

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

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
(Unaudited)**

**FOR THE THREE MONTH PERIOD ENDED  
31 March 2012**

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

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INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)  
For the three month period ended 31 March 2012

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## LIMITED REVIEW REPORT

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

### Scope of review

We have reviewed the accompanying interim consolidated balance sheet of Saudi Basic Industries Corporation (SABIC) - A Saudi Joint Stock Company - and its subsidiaries (the "Group") as at 31 March 2012 and the related interim consolidated statements of income, cash flows and changes in shareholders' equity for the three-month period then ended. These interim consolidated financial statements are the responsibility of the Group's management and have been prepared by them and submitted to us with all the information and explanations which we required. We conducted our limited review in accordance with the Standard on Review of Interim Financial Reporting issued by the Saudi Organisation for Certified Public Accountants (SOCPA). A limited review consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

### Conclusion

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

For Ernst & Young



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



Riyadh: 24 Jumada Al Awwal 1433H  
(17 April 2012)

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

INTERIM CONSOLIDATED BALANCE SHEET (Unaudited)

As of 31 March 2012

(Saudi Riyals in '000)

	<i>Note</i>	<i>2012</i>	<i>2011</i>
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		59,598,952	54,829,415
Accounts receivable		33,159,049	33,273,623
Inventories		30,595,338	27,608,969
Prepayments and other current assets	4	22,014,728	15,870,474
<b>Total current assets</b>		<b>145,368,067</b>	<b>131,582,481</b>
<b>Non-current assets</b>			
Investments		9,738,402	9,567,016
Property, plant and equipment		165,727,173	165,579,243
Intangible assets	5	22,446,419	23,159,617
Other non-current assets		2,897,469	3,130,253
<b>Total non-current assets</b>		<b>200,809,463</b>	<b>201,436,129</b>
<b>TOTAL ASSETS</b>		<b>346,177,530</b>	<b>333,018,610</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Accounts payable		17,614,138	18,318,066
Short-term bank borrowings		1,783,759	1,641,151
Current portion of long-term debt		13,018,507	15,657,662
Accruals and other current liabilities		12,581,639	10,624,136
Zakat payable		3,782,737	2,402,037
<b>Total current liabilities</b>		<b>48,780,780</b>	<b>48,643,052</b>
<b>Non-current liabilities</b>			
Long-term debt	6	90,492,419	95,469,014
Employees' benefits		8,295,021	7,537,397
Other non-current liabilities		3,885,778	4,860,381
<b>Total non-current liabilities</b>		<b>102,673,218</b>	<b>107,866,792</b>
<b>Total liabilities</b>		<b>151,453,998</b>	<b>156,509,844</b>
<b>EQUITY</b>			
<b>Shareholders' equity</b>			
Share capital	7	30,000,000	30,000,000
Statutory reserve		15,000,000	15,000,000
General reserve		69,780,661	58,753,396
Retained earnings		30,512,764	24,717,960
<b>Total shareholders' equity</b>		<b>145,293,425</b>	<b>128,471,356</b>
<b>Minority interests</b>		<b>49,430,107</b>	<b>48,037,410</b>
<b>Total equity</b>		<b>194,723,532</b>	<b>176,508,766</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>346,177,530</b>	<b>333,018,610</b>

The accompanying notes 1 to 15 form an integral part of these interim consolidated financial statements.

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

INTERIM CONSOLIDATED STATEMENT OF INCOME (Unaudited)

For the three month period ended 31 March 2012

(Saudi Riyals in '000)

	<i>Note</i>	<i>For the three-month period ended 31 March</i>	
		<i>2012</i>	<i>2011</i>
Sales		48,345,538	44,873,385
Cost of sales		(33,815,656)	(29,448,227)
<b>GROSS PROFIT</b>		<b>14,529,882</b>	<b>15,425,158</b>
Selling, general and administrative expenses		(3,079,636)	(2,917,469)
<b>INCOME FROM MAIN OPERATIONS</b>		<b>11,450,246</b>	<b>12,507,689</b>
Investments and other income		699,670	563,652
Financial charges		(653,913)	(816,236)
<b>INCOME BEFORE MINORITY INTERESTS AND ZAKAT</b>		<b>11,496,003</b>	<b>12,255,105</b>
Minority interests' share in the net results of subsidiaries		(3,524,989)	(3,865,810)
<b>INCOME BEFORE ZAKAT</b>		<b>7,971,014</b>	<b>8,389,295</b>
Zakat	8	(700,000)	(700,000)
<b>NET INCOME FOR THE PERIOD</b>		<b>7,271,014</b>	<b>7,689,295</b>
<b>EARNINGS PER SHARE (SR):</b>			
Attributable to income from main operations	9	3.82	4.17
Attributable to net income for the period	9	2.42	2.56

The accompanying notes 1 to 15 form an integral part of these interim consolidated financial statements.

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

INTERIM CONSOLIDATED STATEMENT OF CASH FLOW (Unaudited)

For the three month period ended 31 March 2012

(Saudi Riyals in '000)

	<i>For the three-month period ended 31 March</i>	
	<i>2012</i>	<i>2011</i>
<b>OPERATING ACTIVITIES</b>		
Income before zakat	7,971,014	8,389,295
<i>Adjustments for:</i>		
Depreciation and amortization	3,240,936	2,761,994
Share in results of associated companies, net	(248,792)	(86,928)
Minority interests' share in the net results of subsidiaries	3,524,989	3,865,810
<i>Changes in operating assets and liabilities:</i>		
Accounts receivable	(1,732,604)	(4,384,095)
Inventories	868,632	(1,486,892)
Prepayments and other current assets	(2,893,040)	(4,431,096)
Accounts payable	1,226,039	4,941,618
Accruals and other current liabilities	3,651,162	(1,746,085)
Employee benefits	(259,770)	8,859
Other non-current liabilities	(160,252)	443,321
Zakat paid	(57,659)	(92,796)
<b>Net cash from operating activities</b>	<b>15,130,655</b>	<b>8,183,005</b>
<b>INVESTING ACTIVITIES</b>		
Property, plant and equipment, net	(2,651,877)	(2,996,624)
Investments, net	211,471	(575,669)
Intangible assets, net	(625,029)	(326,954)
Other non-current assets, net	(354,000)	(1,066,413)
<b>Net cash used in investing activities</b>	<b>(3,419,435)</b>	<b>(4,965,660)</b>
<b>FINANCING ACTIVITIES</b>		
Short-term bank borrowings, net	2,339,485	1,645,026
Long-term debt, net	450,336	520,643
Dividends paid	(13,355)	(9,068)
Minority interests, net	(5,278,106)	(1,192,918)
<b>Net cash (used in) from financing activities</b>	<b>(2,501,640)</b>	<b>963,683</b>
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>9,209,580</b>	<b>4,181,028</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD</b>	<b>50,389,372</b>	<b>50,648,387</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD (NOTE 4)</b>	<b>59,598,952</b>	<b>54,829,415</b>

The accompanying notes 1 to 15 form an integral part of these interim consolidated financial statements.

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

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN  
SHAREHOLDERS' EQUITY (Unaudited)

For the three month period ended 31 March 2012  
(Saudi Riyals in '000)

	<i>Share capital</i>	<i>Statutory reserve</i>	<i>General reserve</i>	<i>Retained earnings</i>	<i>Total</i>
<b><u>31 MARCH 2012</u></b>					
Balance as of 1 January 2012	30,000,000	15,000,000	69,780,661	23,241,750	138,022,411
Net income for the period	--	--	--	7,271,014	7,271,014
Balance as of 31 March 2012	<u>30,000,000</u>	<u>15,000,000</u>	<u>69,780,661</u>	<u>30,512,764</u>	<u>145,293,425</u>
<b><u>31 MARCH 2011</u></b>					
Balance as of 1 January 2011	30,000,000	15,000,000	58,753,396	17,028,665	120,782,061
Net income for the period	--	--	--	7,689,295	7,689,295
Balance as of 31 March 2011	<u>30,000,000</u>	<u>15,000,000</u>	<u>58,753,396</u>	<u>24,717,960</u>	<u>128,471,356</u>

The accompanying notes 1 to 15 form an integral part of these interim consolidated financial statements.

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (continued)  
31 March 2012

**1. ORGANIZATION AND ACTIVITIES**

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

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

**2. BASIS OF PREPARATION**

The interim consolidated financial statements have been prepared in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia issued by the Saudi Organization for Certified Public Accountants (SOCPA).

**Accounting convention**

The interim consolidated financial statements are prepared under the historical cost convention, except for the measurement at fair value of available for sale investments and derivative financial instruments, using the accrual basis of accounting and the going concern concept.

**Use of estimates**

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

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies adopted by SABIC in preparing its interim consolidated financial statements, summarized below, are in conformity with those described in the annual audited consolidated financial statements for the year ended 31 December 2011.

The interim consolidated financial statements and the accompanying notes should be read in conjunction with the annual audited consolidated financial statements and the related notes for the year ended 31 December 2011.

**Basis of consolidation**

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

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

	<i>Direct and indirect shareholding %</i>	
	<i>2012</i>	<i>2011</i>
SABIC Industrial Investments Company (SIIC) and its subsidiaries	<i>100.00</i>	<i>100.00</i>
SABIC Luxembourg S.a.r.l.(SLUX) and its subsidiaries	<i>100.00</i>	<i>100.00</i>
SABIC Asia Pacific Pte. Ltd. (SAPPL) and its subsidiaries	<i>100.00</i>	<i>100.00</i>
Arabian Petrochemical Company and its subsidiary (Petrokemya)	<i>100.00</i>	<i>100.00</i>
Saudi Iron and Steel Company (Hadeed)	<i>100.00</i>	<i>100.00</i>
SABIC Sukuk Company (Sukuk)	<i>100.00</i>	<i>100.00</i>



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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (continued)  
31 March 2012

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

	<i>Direct and indirect shareholding %</i>	
	<i>2012</i>	<i>2011</i>
SABIC Industrial Catalyst Company (Sabcat)	100.00	100.00
Saudi European Petrochemical Company (Ibn Zahr)	80.00	80.00
Jubail United Petrochemical Company (United)	75.00	75.00
National Chemical Fertilizer Company (Ibn Al-Baytar)	71.50	71.50
National Industrial Gases Company (Gas)	70.00	70.00
Yanbu National Petrochemical Company (Yansab)	51.95	51.95
Saudi Methanol Company (Ar-Razi)	50.00	50.00
Al-Jubail Fertilizer Company (Al-Bayroni)	50.00	50.00
Saudi Yanbu Petrochemical Company (Yanpet)	50.00	50.00
National Methanol Company (Ibn Sina)	50.00	50.00
Saudi Petrochemical Company (Sadaf)	50.00	50.00
Eastern Petrochemical Company (Sharq)	50.00	50.00
Al-Jubail Petrochemical Company (Kemya)	50.00	50.00
Arabian Industrial Fiber Company (Ibn Rushd)	47.26	47.26
Saudi Arabian Fertilizer Company (Safco)	42.99	42.99
Saudi Kayan Petrochemical Company (Saudi Kayan)	35.00	35.00

All directly owned subsidiaries are incorporated in the Kingdom of Saudi Arabia except for SLUX, and SAPPL which are incorporated in Luxembourg and the Republic of Singapore, respectively. Yansab, Safco, and Saudi Kayan are quoted Saudi Joint Stock Companies. Saudi Kayan commenced its commercial operations on 1 October 2011.

SINOPEC/SABIC Tianjin Petrochemical Co. Ltd, a jointly controlled entity, equally owned by SIIC and China Petroleum & Chemical Corporation (SINOPEC) has been proportionately consolidated in these interim consolidated financial statements.

**Cash and cash equivalents**

Cash and cash equivalents include cash on hand, bank balances, short term deposits, demand deposits, and highly liquid investments with original maturities of three months or less.

**Accounts receivable**

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

**Inventories**

Inventories are stated at the lower of cost or market value. Cost of raw materials, consumables, spare parts and finished goods is principally determined on a weighted average cost basis. Inventories of work in progress and finished goods include cost of materials, labor and an appropriate proportion of direct overheads.

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (continued)  
31 March 2012

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

**Property, plant and equipment**

Property, plant and equipment are stated at cost net of accumulated depreciation except for freehold land and construction work in progress which are stated at cost. Expenditure on maintenance and repairs is expensed, while expenditure on improvements is capitalized. Financial charges incurred on borrowings related to property, plant and equipment during the period of construction are capitalised as part of the cost of the property, plant and equipment. Financing charges are capitalised up to the date the item of property, plant and equipment is ready for its intended use.

Depreciation is provided over the estimated useful lives of the applicable assets using the straight-line method. Leasehold improvements are depreciated over the shorter of the estimated useful life or the remaining term of the lease. Depreciation for construction work in progress commences when the relevant capital project is ready for its intended use.

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

Buildings	33 years
Plant and equipment	20 years
Furniture, fixtures and vehicles	4 -10 years

**Investments**

***Associated companies***

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

***Available for sale***

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

Fair value is determined by reference to the market value if an open market exists, or on the basis of the most recent financial statements. Otherwise, cost is considered to be the fair value.

***Held to maturity***

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

***Jointly controlled entities***

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

**Short term investments**

Short-term investments with maturities of more than 3 months but less than a year are included under prepayments and other current assets. Income from these investments is recognized on an accrual basis.

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (continued)  
31 March 2012

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

**Intangible assets**

***Goodwill***

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

***Pre-operating expenses***

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

**Impairment**

The Group periodically reviews the carrying amounts of its long-term tangible and intangible assets to determine whether there is any indication that those assets have suffered any impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

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

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

**Accounts payable and accruals**

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

**Dividends**

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

**Zakat and income tax**

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

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

SAUDI BASIC INDUSTRIES CORPORATION (SABIC) AND ITS SUBSIDIARIES  
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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (continued)  
31 March 2012

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

**Employee benefits**

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

**Employee home ownership program**

Unsold housing units constructed for eventual sale to eligible employees are included under land and buildings and are depreciated over 33 years. Upon signing the sale contract with the eligible employees, the relevant housing units are classified under other non-current assets.

**Revenue recognition**

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

**Selling, general and administrative expenses**

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

**Technology and innovation expenses**

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

**Foreign currency translation**

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

The financial statements of foreign operations are translated into Saudi Riyals using the exchange rate at each balance sheet date, for assets and liabilities, and the average exchange rates for revenues and expenses. Components of equity, other than retained earnings, are translated at the rates prevailing at the date of their occurrence. Translation adjustments, if material, are recorded as component of shareholders' equity.

**Derivative financial instruments**

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

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

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

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (continued)  
31 March 2012

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

**Leasing**

Leases are classified as capital leases whenever the terms of the lease transfer substantially all of the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Assets held under capital leases are recognized as assets of the Group at the lower of the present value of the minimum lease payments or the fair market value of the assets at the inception of the lease.

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

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

**Segment reporting**

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

**4. PREPAYMENTS AND OTHER CURRENT ASSETS**

Prepayments and other current assets include short-term cash investments with maturities of more than three months but less than a year amounting to SR 18 billion as at 31 March 2012 (SR 13 billion as at 31 March 2011)

**5. INTANGIBLE ASSETS**

Intangible assets include goodwill, patents, trademarks, pre operating costs and other intangibles.

**6. LONG-TERM DEBT**

**Term loans**

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

SABIC has issued guarantees to different commercial banks for the loan facilities for some of its affiliates in the Kingdom of Saudi Arabia, for funding their projects and expansions. As of 31 March 2012, the outstanding amount of these guarantees amounted to SR 9 billion (SR 6.5 billion as of 31 March 2011).

**Sukuk**

On 29 July 2006, SABIC issued its first Sukuk amounting to SR 3 billion at par value of SR 50,000 each without discount or premium, maturing in 2026. On 16 July 2011, SABIC purchased the assets of its first Sukuk amounting to SR 3 billion in accordance with the terms and conditions of the Sukuk.

On 15 July 2007, SABIC issued its second Sukuk amounting to SR 8 billion, at par value of SR 10,000 each, subject to minimum holding of SR 50,000, without discount and premium, maturing in 2027. The second Sukuk has been classified under current portion of long-term debt as of 31 December 2011.

On 3 May 2008, SABIC issued its third Sukuk amounting to SR 5 billion, at par value of SR 10,000 each, without discount or premium, maturing in 2028.

The Sukuk issuances bear a rate of return based on SAIBOR plus a specified margin payable quarterly in arrears from the net income received under the Sukuk assets held by the Sukuk custodian 'SABIC Sukuk Company', a wholly owned subsidiary of SABIC.



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(A Saudi Joint Stock Company)

### NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (continued)

31 March 2012

#### 6. LONG-TERM DEBT (continued)

##### *Sukuk (continued)*

At the end of each five year period, SABIC shall pay an amount equal to 10% of the aggregate face value of the Sukuk as bonus to the Sukuk holders. SABIC has provided an undertaking to the Sukuk holders to purchase the Sukuk from the Sukuk holders on the first, second and third "fifth year date" (the respective periodic distribution date following after fifth, tenth and fifteenth year of issue) at an amount equivalent to 90%, 60% and 30% of the face value respectively.

As of 31 March 2012, total outstanding Sukuk amounted to SR 13 billion (SR 16 billion as of 31 March 2011).

##### *Bonds and notes*

In 2008, SABIC Capital I B.V. (a wholly-owned indirect subsidiary of SLUX) executed an exchange offer to replace SABIC Europe B.V. in carrying the liability of the unsecured Euro 750 million Euro-bond which carries a fixed coupon rate of 4.5% with a final maturity date due on 28 November 2013.

In 2010, SABIC Capital I B.V. issued a 5 year USD 1 billion bond with a coupon rate of 3% and a final maturity date due on 2 November 2015.

On 31 August 2007, SIP issued senior unsecured notes of USD 1.5 billion with final maturity date due on 15 August 2015. The outstanding senior unsecured notes were voluntarily redeemed in full on 15 August 2011.

On 29 December 2009, SABIC entered into an agreement with Public Investment Fund (PIF) for a private placement of unsecured Saudi Riyal notes amounting to SR 10 billion with multiple tranches. Such tranches when drawn will have a bullet maturity after 7 years. As of 31 March 2012, total Saudi Riyal notes drawn under the above mentioned instruments amounted to SR 9 billion (SR 5 billion as of 31 March 2011).

#### 7. SHARE CAPITAL

The share capital amounting to SR 30 billion is divided into 3 billion shares of SR 10 each as of 31 March 2012 and 2011.

#### 8. ZAKAT

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

SABIC has filed its zakat returns with the DZIT up to the year ended 31 December 2010, and settled the zakat dues accordingly. SABIC has cleared its zakat status with DZIT up to the year ended 31 December 2009. SABIC has received the zakat certificates up to the year ended 31 December 2010, however, the zakat assessment for the year ended 31 December 2010 is under review by the DZIT.

#### 9. EARNINGS PER SHARE

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

SAUDI BASIC INDUSTRIES CORPORATION (SABIC) AND ITS SUBSIDIARIES  
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31 March 2012

10. SEGMENT INFORMATION

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

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

	<i>Chemicals</i> <i>SR'000</i>	<i>Fertilizers</i> <i>SR'000</i>	<i>Metals</i> <i>SR'000</i>	<i>Corporate</i> <i>SR'000</i>	<i>Consolidation adjustments &amp; eliminations</i> <i>SR'000</i>	<i>Total Group</i> <i>SR'000</i>
<b>31 March 2011</b> <b>(Unaudited)</b>						
Sales	55,098,173	1,908,480	4,182,355	3,656,394	(16,499,864)	48,345,538
Gross profit	11,176,604	1,139,932	679,837	782,568	750,941	14,529,882
Net income	8,033,284	1,142,411	486,439	7,500,354	(9,891,474)	7,271,014
Total assets	259,745,062	14,006,241	22,311,006	228,198,975	(178,083,754)	346,177,530
Total liabilities	166,479,083	1,812,560	4,720,643	76,727,581	(98,285,869)	151,453,998

**31 March 2011**  
**(Unaudited)**

Sales	51,918,156	1,842,351	4,008,722	3,578,360	(16,474,204)	44,873,385
Gross profit	12,375,335	1,184,038	938,085	380,817	546,883	15,425,158
Net income	8,880,422	1,224,961	726,541	8,246,771	(11,389,400)	7,689,295
Total assets	258,005,514	12,897,282	20,839,037	207,540,830	(166,264,053)	333,018,610
Total liabilities	169,492,133	1,875,907	5,074,683	72,822,929	(92,755,808)	156,509,844

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

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

11. INTERIM RESULTS

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

SAUDI BASIC INDUSTRIES CORPORATION (SABIC) AND ITS SUBSIDIARIES  
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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (continued)  
31 March 2012

**12. CONTINGENT LIABILITIES**

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

The Group's bankers have issued, on its behalf, bank guarantees amounting to SR 1.2 billion (2011: SR 1.5 billion) in the normal course of business.

**13. DERIVATIVE FINANCIAL INSTRUMENTS**

The Group has executed derivative financial instruments including commission rate swaps. The remaining notional amount outstanding at 31 March 2012 under such agreements were SR 24.5 billion (31 March 2011: SR 18.3 billion).

**14. SUBSEQUENT EVENTS**

The Annual General Assembly, in its meeting held on 23 Jumada Al Awwal 1433H corresponding to 14 April 2012, approved the appropriation of the net income for the year ended 31 December 2011 as follows:

- distribution of cash dividends of SR 15 billion (SR 5 per share), this includes the interim cash dividends amounting to SR 6 billion (SR 2 per share) for the first half of 2011;
- payment of SR 1.4 million as Board of Directors' remuneration; and
- transfer of the remaining balance to the general reserve.

**15. COMPARATIVE FIGURES**

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