Access to new resources, markets and technologies allows SABIC to work with customers in innovative ways

Report and Accounts 2007

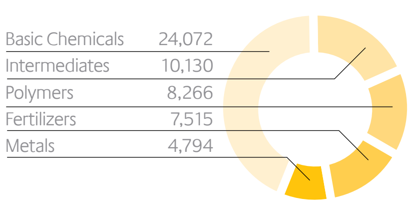
Sharing our futures

Contents

Our vision is to be the preferred world leader in chemicals

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

Total production by business unit
'000 metric tons



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.

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.

Polymers
The Polymers SBU produces two major polyolefin derivatives, making SABIC currently the world's third largest producer of polyethylene and the fourth 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.

Fertilizers
Among the Fertilizer SBU's products are urea, ammonia and phosphate. Along with three affiliates – Saudi Arabian Fertilizer Company (SAFCO), Jubail Fertilizer Company (AL-BAYRONI) and National Chemical Fertilizer Company (IBN AL-BAYTAR) – SABIC is a major producer of ammonia and the world's largest producer and exporter of granular urea.

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

SABIC Innovative Plastics
The launch of SABIC Innovative Plastics makes SABIC a world-class leader in engineering plastics, with a broad portfolio of high-performance resins, polymer shapes and thermoplastic film and sheet. The launch was a key strategic step toward becoming the preferred world leader in chemicals.

Specialty Products
The Specialty Products SBU was created to focus on new high value special derivatives, targeting market sectors selected for their profit potential. These include specialist automotive, catalyst, oilfield and rubber chemicals, specialty polymers and polymer additives. The SBU works to meet customers' needs ever better, provide consistently excellent service, and stay at the leading edge of application technology.

Overview

In 2007 SABIC strongly increased revenues, launched new businesses and strengthened training. We expanded both our product range and our geographic reach.

Net income 2007

SR 27bn

Increase in income on the previous year

33%

Sales revenue 2007

SR 126.2bn

Increase in sales revenue on previous year

46%

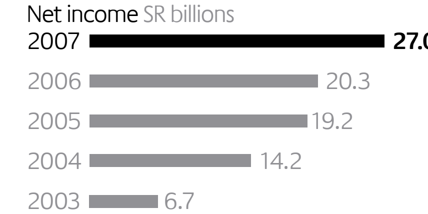
Total assets at end of 2007

SR 256.2bn

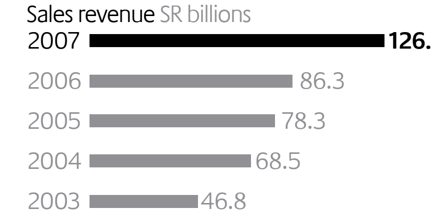
Increase in total assets on previous year

54%

Net income SR billions



Sales revenue SR billions



Number of countries in which SABIC has operations

40+

Number of SABIC manufacturing sites

45+

Number of employees worldwide

31,000+

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

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

Consistently profitable, and with global ambitions, SABIC now employs more than 31,000 people working in more than 100 countries on six continents.

Our employees, truly our most valuable asset, generated in 2007 sales of SR 126.2 billion, with net profits of SR 27 billion.

New materials making new products possible
Working with our partners, we develop new materials to help them realize their visions and stay ahead of their competitors. Our resins help built-in antennas perform better; our films help visual displays cope with heat and resist scratching; and our self-lubricating materials help tiny moving parts work faultlessly.

Helping farmers feed growing populations
With growing and increasingly prosperous populations around the world adopting new and better diets, the challenges facing the world's farmers grow week by week. SABIC, a major fertilizer producer, helps farmers on every continent get more out of the land they farm.

Tough materials perform
Dyson engineers beat, bash, freeze and drop prototypes to develop ever tougher new vacuum cleaners. Where traditional materials give up, the new SABIC specialty resins can take it, enabling unprecedented durability and reliability.

Clearly better, clearly brighter
New brighter, clearer, more scratch-resistant screens are the interface in a broad range of today's electronic tools. SABIC polymers are used to make the screens, while virtually invisible SABIC films are used to protect them.

The most precious; the most vulnerable
SABIC, working with Dorel of The Netherlands, developed a new, super-strong, impact-resistant, PP block copolymer – a type of polypropylene – so Maxi-Cosi can make child car seats and push chairs that are easily moldable and tough, and also have a pleasing surface finish.

Turning waste into warmth
Ever wondered what happens to all those old plastic bottles? SABIC is working on a range of imaginative solutions – like recycling used PET bottles into clothing.

Easy to make, easy to fit
Car makers, operating in a fiercely competitive global market, are increasingly using pre-formed units such as this headlight assembly. The lens and housing are made from different types of highly engineered thermoplastics, delivering the desired performance in one easily produced and installed unit.

Simplicity through complexity
A simple pair of glasses: made from very complex, highly-engineered polymers and films, the lenses made from special polymers make them scratch resistant. The frames are made from polymers that flex but don't break. Innovative materials creating simple solutions.

Metals for the modern world

SABIC produces special flat steel for household appliances, from refrigerators and stoves to oven hoods. We also produce the chemicals used to protect them, with specialist coatings that ensure a longer life.

The hard work that goes into leisure

Once simple, ski boots are now highly-engineered, sophisticated peices of sporting equipment, enabling high performance while protecting vulnerable limbs. Meeting these demands requires special materials with highly specific characteristics.

Making innovation possible.

2007 has been another year of outstanding performance with excellent results, major strategic moves, and significant progress toward our goals for 2020.

This was reflected in record financial results. SABIC extended its historical pattern of aggressive growth in manufacturing and marketing through organic growth as well as growth through acquisitions and new joint ventures. We produced and marketed record volumes of product in 2007 while maintaining our chief source of pride: our safety record.

SABIC maintained its laser focus on our customers recognizing that the health and growth of SABIC depends directly on the health and growth of our customers around the world. During 2007 we supplied a record 55 million tons of product to customers in more than 100 countries. Over the years SABIC has developed a distribution and marketing network that allows us to serve our global customer base in a timely and efficient manner. This is a huge asset for the company and it grows in value as SABIC continues to expand its global reach.

We have continued to expand our manufacturing capability in Saudi Arabia while growing our manufacturing and marketing platform in Europe, the Americas and Asia. As a result, our global workforce has grown from 10,000 to more than 31,000 employees in less than five years. Our company now benefits from a diverse workforce of skilled and talented employees capable of driving the company forward and achieving its strategic objectives.

In 2007 SABIC took a major strategic step forward with the launch of SABIC Innovative Plastics, following the acquisition of the global assets of GE Plastics. This acquisition was the most significant that SABIC has ever made. It was not a short term step. The purchase was strategic and greatly advances our progress toward our vision for the year 2020 – that of joining the very top tier of global chemical companies.

SABIC Innovative Plastics provides our company with a broad portfolio of high performance specialty plastic products which complements SABIC's existing range of commodity polymer products. Our new addition has a proven track record of innovation and creative solutions.

While 2007 was an outstanding year for SABIC, our achievements were delivered in the context of a year of good global economic growth. There are signs that 2008 will be different with the rate of global growth slowing, which will create new challenges. However, I sincerely believe that SABIC, with its talented and dedicated employees, is fully capable of successfully meeting these challenges for the benefit of our shareholders.

We greatly value our shareholders and thank you for the confidence and trust you have placed in SABIC this past year. We hope to have your continued support as we move toward our goals for the year 2020.

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

Vice Chairman and Chief Executive Officer's report

Our most important asset.

With record net income, a major new acquisition and business launch, and the extension of our reach to many new markets and countries, 2007 has been yet another highly successful year for SABIC.

A record year – both operationally and strategically

Net income recorded a new high at SR 27 billion, compared with SR 20.3 billion in 2006 – an increase of 33%. Total operating income was up 32% at SR 41 billion, as against SR 31 billion in 2006, with total production from our manufacturing operations rising from 49.1 million tons in 2006 to 55 million tons – an increase of 12%. Our total sales revenues reached SR 126.2 billion: an increase of 46% on the SR 86.3 billion achieved in 2006. I am pleased to note that in every one of these categories, the figures we report this year are the highest achieved since SABIC's formation in 1976.

Performance worldwide

Performance for the year overall was very satisfactory. Results in Asia were particularly strong, reflecting the vigorous and rapid expansion of the region. The Asia Pacific Region continued to be the engine of global economic growth. High levels of demand driven by economic activity and burgeoning populations helped keep commodity prices strong, particularly in polymers, basic chemicals, intermediates and fertilizers. Overall, SABIC Asia Pacific's sales increased this year by some 24%, with profits up 51%. We continued to build and extend our infrastructure to enable us to serve our Asian customers ever better.

In Europe we continued to expand our presence, and achieved sound performance across the board, helped by good contributions from businesses acquired in recent years, including Huntsman's UK basic chemicals and polymers business.

In the Middle East and Africa, SABIC grew its presence in the region, with new production facilities and extensions to our distribution and marketing infrastructure. In the Americas our prices, volumes and production were all affected by a degree of volatility in the economy. A strong performance in fertilizers, driven by the demand for corn based ethanol, compensated for the effects of restricted basic chemical and intermediate supplies.

September saw the launch of SABIC Innovative Plastics, following our acquisition of GE Plastics for US$11.6 billion; an important strategic move which extended our range of products by adding high performance specialty plastics to our existing portfolio of mostly commodity polymers. SABIC now has a tremendous new resource of additional expertise, technology and goodwill. To ensure we capitalize on this, we launched an Integration Program to identify useful synergies, and progress integration into SABIC organizationally. This new business will help us realize some of the most important objectives of our SABIC 2020 growth strategy.

Major strategic initiatives

SABIC 2020, the corporate strategy launched in 2006, remains very much on course and continues to provide clear guidelines for our business decisions. SABIC 2020 helps us identify all the elements that must be in place as SABIC moves to achieve global leadership in our industry. With a clearly defined roadmap to the year 2020 in place, all sectors of SABIC's global workforce can move cooperatively in a unified direction.

Accelerating growth requires expansion of our executive teams at both middle and higher levels. SABIC 2020 identified this as a key challenge and, as a consequence, SABIC Learning has been established. It is an in-house teaching structure which allows us to focus learning on the real, day-to-day challenges our managers and teams face. Our goal is to establish SABIC as a 'learning organization' – where SABIC provides the resources necessary for our employees to learn new skills which will allow them to reach their full potential. We want our people to realize their potential as individuals and employees.

SABIC's new office in Ho Chi Minh City, Vietnam.

World class training.

Our corporate strategy, SABIC 2020, helps us identify all the elements that must be in place as SABIC moves to achieve global leadership in our industry.

SABIC 2020 identified the significant benefits which could be reaped from optimizing our increasingly complex global supply chains. To meet this challenge, EMDAD – a supply chain management project was launched. It aims to enhance supply chain performance by securing more effective long term arrangements, stabilizing regular shipments to customers, and building mutually beneficial relationships with customers, shipping and transport operators and other business partners. EMDAD addresses every element in our supply chain, from customer relationship management to sales and marketing; from operations to logistics, in search of opportunities to introduce global best practice, enhancing efficiency and driving down operating costs.

Research and Technology

2007 was a busy and successful year for our Research and Technology (R&T) operations with the launch of new products, improvement of existing ones, and cost-cutting improvements to production processes. The launch of SABIC Innovative Plastics saw our R&T resources reinforced with the addition of seven Centers of Excellence in different parts of the world. SABIC R&T now has technical centers which span the globe with capabilities for innovation greater than at any time in SABIC's history.

Among the year's highlights, new iron and steel by-products were manufactured for the first time at HADEED; successful tests on a new polypropylene (PP) fourth generation catalyst proved its ability to achieve both higher quality and greater productivity; and tests confirmed major improvements in product quality achieved by enhancements to the HDPE chrome-based catalyst fabrication process.

SABIC this year continued to build its intellectual property; we now have nearly 5,700 patents. Finally, and importantly, I am pleased to report that the unit this year completed more than 12 million working hours without a single lost workday injury.

Investing in innovation and specialties

The launch of SABIC Innovative Plastics marks a major new chapter in the evolution of our organization. I believe it is important to stress that this acquisition was taken as a strategic step to position SABIC for long term growth in a highly specialized and high performance sector of the plastics market – a market sector that would have taken SABIC many years to penetrate without this acquisition. Strategically it moved SABIC forward dramatically on its 2020 growth path. This was not a short term step and should not be evaluated on a short term performance basis. More specifically, the acquisition:

- Was a major strategic step toward our vision of being the world's preferred leader in chemicals.
- Substantially broadened our plastics portfolio with high performance specialty plastics.
- Increased our global workforce by around a third, gaining approximately 10,000 new talented employees, with an excellent reputation for growth and innovation.
- Provided significant additional plants and compounding operations, and world-class application and technology centers.
- Opened up major new opportunities for exploitable synergies in innovation knowledge and value chain extension.

Expanding our global infrastructure

SABIC continued to extend its global market presence and its range of products and services.

Our growth was particularly strong in Asia, with new offices in Beijing in China, Jakarta in Indonesia and Ho Chi Minh City in Vietnam, as well as a mobile office to serve our customers in Malaysia. Three new warehouses and storage facilities were established in China and we also invested in expansion of existing facilities in Korea, Indonesia and Singapore. With annual growth in the Asia Pacific region averaging around 10%, it is vital for us to continue to build an extensive distribution infrastructure in preparation for the years ahead.

We are positioning SABIC to be the preferred global leader. With this in mind, SABIC is expanding its global marketing and distribution network to all significant regional markets.

Responsible leadership

Determined as we are to be leaders in our industry, we are aware of the responsibilities this entails. We believe in the highest standards of Corporate Social Responsibility. This implies open and transparent business practices underpinned by strong ethical principles, governed by respect for all stakeholders, and special care for the environment.

In all our activities, wherever we operate, we look to aid social and economic development by:

- Maintaining the highest standards of integrity and honesty in all of our dealings.
- Improving the quality of life of our workforce and their families, our suppliers and customers, and society at large.
- Supporting the sustainable use of energy, materials and natural resources.

We are fully committed to the fundamental ethical principles of Corporate Social Responsibility.

New challenges

2007 has been a strong year of achievement and progress for our company, accompanied by robust global economic growth. We are confident that 2008 will represent another good year for SABIC, but one that will not be without its challenges.

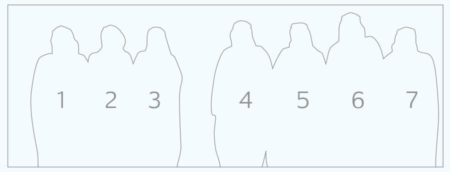
In facing these new challenges, I believe our company has never been stronger or more prepared than it is today. SABIC is growing in its ability to achieve operational excellence and in its ability for innovation as well as strategic planning. The foundation for this growing capability is found in the skills and dedication of our large and diverse workforce around the world which now numbers more than 31,000.

I wish to thank all of our shareholders for the faith and confidence you have placed in SABIC, not only during 2007, but since its inception. We are committed to continuous improvement in all aspects of our business and in achieving the best possible results for you, and all our stakeholders.

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

Board of directors

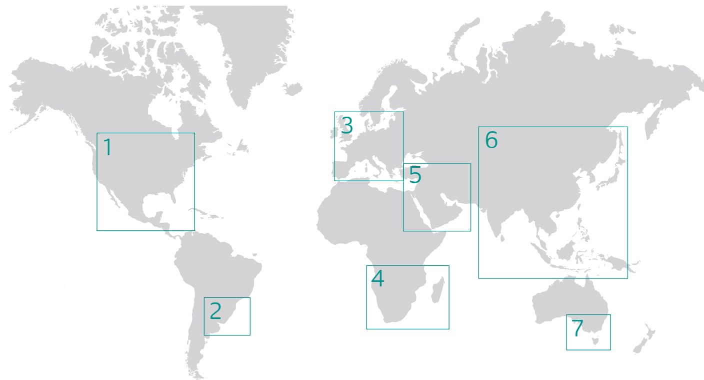
4. HH Prince Saud bin Abdullah bin Thenayan Al-Saud
   Chairman of the board
3. Mohamed H. Al-Mady
   Vice Chairman and Chief Executive Officer
7. Ahmed Ibrahim Al-Hakami
1. Abdulmuhsin Ibn Abdulaziz Al-Faris
5. Saleh E. Al-Husseini
2. Abdullah M. Al-Issa
6. Mohammed S. Abanumay

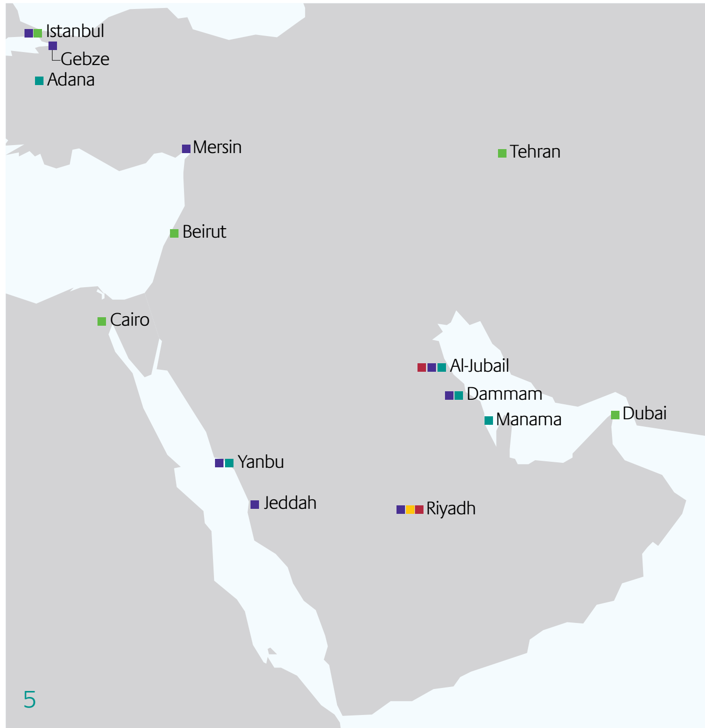


Global operations
as of December 31, 2007

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

SABIC is committed to steadily growing its global footprint, both to deepen relationships with our existing customers and to reach out to new ones.





Protecting perishable products.

Research at its best.

Basic Chemicals, SABIC's largest business unit, delivered a record volume of products in 2007. It reduced operating costs and added more value to its products. Major investments in new production capacity were made and the drive to gain new business in emerging markets, particularly in Asia, was accelerated. The business is now differentiating its products, adding even more value through by-products, branding and customer service.

The basics of modern life

Basic chemicals are the materials that make up many of the objects that surround us in daily life. Produced from hydrocarbon feedstocks such as methane, ethane, propane and butane, they form the basis of petrochemical production and fundamental to the production of a vast range of industrial and consumer goods. They account for over 40% of SABIC's total production.

The business unit consists of three main divisions: Olefins, Aromatics and Oxygenates. Olefins include the ethylene, propylene, butadiene and butene-1 product lines, which are used mainly in other SABIC downstream plants. Aromatics include styrene, benzene, pyrolysis gasoline and paraxylene. Oxygenates include methanol, crude industrial ethanol (CIE) and the high-octane gasoline-blending component methyl tertiary butyl ether (MTBE).

Production of these chemicals takes place in a number of SABIC manufacturing affiliates, many of which are currently boosting capacity substantially. SABIC is now the world's number one producer of MTBE and the second largest producer of methanol.

A strong and growing player

SABIC is a strong and fast-growing player in the world market for basic chemicals. The global industry is highly fragmented; there are a large number of producers, and no one company, or group of companies, dominates. SABIC is positioning itself to become even stronger in an industry that is widely seen as being ready for consolidation. During 2007 rising commodity prices, particularly oil prices, had knock-on effects in the markets for basic chemicals, including that for naphtha. This market volatility created challenges and opportunities for SABIC but had no material effect on the underlying pattern of growth. In the longer term, we anticipate strong and sustainable market growth, particularly in fast-growing Asia. Expansion in production capacity in Saudi Arabia, and the Middle East in general, is also expected to continue.

Basic Chemicals accounts for over 40% of SABIC's total production, making it the company's largest single business.

Expanding capacity

Basic chemicals are commodity products and, as such, are subject to declining returns over the longer term. In order to maintain its high level of profitability, the unit continuously strives to decrease production costs and add value to products. In order to take advantage of economies of scale, manufacturing plants must be world-scale with the largest possible production capacities. SABIC manufacturing subsidiaries are continuously expanding production capacity in order to maintain their world-leading production cost advantage and take advantage of the latest technologies and capabilities.

Contracts for work on three mega-projects at SHARQ (Al-Jubail), YANSAB (Yanbu) and SAUDI KAYAN (Al-Jubail) were awarded during 2007. Work continued at two new plants at Yanbu for the Yanbu National Petrochemical Company (YANSAB). Significant progress was made on the construction of an ethylene plant which is scheduled to come on-stream in 2008. Work on a butane plant was begun. It will complete the complex, and is to come on-stream in 2008.

When completed, the three mega-projects will deliver substantial increases in SABIC's production capabilities. The start-up of SHARQ and YANSAB in 2008 will increase SABIC's olefins production capacity by about 2.5 million metric tons; SAUDI KAYAN will add a further 1.35 million metric tons when it comes on-stream in 2009. SABIC's annual ethylene production capacity will then total more than 11 million metric tons.

During 2007 the Saudi Methanol Company (AR-RAZI) in Al-Jubail continued work on the expansion of the AR-RAZI–5 methanol plant. Expected to come on-stream in 2008, the project will add 1.7 million metric tons to methanol production capacity.

SABIC anticipates continued growth in demand for both olefins and aromatics and intends to continue boosting production capacity in both segments.

Building a global network

SABIC's sales network is now global. We operate in the fast-growing emerging markets of the Asia Pacific and in the more mature markets in North America and Europe.

In order to take advantage of different growth rates and market patterns, and also deal with financial and market volatility, SABIC's sales network is agile, adapting rapidly to changing opportunities. During 2007 markets in the Asia Pacific delivered strong growth and revenues grew in proportion. The Indian market grew rapidly and SABIC is now the number one supplier of styrene monomer there.

Demand also grew in the large European market where SABIC generates revenues in excess of SR 11 billion annually.

Expanding capacity.

SABIC uses natural gas to produce many chemicals which make the comforts of modern life possible: towels that feel wonderful, materials that last longer.

Chemicals that make life today possible.

New gas expansion projects are currently underway in Al-Jubail and Yanbu Industrial cities. These will bring total daily production capacity of oxygen to around 19,400 metric tons.

2007 was a busy year for SABIC's Intermediates business, with volatility in pricing. At the same time, it was a year of consolidation and investment for the future, with the addition of major new productive capacity. The aim is to meet the long-term demand growth envisaged over the next few decades, particularly, though not only, in the vast and fast-growing economic powerhouses of Asia.

Feedstocks to industry

SABIC's Intermediates SBU's four main product segments are fiber intermediates, industrial gases, chemical intermediates and linear alpha olefins. These essential chemical components are critical to numerous downstream industries, and the SBU produces them for its own industrial processes, as feedstock for SABIC affiliates, and for local and global markets.

Fiber Intermediates include mono ethylene glycol (MEG), di-ethylene glycol (DEG), tri-ethylene glycol (TEG), and purified terephthalic acid (PTA). SABIC is the world's number one producer of glycols. Key applications for such products include polyester fiber, PET resins, anti-freeze, USP, UPR, polyol and dehydration solvents.

The main industrial gases are oxygen, a key component in the production of ethylene glycol and ethylene oxide, and nitrogen, used in industrial plants in applications such as plant shutdowns, purging and blanketing.

2007 was an exceptional year for mono ethylene glycol (MEG); prices reached a record high in the fourth quarter due to production problems experienced by other producers.

Chemical intermediates include ethylene dichloride (EDC), caustic soda, 2–ethyl hexanol (2–EH), Dioctyl phthalate (DOP), iso-butyl aldehyde (IBAL), and vinyl chloride monomer (VCM). VCM, produced from EDC, is used to produce polyvinyl chloride, more commonly known as PVC, used in a vast range of products, from flooring to cladding to roofing. The other chemical intermediates are used to make acid neutralization, petroleum refining, alumina, soaps, plasticizers, solvents, iso-butanol and NPG.

Linear alpha olefins' main applications range from use as co-monomers for polymer production (eg HDPE, LLDPE), polyalphaolefins used as synthetic lubricants, and in various chemical intermediates, surfactants, detergent alcohols, plasticizer alcohols oilfield chemicals, and waxes.

Under construction

Affiliates SHARQ and YANSAB have new ethylene glycol plants under construction, in Al-Jubail and Yanbu respectively. Both are scheduled to go on-stream in 2008, boosting SABIC's annual MEG capacity by 1.4 million metric tons. The company's total MEG capacity will grow to 5.2 million metric tons a year by 2009.

SABIC's linear alpha olefins (LAO) plant employs α-SABLIN technology 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. The plant, completed at the end of 2006, underwent pre-commission and commission activities in 2007, with production scheduled to begin in 2008.

New gas expansion projects are currently underway in Al-Jubail and Yanbu Industrial cities. These will bring total daily production capacity of oxygen to around 19,400 metric tons, while nitrogen production increases to around 9,750 metric tons per day.

Contributing to affordable health care.

Specialty Products is undertaking a global search for new opportunities in this highly technological and fast-growing field.

SABIC's recently established Specialty Products SBU markets new high-value special derivatives, which are expected in time to become a major component of SABIC's portfolio and to play an important role in the company's long-term growth strategy. The new SBU has identified a number of key market sectors on which to focus, including automotive, surfactants, catalyst, rubber, compounding and polymer additives.

Working in partnership

Specialty Products will combine product and application development with close customer support and rigorous marketing to increase SABIC's presence and market share in targeted regions of the world. It will work closely with SABIC Research and Technology and the company's overseas offices to proactively understand customers' needs, deliver the products and services they want, and stay on the leading edge of application technology.

Over the course of 2007 the new SBU focused on continuing to build the basic core capabilities necessary to establish its presence in its targeted market sector: sales and marketing, product applications development and customer services and support. Potential opportunities were identified and evaluated, and a new business entry road map drawn up. Global sales and marketing teams were established, bringing in expertise from HQ Product Management, SABIC Europe, SABIC Asia Pacific, SABIC Innovative Plastics and SABIC Americas.

Exploring new opportunities

Since its creation Specialty Products has been undertaking a global search for new opportunities in this highly technological and fast-growing field. In line with the SABIC 2020 strategy, Specialty Products is examining a range of growth options, through acquisitions and expansions of existing capacity.

Car instrument panels have to be tough, light and durable. SABIC polymers meet these requirements and are winning an ever larger market.

Improving the feel and consistency of your game.

The 36,000-square meter roof on China's Chongqing Stadium is made of SABIC's light-weight, self-cleaning, Lexan* Thermoclear*. Much stronger and lighter than glass, the low-maintenance roof cuts costs, protects 60,000 spectators, and ensures natural light streams in.

The launch of SABIC Innovative Plastics is a key strategic move in pursuit of our SABIC 2020 vision. With more than 75 years of innovation, SABIC Innovative Plastics offers a world leading portfolio of high-performance resins, polymer shapes and thermoplastic film and sheet. The business extends SABIC's range of products, engineering, thermoplastics, application development and marketing expertise, adding to our offering.

With 10,000 highly skilled employees, a global network of high-technology plants and customer application centers, underpinned by many long-term customer relationships and a reputation for excellence, SABIC Innovative Plastics is set to play a key part in fulfilling SABIC's future ambitions.

The business

The diverse portfolio includes applications within automotive, electronics, building infrastructure, media, healthcare, transportation, and consumer appliances. SABIC Innovative Plastics has expertise in the replacement of metal, glass, wood and other plastic materials. By replacing metals in a plane or a train, or glass in a critical healthcare application, or making cars lighter to help save fuel and reduce emissions, SABIC Innovative Plastics' products enhance the world around us. By working closely with customers and staying a step ahead of trends, the business consistently generates fresh, new ideas that deliver meaningful customer value.

Backed by more than 5,000 global patents, SABIC Innovative Plastics' advanced solutions encompass literally thousands of engineered materials, marketed under numerous globally recognized brands such as Lexan*, Noryl*, Ultem*, Valox* and Xenoy* resins, LNP Specialty Compounds, and Exatec* automotive glazing. Their value is multiplied by combining them with outstanding engineering expertise, a global network of application development capabilities, seamless production assistance, and cost-saving innovations throughout their customers' value chains.

SABIC Innovative Plastics' Global Application Technology (GApT) organization fuels constant innovation with more than 850 researchers helping to develop more than 150 new products every year. The solutions they devise are produced in 38 manufacturing and compounding facilities to meet the needs of 30,000 customers around the world. Seven Global Application Technology centers in the United States, Europe, China, Japan, Korea and India support the growth of SABIC Innovative Plastics' product portfolio through advanced application and process development, and dedicated customer support around the world.

*Trademark of SABIC Innovative Plastics IP B.V.


The new Chevrolet Volt.


Working closely with customers.

Our cutting-edge technologies help automakers design vehicles that are lighter, greener, better and safer.

Strategic initiatives
The business has made a number of key strategic moves since joining SABIC in September 2007 to position it for future growth.

- New product launches
SABIC Innovative Plastics continued to bring innovative solutions to the marketplace, including Lexan FST* grades to help manufacturers in transportation and aviation meet new flame, smoke and toxicity regulations, and new grades of Xenoy* for gas permeable barrier solutions for fuel tanks.
- Enhancing Electronics Designs
SABIC Innovative Plastics continued to partner the world's top mobile phone and computer companies in 2007 to develop sleeker, more durable designs. These solutions are also more environmentally responsible as they consider the entire life cycle of electronics. The company's higher flow resins are driving thinner mobile phones, Lexan DMX* is enabling more scratch resistant screens, and new Cycoloy* grades are providing the thinnest material for notebook computers. The business also continued to make advancements in solutions that help manufacturers of next generation high-definition media solutions.
- Extension of Extem* brand
An Extem*/PEEK resin blend was launched in partnership with Victrex. This new product fills a performance gap found in many of today's high temperature materials, and potential markets are being identified across a wide range of markets and applications such as in oil and gas, and semiconductors.
- Investment in automotive glazing
Our Exatec business provides advanced glazing coating systems to the automotive industry, responding to increased demand for polycarbonate glazing technology and significant vehicle weight reduction and styling flexibility.
- Energy Center of Excellence
A new Energy Center of Excellence was launched in Bergen op Zoom in The Netherlands, to serve customers looking to substitute lightweight, high-performance thermoplastics for heavy and increasingly costly copper, aluminum, steel and glass in thermal and photovoltaic solar panels, helping make solar energy an ever-more practical, more affordable option.

Showcasing auto potential
SABIC Innovative Plastics worked with the world's premier automakers in 2007 to showcase new plastics solutions in their high-profile technology demonstration cars. These vehicles put the spotlight on the importance of weight reduction and its significant impact on fuel economy, environmental responsibility and pedestrian safety.

Technology demonstration vehicle collaborations included:

- General Motors' electric Chevrolet Volt, which was named the 2007 North American Specialty Concept Vehicle of the Year, as well as the Most Significant Concept Vehicle of the Year by the Automotive Hall of Fame.
- The co-developed, award-winning Hyundai QarmaQ, which received the IF Product Design Award 2008 for Advanced Studies.
- Opel's Flextreme, featuring high performance glazing, iQ and resin technologies.
- Guangzhou Auto Group's first-ever concept vehicle, the A-HEV.
- 3TU's first open-source concept car developed for The Netherlands Foundation for Nature and Environment.


The award winning Hyundai QarmaQ – made possible by SABIC Innovative Plastics' products. Designed by Hyundai Motor Co., this light-weight vehicle uses new materials to introduce 30 new environmental features including an ElasticFront™ that helps reduce injuries in pedestrian collisions.

*Trademark of SABIC Innovative Plastics IP B.V.

Keeping food fresh.

Replacing old materials, saving scarce resources.

SABIC is expanding its polymers business, adding new capacity to existing plants, new investments and acquisitions.

The Polymers business enjoyed solid growth in 2007 with both production and sales rising steadily. Already the world's fourth largest producer of polyolefins, SABIC is on track to become the third largest producer by 2020. SABIC is currently the world's third largest producer in polyethylene and the fourth largest in polypropylene.

Comprehensive range

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 (PE) and polypropylene (PP) – from ethane, propane and naphtha feedstock.

The polyethylene product range includes all of the commodity thermo-polymers: linear low density polyethylene (LLDPE), low density polyethylene (LDPE), and high density polyethylene (HDPE). The polypropylene product range includes random, homo-polymer, copolymer and specialty automotive grades. Polyethylene and polypropylene play key roles in SABIC's overall thermoplastics business. The unit's other key products include polyethylene terephthalate (PET), melamine, polyvinylchloride (PVC) and polystyrene.

SABIC is expanding its polymers business, adding new capacity to existing plants, new investments and acquisitions. Particular attention is currently focused on identifying potential investment opportunities in petrochemicals in China and India: vibrant, fast-growing economies that lie at the heart of the company's 'SABIC 2020' ambitions for the key Asian market.

Expanding capacity

In Saudi Arabia we have expansion projects at our manufacturing affiliates in the industrial cities of Al-Jubail and Yanbu.

Saudi European Petrochemical Company's (IBN ZAHR) new polypropylene plant is under construction in Al-Jubail, and is due to go on-stream during 2008. The annual polypropylene production capacity of IBN ZAHR, which is one of the world's largest producers, is expected to rise to 1,140,000 metric tons by 2009.

Our Yanbu National Petrochemical Company's (YANSAB) complex is also scheduled for 2008 start-up. Its product capacity will include 400,000 metric tons of LLDPE, 400,000 metric tons of HDPE, and 400,000 metric tons of polypropylene a year. The Eastern Petrochemical Company's (SHARQ) Al-Jubail plants will begin producing at an annual rate of 400,000 metric tons of HDPE and 400,000 metric tons of LLDPE by the fourth quarter of 2008.

SABIC is a strategic partner in the formation of its newest affiliate SAUDI KAYAN, currently under construction in Al-Jubail. The complex is expected to come on-stream from 2009 with an annual capacity of nearly six million metric tons. It will be producing both a range of specialty chemicals and polymer products including 400,000 metric tons of HDPE, 300,000 metric tons of LDPE and 350,000 metric tons of PP a year.

In Europe, two projects are under construction. A 250,000 metric tons per annum HDPE bimodal pipe plant in Gelsenkirchen, Germany, is expected to be operational at the end of 2008 and a 400,000 metric tons per annum LDPE plant in the UK is scheduled to come on-stream by mid 2008.

Developing markets, helping customers

During 2007 SABIC continued to strengthen its overall position in the global polymers market, taking part in a large number of exhibitions and trade fairs.

We mounted a major presence at K2007 in Düsseldorf, Germany – the leading global rubber and plastics industrial fair, held once every four years. We also took part in the Riyadh Exhibition for Printing, Packaging, Plastics and Chemicals 2007 – one of the largest regional shows – where we sought to strengthen our market presence by introducing products and services to potential new customers.

SABIC hosted an industry seminar in Dubai – 'SABIC Polyethylene and Polypropylene products; characteristics, applications and manufacturing processes' – and two seminars for polyethylene customers were held in Egypt and Jeddah, Saudi Arabia. A further two seminars on PVC products were held, one in Jeddah and the second at our Research and Technology complex in Riyadh.

A technical symposium on 'Blown film troubleshooting and flexible packaging' was held in Kenya. It attracted customers, engineers and industry experts from neighboring Tanzania and Uganda. A marketing drive was begun in Vietnam following the opening of the SABIC office in Ho Chi Minh City. We also took part in the Plastics and Rubber Vietnam 2007 exhibition in that city.

SABIC took part in Chinaplas 2007 in Guangzhou, China and conducted a number of seminars for Chinese customers during the year.

Adapting our network, meeting new demand

During the year we made significant progress in our pre-marketing program for polyolefins, in the United States and Latin America. We also changed our packaging strategy in order to reduce logistics expenses and better meet the demands of the US market. With the launch of SABIC Innovative Plastics, our presence in the Americas has increased significantly. This should generate synergies that will help the polymers unit grow.

In alignment with our plans to expand polymers sales efforts in the Americas, SABIC added to its sales force during the year and took on new distributors in a number of Latin American countries.

Strong growth was seen in our Asian markets. Sales of both polymers and textile chips in India rose to a record 2007. SABIC continues to be a market leader for LLDPE in Bangladesh, Nepal and Sri Lanka.

Demand was also strong in Europe where sales of polyethylene and polypropylene products grew steadily. SABIC Europe maintained its position as a top European petrochemical industry player.

In Turkey, where SABIC has a polystyrene joint venture, SABIC Polimer Industry A.S., which produces polystyrene, demand continued to grow.

Helping farmers grow crops.

Fertilizers that turn arid zones green.

SABIC's Fertilizers SBU enjoyed a year of strong performance, with sales in Asia aided by fast-expanding demand from growing populations.

Fertilizer sales grew rapidly in 2007, with particularly strong demand in the Asia Pacific region. Growing prosperity in China and India is creating new demand for a variety of foodstuffs. This, in turn, drives farmers' demand for fertilizers. In North America the rapidly expanding biofuels industry created new demand for fertilizers. As the world's number one producer of granular urea, and a major producer of other fertilizers, SABIC was ideally positioned to capitalize.

Quality and commitment

SABIC has three fertilizer affiliates – Saudi Arabian Fertilizer Company (SAFCO), Al-Jubail Fertilizer Company (AL-BAYRONI) and National Chemical Fertilizer Company (IBN AL-BAYTAR). The Fertilizer SBU's product range includes urea, ammonia, di-ammonium phosphate, compound, liquid fertilizers and sulfuric acid.

SABIC has over the years built its capability and experience in the sector to the point where it is now one of the industry's undoubted global leaders, particularly in nitrogen. Success has been achieved by being receptive and responsive to customers' needs, delivering a comprehensive range of quality products, and offering excellent customer service, delivered by empowered and committed employees.

Strong performance

SABIC's Fertilizers SBU enjoyed a year of strong performance, with sales in Asia aided by the insatiable demands of growing populations, and those in America boosted by the US's strategic moves into biofuels. Sales of fertilizers in the region rose strongly as prices fluctuated. Volumes rose 53% from 2006 levels and overall revenues rose 24%. In America, sales recovered strongly after a relatively weak 2006. Prices, while volatile, ended the year at record highs – not just in urea, but also in potash and phosphates. While freight costs hindered efforts to sell into the Pacific Northwest and Eastern Canada, the company made its first ever sales to Brazil and Argentina – like China and India, economically vibrant countries with large, growing and increasingly prosperous populations.

Investing in capacity

In a significant development in 2007, SABIC and the Saudi Arabian Mining Company (Ma'aden) signed a joint venture agreement for a SR 21 billion phosphate project. SABIC will have a 30% equity share, Ma'aden 70%.

The project will use phosphate reserves in northern Saudi Arabia to produce fertilizers in the Minerals Industrial City at Ras Az Zawr in the Eastern Province. Ma'aden is contributing technology and expertise in phosphates, while SABIC is contributing technology and marketing expertise. The project is expected to produce annual production of around three million metric tons of Diammonium Phosphate Fertilizer (DAP).

This strategic joint venture offers a template for future initiatives; a role model for co-operative endeavors aimed at building national capacities. Optimizing the use of hydrocarbon and other mineral resources through such partnerships will help drive industrial development, increase GDP, and broaden the base of the country's economic foundation.

SABIC's total fertilizer production capacity increased with the construction of a fourth unit at SAFCO. This affiliate's annual production capacity has increased to nearly 5.3 million tons per annum. SABIC's overall capacity is now around eight million metric tons. SAFCO recorded its highest-ever profits in 2007: at SR 2.2 billion, they were up 92% on the 2006 figure of SR 1.15 billion.

In the Middle East SABIC showcased its high quality fertilizer products at the 13th Arab Fertilizer Association (AFA) International Annual International Conference and Exhibition in Egypt. Its pavilion proved to be a huge draw at the exhibition, which was attended by all AFA member countries. The company also took part in the Saudi Agricultural Exhibition in Riyadh this year. Participation in such events plays an important role in SABIC's marketing efforts, helping integrate the company's fertilizer business ever more closely into the country's agricultural sector.

SABIC also maintained its strong support for Saudi Arabian agriculture. The company works constantly to help farmers make the best possible use of its fertilizers, taking into account local soil, crop and climate conditions.

In June 2007 SABIC signed an agreement with the King Faisal University to provide scientific and technical services to palm farmers in the Al-Ahsa region. The services will be later extended to the seven agricultural areas in Saudi Arabia known for cultivating palm trees.

The company also continued its seminar series in support of the national farm sector, holding seminars throughout the year in Jeddah, Jizan, Qassim and Wadi Al-Dawassir.

Prices for granular urea in North America remained at record highs throughout 2007. Prices rose in the first quarter from about US$340 per metric ton to a peak of US$400 in March. Prices dipped early in the third quarter to about US$330 prior to an extraordinarily strong fourth quarter rally which took prices to an all-time high of US$475 at year end.

Record pricing is not limited to urea. Potash and phosphate prices are also at all-time highs. The prices of farm commodities, corn, wheat and soybeans, which our fertilizers help produce, are higher than they have been in decades.

SABIC is now the largest supplier of fertilizers to India, a fast-growing market. Overall fertilizer sales there rose 61% in 2007, with sales of urea fertilizers rising 230%.

Assured quality.

HADEED is one of the world's biggest fully-integrated steel producers, and the largest single producer of direct reduced steel.

SABIC's Metals business is a significant element in the company's diversified manufacturing portfolio. The bulk of the business consists of the Saudi Iron and Steel Company (HADEED). It also includes SABIC's stakes in Aluminum Bahrain (ALBA), Gulf Aluminum Rolling Mill Company (GARMCO) and the SABAYEK ferroalloy smelter in Al-Jubail.

HADEED is the largest steel manufacturing company in the Middle East. It is also one of the world's biggest fully-integrated steel producers, and the largest single producer of direct reduced steel. 100% owned by SABIC, it produces direct reduction iron (DRI), steel billets and long and flat steel for customers in more than 30 countries. It plays a particularly crucial role in the region, where its products provide the feedstocks for many other companies. They are used in industries from pipe-manufacture to wire drawing, as well as being employed in the development and construction of the national infrastructure of numerous countries throughout the Middle East.

HADEED's goal is to supply a comprehensive range of competitive steel products through effective employee empowerment, and practices and processes that are both safe and environmentally sound.

New capacity

SABIC's current annual capacity in metals is just below five million metric tons, including 3.2 million tons of long products and 1.75 million tons of flat products. Production in 2007, at nearly 4.8 million metric tons, was nearly 25% up on the 2006 figure of nearly 3.85 million metric tons. SABIC's coating line annual capacity currently stands at more than 70,000 metric tons. Total steel product sales, 15.65% higher than 2006, at 4.65 million metric tons, further confirmed HADEED's status as the region's number one producer.

HADEED's new flat steel product plant expansion was completed in March 2007. It consists of an electric arch furnace with an annual design capacity of 1.4 million tons, a ladle furnace, and a continuous slab casting machine with an annual design capacity of 1.2 million tons. In June, the first coil rolled off HADEED's Color Coating Line (CCL). Weighing 4.6 tons, it was produced at HADEED's plant in Al-Jubail. Such coils are used in building construction for roofing and cladding, as well as for products including household appliances, furniture, packaging and roller shutters.

Current plans are for production to rise substantially over the coming years – in broad terms, the company aims to achieve growth at twice the rate of the sector as a whole, with two new greenfield projects to contribute around 10 million metric tons a year of new capacity.

A Direct Reduction Module, was commissioned in 2007 using Midrex technology. It has a design capacity of 1.75 million metric tons a year.

Production in 2007 was nearly half a million metric tons, and the module is expected to produce nearly 1.7 million tons in 2008.

The BaRod mill, which reached full production in January 2007, has a capacity of 500,000 metric tons per year. This mill is a flexible configuration capable of producing straight rebar from 8 mm to 40 mm and plain or rebar in coil from 5.5 mm to 16 mm.

A new steel plant, Furnace No. 5, which started production in April 2007, consists of a meltshop based on Hot DRI Charging Technology that is designed to produce 1.2 million tons of slabs per year. The plant, which produced more than half a million metric tons in 2007, is expected to produce nearly 900,000 metric tons in 2008.

The hot strip mill was expanded in order to reach a production of over two million metric tons a year. The expansion produced 1.7 million metric tons in 2007. It is expected to produce 1.75 million metric tons in 2008.

A new color coating Line was installed with an annual capacity of 120,000 metric tons. In December, it completed the performance guarantee test producing nearly 5,700 metric tons. In 2008 the line is expected to produce 70,000 metric tons.

Hong Kong International Airport's 45-acre roof, so large it can be seen from space, is supported by SABIC's super-strong, light-weight steel. Allowing architects to realize their visions, SABIC steel has won a special role in the global construction industry.

Continuing research, constant innovation.

A global technology network.

2007 was a busy and successful year for SABIC Research and Technology (R&T), with many new products introduced and many existing ones significantly improved.

Innovative processes were also implemented to cut costs while maintaining the highest levels of product quality. New systems were developed to continue enhancing – and leveraging – R&T's ever-growing skills base; new patents continued to be registered, and new certifications earned; and the Unit's excellent safety record was maintained.

Safety first

Among 2007's proudest achievements was the maintenance of R&T's exemplary safety record: more than 12 million working hours were completed without a single lost workday injury – a testament to the commitment of all employees to safety procedures and regulations, as well as to extensive training programs that aim to implant an uncompromising culture of safety and accident prevention.

A worldwide operation

SABIC's R&T centers in Riyadh and Al-Jubail are the largest in the Middle East. With over 500 employees, empowered with the very latest technology, they work closely with colleagues in the SBUs and SABIC's other R&T operations – in Sugar Land and Little Ferry in the US, Geleen in The Netherlands and Vadodara in India. With the launch of SABIC Innovative Plastics our network gained the dedicated Global Application Technology (GApT) organization with 850 technologists at seven Centers of Excellence, located in the United States, Europe, China, Japan, Korea, and India. Together they turn expertise into competitive advantage.

All of these centers recruit local expertise, and work on local projects with a direct bearing on the needs of the markets they serve. The European team, for example, focuses on product development in SABIC Europe's key areas of competence: olefins production by liquid cracking, polypropylenes copolymer and compounding, bi-modal high density polyethylenes for pipe applications, and low density polyethylenes.

Most of these teams are also linked as a unified global endeavor, underpinned by a web based knowledge-management system developed by SABIC R&T, comprising an expert locator tool, a knowledge repository, and collaboration workspaces. The system's implementation is helping individuals, teams, and the organization as a whole, to collectively and systematically create, share, and apply knowledge, to better achieve R&T objectives.

Continuous improvement

In 2007, R&T registered significant achievements in polymers, chemicals and metals, directly impacting SABIC businesses.

New iron and steel by-products were manufactured for the first time at HADEED. Successful tests on a new polypropylene (PP) fourth generation catalyst proved its ability to enable better quality at greatly improved levels of productivity. Lab, pilot plant and commercial tests confirmed major improvements in product quality achieved by enhancements to the high density polyethylene (HDPE) chrome based catalyst fabrication process.

A project dedicated to the development of a new polypropylene donor was completed, and its use implemented in-plant, increasing catalyst productivity and significantly reducing costs. A joint team including members from R&T and SABIC polyethylene manufacturing plants concluded the polyethylene catalysts project on standardization, production improvement and evaluation methods, enabling both reductions in costs and improvements in quality.

Work on designing and developing process design packages on SABIC polyethylene technology was completed, making it ready for licensing to new SABIC projects and external buyers.

R&T researchers also succeeded in reducing costs in polyvinyl chloride (PVC) and polyethylene plants, by substituting cheaper raw materials without affecting final product quality. We also developed new polyethylene, polypropylene, PVC, polystyrene and polyester products for new applications, helping increase our market share in polymers.

R&T continued implementing state-of-the-art advanced process control (APC) systems to help achieve ever higher performance. Meanwhile, creation of a simulation and computational fluid dynamics lab enabled the launch of an expert consultancy service on fluid dynamics issues related to technologies owned by SABIC and its affiliates.

Milestones

The number of patents owned by SABIC continued to grow during the year. The total, generated internally and acquired through acquisitions, now stands at nearly 5,700. Another 1,000 are pending.

In 2007 the linear alpha olefins technology, known as alpha-SABLIN, was implemented in UNITED, with an annual plant capacity of 150,000 metric tons. The technology can be licensed out by either of its equal owners: SABIC and Linde of Germany.

An expansion of our polypropylene catalyst plant at our complex in Riyadh was completed, bringing 180,000 metric tons a year of additional capacity online. R&T also successfully increased PVC plant capacity at PETROKEMYA by reducing the reaction time, using Six SIGMA tools. Several other SABIC affiliates are going to use the same techniques.

In Europe, key research achievements in 2007 included the commercial introduction of LDPE coating grades on tubular reactors, the development of proprietary technology glass fiber sizing for glass fiber re-enforced polypropylenes, commercial plant runs for our proprietary polypropylene catalyst, development of a proprietary catalyst for the new bi-modal high density polyethylene plant, and the conceptual scoping of a proprietary technology upgrading a cracker side product.

Recognition and cooperation

SABIC R&T was ISO 14001:2004 certified, following a thorough assessment of its Environmental Management System by Société Générale de Surveillance, while SABIC Research and Technology Pavement Limited (SRTPL) was awarded ISO 9001:2000 following auditing by an external certification company. SABIC R&T Analytical Laboratories' ISO 17025 accreditation from the United Kingdom Accreditation Services (UKAS) received a four-year renewal, following a full assessment of the labs' quality system and validated testing methods.

An integrated transport network.

By every measure, 2007 has been a record year for SABIC's supply chain, with deliveries up by land and sea – by 8% year on year – accounting for some 13.7 million metric tons of product worldwide.

Fourteen million tons of products were delivered by SABIC's Logistics Group in 2007. Twelve million tons were shipped to the Far East, the Americas, India and Europe. Two million tons were trucked to Middle East markets.

The year also saw the launch of EMDAD – SABIC's supply chain management project, which aims to introduce best in class practices throughout the supply chain, optimizing the flow of raw materials, products, information and associated financial resources between SABIC and its suppliers and customers. With the analytical first phase completed and the resulting blueprint for change approved by SABIC's Executive Committee, the group is readying itself for continuing growth in the years ahead.

On land and by sea

SABIC's Logistics group oversees shipments of SABIC products to all parts of the world, whether basic liquid petrochemicals, intermediate chemicals, polymers or gases. Around 12 million metric tons of such products were delivered during 2007 to the Far East, the Americas, the Indian subcontinent and Europe, on ocean-going chemical tankers, liners and gas carriers. A further two million metric tons were sent by truck and tanker to meet demand in the Kingdom and in the Gulf region.

Jeddah, Yanbu, Dammam and Al-Jubail sea ports were used to ship products to overseas customers. Quantities shipped through eastern sea ports were about 9.7 million metric tons, a 7% increase compared to 2006. Quantities shipped through western sea ports were two million metric tons, a 9% increase compared to 2006.

The number of twenty-foot equivalent units (TEUs) of product shipped in 2007 increased by more than 5% compared to 2006; 10% of the total TEUs exported from Saudi Arabia. In 2007 trucks-loads increased by more than 2% compared to 2006. The total number of vessels used in 2007 increased by 8% from 2006.

The Logistics group is split into departments including Land Transportation, Liquid Marine Transportation, Solid Marine Transportation, Time Charter, Documentation and Storage and Warehouse. All are united behind a commitment to deliver the right product at the right place and at the right time. The group contracts world-leading chemical shippers, warehousing and terminal operators, and oversees all operations to ensure maintenance of the most stringent international safety standards.

More than 30 warehouses and storage terminal facilities, located around the globe, including in main hubs such as Singapore, were utilized as product supply stations in order to be as close as possible to SABIC customers. This resulted in shorter lead times and faster delivery of products to customers.

New warehouses and storage facilities were set up in China – Tianjin, Huangpu and Zhangiegang – in addition to other current facilities in China, Korea, Indonesia and Singapore.

Meeting the challenge

Logistics is subject to demanding stretch targets and challenges. The group seeks to minimize total supply chain cost, through optimum utilization of SABIC capabilities and resources, effectively complemented by those of carefully selected contractors. Strong planning is key, as is active and hands-on management, enabled through effective communication with all those concerned – from manufacturing plants right through to delivery at the final destination.

The group works closely with external service providers and employs state-of-the-art technology to help it carry out all operations effectively in safe and environmentally friendly ways.

The first phase of EMDAD has been completed on time. The second and third phases, which cover detail design and implementation planning, were launched during the latter part of 2007. EMDAD will be key to enhancing performance in the future, involving such fundamentals as securing more effective long term arrangements, stabilizing regular shipments to customers, and building enduring, mutually beneficial relationships with ship owners and other third parties.

People

Learning and development is key.

Continuous training.

SABIC's HR programs continue to evolve and advance to new levels in order to maintain and continually extend the talents of our people and the competitive advantages they generate for our organization.

SABIC takes pride in being a learning organization. Our success depends on the skills and dedication of our people, on their ability to add value. SABIC now employs more than 31,000 around the globe and we believe in nurturing their abilities and helping them achieve their full potential.

Growing company, growing workforce

The number of SABIC employees is growing, in line with the company's rapid expansion. The total number of employees at the end of 2007 was more than 31,000, up 63% from the 19,000 employed at the end of 2006. More than 10,000 were added with the acquisition of GE Plastics and the launch of SABIC Innovative Plastics. The number of employees in Saudi Arabia is increasing, mainly due to the expansions at manufacturing affiliates. Employment in Europe, the Asia Pacific and the Americas is also rising as sales networks are extended.

Enriching assets

SABIC's continuing success is directly attributable our employees' talents, capabilities and skills. As our global growth continues it is these skills, these vital company assets, which provide the resources and energy to meet the growing challenges in competitive markets.

To maximize our pool of talent, we continue to invest in motivation and development programs in areas including; performance recognition and rewards, career development, continuous learning, organizational effectiveness and business culture. These programs enhance performance and help SABIC build a reputation that attracts and retains highly talented employees. These employees contribute the critical knowledge and skills that drive innovation and growth in all our businesses.

Programs during 2007 included:

Performance and rewards

A top tier performance and rewards program to attract and retain critical talent:

- Implemented a dynamic Employee Performance and Incentive Compensation Plan (EPIC) to assess and boost employee performance by setting challenging business objectives and tailoring individual development plans. Performance targets are set, with incentives for personal performance, within a system linking rewards and recognition to company, unit and individual achievements.
- Enhanced the total compensation program based on an in-depth market analysis, with a comprehensive implementation strategy.
- Designed a framework for career path and progression programs for critical job disciplines, integrating specific technical, business and behavior competencies.

Workforce planning

Strategic manpower planning is supported by analytical systems to make sure we have the right talent in the right place at the right time:

- Designed a strategic process and system to forecast and plan for the short and long-term manpower requirements of SABIC 2020.
- Managed the process of designing organizational structures and evaluating manpower utilization to achieve optimum effectiveness.

Leadership development

Defined programs for leadership development and succession planning to ensure effective leaders are in place:

- Designed the architecture for senior management development and continuous learning through higher education and specialized learning.
- Coordinated leadership placement and succession planning via a senior executive Leadership Council. Facilitated Leadership Council reviews and actions for the development of senior executive talent.
- Completed assessment centers for executives from senior to General Manager level, and extended efforts to affiliate organizations.
- Continued management development through the SABIC Manager 360-degree Feedback Program, now extended to 400 managers.
- Launched post-360-degree coaching programs reaching 150 managers.
- Supported leadership development through design of individual action plans to change performance behavior and competencies.
- Continued the Manager Leadership Program (MLP) with the London Business School, with a curriculum covering leadership courage, customer value, financial decision making, investment appraisal, difficult situations, cultural intelligence and team building.
- Commissioned the integration of a global talent management process bringing in the programs of SABIC Europe and SABIC Innovative Plastics.
- Established a Talent Information Management System (TIMS) to provide individual managers with a site for information, processes and references about development.

Learning organization

Programs for increasing talent value through continuous learning:

- SABIC Learning began fostering a group-wide culture of continual learning, helping our employees to build their skills and maximize their potential. SABIC Learning ensures that learning not only expands the capabilities of our people, but also contributes to attaining SABIC's vision, mission, and goals. Through state-of-the-art facilities, advanced technologies and a dedicated team of learning professionals, SABIC is fast becoming a true learning organization.
- Promoted a learning philosophy based on fostering a culture of continuous education in the knowledge and skills demanded by SABIC 2020. The focus was on leadership development, marketing, finance and supply chain management. Future plans extend to financial, operations, customer, and human studies.
- Created a core program of more than 20 workshops, seminars, and other courses in leadership, supply chain management, finance and marketing, attended by 1,100 professionals and managers.
- Expanded the scope of learning program subjects to include business strategies, competencies, influences, impact and resilience.

Organizational effectiveness

Working to nurture a work culture without boundaries; one that inspires interaction, participation, commitment, loyalty, creativity, innovation, and self-actualization:

- Analyzed employee survey and chartered projects to address improvement in the work culture.
- Surveyed Shared Services staff in order to identify process and performance inefficiencies, following through with quality improvement initiatives.
- Continued Total Quality initiatives that streamlined and improved work processes, resulting in improved customer satisfaction.
- Pursued actions to maintain quality certificates showing conformity with ISO 9000–2000 requirements.

HR strategic planning

Integrated Human Resource strategic plans to align and support SABIC 2020 strategic goals:

- Designed plans to link HR strategic actions to short and long term plans for organizational effectiveness, leadership development, manpower planning, and rewards and recognition.
- Investigated integration of recently acquired global human resources functions to combine best practices to achieve the strongest possible unit for the years ahead.

Integrating acquired resources

The creation of SABIC Innovative Plastics, built on the assets acquired from the GE Plastics acquisition, has created a range of new opportunities for SABIC, particularly in human resources. The business has a rich tradition of attracting and developing outstanding technical and leadership talent. This experience will serve as an important catalyst for SABIC's 2020 vision of being a premier global employer.

SABIC Innovative Plastics' annual human resource review is known as the Global Talent Plan. A strategic process, the plan aims to ensure that the business will retain a leading position in its markets and a workforce that is capable of achieving its growth objectives.

SABIC Innovative Plastics is committed to workforce diversity and believes the company will be most successful when its workforce reflects the markets in which it operates. The diversity commitment was reaffirmed in 2007 with the re-launch of a Diversity Steering Committee as well as through employee affinity groups.

The company's long-standing learning programs, which offer a broad curriculum of technical, professional skills and leadership training, are expected to be a key resource for SABIC's evolving learning organizations.

SABIC's HR programs will continue to evolve and advance in order to maintain and continually extend the talents of our people and the competitive advantages they generate. Good pay and benefits, and safe and healthy working conditions are just the starting point. We value our employees, and will continue to invest to help them so they can achieve all they can achieve. We believe their capabilities and commitment are the key to our future success. We will provide the support necessary in order to empower them to meet the challenges that lie ahead.

Corporate Social Responsibility

For SABIC, Corporate Social Responsibility (CSR) demands new and innovative choices and ways of thinking. Our challenge and our goal is to achieve success in meeting the needs of the present without compromising the ability of future generations to meet their own needs.

CSR is about committing to open and transparent business practices based on ethical values and respect for employees and other stakeholders, society at large, and the environment.

How we conduct ourselves in our society, our citizenship, is and has always been an important element of our overall mission. While SABIC performance, like any for-profit enterprise, is measured by our financial results, the SABIC culture views successful performance in a broader context: the health, safety and opportunities for our workforce; the impact of our operations on the environment and communities in which we operate; and our relationships with our external audience – our customers and stakeholders.

Our understanding of CSR is clear and straightforward: CSR is about committing to open and transparent business practices based on ethical values and respect for employees and other stakeholders, society at large, and the environment.

The highest standards

To be truly socially responsible, companies must treat all stakeholders, inside or outside the company, ethically and in a responsible manner, and strive to uphold the highest global standards in everything they do. At SABIC, we believe it is important to take into account the cultural and social values of the communities in which we operate. However, regardless of the cultural differences we may find, one thing remains consistent – SABIC's insistence on the highest level of corporate integrity. These two principles – respecting cultural, societal values while maintaining a corporate philosophy of unquestioned ethical behavior – are not mutually exclusive.

Wherever we operate, we believe we have an obligation to:

- Improve the quality of life for our employees and their families, for our stakeholders and for society at large;
- Support the sustainable use of energy, materials and natural resources; and,
- Focus the efforts of all SABIC companies on key issues where we can make a difference in each society. SABIC believes every stakeholder, from the board and senior executive team to plant employees and contractors, shares a responsibility to ensure that the company is socially responsible in everything it does.

Healthy employees, healthy workplace

More than 31,000 people work for SABIC. One of our most important social responsibilities is to ensure that every single employee has a safe and healthy place to work. Safety is a challenging issue. Our business involves highly complex manufacturing systems. Our people spend their working lives involved in processes of immense precision and great complexity. It takes a vast effort of planning, training and thoroughness to assure our operations are entirely safe. At SABIC, we insist that operational safety is part of every employee's attitude and thought process. We maintain state-of-the-art facilities with employees trained in a culture of 'safety first'. It is part of every employee's attitude, thought process and action.

We make that effort. We apply the most rigorous criteria and maintain the most demanding international standards, making good on our total commitment to keeping our people safe. That commitment extends way beyond the mere prevention of accidents: we also encourage and help all employees take care of their health, providing recreation and sporting facilities to help them – and their families – stay fit and healthy. And this extends beyond the 'fence line': we do what we can to encourage and enhance safety, health and fitness among our customers, contractors and the communities in which we operate.

Our Al-Jubail Industrial complex utilizes seawater to cool its various manufacturing processes and facilities. The water is returned to the sea in a manner that assures marine life remains undisturbed.

Products like Valox iQ* and Xenoy iQ*, largely made from recycled materials, combine excellent performance with environmental sustainability – a combination that has won awards.

Support to communities

SABIC is dedicated to helping communities with corporate donations and sponsorships. During the year SABIC extended financial support to various community organizations such as charities, an institution for physically challenged people, and environmental and health organizations. The company also sponsored economic forums, social, sports and cultural events, besides supporting education and training programs.

In addition to direct financial assistance to communities during the year, SABIC built an environment park in Yanbu, Saudi Arabia, as a gift to the local residents.

Among the institutions that received SABIC donations in 2007 were the Ministry of Social Affairs, the Disabled Children's Association, the General Organization for Social Insurance and the National Charity Fund. Some of the programs that were sponsored by SABIC were the Second Business and Cultural Conference for Women, the Vocational Health and Safety Conference, the Equestrian Competition, Riyadh and two economic forums in Jeddah and Riyadh.

In the US, SABIC received a Responsible Care Certificate in 2007. As part of social responsibility, SABIC Americas is committed to protecting the environment, health and safety, and security of its employees, customers, business partners and the communities in which it operates.

SABIC's student scholarship program sponsored 81 students in 2007, bringing the total number of scholars assisted to 275.

In Europe, SABIC supported several initiatives and organizations including Topsport Limburg, an organization set up to promote various sports; Triathlon Stein, a major local sports event; Wonen Plus, an organization which supports physically challenged people; Toon Hermans Huizen, an organization which supports people suffering from cancer; Sint Rosa Festival (Sittard), a local cultural event; the renovation of the Asta Theater and cultural center in Beek.

During the year in Gelsenkirchen, Germany, SABIC extended support to local kindergarten schools and organized visit programs to the production site for chemistry school students.

In the UK we made donations to three charitable organizations: the Great North Air Ambulance, and two cancer charities: Hartlepool Hospice and Butterwick Children's Hospice. SABIC is also supporting a Saudi Student Sponsorship Scheme, helping 100 Saudi students study at UK universities each year.

Developing people

We constantly look to develop and launch new initiatives to help our people be the best they can: developing their abilities, providing the best educational support, raising career competency, and offering scholarship programs where they can complete undergraduate or postgraduate studies.

The launch of SABIC Learning marks the latest expression of this commitment. This year it offered over 20 workshops, seminars and other learning programs in areas like leadership, supply chain management, finance and marketing, benefiting over 1,100 of our people. We see such initiatives as elements in an overall program which is helping us build one of the most talented teams in the global chemicals industry. Again, we do this both for its own sake and for the competitive advantage it brings to the company as a whole.

Such support extends beyond staff to encompass their families, with initiatives like a summer internship training program for their children, sports tournaments, and many other events to bring our communities and families together. We also lend our support to communities within Saudi Arabia and throughout the world, looking always to help local business – existing and potential – see where our activities can play a part in helping them achieve their ambitions. We want SABIC to play an active role in developing society for the good of all.

Protective products

SABIC's new business, SABIC Innovative Plastics, has an impressive portfolio of products designed to help customers create products that help the environment. Applied intelligence embodied in advanced plastics can help solve tough challenges which save energy, water and other resources, and cut down harmful emissions.

Products like Valox iQ* and Xenoy iQ*, largely made from recycled materials, combine excellent performance with environmental sustainability – a combination that has attracted awards from external bodies like the Society of Plastics; Lexan* clear film saves energy by preventing condensation of refrigerated and frozen glass doors.

In a sector like the automotive industry, 'green' products can offer real consumer benefits while enabling manufacturers drastically to reduce weight, cutting fuel consumption and emissions. And their durability can extend product lifecycles, providing greater benefit to their owners while reducing pressure on landfill sites.

Turning waste into value

SABIC is a company formed to convert natural gas from Saudi Arabia's massive oil-fields into useful products. Before SABIC, what is now feedstock was simply flared, squandering a finite and valuable resource, and releasing vast quantities of harmful emissions into the atmosphere. Our very existence, in short, has been of great benefit to the environment.

We now aim to build on that benefit: to safeguard the health of our people and those among whom we work and live, and of the planet we share. We do this because it is right; we do it because we know our efforts make a difference; we do it also because it creates value for our stakeholders.

Good behavior and good business performance go hand in hand.

*Trademark of SABIC Innovative Plastics IP B.V.

Our Safety, Health and Environment performance statistics show a clear continuation in the steady improvement of recent years, making our performance among the best of any major industrial organization.

We monitor the ecological performance of our plants to ensure that our activities are not having a detrimental impact on the environment.

At SABIC, employee health and safety is a top priority. We also insist on similar standards from suppliers and customers. In environmental matters we maintain the highest international standards. Certified and systematic safety, health and environmental standards are an essential part of everything we do. Core principles lay down the standards to which all must adhere, and a commitment to continuous improvement ensures that our processes and procedures are continually enhanced.

Steady improvement

Our Safety, Health and Environment (SHE) performance demonstrates a clear continuation in the significant and steady improvement of recent years. Last year's overall SHE Incidence Rate improved 20% over 2006 (1.58 in 2007, as against 1.96 in 2006), with recorded incident rates for employees improving by 23% at just 0.30 in 2007, as against 0.39 in 2006, and for contractors by 37% at 0.32, down from 0.51 in 2006. This puts our SHE performance among the best of any major industrial organization in the world.

Much of the credit for this performance must go to our employees who have taken the safety, health and environmental messages to heart. Our Industrial Security and Environment Department 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 made SHE systematic; integrating process safety, environmental protection, health, occupational safety, emergency preparedness, and response management systems under a single approach. The aim is to manage overall business risk effectively and consistently, while continually improving operational performance. This holistic system is rolled out to all offices and affiliates, as a tool to help ensure consistently excellent SHE programs and performance at all facilities.

The result is improved efficiency and effectiveness. Maintenance costs are reduced, and the audit, certification and internal assessment process is streamlined. Systematic integration, in short, enables better and more consistent performance at lower cost.

Our Industrial Security and Environment Department continuously upgrades the company's SHE standards to ensure that ambitious improvement targets are attained.

Proven performance

With the help of standards derived from industry best practice, international and national SHE standards and regulations, and in particular, international standard organizations such as ISO, we have been able to record and demonstrate significant improvement over recent years. Increasing numbers of affiliates have achieved ISO 14001; many others have received certificates of excellence from recognized international organizations.

Over recent years:

- SABIC Group Headquarters, SABIC Research and Technology, SABIC Fire Training Center and 15 manufacturing affiliates successfully implemented an Environmental Management System (EMS) and earned ISO 14001 certification.
- Regulatory compliance audits were conducted at 16 affiliates to evaluate progress toward compliance.
- SABIC conducted Safety, Health & Environment Management Standard (SHEMS) documentation reviews at 16 affiliates and Research and Technology, as a prelude to implementation of SHEMS from 2008.
- Affiliates continued to post excellent results in accident avoidance:
  - IBN ZAHR won particular recognition during the year, taking the Royal Society for the Prevention of Accidents (RoSPA) Occupational Safety Gold Medal.
  - Arabian Industrial Fibers Company (IBN RUSHD) became a member of the British Safety Council.
  - Saudi Iron and Steel Company (HADEED) won particular recognition, taking RoSPA's Gold Award for Occupational Safety.
  - AR-RAZI gained the US National Safety Council certificate for completing 13 million man-hours – 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 Al-Jubail and Yanbu.
  - The Saudi Iron and Steel Company (HADEED) won RoSPA's Occupational Safety Gold Award for the prevention of accidents for the third consecutive time, as well as safety awards from both the British Safety Council and DuPont.

Numerous other initiatives have helped the company's drive for continuous improvement, including a SHE Day featuring lectures by noted experts, which was well-attended by both group and affiliate representatives.

Beyond the 'fence-line'

Safety, health and the environment do not end at the plant boundary. New technologies, techniques, and programs are introduced continuously and we always look for ways to create benefits for the wider community.

Contributory programs in 2007 were:

- Training in 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 direct and contractor employees, and for third party audiences such as the general public, schools and hospitals.
- Coordination of specialized Safety Management Diploma Courses conducted by the British Safety Council.
- SHE Open Day.
- Numerous direct, local, community-based initiatives such as fire safety at home and voluntary beach cleaning days.

All have played their part in helping us live up to the very highest standards of social responsibility.

Awards

Awards help maintain focus on SHE issues. Such awards have generated much enthusiasm and have a proven track record in aiding improvement efforts, particularly among 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.

The Royal Commission for Al-Jubail and Yanbu, each year recognizes the best environmental performance by industry: this year KEMYA came first and SHARQ second.

Awards for better products

The advanced materials produced by SABIC Innovative Products enable products that support cleaner, more sustainable futures for many industries. They help our customers solve their toughest challenges, improving performance of key factors such as emissions and fuel economy.

- iQ plastics reduce waste without compromise. Valox iQ* and Xenoy iQ* plastics, breakthrough materials combining performance with environmental sustainability, in 2007 received recognition including:
  - An environmental award for new technologies from The Society of Plastics Engineers for Valox iQ*.
  - Frost & Sullivan's North American Technology Leadership Award in advanced automotive design for our automotive division, with Valox iQ* a key factor.

A safety leader

While working to be the best, we also prepare for the worst. The SABIC Fire Training Center (SFTC) is the only one of its kind in the region certified by Pro Board to offer fire and rescue training, providing internationally accredited (NFPA) programs including fire fighting, rescue, handling hazardous materials and first aid. In 2007, the center trained more than 2,400 staff from affiliates and other companies in the region. SFTC is currently ISO 9001 certified, and preparing itself for ISO 14001 certification.

SHE a strength of new acquisitions

The creation of SABIC Innovative Plastics added significant new capabilities to SABIC's existing strengths in safety, health and environmental matters.

SABIC Innovative Plastics is strongly committed to environmental, health and safety leadership, with world-class management systems and a track record of excellence and continuous improvement. Rigorous programs are implemented based on the goals of 100% compliance, healthy employees, safe operations, minimizing environmental impact, and maintaining strong security.

Thirty of SABIC Innovative Plastics' manufacturing facilities have been awarded the Safety Star of Excellence or OSHA VPP Star certification. Many manufacturing facilities around the world have been recognized with governmental awards and certifications for their employee health and safety systems and performance.

*Trademark of SABIC Innovative Plastics IP B.V.

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

Consolidated financial statements

December 31, 2007

Contents

Independent auditors' report

December 31, 2007

Deloitte.

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, 2007, and the related consolidated statements of income, cash flows and shareholders' equity for the year then ended and notes 1 to 30 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, 2007, 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 16, 1429

February 23, 2008

Consolidated balance sheet

As of December 31, 2007

	Note	2007 SR'000	2006 SR'000
ASSETS			
Current assets			
Cash and cash equivalents	3	46,055,575	39,556,764
Accounts receivable	4	25,977,943	16,475,589
Inventories	5	22,305,959	13,658,245
Other receivables and prepayments	6	5,148,288	4,283,843
Total current assets		**99,487,765**	**73,974,441**
Non-current assets			
Investments	7	5,427,127	3,531,839
Property, plant and equipment – net	8	123,113,574	79,970,622
Intangible assets	9	22,964,004	5,094,003
Other non-current assets	10	5,254,811	4,017,915
Total non-current assets		**156,759,516**	**92,614,379**
TOTAL ASSETS		**256,247,281**	**166,588,820**
LIABILITIES AND EQUITY			
Current liabilities			
Short term bank borrowings	12	1,399,188	607,622
Current portion of long term debt	13	3,272,036	5,521,174
Accounts payable	14	14,965,392	11,065,422
Accrued liabilities and provisions	15	12,071,352	7,747,658
Total current liabilities		**31,707,968**	**24,941,876**
Non-current liabilities			
Long term debt	13	75,437,595	33,611,628
Other non-current liabilities	16	14,605,446	7,545,079
Total non-current liabilities		90,043,041	**41,156,707**
TOTAL LIABILITIES		**121,751,009**	**66,098,583**
EQUITY			
Shareholders' equity			
Share capital	17	25,000,000	25,000,000
Statutory reserve	18	12,500,000	11,445,362
Research and technology reserve	18	1,291,691	1,291,691
General reserve	18	28,894,705	20,631,558
Retained earnings		23,467,635	14,514,548
Total shareholders' equity		**91,154,031**	**72,883,159**
Minority interest		**43,342,241**	**27,607,078**
TOTAL EQUITY		**134,496,272**	**100,490,237**
TOTAL LIABILITIES AND EQUITY		**256,247,281**	**166,588,820**

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

Consolidated statement of income

Year ended December 31, 2007

	Note	2007 SR'000	2006 SR'000
Sales		126,204,404	86,327,862
Cost of sales		(78,254,228)	(51,099,840)
GROSS PROFIT		**47,950,176**	**35,228,022**
Selling, general and administrative expenses	19	(6,903,653)	(4,341,902)
Income from operations		41,046,523	**30,886,120**
Investment and other income	20	4,230,235	2,552,369
Financing charges		(2,869,168)	(1,567,042)
Income before minority interest and zakat		**42,407,590**	**31,871,447**
Minority interest		(13,585,318)	(10,527,505)
INCOME BEFORE ZAKAT		**28,822,272**	**21,343,942**
Zakat	21	(1,800,000)	(1,050,000)
NET INCOME FOR THE YEAR		**27,022,272**	**20,293,942**
Earnings per share (SR)	22	**10.81**	**8.12**

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, 2007

	2007 SR'000	2006 SR'000
OPERATING ACTIVITIES		
Income for the year before Zakat	28,822,272	21,343,942
Adjustments for:		
Depreciation and amortization	7,606,010	6,119,236
Equity in earnings of associated companies	(910,356)	(196,974)
Minority interest in net income of subsidiaries	13,585,318	10,527,505
Changes in operating assets and liabilities:		
Accounts receivable and prepayments	(4,542,514)	(3,293,602)
Inventories	(1,147,664)	(3,015,799)
Accounts payable, accrued liabilities and provisions	2,944,193	3,283,194
Other non current liabilities	4,254,230	780,432
Zakat paid	(2,001,951)	(813,028)
Net cash from operating activities	**48,609,538**	**34,734,906**
INVESTING ACTIVITIES		
Additions to property, plant and equipment, net	(30,859,807)	(18,752,640)
Acquisition of a subsidiary (note 29)	(43,231,890)	–
Investments, net	(20,635)	2,563,233
Intangible assets, net	(272,498)	(644,554)
Other non current assets, net	(1,246,557)	(1,033,045)
Net cash used in investing activities	**(75,631,387)**	**(17,867,006)**
FINANCING ACTIVITIES		
Short term bank borrowings, net	791,566	255,927
Long term debt, net	39,423,079	9,763,358
Dividends paid	(8,796,105)	(9,701,643)
Minority interest, net	2,102,120	(5,801,347)
Net cash from (used in) financing activities	33,520,660	(5,483,705)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**6,498,811**	**11,384,195**
Cash and cash equivalents at the beginning of the year	**39,556,764**	**28,172,569**
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (note 3)	**46,055,575**	**39,556,764**

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

Consolidated statement of shareholders' equity

Year ended December 31, 2007

	Note	Share capital: Government SR'000	Share capital: Private sector SR'000	Total share capital SR'000	Statutory reserve SR'000	Research & technology reserve SR'000	General reserve SR'000	Retained earnings SR'000	**Total shareholders' equity SR'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		3,500,000	1,500,000	5,000,000	–	–	–	(5,000,000)	–
Annual dividends		–	–	–	–	–	–	(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	26	–	–	–	–	–	–	(3,750,000)	(3,750,000)
Balance as 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**
Annual dividends	17	–	–	–	–	–	–	(6,250,000)	(6,250,000)
Board of Directors' remuneration		–	–	–	–	–	–	(1,400)	(1,400)
Transfer to general reserve	18	–	–	–	–	–	8,263,147	(8,263,147)	–
Net income for the year		–	–	–	–	–	–	27,022,272	27,022,272
Transfer to statutory reserve	18	–	–	–	1,054,638	–	–	(1,054,638)	–
Interim dividends	26	–	–	–	–	–	–	(2,500,000)	(2,500,000)
Balance at December 31, 2007		**17,500,000**	**7,500,000**	**25,000,000**	**12,500,000**	**1,291,691**	**28,894,705**	**23,467,635**	**91,154,031**

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

Year ended December 31, 2007

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 1396 (corresponding to September 6, 1976) and registered in Riyadh under commercial registration No. 1010010813 dated Muharram 14, 1397 (corresponding to January 4, 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 "Company") are globally engaged in the manufacturing, marketing and distribution of petrochemical, high-performance plastics, fertilizer, metal and basic hydrocarbon products in world markets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying consolidated financial statements have been prepared in accordance with the accounting standards issued by the Saudi Organization of Certified Public Accountants ("SOCPA standards"). Following is a summary of the significant accounting policies consistently 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 its 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 subsidiaries consolidated in these financial statements are as follows:

	Shareholding %	
	2007	2006
SABIC Industrial Investments Company and its subsidiaries (SIIC)	100.00	100.00
SABIC Luxembourg S.a.r.l. and its subsidiaries	100.00	100.00
SABIC Asia Pacific Pte. Ltd. and its subsidiaries	100.00	100.00
Arabian Petrochemical Company and its subsidiary (Petrokemya)	100.00	100.00
Saudi Iron and Steel Company (Hadeed)	100.00	100.00
SABIC Antilles N.V.	100.00	100.00
SABIC Sukuk Company (SUKUK)	100.00	100.00
SABIC Capital Limited (SCL)	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)	55.95	55.95
Arabian Industrial Fiber Company (Ibn Rushd)	47.26	53.90
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
Saudi Arabian Fertilizer Company (Safco)	42.99	42.99
Saudi Kayan Petrochemical Company (Saudi Kayan)	35.00	–

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

Yanbu National Petrochemical Company (Yansab)

The Company owns 55.95% of the share capital of Yansab. Included in this holding is 4% (22.5 million shares) owned by SIIC, which was sold to eligible employees at par value under a stock grant scheme. Yansab's legal incorporation was completed on Muharram 14, 1427 (February 13, 2007).

Saudi Kayan Petrochemical Company (Saudi Kayan)

SABIC owns 35% of the shares of Saudi Kayan Petrochemical Company (Saudi Kayan). Besides 45% public shareholding, Al-Kayan Petrochemical Company has a 20% equity stake in Saudi Kayan. Saudi Kayan is currently in development stage.

SABIC Innovative Plastics Holding B.V.

On August 31, 2007, SABIC Innovative Plastics Holding B.V. (SIPH), an indirect wholly-owned subsidiary of SABIC Luxembourg S.a.r.l., acquired GE Plastics, an operating unit within the Industrial segment of General Electric Company (GE). SIPH is globally engaged in the manufacturing and marketing of high-performance plastics used by the compounders, moulders, and major original equipment manufacturers for use in a variety of applications, including fabrication of automotive parts, computer enclosures, compact discs and optical-quality media, major appliance parts, telecommunications equipment and construction materials. SIPH has a significant operating presence around the world and participates in several manufacturing and distribution ventures.

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

The acquisition purchase price has been allocated to the assets and liabilities based on estimated fair values of the assets acquired and liabilities, as determined by appraisers' best estimates. The final allocation of the purchase price will be determined in the first half of 2008. The fair market valuation time-frame is in conformity with the 12 month period allowed under IFRS 3 on Business Combinations. The management does not expect any material adjustments resulting from the finalization of fair market valuation process when completed.

Arabian Industrial Fiber Company (Ibn Rushd)

In an Extraordinary General Assembly meeting of Ibn Rushd, held on Shawal 19, 1428 corresponding to October 31, 2007, the shareholders approved a strategic plan to support the future operations of the Company.

In an Extraordinary General Assembly meeting of Ibn Rushd, held on Zul Qaida 21, 1428 corresponding to December 1, 2007, the shareholders approved the admission of Public Investment Fund (PIF) as a new shareholder with effect from November 1, 2007. The shareholders also approved the increase in the share capital to SR 8.510 billion by converting the debt of PIF and SABIC, as well as liabilities owed to SABIC relating to Acetic Acid Plant, into capital. The shareholders further resolved to change the nominal value per share of SR 50 to SR 10 per share. As a result of these changes, SABIC's equity ownership percentage in Ibn Rushd has now changed to 47.26%. SABIC continues to maintain effective control and therefore will continue to fully consolidate Ibn Rushd's financial statements.

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, where applicable, 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 incurred 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, fixtures and office equipment	4–10
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

Investments of 20% or more in the share capital of investees, other than subsidiary companies, and over which the Company exercises significant influence, are reflected in the consolidated financial statements based on the equity method. The Company's share in the financial results of these investee companies is recognized 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 that are acquired with the intention of being held to maturity are carried at cost (adjusted for any premium or discount), less any decline in value which is other than temporary. Such investments are classified as non-current assets with the exception of investments maturing in the following twelve months.

Pre-Operating Expenses

Expenses incurred during the development and plant start-up periods, 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 invoiced amount less an allowance for any uncollectible amounts. An estimate for doubtful debt is made when the collection of the receivable amount is considered doubtful. Bad debts are written off as incurred.

Employees' Home Ownership Program

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

Goodwill

The excess of consideration paid over the fair value of net assets acquired is recorded as goodwill. At the end of each reporting period, the carrying amount of such goodwill is measured and reported in the consolidated financial statements at a value after adjustment for impairment, if any.

Dividends

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

Employees' Benefits

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 are provided for in accordance with the Company's policies and are charged to the consolidated statement of income in the year the employee retires. The Company has pension schemes for its eligible employees in relevant foreign jurisdictions.

Revenue Recognition

Sales represent the invoiced value of goods shipped and services rendered by the Company during the year, net of any trade and quantity discounts. Generally sales are reported net of marketing and distribution expenses incurred in accordance with executed marketing and off take agreements. Investment income from associated companies is recognized based on the equity method. Earnings on bank deposits are recognized on an accrual basis.

Zakat and Taxes

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

For subsidiaries outside the Kingdom of Saudi Arabia, tax liabilities are provided for in accordance with relevant tax jurisdictions.

Deferred tax assets are recorded for temporary differences between the carrying amount of assets and liabilities in the financials statements and the carrying amounts for tax purposes. In addition, deferred taxes are recognized for tax loss carry forwards to the extent that it is probable that future taxable profit for the relevant tax authorities will be available against which the tax loss carry forwards can be utilized. Deferred tax liabilities are recorded for temporary difference between the carrying amount of assets and liabilities in the financial statements and the carrying amounts for tax purposes to the extent that there is a surplus of deferred tax liabilities relating to the relevant tax jurisdictions.

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

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

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 to hedge its exposure to certain portions of its interest rate risks arising from financing activities. The Company designates these as cash flow hedges of interest rate risk. The use of financial derivatives is governed by the Company's policies, which provide principles on the use of financial derivatives consistent with the Company's risk management strategy. The Company 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 immediately in the consolidated statement of income. If the cash flow hedge of a firm commitment or forecasted transaction results in the recognition of an asset or a liability, then, at the time the asset or liability if recognized, the associated gain or loss on the derivative that had previously been recognized is included in the initial measurement of the asset or liability. For hedges that do not result in the recognition of an asset or a liability, amounts deferred in equity are recognized in consolidated statement of income in the year in which the hedged item affects net profit or loss. Changes in fair value of derivative financial instruments that do not qualify for hedge accounting are recognized in consolidated statement of income as and when they arise. Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualified for hedge accounting. At that time, for forecast transactions, any cumulative gain or loss on the hedging instrument recognized in equity is retained in equity until the forecasted transactions, any cumulative gain or loss on the hedging instrument recognized in equity is retained in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognized in equity is transferred to consolidated statement of income for the year.

Leases
Leases are classified as capital leases when 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:

	2007 SR'000	2006 SR'000
Bank balances and cash	3,838,991	3,868,104
Short term deposits	42,216,584	35,688,660
	46,055,575	**39,556,764**

Cash and cash equivalents at December 31, 2007 include restricted balances of SR 179 million (2006: SR 152 million).

4. ACCOUNTS RECEIVABLE

The accounts receivable at December 31 were:

	2007 SR'000	2006 SR'000
Accounts receivable-trade	22,738,831	14,307,783
Amounts due from joint venture partners (note 11)	3,424,699	2,359,857
Allowance for doubtful debt	(185,587)	(192,051)
	25,977,943	**16,475,589**

No single customer accounts for more than 5% of the Company's sales for the years ended December 31, 2007 and 2006.

5. INVENTORIES

The inventories at December 31 were:

	2007 SR'000	2006 SR'000
Finished goods	12,168,359	7,410,559
Spare parts	3,541,105	3,624,527
Raw materials	6,171,124	2,124,443
Work in progress	89,676	131,461
Goods in transit	860,369	806,055
Provision for slow moving and obsolete items	(524,674)	(438,800)
	22,305,959	**13,658,245**

6. OTHER ASSETS AND PREPAYMENTS

Other receivables and prepayments at December 31 were:

	2007 SR'000	2006 SR'000
Prepaid expenses	1,064,413	403,859
Employee loans and home ownership receivables	391,548	562,397
Short term investments	863,703	1,668,750
Other receivables	2,828,624	1,648,837
	5,148,288	**4,283,843**

Other receivables include advances to contractors, accrued income on deposits and miscellaneous assets.

7. INVESTMENTS

The investments at December 31 were:

	Shareholding %	2007 SR'000	2006 SR'000
Associated companies			
Gulf Petrochemical Industries Co. (GPIC)	33.33	682,292	632,906
Gulf Aluminum Rolling Mills Co. (GARMCO)	31.28	147,102	132,477
National Chemical Carrier Company (NCC)	20.00	153,688	149,259
Power and Water Utilities Company for Jubail and Yanbu (MARAFIQ)	25.00	882,350	762,224
Aluminum Bahrain BSC (ALBA)	20.00	931,555	690,656
Ma'aden Phosphate Company (MPC)	30.00	303,750	–
Others		804,248	397,796
		3,904,985	**2,765,318**
Available for sale		925,405	597,771
Held to maturity		596,737	168,750
		5,427,127	**3,531,839**

Associated companies
The movement of investments in associated companies is as follows:

	2007 SR'000	2006 SR'000
Balance at the beginning of the year	2,765,318	2,866,707
Movements during the year, net	1,115,681	(126,707)
Valuation adjustments, net	23,986	25,318
Balance at the end of the year	**3,904,985**	**2,765,318**

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

Available for sale
This item comprises investments in mutual funds and other financial assets.

Held to Maturity
This item represents investment in sukuk and bonds.

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Year ended December 31, 2007

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 2007 SR '000	Total 2006 SR '000
Cost						
At the beginning of the year	22,551,441	13,224,352	103,696,138	3,409,456	142,881,387	124,272,049
Currency translation adjustment	42,510	94,167	1,316,477	33,794	1,486,948	1,178,961
Additions	27,223,235	92,282	21,524,938	467,889	49,308,344	20,182,691
Transfers/Disposals	(6,105,506)	89,814	4,745,137	(167,036)	(1,437,591)	(2,752,314)
At the end of the year	**43,711,680**	**13,500,615**	**131,282,690**	**3,744,103**	**192,239,088**	**142,881,387**
Depreciation						
At the beginning of the year	–	5,242,059	55,035,709	2,632,997	62,910,765	58,175,315
Currency translation adjustment for accumulated depreciation	–	31,049	680,296	22,195	733,540	675,322
Charge for the year	–	393,764	5,512,030	314,210	6,220,004	4,878,752
Transfers/Disposals	–	(8,721)	(566,055)	(164,019)	(738,795)	(818,624)
At the end of the year	**–**	**5,658,151**	**60,661,980**	**2,805,383**	**69,125,514**	**62,910,765**
Net book amounts						
At December 31, 2007	**43,711,680**	**7,842,464**	**70,620,710**	**938,720**	**123,113,574**	
At December 31, 2006	22,551,441	7,982,293	48,660,429	776,459		79,970,622

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 financing charges capitalized during the year 2007 amounted to SR 534.6 million (2006: SR 281 million).

Land and Buildings include an amount of SR 47.7 million at December 31, 2007 and 2006 representing the cost of freehold land.

The 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 a security for term loans (note 13).

9. INTANGIBLE ASSETS

Intangible assets at December 31 were:

	2007 SR'000	2006 SR'000
Pre-operating and deferred costs, net	1,959,034	1,886,231
Patents, trademarks and other intangibles, net	7,037,100	–
Goodwill	13,967,870	3,207,772
	22,964,004	**5,094,003**

Pre-operating expenses
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 amortisation at December 31, 2007 amounted to SR 4.9 billion (2006: SR 4.7 billion).

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

Goodwill
Goodwill represents the excess of consideration paid over the fair value of net assets acquired. The addition in goodwill results from the acquisition by SIPH.

	2007 SR'000	2006 SR'000
At the beginning of the year	3,207,772	2,946,051
Additions	10,422,855	–
Exchange differences	337,243	261,721
At the end of the year	**13,967,870**	**3,207,772**

10. OTHER NON CURRENT ASSETS

Other non current assets at December 31 were:

	2007 SR'000	2006 SR'000
Employee loans and home ownership receivables	1,279,282	1,446,677
Deferred taxes	2,829,063	12,609
Other assets	1,146,466	2,558,629
	5,254,811	**4,017,915**

Employee loans and home ownership receivables
Certain subsidiaries have established employees home ownership programs that offer eligible employees the opportunity to buy residential units constructed by these subsidiaries. The cost of 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.

Deferred taxes
Deferred taxes relate to subsidiaries of SABIC Luxembourg S.a.r.l. operating in various tax jurisdictions.

Other assets
Other assets include employees stock grant scheme (note 2), advances to contractors, and miscellaneous assets.

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 15.1 billion (2006: SR 12.6 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 14, respectively.

12. SHORT TERM BANK BORROWINGS

The short term bank borrowings at December 31, 2007, which bear financing charges at prevailing market rates, amounted to approximately SR1.4 billion (2006: SR 608 million). The Company had unused credit facilities at December 31, 2007 of SR 2.4 billion (2006: SR 3.8 billion).

13. LONG TERM DEBT

The long term debt at December 31 were:

	2007 SR'000	2006 SR'000
Public Investment Fund (PIF)	4,734,412	6,698,572
Saudi Industrial Development Fund (SIDF)	1,471,349	1,263,794
Commercial debt	51,776,273	24,458,086
Total term loans	57,982,034	32,420,452
Euro Bond	4,102,597	3,712,350
Notes	5,625,000	–
Sukuk	11,000,000	3,000,000
Total	78,709,631	39,132,802
Less: Current portion	(3,272,036)	(5,521,174)
Non current portion	**75,437,595**	**33,611,628**

Term Loans
The PIF term loans are generally repayable in semi annual installments and financing charges on these loans are at varying rates above LIBOR. The SIDF term loans are repayable in semi annual installments 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 varying repayment terms set out in the applicable loan agreements. The financing charges are payable in accordance with the terms set out in the applicable loan agreements.

SIPH borrowed $6.665 billion from a syndicate of bank lenders in the form of two senior secured term loans. Term Loan A had an initial funded amount of $1.5 billion including a subset that was funded as EUR 93.647 million. Term Loan A has a 6.5 year term and will amortize at 5% each quarter beginning December 2009 rising to 7.5% for the quarters ending September and December of 2013 with the remaining 10% due upon maturity. Term Loan A bears interest at floating rate LIBOR for $ or EURIBOR for EUR, as appropriate, plus 1.25%.

Term Loan B had an initial funded amount of $5.165 billion including a subset that was funded as EUR 1.313 billion. Term Loan B has a 7 year term, and will amortize at 0.25% each quarter beginning December 2007, with the remaining 93.25% due upon maturity. Term Loan B bears interest at floating rate LIBOR for $ or EURIBOR for EUR, as appropriate, plus 2.50%.

The term loans are secured by a second lien on accounts receivable and inventory, and a first priority lien on all other assets.

SIPH has also entered into $1 billion five year senior secured revolving credit agreement with a syndicate of banks. The revolving credit facility is secured by a first priority lien on accounts receivable and inventory, and a second priority lien on other assets. As of December 31, 2007, there was no balance drawn under the facility.

Under the loan agreements, SIPH is subject to a senior secured leverage covenant commencing as of the quarter ending June 30, 2008. Under the revolving credit agreement, SIPH is subject to a fixed charge coverage covenant, provided that the covenant shall not apply until less than 10% of the facility remains undrawn and available.

Euro Bond
During 2006, SABIC Europe B.V. (a wholly-owned subsidiary of SABIC Luxembourg S.a.r.l.) issued an unsecured Euro 750 million Euro bond. The seven year Euro bond carries a fixed coupon rate of 4.5% with final maturity date due on November 28, 2013.

13. LONG TERM DEBT continued

Notes
On August 31, 2007, SIPH borrowed $1.5 billion from a syndicate of investors in the form of 9.5% senior unsecured notes due August 15, 2015. Interest is payable on each February 15 and August 15 commencing on February 15, 2008

Sukuk
On July 29, 2006, SABIC issued a SR 3 billion Sukuk, at par value of SR 50,000 each without discount or premium, maturing in 2026. On July 15 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 on 2027.

The first and second Sukuk ("Sukuk") bear a rate of return based on SIBOR plus a specified margin payable quarterly in arrears from the net income received under the Sukuk assets held by the Sukuk custodian 'SABIC Sukuk Company', a wholly owned subsidiary of SABIC.

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

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

	2007 SR'000	2006 SR'000
2007	–	5,521,174
2008	3,272,036	4,595,599
2009	4,854,049	3,276,057
2010	6,676,196	3,676,067
2011	12,914,121	6,051,178
2012	4,928,352	12,905,619
Thereafter	46,064,877	3,107,108
Total	**78,709,631**	**39,132,802**

14. ACCOUNTS PAYABLE

The accounts payable at December 31 were:

	2007 SR'000	2006 SR'000
Accounts payable-trade	14,949,965	11,041,659
Amounts due to joint venture partners (note 11)	15,427	23,763
	14,965,392	**11,065,422**

15. ACCRUED LIABILITIES AND PROVISIONS

The accrued liabilities and provisions at December 31 were:

	2007 SR'000	2006 SR'000
Zakat and tax provisions	3,090,420	2,778,132
Accrued liabilities	5,132,099	2,337,969
Dividend payable	618,677	664,782
Others	3,230,156	1,966,775
	12,071,352	**7,747,658**

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

16. OTHER NON CURRENT LIABILITIES

The other non current liabilities at December 31 were:

	2007 SR'000	2006 SR'000
Employees' benefits	6,865,603	4,935,670
Employees' thrift plan	372,369	305,298
Deferred tax and other liabilities	6,310,171	1,604,898
Obligations under capital leases	1,057,303	699,213
	14,605,446	**7,545,079**

Employees' benefits
Employees' benefits include Employees' end of service benefits, pension schemes, and Employees' early retirement plan.

Deferred tax and other liabilities
Deferred tax and other liabilities relate mainly to subsidiaries of SABIC Luxembourg S.a.r.l. operating in various tax jurisdictions.

17. SHARE CAPITAL

The share capital amounting to SR 25 billion is divided into 2.5 billion shares of SR 10 each as of December 31, 2007 and 2006. On Dhul Hijja 20, 1428 (corresponding to December 30, 2007), SABIC Board of Directors proposed to increase the share capital from SR 25 billion (SR 2.5 billion shares of SR 10 each) to SR 30 billion (3 billion shares of SR 10 each). This increase in share capital is subject to the approval of General Assembly.

18. RESERVES

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

Other Reserves
In accordance with SABIC's by-laws, the General Assembly can establish other reserves as an appropriation of retained earnings. Such reserves can be increased or decreased by a resolution of the shareholders and are available for distribution.

19. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

The selling, general and administrative expenses during the year ended December 31 comprised:

	2007 SR'000	2006 SR'000
Employees' cost	2,289,262	1,099,684
Selling and distribution	2,408,966	1,610,697
Depreciation and amortization	100,420	170,736
Research and technology expenses	528,606	315,638
Administrative expenses	1,576,399	1,145,147
	6,903,653	**4,341,902**

20. INVESTMENT AND OTHER INCOME

The investment and other income during the year ended December 31 comprised:

	2007 SR'000	2006 SR'000
Earnings on bank deposits	2,699,509	2,073,026
Equity in earnings of associated companies, net	910,356	196,974
Exchange differences and others, net	620,370	282,369
	4,230,235	**2,552,369**

21. ZAKAT

The Company has finalized and settled the zakat assessments with the DZIT for the years up to December 31, 2004. The DZIT has issued final zakat clearance certificates for the years up to December 31, 2004. The zakat assessments for the years 2005 and 2006 are currently under review by DZIT.

The following is the movement of the zakat provision for the years ended December 31:

	2007 SR'000	2006 SR'000
Balance at the beginning of the year	1,968,971	1,731,999
Less: Payments during the year, net	(2,001,951)	(813,028)
Add: Current year provision	1,800,000	1,050,000
Balance at the end of the year	**1,767,020**	**1,968,971**

22. EARNINGS PER SHARE

The earnings per share are calculated based on the number of outstanding shares at the end of each period. The outstanding number of shares at December 31, 2007 and 2006 were 2.5 billion shares.

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Year ended December 31, 2007

23. SEGMENT INFORMATION

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

• the petrochemicals segment, includes basic chemicals, intermediates, polymers, high-performance plastics, and fertilizer products;

• the metals segment, consists of steel products and investments in aluminium 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
2007				
Sales	109,797,830	10,700,868	5,705,706	126,204,404
Gross profit	41,657,401	3,331,588	2,961,187	47,950,176
Net income	20,330,637	2,702,695	3,988,940	27,022,272
Total assets	176,685,837	17,827,898	61,733,546	256,247,281
Total liabilities	75,453,972	5,687,950	40,609,087	121,751,009
2006				
Sales	74,066,639	7,611,579	4,649,644	86,327,862
Gross profit	31,843,849	1,975,616	1,408,557	35,228,022
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

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, US, the Middle East, and Asia Pacific. While the corporate activities are based in the Kingdom of Saudi Arabia, the metals segment sales are mainly in Saudi Arabia and Gulf Cooperative Council Countries.

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 31 December 2007. 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 its effect on the consolidated financial statements accordingly.

Fair Value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction. As the 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 has interest rate swap agreements to hedge the volatility in interest rates related to term loans outstanding as at December 31, 2007 amounting to SR 32.6 billion (SR 13.6 billion as of December 31, 2006).

26. APPROPRIATION OF NET INCOME

The General Assembly, in its annual meeting held on March 31, 2007, approved the appropriation of the net income for the year ended December 31, 2006 as follows:

- distribution of cash dividends of SR 10 billion (SR 4 per share) including interim cash dividends of SR 3.75 billion (SR 1.5 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 of retained earnings to the general reserve.

The Board of Director proposed on Dhul Hijja 20, 1428, corresponding to December 30, 2007 to distribute cash dividends amounting to SR 7.5 billion (SR 3 per share) for the year ended December 31, 2007, including interim cash dividends amounting to SR 2.5 billion (SR 1 per share) previously approved by the Board of Directors on July 17, 2007.

27. COMMITMENTS

Capital Commitments
The Company's commitment for capital expenditures at December 31, 2007 amounted to SR 51.3 billion (2006: SR 66.5 billion).

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

	2007 SR'000	2006 SR'000
2007	–	477,130
2008	928,103	426,739
2009	734,874	418,739
2010	534,179	417,239
2011	486,488	403,058
Thereafter	2,751,177	2,524,563
	5,434,821	**4,667,468**

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

	2007 SR'000	2006 SR'000
2007	–	82,620
2008	120,233	82,620
2009	121,179	82,620
2010	122,147	82,620
2011	123,143	82,620
Thereafter	1,326,918	1,108,485
Net minimum lease payments	1,813,620	1,521,585
Less: finance charges	(739,179)	(807,485)
current portion	(17,138)	(14,887)
	1,057,303	**699,213**

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A Saudi Joint Stock Company

Notes to the consolidated financial statements continued
Year ended December 31, 2007

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 3.2 billion (2006: SR 2.1 billion) in the normal course of business.

29. ACQUISITION OF GE PLASTICS

As stated in note 2, the assets acquired and liabilities assumed at August 31, 2007 were as follows:

Assets acquired	SR'000
Net working capital	7,798,207
Property, plant and equipment	18,503,149
Intangible and other non-current assets	19,938,146
	46,239,502
Less: Long term liabilities	(3,007,612)
Cash flow on acquisition, net of cash acquired	**43,231,890**

30. COMPARATIVE FIGURES

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

SABIC manufacturing and compounding companies

A Basic Chemicals
B Polymers
C Intermediates
D Fertilizers
E Specialty Products
F Metals
G SABIC Innovative Plastics

Company	Location	Partnership	Products
ALBA (Aluminum Bahrain)** F	Bahrain	SABIC (20%), State of Bahrain (77%), Brenton Investments, Germany (3%)	Aluminum (liquid metal, ingots, ingots, rolling stabs, billet)
AL-BAYRONI (Al-Jubail Fertilizer Company) C, D	Al-Jubail, Saudi Arabia	A 50/50 SABIC joint venture formed in 1979 with Taiwan Fertilizer Company	Ammonia, urea, 2-ethyl hexanol, DOP
AR-RAZI (Saudi Methanol Company) Location Al-Jubail A	Al-Jubail, Saudi Arabia	A 50/50 SABIC joint venture formed in 1971 with a consortium of Japanese companies led by Mitsubishi Gas Chemical Company	Chemical grade methanol
GARMCO (Gulf Aluminum Rolling Mill Company)** F	Bahrain	SABIC (31.28%), Kuwait (16.97%), Bahrain (38.36%), Iraq (4.12%), Oman (2.06%), Qatar (2.06%) and Gulf Investment Corporation (5.15%)	Aluminum sheets and can stocks
GAS (National Industrial Gases Company) C	Al-Jubail (head office), Saudi Arabia	SABIC (70%) and a group of Saudi Arabian Industrial Gases Companies (30%)	Hydrogen
	Yanbu (branch), Saudi Arabia	As above	Oxygen, nitrogen
GPIC (Gulf Petrochemical Industries Company)** A, D	Bahrain	Joint venture with equal partnership for the Petrochemical Industries Company of Kuwait, State of Bahrain and SABIC	Methanol, ammonia, urea
HADEED (Saudi Iron and Steel Company) F	Al-Jubail, Saudi Arabia	A wholly owned affiliate of SABIC	Steel rebar, wire rod hot rolled coils, cold rolled coils, galvanized cold, color-coated coils
IBN AL-BAYTAR (National Chemical Fertilizer Company) D	Al-Jubail, Saudi Arabia	50/50 SABIC joint venture with SAFCO	Ammonia, urea, compound fertilizer, phosphate, liquid fertilizer
IBN RUSHD (Arabian Industrial Fibers Company) A, B, C	Yanbu, Saudi Arabia	SABIC (47.26%), PIF (33.51%) and a group of Saudi Arabian and regional private sector partners (19.23%)	Aromatics (xylenes and benzene), Purified Terephthalic Acid (PTA), bottle grade chips, PET, acetic acid
IBN SINA (National Methanol Company) A	Al-Jubail, Saudi Arabia	SABIC (50%), CTE (50% – owned by Elwood Insurance Ltd., 25% and Texas Eastern Arabian Ltd., 25%)	Chemical grade methanol, MTBE
IBN ZAHR (Saudi European Petrochemical Company) A, B	Al-Jubail, Saudi Arabia	SABIC (80%), Ecofuel-Italy (10%), Arab Petroleum Investment Corporation APICORP (10%)	MTBE, polypropylene

*Trademark of SABIC Innovative Plastics IP B.V.
**SABIC joint ventures in Bahrain

Company	Location	Partnership	Products
KEMYA (Al-Jubail Petrochemical Company) A, B	Al-Jubail, Saudi Arabia	A 50/50 SABIC joint venture with Exxon Mobil (USA)	Polyethylene, ethylene
PETROKEMYA (Arabian Petrochemical Company) A, B, C	Al-Jubail, Saudi Arabia	A wholly owned affiliate of SABIC	Ethylene, polystyrene, butene-1, propylene, natural gasoline butadiene, benzene, polyethelene, PVC, E-PVC, PVC monomer
SADAF (Saudi Petrochemical Company) A, C	Al-Jubail, Saudi Arabia	A 50/50 SABIC joint venture with Shell Chemicals Arabia, LLC (an affiliate of Royal Dutch Shell)	Ethylene, crude industrial ethanol styrene, caustic soda, ethylene dichloride, MTBE
SAFCO (Saudi Arabian Fertilizer Company) B, D	Al-Jubail, Dammam, Saudi Arabia	SABIC (42.99%), private sector (57.01%)	Ammonia, urea, sulfuric acid, melamine, urea formaldehyde
SABIC Innovative Plastics G	Aichi, Japan	SABIC Innovate Plastics 51%; AGC 49%	Lexan* sheet and film
SABIC Innovative Plastics G	Bay St Louis, Mississippi, USA	A wholly owned affiliate of SABIC	Cycolac*, Cycoloy* and Geloy* resins
SABIC Innovative Plastics G	Benoi, Singapore	A wholly owned affiliate of SABIC	Lexan*, Cycoloy* and Cycolac* resins
SABIC Innovative Plastics G	Bergen op Zoom, The Netherlands	A wholly owned affiliate of SABIC	Lexan*, Xenoy*, Noryl*, Noryl GTX* and Valox* resins, Lexan* sheet and film
SABIC Innovative Plastics G	Burkville, Alabama, USA	A wholly owned affiliate of SABIC	Lexan* resin
SABIC Innovative Plastics G	Campinas, Brazil	A wholly owned affiliate of SABIC	Lexan*, Noryl*, Valox*, Xenoy*, Cycoloy*, Cycolac* and Geloy* resins, LNP* compounds, Lexan* multiwall sheet
SABIC Innovative Plastics G	Carville, Louisiana, USA	SABIC Petrochemicals Holding US, Inc 50%; Total Petrochemicals 50%	Styrene
SABIC Innovative Plastics G	Categena, Spain	A wholly owned affiliate of SABIC	Lexan* and Cycoloy* resins
SABIC Innovative Plastics G	Chung-Ju, Korea	A wholly owned affiliate of SABIC	Lexan*, Cycoloy*, Noryl* and Xenoy* resins

SABIC manufacturing and compounding companies continued

A Basic Chemicals
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Company	Location	Partnership	Products
SABIC Innovative Plastics G	Cobourg, Canada	A wholly owned affiliate of SABIC	Lexan*, Cycoloy*, Cycolac*, Valox*, Ultem*, Xenoy*, Xylex* and visualfx* resins, LNP* compounds, Lexan* sheet
SABIC Innovative Plastics G	Colombus, Indiana, USA	A wholly owned affiliate of SABIC	LNP* compounds
SABIC Innovative Plastics G	Enkuizen, The Netherlands	A wholly owned affiliate of SABIC	Lexan* sheet and film
SABIC Innovative Plastics G	Fosses, France	A wholly owned affiliate of SABIC	LNP* compounds, LNP* Starflam* resin
SABIC Innovative Plastics G	Geismar, Louisiana, USA	SABIC Petrochemicals Holding US, Inc 16.6%; Williams Olefins, LLC 83.4%	Ethylene Byproducts, Propylene, crude butadiene, DAC
SABIC Innovative Plastics G	Grangemouth, Scotland, UK	A wholly owned affiliate of SABIC	Cycolac*, Cycoloy*, Geloy*, Cytra* and Lexan* resins
SABIC Innovative Plastics G	Klang, Malaysia	A wholly owned affiliate of SABIC	Lexan* multiwall sheet
SABIC Innovative Plastics G	Long Sault, Canada	A wholly owned affiliate of SABIC	SABIC Polymershapes Verolite* and Vistar* products
SABIC Innovative Plastics G	Moka, Japan	A wholly owned affiliate of SABIC	Cycoloy*, Lexan*, Noryl*, Ultem*, Valox* and Xenoy* resins
SABIC Innovative Plastics G	Mt. Vernon, Indiana, USA	A wholly owned affiliate of SABIC	Lexan*, Cycoloy*, Ultem*, Valox* Xenoy*, Xylex*, Supec*, and Siltem* resins, Lexan* sheet and film, Illuninex* display film
SABIC Innovative Plastics Plastics G	Nansha, China	A wholly owned affiliate of SABIC	Lexan*, Cycoloy* and Cycolac* resins, Lexan* film
SABIC Innovative Plastics G	Olgiate, Italy	A wholly owned affiliate of SABIC	Lexan* sheet, Lexan* Thermoclear* sheet, Lexan* Thermoclick* sheet
SABIC Innovative Plastics G	Ottawa, Illinois, USA	A wholly owned affiliate of SABIC	Cycolac*, Cycoloy*, Geloy* and Blendex* resins
SABIC Innovative Plastics G	Pontirolo, Italy	A wholly owned affiliate of SABIC	LNP* Compounds, LNP* Staramid*, Starflam*, Lubricomp* and Thermocomp* compounds, Lexan*, Valox* and Cycoloy* resins
SABIC Innovative Plastics G	Ramdonksveer, The Netherlands	A wholly owned affiliate of SABIC	LNP* compounds

*Trademark of SABIC Innovative Plastics IP B.V.

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

SABIC manufacturing and compounding companies continued

A Basic Chemicals
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G SABIC Innovative Plastics

Company	Location	Partnership	Products
SABIC Petrochemicals B.V. A, B, C	Geleen, The Netherlands	A wholly owned affiliate of SABIC	Polyethylene (HDPE, LDPE, LLDPE), polypropylene, ethylene, propylene, butadiene, MTBE/ETBE, benzene, gasoline components, styrene, C9 resin feed, cracked distillate, acetylene, hydrogen and carbon black oil
SABIC UK Petrochemicals Ltd A, C	Teesside, UK	A wholly owned affiliate of SABIC	Ethylene, propylene, benzene, toluene, paraxylene, cyclohexane
SABIC Polimer Industry A.S. B	Adana, Turkey	SABIC (70%), and Baser Petrokimya Limited Sirketi (30%)	General purpose polystyrene (GPPS), high impact polystyrene (HIPS)
SABIC Polyolefine GmbH B	Gelsenkirchen, Germany	A wholly owned affiliate of SABIC	Polyethylenes (HDPE, LLDPE), polypropylene
SAUDI KAYAN (Saudi Kayan Petrochemical Company) A, B, C, E	Al-Jubail, Saudi Arabia	SABIC (35%), Al-Kayan Petrochemical Company (20%) public share (45%)	Ethylene, propylene, polypropylene, LDPE, HDPE, ethylene glycol, acetone, polycarbonate (PC), ethanolamines (EOA)
SHARQ (Eastern Petrochemical Company) C, B	Al-Jubail, Saudi Arabia	A 50/50 SABIC joint venture with a consortium of Japanese companies led by Mitsubishi Corporation	Polyethylene, ethylene, glycol, ethylene
TAYF (Ibn Hayyan Plastics Products Company) B, C	Al-Jubail, Saudi Arabia	SABIC (77.73%), Industrial and Commercial Agencies Company – Bin Ladin (16.82%), Saudi Industrial Development Company (TATWEER 5.45%)	PVC plastic boards, wall covering, artificial leather, book binding
UNITED (Jubail United Petrochemical Company) A, B, C	Al-Jubail, Saudi Arabia	SABIC (75%), Pension Fund 15%), General Organization of Social Insurance (10%)	Ethylene, polyethylene, ethylene glycol (EG), linear alpha olefins (LAO)
YANPET (Saudi Yanbu Petrochemical Company) A, B, C	Yanbu, Saudi Arabia	A 50/50 SABIC joint venture with Mobil Yanbu Petrochemical Company (Exxon Mobil), USA	Ethylene, polyethylene, ethylene glycol, polypropylene, pygas
YANSAB (Yanbu National Petrochemical Company) A, B, C	Yanbu, Saudi Arabia	SABIC (55%), private shareholders (35%), other companies in the Gulf region (10%)	Ethylene, propylene, ethylene glycol, linear low density polyethylene (LLDPE), high density polyethylene (HDPE), polypropylene, butene-1 and butane-2, benzene, toluene xylene mixture, MTBE

*Trademark of SABIC Innovative Plastics IP B.V.
**SABIC joint ventures in Bahrain

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