

**SAUDI BASIC INDUSTRIES CORPORATION
(SABIC) AND ITS SUBSIDIARIES
(A Saudi Joint Stock Company)**

**INTERIM CONSOLIDATED FINANCIAL
STATEMENTS (UNAUDITED)**

**FOR THE SIX-MONTH PERIOD ENDING
30 JUNE 2009**

SAUDI BASIC INDUSTRIES CORPORATION (SABIC) AND ITS SUBSIDIARIES
(A Saudi Joint Stock Company)

INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2009

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LIMITED REVIEW REPORT

To the shareholders of Saudi Basic Industries Corporation (SABIC)
(A Saudi Joint Stock Company)

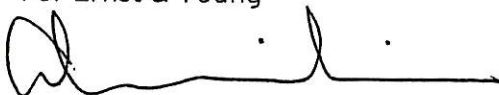
Scope of review

We have reviewed the accompanying interim consolidated balance sheet of Saudi Basic Industries Corporation (SABIC) - A Saudi Joint Stock Company - and its subsidiaries (the "Group") as at 30 June 2009 and the related interim consolidated statement of income for the three month and six month periods ended 30 June 2009 and interim consolidated statements of cash flows and changes in shareholders' equity for the six-month period then ended. These interim consolidated financial statements are the responsibility of the Group's management and have been prepared by them and submitted to us with all the information and explanations which we required. We conducted our limited review in accordance with the Standard on Review of Interim Financial Reporting issued by the Saudi Organisation for Certified Public Accountants (SOCPA). A limited review consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Conclusion

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

For Ernst & Young



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



Riyadh: 26 Rajab 1430H
(19 July 2009)

SAUDI BASIC INDUSTRIES CORPORATION (SABIC) AND ITS SUBSIDIARIES
(A Saudi Joint Stock Company)

INTERIM CONSOLIDATED BALANCE SHEET (Unaudited)

AS AT 30 JUNE 2009

	Note	30 June 2009 SR'000	30 June 2008 SR'000
ASSETS			
Current assets			
Cash and cash equivalents		53,075,083	52,850,050
Accounts receivable		17,413,599	29,313,166
Inventories		19,170,091	24,668,097
Prepayments and other current assets		6,080,260	5,308,698
Total current assets		95,739,033	112,140,011
Non-current assets			
Property, plant and equipment		151,077,886	133,593,774
Investments in associates and others		7,763,174	5,541,116
Intangible assets	4	21,796,233	25,292,255
Other non-current assets		2,809,574	3,123,749
Total non-current assets		183,446,867	167,550,894
TOTAL ASSETS		279,185,900	279,690,905
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable		11,087,793	19,844,261
Dividend payable		601,640	561,752
Accrued liabilities and other payables		10,483,491	12,342,792
Short-term bank borrowings		1,369,529	3,827,826
Current portion of long term debts		4,034,161	3,077,910
Total current liabilities		27,576,614	39,654,541
Non-current liabilities			
Long-term debts	5	98,747,106	83,418,922
Other non-current liabilities		9,802,182	11,007,221
Total non-current liabilities		108,549,288	94,426,143
Total liabilities		136,125,902	134,080,684
EQUITY			
Shareholders' equity			
Share capital	6	30,000,000	30,000,000
Statutory reserve		14,702,984	12,500,000
General reserve		54,478,090	43,652,631
Retained earnings		830,752	14,472,123
Total shareholders' equity		100,011,826	100,624,754
Minority interests		43,048,172	44,985,467
Total equity		143,059,998	145,610,221
TOTAL LIABILITIES AND EQUITY		279,185,900	279,690,905

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

SAUDI BASIC INDUSTRIES CORPORATION (SABIC) AND ITS SUBSIDIARIES
(A Saudi Joint Stock Company)
INTERIM CONSOLIDATED STATEMENT OF INCOME (Unaudited)

		For the three-month ended		For the six-month ended	
	Note	30 June 2009 SR'000	30 June 2008 SR'000	30 June 2009 SR'000	30 June 2008 SR'000
Sales		23,750,072	43,364,997	43,567,153	83,345,239
Cost of sales		(17,530,844)	(28,512,159)	(33,725,415)	(54,702,860)
GROSS PROFIT		6,219,228	14,852,838	9,841,738	28,642,379
Selling, general and administrative expenses		(2,139,600)	(2,711,674)	(4,199,812)	(5,610,722)
Impairment of goodwill	4	-	-	(1,181,250)	-
INCOME FROM MAIN OPERATIONS		4,079,628	12,141,164	4,460,676	23,031,657
Investment and other income		502,415	1,162,475	909,113	2,847,094
Financial charges		(860,139)	(1,050,568)	(1,633,462)	(2,288,596)
INCOME BEFORE MINORITY INTERESTS AND ZAKAT		3,721,904	12,253,071	3,736,327	23,590,155
Minority interests in net income of subsidiaries		(1,767,247)	(4,205,211)	(2,630,575)	(8,218,032)
INCOME BEFORE ZAKAT		1,954,657	8,047,860	1,105,752	15,372,123
Zakat	7	(150,000)	(500,000)	(275,000)	(900,000)
NET INCOME FOR THE PERIOD		1,804,657	7,547,860	830,752	14,472,123
EARNINGS PER SHARE (SR):					
Attributable to income from main and continuing operations	8	1.36	3.67	1.52	6.93
Attributable to net income for the period	8	0.60	2.52	0.28	4.82

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

SAUDI BASIC INDUSTRIES CORPORATION (SABIC) AND ITS SUBSIDIARIES
(A Saudi Joint Stock Company)

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (Unaudited)
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2009

	Six months ended 30 June	
	2009 SR'000	2008 SR'000
OPERATING ACTIVITIES		
Income before Zakat	1,105,752	15,372,123
Adjustments for:		
Depreciation and amortization	5,003,470	5,058,197
Impairment of goodwill	1,181,250	-
Share in income of associated companies	(112,187)	(54,674)
Minority partners' share in subsidiaries' net income	2,630,575	8,218,032
Changes in operating assets and liabilities:		
Accounts receivable, prepayments and others current assets	(3,426,222)	(3,495,633)
Inventories	5,189,660	(2,362,138)
Accounts payable, accrued liabilities and other payables	586,594	5,687,031
Other non current liabilities	(368,725)	(3,597,825)
Zakat paid	(995,857)	(819,448)
Net cash from operating activities	10,794,310	24,005,665
INVESTING ACTIVITIES		
Purchase of property, plant and equipment, net	(13,811,478)	(14,674,452)
Investments, net	1,044,845	(59,315)
Intangible assets, net	(545,200)	(2,887,876)
Other non-current assets, net	97,448	1,826,345
Net cash used in investing activities	(13,214,385)	(15,795,298)
FINANCING ACTIVITIES		
Long-term debts, net	11,360,532	7,787,201
Short term bank borrowings, net	133,987	2,428,638
Dividends paid	(3,735,403)	(5,056,925)
Minority interests, net	(3,291,544)	(6,574,806)
Net cash from (used in) financing activities	4,467,572	(1,415,892)
NET CHANGE IN CASH AND CASH EQUIVALENTS	2,047,497	6,794,475
Cash and cash equivalents at the beginning of the period	51,027,586	46,055,575
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	53,075,083	52,850,050

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

SAUDI BASIC INDUSTRIES CORPORATION (SABIC) AND ITS SUBSIDIARIES
(A Saudi Joint Stock Company)

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN
SHAREHOLDERS' EQUITY (Unaudited)
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2009

	Note	Share capital SR '000	Statutory reserve SR '000	Research and technology reserve SR '000	General reserve SR '000	Retained earnings SR '000	Total SR '000
30 June 2009							
Balance as at 1 January 2009		30,000,000	14,702,984	-	43,652,631	14,576,859	102,932,474
Annual dividends of 2008	13	-	-	-	-	(3,750,000)	(3,750,000)
Board of directors' remuneration	13	-	-	-	-	(1,400)	(1,400)
Transfer to general reserve	13	-	-	-	10,825,459	(10,825,459)	-
Net income for the period		-	-	-	-	830,752	830,752
Balance as at 30 June 2009		30,000,000	14,702,984	-	54,478,090	830,752	100,011,826
30 June 2008							
Balance as at 1 January 2008		25,000,000	12,500,000	1,291,691	28,894,705	23,467,635	91,154,031
Increase in share capital		5,000,000	-	-	-	(5,000,000)	-
Annual dividends of 2007		-	-	-	-	(5,000,000)	(5,000,000)
Board of directors' remuneration		-	-	-	-	(1,400)	(1,400)
Transfer to general reserve		-	-	(1,291,691)	14,757,926	(13,466,235)	-
Net income for the period		-	-	-	-	14,472,123	14,472,123
Balance as at 30 June 2008		30,000,000	12,500,000	-	43,652,631	14,472,123	100,624,754

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

SAUDI BASIC INDUSTRIES CORPORATION (SABIC) AND ITS SUBSIDIARIES
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
30 JUNE 2009 (Unaudited)

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 interim consolidated financial statements are comprised of the interim 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 subsidiary companies consolidated in these interim financial statements are as follows:

	Direct and indirect shareholding %	
	2009	2008
SABIC Industrial Investments Company (SIIC) and its subsidiaries	100.00	100.00
SABIC Luxembourg S.a.r.l. and its subsidiaries	100.00	100.00
SABIC Asia Pacific Pte. Ltd. and its subsidiaries	100.00	100.00
Arabian Petrochemical Company and its subsidiary (Petrokemya)	100.00	100.00
Saudi Iron and Steel Company (Hadeed)	100.00	100.00
SABIC Sukuk Company (SUKUK)	100.00	100.00
Saudi European Petrochemical Company (Ibn Zahr)	80.00	80.00
Jubail United Petrochemical Company (United)	75.00	75.00
National Chemical Fertilizer Company (Ibn Al-Baytar)	71.50	71.50
National Industrial Gases Company (Gas)	70.00	70.00
Yanbu National Petrochemical Company (A Saudi Joint stock Company) (Yansab)	55.95	55.95
Saudi Methanol Company (Ar-Razi)	50.00	50.00
Al-Jubail Fertilizer Company (Al-Bayroni)	50.00	50.00
Saudi Yanbu Petrochemical Company (Yanpet)	50.00	50.00
National Methanol Company (Ibn Sina)	50.00	50.00
Saudi Petrochemical Company (Sadaf)	50.00	50.00
Eastern Petrochemical Company (Sharq)	50.00	50.00
Al-Jubail Petrochemical Company (Kemya)	50.00	50.00
Arabian Industrial Fiber Company (Ibn Rushd)	47.26	47.26
Saudi Arabian Fertilizer Company (A Saudi Joint stock Company) (Safco)	42.99	42.99
Saudi Kayan Petrochemical Company (A Saudi Joint stock Company) (Saudi Kayan)	35.00	35.00

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

SAUDI BASIC INDUSTRIES CORPORATION (SABIC) AND ITS SUBSIDIARIES
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Continued)
30 JUNE 2009 (Unaudited)

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 SABIC's eligible employees at par value under a stock grant scheme.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying interim consolidated financial statements have been prepared in accordance with the Standard on Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants (SOCPA). The significant accounting policies adopted by SABIC in preparing its interim consolidated financial statements, summarized below, are in conformity with those described in the annual audited consolidated financial statements for the year ended 31 December 2008. The interim consolidated financial statements and the accompanying notes should be read in conjunction with the annual audited consolidated financial statements and the related notes for the year ended 31 December 2008.

Accounting convention

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

Use of estimates

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

Cash and cash equivalents

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

Accounts receivable

Accounts receivable are stated at the invoiced amount less an allowance for any uncollectible amounts. 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.

Investments

Investments in 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 interim consolidated financial statements based on the equity method. The Group's share in the financial results of these investee companies is recognised in the interim consolidated statement of income.

SAUDI BASIC INDUSTRIES CORPORATION (SABIC) AND ITS SUBSIDIARIES
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Continued)
30 JUNE 2009 (Unaudited)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments (continued)

Investments in securities 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 interim consolidated statement of changes in shareholders' equity. Any decline other than temporary in the value of these investments are charged to the interim 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.

Investments in securities held to maturity

Investments that are acquired with the intention of being held to maturity are carried at cost (adjusted for any premium or discount), less any decline in value which is other than temporary. Such investments are classified as non-current assets with the exception of investments maturing in the following twelve months.

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. Leasehold improvements are depreciated over the shorter of the estimated useful life or the remaining term of the lease. The estimated years of depreciation of the principal classes of assets are as follows:

	Years
Plant and equipment	20
Buildings	33
Furniture and office equipment	4-10
Vehicles	4

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 and 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 and start up periods, and which are expected to provide benefits in future periods, are deferred or capitalised. 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.

SAUDI BASIC INDUSTRIES CORPORATION (SABIC) AND ITS SUBSIDIARIES
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Continued)
30 JUNE 2009 (Unaudited)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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 recognised in the interim consolidated statement of income.

Except for goodwill, where an 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 recognised for the asset or cash generating unit in prior years. A reversal of impairment is recognised as income immediately in the interim consolidated statement of income.

Accounts payable and accruals

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Provisions

Provisions are recognised when the Group has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and may be measured reliably.

Dividends

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

Zakat and income tax

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

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

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 SABIC's policies. Employees' early retirement plan costs were provided for in accordance with the Group's policies and are charged to the interim consolidated statement of income in the year the employee retires. The Group has pension schemes for its eligible employees in relevant foreign jurisdictions.

Foreign currency translation

Transactions in foreign currencies are translated into Saudi Riyals at the rates of exchange prevailing at the time of such transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the exchange rates prevailing at that date. Gains and losses from settlement and translation of foreign currency transactions are included in the interim consolidated statement of income.

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.

SAUDI BASIC INDUSTRIES CORPORATION (SABIC) AND ITS SUBSIDIARIES
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Continued)
30 JUNE 2009 (Unaudited)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

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

Investment income from associated companies is recognized based on the equity method.

Earnings on bank deposits are recognized on an accrual basis.

Research and technology expenses

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

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.

Derivative financial instruments

The Group uses derivative financial instruments to hedge its exposure to certain portions of its commission rate risks arising from financing activities. The Group designates these as cash flow hedges of commission 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 immediately in the interim consolidated statement of income. If the cash flow hedge of a firm commitment or forecasted transaction results in the recognition of an asset or a liability, then, at the time the asset or liability is 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 interim consolidated statement of income in the same period in which the hedged item affects net profit or loss. Changes in fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in interim 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 interim consolidated statement of income for the period.

Leasing

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

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

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.

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

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

SAUDI BASIC INDUSTRIES CORPORATION (SABIC) AND ITS SUBSIDIARIES
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Continued)
30 JUNE 2009 (Unaudited)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 (a geographic segment), which is subject to risks and rewards that are different from those of other segments

4. INTANGIBLE ASSETS

Intangible assets include goodwill, pre-operating and deferred costs, patents, trademarks and other intangibles. Goodwill represents the excess of consideration paid over the fair value of net assets acquired. Intangible assets include net goodwill of SR 13,987 million as at 30 June 2009.

Based on the goodwill impairment test performed at the Group level during the period, it has been determined that the goodwill is impaired to the extent of SR 1,181 million. The difference in impairment at the Group and the relevant subsidiary levels, is due to the impact of synergies expected to be realized by the Group, different reporting dates and financial accounting standards.

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

5. LONG-TERM DEBTS

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 on 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.

As of 30 June 2009, total Sukuk issued by the Group under the above mentioned facility amounted to SR 16 billion (SR 16 billion as of 30 June 2008). The periodic distributions expensed during the period amounted to SR 180 million (30 June 2008: SR 204 million).

Debt

In connection with the acquisition of SABIC Innovative Plastics B.V. (SIPH), a non-recourse debt of SR 30.64 billion (USD 8.17 billion) was raised. The debt components comprise senior unsecured notes of SR 5.63 billion (USD 1.5 billion) at fixed coupon of 9.5% with a final maturity in 2015 and senior secured term loans of SR 25.01 billion (USD 6.67 billion) denominated in US dollars and Euros, with varying spreads over LIBOR or EURIBOR and maturities of up to seven years from the acquisition date.

In addition, certain other subsidiaries utilized their debt facilities for various expansion projects.

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5. LONG TERM DEBTS (continued)

Euro bond

During 2006, SABIC Europe B.V. (a wholly-owned subsidiary of SABIC Luxembourg S.a.r.l) 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.l) replaced SABIC Europe B.V. in carrying the liability of the Euro-bond with the execution of the exchange offer. The exchange offer was executed by SABIC Capital I B.V. providing guarantee for the obligations to the bond-holders. The significant terms and conditions remained unchanged including the semi-annual coupon payments due in May and November each year.

6. SHARE CAPITAL

The share capital amounting to SR 30 billion is divided into 3 billion shares of SR 10 each as of 30 June 2009 and 2008.

7. ZAKAT

Zakat is provided for and charged to the interim consolidated statement of income on an estimated basis. Differences resulting from the final zakat calculation are adjusted at year end.

SABIC has filed its zakat returns with the Department of Zakat and Income Tax (DZIT) up to 2008, and settled the zakat dues accordingly. SABIC received the zakat assessments upto 2006. The zakat assessments for the years 2007 and 2008 are still under review by the DZIT

8. EARNING PER SHARE

The earning per share is calculated based on the number of outstanding shares at the end of the period. The outstanding number of shares at 30 June 2009 was 3 billion shares (3 billion shares at 30 June 2008).

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9. 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, investment activities and the activities of SABIC Industrial Investment Company..

	Petrochemicals SR'000	Fertilizers SR'000	Metals SR'000	Corporate SR'000	Consolidation adjustments and eliminations SR'000	Total Group SR'000
30 June 2009 (Unaudited)						
Sales	47,184,976	2,675,073	5,203,492	2,355,818	(13,852,206)	43,567,153
Gross profit	5,015,279	1,361,559	482,293	1,234,594	1,748,013	9,841,738
Net (loss) income	(1,676,762)	1,437,423	201,614	347,148	521,329	830,752
Total assets	219,528,993	12,974,420	18,493,543	140,025,649	(111,836,705)	279,185,900
Total liabilities	141,739,779	2,212,416	3,932,912	38,318,084	(50,077,289)	136,125,902

30 June 2008 (Unaudited)

Sales	90,283,235	4,170,978	8,447,407	3,552,281	(23,108,662)	83,345,239
Gross profit	21,210,553	2,863,695	3,720,474	1,497,964	(650,307)	28,642,379
Net income	14,909,479	3,020,090	3,370,524	16,663,043	(23,491,013)	14,472,123
Total assets	225,627,746	13,827,361	19,880,231	150,204,055	(129,848,488)	279,690,905
Total liabilities	137,407,514	2,715,888	5,369,759	45,916,292	(57,328,769)	134,080,684

The net (loss) 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 petrochemical products are Europe, USA, the Middle East, and Asia Pacific. While the corporate activities are based in the Kingdom of Saudi Arabia, whereas the fertilizers segment sales are mainly in South East Asia, Australia, Newzealand, South America, Africa and the Middle East. The metals segment sales are mainly in the Kingdom of Saudi Arabia and Gulf Cooperative Council (GCC) Countries.

10. INTERIM RESULTS

The results of operations for the interim periods may not be an accurate indication of the results of the full year operations.

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11. CONTINGENT LIABILITIES

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, management does not expect that they will have a material adverse effect on the interim consolidated financial statements of the Group.

The Group's bankers have issued, on its behalf, bank guarantees amounting to SR 2.6 billion (SR 4.2 billion as of 30 June 2008) in the normal course of business.

12. DERIVATIVE FINANCIAL INSTRUMENTS

At 30 June 2009, SABIC had one (30 June 2008: three) commission rate swap agreements in place with notional amount of 5,000 million (2008: SR 5,938 million). As per the terms of agreements, SABIC pays a fixed rate and receive a variable rate on the notional amount.

13. APPROPRIATION OF NET INCOME

The General Assembly, in its annual meeting held on 15 Rabi Thani 1430H corresponding to 11 April 2009 approved the appropriation of the net income for the year ended 31 December 2008 as follows:

- distribution of cash dividends of SR 9 billion (SR 3 per share) including interim cash dividends of SR 5,250 million (SR 1.75 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

14. COMPARATIVE FIGURES

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