Our commitment to growth has never been greater as we continue to develop and maintain successful relationships with our clients and partners.

Report and Accounts 2006

Sharing our futures

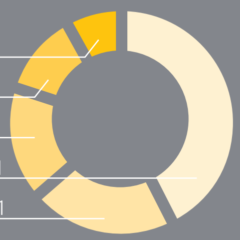
Mission statement

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

SABIC Business Units at-a-glance

Total production by business unit
'000 metric tons

Metals	3,856
Fertilizers	5,922
Polymers	8,043
Basic Chemicals	20,981
Intermediates	10,341



Basic Chemicals
Basic Chemicals, SABIC's largest Strategic Business Unit (SBU), accounts for around 40% of the company's total production. Made from hydrocarbon feedstocks such as methane, ethane, propane and butane, they are basic to petrochemical production and essential to the manufacture of a wide range of industrial and consumer goods.

Specialty Products
SABIC's recently created Specialty Products SBU was set up to focus on developing, producing and marketing new high value special derivatives to key market sectors selected for their profit potential. These include specialist automotive, catalyst,
oilfield and rubber chemicals, specialty polymers and polymer additives. The new SBU will work closely with SABIC Research and Technology to understand customers' needs ever more precisely, provide consistently excellent service, and stay at the leading edge of application technology. SABIC Specialty Products plans rapidly to become a 'preferred supplier' on an international basis.

Fertilizers
SABIC's Fertilizers SBU consists of three departments — Urea, Ammonia/Phosphates and Operations and Planning, along with three fertilizer affiliates — Saudi Arabian Fertilizer Company (SAFCO), Jubail Fertilizer Company (AL-BAYRONI) and National Chemical Fertilizer Company (IBN AL-BAYTAR). The 2006 start-up of SAFCO IV, with an annual capacity of 1.1 million metric tons of ammonia and 1.1 million metric tons of granular urea, further consolidated our position as the world's largest producer and exporter of granular urea. Altogether, SABIC companies produced around six million metric tons of fertilizer in 2006 an excellent performance, as twenty-year lows in global wheat and coarse grains production and stocks drove prices to record highs.

Intermediates
The Intermediates SBU comprises four main product segments: Fiber Intermediates, Industrial Gases, Chemical Intermediates and Linear Alpha Olefins. These are used in SABIC's own industrial processes; as feedstock for the company's affiliates; and for export to global markets. 2006 saw strong performance, with total production rising from 9.4 million metric tons the previous year to 10.34 million metric tons.

Polymers
This year SABIC combined its Polyolefins and PVC/Polyester SBUs to form a new SBU: Polymers. The new unit produces two major polyolefin derivatives, making SABIC currently the world's third largest producer of polyethylene and sixth largest in polypropylene. Overall, SABIC is now the world's fourth largest polyolefins producer, with the single most comprehensive portfolio of polymer resins of any producer-supplier.

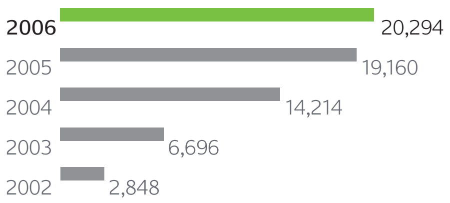
Metals
The Saudi Iron and Steel Company (HADEED) forms the core of the SABIC Metals SBU, and is primarily engaged in the production of long steel and flat steel products. The SBU also manages SABIC's stakes in two aluminum manufacturing companies in Bahrain — Aluminum Bahrain (ALBA) and Gulf Aluminum Rolling Mill Company (GARMCO) — and the SABAYEK Ferroalloy Smelter in Al-Jubail. HADEED is the Middle East's number one steel manufacturing company — and one of the largest fully integrated complexes of its kind anywhere in the world.

Overview

SABIC is a world leading petrochemical and industrial manufacturer and the largest, most consistently profitable public company in the Middle East. SABIC supplies high-quality chemicals and industrial products that are fundamental to the quality of life in countries and communities around the world.

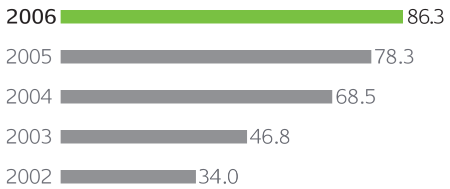
Net income 2006
SR20.3bn

Increase in income on previous year
6%



Sales revenue 2006
SR86.3bn

Increase in sales revenue on previous year
10%



Current assets at end of 2006
SR74bn

Increase in current assets on previous year
31%

Contents

Milestones

1. Mr. Hu Jintao, President of the People's Republic of China, visits SABIC headquarters in Riyadh.
2. Mr. Lee Kuan Yew, Minister Mentor of the Republic of Singapore, visits SABIC headquarters.
3. SABIC Europe's new headquarters was inaugurated in Sittard in The Netherlands by HH Prince Saud bin Abdullah bin Thenayan Al-Saud, Chairman of SABIC and the Royal Commission for Jubail and Yanbu, and Joop Wijn, Dutch Minister of Economic Affairs.
4. SABIC acquires Huntsman Petrochemicals (UK) Ltd.

1.


2.


3.


4.


King inaugurates SABIC projects

Custodian of the Two Holy Mosques, King Abdullah bin Abdulaziz, inaugurated several SABIC expansion projects in Al-Jubail. They included new projects at the Saudi Iron and Steel Company (HADEED), the Saudi Arabian Fertilizer Company (SAFCO), the Jubail United Petrochemical Company (UNITED) and the National Industrial Gas Company (GAS). The King also laid the foundation stone for an expansion project at SABIC affiliate, the Eastern Petrochemical Company (SHARQ).

Gulf petrochemicals association launched

The Middle East petrochemical industry broke new ground with the launch of the Gulf Petrochemicals and Chemicals Association (GPCA). The GPCA, the first voluntary, non-profit association of its kind in the Middle East, will use its consolidated resources to identify, address and manage its members' common interests. It is chaired by Mohamed Al-Mady, Vice Chairman and Chief Executive Officer of SABIC.

SABIC Europe gets new headquarters

SABIC Europe's new headquarters was inaugurated in Sittard in The Netherlands by HH Prince Saud bin Abdullah bin Thenayan Al-Saud, Chairman of SABIC and the Royal Commission for Jubail and Yanbu, and Joop Wijn, Dutch Minister of Economic Affairs. Construction began in 2004 on the six-storey building, which accommodates more than 550 employees. SABIC Europe is a wholly-owned subsidiary which employs around 3,289 people and undertakes all of SABIC's activities in Europe.

Chinese President visits SABIC headquarters

As part of his official visit to Saudi Arabia, Mr. Hu Jintao, President of the People's Republic of China, paid a visit to SABIC headquarters in Riyadh. During his visit, President Hu discussed SABIC's achievements, strategic goals and overseas investment plans, particularly in China.

Singapore Premier visits SABIC

Mr. Lee Hsien Loong, Prime Minister and Mr. Lee Kuan Yew, Minister Mentor of the Republic of Singapore, visited SABIC headquarters. The Premier was briefed on the company's progress and Asian markets operations, as overseen by its Singapore-based subsidiary, SABIC Asia Pacific.

SABIC named 'Petrochemicals Company of the Year'

Platts, a leading provider of energy information, declared SABIC 'Petrochemicals Company of the Year'. The award spoke of SABIC's strategic excellence, technological commitment, industry leadership, growth, business performance and risk management, and was judged by an impartial panel of international energy experts, including energy ministers, national regulators, past heads of major energy companies, leading academics and legislators.

SABIC's credit rating upgraded

Standard & Poor's upgraded SABIC's long-term corporate credit rating from A to A+. Three factors were key: SABIC's strategic importance to Saudi Arabia in enhancing the value of the country's hydrocarbon reserves; strong operational performance, effectively leveraging the competitive advantage derived from its access to natural gas, favorable geographical location, and sound infrastructure at the large Al-Jubail and Yanbu industrial sites; and the company's excellent financial profile.

SABIC SBUs restructured

SABIC's Strategic Business Units (SBUs) were restructured, integrating the Polyolefins and PVC/Polyester units into a single Polymers business unit, and creating a new SBU: Specialty Products.

SABIC acquires Huntsman's UK based business

SABIC acquired Huntsman's UK Base Chemicals and Polymers business, buying 100% of the shares of Huntsman Petrochemicals (UK) Ltd for US$685 million in cash — a significant step in SABIC's global growth plans. The new entity was renamed SABIC UK Petrochemicals.

SABIC issues Islamic bonds

In a first for the Saudi market, SABIC launched Islamic bonds (Sukuk), along with a new company, SABIC Sukuk, to service and support the issue. The bonds proved to be a great success, attracting a wide variety of investors.

New petrochemical venture

SABIC and Kayan Petrochemical Company entered into a partnership to form a new petrochemical company, SAUDI KAYAN. The new company, in Al-Jubail Industrial City, will have a production capacity of over four million metric tons of petrochemical and chemical products a year. 45% of the capital will be offered for public subscription, with SABIC holding 35%, and Kayan Petrochemical Company the remaining 20%.

SABIC achieved another year of strong performance. The global economic climate remained generally favorable; all operating units continued to contribute effectively to the pursuit of our long term strategy; and with global economic prospects generally viewed as positive, future sustainable success for SABIC seems assured.

SABIC headquarters, Riyadh.

SABIC continues to thrive because our business rests ultimately on the meeting of human needs. The needs for food, for water, for warmth and shelter, and innumerable others. All around the world, products made from SABIC solutions are helping meet these needs. The companies making such products, of course, have needs of their own: reliability of supply, consistently high quality, and exactly the support they need, whenever and wherever they need it. And these are things they know they can trust us to deliver.

We have, however, also equipped ourselves — and committed ourselves — to delivering more. And not just to our customers. We also recognize and acknowledge our great responsibilities to others. To our employees and our investors, our partners and suppliers. To the millions of people around the world who rely on what we produce for anything from fresh water to microscopic optical components. And to the world at large, which, it seems increasingly clear, needs all of us to do things better.

Delivering the consistent, reliable quality our customers need comes down to the hard work and dedication of our 19,000 people around the world. And they deliver, on a vast scale. In 2006, total SABIC production reached a record 49.1 million tons, with products supplied to customers in over 100 countries worldwide. We had no major incidents. Our health and safety record remains among the best of any peer company. We are committed to our employees; and they are committed to SABIC.

It is their imagination, determination and skill that goes beyond the basics to strive always for better. It is they who develop the improvements that make new ideas workable, and the lives of countless millions, ultimately, better. Materials that increase crop yields. Materials that brighten our lives, and make them more convenient in a thousand ways. Materials that are lighter, stronger, easier to work, with greater precision; which enable products that are smaller, smarter, more durable. Our people work ever more closely in partnership with our customers to produce innovations that make possible what could never be done before.

We are committed to helping make the future better. It is the efforts of our people which are making that commitment real, and I am sure you will join me in congratulating them and thanking them for their efforts and their accomplishments.

We are committed to growth, and to a better future for all. I would like to thank all our stakeholders for their interest and their support.

Saud bin Abdullah bin Thenayan Al-Saud
Chairman of the Board

Research involving catalysts in the laboratory, Riyadh.

Another excellent year

SABIC has had another year of strong and successful achievement. We remain well positioned in what continues to be a robust, resilient and steadily growing global economy. And our strategy continues to deliver the increasing market share we seek.

Record income

In 2006, SABIC reported a record net income of SR 20.3 billion compared to SR 19.2 billion in 2005, an increase of 6%. This is our highest income since inception. I am proud to cite some more impressive statistics for 2006. Our total operating profits amounted to SR 35.3 billion compared to SR 33.1 billion in 2005, an increase of 7%. Total production of SABIC's manufacturing complexes reached 49.1 million tons compared to 46.7 million tons in 2005, an increase of 5%. A total of 38.5 million tons was marketed compared to 36.6 million tons in the previous year, an increase of 5%. Sales revenues hit SR 86.3 billion compared to SR 78.3 billion in 2005, an increase of 10%. I am proud to note that these are the highest revenues achieved by SABIC since it was formed in 1976.

In Asia Pacific, we continued to build our presence and penetration, particularly in China, where we plan to upgrade our Shanghai office to a fully registered company, SABIC China. We will also establish a new office in Beijing, as well as others in Jakarta and Melbourne. China and, to a significant extent, India, are fast becoming key markets for many of the products we supply. We have made good progress this year in establishing the infrastructure to service these markets in a way their importance merits.

In the Middle East and Africa, we continued to build on our excellent long term relationships with customers throughout the region. We opened offices in Egypt and Iran in 2006, while our 20 years in Turkey were celebrated by the upgrading of its dedicated office to national company status. SABIC Americas saw a year of volatile prices, volumes and production, largely driven by severe weather. We continued recruiting to strengthen our teams in preparation for future expansion.

Our business

SABIC is among the world's top ten petrochemical companies. We make and sell the raw materials for much of the fundamental fabric of the modern world, from basic chemicals to polymers, from fertilizers to metals. And we do it on a vast scale.

Every year we supply over 20 million metric tons of basic chemicals: products like ethylene, methanol and methyl tertiary butyl ether (MTBE) — raw ingredients for a vast range of consumer and industrial goods. We supply around ten million metric tons a year of intermediates like mono ethylene glycol and ethylene dichloride, again essential to an enormous variety of industrial products and processes. Every year we sell nearly six million metric tons of fertilizers, around four million tons of metals, and around eight million tons of polymers: polyolefins, polyester and PVC.

Our Strategic Business Units (SBUs) — Basic Chemicals, Intermediates, Polymers, Fertilizers and Metals — had a successful 2006, and share essentially the same broad aim: to build on established success, invest in increased capacity, cut costs, get closer to customers, and so claim an ever-increasing share of an ever-growing market. Our newly created SBU, Specialty Products, will produce new high value special derivatives.

SABIC 2020

In 2006, SABIC launched SABIC 2020: a major strategic project. Its basic goal is to define the path to ambitious growth in the next 15 years. The project clearly signifies our ambition to take a global leadership position in the field of petrochemicals.

Besides giving a clear direction for the future of each SBU, the project involved SABIC's executives, middle management, and a large number of its employees in strategic thinking, learning organization and concrete implementation. This is done with the aim of developing SABIC's sustainable internal capabilities to more effectively pursue its desired goals.

SABIC is now proud to have a new vision: 'To be the preferred world leader in chemicals.'

Shared Services

This year we began for the first time to reap the full benefits of linking up not only all our manufacturing operations but all our support and regional offices too, thanks to Shared Services' first full year of operation with all customers rolled in.

Shared Services, formed in 2003 as part of the FANAR initiative, is about linking all SABIC and affiliate operations via a single, seamless network, enabling faster and more informed decisions, data confidentiality, clear records of accountability, and improved operational efficiency. 2006 saw us build on previous successes, with two new affiliates — YANSAB and SAUDI KAYAN — integrated smoothly into the network. Shared Services is already delivering on its objectives, and promises to play an ever more central role in our ongoing drive toward ever greater integration and efficiency.

Construction of the YANSAB affiliate in Yanbu.

Research and Technology
We continued developing the foundations for SABIC's future success, with significant achievements in polymer, chemical and metals research. The year's highlights included commercial trials of three catalysts, development of new polymer grades and applications for our polyolefins business, and the creation of new steel products for Saudi Iron and Steel Company (HADEED).

Safety and health
SABIC processes large volumes of potentially volatile raw materials into the feedstock of the 21st century; we supply it to customers around the world; and we do it safely. The safety and health of our employees and all others impacted by our operations are integral to everything we do, and systematized and certified to the highest international standards.

Comprehensive, integrated systems encompassing every aspect of SHE from health to emergency preparedness systems have been developed and distributed to all offices and affiliates, helping ensure uniformly excellent performance. Systems integration that is already delivering better and more consistent performance at lower cost.

Preparing for further growth
SABIC has grown rapidly over the years. We anticipate continuing strong growth in all our main markets over the coming years; we plan not only to keep up with that growth but to out-pace it, steadily increasing our market share in targeted sectors.

We are preparing for growth on three main fronts, through:

- Restructuring and new ventures
- Investment and acquisition
- Expanding our global network

Restructuring and new ventures: Polymers
In November 2006, we merged our PVC/Polyester and Polyolefins units into a new unified SBU: Polymers. The move is a key element in a strategy designed to streamline our polymers capabilities with a view to becoming, among other things, the world's second largest producer of polyolefins by 2015. Currently SABIC ranks fourth globally in polyolefins, third in polyethylene and sixth in polypropylene.

Specialty products
SABIC this year created a new SBU — Specialty Products — to focus on developing, producing and marketing new high value special derivatives to targeted sectors including automotive, catalyst, and specialty polymers and polymer additives. The new SBU will combine product development with close customer support to increase presence and market share, drawing on SABIC Research and Technology capabilities to proactively understand customer needs, provide uniformly high service content, and stay at the leading edge of application technology.

Investment and acquisition
2006 has been another year of substantial investment in our future. We have invested to increase production in established areas and to move into new ones.

- Affiliate Saudi European Petrochemical Company (IBN ZAHR)'s new US$1 billion polypropylene 3 plant under construction in Al-Jubail, remains on course to go on stream in 2008, adding 500,000 metric tons annual capacity in polypropylene.
- Yanbu National Petrochemical Company (YANSAB)'s new Yanbu complex plant is also set for a 2008 startup, supplying among other products 500,000 metric tons of LLDPE, 400,000 metric tons of HDPE and 400,000 metric tons of polypropylene a year.
- Eastern Petrochemical Company (SHARQ) agreed loans totaling US$2.43 billion, to finance its third expansion project in Al-Jubail Industrial City. The new plants are due to go on stream in 2008, producing among other things 400,000 metric tons of HDPE and 400,000 tons of LLDPE.
- The Saudi Petrochemical Company (SADAF), already running the world's single largest conventional production site at Al-Jubail, plans to build a third world-scale plant, boosting styrene production by over 60%, making it the world's largest single-complex styrene producer by 2010.
- The Saudi Methanol company (AR-RAZI) is part-way through its fifth expansion project, AR-RAZI-5, due to go on stream in 2008 offering an annual capacity of 1.7 million metric tons of methanol.

SABIC also this year acquired Huntsman Petrochemicals (UK) Ltd, now renamed SABIC UK Petrochemicals, for US$685 million. This acquisition gives SABIC Europe a cracker and aromatics complex, along with a new 400,000 metric tons capacity LDPE plant, currently under construction in the UK and due to come on stream by end 2007.

An expanding global network
SABIC is also embarking on a major expansion program to build its global presence and aid the development of the kind of long term business relationships that provide the essential foundation for our future prosperity. We have expanded and reinforced our network in Europe; in the Middle East and Africa region, new offices have been opened in Iran and Egypt, while our Turkish office was this year upgraded to national company status; SABIC Americas, despite a turbulent year, continued to build our presence there; and we were especially active in the Asia Pacific region, particularly in China — the world's largest plastics market. We plan to upgrade our Shanghai office to a fully registered company, SABIC China, and establish new offices in Beijing, Jakarta and Melbourne.

Towards a better future
We are committed to growth: the right kind of growth. Growth that is good for SABIC and beneficial to others; growth that continues to stimulate and support regional economic development, and to contribute to national self-sufficiency; growth that is sustainable, and causes minimum damage to the environment.

We have identified Supply Chain Management as a key enabler to assure excellence in customer service while squeezing out cost, supporting efforts to further strengthen our competitive position in targeted global markets. A project team is driving the SCM initiative, with the help of one of the world's leading management consulting groups.

A regional powerhouse
The growth and development of many industries in Saudi Arabia and the GCC, and throughout the Middle East, depend heavily on products produced and marketed by SABIC. We intend to build on our strong record of success, by working ever more closely with our customers and with relevant authorities, offering expert technical guidance and other direct support, as well as the scalable, reliable supplies of high quality products on which so many other regional businesses rely.

A broad and growing family
Our strategy remains on course, driven by the skills and dedication of our 19,000 employees around the world. We are committed to building those skills, supporting each of our people in reaching their full potential and becoming the most productive, most fulfilled individual they can be.

In April 2006, as a key element in our pursuit of this principle, SABIC Learning was established. SABIC Learning aims to nurture a Group-wide culture of continual education, learning and training, supporting us in building the skills base we will need as we pursue our 2020 goals. Priorities have been laid down for 2007–2008 in four key areas: supply chain management, leadership skills, marketing and finance.

As an organization, we also recognize our wider responsibilities to the communities in which we work, and to the world and its environment. We take part in a wide range of charitable, sponsorship and intellectual activities, including participation in global industry forums, reflecting the many different ways in which we interact with others.

Strong results, sound strategy
SABIC has had another highly successful year, rising above market volatility to post yet another set of strong results. Our strategy remains on course; our preparations for further growth remain on schedule; the future looks bright — for SABIC, for our people, and for our innumerable other stakeholders around the world.

I would like to thank all stakeholders for their continued interest and support. I am sure you share my confidence in SABIC's continued success through 2007 and beyond.

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

Board of Directors

4. **HH Prince Saud bin Abdullah bin Thenayan Al-Saud**
   Chairman of the Board

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

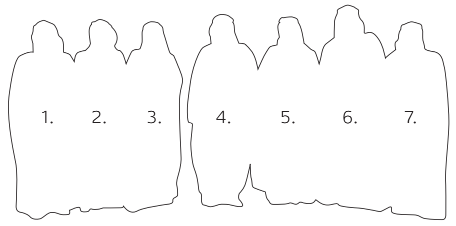
7. **Ahmed Ibrahim Al-Hakami**

1. **Abdulmuhsin Ibn Abdulaziz Al-Faris**

5. **Saleh E. Al-Husseini**

2. **Abdullah M. Al-Issa**

6. **Mohammed S. Abanumay**



SABIC Basic Chemicals not only produces the bulk of the materials used by other key SBUs — Polymers, Intermediates and Fertilizers — it effectively underpins and acts as a catalyst for a large proportion of industrial and commercial activity both within the Kingdom of Saudi Arabia and in our global operations.

Worker at the Al-Jubail PETROKEMYA plant, one of the production sites for Butane.

Basic Chemicals

Basic Chemicals are produced from hydrocarbon feedstocks such as methane, ethane, propane, butane and light naphtha. The very 'base units' of petrochemical production, they are essential to the manufacture of a vast range of industrial and consumer goods.

Building on success

Basic Chemicals is not only SABIC's largest single Strategic Business Unit, accounting for more than 40% of total Group production, it also produces the bulk of the raw materials used by other vital SBUs: Polymers and Intermediates. Significant acquisitions and investments over the last 12 months have further enhanced SABIC's capabilities, increased its production capacity, and given it an even stronger base from which to build market share in these vast and fast-growing sectors of today's global economy.

The SBU comprises three main sections: Olefins, Aromatics and Oxygenates. Olefins include ethylene, propylene, butadiene and butene-1 product lines, as used primarily in other SABIC downstream plants. Aromatics products include styrene, benzene, pyrolysis gasoline and paraxylene, widely used in polyester production. Oxygenates include methanol, crude industrial ethanol (CIE) and the high-octane gasoline-blending component methyl tertiary butyl ether (MTBE).

Investing in growth

In March 2006, SABIC signed an agreement to purchase NESTE Oil's 10% stake in the Saudi European Petrochemical Company (IBN ZAHR), in a deal valued at US$120 million. Following the transaction, SABIC owns 80% of IBN ZAHR shares, with the 20% balance split equally between the two remaining shareholders: Arab Petroleum Investment Corporation (APICORP) and Ecofuel SpA. The deal will further enhance capabilities and results at IBN ZAHR, a producer of MTBE and polypropylene.

The Saudi Petrochemical Company (SADAF), already running the world's single largest conventional production site at Al-Jubail, is planning to build a third world-scale plant to increase its styrene production capacity by over 60%, making it the largest single-complex producer of styrene anywhere in the world by 2010.

SABIC has awarded contracts for three mega projects covering olefins and derivatives. This expansion will be at the Eastern Petrochemical Company (SHARQ), the Yanbu National Petrochemical Company (YANSAB) and Saudi Kayan Petrochemical Company (SAUDI KAYAN). As a result, SABIC's olefin capacity will increase by about 2.5 million metric tons by 2008 after the start-up of SHARQ and YANSAB and an additional 1.35 million metric tons by 2009 when SAUDI KAYAN goes on stream. With this expansion, SABIC's ethylene capacity will be over 11 million metric tons.

The Saudi Methanol Company (AR-RAZI) is currently in the midst of its fifth expansion project, AR-RAZI-5, having awarded a contract for its engineering and construction to a Japanese company. The project is expected to go on stream in 2008 with a methanol production capacity of 1.7 million metric tons a year.

New record

Early in the year, the National Methanol Company (IBN SINA) launched its third MTBE reactor system, which was designed and developed locally in its complex at Al-Jubail. In January it reported a new record monthly production figure for MTBE: a 3.2% increase over the existing record.

Basic Chemicals: Major products in 2006

	'000 metric tons
Ethylene	7,185
Methanol	4,129
MTBE (methyl tertiary butyl ether)	3,308
Propylene	870
Styrene	1,074
Benzene	374
Paraxylene	252
Pyrolysis gasoline	117
CIE (crude industrial ethanol)	70
Butadiene	121
Butene-1	151
SABIC Europe	3,330
Total production	**20,981**
Total production 2005	20,432

Production site at SHARQ, Al-Jubail.

Intermediates

SABIC's Intermediates SBU produces four main product lines: fiber intermediates, industrial gases, chemical intermediates and linear alpha olefins. These, some of the basic building blocks of industrial chemistry, are used in SABIC's own industrial processes; as feedstock for the company's affiliates; and for export to global markets. 2006 was a good year for Intermediates, and the SBU's performance, by both volume and revenue, improved significantly on 2005. All told, total production this year rose from 2005's 9.4 million metric tons to 10.3 million metric tons.

World's largest

The year also saw a major landmark when the Jubail United Petrochemical Company (UNITED) started its second MEG production unit, with a capacity of 625,000 metric tons a year, making SABIC the world's number one producer of mono ethylene glycol (MEG). Other major investment projects also helped continue the drive for greater production and market share.

Work on the Eastern Petrochemical Company's (SHARQ) new MEG plant at Al-Jubail continued on track. The plant will have a capacity of 700,000 metric tons a year, and is expected to go on stream in the second quarter of 2008. This new facility raises SHARQ's overall MEG annual capacity beyond 2.2 million metric tons a year, making SHARQ's the largest single-site MEG complex anywhere in the world.

Meanwhile, engineering and construction of Yanbu National Petrochemical Company's (YANSAB) new 700,000 metric tons a year ethylene glycol plant also progressed well in 2006, and is on target for its scheduled opening in late 2008.

Multiple applications

MEG is probably the single most important member of a group of fiber intermediates which also includes di-ethylene glycol (DEG), tri-ethylene glycol (TEG), and purified terephthalic acid (PTA). About 80% of global MEG production (along with the vast bulk of PET) is used as a primary feedstock in polyester manufacturing, with the remainder used to make anti-freeze and in a number of industrial applications. DEG is used mainly in polyols, UPR and morphaline, for various industrial applications, and for anti-freeze and brake fluids. TEGs are used mainly for specialized dehydration purposes within the oil and gas sectors.

Chemical Intermediates include ethylene dichloride (EDC), caustic soda, 2-ethyl hexanol (2-EH), di-octyle phthalate (DOP), iso-butyraldehyde (IBAL), and vinyl chloride monomer (VCM). VCM, produced from EDC, is used in the manufacture of polyvinyl chloride (PVC) which is used to make pipes and other useful plastic products.

Chemical intermediates meet the needs of a wide range of downstream operations including the acrylate, solvents and paints and coating industries, and end-uses ranging from electrical cables and artificial leather through wallpapers, toys, and medical supplies.

Building for the future

A new linear alpha olefins (LAO) plant has been built at the UNITED site in Al-Jubail Industrial City. It employs SABIC/Linde technology (alpha-SABLIN) to produce 150,000 metric tons a year of LAO products including butene-1, hexene-1, octene-1, decene-1, dodecene-1, C14-C18 blends, and C20+ blends. Construction has been completed, and the plant is set to go on stream in the early part of 2007.

Applications for LAO range from co-monomers for polymer production (eg HDPE, LLDPE), polyalphaolefins used as synthetic lubricants, and in various chemical intermediates, surfactants, detergent alcohols, plasticizer alcohols and oilfield chemicals.

Intermediates: Major products in 2006

	'000 metric tons
Mono ethylene glycol (MEG)	3,505
Di-ethylene glycol (DEG)	332
Tri-ethylene glycol (TEG)	18
Purified terephthalic acid (PTA)	298
Ethylene di-chloride (EDC)	827
Caustic soda (NaOH)	632
2-ethylene hexanol (2EH)	166
Di-octyle phthalate (DOP)	29
Vinyl chloride monomer (VCM)	434
Gases	4,100
Total production	**10,341**
Total production 2005	9,444

Successful relationships

Without intermediates, modern industrial life would grind to a halt. Essential to processes producing everything from toys to medical supplies to anti-freeze, high quality intermediates like mono ethylene glycol are crucial to operations at other SABIC SBUs, as well as to numerous third party customers around the world.

Specialty Products will give SABIC the potential to explore new markets.

Specialty Products

SABIC recently created a new SBU — Specialty Products — to focus on developing, producing and marketing new high value special derivatives.

The move is part of SABIC's long term growth strategy to expand into selected specialty derivatives. The new SBU has identified key market sectors on which it will focus, selected for their potential to maximize value-add to SABIC. These include specialist automotive, catalyst, oilfield and rubber chemicals, specialty polymers and polymer additives.

Working with Research and Technology

The new SBU will combine product development with close customer support to increase our presence and market share in targeted regions of the world. It will work closely with SABIC Research and Technology to proactively understand customers' needs ever more precisely, provide uniformly high service content, and stay at the leading edge of application technology.

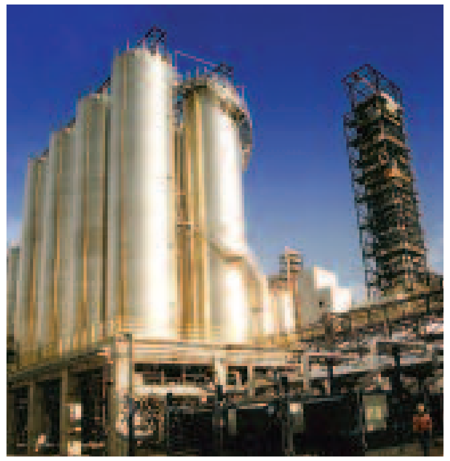
Specialty Products will be responsible for sales and marketing for a number of specialty derivatives to be made by SABIC affiliate SAUDI KAYAN: around half a million tons altogether, including ethanolamines, ethoxylate, DMF, chlorine chloride and polycarbonate. It is also working in conjunction with ExxonMobil to evaluate a project to produce carbon black, rubber and thermoplastic specialty polymers (EPDM, TPO, Butyl, SBR/PBR) for emerging local and international markets. Additional derivatives are being considered.

World-leading products

Future expansion will draw fully on SABIC resources to produce world-leading specialty products for emerging technically demanding applications. Through expertise, partnership and innovation, SABIC Specialty Products SBU plans to become a 'preferred supplier' on an international basis, taking a leading position in the fast-growing domestic and global marketplace.

SABIC will produce world-leading specialty products for emerging technically demanding applications once its new production facilities come on-stream.

Specialist, high value materials reward real innovation and expertise with superior value-add. By creating its new Specialty Products SBU, SABIC has signaled its clear determination to become a 'preferred supplier' to key partners in the fast-growing global special derivatives marketplace.



Plant at Gelsenkirchen.

Polymers

In November 2006, SABIC merged its PVC/Polyester and Polyolefins Strategic Business Units (SBUs) into a new unified SBU: Polymers. The move is a key element in a strategy designed to streamline the company's polymers capabilities. Currently SABIC ranks fourth globally in polyolefins, third in polyethylene and sixth in polypropylene.

Versatility and value

Polymers surround us in everyday life, in everything from adhesives, coatings, foams and packaging materials, through textiles, industrial fibers and composites, to highly specialized applications in electronic, biomedical and optical devices, and as precursors for many emerging high-tech ceramics. All told, the global polymer industry, growing rapidly, already exceeds in value the world's aluminum, copper and steel industries combined.

Polyolefins are plastic resins made from the polymerization of ethylene and propylene into long, high molecular weight chains. SABIC produces two major polyolefin derivatives, polyethylene and polypropylene, from ethane, propane and naphtha feedstocks.

The polyethylene product range includes all of the commodity thermo-polymers: linear low density polyethylene (LLDPE) and low density polyethylene (LDPE), used mainly in the production of plastic films, such as those used in sandwich bags, and high density polyethylene (HDPE), as used in products such as milk bottles.

The polypropylene product range includes random, homo-polymer, copolymer and semi-specialty automotive and pipe grades, and is used extensively in the automotive industry for interior trim, and in food packaging such as yoghurt and chilled food containers. Formed into fibers of very low absorbance and high stain resistance, polypropylenes are also used in clothing and home furnishings, especially carpeting.

Polyethylene and polypropylene play key roles in SABIC's overall thermoplastics business. Other important products now within Polymers SBU include polyester, melamine, polyvinylchloride (PVC), as used in pipes and containers, and polystyrene, widely used for, among other things, packaging and insulation.

Through recent moves, SABIC has effectively integrated its European assets, virtually doubling overall production; while on the regional front, the growth and development of polymer resins converter industries in Saudi Arabia and the GCC and throughout the Middle East depend heavily on polymers produced and marketed by the company.

Investing in capacity

In 2006, SABIC affiliate Saudi European Petrochemical Company (IBN ZAHR) signed a Letter of Intent with Daelim Industrial Company Ltd, South Korea, for the engineering, procurement and construction management services of utilities and off-site facilities for its new Polypropylene 3 Plant, under construction in Al-Jubail, Saudi Arabia. The new plant will add 500,000 metric tons annual capacity in polypropylene, contributing to the development of numerous national downstream industries, while further strengthening SABIC's competitive capabilities in global markets. Total project cost is estimated at US$1.1 billion, and production is scheduled to start in the third quarter of 2008.

One of SABIC's new affiliates, Yanbu National Petrochemical Company (YANSAB), signed a Letter of Intent in February with US Shaw Stone & Webster for the engineering, procurement and construction of an HDPE plant at its Yanbu complex. The affiliate aims to go on stream in 2008, producing a range of polymer and other petrochemical products, including 500,000 metric tons of LLDPE, 400,000 metric tons of HDPE bimodal and 400,000 metric tons of polypropylene a year.

Eastern Petrochemical Company (SHARQ) entered into loan agreements for construction of its third expansion project in Al-Jubail Industrial City. The new plants are expected to go on stream during the second half of 2008 producing, among other petrochemicals, polymer products including 400,000 metric tons of HDPE and 400,000 metric tons of LLDPE a year.

SABIC acquired 100% of the shares of Huntsman Petrochemicals (UK) Ltd (Huntsman's European base chemicals and polymers business) for US$ 700 million. SABIC intends to complete construction of a new 400,000 metric tons capacity LDPE plant at Wilton, Teesside, at a cost of US$150 million. The acquisition marks a significant step in SABIC's global growth plans, both substantially boosting SABIC Europe's capacity and complementing the Group's strong home base in the Kingdom of Saudi Arabia.

Combining Polyolefins and PVC/Polyester SBUs to form a single new SBU — Polymers — confirms SABIC's leading status in a business which now exceeds in value the world's aluminum, copper and steel industries combined. Ambitious plans combining substantial investment with a clear focus on building ever closer customer relationships should, within the next ten years, see SABIC move from number four in world polyolefins to number two.

Ethylene plant, UNITED, Al-Jubail.

Low cost to produce, convenient to use, easy to recycle: the PET water bottle is a classic example of the kind of customer-friendly characteristics that have made polymers so ubiquitous in today's world. By streamlining production and extending distribution, SABIC is establishing the partnerships and production capabilities to achieve global leadership in the products of the future.

The Arabian Industrial Fibers Company (IBN RUSHD) signed a Letter of Intent in April with EPC Engineering and Consulting GmbH, for preparation of the basic design package and related engineering services for the affiliate's PET conversion and de-bottlenecking project at its Yanbu complex. The project, due to go on stream by the third quarter of 2007 with an annual capacity of over 330,000 metric tons of bottle grade chips, will further enhance SABIC's position among PET producers in the regional market.

Gearing up for growth

Demand for PVC is increasing all around the world, particularly in China and the Middle East, and SABIC is committed to expanding production to capitalize on this rising demand and increase market share. The company is taking advantage of new technologies to launch new applications in global markets with much higher productivity rates, and is planning increased production capacity for VCM, PVC, PS, PET and melamine. SABIC is also embarking on a major expansion program throughout Asia Pacific, particularly in China — the world's largest plastic market, with plans to upgrade its representative office in Shanghai to a fully registered company, SABIC China, and establish new offices in Beijing, Jakarta and Melbourne.

In 2006 SABIC opened an office in Ho Chi Minh City, along with a warehousing facility, to serve the fast-growing Vietnamese market. SABIC plans new warehousing in China to add to its existing facilities in Shanghai and Shekou (Shenzhen), and in Melbourne, Sydney and Auckland. Such improved infrastructure is central to SABIC's commitment to better serve its customers throughout the Asia Pacific region.

Polymers: Major products in 2006

	'000 metric tons
Polyethylenes	
KSA (Total SABIC plus partners)	4,095
Europe	1,264
Polypropylenes	
KSA (Total SABIC plus partners)	774
Europe	1,162
Polyvinyl chloride (PVC)	415
Polystyrene (PS)	174
Polyethylene terephthalate (PET) resin	79
Polyester fibers	8
Textile chips	51
Melamine	21
Total production	**8,043**
Total production 2005	7,760

Discussion over scale model at SAFCO.

Fertilizers

SABIC's fertilizer operations had an excellent year in 2006, taking full advantage of favorable world market conditions. With global wheat and coarse grains production and stocks slumping to a twenty-year low, prices hit record highs, boosting the market for fertilizers worldwide. While capitalizing on these conditions, achieving a solid performance and strong financials for the year, our fertilizer operations also continued to focus on future success by developing ever stronger relationships with our customers.

World's largest

SABIC has three fertilizer affiliates — Saudi Arabian Fertilizer Company (SAFCO), Jubail Fertilizer Company (AL-BAYRONI) and National Chemical Fertilizer Company (IBN AL-BAYTAR). The 2006 start-up of SAFCO IV, with an annual capacity of 1.1 million metric tons of ammonia and 1.1 million metric tons of granular urea, further consolidated our position as the world's largest producer and exporter of granular urea. SAFCO's urea formaldehyde plant also went on stream with an annual capacity of 30,000 metric tons. Altogether, SABIC companies have the capacity to produce around eight million metric tons of fertilizer a year.

Our Fertilizers SBU consists of three departments — Urea, Ammonia/Phosphates and Operations and Planning. Its product range includes urea, ammonia, di-ammonium phosphate, compound, liquid fertilizers and sulfuric acid. SABIC has over the years built up its capability and experience to create a strong foundation for the supply of the fertilizers necessary for global food security, establishing a firm position as one of a handful of global industry leaders, particularly in the nitrogen sector.

Customer satisfaction

Customer satisfaction has been a key factor to SABIC's success. We are committed to delivering consistently high quality products and services worldwide, through our extensive logistical infrastructure and global network of sales offices. Determined and committed focus on customer satisfaction helped us reduce complaints in 2006 by 62% over the previous year, and the average time to complaint-closure by 77%. We also maintained our well-established reputation in safety and environmental protection, with all SABIC Fertilizer SBU affiliates certified to ISO 14001.

Total fertilizer sales volume for SABIC in 2006 stood at around four million metric tons, of which urea accounts for 77%, ammonia 16% and phosphate and compound fertilizers 8%. Altogether, 2.7 million metric tons of urea and 622,000 metric tons of ammonia were exported: healthy figures helped by strong demand from the Indian subcontinent, Middle East and Southeast Asia. Other key export markets during 2006 included the United States, Oceania, Africa and the Far East.

Strong demand

Sharp declines in production and inventory during 2006 helped drive up demand for grains and, consequently, fertilizers. In the US in particular, high natural gas prices combined with strong demand for urea to drive prices higher, particularly in the fourth quarter. Our ability to capitalize on these trends also benefited from difficult circumstances elsewhere: China, for example, exported less than a million metric tons of urea in 2006, well below the anticipated 1.5 million metric tons, while Indonesian exports were restricted by gas shortages, production problems, and strong domestic demand.

Elsewhere, with soaring demand outstripping domestic production capabilities, India's urea imports reached around four million tons, while delays in construction of new facilities in Iran and elsewhere combined with technical problems at many of the world's older plants to produce an overall global urea shortage of around 2.5 million metric tons.

Meanwhile in ammonia, markets worldwide firmed during the second half of the year following a slump from January to July. With supply and demand finely balanced, world prices edged successively higher each month from July to December.

Supporting the nation

Domestically, SABIC meets 100% of Saudi Arabia's urea and ammonia needs, along with 90% of its phosphates. We work closely with farmers nationwide on a continuing basis, monitoring issues, listening to concerns, offering advice and implementing appropriate solutions. We support numerous research projects, both commercial and those undertaken by research centers at the Ministry of Agriculture, King Abdulaziz City for Science and Technology, and other higher education facilities such as the King Saud University in Riyadh and the King Faisal University in Al-Ahsa. Such projects, along with the extensive support to farmers, offer tangible evidence of SABIC's dedication to supporting and strengthening Saudi agriculture.

SABIC continued to sponsor agricultural seminars in 2006 — in Yemen, early in the year, and then in November, when we were sole sponsor for Saudi Arabia's second Annual Forum for Agricultural Instructors. We also had a large pavilion at the 25th Saudi Agricultural Exhibition in Riyadh in September, with informative displays and literature helping explain how to get the most out of fertilizers.

Fertilizers: Major products in 2006

	'000 metric tons
Ammonia	2,451
Urea	3,105
Phosphate, compound and liquid	256
Sulfuric acid	97
Urea formaldehyde	13
Total production	**5,922**
Total production 2005	5,418

SABIC's Fertilizers SBU is an important contributor to our bottom line. But it is also central to national self-sufficiency plans (we provide 100% of the Kingdom's urea and ammonia, along with 90% of its phosphates) and generally plays a major role in producing more and better food for growing populations throughout the world.

HADEED, wholly-owned by SABIC, is the largest steel manufacturing company in the Middle East, and the world's number one producer of direct reduction iron in a single location. We are currently investing in productive capacity and devising marketing strategies that will help us better meet the needs of our customers, add more value, and reap more benefits in this increasingly competitive marketplace.

Production at HADEED, Al-Jubail.

Metals

SABIC's Metals SBU plays a key role in the company's diversified manufacturing portfolio. It includes and manages Saudi Iron and Steel Company (HADEED) — the core of the Metals Group — along with SABIC's stakes in Aluminum Bahrain (ALBA), Gulf Aluminum Rolling Mill Company (GARMCO) and the SABAYEK ferroalloy smelter in Al-Jubail.

Wholly-owned by SABIC, HADEED is one of the world's largest fully integrated steel producers, and the largest steel manufacturing company in the Middle East. It produces direct reduction iron and steel billets/slabs, and long and flat steel finished products, and is the world's largest producer of direct reduced iron in a single location.

HADEED supplies customers in more than 30 countries around the world. It aims through employee empowerment to establish HADEED ever more firmly as the preferred provider of a comprehensive range of steel products at competitive prices, underpinned by safe and environmentally sound practices.

SABIC this year split the positions of HADEED Metals President and Vice President — previously combined — into two separate posts, boosting HADEED's leadership capacity in order to better address the expansion challenges that lie ahead.

Expansion

The year saw the start of commercial operations at a new rebar and wire rod products plant, boosting HADEED's long steel products capacity by 500,000 metric tons a year. The Hot Strip Mill commenced commercial operations after completing the enhancement project designed to double flat production capacity to two million metric tons of hot rolled products.

The ongoing expansion projects include a new direct reduction plant, steel plant and color coating line. Between them, these projects will raise production capacity significantly, from 3.9 million metric tons in 2006 to 5.5 million metric tons in 2007.

Safety

HADEED's firm reputation for safety saw it invited to attend a conference and exhibition hosted by the American Society of Safety Engineers in Seattle, USA, in June, where an account of its contractors' safety program was delivered.

HADEED also won numerous prestigious safety awards over the year, including the Occupational Safety Golden Award from the British Royal Society for the Prevention of Accidents; safety awards from the British Safety Council and from DuPont; and SABIC's own Safety, Health and Environment Golden Award.

Marketing

During the year, around a dozen detailed market studies were undertaken to sketch out HADEED's next 15 years or so, looking into issues like the markets we need to enter; the quantities and ranges of products we will need to produce to compete in them; and the additional 'added-value' qualities we will need to develop, in order to pursue more effectively the company's long term strategic ambitions.

SABIC steel product sales during 2006 exceeded 2005 figures by 6%, confirming SABIC steel's status as the overwhelming local market leader, with a share of over 50%. SABIC steel is also acting as a catalyst for the development of numerous other companies as well as the national infrastructure, supplying the raw materials required by various sectors of the steel downstream industry, such as the pipes and wire drawing industries.

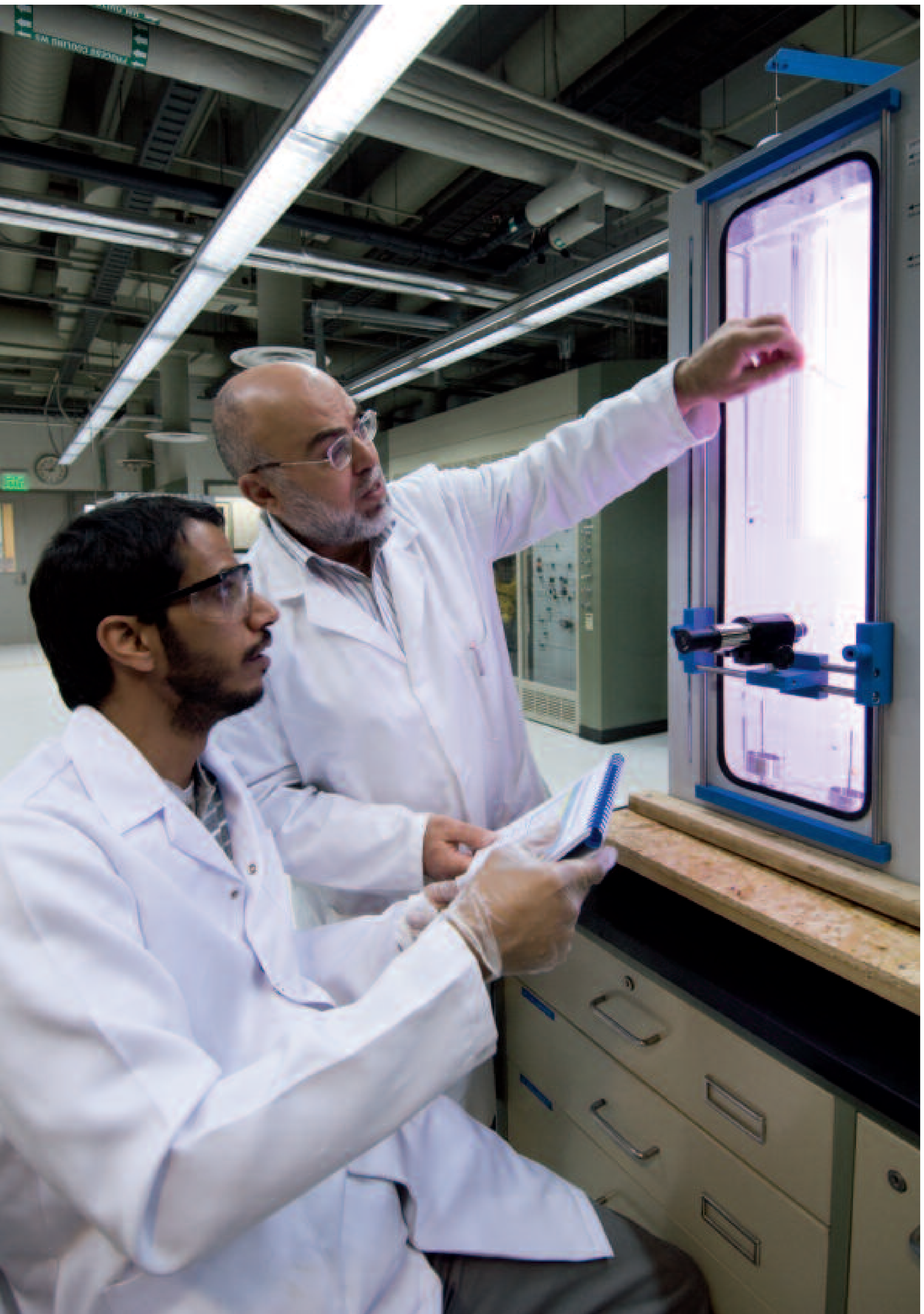
Other interests

The Metals SBU also manages SABIC's stakes in the SABAYEK ferroalloy smelter in Al-Jubail, which makes a range of products including silicon manganese for the steel and foundry industries, and silicon metal for the chemical and aluminum industries.

The Metals Group additionally manages SABIC's interests in ALBA (20%) and GARMCO (30%) — aluminum producers based in Bahrain, whose products are exported worldwide. In 2006, GARMCO produced about 153,000 tons; ALBA around 872,000 tons. ALBA is currently considering a privatization plan with an initial public offering (IPO) if approved by the company's shareholders.

Metals: Major products in 2006

	'000 metric tons
Long products	2,702
Flat products	1,154
Total production	**3,856**
Total production 2005	3,765



Research and Technology

Research and Technology center in Riyadh.

SABIC Research and Technology centers in Riyadh and Al-Jubail are the Middle East's largest. Equipped with state-of-the-art research facilities, its staff of over 500 highly qualified scientists works closely with colleagues in SABIC Strategic Business Units and affiliates, ensuring that their work has commercial application as well as technical excellence. SABIC also has R&T centers in Sugar Land and Little Ferry (USA), Geleen (The Netherlands) and Vadodara (India).

Commercial trials

R&T this year posted some significant achievements in polymer, chemical and metals research — each with a direct bearing on SABIC businesses. These included commercial trials of three catalysts; the successful start-up of a new linear alpha-olefin (LAO) Plant in Jubail United Petrochemical Company (UNITED); the creation of new polymer grades and applications to enhance our polyolefins business; and new products for Saudi Iron and Steel Company (HADEED). R&T also continued developing in-house advanced catalysts for polypropylene, polyethylene and polyethylene terephthalate.

Numerous trials, seminars and workshops and communications programs, in both the Kingdom and key overseas markets, helped build awareness of SABIC capabilities, and alert customers to current trends and the latest emerging applications.

New technology

Yanbu National Petrochemical Company (YANSAB), a new SABIC affiliate, will use ethylene glycol technology from Scientific Design (a SABIC/Sud Chemie 50/50 joint venture), as well as a new state-of-the-art high density polyethylene manufacturing process, designed to meet customers' needs with greater accuracy and operational efficiency. This technology is being introduced to SABIC plants for the first time, along with another for extracting and converting pure aromatic compound to benzene.

SABIC R&T also this year developed a web-based solution for managing Technical Service Requests, which, after rigorous testing, has been implemented in all affiliates. The e-TSR aims to streamline work processes between SABIC R&T and colleagues elsewhere, working towards a single seamless and efficient technical knowledge base, easily and directly accessible by every authorized SABIC or affiliate employee.

Successful trials in the Aljouf region, meanwhile, confirmed SABIC fertilizer 14-38-10 as a good source of phosphorus and potassium, which helps boost wheat yields.

Investment, innovation, certification

In November 2006, SABIC signed a Letter of Intent with Linde-KCA-Dresden GmbH, Germany, for the preparation of the basic design package for the catalyst plant's expansion to a production capacity of 180 metric tons a year.

103 new patent applications filed during 2006 bring SABIC's total thus far to 870. The 377 patents so far granted clearly vindicate and support our plans to become more active, astute and aggressive in licensing out our own technology.

R&T quality control laboratory's ISO 9001-2000 certification was extended for two years following an intensive QC systems assessment undertaken by an external certification company. R&T Analytical Laboratories' ISO 17025 accreditation — the region's first — from UKAS (United Kingdom Accreditation Services), was also extended for one year.

SABIC R&T continuously promotes and facilitates implementation of cutting-edge technologies for plant operation, monitoring, stabilization and control. We are currently taking a Group-wide approach for the accelerated deployment of Advanced Process Control (APC), with a number of affiliates this year achieving successful implementation. R&T also set up a computational laboratory to offer Group and affiliate plants in-house computational fluid dynamics (CFD) services. A Total Quality Advantage course was meanwhile provided to more than 80% of R&T employees in Riyadh and Al-Jubail, as well as to research staff based in India.

Safety, as ever, remains a top priority. 2006 brought yet another record, when Riyadh and Al-Jubail centers completed over 11.5 million man-hours without a disabling injury.

The seventh SABIC Technical Meeting (STM7) brought together industry experts from Saudi Arabia and around the world, further building our reputation for thought leadership in the industry.

Academic excellence

Additional research activities both inside and outside Saudi Arabia continued. R&T support for academia saw two professors appointed: for the Polymers Research Chair at the King Saud University in Riyadh, and the Catalysts Chair at King Abdulaziz University in Jeddah. Each also includes a master's degree program, with studies due to start in 2007.

Finally, SABIC won the tenth Gulf Engineering Forum's Innovation and Excellence Award and the annual Arab Fertilizer Association Award for best research in 2006.

Global operations

SABIC is committed to steadily growing its global infrastructure, both to deepen relationships with our existing customers and to reach out to new ones. Asia Pacific, in particular China, has been a focus this year.

SABIC headquarters
Riyadh, Saudi Arabia

SABIC Research and Technology
Vadodara, Gujarat, India
Geleen, The Netherlands
Al-Jubail, Saudi Arabia
Riyadh, Saudi Arabia
Little Ferry, New Jersey, USA
Sugar Land, Texas, USA

SABIC Manufacturing Sites
Manama, Bahrain
Gelsenkirchen, Germany
Geleen, The Netherlands
Dammam, Saudi Arabia
Al-Jubail, Saudi Arabia
Yanbu, Saudi Arabia
Teesside, UK

SABIC International Subsidiaries and Sales Offices
Shanghai, China
Hong Kong, China
Prague, Czech Republic
Copenhagen, Denmark
Cairo, Egypt
Paris, France
Düsseldorf, Germany
Budapest, Hungary
Milan, Italy
Chennai, India
Mumbai, India
New Delhi, India
Jakarta, Indonesia
Tehran, Iran
Tokyo, Japan
Beirut, Lebanon
Sittard*, The Netherlands
Manila, Philippines
Warsaw, Poland
Barcelona, Spain
Singapore
Seoul, South Korea
Taipei, Taiwan
Istanbul, Turkey
Dubai, United Arab Emirates
Houston, Texas, USA
Redditch, UK
Ho Chi Minh City, Vietnam
* Also overseas Belgium operations

Distribution and Storage Facilities
Antwerp , Belgium
Hong Kong, China
Huangpu , China
Shanghai, China
Tianjin, China
Gainsborough, England
Felixstowe, England
Lavera, France
Bologna, Italy
Livorno, Italy
Ravenna, Italy
Jakarta, Indonesia
Malta
Rotterdam, The Netherlands
Roermond, The Netherlands
Vlissingen, The Netherlands
Kutno, Poland
Barcelona, Spain
Tarragona, Spain
Wallhamn, Sweden
Dammam, Saudi Arabia
Riyadh, Saudi Arabia
Jeddah, Saudi Arabia
Al-Jubail, Saudi Arabia
Yanbu, Saudi Arabia
Durban, South Africa
Ulsan, South Korea
Singapore
Gebze, Turkey
Istanbul, Turkey
Mersin, Turkey
Cheshire, UK
Teesside, UK
Woodbridge, UK
Houston, Texas, USA
New York Harbor, USA
New Orleans, Louisiana, USA
Wilmington, North Carolina, USA
Ho Chi Minh City, Vietnam

Logistic Hubs in Europe
Antwerp, Belgium
Bologna, Italy
Kutno, Poland
Tarragona, Spain
Walhamn, Sweden
Ipswich, United Kingdom

1. SABIC R&T, Al-Jubail.
2. SABIC Europe headquarters, Sittard.
3. SABIC office, Ho Chi Minh City.
4. R&T laboratory, Sugar Land.

1.


2.


3.


4.


Loading at PETROKEMYA, Al-Jubail.

Middle East and Africa

In addition to its strong presence at its home base in Saudi Arabia, SABIC has established a network of offices and companies elsewhere throughout the Middle East and Africa, in strategic locations such as the United Arab Emirates, Egypt, Lebanon and Turkey. Such local offices testify to SABIC's determination to develop ever closer relationships with its customers: building our presence 'on the ground' helps us develop an ever richer and more accurate understanding of our customers' needs, along with the infrastructure to meet them.

SABIC's office in the UAE located in Dubai, was established in 1997 in Jebel Ali Free Zone, and moved to Sheikh Zayed Road in the city's commercial heart the following year. The office sold around 620,000 metric tons of petrochemical products in 2006, to customers in Bahrain, Qatar, Kuwait and Oman, as well as in the UAE itself.

Turkey

In Turkey, SABIC has been an integral part of the country and the economy for over two decades. Its first dedicated Turkey office was opened in 2004, and subsequently upgraded to national company status on January 23, 2006 in an opening officiated by HH Prince Saud bin Abdullah bin Thenayan Al-Saud, Chairman of SABIC. SABIC supplies Turkish customers with a wide range of chemicals and polymers, and continues upgrading its regional infrastructure to steadily enhance the service it can offer; most recently with the opening of new warehouses in Istanbul and Mersin.

In 2006 SABIC formed a polystyrene joint venture in Turkey with Baser PETROKEMYA. SABIC will hold 70% of the new joint venture; Baser the remaining 30%. The new operation will take over all of Baser's polystyrene assets in Turkey, including an Adana-based plant valued at US$22 million with a production capacity of 40,000 metric tons a year. SABIC will handle marketing for the new joint venture's entire product range.

SABIC's participation in the December 2006 Istanbul plastics industries exhibition, Istanbul-PlastEuAsia, further illustrates the company's commitment to strengthening customer relationships. Two wholly owned SABIC affiliates, Arabian Petrochemical Company (PETROKEMYA) and Saudi Petrochemical Company (SADAF), produce polystyrene and styrene respectively for these markets.

Egypt

SABIC entered the Egyptian market as early as 1985, since when it has steadily developed excellent long term relationships with an increasing number of important customers. The first country office was opened by HH Prince Saud bin Abdullah bin Thenayan Al-Saud in Cairo on May 23, 2006. Egypt is Africa's largest polymers market, and one of the biggest in the Middle East and Africa region, and has been growing rapidly since 2002. SABIC Egypt's success in developing its ability to offer the best logistical and technical services to its customers can be seen by its status as Egypt's single biggest supplier, with 2006 sales exceeding 160,000 metric tons.

A regional presence

Morocco too has been an important market for SABIC. 2006 marked two decades since we first began doing business in the country.

SABIC set up an office in Iran in the fourth quarter of 2006, taking its presence in the region to a new level. Our participation in the November 2006 IranPlast exhibition further exemplifies our desire to continue building stronger relationships with our customers.

SABIC also has an office in Lebanon, located in Beirut.

Regional review

Plant at Teesside.

On site at the Geleen plant.

Europe

The favorable business climate of 2005 continued through 2006, exceeding all expectations — particularly during the second half. Oil prices carried on rising and remained volatile, influencing short-term market developments. But with the general economic climate favorable, strong demand more than compensated for their impact.

SABIC Europe took full advantage of this positive trend, achieving higher margins than in 2005.

Polyolefins

European demand grew in line with expectations for all products. Polyethylene (PE) stocks fell sharply due to a large number of unplanned outages, but despite this, a healthy balance in demand and supply produced sound utilization rates.

SABIC Europe continued to build market share: it is one of the top players in the European petrochemicals industry. Some production was lost during the year because of supply problems with polyolefin feedstocks, due partly to the generally tight olefin market and partly to an unplanned cracker shut down in Geleen (the Netherlands).

Prices continued to increase for both polyethylenes and polypropylenes, but with less volatility than in 2005. Rises were smooth and gradual, slightly lagging increases in raw material prices. On average, resulting margins were healthy.

Chemicals and Intermediates

Between December 2005 and June 2006, naphtha prices increased steadily from US$498 to US$615 a metric ton. From September on, prices fell to US$530 a metric ton, but prices for olefins and aromatics remained fairly high thanks to both strong demand and a number of unplanned industry shutdowns.

Despite three short unplanned cracker shutdowns, production and sales volumes were on target, as all plants ran at maximum capacity. In anticipation of the promotion of bio-fuels in the EU and the US, SABIC Europe successfully transformed its MTBE production facility into a (bio) ETBE facility. Overall sales volumes of chemicals and intermediates produced by SABIC in Saudi Arabia rose some 15% over the previous year.

Prices and margins increased compared to 2005 thanks to the favorable supply/demand balance.

Projects

In the first half of 2006, following a review of cost estimates, SABIC Europe decided to put its major investment project at the Geleen site (EurOPE-1) on hold.

The European strategic thrust remained unchanged however, leading to the decision to build a new HDPE bimodal pipe plant in Gelsenkirchen (expected to be operational at the end of 2008) and the acquisition, at year-end, of 100% of the shares of Huntsman Petrochemicals (UK) Ltd, now renamed SABIC UK Petrochemicals. This acquisition gives SABIC Europe a cracker and aromatics complex and an LDPE plant, currently under construction in the UK and scheduled to come on stream by the end of 2007. The acquisition exemplifies SABIC Europe's tripartite strategic thrust: increased backward integration into olefins, cost improvement, and growth.

In recognition of the increasing importance of the Central and Eastern European markets, SABIC Europe also opened a sales office in Hungary and a logistical hub (warehouse) in Poland.

In September 2006, SABIC Europe's new European head office at Sittard was opened by SABIC Chairman HH Prince Saud bin Abdullah bin Thenayan Al-Saud and Joop Wijn, Minister of Economic Affairs of the Netherlands.

At the end of 2006, SABIC successfully implemented a new financing structure created to refinance the 2002 acquisition facility of SABIC Europe, provide liquidity for the acquisition of Huntsman UK, and allow for future working capital requirements. This process started with obtaining an investment grade credit rating from Standard and Poor's (BBB, stable outlook) and Fitch (A, stable outlook).

The refinancing consisted of a US$750 million investment grade debut bond offering and a US$1.25 million Revolving Syndicated Bank loan facility. That the latter was substantially oversubscribed, with numerous regional and international banks committing, testifies to the soundness of the deal, recognition for the strength of SABIC Europe's strategy, and the respect the SABIC name commands in the market.

Research and Technology

SABIC Europe's Research and Technology department lends technical support to customers and the improvement of manufacturing methods.

The department is a world class R&T operation, with around 80 scientists, researchers, patent specialists and technicians directly employed and a similar number called on through service agreements with third-party knowledge providers. SABIC Europe R&T's integration within SABIC's global Research and Technology network enables us to leverage international expertise seamlessly on a global basis, rapidly connecting the right expertise with any emerging issue, regardless of the geographical location of either, thereby providing the consistently high levels of technical support today's global customers rely on and demand.

The team also focuses on product development in SABIC Europe's key areas of competence: olefins production by liquid cracking, polypropylene copolymer and compounding, bi-modal high density polyethylene pipe, and low density polyethylenes. SABIC Europe strives to innovate and to continuously acquire fresh competencies in new product areas and, eventually, new technologies.

Key research achievements this year included the introduction of a high clarity polypropylenes copolymer, the development of LDPE coating grades on tubular reactors, extruder design for bi-modal HDPE, and furnace design for heavy gas condensates.

As of January 2006, SABIC Europe Research and Technology includes the patent group for all SABIC Europe patent services, and is closely linked to the Corporate patent group. It also encompasses the company's regulatory affairs and product compliance group, and holds a number of proprietary technologies which are licensed out to other companies.

Human resources

SABIC Europe's total workforce, measured in Full Time Equivalents (FTEs), increased to 3,289 at year-end including an additional 854 FTEs from the acquired Huntsman business in the UK. Further recruitment is planned in order to meet the needs arising out of the company's growth strategy. Personnel resource planning and recruitment will be key success factors as we move ahead and continue to grow.

On site with a customer in Vietnam.

Laboratory in Sugar Land.

Asia

Asia Pacific is strategically crucial to SABIC: its largest sales market, and one whose importance is growing rapidly. For SABIC Asia Pacific, 2006 was all about customer relationships. Our commitment to serving ever more customers ever better continued to be implemented through the steady expansion of offices and warehouse facilities throughout the region.

Continuing growth

The region saw another strong year of growth, with demand outstripping supply in some of the world's fastest growing markets for plastics, chemicals and fertilizers. China, in particular, saw strong expansion in 2006 in the construction and consumer goods sectors, fueling demand for products like LLDPE, HDPE and PP. The construction and consumer goods sectors remained strong throughout Asia and, together with buoyant agriculture in a number of markets, kept demand for chemicals and fertilizers high.

SABIC Asia Pacific took advantage of this climate, through its extensive regional sales and marketing infrastructure: offices in Indonesia, Philippines, Vietnam, Hong Kong, Taiwan, China, South Korea, and Japan, and a regional HQ in Singapore.

Overall, SABIC Asia Pacific's gross operating income was up 13% year-on-year in Asia, largely due to sustained high prices across Polymers, Basic Chemicals, Intermediates, and Fertilizers.

Steady expansion

Enhanced support to customers in-market was achieved through the opening of offices in Ho Chi Minh City, Vietnam, and Jakarta, Indonesia. SABIC now has nine sales and marketing offices in Asia Pacific — in Singapore, Jakarta, Ho Chi Minh City, Manila, Hong Kong, Taipei, Shanghai, Seoul, and Tokyo — with plans to open three more in 2007 in Melbourne, Australia, and Beijing and Shenzhen in China. Our warehouse and storage resources are also undergoing rapid expansion. New warehouses and terminals added this year bring our total to eight — Singapore, Jakarta, Shanghai, Hong Kong, Huangpu, Tianjin, Ulsan, and Ho Chi Minh City — with another seven planned for 2007: in Qingdao, Ningbo, Yantian, and Zhangjiagang in China, in Melbourne and Sydney in Australia, and in Auckland, New Zealand.

Partnership

Customer relationships were also strengthened by an increasing number of customer visits to the Kingdom by individual SBUs. New partnerships were also forged with strategic partners in Asia, for example with Sinopec engineers working in the Kingdom on the YANSAB expansion.

The strengthening bonds between the Middle East and Asia Pacific were illustrated by a number of official visits over the past year. SABIC was very pleased during 2006 to receive official visitors including Chinese President Hu Jintao, Singapore Prime Minister, Lee Hsien Loong, and Singapore's Minister Mentor, Lee Kuan Yew.

Going forward

Overall, 2006 was a very successful year with strong results and the continuing roll out of new offices to support planned increases in sales volumes. SABIC Asia Pacific will maintain this path over the next few years, steadily expanding its network of offices to help cater for anticipated additional capacity coming on-line up to 2008 and beyond, much of it destined for Asia.

China's double-digit growth offers great encouragement for the future. SABIC is currently among other things investigating the potential for establishing a manufacturing presence in the region.

SABIC India

SABIC India (SIPL) maintained its recent record of sustained year on year growth. Since 2001, SIPL sales have grown at an average annual rate of 11%, last year hitting a record of 1.2 million metric tons of product, bringing revenues exceeding US$700 million. With little or no domestic gas or crude, a large and growing population and a bouyant and fast-growing economy, India, just four day's sailing from the Kingdom of Saudi Arabia, is almost a 'home market' for SABIC — and one with limitless potential. SIPL plans to increase sales to 1.5 million metric tons a year by 2010.

Americas

2006 was a transition year for SABIC Americas, during which we quit the North America MTBE market and realigned our product portfolio to prepare to take advantage of emerging market trends. Total sales stood at 1.2 million metric tons, down slightly on 2005, but market share across our top six products remained firm at 4-8%. And we won the 2006 US Chemical Industry Safety Award.

Severe weather and production issues in the industry have made pricing volatile over the last 12 months, and this trend seems likely to continue for the foreseeable future. Nevertheless, the repositioning of products and the introduction of new ones has SABIC Americas well positioned to capitalize on positive economic trends. We anticipate higher volumes, at higher margins.

Polyolefins

SABIC Americas made an initial foray into the region's polyolefins market.

Intermediate Chemicals

SABIC Americas' mono ethylene glycol volume fell sharply against 2005, essentially reflecting the temporary 'Hurricane disruption' which artificially swelled volumes in 2005. The easing of these hurricane-related pressures saw a steady slide in prices.

Di ethylene glycol volumes remained stable and we expect conditions to remain favorable in 2007, partly due to a competitor's mothballing of a plant.

Basic Chemicals

In methanol in 2006, slight declines in volumes were more than offset by firming prices. Much of this was due to temporary competitor production problems.

SABIC Americas MTBE sales were successfully phased out in the region in anticipation of the petroleum refining industry's government-mandated adoption of ethanol and consequent displacement of MTBE in the US gasoline pool.

Benzene volume for the year was 173,000 metric tons. Crude oil price spikes brought market volatility, and we expect more of the same over the next 12 months, due to energy concerns. We are confident, though, that overall sales volumes will continue to rise further next year.

Fertilizers

Urea import volumes fell heavily due to a sharp decrease in North American demand. Towards the end of 2006, nitrogen fertilizer demand rebounded strongly, driven by surging grain prices. Thus, US urea prices hit record highs.

Research and Technology

SABIC Americas owns and operates a world-class satellite technology center on behalf of SABIC R&T. The center, in Sugar Land, Texas, employs around 50 highly-skilled scientists, engineers and research associates, and dedicates itself to leading-edge work (seven new patents registered over the last year); but always in support of SABIC's long-term strategy.

The Center continued to give SABIC an American technical presence, with ready access to the best of the West's scientific capabilities and expertise. In the ten years since its inception, it has been consistently successful in recruiting top talent from American universities, helping SABIC earn increasing recognition and respect within the US technical community.

Human Resources

SABIC Americas' total workforce was 94 at the end of 2006, of whom 45 worked at headquarters. Growth next year should see the number of employees reach 113.

SABIC Logistics is the link between SABIC and its customers, all around the world. Every year it handles the safe transportation and delivery of millions of metric tons of product, from basic liquid petrochemicals and intermediate chemicals to polymers and gases, using ocean-going tankers, container vessels, dry bulk ships and gas carriers.

Logistics

On land, SABIC Logistics trucks and tankers criss-cross the Gulf region, bringing SABIC product to customers throughout the Kingdom of Saudi Arabia, the Gulf, and neighboring countries. The department contracts only world class chemical shippers, warehousing and terminal operators, adhering to the most stringent international safety standards, to ensure that the right product is delivered to the right place, on time, every time.

Major shipments

2m
Metric tons

Around two million metric tons of polymer and chemical products were successfully uplifted by land transport out of Al-Jubail and Yanbu to customers in Saudi Arabia, other states of the Gulf Cooperation Council, and elsewhere in the Middle East

5m
Metric tons

SABIC's fleet of 22 time chartered vessels carried around five million metric tons via 218 voyages to more than 70 ports in the Indian subcontinent, South East Asia, Far East, Arabian Gulf, Mediterranean and North West Europe

2.8m
Metric tons

2.8 million metric tons of SABIC polymers and plastics were lifted out of Jeddah, Dammam, Al-Jubail and Yanbu; while over 30 well known service providers were engaged to deliver around 200,000 TEU containers to 208 discharge ports in 75 countries around the world

8.6m
Metric tons

Over 8.6 metric tons of chemicals and gases were shipped, using 475 vessels to deliver to more than 90 discharge ports in over 35 countries worldwide

15.5m
Metric tons

SABIC Terminal Services Company (SABTANK), whose mission is the safe handling of chemical exports and imports at Al-Jubail and Yanbu Industrial Ports, shipped 15.5 million tons of SABIC affiliates' and private sector chemicals using 955 vessels

2.3+1.5m
Metric tons

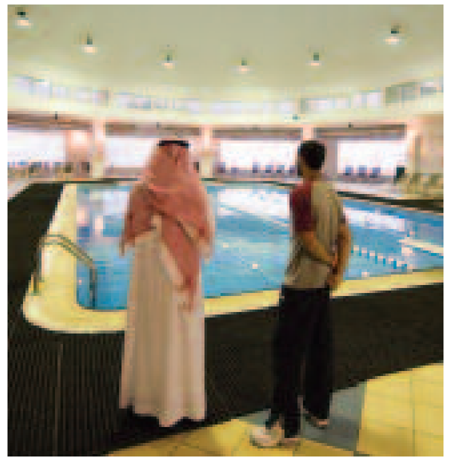
Out of these consignments, 2.3 million metric tons of chemicals and 1.5 million metric tons of polymers made it through product terminals and warehouses worldwide in 2006

Preparing for growth
As a key factor in its ambitious growth strategy, SABIC has identified Supply Chain Management as a key enabler to assure excellence in customer service, thereby supporting efforts to further strengthen SABIC's overall competitive position in its targeted global markets.

An executive steering committee and a project team have been appointed to drive this Supply Chain Management reengineering initiative, with the support of one of the world's leading management consulting groups.

SABIC has always been committed to doing business ethically. We believe, however, that the disciplines and systematization demanded by Corporate Social Responsibility enable improvement and, crucially, consistency, on a global scale.

Corporate Social Responsibility



Recreation facilities are provided for SABIC employees.

At SABIC, our commitment to Corporate Social Responsibility reflects the way we view all our activities in a holistic sense. First and foremost of course we must meet our legal obligations, achieving profitability to reward those who place their trust in us financially. But we are also very much part of many other communities; there are many others to whom we recognize obligations.

At every level

Corporate Social Responsibility is the responsibility of everyone in SABIC. The Board and senior executive team recognize CSR's importance and are committed to seeing its principles reflected at every level, in every unit and in every activity undertaken by the Group.

Throughout SABIC there are individuals whose remit includes CSR matters. Their efforts are reinforced, supported and driven forward by the dedicated CSR department itself. The department offers cross-Group coordination, a resource of trained CSR expertise, and a network of communications which ensures that good ideas and initiatives get shared around and applied wherever they can bring benefits.

Within and between different units and levels, a continuing dialogue and consultation process helps ensure that our CSR principles and objectives are sound, clearly defined, widely shared, and understood in terms of their implications for the everyday actions of every SABIC and affiliate employee.

Healthy workplace

We are a major employer, responsible for providing our 19,000 employees worldwide with a safe and healthy workplace. Safety is a challenging issue. We deal in hydrocarbons, putting potentially volatile substances through processes of immense complexity and precision. Maintaining safety in such circumstances demands an enormous effort of planning, training and, not least, caring. But we apply the most rigorous criteria and insist on meeting the most demanding international standards, in line with our absolute commitment to keeping our people safe and treating them well and fairly at all times.

Our commitment to health is not of course restricted to our own people. One of the first initiatives to lead us in the direction of CSR was our own efforts to reduce environmentally harmful emissions resulting from the flaring off of gas at oil wells. Emissions-control is just one of the ways we try to limit, reduce and minimize our impact on the environment, and thus safeguard the health of the people among whom we work, and of the planet for generations to come.

We do such things not just because they are right, but also because they are effective. Good behavior and good business performance generally go hand in hand.

Developing people

But our responsibilities towards our people extend beyond merely helping them stay healthy and keeping them safe. We believe also in helping each and every one achieve their potential, and become the most productive, most fulfilled person they could be. Again, we believe that fully engaged people, growing and flourishing, are better for business. We have numerous initiatives designed to help our people be the best they can: developing their abilities, providing the best educational support, raising career competency, and offering out-of-Kingdom scholarship programs where they can complete undergraduate or postgraduate studies. This level of support extends beyond staff to encompass their families, where initiatives include a summer internship training program for employees' children, an annual picnic for them and their parents, sports tournaments and many others.

Supporting communities

Within Saudi Arabia, we undertake and disseminate studies which alert local businesses (and potential businesses) to some of the investment opportunities opened up by SABIC's activities. Many smaller businesses prosper under SABIC's wings, generating business opportunities and creating jobs for local people. We want SABIC to play an active role in developing society for the good of all.

SABIC takes a positive and proactive stance on the environment.

We and our employees are also very much part of our wider communities. By our actions, we set an example. By our efforts, we can help improve things, on a local scale, all around the world. At least in part it's about putting in a timely boost: very often, we can provide the help that a charitable or educational organization needs to get things off the ground. This has been a busy year.

SABIC in 2006 continued supporting charity and education projects both within Saudi Arabia and elsewhere: cultural, training, and educational scientific programs; support to universities and other educational institutions, and for the gifted and talented; support for disabled and special needs care societies, and for associations concerned with health care; and efforts and programs aimed for the protection of the environment. We also support the 'Al-Ber' fund which assists those in need, both inside and outside the company.

SABIC also sponsors many conferences, seminars and special events that raise awareness, disseminate ideas, and bring together the world's best brains to consider issues of pressing concern to us all. Not just 'green' issues, but also cultural, social and intellectual. We want to be catalysts in our communities: supporting human endeavors for good and for self-improvement and for service to the community; getting behind those ideas and giving real, tangible support to the people nurturing them. We want our people, and their children, and the wider communities within which they live, to be not just healthy and safe, but happy, and creative, and living up to their full potential. Both drawing on and contributing to the interconnected 'holistic' well-being of their societies.

SABIC's direct social services activities during 2006 included donations to the Prince Mohammed bin Fahd University; the popular campaign for the relief of the Lebanese people; sponsorship for the fifth 'Color their lives' auction organized by the Disabled Children Association in Jeddah; sponsorship for the Jeddah Economic Forum; sponsorship for the tenth Gulf Engineering Forum, organized by the Saudi Arabian Engineers; Prince Salman Center for Disability Research; the Mothers' Development Endowment, run by Al-Nahda Women's Charity; and to the national project of education and ambulatory outreach organized by the Saudi Red Crescent Society.

In 2006, SABIC Americas donated towards training and research activities, and on causes related to the Rice University Center for Education, Arab American Community Center and Montgomery County Interfaith Hospital. During the year, SABIC Europe donated in support of community services programs; and there were also contributions from SABIC offices in Asia.

Getting better

Corporate Social Responsibility, as such, is a relatively recent arrival on the corporate landscape. For the most part it is little more than a systematization of the kinds of thing we have been doing for years: doing business fairly, looking after our people well, trying to limit our impact on the environment. We behave in this way simply because we believe it is right to do so.

We are aware, however, that there are significant benefits to be gained by adopting a more systematic approach: by working incrementally towards a situation where every one of us does the right thing in any given situation as a matter of course. Gaining such a system requires time and effort, and commitment on the part of our people. We are currently mid-way through a systematic and comprehensive audit and review of our CSR strategy. Over the course of the next year or so, we plan to introduce a new more comprehensive strategy, and more rigorous processes within a comprehensive overall structure, with a view to becoming recognized as a model of CSR Best Practice within the industry.

People

Employees at SAFCO, Al-Jubail.

SABIC's commitment to its people is absolute. Only they can equip us to achieve our ambitious plans for the future. Traditional differentiators are steadily breaking down — we and our competitors increasingly have effectively the same access to financial capital and technology. Increasingly, what makes the difference is, simply, people.

In Saudi Arabia we have always sought to attract, recruit and retain the best Saudi candidates. People with the ambition, qualifications and potential to meet our demanding needs and help drive our growth. Our wider ambitions now add a further twist: bluntly, we now need to look to recruit the best and the brightest on a truly global basis. The key to that, we believe, is to give our people challenges worth taking on, the training and technology to deal with them, and an environment — both physical and cultural — within which they can really get things done. We believe that means:

- Competitive remuneration packages with good fringe benefits
- A business culture that stresses and encourages creativity, innovation, learning and personal development
- Effective programs for the development of our people, particularly in leadership
- Supporting future growth by joining with the business units to develop a comprehensive plan to meet the company's manpower requirements in line with SABIC 2020 goals

Incentivize and motivate

In terms of Performance and Rewards, 2006 saw salary scales and incentives reviewed and updated to ensure that we remain attractive to the best talent in an increasingly competitive marketplace. Over the next year or so, we plan to introduce more stringent measurement and evaluation processes, with a view to tying reward much more closely to performance. We are also looking at new ways to incentivize and motivate employees, including the sale of shares. This year:

The Leadership Development group:

- Completed assessment centers for all executives (all of whom now have independent development plans)
- Rolled out the first-ever SABIC Manager 360 Feedback program (Tatweer)
- Rolled out the first-ever post-360 coaching programs for managers, with an initial 150-strong group
- Completed the first phase of the Manager Leadership Program (MLP) with London Business School, having conducted eight two-module sessions for over 130 managers

Workforce Planning and Development:

- Increased by 2% to 87% the proportion of Saudi SABIC and affiliate employees now fully qualified and trained
- Helped senior management staff who took advantage of the continuous learning program aimed to develop the higher education and specializations required by the company
- Approved 100 scholarship students for study in the USA and Canada, and arranged for five new graduates to go to China, where they will learn the language and culture
- Made available 650 training opportunities for students as part of SABIC community services

Organizational Effectiveness highlights included:

- Retention of quality certificates showing conformity with ISO 9000-2000 requirements
- Undertaking a comprehensive survey among KSA employees, achieving an 85% response rate, to gain views and insights; work is now underway on designing projects to address identified improvement opportunities
- Organizing SABIC's Third Quality Day for Group companies and affiliates, at the conference hall of the Royal Commission for Jubail and Yanbu, attended by SABIC's Vice Chairman and CEO and around 400 others
- Surveying users of Shared Services to identify difficulties and areas of dissatisfaction; then developing plans to address issues raised
- Holding Total Quality-related meetings with a view to discussing and implementing projects to develop better standardized working procedures, and to share insight between SABIC's people and affiliates

Building to learn

In April 2006, as a key element in its pursuit of the principle of 'learning employees in a learning organization' embodied in the 2020 strategic project, SABIC Learning was established.

This aims not simply to educate, but to disseminate and nurture a thoroughgoing culture of continual education, continual learning, continual training, thus supporting SABIC in building the skills base it will need to pursue effectively its 2020 goals. Priorities have been laid down for 2007-2008 in four key areas: supply chain management, leadership skills, marketing and finance.

Safety, health and environment

Production site at YANSAB, Yanbu.

Development at the production site, SHARQ, Al-Jubail.

HADEED won the British Royal Society's Occupational Safety Golden Award for the prevention of accidents, for the third consecutive time.

At SABIC, the safety and health of our employees and all others impacted by our operations, along with the protection of the environment, are non-negotiable, integral to everything we do, and systematized and certified to the highest international standards.

Our Group leadership sets the tone, exemplifying and laying down core principles to which all Group companies, affiliates, offices and individual employees must adhere, and sustaining an overarching principle of continuous improvement, to ensure that our processes and procedures, however good, continue to become ever better.

Our SHE performance statistics over recent years clearly demonstrate the effectiveness of this approach, showing significant and steady improvement. Last year's SHE incidents rate improved 32% over 2005; with recorded incident rates running at just 0.39 for employees and 0.51 for contractor employees, our SHE performance is by independently recognized standards among the best of any major industrial organization in the world.

Much of the credit for this performance must go to SABIC's Industrial Security and Environment Department, which continuously upgrades the company's SHE standards and systems, and undertakes regular audit and verification programs to ensure that ambitious improvement targets are attained.

SABIC has systematized 'doing the right things, and doing things right', combining process safety, environmental protection, health, occupational safety, and emergency preparedness and response management systems and standards under a single 'holistic' approach, with a view to managing overall business risk effectively and consistently, and continually improving operational performance. This holistic system is then rolled out to all offices and affiliates, as a tool to help ensure uniformly excellent SHE programs and performance at all facilities. Such systems integration is already improving efficiency and effectiveness, avoiding duplication of work and documentation, and reducing the maintenance costs associated with multiple systems, and the individual audits, certifications and internal assessments they entail. Systematization, in short, enables better and more consistent performance, at lower cost.

The key to integration was to ensure that the new standards both dovetailed smoothly with our existing SHE management systems and provided irrefutable data, thanks to standards derived from industry best practices, international and national SHE standards and regulations, and in particular, international standard organizations such as ISO. Increasing numbers of our affiliates have achieved ISO 14001 certification, with many others receiving certificates of excellence from other recognized international organizations. Over recent years:

- SABIC Group headquarters and 15 affiliates successfully implemented an Environmental Management System (EMS) and earned ISO 14001 certification.
- SABIC conducted regulatory compliance audits at 16 affiliates to evaluate progress toward compliance.
- SABIC responded to 40 technical service requests from affiliates to monitor compliance, including evaluation of groundwater quality from 162 monitoring wells, and monitoring of 97 stacks for compliance evaluation against point source air emissions standards.
- Affiliates continued to post remarkable standards in accident avoidance, as recorded in manhours worked without lost workday Injury:
  - Saudi European Petrochemicals Company (IBN ZAHR) completed ten million hours
  - Saudi Arabian Fertilizer Company (SAFCO) completed five million hours
  - Arabian Industrial Fiber Company (IBN RUSHD) completed four million hours
  - SABIC Terminal Services Company (SABTANK) completed over two million hours
  - Eastern Petrochemical Company (SHARQ) completed 18 million hours
  - Our Riyadh and Al-Jubail R&T centers completed 11 million hours
- AR-RAZI won particular recognition during the year, taking the US National Safety Council certificate for completing 13 million manhours — representing 17 working years — without lost workday injury, and Al-Jubail Petrochemical Company (KEMYA) completed 16 years, as well as taking the top environment prize from the Royal Commission for Jubail and Yanbu.
- The Saudi Iron and Steel Company (HADEED) won the British Royal Society's Occupational Safety Golden Award for the prevention of accidents, for the third consecutive time. It also won Safety Awards from both the British Safety Council and DuPont.

Numerous other initiatives played their part in supporting the company's drive for continuous improvement. A Safety, Health, and Environment Day featured numerous lectures on Safety, Health and Environmental issues delivered by noted experts in the field, and was well attended by Group and affiliate representatives alike.

New technologies, techniques and programs are introduced on a continual basis. Programs such as behavior-based safety to reduce injuries; special SHE days organized by affiliates to raise levels of employee awareness; on and off-the-job awareness materials published by SABIC for both employees and third party audiences such as the general public; and any number of direct, local, community-based initiatives such as voluntary beach cleaning days — all play their part in helping us live up to the very highest standards of social responsibility.

Awards play an important part in keeping SHE issues 'front of mind'. Such awards have generated much enthusiasm and have proved central to ongoing improvement efforts, particularly at our affiliates. For this reason we initiated the SABIC SHE Award in 2002. Affiliates go through a rigorous evaluation process based on the most stringent parameters. This year's awards were presented at the year's SHE day ceremony, where HADEED took gold, KEMYA silver and SHARQ bronze, while numerous SABIC affiliates received 'Certificates of Appreciation' in recognition of their avoidance of major SHE incidents.

However we prepare and work to assure the best, we have also to be prepared for the worst. The SABIC Fire Training Center (SFTC) is unique in the region: the only center of its kind certified to provide fire and rescue training in Gulf countries, providing internationally accredited (NFPA) training programs that include fire fighting, rescue, handling hazardous material and first aid. In 2006, the center trained more than 2,300 staff from both affiliates and other companies in the region. We believe in having a high degree of preparedness for any emergency at our facilities, and SABIC is a regional leader in equipping employees with the awareness, the skills, the training and the technology to deal swiftly and effectively with any emergency that might arise.

Report and Accounts for Saudi Basic Industries Corporation

A Saudi Joint Stock Company

Consolidated financial statements

December 31, 2006

Contents

Independent auditors' report

December 31, 2006

To the shareholders
Saudi Basic Industries Corporation (SABIC)
Riyadh – Kingdom of Saudi Arabia

We have audited the accompanying consolidated balance sheet of Saudi Basic Industries Corporation – a Saudi joint stock company – and subsidiaries ("the Company") as of December 31, 2006, and the related consolidated statements of income, cash flows and shareholders' equity for the year then ended and notes 1 to 29 which form an integral part of these consolidated financial statements as prepared by the Company's management and presented to us with all the necessary information and explanations which we required. These consolidated financial statements are the responsibility of the Company's management. 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 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 basis for our opinion.

In our opinion, the consolidated financial statements taken as a whole present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2006, 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 appropriate to the nature of the Company, and comply with the Regulations for Companies and SABIC's articles of association with respect to the preparation and presentation of the consolidated financial statements.

Deloitte & Touche
Bakr Abulkhair & Co.

Bakr A. Abulkhair
License No. 101
Safar 8, 1428

February 26, 2007

Consolidated balance sheet

as of December 31, 2006

	Note	2006 SR'000	2005 SR'000
ASSETS			
Current assets			
Cash and cash equivalents	3	41,227,735	28,172,569
Accounts receivable	4	16,475,589	14,520,648
Inventories	5	13,658,245	10,642,446
Other receivables and prepayments	6	2,612,872	2,945,182
Total current assets		**73,974,441**	**56,280,845**
Non-current assets			
Investments	7	3,531,839	5,898,098
Property, plant and equipment	8	79,970,622	66,096,734
Intangible assets	9	5,094,003	4,957,112
Other non-current assets	10	4,017,915	3,717,691
Total non-current assets		**92,614,379**	**80,669,635**
TOTAL ASSETS		**166,588,820**	**136,950,480**
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable	12	11,065,422	7,781,718
Short term bank facilities	13	607,622	351,695
Current portion of long term debt	14	5,521,174	6,352,264
Accrued liabilities and provisions	15	8,529,868	7,461,439
Total current liabilities		**25,724,086**	**21,947,116**
Non-current liabilities			
Long term debt	14	33,611,628	23,017,180
Other non-current liabilities	16	6,762,869	6,764,647
Total non-current liabilities		**40,374,497**	**29,781,827**
TOTAL LIABILITIES		**66,098,583**	**51,728,943**
EQUITY			
Shareholders' equity			
Share capital	17	25,000,000	20,000,000
Statutory reserve	18	11,445,362	9,415,968
Research and technology reserve	18	1,291,691	1,291,691
General reserve	18	20,631,558	17,589,241
Retained earnings		14,514,548	14,043,717
Total shareholders' equity		**72,883,159**	**62,340,617**
Minority interests		**27,607,078**	**22,880,920**
TOTAL EQUITY		**100,490,237**	**85,221,537**
TOTAL LIABILITIES AND EQUITY		**166,588,820**	**136,950,480**

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

Report and Accounts for Saudi Basic Industries Corporation
A Saudi Joint Stock Company

Consolidated statement of income
Year Ended December 31, 2006

	Note	2006 SR'000	2005 SR'000
Sales		86,327,862	78,253,536
Cost of sales		(51,415,477)	(45,169,206)
GROSS PROFIT		**34,912,385**	**33,084,330**
Administration and marketing expenses	19	(4,026,265)	(3,914,352)
Income from operations		**30,886,120**	**29,169,978**
Other income	20	2,552,369	1,237,428
Finance charges		(1,567,042)	(1,397,257)
Income before minority interests and zakat		**31,871,447**	**29,010,149**
Minority interests		(10,527,505)	(9,100,464)
INCOME BEFORE ZAKAT		**21,343,942**	**19,909,685**
Zakat	21	(1,050,000)	(750,000)
NET INCOME FOR THE YEAR		**20,293,942**	**19,159,685**
Earnings per share (SR)	22	**8.12**	**7.66**

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

Report and Accounts for Saudi Basic Industries Corporation
A Saudi Joint Stock Company

Consolidated statement of cash flows
Year Ended December 31, 2006

	2006 SR'000	2005 SR'000
OPERATING ACTIVITIES		
Net income for the year before Zakat	21,343,942	19,909,685
Adjustments for:		
Depreciation and amortization	6,119,236	6,530,723
Equity in earnings of associated companies	(196,974)	(526,168)
Minority interests in net income of subsidiaries	10,527,505	9,100,464
Changes in operating assets and liabilities:		
Accounts receivable and prepayments	(1,622,631)	(968,480)
Inventories	(3,015,799)	(1,487,822)
Accounts payable, accrued liabilities and provisions	4,065,404	(889,327)
Other non-current liabilities	(1,778)	1,797,940
Zakat paid	(813,028)	(331,019)
Net cash from operating activities	**36,405,877**	**33,135,996**
INVESTING ACTIVITIES		
Additions to property, plant and equipment, net	(18,752,640)	(7,599,562)
Investments, net	2,563,233	(2,681,959)
Intangible assets, net	(644,554)	561,241
Other non-current assets, net	(1,033,045)	(906,369)
Net cash used in investing activities	**(17,867,006)**	**(10,626,649)**
FINANCING ACTIVITIES		
Short term bank facilities, net	255,927	(131,834)
Long term debt, net	9,763,358	(3,973,596)
Dividends paid	(9,701,643)	(7,421,564)
Minority interests, net	(5,8010,347)	(6,054,915)
Net cash used in financing activities	**(5,483,705)**	**(17,581,909)**
Increase in cash and cash equivalents	**13,055,166**	**4,927,438**
Cash and cash equivalents at the beginning of the year	**28,172,569**	**23,245,131**
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (note 3)	**41,227,735**	**28,172,569**

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

Report and Accounts for Saudi Basic Industries Corporation

A Saudi Joint Stock Company

Consolidated statement of shareholders' equity

Year Ended December 31, 2006

		Share Capital							
		Government	Private sector	Total share capital	Statutory reserve	Research & technology reserve	General reserve	Retained earnings	**Total equity**
	Note	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000
Balance at December 31, 2004		**10,500,000**	**4,500,000**	**15,000,000**	**7,500,000**	**1,291,691**	**13,881,503**	**13,209,138**	**50,882,332**
Increase in share capital	17	3,500,000	1,500,000	5,000,000	-	-	-	(5,000,000)	-
Final dividends for 2004		-	-	-	-	-	-	(4,500,000)	(4,500,000)
Board of Directors' remuneration		-	-	-	-	-	-	(1,400)	(1,400)
Transfer to general reserve	18	-	-	-	-	-	3,707,738	(3,707,738)	-
Net income for the year		-	-	-	-	-	-	19,159,685	19,159,685
Transfer to statutory reserve	18	-	-	-	1,915,968	-	-	(1,915,968)	-
Interim dividends for 2005 (3,200,000)	26	-	-	-	-	-	-	(3,200,000)	
Balance at December 31, 2005		**14,000,000**	**6,000,000**	**20,000,000**	**9,415,968**	**1,291,691**	**17,589,241**	**14,043,717**	**62,340,617**
Increase in share capital	17	**3,500,000**	**1,500,000**	**5,000,000**	-	-	-	**(5,000,000)**	-
Final dividends for 2005		-	-	-	-	-	-	**(6,000,000)**	**(6,000,000)**
Board of Directors' remuneration		-	-	-	-	-	-	**(1,400)**	**(1,400)**
Transfer to general reserve	18	-	-	-	-	-	**3,042,317**	**(3,042,317)**	-
Net income for the year		-	-	-	-	-	-	**20,293,942**	**20,293,942**
Transfer to statutory reserve	18	-	-	-	**2,029,394**	-	-	**(2,029,394)**	-
Interim dividends for 2006	26	-	-	-	-	-	-	**(3,750,000)**	**(3,750,000)**
Balance at December 31, 2006		**17,500,000**	**7,500,000**	**25,000,000**	**11,445,362**	**1,291,691**	**20,631,558**	**14,514,548**	**72,883,159**

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

Report and Accounts for Saudi Basic Industries Corporation

A Saudi Joint Stock Company

Notes to the consolidated financial statements

December 31, 2006

1. ORGANIZATION AND ACTIVITIES

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying consolidated financial statements have been prepared in accordance with the standard of General Presentation and Disclosure issued by the Ministry of Commerce and in compliance with the accounting standards issued by the Saudi Organization of Certified Public Accountants ("SOCPA standards"). Following is a summary of the significant accounting policies applied by the Company.

Basis of consolidation

The consolidated financial statements are prepared on the basis of the individual audited financial statements of SABIC and subsidiaries, as adjusted by the elimination of significant inter-company balances and transactions.

The subsidiaries are consolidated from the date on which control is transferred to SABIC. The subsidiary companies consolidated in these financial statements are as follows:

	Shareholding %	
	2006	2005
SABIC Industrial Investments Company and its subsidiaries (SIIC)	100.00	100.00
SABIC Luxembourg S.a.r.l. and subsidiaries	100.00	100.00
SABIC Asia Pacific Pte. Ltd. and subsidiaries	100.00	100.00
Arabian Petrochemical Company and subsidiary (Petrokemya)	100.00	100.00
Saudi Iron and Steel Company (Hadeed)	100.00	100.00
SABIC Antilles N.V.	100.00	100.00
SABIC Sukuk LLC (SUKUK)	100.00	-
Saudi European Petrochemical Co. (Ibn Zahr)	80.00	70.00
Jubail United Petrochemical Company (United)	75.00	75.00
National Chemical Fertilizer Co. (Ibn Al-Baytar)	71.50	71.50
National Industrial Gases Company (Gas)	70.00	70.00
Yanbu National Petrochemical Company (Yansab)	55.95	-
Arabian Industrial Fiber Company (Ibn Rushd)	53.90	53.90
Saudi Methanol Company (Ar-Razi)	50.00	50.00
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
Jubail Petrochemical Company (Kemya)	50.00	50.00
Saudi Arabian Fertilizer Co. (Safco)	42.99	42.99

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

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

During the year, SABIC acquired the share of one of the shareholders of Saudi European Petrochemical Co. (Ibn Zahr) representing 10% of total shareholding, consequently, the equity interest of SABIC in Ibn Zahr increased from 70% to 80%.

SABIC Sukuk LLC (SUKUK), a limited liability company, was incorporated on Jumada Al Awal 29, 1427 H, corresponding to June 14, 2006, with a share capital of SR 500,000 and is wholly owned by SABIC. SUKUK's objective is to provide services and support related to bonds/sukuk issued by SABIC.

On December 29, 2006, the Company acquired 100% of the voting shares of Huntsman Petrochemicals (UK) Ltd., an unlisted company based in the United Kingdom engaged in the production of basic chemicals for a cash consideration of US$ 685 million. Huntsman Petrochemicals (UK) Ltd. renamed SABIC UK Petrochemicals Company owns and operates 865 ktpa ethylene cracker, 1.3 million per annum aromatics units and 400 ktpa propylene with extensive logistical facilities at Wilton and North East Britain. SABIC is continuing the execution of the polyethylene facility with a capacity of 400 kpta per annum.

The financial statements of SABIC UK Petrochemicals Company as of December 31, 2006 are included in the accompanying consolidated financial statements.

SABIC is currently in the process of incorporating "Saudi Kayan Petrochemical Company", located in Madinat Al-Jubail Al-Sinaiyah with a share capital amounting to SR 15 billion, in which SABIC and Kayan Petrochemical Company will hold 35% and 20% of the shares respectively and the remaining 45% will be offered for public subscription.

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

Property, plant and equipment
Property, plant and equipment are stated at cost net of accumulated depreciation except for freehold land and construction work in progress which are stated at cost. Expenditure on maintenance and repairs is expensed, while expenditure for betterments is capitalized. Depreciation is provided over the estimated useful lives of the applicable assets using the straight- line method. Leasehold improvements are amortized over the shorter of the estimated useful life or the remaining term of the lease. The estimated years of depreciation of the principal classes of assets are as follows:

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

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
Associated companies
Associated companies are companies in which SABIC has a long term interest of at least 20% in the voting capital and/or over which it exerts significant influence. The consolidated financial statements include an appropriate share of the associated companies' post acquisition results and reserves based on their latest financial statements. SABIC's share in the earnings of associated companies is included in other income in the consolidated statement of income.

Available for sale
This represents investments in financial assets not acquired for trading purposes. These are stated at fair value. Differences between the fair value and the cost, if significant, are reported separately in the statement of changes in shareholders' equity. Any decline other than temporary in the value of these investments are 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 acquired with the intention of being held to maturity are carried at cost. The cost is adjusted for any premium, discount, and any permanent decline in value.

Report and Accounts for Saudi Basic Industries Corporation
A Saudi Joint Stock Company
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December 31, 2006

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

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

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, these housing units are classified under other non current assets.

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

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

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

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

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

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

Zakat and Income tax
Zakat is provided in accordance with the Regulations of the Directorate of Zakat and Income Tax (DZIT) in the Kingdom of Saudi Arabia and on an accrual basis. The provision is charged to the consolidated statement of income. Any differences resulting from the final assessments are recorded in the year of their finalization. Foreign shareholders in subsidiaries are subject to income tax which is included in minority interest in the consolidated financial statements.

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

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

Administration and marketing expenses
Production costs and direct expenses are classified as cost of sales. All other expenses, including selling and distribution expenses not deducted from sales, are classified as administration and marketing expenses.

Foreign currency translation
Transactions in foreign currencies (which are not covered by forward foreign exchange contracts) are translated into Saudi Riyals at the rates of exchange prevailing at the time of such transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the exchange rates prevailing at that date. Gains and losses from settlement and translation of foreign currency transactions are included in the 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 Company uses derivative financial instruments, primarily to manage its interest rate risk exposure. Derivative assets related to the financial instruments are initially recognized in the financial statements at cost, and any gains and losses on maturity are included in the consolidated statement of income.

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

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

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

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

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

Impairment
At each balance sheet date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs.

If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash generating unit is reduced to its recoverable amount. Impairment losses are expensed in the consolidated statement of income.

Where an impairment loss subsequently reverses, the carrying amount of the asset or the cash generating unit is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset or cash generating unit in prior years. A reversal of an impairment loss is recognised as income immediately in the consolidated statement of income.

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of bank balances and cash on hand, short term deposits, and investments that are readily convertible into known amounts of cash and have a maturity of three months or less when purchased.

The cash and cash equivalents at December 31 were:	2006 SR'000	2005 SR'000
Bank balances and cash	3,868,104	4,910,716
Short term deposits	37,359,631	23,261,853
	41,227,735	**28,172,569**

Cash and cash equivalents at December 31, 2006 included restricted balances of SR 152 million (2005: SR 94 million).

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Notes to the consolidated financial statements Continued
December 31, 2006

4. ACCOUNTS RECEIVABLE

The accounts receivable at December 31 were:	2006 SR'000	2005 SR'000
Trade accounts receivable	14,307,783	12,035,888
Amounts due from joint venture partners (note 11)	2,359,857	2,661,764
Allowance for doubtful debts	(192,051)	(177,004)
	16,475,589	**14,520,648**

No single customer accounts for more than 5% of the Company's sales for the years ended December 31, 2006 and 2005.

5. INVENTORIES

The inventories at December 31 were:	2006 SR'000	2005 SR'000
Finished goods	7,410,559	5,671,138
Spare parts	3,185,727	2,735,530
Raw materials	2,124,443	1,840,039
Work in progress	131,461	108,828
Goods in transit	806,055	286,911
	13,658,245	10,642,446

6. OTHER RECEIVABLES AND PREPAYMENTS

Other receivables and prepayments at December 31 were:	2006 SR'000	2005 SR'000
Due from Yansab	-	1,274,745
Prepaid expenses	403,859	307,066
Employee loans and home ownership receivables	562,397	300,453
Others	1,646,616	1,062,918
	2,612,872	**2,945,182**

Due from Yansab represents capital expenditure incurred on behalf of Yansab during 2005.

7. INVESTMENTS

The investments at December 31 were:	Shareholding %	2006 SR'000	2005 SR'000
Associated companies – (a)			
Gulf Petrochemical Industries Co. (GPIC)	33.33	632,906	586,766
Gulf Aluminum Rolling Mills Co. (GARMCO)	31.28	132,477	118,292
National Chemical Carrier Company (NCC)	20.00	149,259	141,921
Power and Water Utilities Company for Jubail and Yanbu (MARAFIQ)	25.00	762,224	651,211
Aluminum Bahrain BSC (ALBA)	20.00	690,656	1,180,470
Others		397,796	188,047
		2,765,318	**2,866,707**
Available for sale securities – (b)		766,521	-
Held to maturity securities – (c)		-	50,000
Yansab (note 2) and (d) below		-	2,981,391
		3,531,839	**5,898,098**

(a) The movement of investments in associated companies is as follows:	2006 SR'000	2005 SR'000
Balance at the beginning of the year	2,866,707	2,574,816
Movements during the year, net	(126,707)	310,231
Valuation adjustments, net	25,318	(18,340)
Balance at the end of the year	**2,765,318**	**2,866,707**

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

(b) This item comprises investments in financial assets.

(c) This item represents investments held by a subsidiary in Saudi Government Development Bonds.

(d) This represents SABIC's share in the share capital of YANSAB.

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8. PROPERTY, PLANT AND EQUIPMENT

	Construction work in progress SR'000	Land and buildings SR'000	Plant and equipment SR'000	Furniture, fixtures and vehicles SR' 000	Total 2006 SR'000	Total 2005 SR'000
Cost						
At the beginning of the year	10,106,748	13,008,156	97,980,733	3,176,412	124,272,049	118,031,589
Currency translation adjustment	46,790	71,901	1,034,652	25,618	1,178,961	(1,311,466)
Additions	15,390,195	775,416	3,726,085	290,995	20,182,691	9,119,908
Transfers	(2,952,637)	(444,763)	1,518,708	(8,808)	(1,887,500)	-
Disposals	(39,655)	(186,358)	(564,040)	(74,761)	(864,814)	(1,567,982)
At the end of the year	**22,551,441**	**13,224,352**	**103,696,138**	**3,409,456**	**142,881,387**	**124,272,049**
Depreciation						
At the beginning of the year	-	4,742,635	51,107,438	2,325,242	58,175,315	54,187,838
Currency translation adjustment for accumulated depreciation	-	28,379	627,502	19,441	675,322	(799,712)
Charge for the year	-	703,036	3,818,350	357,366	4,878,752	5,346,579
Transfer	-	(189,351)	-	-	(189,351)	-
Disposals/transfers	-	(42,640)	(517,581)	(69,052)	(629,273)	(559,390)
At the end of the year	**-**	**5,242,059**	**55,035,709**	**2,632,997**	**62,910,765**	**58,175,315**
Net book amounts						
At December 31, 2006	**22,551,441**	**7,982,293**	**48,660,429**	**776,459**	**79,970,622**	-
At December 31, 2005	10,106,748	8,265,521	46,873,295	851,170	-	66,096,734

The construction in progress mainly represents the expansion of existing plants and new projects being executed by certain subsidiaries. The related commitments are reported in note 27. The finance charges capitalized during the year 2006 amounted to SR 281 million (2005: SR 54 million).

Land and Buildings include an amount of SR 47.7 million at December 31, 2006 and 2005 representing the cost of freehold land.

The recovery of net book value of assets of Ibn Rushd (a 53.90 % owned subsidiary) which are included in property, plant and equipment and intangible assets amounting to SR 5.3 billion (2005: SR 5.6 billion) is dependent upon the success of the future operations of Ibn Rushd.

The plots of land on which plant and related facilities of certain subsidiaries are constructed are leased from the Royal Commission for Jubail and Yanbu under renewable lease agreements for periods ranging from 20 to 30 years.

Property, plant and equipment of certain subsidiaries are mortgaged to Saudi Industrial Development Fund (SIDF) as security for term loans (note 14).

9. INTANGIBLE ASSETS

Intangible assets at December 31 were:	2006 SR'000	2005 SR'000
Pre-operating expenses and others, net – (a)	1,886,231	2,011,061
Goodwill, net – (b)	3,207,772	2,946,051
	5,094,003	**4,957,112**

(a) Pre-operating expenses include plant commissioning, start-up costs, and other items. The deferred pre-operating expenses are amortized over a period of benefit not exceeding 7 years. The total accumulated amortization at December 31, 2006 amounted to SR 4.7 billion (2005: SR 4 billion).

(b) Goodwill represents the excess of consideration paid over the fair value of net assets acquired:	2006 SR'000	2005 SR'000
Cost		
At the beginning of the year	3,720,640	4,248,960
Exchange differences	299,611	(528,320)
At the end of the year	**4,020,251**	**3,720,640**
Amortization		
At the beginning of the year	774,589	612,182
Exchange differences	37,890	(73,308)
Provided during the year	-	235,715
At the end of the year	812,479	774,589
Net book value as at December 31	**3,207,772**	**2,946,051**

10. OTHER NON-CURRENT ASSETS

Other non-current assets at December 31 were:	2006 SR'000	2005 SR'000
Employee loans and home ownership receivables – (a)	1,446,677	1,190,669
Other assets – (b)	2,571,238	2,527,022
	4,017,915	**3,717,691**

(a) Certain subsidiaries have established employees home ownership programs that offer eligible employees the opportunity to buy residential units constructed by these subsidiaries. The cost of the 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.

(b) Other assets include employees stock grant scheme (note 2), advances to contractors, deferred taxes and others.

11. 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 SR 12.6 billion (2005: SR 8.9 billion). Certain joint venture partners also provide research and technology and other services to certain SABIC affiliates in conformity with the executed agreements.

See notes 4 and 12, respectively.

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12. ACCOUNTS PAYABLE

The accounts payable at December 31 were:	2006 SR'000	2005 SR'000
Trade accounts payable	11,041,659	7,759,961
Amounts due to joint venture partners (note 11)	23,763	21,757
	11,065,422	**7,781,718**

13. SHORT TERM BANK FACILITIES

The short term bank facilities at December 31, 2006, which bear finance charges at prevailing market rates, amounted to approximately SR 608 million (2005: SR 352 million). The Company had unused credit facilities at December 31, 2006 of SR 3.8 billion (2005: SR 1.7 billion).

14. LONG TERM DEBT

The long term debt at December 31 were:	2006 SR'000	2005 SR'000
Public Investment Fund (PIF)	6,698,572	6,257,974
Saudi Industrial Development Fund (SIDF)	1,263,794	1,172,904
Commercial debt	24,458,086	21,938,566
Euro Bond	3,712,350	-
Sukuk	3,000,000	-
Total	39,132,802	29,369,444
Less: Current portion	(5,521,174)	(6,352,264)
Non-current portion	**33,611,628**	**23,017,180**

The PIF loans are generally repayable in semi annual installments and finance charges on these loans are at varying rates above LIBOR.

The SIDF loans are repayable in semi annual installments commencing on various dates. The administration fees related to such loans paid in advance were capitalized as part of the plant construction costs.

The commercial debt is repayable in conformity with the varying repayment terms set out in the applicable loan agreements. The financial charges are payable in accordance with the terms set out in the applicable loan agreements.

During the year, SABIC Europe B.V. (a wholly owned subsidiary of SABIC Luxembourg S.a.r.l) issued an unsecured Euro 750 million Euro bond. The seven year Euro bond carries a fixed coupon rate of 4.5% with final maturity date due on 28 November 2013.

On July 29, 2006, the Company issued a SR 3 billion Sukuk, at par value of SR 50,000 each without discount or premium, maturing in 2026. The Sukuk bears a maximum rate of return based on SIBOR plus a margin of 40 basis points per annum payable quarterly in arrears from the net income received under the Sukuk assets held by the Sukuk custodian "SABIC Sukuk Company", a wholly owned subsidiary of the Company.

At the end of each five year period, the Company shall pay an amount equal to 10% of the aggregate face value of the Sukuk as bonus to the Sukuk holders. The Company has provided an undertaking to the Sukuk holders to purchase the Sukuk from its holders during the years 2011, 2016, 2021 at an amount equivalent to 90%, 60% and 30% of the face value respectively.

The aggregate repayment schedule of long term loans is as follows:	2006 SR'000	2005 SR'000
2006	-	6,352,264
2007	5,521,174	9,447,327
2008	4,595,599	4,067,346
2009	3,276,057	2,695,588
2010	3,676,067	2,332,647
2011	6,051,178	2,255,616
Thereafter	16,012,727	2,218,656
Total	**39,132,802**	**29,369,444**

15. ACCRUED LIABILITIES AND PROVISIONS

The accrued liabilities and provisions at December 31 were:	2006 SR'000	2005 SR'000
Zakat and tax provision	2,778,132	3,291,800
Accrued liabilities	2,337,969	2,319,407
Dividend payable	664,782	616,425
Others	2,748,985	1,233,807
	8,529,868	**7,461,439**

Others include employee related accruals, contract retentions, and other accruals and provisions.

16. OTHER NON-CURRENT LIABILITIES

The other non-current liabilities at December 31 were:	2006 SR'000	2005 SR'000
Employees' end of service benefits	4,081,033	3,519,633
Employees' thrift plan	305,298	248,784
Employees' early retirement plan	72,427	103,328
Others	2,304,111	2,892,902
	6,762,869	**6,764,647**

Others include obligation under capital lease, deferred taxes and other non-current payables.

17. SHARE CAPITAL

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

The Extraordinary General Assembly in its meeting held on 24 Rabi Al Awal, 1427 corresponding to April 22, 2006, approved to increase the share capital by SR 5 billion through issuance of 1 bonus share for every 4 shares held. Accordingly the Company's share capital as of December 31, 2006 was SR 25 billion is divided into 2.5 billion shares of SR 10 each (2005: SR 20 billion divided into 2 billion shares of SR 10 each).

18. RESERVES

Statutory Reserve
As required by The Saudi Arabian Regulations for Companies, 10% of the annual net income must be transferred to the statutory reserve. The Company may resolve to discontinue such transfers when the reserve equals 50% of the share capital. The reserve is not available for distribution.

Other Reserves
In accordance with SABIC's byelaws, 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. Such reserves are available for distribution.

19. ADMINISTRATION AND MARKETING EXPENSES

The administration and marketing expenses during the year ended December 31 comprised:	2006 SR'000	2005 SR'000
Employees' cost	1,099,684	930,288
Selling and marketing	1,610,697	1,276,497
Depreciation and amortization	170,736	394,127
Administrative expenses	1,145,148	1,313,440
	4,026,265	**3,914,352**

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20. OTHER INCOME

The other income during the year ended December 31 comprised:	2006 SR'000	2005 SR'000
Earnings on bank deposits	2,073,026	1,141,012
Equity in earnings of associated companies, net	196,974	526,168
Exchange differences, net	281,419	(487,220)
Others	950	57,468
	2,552,369	**1,237,428**

21. ZAKAT

During 2006, SABIC received the preliminary objection committee's decision regarding the zakat assessments on the unconsolidated financial statements of SABIC for the years 1983 through 2002. SABIC has filed an appeal with the appellate committee contesting the preliminary objection committee's decision and is awaiting the hearing.

DZIT finalized the zakat assessments for the years 2003 and 2004 against which SABIC has filed an objection, contesting these assessments. The zakat return for the year 2005 is currently under review by DZIT.

In the opinion of the management, adequate provision has been made in the consolidated financial statements.

The following is the movement of the zakat provision for the years ended December 31:	2006 SR'000	2005 SR'000
Balance at the beginning of the year	1,731,999	1,313,018
Less: Payments during the year, net	(813,028)	(331,019)
Add: Current year provision	1,050,000	750,000
Balance at the end of the year	**1,968,971**	**1,731,999**

22. EARNINGS PER SHARE

The earnings per share are calculated based on the number of outstanding shares at the end of the period. The outstanding number of shares at December 31, 2006 was 2.5 billion shares (2 billion shares at December 31, 2005 adjusted for the stock split).

The calculation of the earnings per share for the previous financial periods for 2005 has been adjusted retroactively to reflect the bonus share and the stock split.

23. SEGMENT INFORMATION

The segment information is provided based on the following three segments:

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

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

	Petrochemicals SR'000	Metals SR'000	Corporate SR'000	Total SR'000
2006				
Sales	74,066,639	7,611,579	4,649,644	86,327,862
Gross profit	31,528,212	1,975,616	1,408,557	34,912,385
Net income	17,247,124	1,725,077	1,321,741	20,293,942
Total assets	106,616,223	16,205,783	43,766,814	166,588,820
Total liabilities	32,280,078	6,267,450	27,551,055	66,098,583
2005				
Sales	66,638,178	7,193,152	4,422,206	78,253,536
Gross profit	28,816,673	2,282,748	1,984,909	33,084,330
Net income	14,757,787	1,874,290	2,527,608	19,159,685
Total assets	86,951,135	14,475,961	35,523,384	136,950,480
Total liabilities	27,309,785	5,287,933	19,131,225	51,728,943

A substantial portion of SABIC's operating assets are located in the Kingdom of Saudi Arabia. The principal markets for SABIC petrochemical products are Europe, the Middle East, and Asia Pacific. While the corporate activities are in the Kingdom of Saudi Arabia, the metals segment sales are mainly in Saudi Arabia and Gulf Cooperative Council Countries. It is not practicable to summarise the sales of the petrochemicals segment by geographic areas.

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24. RISK MANAGEMENT

Financial instruments carried on the balance sheet principally include cash and cash equivalents, accounts receivable and other assets, bank borrowings, accounts payable and accrued and other current 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 Company 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 Company has no significant interest bearing long term assets, but has interest bearing liabilities at December 31, 2006. The Company manages its borrowings made at floating rates by using interest rate swaptions (note 25), which have the economic effect of converting borrowings from floating rates to fixed rates. The interest rate swaptions, when exercised, provide the Company with the right to agree with the counter party 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 Company 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. Management monitors the fluctuations in currency exchange rates and manages their 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 Company's consolidated financial instruments are compiled under the historical cost convention, differences can arise between the book values and fair value estimates. Management believes that the fair value of the Company's consolidated financial assets and liabilities are not materially different from their carrying values.

25. DERIVATIVES

The Company entered into interest rate swap agreements and swap arrangements to hedge the volatility in interest rates related to debt outstanding at period end amounting to SR 13.6 billion (SR 13.2 billion as of December 31, 2005). The swap agreements can be exercised on different dates. The agreements state that premiums should be paid quarterly.

26. APPROPRIATION OF NET INCOME

The General Assembly, in its annual meeting held on Rabie Al-Awal 24, 1427 (April 22, 2006), approved the appropriation of the net income for the year ended December 31, 2005 as follows:

- distribution of cash dividends of SR 9,200 million (SR 23 per share) including interim cash dividends of SR 3,200 million (SR 8 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

The Board of Directors proposed on 27 Dhul Qaida 1427, corresponding to December 18, 2006, to distribute cash dividends of SR 10,000 million (SR 4 per share), for the year ended December 31, 2006, including interim cash dividends of SR 3,750 million (SR 1.5 per share) previously approved by the Board of Directors on July 15, 2006.

27. COMMITMENTS

Capital Commitments

The Company's commitment for capital expenditures at December 31, 2006 amounted to SR 66.5 billion (2005: SR 36.1 billion).

Operating Lease Commitments

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

	2006 SR'000	2005 SR'000
2006	-	370,924
2007	477,130	414,272
2008	426,739	417,146
2009	418,739	417,944
2010	417,239	417,944
Thereafter	2,927,621	2,923,316
Total	**4,667,468**	**4,961,546**

Obligations under Capital Leases

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

	2006 SR'000	2005 SR'000
2006	-	82,620
2007	82,620	82,620
2008	82,620	82,620
2009	82,620	82,620
2010	82,620	82,620
Thereafter	1,191,105	1,191,105
Total	**1,521,585**	**1,604,205**

28. CONTINGENCIES

The Company is involved in litigation matters in the ordinary course of business, which are being defended. While the ultimate results of these matters cannot be determined with certainty, management does not expect that they will have a material adverse effect on the consolidated financial statements of the Company.

The Company's bankers have issued, on its behalf, bank guarantees amounting to SR 2.1 billion (2005: SR 1.5 billion) in the normal course of business.

29. COMPARATIVE FIGURES

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

SABIC manufacturing companies

Global directory

1. SABIC R&T, Riyadh.
2. SABIC Europe headquarters, Sittard.
3. Shanghai.
4. SABIC R&T, Vadodara.

1.

2.

3.

4.

SABIC manufacturing companies

A — Basic Chemicals
B — Polymers
C — Intermediates
D — Fertilizers
E — Specialty Products
F — Metals

Company	Location	Partnership	Date established	On-stream date	Feed stocks	Products
AR-RAZI (Saudi Methanol Company) A	Al-Jubail	A 50/50 SABIC joint venture formed in1971 with a consortium of Japanese companies led by Mitsubishi Gas Chemical Company	1979 (1400 H)	1983 (1403 H)	methane	chemical grade methanol
AL-BAYRONI (Jubail Fertilizer Company) C, D	Al-Jubail	A 50/50 SABIC joint venture formed in 1971 with Taiwan Fertilizer Company	1979 (1400 H)	1983 (1403 H)	methane, propylene	ammonia, urea, 2-ethyl hexanol, DOP1385
IBN AL-BAYTAR (National Chemical Fertilizer Co.) D	Al-Jubail	50/50 SABIC joint venture with SAFCO	1985 (1405 H)	1987 (1407 H)	methane, phosphoric acid	ammonia, urea, compound fertilizer, phosphate, liquid fertilizer
GAS (National Industrial Gases Company) C	Al-Jubail	SABIC (70%) and a group of Saudi Arabian Industrial Gases Companies (30%)	1983 (1403 H)	1984 (1404 H)	air	oxygen, nitrogen, argon, krypton-xenon
HADEED (Saudi Iron and Steel Company) F	Al-Jubail	A wholly owned affiliate of SABIC	1979 (1399 H)	1983 (1403 H)	iron ore, scrap iron and steel	steel rebar, wire rod, steel sections, flat steel limestone, natural gas
KEMYA (Jubail Petrochemical Company) A, B	Al-Jubail	A 50/50 SABIC joint venture with Exxon Mobil (USA)	1980 (1400 H)	1985 (1405 H)	ethane, propane	polyethylene, ethylene
PETROKEMYA (Arabian Petrochemical Company) A, B, C	Al-Jubail	A wholly owned affiliate of SABIC	1981 (1401 H)	1985 (1405 H)	ethane, styrene, propane, butane, light naphtha	ethylene, polystyrene, butene-1, propylene, natural gasoline butadiene, benzene, polyethylene, PVC, E-PVC, PVC monomer
IBN RUSHD (Arabian Industrial Fibers Company) A, B, C	Yanbu	SABIC?(51.7%) and a group of Saudi Arabian and regional private sector partners (48.3%)	1993 (1413 H)	1995 (1416 H)	ethylene glycol, butane	aromatics (xylenes and benzene), purified terephthalic acid (PTA), polyester textile chips, textile staple, bottle grade chips, carpet staple
SADAF (Saudi Petrochemical Company) A, C	Al-Jubail	A 50/50 SABIC joint venture with Pecten Arabian, a subsidiary of Shell Oil Co. (USA)	1980 (1400 H)	1985 (1405 H)	ethane, salt, benzene, methanol, butane	ethylene, crude industrial ethanol, styrene, caustic soda, ethylene dichloride, MTBE
SAFCO (Saudi Arabian Fertilizer Company) B, D	Dammam Al-Jubail	SABIC (41%), SAFCO employees (10%), private Saudi Arabian company and Al-Jubail shareholders (49%)	1965 (1385 H)	1969 in Dammam and 1993 in Al-Jubail	methane, sulfur	ammonia, urea, sulfuric acid, melamine
SAUDI KAYAN (Saudi Kayan Petrochemical Company) A, B, C, E	Al-Jubail	SABIC (35%), Saudi Kayan Company (20%), private shareholders (45%)	Commercial registration in progress	2009 (1430 H)	butane, ethane	ethylene, propylene, polypropylene, LDPE, HDPE, ethylene glycol, bisphenol A, acetone, polycarbonate , ethanolamines, dimethyl formamide (DMF) ethoxylates, choline chloride

* SABIC joint ventures in Bahrain

Company	Location	Partnership	Date established	On-stream date	Feed stocks	Products
IBN SINA (National Methanol Company) A	Al-Jubail	SABIC (50%), CTE (50% — owned by Hoechst-Celanese and Duke Energy, USA)	1981 (1401 H)	1985 (1405 H)	methane, butane	chemical grade methanol, MTBE
SHARQ (Eastern Petrochemical Company) C, B	Al-Jubail	A 50/50 SABIC joint venture with a consortium of Japanese companies led by Mitsubishi Corporation	1981 (1401 H)	1985 (1405 H)	ethylene	polyethylene, ethylene glycol
TAYF (Ibn Hayyan Plastic Products Company) B, C	Al-Jubail	SABIC (57.17%), Industrial and Commercial Agencies Company (30.83%), Saudi Industrial Development Company (TATWEER10%), Saudi Ceramic Company (2%)	1996 (1417 H)	1999 (1420 H)	polyvinyl chloride	plastic boards, wall covering, artificial leather, dioctyl phthalate, book binding products
UNITED (Jubail United Petrochemical Company) A, B, C	Al-Jubail	SABIC (75%), Pension Fund (15%), General Organization of Social Insurance (10%)	2001 (1421 H)	2004 (1425 H)	ethane	ethylene, polyethylene, ethylene glycol (EG), linear alpha olefins (LAO), propane
YANPET (Saudi Yanbu Petrochemical Company) A, B, C	Yanbu	A 50/50 SABIC joint venture with Exxon Mobil (USA)	1980 (1400 H)	1985 (1405 H)	ethane LPG, light naphtha	ethylene, polyethylene, ethylene glycol
YANSAB (Yanbu National Petrochemical Company) A, B, C	Yanbu	SABIC (55%), private shareholders (35%), other companies in the Gulf region 10%	2006 (1426 H)	2008 (1429 H)	ethane, propane	ethylene, propylene, ethylene glycol, high density polyethylene (HDPE), polypropylene, butene-1 and butane-2, benzene, xylene, MTBE, toluene and xylene mixture
IBN ZAHR (Saudi European Petrochemical Company) A, B	Al-Jubail	SABIC (80%), Ecofuel-Italy (10%), Arab Petroleum Investment Corporation APICORP (10%)	1984 (1405 H)	1988 (1408 H)	chemical grade methanol, butane, propylene	MTBE, polypropylene
*ALBA (Aluminum Bahrain) F	Bahrain	SABIC (20%), State of Bahrain (77%), Brenton Investments, Germany (3%)	1968 (1388 H)	1971 (1391 H)	aluminum	aluminum (liquid metal, ingots, rolling stabs, billet)
*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	1979 (1399 H)	1985 (1405 H)	methane	methanol, ammonia, urea
*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%)	1981 (1401 H)	1985 (1405 H)	aluminum	aluminum sheets and can stocks

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