





SABIC, a global company, is a fast-growing petrochemicals and steel producer.

From fertilizers and steel to the materials in medical equipment, in computers, in trucks and cars to the glazes on many buildings, SABIC is producing the materials which form the modern world.

Consistently profitable, and with global ambitions, SABIC now employs more than 33,000 people working in more than 100 countries on six continents.

Our employees, truly our most valuable asset, generated in 2008 sales of SR 151 billion, with net profits of SR 22 billion.

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SABIC vision:

To be the preferred world leader in chemicals

SABIC mission:

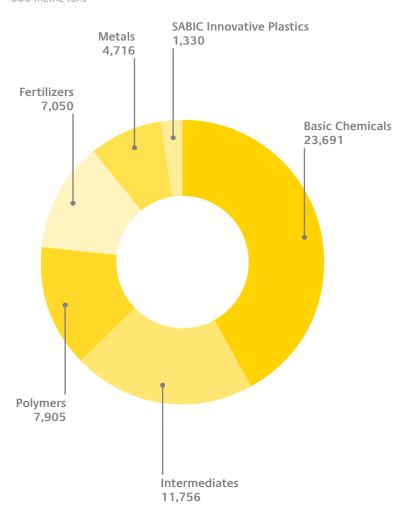
To responsibly provide quality products and services through innovation, learning and operational excellence while sustaining maximum value for our stakeholders

2008

Strategic Business Units and financial highlights

By creating a corporate environment which inspires innovation and talent we have positioned SABIC as one of the world's largest petrochemical businesses. A new business model and continued investment commitment in plant and equipment will ensure we will achieve our long-term goals.

Total production by business unit* '000 metric tons



^{*}Specialty Products yet to start production

Basic Chemicals

Basic chemicals are the building blocks of thousands of consumer and industrial goods, the essentials of modern life – from clothing and furniture to detergents, food packaging and perfume. SABIC is one of the world's largest producers and exporters of basic chemicals. Accounting for over 40% of SABIC's total production, this is our largest single Strategic Business Unit.

Intermediates

These essential chemicals are critical to numerous downstream industries. SABIC produces them for our own industrial processes, as feedstock for affiliates and for local and global markets.

Across the Strategic Business Unit we achieved our targets in all new Intermediates projects, including SAUDI KAYAN Ethylene Glycol, SHARQ Ethylene Glycol #4, YANSAB Ethylene Glycol #1 and GAS phase eight.

Looking further forward, we signed a heads of agreement to form a 50:50 joint venture between SABIC and Sinopec to establish a major ethylene derivatives complex in Tianjin, China capable of producing a million metric tons of product per year.

In late 2008 SABIC experienced volatility in its financial performance. Following record sales in the first 3 quarters, the economic downturn impacted demand in quarter 4. Going forward we are implementing measures to ensure SABIC will be in the strongest position to take advantage of an improving financial climate.

Polymers

SABIC is at the forefront of polymer technological development and manufacturing. We are the world's fourth largest producer of polyolefins, which includes polyethylene (PE) and polypropylene (PP) and one of a few companies to make all five of the most important thermoplastic resins. SABIC's Polymers SBU operates on a global scale, with a worldwide production capacity of nearly 8.7 million metric tons. Apart from our rapidly expanding European complex, our polymer production mostly takes place at high-tech facilities in the Saudi Arabian cities of Al-Jubail and Yanbu.

Fertilizers

Securing food supplies for a hungry world is a major challenge: SABIC fertilizers have a vital role in meeting it. 2008 was a year of challenges and opportunities for SABIC Fertilizers. The global fertilizer business is cyclical, influenced by weather, crop prices, government policy, currency movements, energy and transport costs. 2008 was no exception. For the first nine months of the year, before the global economic crisis, urea saw record prices – as high as \$850/MT FOB from the Gulf and Russia/Ukraine.

Metals

SABIC's Metals Strategic Business Unit is an important part of the company's manufacturing portfolio. The Saudi Iron and Steel Company (HADEED) is one of the world's biggest fully-integrated steel producers and one of the largest steel manufacturing companies in the Middle East. It is also ranked fifth in the world among iron producers who use Direct Reduction Process.

SABIC Innovative Plastics

SABIC Innovative Plastics employs 10,000 highly skilled workers across a global network of high-technology plants and customer application centers. Our high-performance resins, polymer shapes and thermoplastic film and sheet products are used in transport, electronics, buildings, media, healthcare and consumer appliances. Backed by more than 5,000 global patents, SABIC Innovative Plastics' advanced engineered materials are marketed as globally recognized brands such as Lexan*, Noryl*, Ultem*, Valox* and Xenoy* resins, LNP* Specialty Compounds, and Exatec® automotive glazing.

Specialty Products

High value products are increasingly important to SABIC. In 2006 we created the Specialty Products Strategic Business Unit – part of our long-term growth strategy – to develop and manufacture high-quality chemicals and polymers for specialist markets. Starting in 2010, our affiliate the Saudi Kayan Petrochemical Company will initially produce a total of around 500,000 metric tons of specialty products a year. As new production facilities come online, we plan to expand our range and capacity to take advantage of new markets in emerging technologies.







CHAIRMAN'S STATEMENT

The dramatic downturn in consumer demand for products and services around the world as a result of the international credit crisis in the latter half of 2008 was both quick and forceful. The business environment for petrochemicals and SABIC's various product offerings rapidly deteriorated, challenging our management and employees to confront and respond to the changing supply/demand equation.

I am pleased to report that the Company's efforts during this difficult period were exemplary and, while the last quarter's financial and production figures provide insight into the degree and magnitude of the problems confronted by SABIC and the petrochemicals industry as a whole, we are well positioned to weather the current storm and remain on course to achieve our 2020 goals.

SABIC and a collaborative environment

The theme of our shareholder report for 2008 – Dynamic Growth through Collaboration is particularly relevant during these turbulent financial times as it illuminates our ongoing effort to build for the future. Dynamic growth, collaboration and innovation are the keys to SABIC's future success. The Company is meeting and successfully executing its business in the short term while developing an environment of innovation to build a highly adaptable entity to meet the competitive challenges of tomorrow.

For SABIC, collaborative management first and foremost means bringing different people from different cultures and disciplines together to engage in a process that will achieve a required goal. It requires strong leadership, the ability to focus and begin to develop a "common language". It is the ability to design a solution from consensus and execute toward a positive and agreed upon conclusion.

SABIC and its people

SABIC's growth since its beginning in 1976 has been nothing short of astounding and we are developing innovative systems and processes to achieve greater business synergy and profitability as we expand our business enterprise throughout the world. Systems and processes, however, are only a guide for success – SABIC's people are the essence of what has made the Company what it is today and will be in the future. A highly innovative culture will give our people – the most important resource SABIC has – the ability to creatively manage and build a far more secure future.

Our plans, as we transition to a new operating model, are to ensure that the Company provides the necessary tools for ongoing development of our present and future employees and develop a global reputation which attracts the best and brightest.

Growing for the future

The Company is well-positioned to meet the challenges imposed by the current economic circumstances. However, we know we cannot avoid being complacent – and we aren't.

We are developing a new model which will allow us to adapt to changing circumstances and global conditions as we move forward, providing greater value for our customers and greater expanded opportunity for SABIC. We seek to develop a corporate environment which encourages innovation throughout our processes, one that provides for flexibility in the face of changing economic circumstances.

I want to thank our shareholders, our employees and the communities in which we operate for their support of the Company. Prince Saud bin Abdullah bin Thenayan Al-Saud Chairman of the board

THE COMPANY IS MEETING AND SUCCESSFULLY EXECUTING ITS BUSINESS IN THE SHORT TERM WHILE DEVELOPING AN ENVIRONMENT OF INNOVATION TO BUILD A HIGHLY ADAPTABLE ENTITY TO MEET THE COMPETITIVE CHALLENGES OF TOMORROW.



VICE CHAIRMAN AND CHIEF EXECUTIVE OFFICER'S REPORT

SABIC INTENDS TO BE AND WILL BE A COMPANY THAT SUCCESSFULLY MANAGES THE TURBULENCE OF ECONOMIC STORMS AND SEIZES OPPORTUNITY TO ACHIEVE LONG-TERM GROWTH.



Mohamed H. Al-Mady
Vice Chairman and Chief Executive Officer

For the past several years, the SABIC report to shareholders has reflected a dramatic rise in income, production and sales figures, placing the Company among the world's top petrochemical businesses. Last year's report for 2007 reflected the highest income and production levels in our corporate history.

Our 2008 performance, as with every other global petrochemical company, suffered as a result of the economic downturn. Despite record sales and profitability in the first three quarters of the year, the rapid onset of the global credit crisis in the last guarter of 2008 severely impacted demand for SABIC's products worldwide. In the absence of business and credit certainty, consumers throughout the world, faced with more restrictive lending conditions, curtailed spending. This drop in demand affected each of SABIC's business units. From building and construction to agriculture production to automotive manufacturing – virtually no business sector was left untouched by the ramifications of the worldwide economic meltdown. While SABIC's own business financing needs were settled before the current crisis began, erosion in demand was such that for the year, SABIC saw a 19% slide in income with a 95% dip in the fourth quarter alone, compared to 2007.

While we strive to sustain and build on the remarkable success SABIC has enjoyed since its start in 1976, our management has never been complacent or naïve about the challenges and tasks which lay before us. Our actions and business decisions have always been made with a long-term view recognizing that our plans will be impeded by short-term economic conditions and cycles which arise. We are and have always been cautious and judicious in planning for the future use of our capital resources. Even though it is difficult to predict economic downturns, particularly downturns of the size and scale we've witnessed over the past several months, we are nonetheless fully capable of weathering economic storms and plan accordingly.

Therefore, to counter the present economic slowdown and provide for our continued future success, the Company has implemented a wide range of measures to ensure SABIC emerges in a much stronger position as this recessionary cycle begins to change. First and most importantly, we are proceeding with our planned and ongoing investments in plants and equipment and we will continue to review other opportunities for investment which meet our long-term goals.

In addition, we have instituted a cost reduction program to ensure all of our operations are maximizing their potential in the present market without limiting the Company's ability to respond to existing customer needs as well as needs of new customers in the future as the financial climate improves. We intend on strengthening our existing relationships and building new partnerships as we move forward.

One SABIC - A new global operating model

As our Chairman mentioned in his statement, the theme of this year's Annual Report is "Dynamic Growth through Collaboration". This, in many ways, encapsulates the vision of our path forward utilizing a new operating model. In November, SABIC announced plans for a comprehensive restructuring designed to achieve our short and long-term objectives and rationalize the Company's diverse strengths to better accomplish the goals set forth in our 2020 strategy - to establish SABIC as the preferred world leader in chemicals. To be recognized as a world leader requires strong revenue and profitability, but it also requires an ongoing commitment to excellence in manufacturing, the ability to create value for our customers, effective management of our global talent and an atmosphere of innovation and unequalled technological know-how.

As such, SABIC's leadership with the approval of the Board of Directors has established a new organization and operating model which will redefine how we work and how we are organized – enabling us to achieve our vision and strategic ambition, benefiting our customers, employees and shareholders.

VICE CHAIRMAN AND CHIEF EXECUTIVE OFFICER'S REPORT

Create One SABIC - One SABIC, the new operating model project, is part of an ongoing series of actions designed to better integrate our global business structure – bring better definition and coordination in support of our global activities. In developing a fully integrated global entity, a process underway and to be completed in 2009, we are focused on several key objectives. Our new organization will transition from a company of individual, partly regional entities, to one based on seven global Strategic Business Units - Chemicals, Metals, Fertilizers, Polymers, Performance Chemicals, Innovative Plastics and Manufacturing. Each business will be managed on its own key success factors, maximizing each unit's ability to realize its profit potential. The new design will also encourage an exchange of best practices and continuous improvement and innovative action across business segments. Our corporate executive team will focus more attention on strategic challenges and future development needs to achieve SABIC's 2020 goals. In summary, our goal is to provide a new global operating platform which will lead to a more agile, less cumbersome company structure. This will provide stronger, sustainable growth; encourage greater internal and external collaboration; and help develop a truly global corporate culture which encourages innovation.

With the acquisition and integration of SABIC Innovative Plastics, SABIC has been transformed into a truly global manufacturing entity with current and planned manufacturing operations in the Kingdom of Saudi Arabia as well as the United States, the European Union and Asia. SABIC now has a manufacturing, sales and Research and Technology presence in over 40 countries.

I want to target some specific areas and programs of importance for the Company's overall growth and evolution to a global market leader.

Global markets for growth - While SABIC is actively engaged in virtually every major region and country in the world, and has achieved remarkable success in those areas, there are a number of regions that are particularly important for our future. Emerging markets, Brazil, Russia, India and China – to name a few, are growing their economies at compound rates approaching 40% in some cases. In contrast, the West and Japan, far more mature areas, are at rates between 2%-5%. It is in these regions, particularly China, where petrochemical demand is strongest. SABIC's success in the Asia Pacific last year illustrates the importance and potential of these emerging markets now and going forward.

The Company started the year with extremely robust sales. Petrochemical prices kept pace with rising crude prices and despite the impact of the credit crisis, SABIC's strong performance in the first half of the year compensated for the mediocre performance at year's end. Despite the economic slowdown in the last half of 2008, SABIC Asia Pacific's total sales revenue increased by 8% against 2007 with sales volumes exceeding a 7% increase compared with 2007.

As an important step in its globalization strategy, in 2008, SABIC signed two landmark agreements to enhance its future operations in China. In June, SABIC and Sinopec (the China Petrochemical Corporation) signed a strategic cooperation agreement to expand the scope of partnership at the Tianjin Industrial Complex, currently under construction. This agreement will provide SABIC 50% of the Tianjin complex with feasibility for adding polycarbonates using raw materials produced at the complex and SABIC Innovative Plastics technology.

A second agreement was signed in July between SABIC Shenzhen Trading Company Ltd, a SABIC subsidiary, and Sino Saudi Aramco Company Ltd, a wholly owned subsidiary of Saudi Aramco. Under the agreement, the SABIC subsidiary will market Saudi Aramco Sino Company Ltd's 25% share of polyolefin products produced by China's Fujian Refining and Petrochemicals Company.

SABIC's people: our greatest resource -In this highly competitive world and industry, the challenge to create and develop an atmosphere for retaining and attracting talent is greater now than at any other time in our history. SABIC understands the importance of this critical link between a successful global enterprise and its people and is focused on creating an environment of innovation and learning to enhance the opportunities for all of our employees, regardless of their location in the world. We understand the importance of creating a corporate reputation which attracts the best available talent from around the globe. Some years ago, the Company developed the SABIC Learning Organization designed to support continual training and investment in our employees. As we move forward, our vision is to expand opportunities for all of our employees and enhance their ability to grow and mature into the Company's leaders of tomorrow.

Logistics: meeting the customers needs -Delivering what our customers want, when they want it is a commitment which SABIC takes seriously. A successful supply chain depends on many factors, and the most important one is the customer. We recognize that to be successful in this competitive environment and to meet the Company's future aspirations, we must continue to build an infrastructure which anticipates the needs of our present and future customers, regardless of where they are in the world. The EMDAD project is SABIC's ongoing effort to enhance our present logistical and operational needs. In 2008, EMDAD continued to make great progress toward achieving these goals.

Innovation: inherent part of SABIC culture

- A culture of innovation is an important part of any successful corporate global entity and SABIC intends to build on its past success. Innovation is one of the key pillars of SABIC's 2020 vision and goals. It will contribute significantly to SABIC's growth and prosperity and will be distributed through the Company's value chain. Innovation in environmental and sustainable performance and innovation in integrating our resources to provide products and unique services are just some examples of innovation which are critical to our success. In 2008, as in past years, we continue to make progress in promoting our innovative capacity and mindset.

Culture of responsible leadership – Core values make up the fabric of any corporation. They establish the boundaries of behavior, the manner in which you conduct your business, and the importance the business places on its role in society as a citizen. Core values are and have always been the foundation for SABIC's business culture. As SABIC has grown, we've recognized a need to establish and better define our goals in this way. In 2008, we chose four simple, but meaningful, values as part of our global corporate identity regardless of who we are, which community we live in, or what individual SABIC business we are part of. They are INSPIRE, ENGAGE, CREATE and DELIVER.

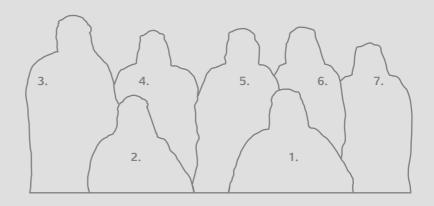
2008 has reminded us that our organization cannot be content with past success. As difficult as 2008 was and 2009 may be, SABIC is a well-managed, well-capitalized global corporate entity. There are opportunities amid the gloom of global recession. SABIC intends to be and will be a Company that successfully manages the turbulence of economic storms and seizes opportunity to achieve long-term growth. I would like to thank all of our shareholders and employees for their continuing support of our past and future actions.

BOARD OF DIRECTORS

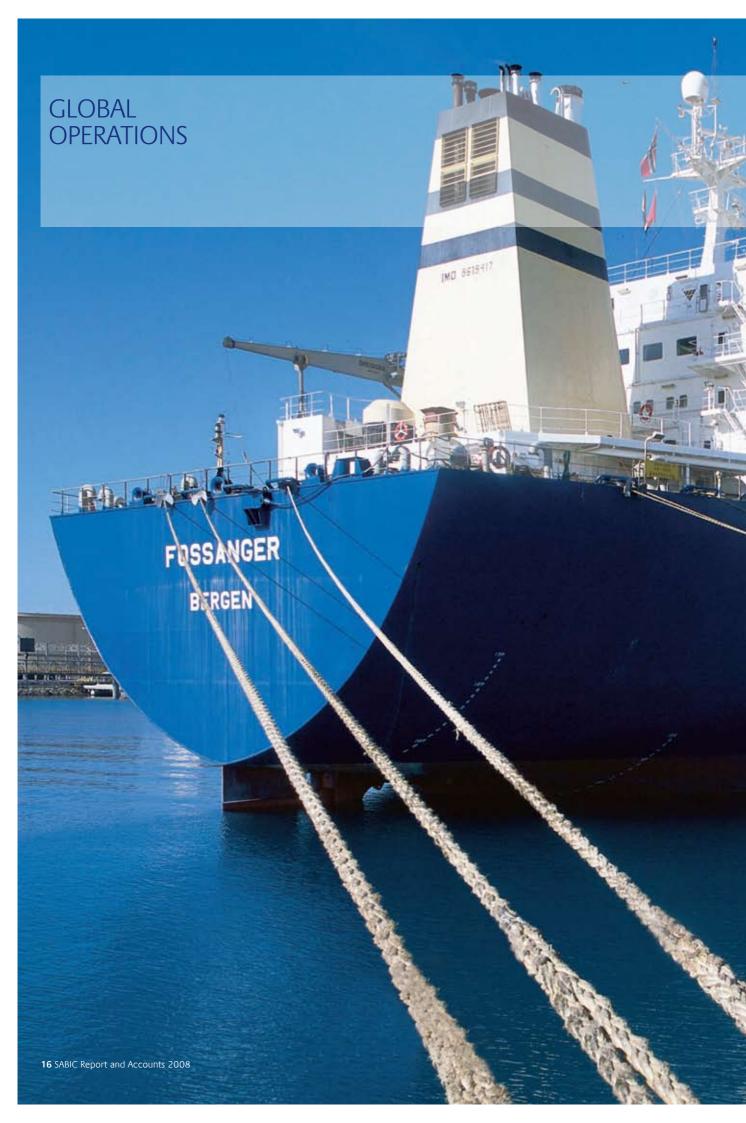
- **1. Prince Saud bin Abdullah bin Thenayan Al-Saud** Chairman of the board
- **2. Mohamed H Al-Mady**Vice-Chairman and Chief Executive Officer



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







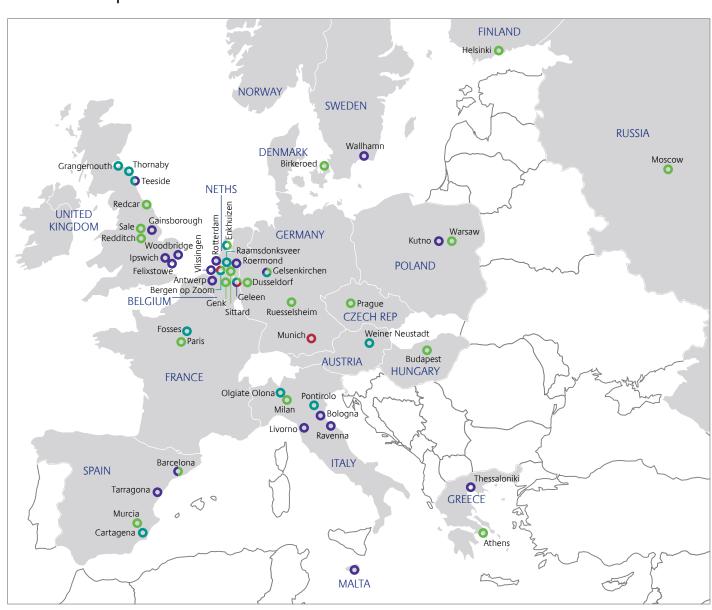
GLOBAL OPERATIONS

- O SABIC headquarters
- SABIC manufacturing sites
- SABIC international subsidiaries and sales offices
- O Distribution, storage facilities and logistical hubs
- Research and technology sites

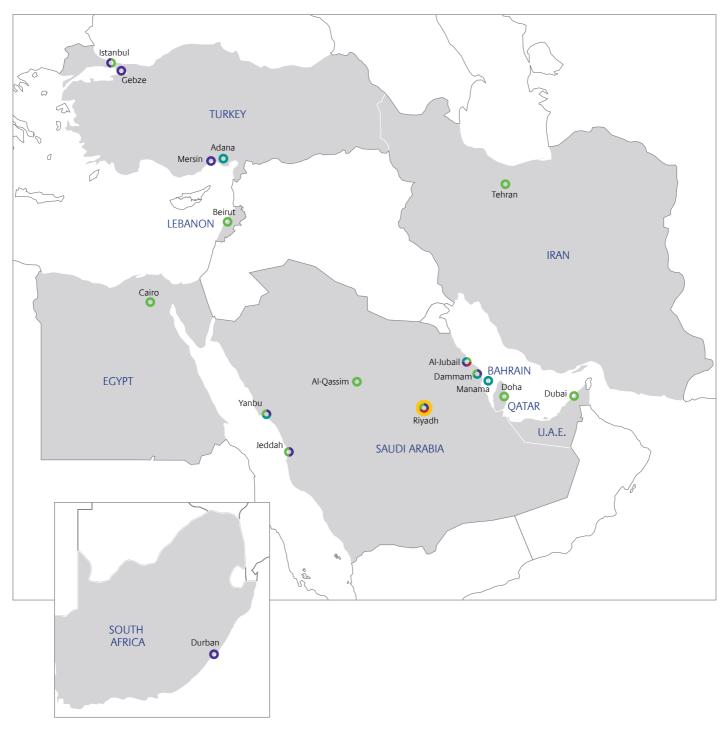
SABIC Americas

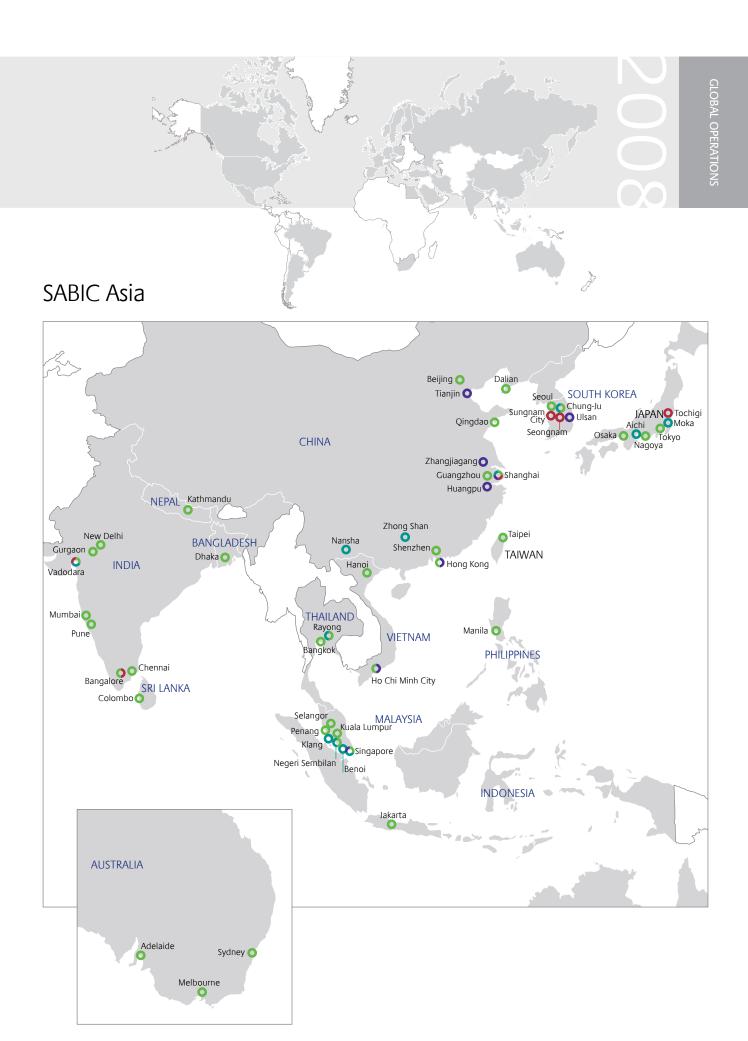


SABIC Europe



SABIC Middle East/Africa

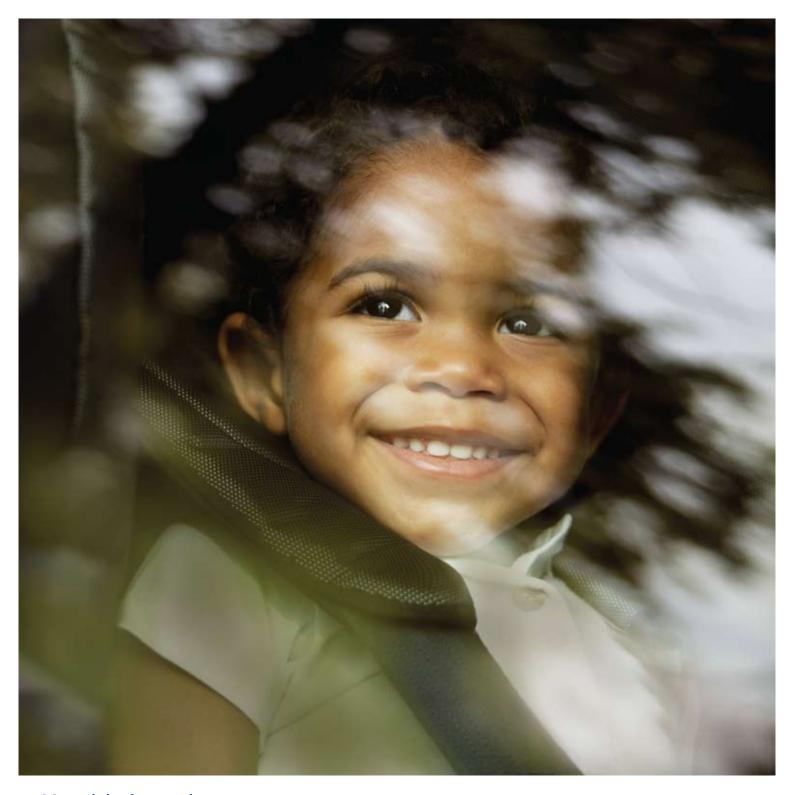




SABIC'S CONTRIBUTION







Materials that make us safer

When it comes to safety there's no room for compromise. SABIC develops and manufactures polymers that make car seats safer, stronger and more stylish, protecting children on the move. We also work closely with automakers to help them ensure that even the most compact and lightweight cars exceed safety requirements.



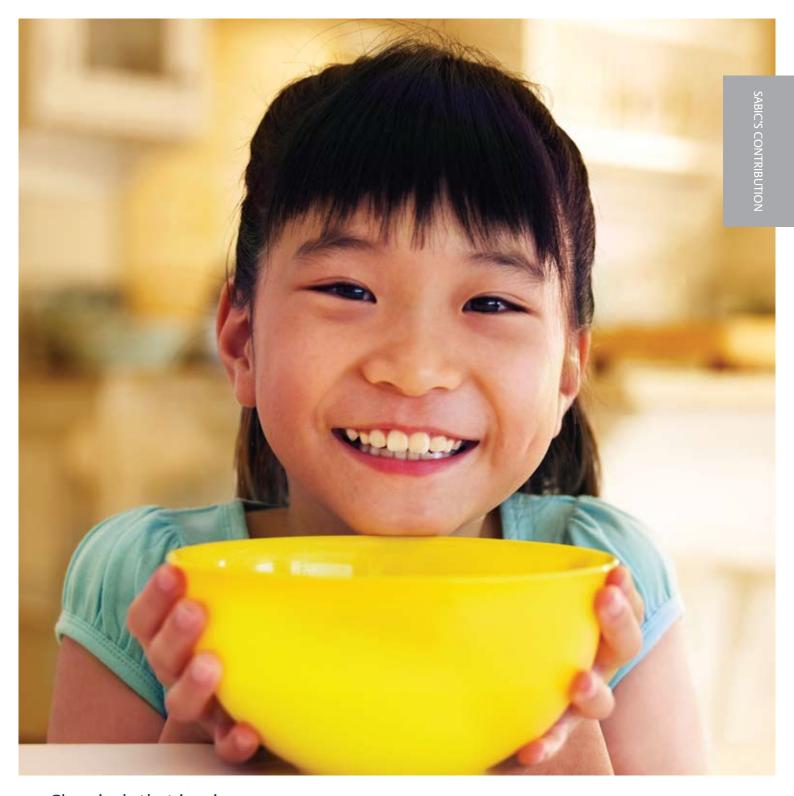
Polymers that help us perform

Surfing is a solo challenge, but the latest performance comes from collaboration. By working with designers worldwide, SABIC innovates the polymers that make the toughest, lightest boards around. We believe the next breakthrough, whether in surfboards or circuit boards, will also come from working together.



Fertilizers that help us grow

The earth's six billion people need a lot of food. With less and less land in production per person, young plants require a little help. At SABIC, our chemists work together with agriculture specialists to find new ways to increase yields.



Chemicals that inspire the everyday

Colorful and unbreakable. Two qualities that make a simple plastic bowl fun and family-safe. By delivering the essential chemicals, SABIC helps create products that brighten the lives of millions worldwide. And by working ever more closely with our customers, we discover innovative new ways to solve manufacturing challenges.



Plastics that advance education

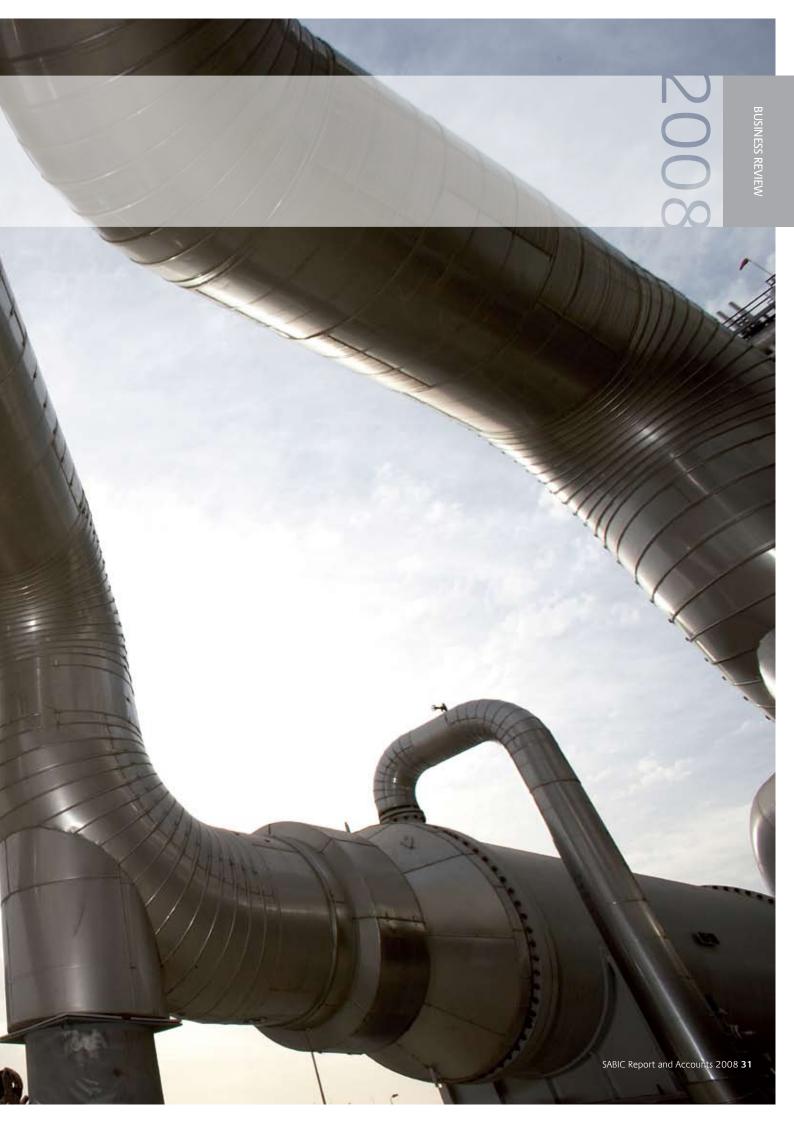
Despite the computer revolution, in most parts of the world, pen and paper remain the primary means of teaching children, whether about math or natural history. SABIC works closely with our customers worldwide to develop and supply the chemicals and plastics that make the most creative learning materials.

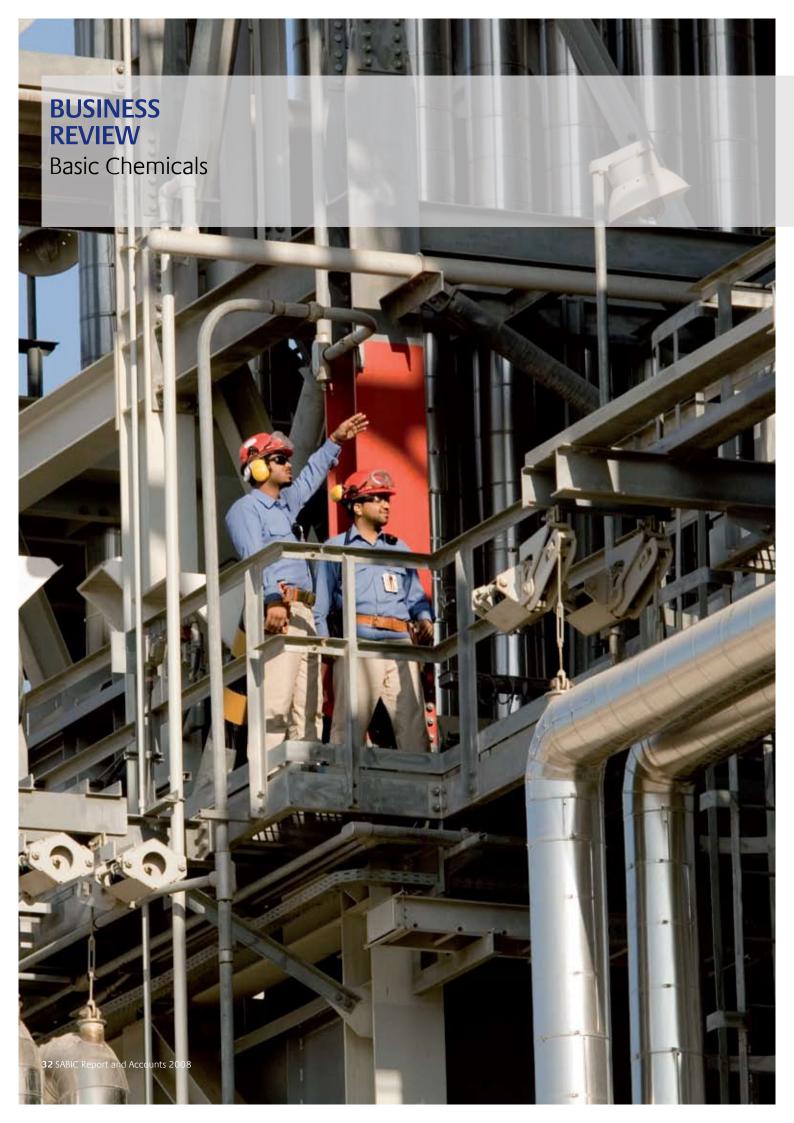


Metals that strengthen industry

Steel is a vital ingredient for businesses across the world, from manufacturers of kitchen appliances to building contractors. As the leading steel producer in the Middle East, SABIC's metals business has played a vital role in the construction, development and industrialization of some of the world's fastest growing economies.







BASIC CHEMICALS ARE THE BUILDING BLOCKS OF THOUSANDS OF CONSUMER AND INDUSTRIAL GOODS, THE ESSENTIALS OF MODERN LIFE.

Basic Chemicals

Basic chemicals are the building blocks of thousands of consumer and industrial goods, the essentials of modern life – from clothing and furniture to detergents, food packaging and perfume. SABIC is one of the world's largest producers and exporters of basic chemicals. Accounting for over 40% of SABIC's total production, this is our largest single Strategic Business Unit.

We produce most basic chemicals in one of the largest petrochemical hubs in the world, Al-Jubail, Saudi Arabia. The wealth of hydrocarbon resources close at hand and a strategic position on major trade routes gives us a competitive edge, particularly for supplying the fast growing markets in Asia and the Pacific.

SABIC's Basic Chemicals Strategic Business Unit has three main groups, based on their chemical products and their uses:

Olefins – widely-used and versatile substances, most commonly associated with plastics. They are key ingredients in many of the best-known man-made materials in the world.

Aromatics – chemicals used in the manufacture of a huge range of everyday goods, from plastic bottles to raw materials to make polyester fibers for clothes.

Oxygenates – chemicals that, when mixed with other substances, add extra oxygen. These alcohols and ethers have a diverse range of practical uses from improving gasoline performance to making solvents.

The year in review

Across the division we sold more than 80% of product during the stronger economic conditions and higher prices of the first part of the year. We produced 400,000 metric tons of ethylene for export, and the local market for styrene increased by 25%. We put into effect a PyGas stream from various crackers, helping produce more valuable products: the IBN ZAHR Olefin Conversion Technology (OCT) unit came onstream in Q4. The YANSAB and SHARQ crackers are scheduled to go live in 2009.

Methanol: a year of expansion

Expansion projects boosted capacity substantially. The fifth expansion of the Saudi Methanol Company (AR-RAZI) in the Jubail Industrial City went onstream on May 1, creating the world's largest single chemical methanol production complex. The new plant added 1,500 metric tons a day, taking production up to 5,000 metric tons a day. AR-RAZI now produces more than three million tons a year from its four plants.

Methanol for transport has become a promising market, especially in times of high oil prices, as during the first three quarters of the year. Dimethyl ether is a proven substitute for diesel in public transport in China. Direct blending of methanol into gasoline boosted demand for methanol in China.

Regional markets: Asia Pacific

Sales of basic chemicals remained relatively steady in 2008, despite uneven supply patterns and volatility in export volume. The last quarter of the year, as the global financial crisis broke, was challenging. Sales by quantity ended 19% above expectation. All product groups did well in both volume and sales. Ethylene sales increased 3.2 times while methanol saw an increase of 2%. China remains the largest and most important market for basic chemicals.

The Americas

In the US methanol prices began strongly in 2008, collapsing from historic highs by the end of the third quarter. Benzene sales volume for the year was 30% ahead of the 2008 plan. The year was marked by extreme price volatility as crude prices first soared, then plummeted.

Europe

Following a review of the long-term viability of the business, SABIC Europe began restructuring its aromatics operations in Teesside, UK, in mid-2008. Accordingly, the Aromatic-2 unit at SABIC UK Petrochemicals and the Paraxylene plant were closed, affecting approximately 200 operational and support positions.

India

Chemical products recorded their strongest sales ever with methanol volumes at record levels. Over 90% of SABIC India's chemical business remained on long-term contract basis. Indian downstream businesses see this as testimony of SABIC's commitment and ability to supply raw materials, using our dedicated ships sailing to the west and east coasts of India.

MTBE: considering the options

SABIC is the world's number one producer of MTBE. While it remains a good business, demand growth globally is uncertain due to the recent phase-out of the product in the United States. A dedicated SABIC team is reviewing the market continuously, studying alternative uses for MTBE as well as other uses of our MTBE assets. This year we introduced MTBE into the Turkish market to take advantage of good market conditions.

Challenges in supply and demand

Ensuring sufficient feedstock to load up production facilities remains a major challenge. New initiatives this year included securing feedstock for the AR-RAZI V plant through a corporate agreement with SAFCO. A four-year purchasing contract for ethylene and propylene was signed with the National Industrialization Company of Saudi Arabia (TASNEE) in Q3. Purchasing activities in olefins and aromatics were streamlined.

The financial crisis struck in October, tipping the world towards recession and immediately putting pressure on petrochemicals demand and financing. We continue to see opportunities across the global marketplace and we remain committed to producing the widest range of products and investing in the latest technology. SABIC aims to be the most competitive producer in the world.

BUSINESS REVIEW

Intermediates

ACROSS THE STRATEGIC BUSINESS UNIT WE ACHIEVED OUR TARGETS IN ALL NEW INTERMEDIATES PROJECTS, INCLUDING SAUDI KAYAN ETHYLENE GLYCOL, SHARQ ETHYLENE GLYCOL #4, YANSAB ETHYLENE GLYCOL #1 AND GAS PHASE EIGHT.

These essential chemicals are critical to numerous downstream industries. SABIC produces them for our own industrial processes, as feedstock for affiliates and for local and global markets.

Fiber intermediates – including mono ethylene glycol (MEG), di-ethylene glycol, tri-ethylene glycol and purified terephthalic acid. SABIC is the world's number one producer of glycols with an 18% market share.

Industrial gases – oxygen, used to produce ethylene glycol plus ethylene oxide and nitrogen used in industrial, process, plant shutdowns, purging and blanketing.

Chemical intermediates – including caustic soda, ethylene dichloride, vinyl chloride monomer, 2-ethyl hexanol and dioctyl phthalate. Ethylene dichloride is used for vinyl chloride monomer production which is used for PVC production. 2-ethyl hexanol, however, is used to produce dioctyl phthalate which is mainly used as plasticizer for PVC. Caustic soda is widely used in the industry in application such as acid neutralization, petroleum refining, alumina, and soaps.

Linear alpha olefins (LAO) – including Butene-1, Hexene-1, Octene-1, Decene-1, Dodecene-1, C14-C18 blends, and C20+ blends. LAO main applications range from co-monomers for polymer production (e.g. HDPE, LLDPE), polyalphaolefins used as synthetic lubricants, and in various chemical intermediates, surfactants, detergent alcohols, plasticizer alcohols and oilfield chemicals.

The year in review

The year saw significant volatility in pricing and production in key markets worldwide. As in all major commodities markets, there was a significant slowing in demand with a resultant sharp decrease in prices as the global financial crisis worsened in October.

This year we brought Linear Alpha Olefins (LAO) onstream for the first time. LAOs have many applications, from polymer production through synthetic lubricants to detergent alcohols, plasticizer alcohols, oilfield chemicals and waxes. With the introduction of LAOs, butene-1 and hexene-1 were supplied to the local market for the first time, meeting SABIC's own demand and creating an opportunity for the private sector to make new industrial investments.

The year saw significant new capacity coming onstream. The National Industrial Gases Company (GAS) completed the engineering and construction works at Yanbu (phase three) and Jubail (phase seven). Production began at Yanbu in May and at Jubail in February, three months ahead of planned schedule.

Across the business unit we achieved our targets in all new Intermediates projects, including Saudi Kayan Ethylene Glycol, SHARQ Ethylene Glycol #4, YANSAB Ethylene Glycol #1 and GAS phase eight.

Looking further forward, we signed a heads of agreement to form a 50:50 joint venture between SABIC and Sinopec to establish a major ethylene derivatives complex in Tianjin, China capable of producing a million metric tons of product per year.

Regional markets: Asia Pacific

After a strong performance in the first three quarters of the year, in the fourth quarter intermediates prices fell by almost 50%. Yet sales by volume fell by just 3% and would have been better still, were it not for delays in some deliveries – a knock-on effect of the Q3'2007 plant outage which affected MEG deliveries until end of February 2008.

Our core product MEG almost reached its target sales by volume, achieving 99% of sales plan by the end of the year. In terms of revenue, SABIC Asia was slightly above target, thanks to the high prices in first three quarters of the year. MEG contributed 87% of total volume and 89% of total revenue.

The Americas

SABIC Americas' MEG sales were 54% below target for the year, mainly due to disruption at the plant. Sales were mostly limited to contract customers and up until August these showed good profitability. The hurricane season hit local producers but limited allocations and contract commitments prevented us from scoring significant additional sales. The sudden and steep drop in Asia spot prices hit profitability in the second half of the year. New sales to South America beginning in December of 2008 will offset some of the price falls in the months ahead. A new storage tank in Houston will provide additional flexibility for sales in the Gulf of Mexico.

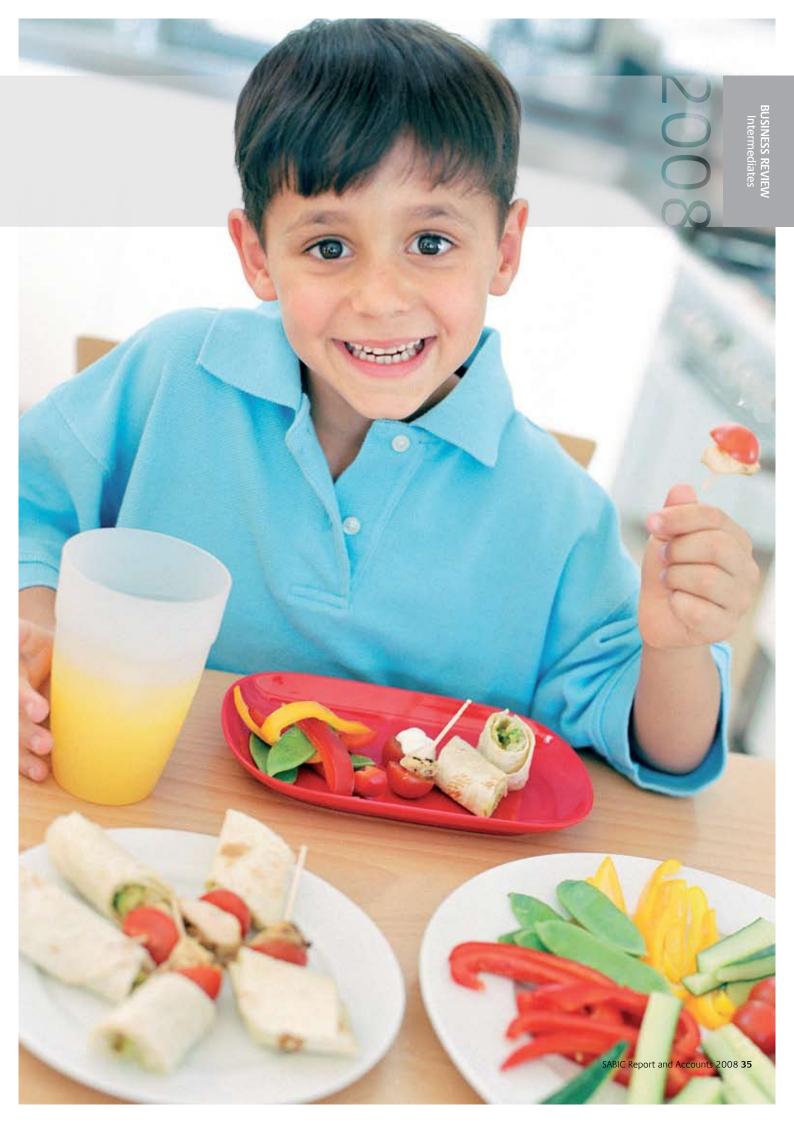
DEG sales were 34% below plan due to the limited allocation. We actively participated in the spot market, helping to deliver profit despite a sluggish construction market. During the hurricane season we were able to expand our customer base, which will help in 2009 to solidify our position in the US. Prices in the last quarter saw a dramatic drop given decreased demand and increased availability in the US of Asian DEG.

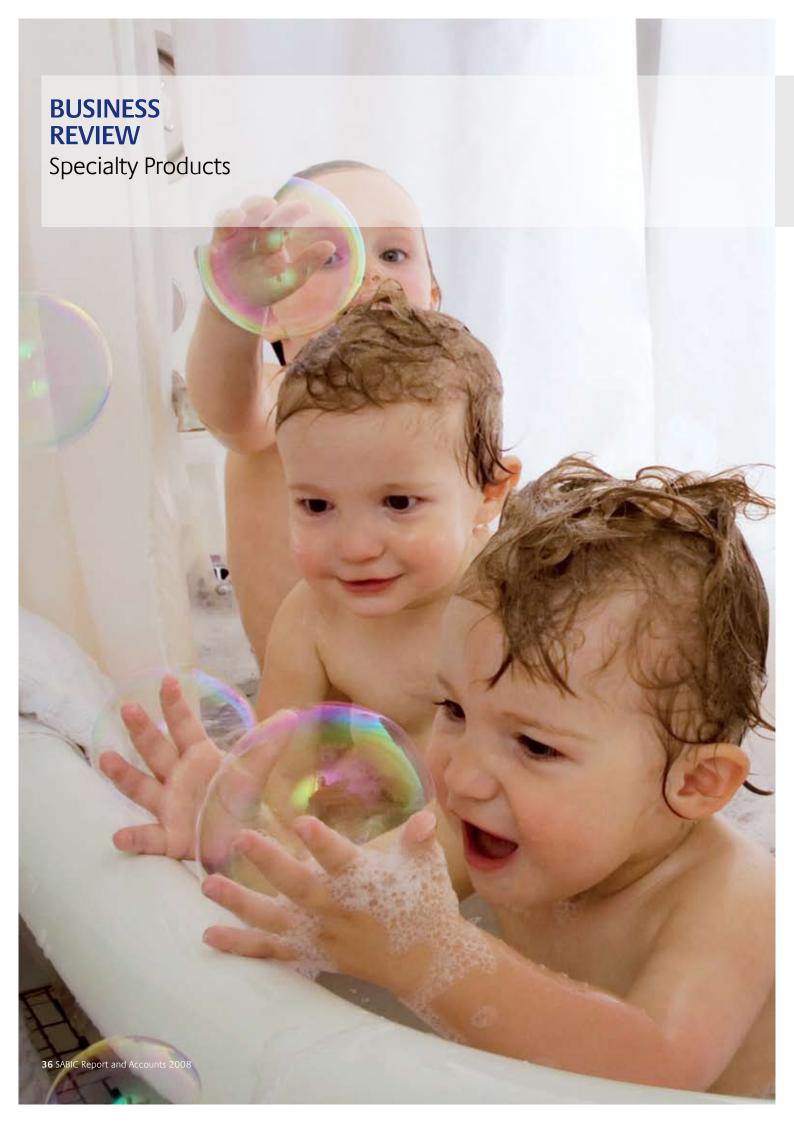
Challenges ahead

We are now working on bringing new EG capacities to the market and have made long-term agreements with customers to take the production of YANSAB, SHARQ-4 in 2009 and KAYAN in 2010. Other priorities include improving the supply chain through the EMDAD project and improving manufacturing reliability of all intermediates production units.

As a Strategic Business Unit we participated in major conferences around the world including NPRA, EPCA, APIC, GPCA, the Chlor Alkali conference and International 2-EH and Derivatives Forum. Recently, we were represented at the 5th China International Polyester and Intermediates Forum.

In 2008 SABIC's intermediates products obtained REACH certification. We remain committed to producing high-quality competitively priced products and being responsive to our customers' needs.





Specially, rough

BUSINESS REVIEW
Specialty Products

AS NEW PRODUCTION FACILITIES COME ONSTREAM, WE PLAN TO EXPAND OUR RANGE AND CAPACITY TO TAKE ADVANTAGE OF NEW MARKETS IN EMERGING TECHNOLOGIES.

High value products are increasingly important to SABIC. In 2006 we created the Specialty Products Strategic Business Unit – part of our long-term growth strategy – to develop and manufacture high-quality chemicals for specialist markets.

The division's products will focus on innovative petrochemical derivatives designed for technologically demanding applications. Our products will include bisphonal A, acetone, ethanolamines, ethoxylate, synthetic alcohols, and catalysts.

They have applications in electronics, automotive, electrical, healthcare, transportation/aviation, infrastructure and new markets like nanotechnology and alternative energy.

Starting in 2010, our affiliate the Saudi Kayan Petrochemical Company will initially produce a total of around 500,000 metric tons a year. As new production facilities come onstream, we plan to expand our range and capacity to take advantage of new markets in emerging technologies.

The year in review

2008 was an important year for the Speciality Products Strategic Business Unit. We took a number of major steps towards realizing goals set by senior management. This year saw us building capabilities across business development, customer service, technical support and sales, as we prepare to bring new products from SAUDI KAYAN and other affiliates to the market.

We successfully completed a strategic review, identifying both potential markets and an initial product range of performance chemicals to be developed. We are now working on comprehensive plans for the human and material resources needed to achieve these goals.

We are also studying and implementing a number of different projects that will create opportunities for new downstream industries in the Kingdom – in the automotive, home appliances, packaging and other industries – in line with the Saudi industrial clusters plans.

These new industries will have a tangible impact on the development of the Saudi industrial sector while increasing the value of the Kingdom's hydrocarbon resources. In addition, these industries will significantly diversify sources of income, boost the Kingdom's economy and provide thousands of job opportunities for citizens. They will also help reduce reliance on imports and support the Government's efforts to transform the Kingdom into one of the region's most important centers of industry and production.

Building customer awareness

During the year, the Speciality Products team participated in several international exhibitions and conferences. We made our debut at the Surfactant Congress in Paris in June, held every four years (surfactants are "surface active agents", found in a variety of applications such as household and industrial cleaning, personal care and pharmaceuticals).

We also participated in the eighth National Agrochemical Symposium and Crop Protection Exhibition in Nanjing in October – the first time the Speciality Products team has visited China. The SABIC stand showcased our ethanolamines and ethoxylates product range.

In June we held our third global meeting at SABIC headquarters in Riyadh. Besides key personnel from the business unit, the meeting was attended by SABIC representatives from Asia, Europe, America and India. These markets are seen as key for the speciality products that we are now aiming to launch by the end of 2010.



BUSINESS REVIEW

SABIC Innovative Plastics

SABIC Innovative Plastics employs 10,000 highly skilled workers across a global network of high-technology plants and customer application centers. Our high-performance resins, polymer shapes and thermoplastic film and sheet products are used in automobiles, electronics, building and construction, media, healthcare, consumer appliances, and transportation.

Backed by more than 5,000 global patents, SABIC Innovative Plastics' advanced engineered materials are marketed as globally recognized brands such as Lexan*, Noryl*, Ultem*, Valox* and Xenoy* resins, LNP* Specialty Compounds, and Exatec® automotive glazing.

Eight Global Application Technology centers in the United States, Europe, China, Japan, Korea and India employ 850 researchers, developing more than 150 new and highly innovative products every year through advanced application and process development as well as dedicated customer support.

The year in review

In 2008, a new sales and marketing model across the Strategic Business Unit intensified our focus on customer needs and reaffirmed our commitment to growing our most innovative product lines, strengthening our local presence while serving our global customer needs.



Fluid Engineering investment

This year we upgraded the Fluid Engineering Center of Excellence in Bergen op Zoom, the Netherlands. It now provides customers with a broader and better equipment offering to run extensive and longer-term tests and so develop highly advanced, innovative fluid handling solutions.

Meeting the needs of the healthcare industry

In healthcare SABIC products are helping make lighter, more portable designs possible, whether in breast cancer awareness and diagnostics or in devices like Biorep® Technologies' new system for isolating insulin-producing cells. Our innovative plastics adhere to stringent healthcare product requirements covering resin biocompatibility for food contact. In 2008 we obtained new certifications for hydrostable Noryl* resins, helping manufacturers of products that come in contact with potable water – pumps, water treatment housings and impellers – comply with a myriad of regulations and speed up the approval process.

Environmental design: electronics

Several major computer manufacturers are now using SABIC's Valox iQ*, derived in part from recycled plastic, for components including cooling fans, heat sink shrouds, connectors and external bezel covers. This move reduces landfill waste, helping electronics manufacturers become more environmentally compliant. This year internationally-renowned sustainable design firm MBDC awarded this material their Silver Cradle-to-Cradle Certification.

Taking European Union's Restriction of Hazardous Substances directive a step further, global electronics manufacturers are voluntarily reducing halogenated additives in their products. SABIC Innovative Plastics introduced EFR 735 film, our first thermoplastic film made without the use of brominated or chlorinated flame-retardants.

Shining a light: authentication technology

Product counterfeiting is a global problem. SABIC Innovative Plastics scientists are developing a unique resin authentication technology to allow distributors, inspectors and customs officials to authenticate products or components on the spot. In electronic security, SABIC Innovative Plastics' new Lexan* SD is a polycarbonate plastic film combining optimal performance, aesthetics and processing benefits, enabling manufacturers to make high-performance, durable cards within mandated thickness parameters.

Transport for the future

In the air, SABIC's Ultem* foam grades for luggage bins, galleys, and wall panels are giving aircraft designers best-in-class flame-smoke-toxicity performance while being ten to twenty times lighter than traditional plastics. On the road 2008's Renault Megane R26.R uses lightweight, high-optical quality Lexan* polycarbonate sheet and our proprietary Exatec blackout ink technology in backlight and quarter windows. This is the first commercial use of Exatec ink technology which is creating new possibilities for decorating and styling windows of all kinds.

SABIC® STAMAX polypropylene (PP) LGF resins are replacing steel in key components such as front-end modules and doors, offering lightweight options for improved fuel efficiency and emissions reduction, while delivering cost savings through design optimization and more efficient production cycles.

Throughout the year we worked with long time partners Ford, Land Rover, Renault and Tecnologia Automotiva Catarinese (TAC). The SABIC Innovative Plastics Car Design contest highlighted the importance of design to the future of the automotive industry, challenging designers to create a 3D virtual model of a "green-connected" urban vehicle in 2028.

EIGHT GLOBAL APPLICATION TECHNOLOGY CENTERS IN THE UNITED STATES, EUROPE, CHINA, JAPAN, KOREA AND INDIA EMPLOY 850 RESEARCHERS, DEVELOPING MORE THAN 150 NEW PRODUCTS EVERY YEAR.





SABIC IS AT THE FOREFRONT OF POLYMER TECHNOLOGICAL DEVELOPMENT AND MANUFACTURING.

Polymers

Polymers are the most versatile materials in the world, fast replacing traditional materials such as wood, cotton and glass in an enormous range of consumer and industrial products. As polymers technology advances, we're finding more and more uses for them.

SABIC is at the forefront of polymer technological development and manufacturing. We are the world's fourth largest producer of polyolefins, which includes polyethylene (PE) and polypropylene (PP) and one of a few companies to make all five of the most important thermoplastic resins.

SABIC's Polymers SBU operates on a global scale, with a worldwide production capacity of nearly 7.9 million metric tons. Apart from our rapidly expanding European complex, our polymer production mostly takes place at high-tech facilities in the Saudi Arabian cities of Al-Jubail and Yanbu.

The year in review

Despite softening of prices towards the end of 2008, the Polymers Strategic Business Unit had a strong year. We continued to add capacity while increasing output of existing assets. A new integration and a strong expansion of the division's sales network helped to gain share in existing markets while penetrating new ones.

SABIC announced the commissioning of the polypropylene plant expansion of its affiliate, Saudi European Petrochemical Company (IBN ZAHR), in Jubail in October. The plant is expected to go onstream in August, 2008. IBN ZAHR now manages the world's largest polypropylene complex with an annual production capacity of 1.14 million tons. We continue to add production capacity at other facilities within the Kingdom.

There were major challenges too: creating a regular, dependable and uninterrupted supply chain, maintaining reliability and performance of facilities and avoiding delays in expansion projects are all high priorities for our management.

Regional markets: Asia Pacific

In June, during the visit of Chinese Vice President Xi Jinping to Saudi Arabia, SABIC and China Petrochemical and Chemical Corporation (Sinopec) signed a new strategic cooperation agreement, expanding the scope of our partnership at Tianjin industrial complex, now under construction. The complex, in which SABIC has a 50% stake, is scheduled to start-up in September 2009. Capacity will be approximately four million tons of petrochemical products including 1.2 million tons of ethylene as well as polypropylene, butadiene, phenol, and butene-1.

In July, the Sino Saudi Aramco Company Ltd, a wholly owned subsidiary of Saudi Aramco, signed a mutual cooperation agreement with SABIC Shenzhen Trading Company Ltd to market Sino Saudi Aramco's 25% share of the polyolefin products of the Fujian Refining and Petrochemicals Company of China. This is a major step in the history of Saudi industrial development, effectively integrating two market leaders in oil and petrochemicals.

The Americas

SABIC Americas expanded across Peru, Colombia, Chile, Brazil, Ecuador, Guatemala and Mexico. A dedicated team now covers sales, logistics and technical services. Warehouses in Mexico, Colombia and Houston, Texas supply the Latin American market. Sales of HDPE, LLDPE and PP were 40% higher than 2007 and look set for continued growth. The polyolefins market, hit in the fourth quarter by the global financial crisis, saw prices fall by almost 40%. As part of our efforts to build the SABIC brand, we held a technical seminar in Mexico City and a customer reception in Lima, Peru.

Europe

As in other regions demand was strong in Europe over the first nine months when sales of polyethylene and polypropylene products grew. In the fourth quarter, business contracted significantly. The new 250,000 metric tons HDPE bimodal pipe plant at our site in Gelsenkirchen, Germany came onstream in the fourth quarter. A new 400,000 metric tons LDPE plant in Teesside, UK is planned to come onstream in the first half of 2009.

We began construction of a new compounding facility in Genk, Belgium, which will be the largest greenfield PP compounding plant yet built in Europe. It's an important step in growing SABIC's worldwide PP compounding capability, helping us serve automotive customers in Western, Central and Eastern Europe. This year we also opened an office in Moscow to serve East European customers and a new sophisticated logistical hub in Greece.

Developing markets at home...

Economists, journalists and business people attended the SABIC Plastics Forum in Riyadh in March, part of our efforts to build relations with downstream industries. Technical Support organized a two-day technical workshop for polypropylene customers in Riyadh in May and there was a technical symposium for polystyrene customers in Jeddah in March, covering new industry developments.

There was a seminar for PET customers in Jeddah in May and a two-day workshop for polyethylene customers in Riyadh in June. Also in June, we hosted a reception for key domestic customers in Riyadh.

...and abroad

Beyond the Kingdom we continued to hold seminars and events to strengthen relations with customers. Business groups from across SABIC hosted the polyethylene pipe seminar in Istanbul in March, while the Polymers Strategic Business Unit held a two-day technical symposium in Morocco in April. Technical Support held a technical symposium for PVC customers in Turkey in May and held a reception for more than 100 customers in Tunis. There were technical seminars in Beirut and Aleppo.

In April SABIC was a major exhibitor at Chinaplas, the important Asian plastics trade show. We took part in ASEANPLAS, the international trade fair for plastics and rubber, in Singapore in May and at the Plastics & Rubber Exhibition in Ho Chi Minh City, Vietnam, in October.

We remain committed to investing in distribution, research and manufacturing facilities worldwide. The aim is to become the world leader in polymer production.

BUSINESS REVIEW

Fertilizers

Securing food supplies for a hungry world is a major challenge: SABIC fertilizers have a vital role in meeting it.

SABIC has three fertilizer affiliates – Saudi Arabian Fertilizer Company (SAFCO), Al-Jubail Fertilizer Company (AL-BAYRONI) and National Chemical Fertilizer Company (IBN AL-BAYTAR).

The product range includes:

Urea – the most popular and economical of nitrogen-based fertilizers, ideal for use on a wide range of crops.

Ammonia – produced by SABIC as a raw material for urea production.

Di-ammonium phosphate – for growing wheat, barley, vegetables and early fruit orchard fertilization.

Sulfuric acid – a versatile commodity chemical used to produce phosphoric acid, essential to all phosphate fertilizers.

Compound and liquid fertilizers – to support diverse farming needs.

The year in review

2008 was a year of challenges and opportunities for SABIC Fertilizers. The global fertilizer business is cyclical, influenced by weather, crop prices, government policy, currency movements, energy and transport costs. 2008 was no exception. For the first nine months of the year, before the global economic crisis, urea saw record prices – as high as \$850/MT FOB from the Gulf and Russia/Ukraine.



Ammonia prices also rose to record highs, driven by high crop prices, leading to strong demand for all fertilizers. Nitrogen production costs increased, following the strong increases in crude and natural gas prices, prompting suppliers to raise prices at the height of global demand.

The second half: product demand erodes

The global downturn in the last four months of the year drove crop futures prices sharply lower. Poor weather in the US and high stock levels contributed to weakening demand. India apart, global buyers withdrew from the urea market and international prices fell below \$350/MT. As in so many sectors, fertilizer customers – farmers, retailers, wholesalers, traders and producers – found the new, tight credit conditions difficult to manage.

Regional markets: Asia Pacific

In Asia, 2008 began with strong demand, especially for urea. Ammonia prices initially lagged, but driven by demand from India, eventually overtook urea.

Joint venture: Ma'aden Phosphate Company (MPC)

Ma'aden Phosphate Company (MPC), a major new joint venture announced in 2007, has secured \$2.760 billion (SR 10.54 billion) over 16 years to finance the development of two major sites: a glamyde site, comprising a phosphate mine and an ore processing unit and a phosphate fertilizer complex in Saudi Arabia. MPC is 30% owned by SABIC: we will market 77% of the project's output.

Security of supply: distribution

Building relationships with reliable suppliers is critically important. This year we signed contracts with Dooyang Ltd, Korea and STX Gulf Shipping FZCO to ship fertilizer to Thailand and the Philippines and to South Africa. Such long-term, high-volume contracts support SABIC's sales in these markets and secure ships at advantageous rates.

At home: supporting farmers

Saudi Arabia has some of the harshest growing conditions in the world. Only 2% of land is suitable for cultivation, temperatures are high and rainfall very low. SABIC fertilizers have helped the Kingdom become self-sufficient in wheat and other vital crops, making the best use of farmland. We supply all Saudi Arabia's urea and ammonia requirements and 90% of the Kingdom's phosphates needs.

In March we collaborated with the Food and Agriculture Organization (FAO), Agricultural Research Center of the Ministry of Agriculture and Khobot Establishment, sponsoring an agricultural information day in Jizan. The event provided a forum for farmers and researchers to discuss cultivation and farming techniques.

Food security: fighting the red palm weevil

In March we held a two-day workshop – 'The Risks of Red Palm Weevil' – in coordination with the Arab Union for Fertilizers. The workshop focused on identifying the causes of the spread of the red palm weevil across the Arab region, looked at techniques in fighting the scourge and studied results of field applications. Attended by experts and specialists from Saudi Arabia and other Arab nations, this important workshop demonstrated SABIC's active role in promoting food security locally and globally.

A pioneering trial: AdBlue®

In response to environmental regulations requiring emissions reduction from diesel vehicles, SABIC Fertilizers and R&T divisions are test marketing a new aqueous urea solution in the European market. AdBlue® is an ultra pure urea solution that can reduce gas emissions from diesel engines. It's a good example of a strategic drive to create a promising new global product.

Despite the global financial crisis, fertilizers continue to offer significant growth potential in the coming years. SABIC plays an important role in agricultural development and remain a competitive force in the global fertilizer market.



BUSINESS REVIEW Metals

IN THE MIDDLE EAST HADEED PLAYS A CRUCIAL ROLE, WITH OUR PRODUCTS PROVIDING THE RAW MATERIALS FOR MANY REGIONAL ENTERPRISES.

No. Carlo

HADEED signed a memorandum of understanding (MOU) with another SABIC affiliate, to evaluate a new greenfield investment opportunity for Flat steel products with an annual capacity of 1.75 million tons

SABIC's Metals Strategic Business Unit is an important part of the company's manufacturing portfolio. The Jubail-based Saudi Iron and Steel Company (HADEED) is one of the world's biggest fully-integrated steel producers and one of the largest steel manufacturing companies in the Middle East. It is also ranked fifth in the world among iron producers who use Direct Reduction Process.

In the Middle East HADEED plays a crucial role, with our products providing the raw materials for many regional enterprises. HADEED's steel products are mostly used in construction, engineering and manufacturing sectors and it is relied upon in the development and construction of the national infrastructure of many countries throughout the Middle East. It is a member in the Arab Iron and Steel Union and the World Steel Association. SABIC also has stakes in two aluminum manufacturing companies in Bahrain – Aluminum Bahrain (ALBA) and Gulf Aluminum Rolling Mill Company (GARMCO), and in the SABAYEK Ferroalloy Smelter in Jubail which produces silicon manganese for the steel and foundry industries.

The year in review

HADEED started production in 1983 with an initial annual production capacity of 800,000 metric tons. Since its formation, annual production capacity has increased and HADEED has continuously endeavored to increase its plant capacity and diversify its range of products. HADEED's 2008 total finished steel products reached more than 4,7 million tons.

HADEED's mission is to be the provider of comprehensive and competitive steel products through employee empowerment with safe and environmentally sound practices. Products include Long and Flat steel for customers in more than 30 countries. The year began with strong prices, a firm order book and a continuing boom in global construction, especially across Asia and China in particular. Metals SBU is keen on proceeding in implementing its growing strategy to meet the market requirements through new greenfield and JV & acquisitions projects.

HADEED is pursuing growth strategy to enhance its long products capacity by expanding the existing facilities and benefiting from the synergy between the new and existing plants to meet the local market demand.

Navigating the crisis

in lubail.

The global financial crisis began to be felt in the second half of 2008. The steel industry depends largely on four things: credit to finance purchases, strong economies and vibrant construction and automotive sectors. From August onwards conditions in all four of these areas deteriorated rapidly. Prices fell vertiginously and shipping rates went down close to zero. These economic conditions, that still prevail, present a major challenge to the Metals SBU. The SBU team is now working hard to mitigate the impact of the economic downturn on our business and on SABIC as a whole. In October the Metals SBU announced a reduction in the price of different sizes of steel rebar products in line with price movements in domestic and global markets. The move was well-received by regional customers and did much to ensure market stability. We have also enhanced payment terms for our customers, aiming to help them through the downturn and so enhance and strengthen our commercial partnerships. As well as low prices from global suppliers we are also facing new competitors in our local markets, as WTO rules have opened the market to new entrants. The cost of iron ore and securing the natural gas to power future expansions are other key challenges. So too is recruitment, where there is, at the moment, a shortage in the market.

Market opportunities

Despite the dire economic conditions, opportunities remain. Major construction projects continue in Saudi Arabia, financed by strong oil revenue receipts from before the crisis began. SABIC remains the market leader in the Kingdom and our fully integrated steel complex gives us, we believe, a clear advantage over competitors.

This year we started selling pre-painted coil product, creating production capacity of 120,000 metric tons per year. We set up a new direct sales department for long steel product, serving contractors and mega projects directly, so improving workflow and efficiency. In April SABIC took part in the 17th Saudi Building and Interiors Exhibition and Symposium held in Jeddah, stressing our presence in and commitment to the region's construction sector. We also attended Saudi Build 2008 in Riyadh and exhibitions and shows in Dhahran, Doha, Abu Dhabi and Dubai. The SABIC Metals SBU will continue to play a major part in infrastructure projects in the Kingdom, across the Middle East and beyond.



RESEARCH AND TECHNOLOGY

Creativity and technical innovation are vital assets in an increasingly competitive market environment. Without new technologies continually being developed and rolled out, SABIC's business strategies, manufacturing capabilities and profits could be seriously affected.

Working closely with individual business units, the Research and Technology (R&T) division focuses on devising new products and processes across the petrochemical industry.

The year in review

This year we continued to progress ambitious research programs, achieving several milestones in chemicals, polymers, catalysts, metals and fertilizers. At the Jubail UNITED plant Linear Alpha Olefins (LAO) technology was implemented and four new products, designed for worldwide customers, began flowing into the international market. Other products continue to be upgraded and processes improved.

A new catalyst for acetic acid technology, costing 40-50% less than the current one, is at an advanced stage of development.

Advanced process control (APC) system has been implemented at four affiliates, improving performance by SR 30 million yearly. Four other plants will follow, as APC becomes standard for all SABIC affiliates.

A new fertigation method was developed using dilute granular fertilizer, allowing nutrients to reach crops easily during irrigation, improving field productivity and reducing costs. In metals, new grades of steel were developed as well as high flexibility and high toughness steel sheets designed for various industrial processes.

Polymers and plastics

In polymers, the TINO propylene catalyst is in its final development stages; commercial trials begin in 2009. A new PET catalyst was tested successfully on a commercial scale. It will boost productivity, improve product quality and reduce heavy metals content, strengthening SABIC's group-wide commitment to environmental protection.

Six new plastic products were successfully developed for use in furniture, packaging, piping, flooring and artificial leather. All these products are made from PP, HDPE, PVC, Polystyrene, or PET, so creating new market opportunities.

Patents and licensing

Patent applications continue to increase. In 2008, SABIC filed 500 new applications all over the world, bringing the total number of proprietary patent applications to 5,756 and the number granted to 7,173, enabling us to license out SABIC technology to companies in Saudi Arabia, China, Russia and Iran. Among technologies licensed out we may mention Butene-1, LAO, LDPE and ABS technologies.

Serving customers

Providing technical support to SABIC customers and affiliates remains a major assignment for this division. In 2008, R&T received and completed more than 270 technical support requests from SABIC affiliates, with a combined value of more than SR 700 million.

Protecting people

Safety is a major priority. R&T was ranked third in SABIC's divisional SHE evaluation. We were also ISO 18001:2000 certified and saw our ISO 14001:2004 certification renewed after undergoing a comprehensive evaluation of our SHE processes.

In line with our dedication to safety, health and environmental protection, in 2008 R&T carried out a safety training and awareness program for all employees and their families. We worked closely with the Ministry of Water & Electricity in their campaigns to conserve natural resources and protect the environment. A new initiative was launched to recycle paper, used oils, plastics and batteries.

We have a strong commitment to international standards and practices related to the limitation of radioactive emissions. This year R&T was granted KACST permission to undertake research activities using radioactive material, establishing a stringent procedure to prevent employees' exposure to chemicals, radioactive sources and excessive noise.

WE HAVE A STRONG COMMITMENT TO INTERNATIONAL STANDARDS AND PRACTICES RELATED TO THE LIMITATION OF RADIOACTIVE EMISSIONS.

Collaborating with academia

In 2008, R&T continued to work closely with scientists, engineering and consulting firms and academic institutions inside the Kingdom and abroad. We continue to sponsor academic chairs, university research programs and awards. A Memorandum of Understanding was signed with the King Abdullah University of Science and Technology to establish a strategic, sustainable partnership to serve the Saudi petrochemical industry. Likewise, another MoU was concluded with

the Ministry of Petroleum and Mineral Resources, and King Saud University to establish a SABIC Center for the Development of Plastics Applications aiming to develop specialty and advanced plastics applications.



SUPPLY CHAIN

In today's highly competitive global markets, customers make complex supply choices based on product quality, assurance of supply and on levels of service. SABIC's supply chain is the control and delivery mechanism that can give customers the value they seek.

The lifeblood of the organization, the supply chain allows product to flow – from raw materials through manufacturing and across distribution networks all the way to successful use by our customers. The EMDAD project (EMDAD means "supply" in Arabic) is a concerted global effort to redefine SABIC's supply chain for the needs of customers today and tomorrow.

A year of EMDAD

EMDAD is building on our existing supply chain capability, increasing flexibility and enabling rapid response to changing market conditions and swift expansion. For our customers this means best-in-class supply reliability, reduced lead times plus advanced ordering and tracking capabilities. The aim is to ensure our products are there when they are needed – delivered in a socially and environmentally responsible way.

For SABIC, the benefits include improved agility to meet changing market needs, smaller inventories, optimized planning – and an investment in people and scalable platforms. By instigating sustainable and continuous improvements we hope to build in higher quality service levels for our customers, as SABIC continues its growth trajectory.

Working with a leading supply chain consultancy, we are transforming our supply chain practices. Over the next two years, SABIC's operations throughout the world will undergo a fundamental transformation built upon six key pillars:

- 1) Differentiated customer service,
- 2) Restructured physical supply chain network,
- 3) Optimized business processes,
- 4) Enhanced organization,
- 5) Streamlined and integrated IT platform
- 6) Continuous performance improvement.

Attuned to customers' needs

We are now implementing a new customer service model that anticipates requirements before a customer even places an order. The approach begins with an analytical planning philosophy that considers individual customer and market demands before ensuring the required capabilities are in place to execute on delivery promises.

Enhancing the reliability and the agility of the service delivery model requires a fundamental rethinking of the physical supply chain network. We are reactivating export corridors through the ports of Al-Jubail and Yanbu, introducing innovative marine solutions and optimizing our global network of hubs and terminals.

We are improving the product flow from SABIC production affiliates, upgrading ports to handle increased capacity and throughput, while enhancing supply lines with dedicated vessels. We are focusing on building a global delivery system to exceed the expectations and needs of future markets.

Supply chain business processes are at the center of daily operations. At the core, an advanced ERP and planning environment is employing the latest software and analytical tools. Customers will be able to enter and track orders through an advanced e-commerce portal showing product in transit or provide logistics operators with full visibility of shipments, everywhere in the world.

A 21st century workforce

People are key: the EMDAD transformation is investing in building new skills and capabilities to create a 21st century workforce. Over 1,000 employees have already been trained in the new approaches. We want to ensure that every SABIC employee understands how EMDAD will change their role in the supply chain.

EMDAD is anticipating the next wave of change. A continuous performance improvement model uses easy-to-navigate dashboards and straightforward metrics to focus our efforts on the operational and strategic needs of the business. These metrics are continually updated, calibrating and re-focusing our efforts as SABIC grows and markets change.

EMDAD is more than a supply chain transformation – it is a step-change improvement in how we do business, positioning SABIC as an industry leader of the future. We believe that EMDAD will drive innovation across SABIC and deliver tangible benefits to our customers.



SABIC'S SUPPLY CHAIN IS THE CONTROL AND DELIVERY MECHANISM THAT CAN GIVE CUSTOMERS THE VALUE THEY SEEK.

PFOPIF

SABIC's success is built on our workforce – a source of pride for the company and for Saudi Arabia. At the end of 2008, SABIC had over 33,000 employees in a corporate family that has almost doubled in size in two years.

The speed of growth of our human capital and its geographic reach is both an opportunity and a challenge. It represents the beginning of a new era for SABIC – an era of learning and growth, integration and interaction with many different cultures, as we become a truly global corporate enterprise.

THE SPEED OF GROWTH OF OUR HUMAN CAPITAL AND ITS GEOGRAPHIC REACH IS BOTH AN OPPORTUNITY AND A CHALLENGE.

The year in review

This year we have worked hard to integrate our human resources, enhancing and extending our performance management program. We completed the first phase of a new manpower planning process, to anticipate and plan for our 2020 management goals.

We created the SABIC Manager and Supervisory assessment center, initiated new global mobility policies to help people relocate around the world, developed the SABIC Learning Organization and worked on the full integration of SABIC Innovative Plastics into the global SABIC family.

Global mobility program

Established two years ago to help move staff assigned to work or study around the world, the program provides assistance in transferring knowledge and know-how among all SABIC affiliates. The aim is to support our people while ensuring the most effective utilization of SABIC human capital.

The program covers policies, structures and procedures to deliver quality services to SABIC expatriates on international assignments while ensuring full compliance to all applicable global laws and regulations. Services include orientation, culture and language training, security and other issues associated with settling in unfamiliar surroundings.

New programs

To maximize our existing employee talent pool and attract new employees, SABIC continues to develop programs in a variety of areas, including: performance recognition and rewards, career development, continuous learning, organizational effectiveness. These programs enhance performance and help SABIC build a reputation that attracts and retains highly talented employees – driving innovation and growth in our businesses.

SABIC Learning Organization

Innovation is a key part of SABIC's future success and achievement of the 2020 goals. The SABIC Learning Organization supports our people as they strive to increase their knowledge, so enhancing their ability to innovate. We encourage, organize and sponsor all forms of learning – formal and informal, classroom and electronic, strategic and business unit specific.

The Learning Organization is designed to provide employees with ways of improving performance. We equip managers and others to think strategically and to adapt to change. The organization provides workshops, seminars and other learning programs which this year attracted more than 1,100 participants studying leadership, marketing, finance and supply chain management.



CORPORATE SOCIAL RESPONSIBILITY

Profitable growth is SABIC's key business. However, to achieve this goal and successfully shape the future, the Company must invest in its people and its global community of interests – our families, our neighbors, our customers, the areas in which we operate across the globe – our stakeholders. They go hand-in-hand – profitable growth relies on our reputation as a good citizen – from our environmental performance to our leadership in meeting the needs of the people we serve.

As a leading international company, SABIC is fully aware of its corporate social responsibility (CSR) obligations in supporting and improving the communities in which it operates. From disaster relief support in Asia to community renovation and regeneration in the US, Europe and Saudi Arabia – SABIC encourages all of its divisions, affiliates and employees to work towards improving the communities in which we work and live.

Leadership and success in corporate social responsibility begins with our corporate values. Corporate integrity cannot be simply words but must be an integral part of our daily business. From its inception, the SABIC business culture has been based on a set of values which is embedded in our work environment. Integrity is at the core of those values. SABIC strives to incorporate the highest levels of honesty, ethical conduct, fairness and truthfulness in all of its internal and external actions, engendering a relationship of trust within our corporate family, the communities where we work and the customers we provide products to.

The year in review

SABIC employee voluntary efforts, combined with corporate financial assistance play a significant role in supporting local and regional community effort throughout the world. 2008 was no exception. Highlights include:

Disaster relief: After the worst storm to hit Southeast Asia and Myanmar since 1926, SABIC employees, mounted a massive volunteer effort to help overcome one of the significant stories of disaster in 2008. The cyclone impacted more than 2.4 million people, many of whom are still in need, robbing them of adequate shelter, food, clean water and protection against disease. SABIC Asia-Pacific employees developed a loose network of friends and family to provide needed supplies and materials to those in urgent need.

SABIC has also done something similar for the children affected by the China earthquake in 2008. At the corporate level, SABIC pledged \$1.15 million to the China earthquake relief fund, while SABIC Asia donated to the China Youth Development Foundation's "Project Hope" – the first company from Saudi Arabia to make a donation to the project.

Community work: SABIC Innovative Plastics' Share-to-Gain program begun with GE Plastics in 1988 and continues to take place in all the communities around the globe. Down the years, hundreds of employees have helped enhance SABIC's local communities. This year, in Pittsfield, Massachusetts SABIC Innovative Plastics employees volunteered to clean and improve a community school while the company donated funds for much-needed repairs and additions to the school's infrastructure.

Environmental excellence

Investment in eco-responsible solutions enables SABIC Innovative Plastics to provide customers with state-of-the-art products while minimizing the impact of manufacturing processes on the environment. SABIC Innovative Plastics was named the national Energy Globe Award overall winner for The Netherlands in recognition of its brine recovery project in Bergen op Zoom. This sustainable process reduces: sodium chloride use, waste water and carbon dioxide emissions.

Education: Launched in late 2008, The Foundation Year – a new SABIC and SABIC Americas Scholarship Program initiative – consists of a seven-month long intensive English program supplemented with calculus, chemistry, physics, and academic success skills, such as note-taking, test-taking, and time management. The program has been customized and designed to help SABIC students overcome the communication, cultural, and academic obstacles they face during their first year of academics. It is offered in partnership with a number of universities in the United States including; the University of Delaware, the University of Pennsylvania, Pennsylvania State University, the University of Texas at Austin, Vanderbilt University and Queens University in Canada.

There are now 33 students participating in the SABIC Scholarship Program with the first class due to graduate in 2010. 2008's intake will be the first to benefit from The Foundation Year.

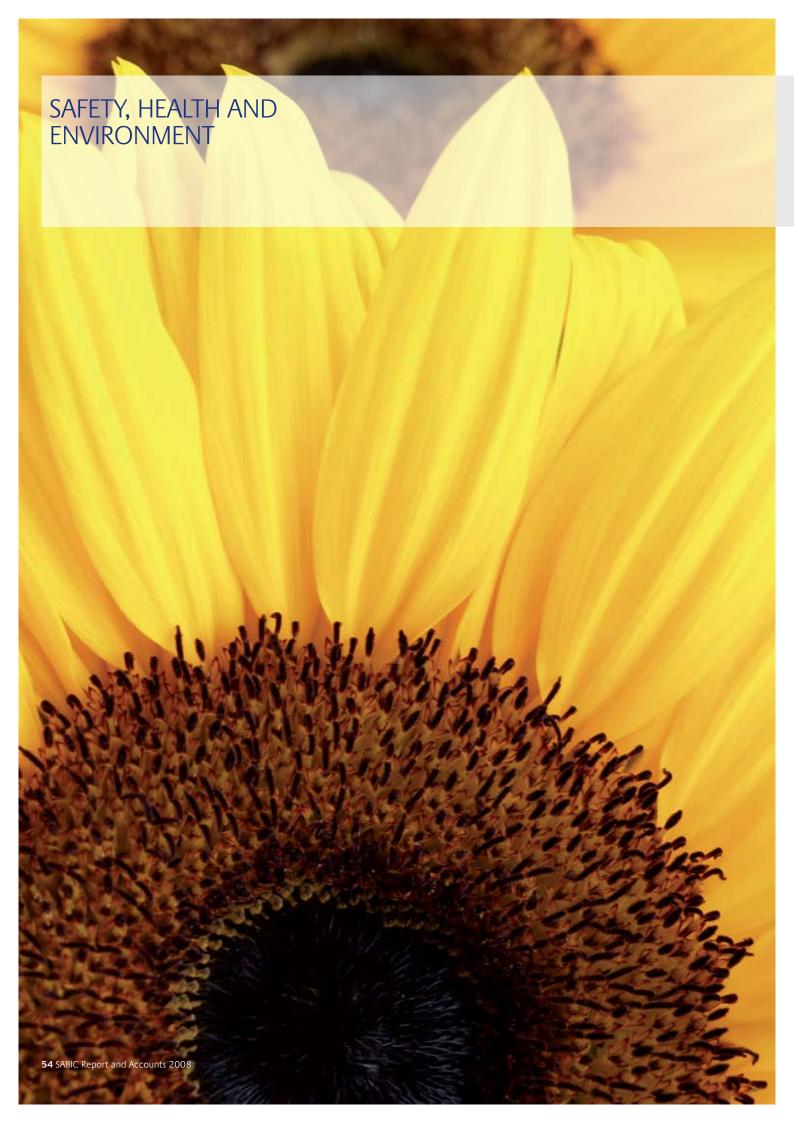
China scholarship program

Wael Bin Othman, 31 and Samir Baker Banamah, 29 – both from Jeddah – are the first recipients of the prestigious SABIC China Scholarships. Wael studied industrial engineering at the King Abdulaziz University before working in aromatics and olefin marketing in the Basic Chemicals division. Samir studied electrical engineering at the King Fahd University of Petroleum and Minerals before joining SABIC as an electrical engineer in Engineering and Projects Management in Al-Jubail and Yanbu.

Living in Shanghai for the past two and a half years and studying Mandarin, they have both now started working at SABIC's China Investment Team based in Shanghai. Their roles focus mainly on the Tianjin joint venture project between SABIC and Sinopec.

2008

SABIC STRIVES TO INCORPORATE THE HIGHEST LEVELS OF HONESTY, ETHICAL CONDUCT, FAIRNESS AND TRUTHFULNESS IN ALL INTERNAL AND EXTERNAL ACTIONS. SABIC Report and Accounts 2008 53



SABIC products touch the lives of millions of people all around the world. How we treat our customers and employees – and the world around us – is a key measure of our business success. Safety, Health and Environment (SHE) covers all initiatives and policies in this area.

The very idea of using the by-products of oil extraction is an environmentally conscious one. Across SABIC we continue to take our environmental responsibilities extremely seriously, working to minimize the impact of production and distribution while developing new, technologically advanced, cleaner and safer applications.

The safety and health of our people and customers is also much more than a regulatory requirement. Achieving "excellence" in the field of safety is, to SABIC, simply a part of good business practice. A safe plant is the only way to ensure a profitable and successful business venture.

SHE is a priority for the business. We are striving to set standards and be a regional and global leader in protection of employees, assets, environment and the community. SABIC's management is committed to providing guidance and resources to the SABIC affiliates, reducing risks and promoting excellence across our business and its investments.

The year in review

We closed the fertilizer plant in Dammam, demonstrating our commitment to the local community's wellbeing and to the environment. During the year SABIC was an active member of the International Fertilizer Association, working to promote SHE systems and programs within the fertilizer industry.

We put in place extensive programs to monitor environmental compliance – covering emissions, noise, ground water sampling and waste management. A dust emission control project for fertilizer plants is designed to minimize environmental impact of prill towers. A new project for NOx reduction from boiler and furnace stacks aims further to improve environmental compliance. We applied for and achieved ISO 14000 environmental standards certification for all facilities within Saudi Arabia.

As founding member of Gulf Petrochemicals and Chemicals Association (GPCA), SABIC is leading the activities to improve awareness and performance of SHE in the petrochemical industry in the Middle East. We are prominent in the Jubail Area Mutual Aid Association, providing emergency response support to member companies in Jubail industrial city.

The National Board on Fire Service Professional Qualifications reaccredited SABIC Fire Training Center in 2008. It is the only accredited fire-training center in the Middle East and provides state of the art training for employees to develop and enhance emergency response and rescue capabilities. More than 2,000 trainees attended courses here in 2008.

Automating safety

The year has seen steady and sustained improvement in SABIC's SHE performance. Our SHE Incidence Rate, as defined by the US Occupational Safety & Health Administration, is now "Best in Class". SABIC affiliates began implementing the SHEM standards, covering Safety, Environment, Health, Occupational Safety and Emergency Preparedness and Response. We developed a checklist and conducted workshops for all Saudi-based affiliates.

We introduced AMAN, new SABIC Software developed to provide an integrated e-workflow for the management of SHE incident reporting. It is a combined initiative of SABIC IS&E, our affiliates and Shared Services Information Technology. The new software gives senior management, line management and safety professionals real time statistics on incident reporting, so they can monitor performance across SABIC. It can also trigger necessary actions, creating a pro-active approach to incident prevention.

SHE performance

During 2008, SABIC affiliates and contractors completed more than 157 million man hours without any work-related injury – an 11% decrease in the overall SHE performance index. Overall Safety, Health and Environmental Performance Index (SHEPI) of SABIC Saudi-based affiliates was 0.74 – within the upper control limits set for the year. There were 36 recordable injuries to employees, compared to 39 in 2007. There were fewer injuries at KEMYA, IBN RUSHD, HADEED and SAFCO. Recordable injuries to SABIC contractors in the Kingdom increased from 55 in 2007 to 88 this year.

In Europe overall SHEPI was 1.25, exceeding the upper control limits set for the year. There were two recordable injuries to SABIC Europe employees (there were eight last year) and 15 recordable injuries among contractors (20 last year). The SIP injury rate (across employees and contractors) fell from 0.95 to 0.89.

THE SAFETY AND HEALTH OF OUR PEOPLE AND CUSTOMERS IS ALSO MUCH MORE THAN A REGULATORY REQUIREMENT.

SAFETY, HEALTH AND ENVIRONMENT

Recognizing achievement

At SABIC we believe in recognizing good performance and in creating healthy competition. Our SHE Award for affiliates is a catalyst and motivator in SHE performance. This year UNITED won the Gold Award, AL-BAYRONI the Silver and SABIC R&T the Bronze. 2008 also saw the introduction of a new safety award for SABIC contractors.

SABIC affiliates have received numerous awards for SHE performance from international and national SHE organizations. The Responsible care award, National Safety Council award, the Royal Society for Prevention of Accidents, the British Safety Council, Japan Industrial Safety and Health Association and Saudi Arabia's Royal Commission have all recognized SABIC's efforts in this area.

SABIC was co-sponsor of the American Society of Safety Engineers, Middle East Chapter conference. We attended the PETROTECH conference in Bahrain, the conference on Arab Environmental Legislation and participated in the Royal Commission World Environmental Day.

As SABIC grows the challenge is to sustain our SHE performance while integrating and aligning SHE systems to comply with SABIC SHEM standards and to implement the "one company" concept envisioned by senior management. This year we are developing a "Crisis Management Plan" for application at all SABIC facilities worldwide. We continue to monitor the impact of new environmental legislations and initiatives on our operations.











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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) - Saudi Joint Stock Company - and its subsidiaries (the Group) as at 31 December 2008 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 2008 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 by-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:

28 Safar 1430H (23 February 2009)

> Abdulaziz A. Alsowailim 277 Fahad M. Al-Toaimi 354

Sami E. Farah 168
Abdulhamid M. Bushnag 155

Abdulaziz Alshubaibi 339 Ahmed I. Reda 356

A Saudi Joint Stock Company

Consolidated balance sheet

As of 31 December 2008

	Note	2008 SR '000	2007 SR '000
ASSETS			
Current assets			
Cash and cash equivalents	4	51,027,586	45,876,795
Accounts receivable	5	16,104,204	25,977,943
Inventories	6	24,359,750	22,305,959
Prepayments and other current assets	7	3,963,434	4,144,568
Total current assets		95,454,974	98,305,265
Non-current assets			
Investments	8	8,695,833	6,020,877
Property, plant and equipment	9	141,440,177	123,113,574
Intangible assets	10	22,979,090	22,964,004
Other non-current assets	11	3,189,915	3,327,361
Total non-current assets		176,305,015	155,425,816
TOTAL ASSETS		271,759,989	253,731,081
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable	13	8,261,246	14,965,392
Accrued liabilities and other payables	14	11,864,382	12,279,002
Short-term bank borrowings	15	1,235,542	1,399,188
Current portion of long-term debt	16	3,053,274	3,272,036
Zakat payable	17	2,165,563	1,767,020
Total current liabilities		26,580,007	33,682,638
Non-current liabilities			
Long-term debt	16	88,367,462	75,437,595
Employees' service benefits payable	18	7,339,816	6,811,312
Other non-current liabilities	19	2,831,091	3,303,264
Total non-current liabilities		98,538,369	85,552,171
Total liabilities		125,118,376	119,234,809
EQUITY			
Shareholders' equity			
Share capital	20	30,000,000	25,000,000
Statutory reserve	21	14,702,984	12,500,000
Research and technology reserve	21	-	1,291,691
General reserve	21	43,652,631	28,894,705
Retained earnings		14,576,859	23,467,635
Total shareholders' equity		102,932,474	91,154,031
Minority interests	22	43,709,139	43,342,241
Total equity		146,641,613	134,496,272
TOTAL LIABILITIES AND EQUITY		271,759,989	253,731,081
		, . 30,000	

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

A Saudi Joint Stock Company

Consolidated statement of income

Year ended 31 December 2008

		2008	2007
	Note	SR '000	SR '000
Sales		150,809,596	126,204,404
Cost of sales		(105,046,315)	(78,254,228)
GROSS PROFIT		45,763,281	47,950,176
Selling, general and administrative expenses	23	(9,171,992)	(6,903,653)
INCOME FROM MAIN OPERATIONS		36,591,289	41,046,523
Investment and other income	24	4,544,649	4,230,235
Financing charges		(3,800,927)	(2,869,168)
INCOME BEFORE MINORITY INTERESTS AND ZAKAT		37,335,011	42,407,590
Minority interests in the net income of subsidiaries	22	(13,905,168)	(13,585,318)
INCOME BEFORE ZAKAT		23,429,843	28,822,272
Zakat	17	(1,400,000)	(1,800,000)
NET INCOME FOR THE YEAR		22,029,843	27,022,272
EARNINGS PER SHARE (SR):			
Attributable to income from main and continuing operations	25	12.57	13.99
Attributable to net income for the year	25	7.34	9.01

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

A Saudi Joint Stock Company

Consolidated statement of cashflows

Year ended 31 December 2008

	2008	2007
OPERATING ACTIVITIES	SR '000	SR '000
Income before zakat	23,429,843	28,822,272
Income Defore Zakat	25,725,075	20,022,212
Adjustments for:		
Depreciation and amortization	10,051,999	7,606,010
Share in earnings of associated companies, net	(1,124,589)	(910,356)
Minority interests in the net income of subsidiaries	13,905,168	13,585,318
	10,000,100	,
Changes in operating assets and liabilities:		
Accounts receivable and prepayments, net	10,054,874	(3,980,496)
Inventories	(2,053,791)	(1,147,714)
Accounts payable, accrued expenses and other payables	(6,967,062)	4,136,655
Other non-current liabilities	56,331	545,571
Zakat paid	(1,122,928)	(2,001,951)
Net cash from operating activities	46,229,845	46,655,309
INVESTING ACTIVITIES		
Purchase of property, plant and equipment, net	(26,595,512)	(30,859,805)
Acquisition of a subsidiary	-	(43,231,890)
Investments, net	(1,550,367)	1,118
Intangible assets, net	(1,136,307)	(272,499)
Other non-current assets, net	(524,423)	659,141
Net cash used in investing activities	(29,806,609)	(73,703,935)
FINANCING ACTIVITIES		
Long-term debt, net	12,711,104	39,423,079
Short-term bank facilities, net	(163,646)	791,566
Dividends paid	(10,281,634)	(8,796,105)
Minority interests, net	(13,538,269)	2,102,117
Net cash (used in) from financing activities	(11,272,445)	33,520,657
INCREASE IN CASH AND CASH EQUIVALENTS	5,150,791	6,472,031
Cash and cash equivalents at the beginning of the year	45,876,795	39,404,764
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (NOTE 4)	51,027,586	45,876,795

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

A Saudi Joint Stock Company

Consolidated statement of changes in shareholders' equity

Year ended 31 December 2008

	Share capital SR '000	Statutory reserve SR '000	Research and technology reserve SR '000	General reserve SR '000	Retained earnings SR '000	Total SR '000
Balance as of 31 December 2006	25,000,000	11,445,362	1,291,691	20,631,558	14,514,548	72,883,159
Annual dividends of 2006	-	-	-	-	(6,250,000)	(6,250,000)
Board of directors remuneration	-	-	-	-	(1,400)	(1,400)
Transfer to general reserve	-	-	-	8,263,147	(8,263,147)	,
Net income for the year	-	-	-	-	27,022,272	27,022,272
Transfer to statutory reserve	-	1,054,638	-	-	(1,054,638)	
Interim dividends	-	-	-	-	(2,500,000)	(2,500,000
BALANCE AS OF 31 DECEMBER 2007	25,000,000	12,500,000	1,291,691	28,894,705	23,467,635	91,154,031
Increase in share capital (note 20)	5,000,000	-	-	-	(5,000,000)	
Annual dividends of 2007 (note 29)	-	-	-	-	(5,000,000)	(5,000,000
Board of directors remuneration (note 2	29) -	-	-	-	(1,400)	(1,400
Transfer to general reserve (note 29)	-	-	(1,291,691)	14,757,926	(13,466,235)	
Net income for the year	-	-	-	-	22,029,843	22,029,843
Transfer to statutory reserve	-	2,202,984	-	-	(2,202,984)	
Interim dividends (note 29)	-	-	-	-	(5,250,000)	(5,250,000
BALANCE AS OF 31 DECEMBER 2008	20,000,000	14,702,984	_	43,652,631	14,576,859	102,932,474

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

A Saudi Joint Stock Company

Notes to the consolidated financial statements

31 December 2008

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 petrochemical, innovative plastics, fertilizer, metal and basic hydrocarbon products in world 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 financial statements are as follows:

	Direct ar	d indirect shareholding %
	2008	2007
SABIC Industrial Investments Company (SIIC) and its subsidiaries	100	100
SABIC Luxembourg S.a.r.l. and its subsidiaries	100	100
SABIC Asia Pacific Pte. Ltd. and its subsidiaries	100	100
Arabian Petrochemical Company and its subsidiary (Petrokemya)	100	100
Saudi Iron and Steel Company (Hadeed)	100	100
SABIC Antilles N.V.	100	100
SABIC Sukuk Company (SUKUK)	100	100
Saudi European Petrochemical Company (Ibn Zahr)	80	80
Jubail United Petrochemical Company (United)	75	75
National Chemical Fertilizer Company (Ibn Al-Baytar)	71.50	71.50
National Industrial Gases Company (Gas)	70	70
Yanbu National Petrochemical Company (Yansab)	55.95	55.95
Saudi Methanol Company (Ar-Razi)	50	50
Al-Jubail Fertilizer Company (Al-Bayroni)	50	50
Saudi Yanbu Petrochemical Company (Yanpet)	50	50
National Methanol Company (Ibn Sina)	50	50
Saudi Petrochemical Company (Sadaf)	50	50
Eastern Petrochemical Company (Sharq)	50	50
Al-Jubail Petrochemical Company (Kemya)	50	50
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	35

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

A Saudi Joint Stock Company

Notes to the consolidated financial statements (continued)

31 December 2008

2. BASIS OF CONSOLIDATION (continued)

Yanbu National Petrochemical Company (Yansab)

SABIC owns 55.95% of the share capital of Yansab. Included in this shareholding is 4% (22.5 million shares) owned by SIIC, which was sold to the Group's eligible employees at par value under a stock grant scheme. Yansab is currently in the development stage.

Saudi Kayan Petrochemical Company (Saudi Kayan)

SABIC owns 35% of the share capital of Saudi Kayan. Saudi Kayan is currently in the development stage.

SABIC Innovative Plastics Holding B.V.

On 31 August 2007, SABIC Innovative Plastics Holding B.V. (SIPH), an indirect wholly-owned subsidiary of SABIC Luxembourg S.a.r.l., acquired GE Plastics, an operating unit within the Industrial segment of General Electric Company (GE).

SIPH acquired 100% of GE Plastics from GE through a tender offer by SABIC for cash in the aggregate amount of approximately USD 11.6 billion. The acquisition was financed through an equity contribution of USD 3.625 billion and the balance through debt. The acquisition has been accounted for, using the purchase method of accounting, and, accordingly, the consideration paid had been provisionally allocated based on the estimated fair values of the assets acquired and liabilities assumed.

The fair valuation of the assets acquired and liabilities assumed has been finalized during the third quarter ended 30 September 2008 by an independent consulting firm. Consequently, the accounting for the purchase price allocation for the provisional fair values of the assets acquired, including separately identifiable intangible assets, has been completed. No material differences were identified and, accordingly, the comparative figures presented for the year ended 31 December 2007 have not been restated.

The excess of the consideration paid over the estimated fair value of the assets acquired, including separately identifiable intangible assets, and liabilities assumed has been allocated to goodwill.

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 adopted are as follows:

Accounting convention

The consolidated financial statements are prepared under the historical cost convention except for the measurement at fair value 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 assets and liabilities.

Cash and cash equivalents

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

Accounts receivable

Accounts receivable are stated at the invoiced amount less an allowance for any doubtful debts. An estimate for doubtful debt 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 for maintenance and repairs is expensed, while expenditure for betterments is capitalized. Depreciation is provided over the estimated useful lives of the applicable assets using the straight-line method.

A Saudi Joint Stock Company

Notes to the consolidated financial statements (continued)

31 December 2008

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 equipment	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.

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 significant, 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 12 months.

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.

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 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. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment. 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.

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.

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.

A Saudi Joint Stock Company

Notes to the consolidated financial statements (continued)

31 December 2008

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Zakat and income tax

Zakat is provided in accordance with the Regulations of the Directorate of Zakat and Income Tax (DZIT) in the Kingdom of Saudi Arabia and on an accrual basis. The provision is charged to the consolidated statement of income. 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.

The subsidiaries incorporated outside the Kingdom of Saudi Arabia provide for income tax, in accordance with the relevant tax regimes and jurisdictions.

Employees' end of service benefits and early retirement plan

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 schemes for its eligible employees in relevant foreign jurisdictions.

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.

Research and technology expenses

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

Foreign currency translation

Transactions in foreign currencies (which are not covered by forward foreign exchange contracts) are recorded in 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 recognised 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 if recognised, the associated gain or loss on the derivative that had previously been recognised 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 recognised in the 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 recognised in 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 qualified for hedge accounting. At that time, for forecast transactions, any cumulative gain or loss on the hedging instrument recognised 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 recognised in equity is transferred to the consolidated statement of income for the period.

A Saudi Joint Stock Company

Notes to the consolidated financial statements (continued)

31 December 2008

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 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		
	2008	2007
	SR '000	SR '000
Time deposits	44,664,188	42,216,584
Bank balances	6,363,398	3,660,211
	51,027,586	45,876,795
5. ACCOUNTS RECEIVABLE		
SINGEOGRAD RECEIVABLE	2000	
	2008	2007
	2008 SR '000	2007 SR '000
Trade accounts receivable	SR '000	SR '000
Trade accounts receivable	SR '000 14,639,285	SR '000 22,738,831
Trade accounts receivable Amounts due from joint venture partners (note 12)	SR '000	SR '000
	SR '000 14,639,285	SR '000 22,738,831
	SR '000 14,639,285 1,751,408	SR '000 22,738,831 3,424,699
	SR '000 14,639,285 1,751,408	SR '000 22,738,831 3,424,699
Amounts due from joint venture partners (note 12)	SR '000 14,639,285 1,751,408 16,390,693	SR '000 22,738,831 3,424,699 26,163,530

No single customer accounts for more than 5% of the Group's sales for the years ended 31 December 2008 and 2007.

6. INVENTORIES		
	2008	2007
	SR '000	SR '000
Finished goods	11,861,240	11,333,167
Raw materials	6,438,819	6,171,124
Spare parts	4,563,358	3,541,105
Work in progress	1,486,472	924,868
Goods in transit	809,739	860,369
	25,159,628	22,830,633
Less: Provision for slow moving and obsolete items	(799,878)	(524,674)
	24,359,750	22,305,959

A Saudi Joint Stock Company

Notes to the consolidated financial statements (continued)

31 December 2008

7. PREPAYMENTS AND OTHER CURRENT ASSETS		
	2008	2007
	SR '000	SR '000
Prepaid expenses	434,509	475,663
Employee advances and home ownership receivables	247,793	391,088
Restricted cash	817,026	178,780
Taxes and subsidy receivables	1,189,070	1,266,880
Other	1,275,036	1,832,157
	3,963,434	4,144,568

Other includes advances to contractors, accrued income on time deposits, and miscellaneous assets.

8. INVESTMENTS

6. INVESTIMENTS	Shareholding	Shareholding in equity	
	%	2008	2007
Associated company		SR '000	SR '000
Gulf Petrochemical Industries Co. (GPIC)	33.33	623,469	682,292
Gulf Aluminum Rolling Mills Co. (GARMCO)	31.28	167,059	147,102
Ma'aden Phosphate Company (MPC)	30.00	1,788,750	303,750
Power and Water Utilities Company for Jubail			
and Yanbu (MARAFIQ)	25.00	1,301,988	882,350
Aluminum Bahrain BSC (ALBA)	20.00	1,522,031	931,555
National Chemical Carrier Company (NCC)	20.00	163,074	153,688
Other		687,821	804,248
		6,254,192	3,904,985
Available for sale		185,567	394,155
Held to maturity		2,256,074	1,721,737
		8,695,833	6,020,877
The movement of investments in associated companies is as follows:	NC:		
The movement of investments in associated companies is as follow	VS.		
Balance at the beginning of the year		3,904,985	2,765,318
Share in earnings for the year, net (note 24)		1,124,589	910,356
Other movements during the year, net		1,350,763	205,325
Currency translation adjustments, net		(126,145)	23,986
Balance at the end of the year		6,254,192	3,904,985

NCC, MARAFIQ and MPC are incorporated in the Kingdom of Saudi Arabia. GPIC, GARMCO and ALBA are incorporated in the Kingdom of Bahrain. Other includes investments in associated companies by SABIC Luxembourg S.à.r.l and its subsidiaries.

Investments – Available for sale

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

Investments – Held to maturity

This item represents investment in Sukuk and bonds.

A Saudi Joint Stock Company

Notes to the consolidated financial statements (continued)

31 December 2008

9. PROPERTY, PLANT AND EQUIPM	ENT		Furniture	Construction		
	Land and buildings SR '000	Plant and equipment SR '000	Furniture, fixtures and vehicles SR '000	Construction work in progress SR '000	Total 2008 SR '000	Total 2007 SR '000
Cost:						
At the beginning of the year	13,500,615	131,282,690	3,744,103	43,711,680	192,239,088	142,881,387
Additions	166,832	1,894,258	42,186	27,280,900	29,384,176	49,308,344
Transfers / disposals	6,059,305	(4,535,697)	(805,704)	(2,616,512)	(1,898,608)	(1,437,591)
Currency translation adjustment	90,081	(91,683)	(5,164)	17,805	11,039	1,486,948
At the end of the year	19,816,833	128,549,568	2,975,421	68,393,873	219,735,695	192,239,088
Depreciation:						
At the beginning of the year	5,658,151	60,661,980	2,805,383	-	69,125,514	62,910,765
Charge for the year	869,738	6,937,234	260,287	-	8,067,259	6,220,004
Impairment	-	981,250	12,958	-	994,208	-
Transfers / disposals	293,739	623,372	(801,563)	-	115,548	(738,795)
Currency translation adjustment	20,278	(24,928)	(2,361)	-	(7,011)	733,540
At the end of the year	6,841,906	69,178,908	2,274,704	-	78,295,518	69,125,514
Net book amounts:						
At 31 December 2008	12,974,927	59,370,660	700,717	68,393,873	141,440,177	
At 31 December 2007	7,842,464	70,620,710	938,720	43,711,680		123,113,574

The construction 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 2008 amounted to SR 1.5 billion (2007: SR 535 million).

Land and Buildings include an amount of SR 47.7 million at 31 December 2008 and 2007 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 related to the Saudi Industrial Development Fund (SIDF) loans are mortgaged (note 16).

A Saudi Joint Stock Company

Notes to the consolidated financial statements (continued)

31 December 2008

10. INTANGIBLE ASSETS		
	2008	2007
	SR '000	SR '000
Pre-operating and deferred costs, net	1,365,598	1,959,034
Patents, trademarks and other intangibles, net	6,641,297	7,037,100
Goodwill	14,972,195	13,967,870
	22,979,090	22,964,004

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 seven years.

Patents, trademarks and other intangibles

Patents, trademarks and other intangible assets acquired as a result of acquisition by SIPH, are amortized over varying expected periods of benefit.

Goodwill

Goodwill represents the excess of consideration paid over the fair value of net assets acquired. The movement in the Group's reported goodwill at 31 December was as follows:

	2008 SR '000	2007 SR '000
At the beginning of the year	13,967,870	3,207,772
Additions	-	10,422,855
Purchase price allocation adjustments	556,034	-
Exchange differences	448,291	337,243
At the end of the year	14,972,195	13,967,870

Goodwill is tested periodically for any impairment. According to the impairment test performed by an independent professional firm, the carrying amount of goodwill at the balance sheet date was less than its recoverable amount. Recoverable amount of goodwill was determined on the basis of the "value-in-use" method using cash flow projections based on financial forecasts.

A Saudi Joint Stock Company

Notes to the consolidated financial statements (continued)

31 December 2008

11. OTHER NON-CURRENT ASSETS		
	2008	2007
	SR '000	SR '000
Employees' advances and home ownership receivables	1,464,056	1,279,282
Deferred taxes	1,226,345	1,018,493
Miscellaneous	499,514	1,029,586
	3,189,915	3,327,361

Employee advances and home ownership receivables

Certain subsidiaries have established employee 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 SABIC Luxembourg S.a.r.l. operating in various tax jurisdictions.

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 the marketing and off-take agreements. Sales to joint venture partners amounted to approximately SR 15 billion (2007: approximately SR 15.1 billion). Certain joint venture partners also provide research and technology, and other services to certain SABIC affiliates in conformity with the executed agreements. Balance due from/to joint venture partners are shown in notes 5 and 13, respectively.

13. ACCOUNTS PAYABLE		
	2008	2007
	SR '000	SR '000
Trade accounts payable	8,216,509	14,949,965
Amounts due to joint venture partners (note 12)	44,737	15,427
	8,261,246	14,965,392
14. ACCRUED LIABILITIES AND OTHER PAYABLES		
	2008	2007
	2008 SR '000	2007 SR '000
Accrued liabilities		
	SR '000	SR '000
Accrued liabilities	SR '000 7,070,114	SR '000 5,132,099
Accrued liabilities Dividend payable	SR '000 7,070,114 619,882	SR '000 5,132,099 618,677
Accrued liabilities Dividend payable Taxes payable	SR '000 7,070,114 619,882 1,733,468	SR '000 5,132,099 618,677 2,608,119

Other mainly includes contract retentions and other payables.

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Notes to the consolidated financial statements (continued)

31 December 2008

15. SHORT-TERM BANK BORROWINGS

Short-term bank borrowings at 31 December 2008, which bear financing charges at prevailing market rates, amounted to approximately SR 1.2 billion (2007: SR 1.4 billion). The Group had unused credit facilities at 31 December 2008 amounting to SR 3.4 billion (2007: SR 2.4 billion).

16. LONG-TERM DEBT		
	2008	2007
	SR '000	SR '000
Public Investment Fund (PIF)	7,117,684	4,734,412
Saudi Industrial Development Fund (SIDF)	1,490,761	1,471,349
Commercial debt	57,239,498	51,776,273
Total term loans	65,847,943	57,982,034
Euro-Bond	3,947,793	4,102,597
Notes	5,625,000	5,625,000
Sukuk	16,000,000	11,000,000
Total	91,420,736	78,709,631
Less: Current portion	(3,053,274)	(3,272,036)
Non-current portion	88,367,462	75,437,595

Term loans

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

SIPH borrowed 6.665 billion from a syndicate of bank lenders in the form of two senior secured term loans (term loans A and B).

Term Loan A had an initial funded amount of \$1.5 billion including a subset that was funded as EUR 93.647 million. Term Loan A has a 6.5 year term and will amortize at 5% each quarter beginning December 2009 rising to 7.5% for the quarters ending September and December as of 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 1.25%.

Term Loan B had an initial funded amount of \$5.165 billion including a subset that was funded as EUR 1.313 billion. Term Loan B has a seven-year term, and will amortize 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 \$ or EURIBOR for EUR, as appropriate, plus 2.50%.

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

SIPH has also entered into \$1 billion five-year senior secured revolving credit agreement with a syndicate of banks. As of 31 December 2008, the drawn balance under this facility was \$89 million. Under this revolving credit agreement, SIPH is subject to a fixed charge coverage covenant, provided that the covenant shall not apply until less than 10% of the facility remains undrawn and available.

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Notes to the consolidated financial statements (continued)

31 December 2008

16. LONG-TERM DEBT (continued)

Euro-Bond

During 2006, SABIC Europe B.V. (a wholly-owned subsidiary of SABIC Luxembourg S.a.r.I) 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. (an indirect wholly-owned subsidiary of SABIC Luxembourg S.a.r.I) 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 1 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.

Notes

On 31 August 2007, SIPH issued senior unsecured notes of \$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.

Sukuk

On 29 July 2006, the Group issued SR 3 billion Sukuk, at par value of SR 50,000 each without discount or premium, maturing in 2026. On 15 July 2007, the Group 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, the Group 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, the Group shall pay an amount equal to 10% of the aggregate face value of the Sukuk as bonus to the Sukuk holders. The Group has provided an undertaking to the Sukuk holders to purchase the Sukuk from the Sukuk holders in 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.

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

	2008 SR '000	2007 SR '000
2008	-	3,272,036
2009	3,053,274	4,854,049
2010	6,312,614	6,676,196
2011	15,312,868	12,914,121
2012	12,658,026	4,928,352
2013	9,841,062	8,551,655
Thereafter	44,242,892	37,513,222
Total	91,420,736	78,709,631

A Saudi Joint Stock Company

Notes to the consolidated financial statements (continued)

31 December 2008

17. ZAKAT

The Group's zakat is based on financial statements of SABIC and its subsidiaries. The movement in Group's zakat provisions is as follows:

	2008 SR '000	2007 SR '000
At the beginning of the year	1,767,020	1,968,971
Provided during the year	1,400,000	1,800,000
Adjustments	121,471	-
Paid during the year	(1,122,928)	(2,001,951)
At the end of the year	2,165,563	1,767,020

SABIC has finalized the zakat assessments with the Department of Zakat and Income Tax (DZIT) and has obtained the final zakat clearance certificates for the years up to 2006. The zakat assessment for the year 2007 is under review by the DZIT.

18. EMPLOYEES' SERVICE BENEFITS PAYABLE		
10. LIVII LOTELS SERVICE BEREITISTATABLE	2008	2007
	SR '000	SR '000
End of service benefits	6,528,865	5,992,988
Thrift plan	773,635	763,509
Early retirement plan	37,316	54,815
	7,339,816	6,811,312
19. OTHER NON-CURRENT LIABILITIES		
	2008	2007
	SR '000	SR '000
Deferred tax and other liabilities	1,868,543	2,245,961
Obligations under capital leases (note 30)	962,548	1,057,303
	2,831,091	3,303,264

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 2008 (SR 25 billion divided into 2.5 billion shares of SR 10 each as of 31 December 2007). The Extraordinary General Assembly in its meeting held on 21 Rabi Awal 1429H, corresponding to 29 March 2008, approved to increase the share capital by SR 5 billion through issuing one bonus share for every five shares held.

A Saudi Joint Stock Company

Notes to the consolidated financial statements (continued)

31 December 2008

21. RESERVES

Statutory reserve

As required by The Saudi Arabian Regulations for Companies, 10% of the annual net income has been transferred to the statutory reserve. SABIC may resolve to discontinue such transfers when the reserve equals 50% of its paid-up share capital. The reserve is not available for distribution.

Other reserves

In accordance with SABIC's By-Laws, the General Assembly can establish other reserves as an appropriation of retained earnings. Such reserves can be increased or decreased by a resolution of the shareholders and are 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 income of subsidiaries are shown separately in the consolidated statement of income.

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

	2008	2007
	SR '000	SR '000
At the beginning of the year	43,342,241	27,607,078
Minority interests in the net income of subsidiaries	13,905,168	13,585,318
Other movements, net	(13,538,270)	2,149,845
At the end of the year	43,709,139	43,342,241
23. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	2000	2007
	2008 SR '000	2007 SR '000
Employees cost	4,093,855	2,289,262
	2,791,448	2,408,966
Selling and distribution		
Administrative expenses	1,596,937	1,576,399
Research and technology expenses	571,116	528,606
Depreciation and amortization	118,636	100,420
	9,171,992	6,903,653
24. INVESTMENT AND OTHER INCOME		
24. INVESTIMENT AND OTHER INCOME	2008	2007
	SR '000	SR '000
Earnings on time deposits	3,303,709	2,699,509
Share in earnings of associated companies, net (note 8)	1,124,589	910,356
Exchange differences and others, net	116,351	620,370
	4,544,649	4,230,235
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A Saudi Joint Stock Company

Notes to the consolidated financial statements (continued)

31 December 2008

25. EARNINGS PER SHARE

The earnings per share are calculated based on the number of outstanding shares at the end of the year. The outstanding number of shares at 31 December 2008 was 3 billion shares (2.5 billion shares at 31 December 2007). The calculation of the earnings per share for the year 2007 has been adjusted retroactively to reflect the effect of the bonus shares issue.

26. SEGMENT INFORMATION

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

- The petrochemicals segment, includes basic chemicals, intermediates, polymers and innovative plastics products.
- The fertilizers segment, consists of fertilizer products.
- The metals segment, consists of steel products and investments in aluminum production facilities.
- The corporate segment, includes the corporate operations, research and technology centers, and the investment activities.

					Consolidation	
				adjustments and		
	Petrochemicals	Fertilizers	Metals	Corporate	eliminations	Total
	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000
31 December 2008						
Sales	166,410,287	8,954,194	14,950,975	6,834,081	(46,339,941)	150,809,596
Gross profit	31,813,893	6,273,407	5,761,838	3,368,429	(1,454,286)	45,763,281
Net income	20,711,972	6,066,191	5,019,068	22,686,978	(32,454,366)	22,029,843
Total assets	213,257,116	14,748,420	21,093,629	142,467,990	(119,807,166)	271,759,989
Total liabilities	128,995,501	2,504,029	4,934,613	37,402,992	(48,718,759)	125,118,376
31 December 2007						
Sales	141,191,715	6,425,380	10,700,868	5,994,080	(38,107,639)	126,204,404
Gross profit	36,966,787	3,644,353	3,331,588	3,237,873	769,575	47,950,176
Net income	30,661,200	3,524,857	2,702,694	27,809,216	(37,675,695)	27,022,272
Total assets	209,520,680	11,741,890	17,827,898	133,421,323	(118,780,710)	253,731,081
Total liabilities	120,511,673	2,735,188	5,687,950	40,695,757	(50,395,759)	119,234,809

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 petrochemical 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.

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Notes to the consolidated financial statements (continued)

31 December 2008

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, 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.

Interest Rate Risk is the risk that the value of financial instruments will fluctuate due to changes in the market interest rates. The Group has no significant interest bearing long-term assets, but has interest bearing liabilities at 31 December 2008. The Group manages its borrowings made at floating rates by using interest rate swaps (note 28), which have the economic effect of converting borrowings from floating rates to fixed rates. The interest 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 interest amounts, calculated by reference to the agreed notional principal amounts.

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 value of the financial assets and liabilities are not materially different from their carrying values.

28. DERIVATIVES

The Group has entered into interest rate swap agreements to hedge the volatility in interest rates related to debts .The outstanding amount at 31 December 2008 was SR 43.4 billion (2007: SR 32.6 billion).

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

The Extraordinary General Assembly, in its annual meeting held on 21 Rabi Awal 1429H, corresponding to 29 March 2008, approved the appropriation of the net income for the year ended 31 December 2007 as follows:

- distribution of cash dividends of SR 7.5 billion (SR 3 per share) including interim cash dividends of SR 2.5 billion (SR 1 per share)
- transfer 10% of net income to statutory reserve
- payment of SR 1.4 million as Board of Directors' remuneration
- transfer the remaining balance to the general reserve
- transfer of SR 1.292 billion research and technology reserve to the general reserve

The Board of Directors proposed on 22 Muharram 1430H, corresponding to 19 January 2009, to distribute cash dividends amounting to SR 9 billion (SR 3 per share) for the year ended 31 December 2008, including interim cash dividends amounting to SR 5.25 billion (SR 1.75 per share) previously approved by the Board of Directors on 16 Rajab 1429H, corresponding to 19 July 2008.

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

The consolidated financial statements were approved by the Board of Directors on 28 Safar 1430H, corresponding to 23 February 2009.

A Saudi Joint Stock Company

Notes to the consolidated financial statements (continued)

31 December 2008

30. COMMITMENTS

Capital commitments

SABIC's commitment for capital expenditures at 31 December 2008 approximately amounted to SR 32 billion (2007: SR 51 billion).

Operating lease commitments

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

	2008 SR '000	2007 SR '000
2008	-	928,103
2009	1,579,775	734,874
2010	690,632	534,179
2011	594,688	486,488
2012	531,971	461,583
Thereafter	2,506,875	2,289,594
	5,903,941	5,434,821

Obligations under capital leases

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

Non-current portion (note 19)	962,548	1,057,303
current portion	(18,055)	(17,138)
Less: finance charges	(673,578)	(739,179)
Net present value of minimum lease payments	1,654,181	1,813,620
Thereafter	1,182,179	1,244,298
2012	119,328	82,620
2011	118,432	123,143
2010	117,551	122,147
2009	116,691	121,179
2008	-	120,233
	2008 SR '000	2007 SR '000

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 SR1.4 billion (2007: SR 3.2 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.



Company	SBU	Location	Partnership	Products
ALBA (Aluminum Bahrain)**	F	Bahrain	SABIC (20%), State of Bahrain (77%), Brenton Investments, Germany (3%)	Aluminum (liquid metal, ingots, rolling stabs, billet)
AL-BAYRONI (Al-Jubail Fertilizer Company)	C, D	Al-Jubail, Saudi Arabia	A 50/50 SABIC joint venture formed in 1979 with Taiwan Fertilizer Company	Ammonia, urea, 2-ethyl hexanol, DOP
AR-RAZI (Saudi Methanol Company)	A	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
GARMCO (Gulf Aluminum Rolling Mill Company)**	F	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
GAS (National Industrial Gases Company)	С	Al-Jubail (head office), Saudi Arabia	SABIC (70%) and a group of Saudi Arabian Industrial Gases Companies (30%)	Hydrogen
		Yanbu (branch), Saudi Arabia		Oxygen, nitrogen
GPIC (Gulf Petrochemical Industries Company)**	A, D	Bahrain	Joint venture with equal partnership for the Petrochemical Industries Company of Kuwait, State of Bahrain and SABIC	Methanol, ammonia, urea
HADEED (Saudi Iron and Steel Company)	F	Al-Jubail, Saudi Arabia	A wholly owned affiliate of SABIC	Steel rebar, wire rod, hot rolled coils, cold rolled coils, galvanized coil, color-coated coils
IBN AL-BAYTAR (National Chemical Fertilizer Company)	D	Al-Jubail, Saudi Arabia	50/50 SABIC joint venture with SAFCO	Ammonia, urea, compound fertilizer, phosphate fertilizer, liquid fertilizer
IBN RUSHD (Arabian Industrial Fibers Company)	А, В, С	Yanbu, Saudi Arabia	SABIC (47.26%), PIF (33.51%) and a group of Saudi Arabian and regional private sector partners (19.23%)	Aromatics (paraxylene, orthoxylene and benzene), purified terephthalic acid (PTA), polyethylene terephthalate (PET), textile grade chips (TGC), acetic acid
IBN SINA (National Methanol Company)	A	Al-Jubail, Saudi Arabia	SABIC (50%), CTE (50% – owned by Elwood Insurance Ltd., 25%, and Texas Eastern Arabian Ltd., 25%)	Chemical grade methanol, MTBE
IBN ZAHR (Saudi European Petrochemical Company)	A, B	Al-Jubail, Saudi Arabia	SABIC (80%), Ecofuel-Italy (10%), Arab Petroleum Investment Corporation APICORP (10%)	MTBE, polypropylene
KEMYA (Al-Jubail Petrochemical Company)	A, B	Al-Jubail, Saudi Arabia	A 50/50 SABIC joint venture with Exxon Mobil (USA)	Polyethylene, ethylene

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F MetalsG SABIC Innovative Plastics

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** SABIC joint ventures in Bahrain

Company	SBU	Location	Partnership	Products
PETROKEMYA (Arabian Petrochemical Company)	A, B, C, E	Al-Jubail, Saudi Arabia	A wholly owned affiliate of SABIC	Ethylene, styrene, polystyrene, butene-1, propylene, butadiene, benzene, polyethylene, VCM, E-PVC, S-PVC, ABS
SADAF (Saudi Petrochemical Company)	A, C	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, MTBE
SAFCO (Saudi Arabian Fertilizer Company)	B, D	Al-Jubail, Dammam, Saudi Arabia	SABIC (42.99%), GOSI and Public Pension Agency (15.4%), public shareholders (41.61%)	Jubail: Ammonia, urea, urea formaldehyde Dammam: Sulfuric acid
SABIC Innovative Plastics	G	Aichi, Japan	SABIC Innovative Plastics 51%; AGC 49%	Lexan* sheet and film
SABIC Innovative Plastics	G	Bay St Louis, Mississippi, USA	A wholly owned affiliate of SABIC	Cycolac*, Cycoloy* and Geloy* resins
SABIC Innovative Plastics	G	Benoi, Singapore	A wholly owned affiliate of SABIC	Lexan*, Cycoloy* and Cycolac* resins
SABIC Innovative Plastics	G	Bergen op Zoom, The Netherlands	A wholly owned affiliate of SABIC	Lexan*, Xenoy*, Noryl*, Noryl GTX* and Valox* resins; Lexan* sheet and film
SABIC Innovative Plastics	G	Burkville, Alabama, USA	A wholly owned affiliate of SABIC	Lexan* resin
SABIC Innovative Plastics	G	Campinas, Brazil	A wholly owned affiliate of SABIC	Lexan*, Noryl*, Valox*, Xenoy*, Cycoloy*, Cycolac* and Geloy* resins, LNP* compounds, Lexan* multiwall sheet
SABIC Innovative Plastics	G	Carville, Louisiana, USA	SABIC Petrochemicals Holding US, Inc 50%; Total Petrochemicals 50%	Styrene
SABIC Innovative Plastics	G	Cartagena, Spain	A wholly owned affiliate of SABIC	Lexan* and Cycoloy* resins
SABIC Innovative Plastics	G	Chung-Ju, Korea	A wholly owned affiliate of SABIC	Lexan*, Cycoloy*, Noryl* and Xenoy* resins
SABIC Innovative Plastics	G	Cobourg, Canada	A wholly owned affiliate of SABIC	Lexan*, Cycoloy*, Cycolac*, Valox*, Ultem*, Xenoy*, Xylex* and visualfx* resins, LNP* compounds; Lexan* sheet

Company	SBU	Location	Partnership	Products
SABIC Innovative Plastics	G	Columbus, Indiana, USA	A wholly owned affiliate of SABIC	LNP* compounds
SABIC Innovative Plastics	G	Enkuizen, The Netherlands	A wholly owned affiliate of SABIC	Lexan* sheet and film
SABIC Innovative Plastics	G	Fosses, France	A wholly owned affiliate of SABIC	LNP* compounds, LNP* Starflam* resin
SABIC Innovative Plastics	G	Geismar, Louisiana, USA	SABIC Petrochemicals Holding US, Inc 16.6%; Williams Olefins, LLC 83.4%	Ethylene byproducts, propylene, crude butadiene, DAC
SABIC Innovative Plastics	G	Grangemouth, Scotland, UK	A wholly owned affiliate of SABIC	Cycolac*, Cycoloy*, Geloy*, Cytra* and Lexan* resins
SABIC Innovative Plastics	G	Klang, Malaysia	A wholly owned affiliate of SABIC	Lexan* multiwall sheet
SABIC Innovative Plastics	G	Long Sault, Canada	A wholly owned affiliate of SABIC	SABIC Polymershapes Verolite*and Vistar* products
SABIC Innovative Plastics	G	Moka Tochigi, Japan (SABIC Innovative Plastics Japan, LLC)	A wholly owned affiliate of SABIC	Cycoloy*, Lexan*, Noryl*, Noryl GTX*, Flexible Noryl*, Ultem*, Valox* and Xenoy* resins, LNP* Lubriloy*, Stat-loy* and Faradex* compounds
SABIC Innovative Plastics	G	Mt. Vernon, Indiana, USA	A wholly owned affiliate of SABIC	Lexan*, Cycoloy*, Ultem*, Valox*, Xenoy*, Xylex*, Supec* and Siltem* resins, Lexan* sheet and film, Illuninex* display film
SABIC Innovative Plastics	G	Nansha, China	A wholly owned affiliate of SABIC	Lexan*, Cycoloy* and Cycolac* resins, Lexan* and Valox* films, LNP* compounds
SABIC Innovative Plastics	G	Olgiate, Italy	A wholly owned affiliate of SABIC	Lexan* sheet, Lexan* Thermoclear* sheet, Lexan* Thermoclick* sheet
SABIC Innovative Plastics	G	Ottawa, Illinois, USA	A wholly owned affiliate of SABIC	Cycolac*, Cycoloy*, Geloy* and Blendex* resins
SABIC Innovative Plastics	G	Pontirolo, Italy	A wholly owned affiliate of SABIC	LNP* compounds, LNP* Staramid*, Starflam*, Lubricomp* and Thermocomp* compounds, Lexan*, Valox* and Cycoloy* resins
SABIC Innovative Plastics	G	Ramdonksveer, The Netherlands	A wholly owned affiliate of SABIC	LNP* compounds
SABIC Innovative Plastics	G	Rayong, Thailand	A wholly owned affiliate of SABIC	Lexan*, Noryl*, Noryl GTX*, Valox*, Xenoy*, Cycoloy* and Cycolac* resins, custom engineered products
SABIC Innovative Plastics	G	San Luis, Petosi, Mexico	A wholly owned affiliate of SABIC	LNP* compounds, LNP* Starflam* resin, Valox* and Xenoy* resins

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** SABIC joint ventures in Bahrain

Company	SBU	Location	Partnership	Products
SABIC Innovative Plastics	G	Selkirk, New York, USA	A wholly owned affiliate of SABIC	PPO* resin, Noryl*, Noryl* PPX and Noryl GTX* resins, high impact polystyrene (HIPS)
SABIC Innovative Plastics	G	Seremban, Malaysia	A wholly owned affiliate of SABIC	LNP* compounds
SABIC Innovative Plastics	G	Shanghai, China	A wholly owned affiliate of SABIC	Lexan*, Cycoloy*, Noryl*, Valox*, Geloy* and Xenoy* resins, visualfx resins, custom engineered products
SABIC Innovative Plastics	G	Tampico, Mexico	A wholly owned affiliate of SABIC	Cycoloy*, Cycolac*, Geloy* and Lexan* resins
SABIC Innovative Plastics	G	Thornaby, UK	A wholly owned affiliate of SABIC	LNP* Verton* compound
SABIC Innovative Plastics	G	Thorndale, Pennsylvania, USA	A wholly owned affiliate of SABIC	LNP* compounds – Colorcomp*, Lubriloy* Lubricomp*, Stat-kon*, Stat-loy*, Konduit*, Starflam*, Thermocomp* and Thermotuf* compounds, Extem*, Valox* and Xenoy* resins
SABIC Innovative Plastics	G	Tortuguitas, Argentina	A wholly owned affiliate of SABIC	Cycolac*, Cycoloy* Lexan*, Valox*, Xenoy and Noryl* resins, Gelon*, Refpol*, Naypol* and Polnyl* resins
SABIC Innovative Plastics	G	Vadodara, India	A wholly owned affiliate of SABIC	Lexan*, Cycoloy*, Noryl*, Valox* and Xenoy* resins
SABIC Innovative Plastics	G	Washington, West Virginia, USA	A wholly owned affiliate of SABIC	Cycolac*, Cycoloy*, Geloy* and Blendex* resins
SABIC Innovative Plastics	G	Wiener Neustadt, Austria	A wholly owned affiliate of SABIC	Lexan* sheet
SABIC Innovative Plastics	G	Wixom, Michigan, USA	Exatec LLC – A wholly owned affiliate of SABIC	PC automotive glazing
SABIC Innovative Plastics	G	Zhongshan, China (Plastech)	A wholly owned affiliate of SABIC	Lexan* sheet

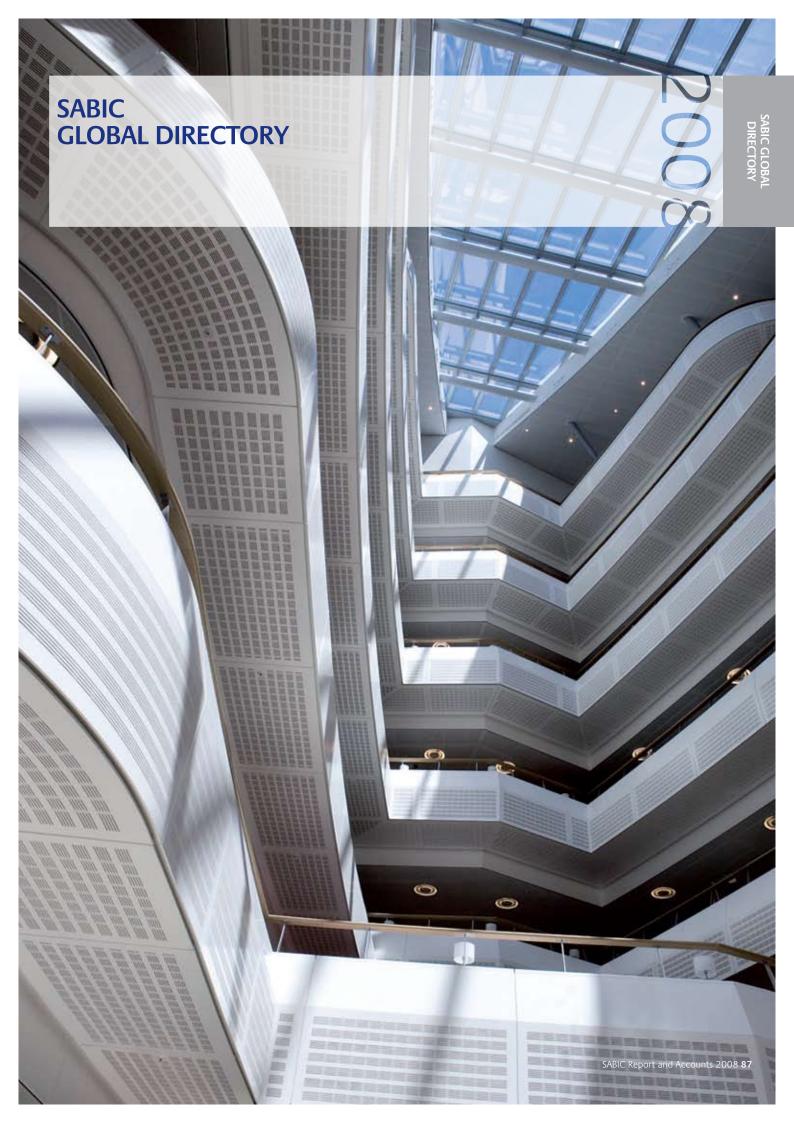
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Company	SBU	Location	Partnership	Products
SABIC Petrochemicals B.V.	A, B, C	Geleen, The Netherlands	A wholly owned affiliate of SABIC	Polyethylene (HDPE, LDPE, LLDPE), polypropylene, ethylene, propylene, butadiene, MTBE/ETBE, benzene, gasoline components, styrene, C9 resin feed, cracked distillate, acetylene, hydrogen and carbon black oil
SABIC UK Petrochemicals Ltd	A, C	Teesside, UK	A wholly owned affiliate of SABIC	Ethylene, propylene, benzene, toluene, paraxylene, cyclohexane
SABIC Polimer Industry A.S.	В	Adana, Turkey	SABIC (70%), and Baser Petrokimya Limited Sirketi (30%)	General purpose polystyrene (GPPS), high impact polystyrene (HIPS)
SABIC Polyolefine GmbH	В	Gelsenkirchen, Germany	A wholly owned affiliate of SABIC	Polyethylene (HDPE, LLDPE), polypropylene
SAUDI KAYAN (Saudi Kayan Petrochemical Company)	A, B, C, E	Al-Jubail, Saudi Arabia	SABIC (35%), Al-Kayan Petrochemical Company (20%), public share (45%)	Ethylene, propylene, polypropylene, LDPE, HDPE, ethylene glycol, acetone, polycarbonate (PC), ethanolamines (EOA)
SHARQ (Eastern Petrochemical Company)	C, B	Al-Jubail, Saudi Arabia	A 50/50 SABIC joint venture with a consortium of Japanese companies led by Mitsubishi Corporation	Polyethylene, ethylene glycol, ethylene
TAYF (Ibn Hayyan Plastics Products Company)	B, C	Al-Jubail, Saudi Arabia	SABIC (99%), SABIC Industrial Investments Company (TATWEER 1%)	Tri-Ethyl aluminum (TEAL), TPO/PP compounds, PC compounds, ABS compounds, specialty products
UNITED (Jubail United Petrochemical Company)	A, B, C	Al-Jubail, Saudi Arabia	SABIC (75%), Pension Fund (15%), General Organization of Social Insurance (10%)	Ethylene, polyethylene, ethylene glycol (EG), linear alpha olefins (LAO)
YANPET (Saudi Yanbu Petrochemical Company)	A, B, C	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, propylene
YANSAB (Yanbu National Petrochemical Company)	А, В, С	Yanbu, Saudi Arabia	SABIC (55%), private shareholders (35%), 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, butane-2, benzene, toluene/xylene mixture, MTBE

^{*} Trademark of SABIC Innovative Plastics IP B.V.

^{**} SABIC joint ventures in Bahrain



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