subsidiaries of SLUX operating in various tax jurisdictions.

Others mainly include pensions, IT development costs, royalties and technology fees and other assets.



# Notes to the consolidated financial statements (continued)

31 December 2010

## 12. 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 marketing and off-take agreements. Sales to joint venture partners amounted to approximately SR 12.9 billion (2009: approximately SR 8.1 billion). Certain joint venture partners also provide technology and innovation, and other services to certain SABIC affiliates in conformity with executed agreements. Balances due from/to joint venture partners are shown in notes 5 and 13, respectively.

## 13. ACCOUNTS PAYABLE

	2010 SR'000	2009 SR'000
Trade accounts payable	12,239,381	11,581,664
Amounts due to joint venture partners (note 12)	1,147,533	124,587
	13,386,914	11,706,251

## 14. ACCRUED LIABILITIES AND OTHER PAYABLES

	2010 SR'000	2009 SR'000
Accrued liabilities	6,770,475	7,296,725
Taxes payable	1,518,382	1,491,679
Dividend payable	624,959	586,936
Others	3,455,005	2,893,048
	12,368,821	12,268,388

Others mainly include contract retentions and other current obligations.

## 15. SHORT-TERM BANK BORROWINGS

Short-term bank borrowings at 31 December 2010, which bear financing charges at prevailing market rates, amounted to approximately SR 1.1 billion (2009: SR 0.9 billion). The Group had unused credit facilities at 31 December 2010 amounting to SR 3.9 billion (2009: SR 3.8 billion).

## 16. LONG-TERM DEBT

	2010 SR'000	2009 SR'000
<b>Term Loans</b>		
Public Investment Fund (PIF)	13,720,906	11,186,596
Saudi Industrial Development Fund (SIDF)	3,235,150	2,784,227
Commercial debt	65,380,763	66,451,658
<b>Total</b>	<b>82,336,819</b>	<b>80,422,481</b>
<b>Sukuk</b>	<b>16,000,000</b>	<b>16,000,000</b>
<b>Bonds</b>	<b>7,487,405</b>	<b>4,027,500</b>
<b>Notes</b>	<b>3,657,426</b>	<b>5,625,000</b>
<b>Total</b>	<b>109,481,650</b>	<b>106,074,981</b>
Less: Current portion	(15,633,638)	(5,537,199)
Non-current portion	93,848,012	100,537,782

# Notes to the consolidated financial statements (continued)

31 December 2010

## 16. LONG-TERM DEBT (continued)

### Term Loans

The PIF and SIDF term loans are generally repayable in semi-annual installments and financing charges on these loans are at varying rates above LIBOR. The administration fees related to the SIDF loans paid are capitalized as part of the plant construction costs.

During 2007, the Group borrowed SR 25.01 billion (USD 6.665 billion) from a syndicate of bank lenders in the form of two senior secured term loans (Term Loans A and B), for the acquisition of Sabic Innovative Plastics Holding B.V. (SIP), an indirect subsidiary of SLUX.

Term Loan A had an initial funded amount of USD 1.5 billion including a subset that was funded as EUR 93.647 million. Term Loan A has a 6.5 year term and amortizes at 5% each quarter beginning December 2009 rising to 7.5% for the quarters ending September and December 2013 with the remaining 10% due upon maturity. Term Loan A bears interest at floating rate LIBOR for \$ or EURIBOR for EUR, as appropriate, plus a specified margin.

Term Loan B had an initial funded amount of USD 5.165 billion including a subset that was funded as EUR 1.313 billion. Term Loan B has a 7 year term, and amortizes at 0.25% each quarter beginning December 2007, with the remaining 93.25% due upon maturity. Term Loan B bears interest at floating rate LIBOR for USD or EURIBOR for EUR, as appropriate, plus a specified margin. During 2009 and 2010, portions of certain tranches of Term Loans A and B were voluntarily prepaid.

Under the above loan agreements, SIP is subject to a senior secured leverage covenant commencing from the quarter ended 30 June 2008.

SIP also entered into USD 1 billion five year senior secured revolving credit agreement with a syndicate of banks. During 2010 this facility was voluntarily terminated.

On 15 June 2010, SABIC signed a facility agreement with Alinma Bank amounting to SR 3.75 billion. This facility carries a fixed commission rate and has a bullet maturity at the end of 5 years. As of 31 December 2010, this facility was fully drawn.

In addition to above, the Group had obtained other commercial loans from various financial institutions in order to finance its ongoing projects which are repayable in installments at varying interest rates in conformity with varying repayment terms set out in the applicable loan agreements. The financing charges are payable in accordance with the terms set out in the relevant loan agreements.

### Sukuk

On 29 July 2006, SABIC issued its first Sukuk amounting to SR 3 billion at par value of SR 50,000 each without discount or premium, maturing in 2026. On 15 July 2007, SABIC issued its second Sukuk amounting to SR 8 billion, at par value of SR 10,000 each, subject to minimum holding of SR 50,000, without discount and premium, maturing in 2027. On 3 May 2008, SABIC issued its third Sukuk amounting to SR 5 billion, at par value of SR 10,000 each, without discount or premium, maturing in 2028. The Sukuk issuances bear a rate of return based on SIBOR plus a specified margin 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 SABIC. At the end of each five year period, SABIC shall pay an amount equal to 10% of the aggregate face value of the Sukuk as bonus to the Sukuk holders. SABIC has provided an undertaking to the Sukuk holders to purchase the Sukuk from the Sukuk holders on the first, second and third "fifth year date" (the respective periodic distribution date following after fifth, tenth and fifteenth year of issue) at an amount equivalent to 90%, 60% and 30% of the face value respectively.

As of 31 December 2010 and 2009, total Sukuk issued by SABIC under the above mentioned instruments amounted to SR 16 billion.

### Bonds

During 2006, SABIC Europe B.V. (a wholly-owned indirect subsidiary of SLUX) issued an unsecured Euro 750 million Euro-bond. The Euro-bond carries a fixed coupon rate of 4.5% with final maturity date due on 28 November 2013. On 19 December 2008, SABIC Capital I B.V. (a wholly-owned indirect subsidiary of SLUX) replaced SABIC Europe B.V. in carrying the liability of the Euro-bond with the execution of the exchange offer. The exchange offer was executed by SABIC Capital I B.V. providing guarantee for the obligations to the bond-holders. The significant terms and conditions remained unchanged including the semi-annual coupon payments due in May and November each year.

During the year ended 31 December 2010, SABIC Capital I B.V. issued a 5 year USD 1 billion bond at a coupon rate of 3%.

### Notes

On 31 August 2007, SIP issued senior unsecured notes of USD 1.5 billion. The notes carry a fixed coupon rate of 9.5% with final maturity date due on 15 August 2015. The coupon payments are payable in February and August each year. On 5 April 2010, SIP voluntarily redeemed 35% of the senior unsecured notes amounting to USD 525 million.

On 29 December 2009, SABIC entered into an agreement with the PIF for a private placement of Saudi Riyal notes amounting to SR 10 billion with multiple tranches. Such tranches when drawn will have a bullet maturity after 7 years. SABIC issued its first Saudi Riyal note tranche on 29 December 2009 totaling SR 2 billion. Additional three tranches of SR 1 billion each were issued on 30 March 2010, 29 June 2010, and 30 September 2010.

# Notes to the consolidated financial statements (continued)

31 December 2010

**16. LONG-TERM DEBT (continued)**

The aggregate repayment schedule of long-term debt is as follows:

	2010 SR'000	2009 SR'000
2010	-	5,537,161
2011	15,633,638	11,263,658
2012	13,123,577	12,671,283
2013	14,783,015	14,467,685
2014	13,284,655	19,695,426
2015	16,180,072	10,415,717
Thereafter	36,476,693	32,024,051
Total	109,481,650	106,074,981

**17. ZAKAT**

The zakat is based on the financial statements of the Group. The movement in Group's zakat provisions is as follows:

	2010 SR'000	2009 SR'000
At the beginning of the year	1,720,962	2,165,563
Provided during the year	2,500,000	900,000
Paid during the year	(2,426,129)	(1,344,601)
At the end of the year	1,794,833	1,720,962

Zakat returns of SABIC and wholly owned subsidiaries are submitted to the Department of Zakat and Income Tax (DZIT) based on a separate consolidated financial statements prepared for zakat purposes only. Other non-wholly owned subsidiaries file their zakat returns separately.

SABIC has filed its zakat returns with the DZIT up to 2009, and settled the zakat dues, accordingly. SABIC has received the zakat assessments up to 2008. SABIC has received the zakat certificates up to 2009, however, the zakat assessment for the year 2009 is under review by the DZIT.

**18. EMPLOYEES' BENEFITS PAYABLE**

	2010 SR'000	2009 SR'000
End of service benefits	6,839,620	6,236,189
Thrift plan	672,771	785,842
Early retirement plan	16,147	22,454
	7,528,538	7,044,485

**19. OTHER NON-CURRENT LIABILITIES**

	2010 SR'000	2009 SR'000
Deferred tax and other liabilities	4,852,886	3,680,573
Obligations under capital leases (note 30)	899,174	795,688
	5,752,060	4,476,261

Deferred tax and other liabilities mainly includes deferred taxes and long term payables.



# Notes to the consolidated financial statements (continued)

31 December 2010

## 20. SHARE CAPITAL

SABIC's share capital amounting to SR 30 billion is divided into 3 billion shares of SR 10 each as of 31 December 2010 and 2009.

## 21. RESERVES

### Statutory reserve

In accordance with Saudi Arabian Regulations for Companies, SABIC must set aside 10% of net income in each year until it has build up a reserve equal to one half of the capital. This having been achieved, SABIC has resolved to discontinue such transfers. The reserve is not available for distribution.

### General reserve

In accordance with SABIC's Bye-Laws, the General Assembly can establish general reserve as an appropriation of retained earnings. The general reserve can be increased or decreased by a resolution of the shareholders and is available for distribution.

## 22. MINORITY INTERESTS

The minority interests are shown in the consolidated balance sheet as part of equity. The minority interests in the net results of subsidiaries are shown separately in the consolidated statement of income.

The movement of minority interests in the consolidated balance sheet is as follows:

	2010 SR'000	2009 SR'000
At the beginning of the year	44,375,404	43,709,139
Minority interests in the net results of subsidiaries	11,725,739	7,301,529
Other movements, net	(10,736,625)	(6,635,264)
At the end of the year	45,364,518	44,375,404

## 23. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

	2010 SR'000	2009 SR'000
Employees cost	4,398,079	3,557,718
Selling and distribution	3,857,830	2,909,298
Administrative expenses	1,616,912	1,536,637
Technology and innovation expenses	652,288	529,637
Depreciation and amortization	128,975	100,917
	10,654,084	8,634,207

## 24. INVESTMENT AND OTHER INCOME

	2010 SR'000	2009 SR'000
Earnings on time deposits	449,649	637,806
Exchange differences and others, net	176,194	629,927
Share in results of associated companies, net (note 8)	630,234	229,501
	1,256,077	1,497,234

## 25. EARNINGS PER SHARE

The earnings per share is calculated based on the number of outstanding shares at the end of the year.

# Notes to the consolidated financial statements (continued)

31 December 2010

## 26. SEGMENT INFORMATION

The Group's operations consist of the following business segments:

- **The chemicals segment**, includes basic chemicals, intermediates, polymers and specialty chemicals.
- **The fertilizers segment**, consists of fertilizer products.
- **The metals segment**, consists of steel products.
- **The corporate segment**, includes the corporate operations, technology and innovation centers, the investment activities and SABIC Industrial Investments Company (SIIC)

31 DECEMBER 2010	CHEMICALS SR'000	FERTILIZERS SR'000	METALS SR'000	CORPORATE SR'000	CONSOLIDATION ADJUSTMENTS AND ELIMINATIONS SR'000	TOTAL SR'000
Sales	167,905,106	6,775,769	13,357,695	12,192,987	(48,261,530)	151,970,027
Gross profit	38,012,037	4,195,846	1,939,107	3,521,891	877,798	48,546,679
Net income	24,739,950	4,705,002	1,210,160	22,999,485	(32,125,932)	21,528,665
Total assets	249,509,558	12,888,854	20,030,129	190,838,477	(155,687,115)	317,579,903
Total liabilities	163,875,811	1,889,509	4,192,316	65,249,620	(83,773,932)	151,433,324

31 DECEMBER 2009

Sales	111,975,920	5,100,767	10,312,071	6,139,003	(30,422,594)	103,105,167
Gross profit	19,607,558	2,556,662	2,437,456	2,995,176	1,022,131	28,618,983
Net income	7,822,795	2,576,281	1,800,137	9,578,409	(12,703,900)	9,073,722
Total assets	233,317,077	12,899,921	20,565,049	157,900,394	(127,821,139)	296,861,302
Total liabilities	153,599,396	2,400,660	4,405,895	47,090,887	(63,265,736)	144,231,102

The net income amounts of the above segments include share in earnings of subsidiary and associated companies. Also, the total assets amounts in these segments include investment balances with respect to subsidiary companies.

A substantial portion of the Group's operating assets are located in the Kingdom of Saudi Arabia. The principal markets for the Group's chemical products are Europe, USA, the Middle East, and Asia Pacific. While the corporate activities are based in the Kingdom of Saudi Arabia, the principal markets for the Group's fertilizers segment are mainly in South East Asia, Australia, New Zealand, South America, Africa and the Middle East. The metals segment sales are mainly in the Kingdom of Saudi Arabia and other Gulf Cooperative Council (GCC) Countries.

## 27. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments principally include cash and cash equivalents, trade and other accounts receivable, derivative financial instruments, investments in securities, loan advances, short term bank borrowings, accounts payable, accrued expenses, long term debt and other 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 Group 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.

**Commission Rate Risk** is the risk that the value of financial instruments will fluctuate due to changes in the market commission rates. The Group has no significant commission bearing long term assets, but has commission bearing liabilities at 31 December 2010. The Group manages its borrowings made at floating rates by using commission rate swaps (note 28), which have the economic effect of converting borrowings from floating rates to fixed rates. The commission rate swaps, when exercised, provide the Group with the right to agree with the counterparty to exchange, at specified intervals, the difference between fixed contract rates and floating commission amounts, calculated by reference to the agreed notional principal amounts.

# Notes to the consolidated financial statements (continued)

31 December 2010

## 27. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

**Liquidity Risk** is the risk that the Group 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. The Group 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 consolidated financial statements are prepared under the historical cost convention, differences can arise between the book values and fair value estimates. Management believes that the fair values of the financial assets and liabilities are not materially different from their carrying values.

## 28. DERIVATIVE FINANCIAL INSTRUMENTS

The Group had executed derivative financial instruments including commission rate swaps. The balance outstanding at 31 December 2010 under such agreements was SR 21.4 billion. (2009 : SR 22.1 billion).

## 29. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS AND APPROPRIATION OF NET INCOME

The Extraordinary General Assembly, in its annual meeting held on 3 Jumada Al Awal 1431H, corresponding to 17 April 2010 approved the appropriation of the net income for the year ended 31 December 2009 as follows:

- Distribution of cash dividends of SR 4.5 billion (SR 1.5 per share);
- Transfer an amount of SR 297 million of net income to statutory reserve to reach to 50% of SABIC's share capital;
- Payment of SR 1.4 million as Board of Directors' remuneration
- Transfer the remaining balance to the general reserve

On 6 Shaaban 1431H corresponding to 18 July 2010, the Board of Directors approved to distribute interim cash dividends for the first half of the year ended 31 December 2010 amounting to SR 4.5 billion (SR1.5 per share).

On 13 Muharam 1432H corresponding to 19 December 2010, the Board of Directors proposed a distribution of cash dividend for the second half of the year ended 31 December 2010 amounting to SR 6 billion (SR 2 per share). The proposed dividend is subject to the approval of the shareholders at the Annual General Assembly Meeting. The total cash dividend for the year ended 31 December 2010 would amount to SR 10.5 billion (SR 3.5 per share).

The consolidated financial statements were approved by the Board of Directors on 20 Rabi Awal 1432 H corresponding to 23 February 2011.

## 30. COMMITMENTS

### Capital commitments

SABIC's commitment for capital expenditures at 31 December 2010 amounted to approximately SR 15.8 billion (2009: SR 24 billion).

### Operating lease commitments

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

	2010 SR'000	2009 SR'000
2010	-	1,437,965
2011	1,208,164	760,037
2012	990,328	673,216
2013	842,825	576,086
2014	762,706	556,336
Thereafter	2,082,354	1,741,876
	5,886,377	5,745,516



# Notes to the consolidated financial statements (continued)

31 December 2010

**30. COMMITMENTS (continued)****Obligations under capital leases**

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

	2010 SR'000	2009 SR'000
2010	-	114,398
2011	158,493	115,193
2012	120,659	116,016
2013	117,123	116,854
2014	113,934	117,715
Thereafter	957,134	844,386
Net present value of minimum lease payments	1,467,343	1,424,562
Less: Finance charges	(546,254)	(609,014)
Current portion	(21,915)	(19,860)
Non-current portion (note 19)	899,174	795,688

**31. CONTINGENCIES**

The Group 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, the management does not expect that they will have a material adverse effect on the consolidated financial statements of the Group. The Group's bankers have issued, on its behalf, bank guarantees amounting to SR 1.8 billion (2009: SR 2.4 billion) in the normal course of business.

**32. SUBSEQUENT EVENTS**

In the opinion of the management, there have been no significant subsequent events since the year end that would have a material impact on the financial position of the Group as reflected in these consolidated financial statements

**33. COMPARATIVE FIGURES**

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

Statements &amp; reports

Success stories

Business review

Our responsibilities

Financial statements

Notes to the accounts

Our companies

# Across the globe

74 Our manufacturing and compounding companies  
78 Global directory



# Our manufacturing and compounding companies

COMPANY	LOCATION	PARTNERSHIP	PRODUCTS
<b>ALBA</b> <sup>(M)</sup> Aluminum Bahrain**	Bahrain	SABIC Industrial Investments Company (20%), State of Bahrain (77%), Brenton Investments, Germany (3%)	Aluminum (liquid metal, ingots, rolling slabs, and billet)
<b>AL-BAYRONI</b> <sup>(C F)</sup> Al-Jubail Fertilizer Company	Al-Jubail, Saudi Arabia	A 50/50 SABIC joint venture formed in 1979 with Taiwan Fertilizer Company	Ammonia, urea, 2-ethyl hexanol, and DOP
<b>AR-RAZI</b> <sup>(C)</sup> Saudi Methanol Company	Al-Jubail, Saudi Arabia	A 50/50 SABIC joint venture formed in 1979 with a consortium of Japanese companies led by Mitsubishi Gas Chemical Company	Chemical grade methanol
<b>GARMCO</b> <sup>(M)</sup> Gulf Aluminum Rolling Mill Company**	Bahrain	SABIC (31.28%), Kuwait (16.97%), Bahrain (38.36%), Iraq (4.12%), Oman (2.06%), Qatar (2.06%) and Gulf Investment Corporation (5.15%)	Aluminum sheets and can stocks
<b>GAS</b> <sup>(C)</sup> National Industrial Gases Company	Al-Jubail (head office), Saudi Arabia	SABIC (70%) and a group of Saudi Arabian Industrial Gases Companies (30%)	Hydrogen
	Yanbu (branch), Saudi Arabia	As above	Oxygen and nitrogen
<b>GPIC</b> <sup>(C F)</sup> Gulf Petrochemical Industries Company**	Bahrain	Joint venture with equal partnership for the Petrochemical Industries Company of Kuwait, State of Bahrain, and SABIC	Methanol, ammonia, and urea
<b>HADEED</b> <sup>(M)</sup> Saudi Iron and Steel Company	Al-Jubail, Saudi Arabia	A wholly owned affiliate of SABIC	Steel rebar, wire rod, hot rolled coils, cold rolled coils, galvanized coil, and flat steel products
<b>IBN AL-BAYTAR</b> <sup>(F)</sup> National Chemical Fertilizer Company	Al-Jubail, Saudi Arabia	50/50 SABIC joint venture with SAFCO	Ammonia, urea, compound fertilizer, phosphate, and liquid fertilizer
<b>IBN RUSHD</b> <sup>(C P)</sup> Arabian Industrial Fibers Company	Yanbu, Saudi Arabia	SABIC (45.19%), PIF (33.51%) and a group of Saudi Arabian and regional private sector partners (21.30%)	Aromatics (xylenes and benzene), Purified Terephthalic Acid (PTA), bottle grade chips, PET, and acetic acid
<b>IBN SINA</b> <sup>(C)</sup> National Methanol Company	Al-Jubail, Saudi Arabia	SABIC (50%), CTE (50%—owned by Elwood Insurance Ltd., 25% and Texas Eastern Arabian Ltd., 25%)	Chemical grade methanol, and MTBE
<b>IBN ZAHR</b> <sup>(C P)</sup> Saudi European Petrochemical Company	Al-Jubail, Saudi Arabia	SABIC (80%), Ecofuel-Italy (10%), Arab Petroleum Investment Corporation APICORP (10%)	MTBE and polypropylene
<b>KEMYA</b> <sup>(C P)</sup> Al-Jubail Petrochemical Company	Al-Jubail, Saudi Arabia	A 50/50 SABIC joint venture with ExxonMobil (USA)	Polyethylene and ethylene
<b>PETROKEMYA</b> <sup>(C P IP)</sup> Arabian Petrochemical Company	Al-Jubail, Saudi Arabia	A wholly owned affiliate of SABIC	Ethylene, polystyrene, butene-1, propylene, styrene, butadiene, benzene, polyethylene, VCM, E-PVC, S-PVC, and ABS
<b>SADAF</b> <sup>(C)</sup> Saudi Petrochemical Company	Al-Jubail, Saudi Arabia	A 50/50 SABIC joint venture with Shell Chemicals Arabia, LLC (an affiliate of Royal Dutch Shell)	Ethylene, crude industrial ethanol, styrene, caustic soda, ethylene dichloride, and MTBE

- C** CHEMICALS
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COMPANY	LOCATION	PARTNERSHIP	PRODUCTS
<b>SAFCO</b> <b>F</b> <b>P</b> Saudi Arabian Fertilizer Company	Al-Jubail, Saudi Arabia	SABIC (42.99%), GOSI and Public Pension Agency (15.4%), public shareholders (41.61%)	Ammonia, urea, and urea formaldehyde
<b>SABIC Acetylene B.V.</b> <b>C</b>	Geleen, The Netherlands	A wholly owned affiliate of SABIC	Acetylene
<b>SABIC Belgium N.V.</b> <b>P</b>	Genk, Belgium	A wholly owned affiliate of SABIC	STAMAX and PP compounds
<b>SABIC Innovative Plastics</b> <b>IP</b>	Bay St Louis, Mississippi, USA	A wholly owned affiliate of SABIC	SABIC STAMAX® and PP compounds
<b>SABIC Innovative Plastics</b> <b>IP</b>	Benoi, Singapore	A wholly owned affiliate of SABIC	Lexan*, Cycology*, and Cicolac* resins
<b>SABIC Innovative Plastics</b> <b>IP</b>	Bergen op Zoom, The Netherlands	A wholly owned affiliate of SABIC	Lexan*, Xenoy*, Noryl*, Noryl GTX* and Valox* resins; Lexan* sheet, and film
<b>SABIC Innovative Plastics</b> <b>IP</b>	Burkville, Alabama, USA	A wholly owned affiliate of SABIC	Lexan* resin
<b>SABIC Innovative Plastics</b> <b>IP</b>	Campinas, Brazil	A wholly owned affiliate of SABIC	Lexan*, Noryl*, Valox*, Xenoy*, Cycology*, Cicolac* and Gelyo* resins, LNP* compounds, and Lexan* multiwall sheet
<b>SABIC Innovative Plastics</b> <b>IP</b>	Carville, Louisiana, USA	SABIC Petrochemicals Holding US, Inc (50%) and Total Petrochemicals (50%)	Styrene
<b>SABIC Innovative Plastics</b> <b>IP</b>	Cartagena, Spain	A wholly owned affiliate of SABIC	Lexan*, Extem*, Ultem*, and Cycology* resins
<b>SABIC Innovative Plastics</b> <b>IP</b>	Chung-Ju, Korea	A wholly owned affiliate of SABIC	Lexan*, Cycology*, Noryl*, and Xenoy* resins
<b>SABIC Innovative Plastics</b> <b>IP</b>	Cobourg, Canada	A wholly owned affiliate of SABIC	Lexan*, Cycology*, Cicolac*, Valox*, Ultem*, Xenoy*, Xylex* and Visualfx* resins, LNP* compounds, and Lexan* sheet
<b>SABIC Innovative Plastics</b> <b>IP</b>	Columbus, Indiana, USA	A wholly owned affiliate of SABIC	LNP* compounds
<b>SABIC Innovative Plastics</b> <b>IP</b>	Enkuizen, The Netherlands	A wholly owned affiliate of SABIC	Lexan* sheet and film
<b>SABIC Innovative Plastics</b> <b>IP</b>	Geismar, Louisiana, USA	SABIC Petrochemicals Holding US, Inc (16.6%) and Williams Olefins, LLC (83.4%)	Ethylene by-products, propylene, crude butadiene, and DAC
<b>SABIC Innovative Plastics</b> <b>IP</b>	Long Sault, Canada	A wholly owned affiliate of SABIC	Lexan* multiwall sheet
<b>SABIC Innovative Plastics (SABIC Innovative Plastics Japan, LLC)</b> <b>IP</b>	Moka Tochigi, Japan	A wholly owned affiliate of SABIC	Cycology*, Lexan*, Noryl*, Noryl GTX*, Flexible Noryl*, Ultem*, Valox* and Xenoy* resins, LNP*, Lubriloy*, Stat-loy* and Faradex* compounds
<b>SABIC Innovative Plastics</b> <b>IP</b>	Mt. Vernon, Indiana, USA	A wholly owned affiliate of SABIC	Lexan*, Cycology*, Ultem*, Valox*, Xenoy*, Xylex*, Supec* and Siltem* resins, Lexan* sheet and film, and Illuninex* display film

Statements &amp; reports

Success stories

Business review

Our responsibilities

Financial statements

Notes to the accounts

Our companies

# Our manufacturing and compounding companies

COMPANY	LOCATION	PARTNERSHIP	PRODUCTS
SABIC Innovative Plastics (China) Co., Ltd.	Nansha, China	A wholly owned affiliate of SABIC	Cyclocac*, Noryl*, Lexan*, Ultem* and Valox resins; and various types of thermoplastic alloys including but not limited to Cycloy* resins
SABIC Innovative Plastics	Olgiate, Italy	A wholly owned affiliate of SABIC	Lexan* sheet, Lexan* Thermoclear* sheet, and Lexan* Thermoclick* sheet
SABIC Innovative Plastics	Ottawa, Illinois, USA	A wholly owned affiliate of SABIC	Cyclocac*, Cycloy*, and Geloy* resins
SABIC Innovative Plastics	Pontirolo, Italy	A wholly owned affiliate of SABIC	LNP* compounds, LNP* Staramid*, Starflam*, Lubricomp* and Thermocomp* compounds, Lexan*, Valox*, and Cycloy* resins
SABIC Innovative Plastics	Ramdonksveer, The Netherlands	A wholly owned affiliate of SABIC	LNP* compounds
SABIC Innovative Plastics	Rayong, Thailand	A wholly owned affiliate of SABIC	Lexan*, Noryl*, Noryl GTX*, Valox*, Xenoy*, Cycloy* and Cyclocac* resins, and custom engineered products
SABIC Innovative Plastics	San Luis, Petosi, Mexico	A wholly owned affiliate of SABIC	LNP* compounds, LNP* Starflam* resin, Valox*, and Xenoy* resins
SABIC Innovative Plastics	Selkirk, New York, USA	A wholly owned affiliate of SABIC	PPO* resin, Noryl*, Noryl* PPX and Noryl GTX* resins, and high impact polystyrene (HIPS)
SABIC Innovative Plastics (Shanghai) Co., Ltd.	Shanghai, China	A wholly owned affiliate of SABIC	Lexan*, Cycloy*, Noryl*, Valox*, Geloy* and Xenoy* resins, Visualfx resins, and custom engineered products
SABIC Innovative Plastics	Tampico, Mexico	A wholly owned affiliate of SABIC	Cycloy*, Cyclocac*, Geloy*, and Lexan* resins
SABIC Innovative Plastics	Thornaby, UK	A wholly owned affiliate of SABIC	LNP* Verton* compound
SABIC Innovative Plastics	Thorndale, Pennsylvania, USA	A wholly owned affiliate of SABIC	LNP* compounds—Colorcomp*, Lubriloy*, Lubricomp*, Stat-kon*, Stat-loi*, Konduit*, Starflam*, Thermocomp* and Thermotuf* compounds, Extem*, Valox*, and Xenoy* resins
SABIC Innovative Plastics	Tortuguitas, Argentina	A wholly owned affiliate of SABIC	Cyclocac*, Cycloy* Lexan*, Valox*, Xenoy, and Noryl* resins
SABIC Innovative Plastics	Vadodara, India	A wholly owned affiliate of SABIC	Lexan*, Cycloy*, Noryl*, Valox*, and Xenoy* resins
SABIC Innovative Plastics	Washington, West Virginia, USA	A wholly owned affiliate of SABIC	Cyclocac*, Cycloy*, and Geloy* resins
SABIC Innovative Plastics	Wiener Neustadt, Austria	A wholly owned affiliate of SABIC	Lexan* sheet
SABIC Innovative Plastics	Wixom, Michigan, USA	Exatec LLC—A wholly owned	Polycarbonate automotive affiliate of SABIC glazing
SABIC Plastech Sunsheet (Zhongshan) Co., Ltd.	Zhongshan, China	A wholly owned affiliate of SABIC	Lexan* sheet



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COMPANY	LOCATION	PARTNERSHIP	PRODUCTS
<b>SABIC Petrochemicals B.V.</b> <b>C P</b>	Geleen, The Netherlands	A wholly owned affiliate of SABIC	Polyethylene (HDPE, LDPE, LLDPE), polypropylene, ethylene, propylene, butadiene, MTBE/ETBE, benzene, gasoline components, styrene, C9 resin feed, cracked distillate, acetylene, hydrogen, and carbon black oil
<b>SABIC UK Petrochemicals Ltd</b> <b>C</b>	Teesside, UK	A wholly owned affiliate of SABIC	Ethylene, propylene, benzene, toluene, paraxylene, and cyclohexane
<b>SABIC Polyolefine GmbH</b> <b>P</b>	Gelsenkirchen, Germany	A wholly owned affiliate of SABIC	Polyethylenes (HDPE, LLDPE) and polypropylene
<b>SINOPEC SABIC Tianjin Petrochemical Co. Ltd.</b> <b>C P</b>	Tianjin, China	A 50/50 joint venture between SABIC Industrial Investments Company and SINOPEC (China Petroleum & Chemical Corporation)	Ethylene, polyethylene, ethylene glycol, polypropylene, butadiene, phenol, and butene-1
<b>SAUDI KAYAN</b> <b>P PC C IP</b> Saudi Kayan Petrochemical Company	Al-Jubail, Saudi Arabia	SABIC (35%), Al-Kayan Petrochemical Company (20%), public shareholders (45%)	Ethylene, propylene, polypropylene, LDPE, HDPE, ethylene glycol, acetone, polycarbonate (PC), ethanolamines (EOA), ethoxylates, bisphenol A, and benzene, normal butanol and natural detergent alcohol (NDA)
<b>SHARQ</b> <b>C P</b> Eastern Petrochemical Company	Al-Jubail, Saudi Arabia	A 50/50 SABIC joint venture with a consortium of Japanese companies led by Mitsubishi Corporation	Polyethylene, ethylene glycol, and ethylene
<b>SPECIALTY CHEM</b> <b>C P</b> Saudi Specialty Chemicals Company	Al-Jubail, Saudi Arabia	Wholly owned affiliate of SABIC (Arabian Petrochemical Company–PETROKEMYA, 99%, and SABIC Industrial Investments Company 1%)	Tri-Ethyl aluminum (TEAL), TPO/PP compounds, PC compounds, ABS compounds, and specialty products
<b>UNITED</b> <b>C P</b> Jubail United Petrochemical Company	Al-Jubail, Saudi Arabia	SABIC (75%), Pension Fund (15%), General Organization of Social Insurance (10%)	Ethylene, polyethylene, ethylene glycol (EG), and linear alpha olefins (LAO)
<b>YANPET</b> <b>C P</b> Saudi Yanbu Petrochemical Company	Yanbu, Saudi Arabia	A 50/50 SABIC joint venture with Mobil Yanbu Petrochemical Company (an affiliate of ExxonMobil Chemical, USA)	Ethylene, polyethylene, ethylene glycol, polypropylene, pyrolysis gasoline, and propylene
<b>YANSAB</b> <b>C P</b> Yanbu National Petrochemical Company	Yanbu, Saudi Arabia	SABIC (51%), public shareholders (39%), other companies in the Gulf region (10%)	Ethylene, propylene, ethylene glycol (mono, di,tri), linear low density polyethylene (LLDPE), high density polyethylene (HDPE), polypropylene, butene-1, butene-2, benzene, toluene/xylene mixture, and MTBE

- \* Trademark of SABIC Innovative Plastics IPV.V
- \*\* SABIC joint ventures in Bahrain

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