SAUDI BASIC INDUSTRIES CORPORATION (SABIC) AND ITS SUBSIDIARIES

(A Saudi Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 AND INDEPENDENT AUDITORS' REPORT

CHEMISTRY THAT MATTERS™

CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2019

EY
Building a better working world

Ernst & Young & Co. (Certified Public Accountants)
General Partnership
Head Office
Al Faisaliah Office Tower - 14th floor
King Fahad Road
PO Box 2732
Riyadh 11461
Kingdom of Saudi Arabia

Registration No. 45/11/323
C.R. No. 1010383821

Tel: +966 11 215 9898
+966 11 273 4740
Fax: +966 11 273 4730

ey.ksa@sa.ey.com
ey.com/mena

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Saudi Basic Industries Corporation ("SABIC") and its subsidiaries (collectively with SABIC referred to as "the Group"), which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") that are endorsed in the Kingdom of Saudi Arabia ("KSA") and other standards and pronouncements that are endorsed by the Saudi Organization for Certified Public Accountants (collectively "IFRSs as endorsed in KSA").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs") that are endorsed in KSA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with professional code of conduct and ethics endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming auditor's opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	
Impairment of non-financial assets In relation to impairment of property, plant and equipment, the carrying values of the property, plant and equipment are reviewed annually by management for potential indicators of impairment. For such assets where impairment indicators exist, management performs detailed impairment reviews, taking into account, inter alia, the impact of revenue assumptions, technical factors, usage and economic condition which may affect the expected remaining useful lives and carrying value of the assets. In relation to impairment of goodwill, management performs an annual impairment test on the recoverability of the goodwill. Accordingly, the management assesses the recoverable amount of each cash generating unit (CGU) or group of CGUs to which the goodwill relates, to determine if an impairment is required or not. In this regard, management needs to apply considerable judgement in allocating the goodwill to the appropriate business units as well as in assessing the future performance and prospects of each CGU and the discount rates to apply.	
a. Assessing impairment of property, plant and equipment	***How our audit addressed the key audit matter***
As at 31 December 2019, the Group's consolidated statement of financial position includes property, plant and equipment amounting to SR 163 billion. The assessment of the recoverable value of these assets, incorporates significant judgement in respect of factors such as future production levels, commodity prices, operating/capital costs and economic assumptions such as discount rates. Based on the assessment, the management has recognised impairment loss relating to property, plant and equipment of SR 3.3 billion for the year ended 31 December 2019. We identified the impairment of property, plant and equipment as a key audit matter as the assessment involves a significant degree of management judgement in determining the key assumptions such as expected revenue levels and technical factors. Refer to consolidated financial statements note 6 for the significant accounting policy relating to impairment of non-current assets, note 3.1.1 for the significant accounting estimates, assumptions and judgements relating to impairment of non-financial assets and note 7 for property, plant and equipment related disclosures.	We performed the following procedures, among others: • Evaluating the management's assumptions and estimates to determine the recoverable value of its property, plant and equipment, including those relating to production, cost, capital expenditure and discount rates. This included using specialists to compare these assumptions against external benchmarks and evaluating management's assumptions based on our knowledge of the Group and its industry; • Validating the mathematical accuracy of cash flow models and agreeing relevant data to the latest production plans and approved budgets; and • Assessing the adequacy of the Group's disclosures in respect of asset carrying values and impairment losses.

Independent Auditor's Report
To the Shareholders of Saudi Basic Industries Corporation (SABIC) (continued)
(A Saudi Arabian Joint Stock Company)

Key audit matter (continued)	
b. *Impairment assessment of Goodwill*	***How our audit addressed the key audit matter***
As of 31 December 2019, the Group's goodwill balance was SR 8.6 billion. Based on the annual goodwill impairment assessment, including sensitivity tests, the management concluded that no material impairment of goodwill was required. We have considered this to be a key audit matter in light of the amount of judgment involved and estimation required to assess the recoverable amount of CGUs. Refer to consolidated financial statements note 6 for the significant accounting policy relating to impairment of non-current assets, note 3.1.1 for the significant accounting estimates, assumptions and judgements relating to impairment of non-financial assets and note 9 for intangible assets related disclosures.	We performed the following procedures in respect of the impairment assessment of goodwill: • Evaluated the methodology used by management to estimate the recoverable amount of each CGU; • Evaluated the assumptions and methodologies used in the annual impairment test prepared by the management; • Evaluated management's critical assumptions in particular, the projected revenue growth, margin developments, discount rates and terminal growth rates. This included using specialists in assessing management's assumptions based on our knowledge of the Group and its industry; • Verified whether the CGU definition is in line with internal reporting and IAS 36 criteria and verified whether carrying values were appropriately allocated to the different CGUs; • Performed an assessment of the mathematical accuracy of the calculations and a reconciliation to the underlying plan as approved by the management; and • We also focused on the adequacy of the Group's disclosures in the consolidated financial statement concerning those key assumptions to which the outcome of the impairment test is most sensitive.

Other information included in the Group's 2019 Annual Report

Other information consists of the information included in the Group's 2019 annual report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information in its annual report. The Group's 2019 annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

When we read the Group's 2019 annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

EY

Building a better working world

Independent Auditor's Report
To the Shareholders of Saudi Basic Industries Corporation (SABIC) (continued)
(A Saudi Arabian Joint Stock Company)

Responsibilities of Management and those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS as endorsed in KSA and the provisions of Companies' Law and SABIC's By-law, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs that are endorsed in KSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs that are endorsed in KSA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

Building a better working world

Independent Auditor's Report
To the Shareholders of Saudi Basic Industries Corporation (SABIC) (continued)
(A Saudi Arabian Joint Stock Company)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

for Ernst & Young

Rashid S. Al Rashoud
Certified Public Accountant
License No. 366

Riyadh: 8 Rajab 1441H
3 March 2020

ERNST & YOUNG & Co. PUBLIC ACCOUNTANTS
PROFESSIONAL LICENCE No. 45

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(All amounts in Saudi Riyals '000 unless otherwise stated)

	Notes	As at 31 December 2019	As at 31 December 2018
Assets			
Non-current assets			
Property, plant and equipment	*7*	162,990,284	163,819,684
Right of use assets	*8*	7,065,965	-
Intangible assets	*9*	12,377,613	12,947,211
Investments in associates and joint ventures	*10*	23,350,394	25,780,550
Investments in debt instruments	*11*	1,345,592	2,493,880
Investments in equity instruments	*12*	1,046,009	1,090,109
Deferred tax assets	*32*	711,609	865,156
Other non-current assets	*13*	6,517,069	5,126,456
Total non-current assets		215,404,535	212,123,046
Current assets			
Inventories	*15*	26,413,580	28,244,803
Trade receivables	*16*	18,322,552	21,821,849
Prepayments and other current assets	*17*	6,353,755	5,114,857
Short-term investments	*18*	5,558,554	9,815,499
Cash and bank balances	*19*	38,312,775	42,590,820
Total current assets		94,961,216	107,587,828
Total assets		310,365,751	319,710,874

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
(All amounts in Saudi Riyals '000 unless otherwise stated)

	Notes	As at 31 December 2019	As at 31 December 2018
Equity and liabilities			
Equity			
Share capital	*20*	30,000,000	30,000,000
Statutory reserve	*21*	15,000,000	15,000,000
General reserve	*21*	110,889,032	110,889,032
Other reserves	*21*	(3,265,084)	(1,359,184)
Retained earnings		16,137,960	18,554,532
Equity attributable to equity holders of the Parent		168,761,908	173,084,380
Non-controlling interests	*22*	42,489,414	48,352,095
Total equity		211,251,322	221,436,475
Non-current liabilities			
Long-term debt	*23*	34,460,362	41,691,973
Lease liabilities	*23*	5,767,063	653,423
Employee benefits	*24*	18,048,848	15,000,025
Deferred tax liabilities	*32*	1,612,749	1,664,138
Other non-current liabilities		1,778,171	1,384,327
Total non-current liabilities		61,667,193	60,393,886
Current liabilities			
Short-term borrowings	*23*	1,346,996	1,167,589
Current portion of long-term debt	*23*	6,889,292	3,664,754
Current portion of lease liabilities	*23*	1,271,843	85,502
Trade payables	*25*	12,888,175	14,969,357
Accruals and other current liabilities	*26*	11,569,414	13,396,472
Zakat and income tax payable	*32*	3,481,516	4,596,839
Total current liabilities		37,447,236	37,880,513
Total liabilities		99,114,429	98,274,399
Total equity and liabilities		310,365,751	319,710,874

The accompanying notes from 1 to 43 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF INCOME
(All amounts in Saudi Riyals '000 unless otherwise stated)

	Notes	For the year ended 31 December 2019	For the year ended 31 December 2018
Revenue	28	139,737,384	169,128,339
Cost of sales	29	(104,217,191)	(111,287,016)
Gross profit		35,520,193	57,841,323
General and administrative expenses	29	(10,677,188)	(11,161,018)
Selling and distribution expenses	29	(10,009,998)	(10,399,937)
Income from operations		14,833,007	36,280,368
Share of results of associates and joint ventures	10	(1,595,349)	1,049,850
Finance income	34	1,123,117	1,422,720
Finance cost	30 & 34	(2,550,073)	(2,646,115)
		(1,426,956)	(1,223,395)
Other expenses, net	31	(128,396)	(423,755)
Income before zakat and income tax		11,682,306	35,683,068
Zakat expense	32	(2,100,000)	(2,600,000)
Income tax expense	32	(1,119,470)	(1,197,661)
Net income for the year		8,462,836	31,885,407
Attributable to:			
Equity holders of the Parent		5,563,271	21,520,678
Non-controlling interests		2,899,565	10,364,729
		8,462,836	31,885,407
Basic and diluted earnings per share (Saudi Riyals)			
Earnings per share from income from operations	33	4.94	12.09
Earnings per share from net income attributable to equity holders of the Parent	33	1.85	7.17

The accompanying notes from 1 to 43 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(All amounts in Saudi Riyals '000 unless otherwise stated)

	Notes	For the year ended 31 December 2019	For the year ended 31 December 2018
Net income for the year		8,462,836	31,885,407
Other comprehensive income			
Items that will not be reclassified to the consolidated statement of income (net of tax):			
- Re-measurement (loss) gain on defined benefit plans	*24*	(1,785,354)	2,147,893
- Share of other comprehensive (loss) income of associates and joint ventures	*10 & 21*	(30,764)	1,596
- Net change on revaluation of investments in equity instruments at FVOCI	*21*	(137,060)	4,880
- Deferred tax expense	*32*	(10,401)	(5,204)
		(1,963,579)	2,149,165
Items that will be reclassified to the consolidated statement of income:			
- Exchange difference on translation of foreign operations	*21*	(328,231)	(1,301,215)
- Share of other comprehensive income of associates and joint ventures	*10 & 21*	4,817	52,181
		(323,414)	(1,249,034)
Movement of other comprehensive (loss) income		(2,286,993)	900,131
Total comprehensive income for the year		6,175,843	32,785,538
Attributable to:			
Equity holders of the Parent		3,642,217	22,022,132
Non-controlling interests		2,533,626	10,763,406
		6,175,843	32,785,538

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(All amounts in Saudi Riyals '000 unless otherwise stated)

	Attributable to the equity holders of the Parent							
	Share capital	Statutory reserve	General reserve	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
Balance as at 31 December 2018	30,000,000	15,000,000	110,889,032	(1,359,184)	18,554,532	173,084,380	48,352,095	221,436,475
Net income	-	-	-	-	5,563,271	5,563,271	2,899,565	8,462,836
Other comprehensive loss	-	-	-	(1,921,054)	-	(1,921,054)	(365,939)	(2,286,993)
Total comprehensive (loss) income	-	-	-	(1,921,054)	5,563,271	3,642,217	2,533,626	6,175,843
Acquisition of non-controlling interests (Note 22)	-	-	-	15,154	5,220,157	5,235,311	(847,811)	4,387,500
Transfer of non-controlling interests to non-current liabilities (Note 22)	-	-	-	-	-	-	(689,194)	(689,194)
Dividends (Note 40)	-	-	-	-	(13,200,000)	(13,200,000)	(6,859,302)	(20,059,302)
Balance as at 31 December 2019	30,000,000	15,000,000	110,889,032	(3,265,084)	16,137,960	168,761,908	42,489,414	211,251,322

The accompanying notes from 1 to 43 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)
(All amounts in Saudi Riyals '000 unless otherwise stated)

	Attributable to the equity holders of the Parent							
	Share capital	Statutory reserve	General reserve	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
Balance as at 31 December 2017	30,000,000	15,000,000	110,889,032	(2,249,663)	10,282,264	163,921,633	46,216,859	210,138,492
Adoption of IFRS 9 and IFRS 15	-	-	-	389,025	(48,410)	340,615	1,539	342,154
Balance as at 1 January 2018	30,000,000	15,000,000	110,889,032	(1,860,638)	10,233,854	164,262,248	46,218,398	210,480,646
Net income for the year	-	-	-	-	21,520,678	21,520,678	10,364,729	31,885,407
Other comprehensive income	-	-	-	501,454	-	501,454	398,677	900,131
Total comprehensive income	-	-	-	501,454	21,520,678	22,022,132	10,763,406	32,785,538
Dividends	-	-	-	-	(13,200,000)	(13,200,000)	(8,629,709)	(21,829,709)
Balance as at 31 December 2018	30,000,000	15,000,000	110,889,032	(1,359,184)	18,554,532	173,084,380	48,352,095	221,436,475

The accompanying notes from 1 to 43 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
(All amounts in Saudi Riyals '000 unless otherwise stated)

	Notes	For the year ended 31 December 2019	For the year ended 31 December 2018
Operating activities:			
Income before zakat and income tax		11,682,306	35,683,068
Adjustment to reconcile income before zakat and income tax to net cash from operating activities:			
- Depreciation of property, plant and equipment	*7*	14,453,281	14,472,437
- Depreciation of right of use assets	*8*	1,603,705	-
- Amortisation of intangible assets	*9*	652,679	663,644
- Impairments and write-offs of plant and equipment and intangible assets	*7 & 9*	3,875,673	365,484
- Impairments on equity instruments		14,084	-
- Provision for slow moving and obsolete inventories, net	*15*	(21,628)	(60,228)
- Provision for doubtful debts, net	*16*	(79,396)	3,320
- Share of results of associates and joint ventures	*10*	80,349	(1,049,850)
- Impairment provision of associates and joint ventures	*10*	1,515,000	-
- Fair value adjustment to derivatives, net		29,270	(39,206)
- Loss on sale/disposals of property, plant and equipment	*31*	110,808	179,700
- Finance costs	*30*	2,550,073	2,646,115
Changes in operating assets and liabilities:			
Decrease in other non-current assets		1,529,401	774,757
Decrease (increase) in inventories		1,852,851	(2,121,581)
Decrease in trade receivables		3,578,692	744,653
Decrease in prepayments and other current assets		15,272	881,779
(Decrease) increase in other non-current liabilities		(292,088)	185,249
Decrease in trade payables		(2,081,182)	(3,092,107)
Increase (decrease) in employee benefits		679,268	(1,048,193)
(Decrease) increase in accruals and other current liabilities		(249,592)	1,592,453
Cash from operations		41,498,826	50,781,494
Finance cost paid		(1,715,973)	(2,002,413)
Zakat and income tax paid	*32*	(4,209,924)	(4,007,987)
Net cash from operating activities		35,572,929	44,771,094

The accompanying notes from 1 to 43 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
(All amounts in Saudi Riyals '000 unless otherwise stated)

	Notes	For the year ended 31 December 2019	For the year ended 31 December 2018
Investing activities:			
Purchase of property, plant and equipment	7	(19,618,362)	(14,165,177)
Short-term investments, net		4,860,469	(5,279,537)
Proceeds on the maturity of investments in debt instruments		618,770	402,040
Purchase of intangible assets	9	(236,826)	(71,058)
Proceeds from sale/disposals of property, plant and equipment		-	48,605
Purchase of debt instruments		(92,288)	-
Purchase of equity instruments		(55,413)	(46,031)
Investments in associates and joint ventures	10	(338,271)	(10,954,760)
Dividend received from associates and joint ventures	10	1,171,465	462,361
Net cash used in investing activities		(13,690,456)	(29,603,557)
Financing activities:			
Proceeds from debt		9,385,880	26,787,021
Repayment of debt		(13,658,938)	(37,480,836)
Lease payments		(1,721,145)	(187,113)
Dividends paid to shareholders		(13,190,127)	(12,059,538)
Dividends paid to non-controlling interests		(8,228,095)	(8,736,246)
Acquisition of non-controlling interests	22	1,125,000	-
Net cash used in financing activities	19	(26,287,425)	(31,676,712)
Decrease in cash and cash equivalents		(4,404,952)	(16,509,175)
Net foreign exchange loss on cash and cash equivalents		(52,500)	(41,250)
Cash and cash equivalents at the beginning of the year	19	41,423,231	57,973,656
Cash and cash equivalents at the end of the year	19	36,965,779	41,423,231

The accompanying notes from 1 to 43 form an integral part of these consolidated financial statements.

1. Corporate information

Saudi Basic Industries Corporation ("SABIC" or "the Parent") is a Saudi Joint Stock Company established pursuant to Royal Decree Number M/66 dated 13 Ramadan 1396H (corresponding to 6 September 1976) registered in Riyadh under commercial registration No. 1010010813 dated 14 Muharram 1397H (corresponding to 4 January 1977). SABIC is 70% owned by the Government of the Kingdom of Saudi Arabia ("KSA") through the Public Investment Fund ("PIF") and 30% by the private sector. The registered office is located at Qurtubah district, P.O. Box 5101, Riyadh 11422, KSA.

On 27 March 2019, PIF and Saudi Arabian Oil Company ("Saudi Aramco") have signed a share purchase agreement pursuant to which Saudi Aramco has agreed to acquire all of PIF's stake in SABIC. Completion of the transaction is subject to customary closing conditions, including regulatory approvals. Upon completion of the transaction, Saudi Aramco will own 70% of SABIC's issued share capital.

At the end 2019, SABIC entered into a share-purchase agreement with Saudi Arabian Fertilizer Company ("SAFCO"), a listed subsidiary at Saudi Stock Exchange ("Tadawul"), under which SAFCO will acquire SABIC Agri-Nutrients Investment Company ("SANIC") in exchange for shares which will increase SABIC's shareholding in SAFCO from 42.99% to 50.1%, subject to shareholder and regulatory approvals.

SABIC and its subsidiaries (collectively the "Group") are engaged in manufacturing, marketing and distribution of chemicals, polymers, high performance plastics, agri-nutrients and metal products in global markets.

The consolidated financial statements of the Group for the year ended 31 December 2019 were authorised for issue in accordance with a resolution of the Board of Directors on 3 March 2020.

2. Basis of preparation and accounting policies

2.1 Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and its interpretations as issued by the International Accounting Standards Board ("IASB") as endorsed in KSA and other standards and pronouncements that are endorsed by the Saudi Organisation for Certified Public Accountants ("SOCPA") (collectively referred to as "IFRS as endorsed in KSA").

Certain prior period's figures have been reclassified to conform to the current period's presentation (Note 39).

The consolidated financial statements are prepared under the historical cost convention, except for financial instruments, which are measured at fair value at the end of each reporting period. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services at the time of the transaction.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless whether that price is directly observable or estimated using another technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability, if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for leasing transactions that are within the scope of IFRS 16 '*Leases*', and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 '*Inventories*' or value in use in IAS 36 '*Impairment of Assets*'.

The Group has categorized its financial assets and liabilities into a three-level fair value hierarchy, based on the degree to which the lowest level inputs to fair value measurement are observable and the significance of the inputs to the fair value measurement as a whole, which are described as follows:

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

2. Basis of preparation and accounting policies (continued)

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of SABIC and subsidiaries controlled by SABIC, except for joint operations which are consolidated based on the Group's relative share in the arrangement.

Consolidation of a subsidiary begins when SABIC obtains control over the subsidiary and ceases when SABIC loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed during the period are included in the consolidated financial statements from the date SABIC gains control until the date SABIC ceases to control the subsidiary. Refer Note 3.2.2 for judgements applied by SABIC to assess control. SABIC re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to the elements of control.

Net income or loss and each component of Other Comprehensive Income ("OCI") are attributed to the equity holders of the Parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group asset and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of financial position, consolidated statement of income, consolidated statement of comprehensive income and consolidated statement of changes in equity. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If SABIC loses control over a subsidiary, it de-recognises the related assets (including goodwill, if applicable), liabilities, non-controlling interests and other components of equity, while any resulting gain or loss is recognised in the consolidated statement of income.

2.3 Foreign currencies

The consolidated financial statements are presented in Saudi Riyals (SR), which is the functional currency of the Parent. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's subsidiaries at their respective functional currencies' spot rates at transaction date. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in the consolidated statement of income. These are recognised in OCI until the net investment is disposed, at which time, the cumulative amount is reclassified to consolidated statement of income. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in OCI.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item.

2. Basis of preparation and accounting policies (continued)

2.3 Foreign currencies (continued)

Group's companies

On consolidation, the assets and liabilities of foreign operations are translated into SR at the rate of exchange prevailing at the reporting date and their statements of income are translated at exchange rates prevailing at the transactions dates. The exchange differences arising on translation for consolidation are recognised in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is recognised in the consolidated statement of income.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

3. Significant accounting estimates, assumptions and judgements

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions at reporting date that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities. However, uncertainty about these assumptions and estimates could result in outcomes that could require material adjustments in the future to the carrying amount of the asset or liability affected.

The estimates and assumptions are based upon experience and various other factors that are believed to be reasonable under the circumstances and are used to judge the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised, if the changed estimates affect both current and future periods.

Other disclosures relating to the Group's exposure to risks and uncertainties include:
- Capital management, financial instrument risk management and policies (Note 37)
- Sensitivity analysis disclosures (Notes 24 and 37)

3.1 Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing material differences in the carrying amounts of assets and liabilities within the next financial period, are disclosed below. The Group used these assumptions and estimates on the basis available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

3.1.1 Impairment of non-financial assets

Impairment exists when the carrying value of an asset or Cash Generating Unit ("CGU") exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing the asset. The value in use is based on a Discounted Cash Flow ("DCF") model. The cash flows are derived from the budget and business plan for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future net cash-inflows and the growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount for the different CGUs are disclosed in Notes 7 and 9.

3. Significant accounting estimates, assumptions and judgements (continued)

3.1 Estimates and assumptions (continued)

3.1.2 Incremental borrowing rate for lease agreements (Notes 8 and 23)

The Group cannot readily determine the interest rate implicit in the lease agreement, therefore, it uses its Incremental Borrowing Rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right of use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available, such as for subsidiaries that do not enter into financing transactions or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs, such as market interest rates when available and is required to make certain entity-specific estimates.

3.1.3 Measurement of financial instruments (Notes 11, 12, 14 & 16)

The Group is required to make judgements about:

- The regional and business related risk profiles of the Group's customers to assess the Expected Credit Losses ("ECL") on trade receivables.
- The basis to determine the fair value of its investments in equity instruments, in reference to similar kind of investments being sold in the market. The selection of the investments to determine the basis requires judgement by management to recognise investments in equity instruments. For fair value determination, these investments qualify as Level 3 (Note 2).

3.1.4 Provisions

By their nature, the measurement of provisions depend upon estimates and assessments whether the criteria for recognition have been met, including estimates of the probability of cash outflows. The Group's estimates related to provisions for environmental matters are based on the nature and seriousness of the contamination, as well as on the technology required for remediation. Provisions for litigation are based on an estimate of costs, taking into account legal advice and other information available.

3.1.5 Defined employee benefit plans (Note 24)

Post-employment defined benefits plans, end-of-service benefits plans, indemnity payments and other long-term employee related liabilities represent obligations that will be settled in the future and require actuarial valuations to determine these obligations. The Group is required to make assumptions regarding variables such as discount rates, rate of salary increase, longevity, employee turnover and future healthcare costs, if applicable. Changes in key assumptions can have a significant impact on the projected benefit obligations and employee defined benefit costs. The assumptions are reviewed each reporting date.

Defined benefit obligations are discounted at a rate set by reference to relevant market yields at the end of the reporting period on high quality corporate or government bonds. Significant judgement is required when setting the criteria for bonds to be included in the population from which the yield curve is derived. The most significant criteria considered for the selection of bonds include the size of the bonds, quality of the corporate bonds and the identification of outliers which are excluded, if any.

3.1.6 Accounting for income tax (Note 32)

As part of the process of preparing consolidated financial statements, the Group estimates income tax in each of the jurisdictions it operates. This process involves estimating current tax expense and temporary differences between carrying amounts of assets and liabilities for financial reporting purposes and the related tax bases. Temporary differences result in deferred tax assets and liabilities, which are included in the consolidated statement of financial position. Deferred tax assets and liabilities are carried at nominal value.

3. Significant accounting estimates, assumptions and judgements (continued)

3.1 Estimates and assumptions (continued)

3.1.6 Accounting for income tax (Note 32) (continued)

The Group assesses periodically the likelihood whether deferred tax assets will be recovered from future taxable income, to the extent these deferred tax assets are recorded. Deferred tax assets are recognised for unused tax losses to the extent that it is probable that the taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

3.1.7 Accounting for options on own equity instruments

Call and put options on the Group's own equity instruments are recognised at Fair Value through Income Statement ("FVIS") at the end of each reporting period, if material. Estimating the fair value of these options requires determination of the most appropriate valuation model, which depends on the terms and conditions of the underlying joint venture agreement. This estimate requires determination of the expected life of the share option or appreciation right, probability of exercising of option, volatility and dividend yield and making assumptions about them.

3.2 Critical judgements in applying accounting standards

In addition to the application of the judgement in the above-mentioned estimates and assumptions, the following critical judgements have the most significant effect on the amounts recognised in the consolidated financial statements:

3.2.1 Component parts of plant and equipment

The Group's plant and equipment are broken down into significant components and depreciated on a straight-line basis over their economic useful lives. Judgement is required in ascertaining the significant components of a larger asset. In defining the significance of a component, the Group considers quantitative materiality of the component part as well as qualitative factors such as difference in useful life as compared to related asset.

3.2.2 Determination of control, joint control and significant influence

Subsidiaries are all investees over which the Group has control. Management considers that it controls an entity when the Group is exposed to or has rights to the majority of the variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of those returns through its power to direct the relevant activities of the investees.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has equal or less than a majority of the voting or similar rights of an investee, the Group considers all other relevant facts and circumstances in assessing whether it has power over an investee, including any contractual and other such arrangements which may affect the activities which impact investees' return.

3.2.2.1 Assessing control over consolidated subsidiaries

The determination about whether the Group has power depends on such relevant activities, the way decisions about the relevant activities are made and the rights the Group has, in relation to the investees.

In certain cases where the Group owns less than 50% of voting rights, it may still be the single largest shareholder with presence on the governing body giving it power to direct relevant activities of the investees, whereby the other shareholders individually do not hold sufficient voting rights and power to overrule the Group's directions. There is no prior instance of other shareholders collaborating to exercise their votes collectively or to out-vote the Group.

3. Significant accounting estimates, assumptions and judgements (continued)

3.2 Critical judgements in applying accounting standards (continued)

3.2.2.1 Assessing control over consolidated subsidiaries (continued)

Management has considered the integration of all KSA investees (where the Group has equal or less than a majority of the voting rights) within the Group structure and located in the industrial cities in KSA, the ability of the Group to impact the majority of the variable returns of the investees through the provision of various key services to such investees, the relationship of the Group with other entities which may impact returns of investees, appointment of certain key management personnel and various other such factors.

Based on above considerations, the Group believes:

- There is a pattern of past and existing practice of the Group's involvement in the relevant activities of these investees resulting in an impact on their returns and also indicating a more than passive interest of the Group in such investees; and
- The Group has created an ecosystem in which the set-up and function of these investees and their inter-relationship with the Group leads towards a judgement of 'control'.

Hence, the Group has consolidated those KSA investees, which meet the above criteria as part of the Group's consolidated financial statements.

3.2.3 Determining the lease term of contracts with renewal and terminations options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination clauses. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in the circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate the contract.

4. Changes in accounting policies

IFRS 16 – Leases

The Group has adopted IFRS 16 from its mandatory adoption date 1 January 2019 using the modified retrospective transition approach as permitted under the specific transition provisions in the standard. As a result, comparatives have not been restated.

The Group has not used the transition practical expedient of applying IFRS 16 to only those contracts that were previously identified as leases under IAS 17 (and IFRIC 4). In adopting IFRS 16, the Group has applied the following practical expedients:

- The use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- Accounting for operating leases with a remaining lease term of less than 12 months at 1 January 2019 as short-term leases
- Exclusion of initial direct costs for the measurement of the right of use asset at the date of initial application
- The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease
- The election, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

(All amounts in Saudi Riyals '000 unless otherwise stated)

4. Changes in accounting policies (continued)

IFRS 16 – Leases (continued)

As at 1 January 2019, the Group has recognised lease liabilities amounting to SR 6.83 billion and associated right of use assets amounting to SR 7.29 billion in relation to contracts that have been concluded as leases under the principles of IFRS 16. The lease assets and liabilities previously recognised under finance leases, included under "Property, plant and equipment" were derecognised and additional lease liabilities were recognised under "Debts". The liabilities were measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate. The associated right of use assets are measured at the amount equal to the lease liabilities, adjusted by the amount of prepayments relating to that lease recognised in the consolidated statement of financial position as at 31 December 2018. The Group's weighted average incremental borrowing rate applied to the lease liabilities was 4.04%.

The following table shows the reconciliation of operating lease commitments under IAS 17 "*Leases*" to the lease liabilities under IFRS 16 on 1 January 2019:

	1 January 2019
Operating lease commitments disclosed as at 31 December 2018	8,905,562
Less: discount using the Group's incremental borrowing rate	(1,980,916)
Less: short-term leases recognised on a straight-line basis as expense	(190,859)
Less: low-value leases recognised on a straight-line basis as expense	(19,493)
Add: contracts reassessed as lease agreements	118,287
	6,832,581
Add: finance lease liabilities recognised as at 31 December 2018	738,925
Lease liabilities recognised as at 1 January 2019	7,571,506

IFRIC Interpretation 23 - Uncertainty over Income Tax Treatment

The Interpretation addresses accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 '*Income Taxes*' ("IAS 12") and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The interpretation specifically addresses the following:
- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable results, tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The Interpretation did not have an impact on the consolidated financial statements of the Group.

Amendments to IAS 19: Plan Amendment, Curtailment or Settlement

The Amendments to IAS 19 'Employee Benefits' specifies how companies determine pension expenses when changes to a defined benefit pension plan occur. The Amendments require a company to use the updated assumptions from this re-measurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan.

The amendments had no impact on the consolidated financial statements of the Group as it did not have any plan amendments, curtailments, or settlements during the period.

5. New IFRS issued but not yet effective

The IFRS standards and interpretations that are issued and relevant for the Group, but not yet effective, up to the date of issuance of the Group's consolidated financial statements are elaborated below. These standards will be adopted by the Group when they become effective.

Amendment to IFRS 3 – Business Combinations

The Amendment narrowed and clarified the definition of a business. It also permits a simplified assessment of whether an acquired set of activities and assets is a group of assets rather than a business. The Amendment is effective for business combinations which are entered into for annual reporting periods beginning on or after 1 January 2020. The Group will apply the Amendment from its effective date.

Amendments to IFRS 1 – Classification of Liabilities as Current or Non-Current

The Amendments in 'Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)' affect only the presentation of liabilities in the statement of financial position, not the amount or timing of recognition of any asset, liability income or expenses, or the information that entities disclose about those items. They clarify that:

- The classification of liabilities as current or non-current should be assessed on rights that are in existence at the end of the reporting period.
- Settlement refers to the transfer to the counterparty of cash, equity instruments or other assets or services.

The Amendments are effective from annual periods beginning on or after 1 January 2022 and should be applied retrospectively. Early adoption is permitted. The Group already applied these Amendments.

6. Summary of significant accounting polices

The significant accounting policies adopted by the Group in preparing these consolidated financial statements are applied consistently and are described below:

Business combinations and goodwill

Business combinations are accounted for applying the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred which is measured at fair value on the acquisition date and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed in the consolidated statement of income when incurred.

When the Group acquires a business, it assesses the financial assets acquired and financials liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 is measured at fair value with the changes in fair value recognised in the consolidated statement of income or OCI.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed. If the reassessment still results in an excess the gain is recognised in the consolidated statement of income.

6. Summary of significant accounting polices (continued)

Business combinations and goodwill (continued)

After initial recognition, goodwill is measured at cost less any accumulated impairment losses, if applicable. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's CGUs that are expected to have benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Where goodwill has been allocated to a CGU and part of the operation within that unit is disposed off, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the CGU retained.

Investments in associates and joint arrangements

Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. Judgement is required, particularly where the Group owns shareholding and voting rights of generally 15% and above, the Group assessed not to have 'control' or 'joint control' over such investees.

Investments in joint arrangements

Investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

- *Joint operations*

  A joint operation is an arrangement whereby the parties that have joint control on the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. The Group recognises its direct right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held assets or incurred liabilities, revenues and expenses for its joint operations.

- *Joint ventures*

  A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Interests in joint ventures are accounted for using the equity method, after initially being recognised at cost in the consolidated statement of financial position.

Under the equity method of accounting, the investments in an associate or joint venture are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition results in the consolidated statement of income, and the Group's share of movements in OCI in the consolidated statement of comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it is liable due to constructive or legal obligations on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in the consolidated statement of income.

6. Summary of significant accounting polices (continued)

Investments in associates and joint arrangements (continued)

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is re-measured to its fair value with the change in carrying amount recognised in the consolidated statement of income. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in OCI in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in OCI are reclassified to the consolidated statement of income.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in OCI, except for the items that will not be reclassified to the consolidated statement of comprehensive income, are reclassified to the consolidated statement of income, where appropriate.

Current versus non-current classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current and non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in normal operating cycle
- Expected to be realised within twelve months after the reporting period or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when it is due to be settled within twelve months after the reporting period. The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

Zakat and tax

<u>Zakat</u>

Zakat is levied based on adjusted income subject to zakat or the zakat base in accordance with the Regulations of the General Authority of Zakat and Tax ("GAZT") in KSA whatever is higher. The Group computes its zakat by using the zakat base. The zakat provision is charged to the consolidated statement of income. Differences, if any, resulting from the final assessments are adjusted in the period of their finalisation.

<u>Current Income tax</u>

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the relevant tax authorities.

<u>Deferred tax</u>

Deferred tax is provided for using the balance sheet method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates and tax law enacted or substantively enacted at the reporting date. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets and current tax liabilities and the deferred taxes relate to the same taxable entity and the same tax authority. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

6. Summary of significant accounting polices (continued)

Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such costs include the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced in intervals, the Group recognises and depreciates them separately based on its specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the consolidated statement of income as incurred. The present value of the expected cost for the decommissioning of the asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Depreciation is calculated on a straight-line basis over the useful life of the asset as follows:

Buildings	13 to 40 years
Plant and equipment	4 to 50 years
Furniture, fixtures and vehicles	3 to 10 years

Land and assets under construction, which are not ready for their intended use, are not depreciated.

An item of property, plant and equipment and any significant part initially recognised is de-recognised upon disposal or when no future economic benefits are expected from its continued use or disposal. Any gain or loss arising on de-recognising the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of income when the asset is de-recognised.

The assets' residual values, useful lives and methods of depreciation are periodically reviewed, and adjusted prospectively in case of a significant change in the assets technological capabilities or estimated planned use.

Group as lessee

Leases are recognised as right of use assets along with their corresponding liabilities at the date of which the leased assets are available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is recognised in the consolidated statement of income over the lease term. The right of use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Right of use assets are initially measured at cost comprising the amount of the initial measurement of lease liability, any lease payments made at or before the commencement date less any lease incentives received, any initial direct costs, and restoration costs; if applicable.

Lease liabilities include, if applicable, the net present value of fixed payments including in-substance fixed payments, less any lease incentives receivable, variable lease payment that are based on an index or a rate, amounts expected to be payable by the lessee under residual value guarantees, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

6. Summary of significant accounting polices (continued)

Leases

Short-term and low value assets' leases
Short-term leases are leases with a lease term of 12 months or less. Low-value assets are items that do not meet the Group's capitalisation threshold and are considered to be insignificant for the statement of financial position for the Group as a whole. Payments for short-term leases and leases of low-value assets are recognised on a straight-line basis in the consolidated statement of income.

Variable lease payments
Some leases contain variable payments that are linked to the usage or performance of the leased asset. Such payments are recognised in the consolidated statement of income.

Extension and termination options
In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options or periods after termination options are only included in the lease term if the lease is reasonably certain to be extended or not terminated. The Group assesses at lease commencement whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within control.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the consolidated statement of income due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

6. Summary of significant accounting polices (continued)

Borrowing costs

Borrowing costs consist of interest and other costs that the Group incurs in connection with the borrowing of funds. Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the costs of these assets, until such time as the asset is substantially ready for its intended use.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted for the borrowing costs eligible for capitalization. All other borrowing costs are expensed in the period they occur.

Intangible assets

Intangible assets are measured at cost upon initial recognition. Intangible assets acquired in a business combination are measured at fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses, if any. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indicator that the intangible asset may be impaired. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. The amortisation expense on intangible assets with finite lives is recognised in the consolidated statement of income in the expense category that is consistent with the function of the intangible asset.

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability and intention to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Amortisation of the intangible asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation is recorded in the consolidated statement of income. During the period of development, the asset is tested for impairment annually.

Technology and innovation expense related to product development is recorded in the consolidated statement of income in other operating expense and expense related to process improvement is recorded in cost of sales.

The amortisation period for intangible assets with a finite useful life is as follows:

Licenses	5 to 15 years
Trademarks	22 years
Customer lists	18 years
(Un)patented technology	10 years
Others, including in-house developed software and technology and innovation assets	3 to 5 years

6. Summary of significant accounting polices (continued)

Impairment of non-current assets

The Group assesses at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing is required, the Group estimates the assets' recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset or CGU is considered impaired and is written down to its recoverable amount.

In assessing the value in use, the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset.

The Group's impairment calculation is based on detailed budgets and forecast calculations which are prepared separately for each of the Group's CGU's to which the individual assets are allocated. These budgets and forecast calculations are generally covering a five-year period. A long-term growth rate is calculated and applied to project future cash flows after the budget period using a terminal value.

Impairment losses of continuing operations, including impairment on working capital, if applicable, are recognised in the consolidated statement of income in those expense categories consistent with the function of the impaired asset.

For assets other than goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group's estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. Such reversal is recognised in the consolidated statement of income.

Goodwill is tested for impairment annually or when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGU's) to which the goodwill relates. Where the recoverable amount of the CGU is less than the carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future years.

Financial assets

Classification of financial assets depends on the Group's business model for managing its financial assets and the contractual terms of the cash flows. The Group classifies its financial assets as:

- financial assets measured at amortised cost or
- financial assets measured at fair value

Gains or losses of assets measured at fair value will be recognised either through the consolidated statement of income or through the consolidated statement of OCI.

Loans as well as trade receivables, which are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interests, are measured at amortised cost.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are Solely Payments of Principal and Interest ("SPPI") on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

6. Summary of significant accounting polices (continued)

Financial assets (continued)

Initial measurement

Financial assets are initially measured at their fair value plus transaction costs. Transaction costs of financial assets carried at fair value through income statement are recognised in the consolidated statement of income. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows meet the requirements as solely payment of principal and interest.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- *Financial assets at amortised cost (Debt Instruments)*

  Financial assets at amortised cost are subsequently measured using the Effective Interest Rate ("EIR") method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

- *Financial assets at 'Fair Value through Other Comprehensive Income' ("FVOCI") with recycling of cumulative gains and losses (Debt Instruments)*

  For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the consolidated statement of income and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon de-recognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

- *Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon de-recognition (Equity Instruments)*

  SABIC measures all equity investments at fair value and presents changes in fair value of equity investments in OCI. Dividends from such investments continue to be recognised in the consolidated statement of income as other income when the SABIC's right to receive payments is established. Gains and losses on these financial assets are never recycled to the consolidated statement of income.

- *Financial assets at Fair Value through Income Statement ("FVIS")*

  Financial assets that do not meet the criteria for subsequent recognition at amortised cost or FVOCI are measured at FVIS. A gain or loss on a debt investment that is subsequently measured at fair value through the income statement and which is not part of a hedging relationship is recognised and presented net in the consolidated statement of income in the period in which it arises.

De-recognition

A financial asset or a part of a financial asset is de-recognised when:

- The rights to receive cash flows from the asset have expired, or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement, and either:

  a) The Group has transferred substantially all the risks and rewards of the asset; or

  b) The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

6. Summary of significant accounting polices (continued)

Financial assets (continued)

Impairment

Management assesses on a forward-looking basis the ECL associated with its debt instruments as part of its financial assets, which are carried at amortised cost and FVOCI.

The ECL is based on a 12-month ECL or a lifetime ECL. The 12-month ECL results from default events on a financial instrument that are possible within 12 months after the reporting date. When there has been a significant increase in credit risk since initial recognition, the allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (the lifetime ECL).

For accounts receivables, management applies the simplified approach in calculating ECL's. Therefore, management does not track changes in credit risk, but instead recognised a loss allowance base on lifetime ECL's at each reporting date. Management has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified under either of the below two classes:

- Financial liabilities at FVIS and
- Other financial liabilities measured at amortised cost using the EIR method.

The category of financial liability at FVIS has two sub-categories:

- *Designated:* A financial liability that is designated by the entity as a liability at FVIS upon initial recognition; and
- *Held for trading:* A financial liability classified as held for trading, such as an obligation for securities borrowed in a short sale, which have to be returned in the future. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships. Separated embedded derivatives are classified as held for trading.

All financial liabilities are recognised initially when the Group becomes party to contractual provisions and obligations under the financial instrument. The liabilities are recorded at fair value, and in the case of loans and borrowings and payables, the proceeds received net of directly attributable transaction costs.

Subsequent measurement

Financial liabilities at FVIS continue to be recorded at fair value with changes being recorded in the consolidated statement of income.

For other financial liabilities, including loans and borrowings, after initial recognition, these are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the consolidated statement of income when the liabilities are de-recognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR method. The EIR amortisation is included as finance costs in the consolidated statement of income.

6. Summary of significant accounting polices (continued)

Financial liabilities (continued)

Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial period which are unpaid. The amounts are unsecured and are usually paid within 30 to 60 days of recognition. They are recognised initially at their fair value and subsequently measured at amortised cost using the EIR method.

Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value adjusted for transaction costs that are directly attributable to the issuance of the guarantee. The fair value of financial guarantee is determined as the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligation.

Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

De-recognition

A financial liability is de-recognised when the obligation under the liability is settled or discharged. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated statement of income.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is disclosed in the consolidated statement of financial position if there is a currently enforceable legal right to offset recognised amounts and there is an intention to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

Derivative financial instruments and hedge accounting

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from changes in fair value on derivatives during the period that do not qualify for hedge accounting and the ineffective portion of an effective hedge, are taken directly to the consolidated statement of income.

The fair value of forward currency contracts is the difference between the forward exchange rate and the contract rate. The forward exchange rate is referenced to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate swap contracts is determined by reference to yield curves for similar instruments.

Inventories

Inventories, including raw materials, work in progress, finished goods, and consumables and spare parts are measured at the lower of cost i.e. historical purchase prices based on the weighted average principle plus directly attributable costs or the net realisable value. Inventories of work in progress and finished goods include cost of materials, labour and an appropriate proportion of direct overheads.

6. Summary of significant accounting polices (continued)

Cash dividend paid to equity holders of the Parent

The Group recognises a liability to make cash distribution to equity holders of the Parent when the distribution is authorised and the distribution is no longer at the discretion of the Group. In accordance with the Companies Law in KSA, a distribution is authorised when it is approved by the shareholders. Interim dividends, if any, are recorded when approved by the Board of Directors. A corresponding amount is recognised directly in the consolidated statement of changes in equity.

Provisions

General

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the obligation amount. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

Environmental obligations

In accordance with the Group's environmental policy and applicable legal requirements, the Group recognises a provision for environmental clean-up cost when it is probable that a legal or constructive liability has materialised and the amount of cash outflow can be reasonably estimated.

Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost meeting its obligation under the contract.

De-commissioning liability

The Group records a provision for de-commissioning costs of manufacturing facilities when an obligation exists. De-commissioning costs are provided at the present value of expected costs to settle the obligation using estimated cash flows and are recognised as part of the cost of the particular asset. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the de-commissioning liability. The unwinding of the discount is expensed as incurred and recognised in the consolidated statement of income as a finance cost. The estimated future cost of de-commissioning is reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset.

Employee benefits

Long-term employee benefit obligations

Long-term employee benefit obligations are measured at the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method and recorded as non-current liabilities. Consideration is given to expected future salary increase and historic attrition rates. Expected future payments are discounted using market yields at the end of the reporting period of high-quality corporate or government bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. Re-measurements as a result of changes in actuarial assumptions are recognised in the consolidated statement of comprehensive income. The Group offers various post-employment schemes, including both defined contribution and defined benefit plans, and post-employment medical and life insurance plans for eligible employees and their dependents.

6. Summary of significant accounting polices (continued)

Employee benefits (continued)

Long-term employee benefit obligations (continued)

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the Group pays fixed contributions into a separate entity and has no other legal or constructive obligation. The contributions are recognised as employee benefit expense in the consolidated statement of income when they are due.

Within KSA, the Group offers a saving plan to encourage its Saudi employees to make savings in a manner that will warrant an increase in their income and contribute to securing their future according to the established plan. The saving contributions from the participants are deposited in a separate bank account other than the Group's normal operating bank accounts (but not in any separate legal entity). This cash is a restricted balance, and for the purpose of presentation in the financial statements, it is offset with the related liability under the savings plan and the net liability to employees is reported under the employee benefits liability.

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group primarily has end of service benefits, defined benefit pension plans and post-retirement medical and life insurance plans, which qualify as defined benefit plans.

End of service benefits and pension plans

In KSA, for the liability for employees' end of service benefits, the actuarial valuation process takes into consideration the provisions of the Saudi Arabian Labour and Workmen Law as well as the Group's policy. In other countries, the respective labour laws are taken into consideration.

The net pension asset or liability recognised in the consolidated statement of financial position in respect of defined benefit post-employment plans is the present value of the projected Defined Benefits Obligation ("DBO") less the fair value of plan assets, if any, at the reporting date.

DBO is re-measured on a periodic basis by independent actuaries using the projected unit credit method. The present value of the DBO is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used. The net interest cost are calculated by applying the discount rate to the net balance of the DBO and the fair value of plan assets.

Service costs are calculated, using the actuarially determined pension cost rate at the end of the prior year, adjusted for significant market fluctuations and for any significant one-off events, such as plan amendments, curtailments and settlements. In the absence of such significant market fluctuations and one-off events, the actuarial liabilities are rolled forward based on the assumptions as at the beginning of the year. If there are significant changes to the assumptions or arrangements during the interim period, consideration is given to re-measure such liabilities and the related costs.

Re-measurement gains and losses arising from changes in actuarial assumptions are recognised in the period in which they occur in OCI. Changes in the present value of the DBO resulting from plan amendments or curtailments are recognised immediately in the consolidated statement of income as past service costs.

When the benefits plan are amended, the portion of the change in benefit relating to the past service by employees is recognised as an expense or income; if applicable, on a straight-line basis over the average period until the benefits become vested in the consolidated statement of income. To the extent that benefits vest immediately, the expense or income, if applicable is recognised immediately in the consolidated statement of income.

6. Summary of significant accounting polices (continued)

Employee benefits (continued)

Long-term employee benefit obligations (continued)

End of service benefits and pension plans (continued)

Current and past service costs related to post-employment benefits are recognised immediately in the consolidated statement of income while unwinding of the liability at discount rates used are recorded as financial cost. Any changes in net liability due to actuarial valuations and changes in assumptions are taken as re-measurement in OCI.

Employee Home Ownership Program ("HOP")

Certain companies within the Group have established employee's HOP that offer eligible employees the opportunity to buy residential units constructed by these subsidiaries through a series of payments over a particular number of years. Ownership of the houses is transferred upon completion of full payment.

Under the HOP, the amounts paid by the employee towards the house are repayable back to the employee in case the employee discontinues employment and the house is returned back to the Group. HOP is recognised as a non-current prepayment asset at time the residential units are allocated to the employees and are amortised over the repayment period of the facility due from employees.

Employee Home Loan Program ("HLP")

The Group provides interest free home loan to its eligible employees for purposes related to purchase or building of a house or apartment. The loan is repaid in monthly instalment by deduction of employee's pay.

HLP is recognised as a non-current financial asset at fair value and measured at amortised cost using the EIR method. The difference between the fair value and the actual amount of cash given to the employee is recognised as a "non-current prepaid employee benefit" and is amortised as an expense equally over the period of service. The same amount is also amortised as finance income against the receivable from employees.

Revenue recognition

Sales revenue

The Group recognises revenue when control of the products sold, transfers to the customer, which shall be considered in the context of a five-step approach and applying the applicable shipping terms.

Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. Revenue arrangements are assessed against specific criteria to determine whether the Group is acting as a principal or agent.

Rights of return

When a contract with a customer provides a right of return of the good within a specified period, the Group accounts for the right of return when requested by the customer and contractual conditions are met.

Allocation of performance obligations

In certain instances, the Group determines delivery services as separately identifiable and distinct from the sale of goods. These are when the Group transfers control of goods at the Group's loading site and provides delivery services to the buyer's site. The Group allocates a portion of the total transaction price to delivery services based on a best estimate of a similar stand-alone service.

6. Summary of significant accounting polices (continued)

Revenue recognition (continued)

Variable pricing – preliminary pricing

Certain products in certain markets may be sold with variable pricing arrangements. Such arrangements determine that a preliminary price is charged to the customer at the time of transfer of control of the products while the final price for the products can only be determined by reference to a time period ending after that time. In such cases, and irrespective of the formula used for determining preliminary and final prices, revenue is recorded at the time of transfer of control of the products at an amount representing the expected final amount of consideration that the Group receives.

Where the Group records an 'accounts receivable' for the preliminary price, subsequent changes in the estimated final price shall not be recorded as revenue until such point in time at which the actual final price is determined (as long as these changes result from changes in the market price/market price index of the products). They may however be considered in subsequent re-measurement as a financial asset at fair value. Such re-measurement may be recorded as a separate revenue.

All other updates to the preliminary price is recorded against revenue with the additional receivable amount recorded under a contract asset or contract liability. Such contract asset or liability is de-recognised against an accounts receivable at the point in time at which the actual final price is determined.

Variable pricing – volume rebates

The Group provides retrospective volume rebates to its customers on products purchased by the customer once the quantity of products purchased during the period exceeds a threshold specified in the contract. The Group estimates the expected volume rebates using a prudent assessment of the expected amount of rebates, reviewed and updated on a regular basis. These amounts will subsequently be repaid in cash to the customer or are offset against amounts payable by the customer, if allowed by the contract.

Volume rebates give rise to variable consideration. The Group considers the "most likely amount" method to be the best estimate of this variable consideration.

<u>Rendering of services</u>

In certain instances, the Group provides logistic services for goods sold. This service is satisfied over the period of delivery. Consequently, the Group defers revenue allocated to the logistic services and recognise it over that period.

Finance income

For all financial instruments measured at amortised cost and interest-bearing financial assets classified as investments in equity instruments at FVOCI, finance income is recorded using the EIR. EIR is the rate that discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability.

(All amounts in Saudi Riyals '000 unless otherwise stated)

7 Property, plant and equipment

	For the year ended 31 December 2019						
	Land and buildings	Plant and equipment	Furniture and fixtures	Vehicles	Finance lease	Assets under construction	Total
Cost:							
At the beginning of the year	32,568,001	294,428,552	1,046,979	745,682	1,326,263	20,267,943	350,383,420
Additions	341,811	3,247,301	11,250	14,859	-	16,003,141	19,618,362
Transfers (Note 8)	354,226	8,101,015	39,553	3,279	(1,326,263)	(8,436,525)	(1,264,715)
Other transfers (i)	-	-	-	-	-	(1,567,961)	(1,567,961)
Write-offs	(110)	(750,129)	(1,617)	(46,084)	-	(179,383)	(977,323)
Disposals	(175,560)	(2,757,053)	(18,494)	(7,637)	-	-	(2,958,744)
Currency translation	(105,025)	(123,467)	(3,699)	(304)	-	(3,044)	(235,539)
At the end of the year	32,983,343	302,146,219	1,073,972	709,795	-	26,084,171	362,997,500
Accumulated depreciation and impairment:							
At the beginning of the year	(15,616,034)	(168,831,092)	(792,790)	(579,320)	(709,901)	(34,599)	(186,563,736)
Charge for the year	(1,028,799)	(13,324,266)	(63,532)	(36,684)	-	-	(14,453,281)
Transfers (Note 8)	115,010	(111,383)	(1,881)	1,878	709,901	7,092	720,617
Impairment	(107,106)	(2,835,521)	(1,323)	-	-	(402,208)	(3,346,158)
Write-offs	48	606,532	1,617	46,084	-	-	654,281
Disposals	170,752	2,651,288	18,315	7,581	-	-	2,847,936
Currency translation	51,932	78,184	2,813	196	-	-	133,125
At the end of the year	(16,414,197)	(181,766,258)	(836,781)	(560,265)	-	(429,715)	(200,007,216)
Net book value:							
At 31 December 2019	16,569,146	120,379,961	237,191	149,530	-	25,654,456	162,990,284
At 1 January 2019	16,951,967	125,597,460	254,189	166,362	616,362	20,233,344	163,819,684

(i) Includes transfers of housing units constructed for employees to other non-current assets

(All amounts in Saudi Riyals '000 unless otherwise stated)

7 Property, plant and equipment (continued)

	For the year ended 31 December 2018						
	Land and buildings	Plant and equipment	Furniture and fixtures	Vehicles	Finance lease	Assets under construction	Total
Cost:							
At the beginning of the year	31,853,024	281,502,829	1,016,897	755,245	1,217,233	24,894,448	341,239,676
Additions	207,171	2,090,600	17,238	16,655	29,858	11,812,453	14,173,975
Transfers (i)	975,707	13,426,401	39,453	4,659	79,795	(16,235,952)	(1,709,937)
Disposals	(165,221)	(985,644)	(14,111)	(29,584)	(578)	(146,612)	(1,341,750)
Currency translation	(302,680)	(1,605,634)	(12,498)	(1,293)	(45)	(56,394)	(1,978,544)
At the end of the year	32,568,001	294,428,552	1,046,979	745,682	1,326,263	20,267,943	350,383,420
Accumulated depreciation and impairment:							
At the beginning of the year	(14,807,964)	(156,161,828)	(754,507)	(554,027)	(633,818)	(971,621)	(173,883,765)
Charge for the year	(1,054,903)	(13,230,628)	(64,986)	(45,421)	(76,499)	-	(14,472,437)
Transfers	(22,193)	(1,046,616)	5,853	(48)	-	937,022	(125,982)
Impairment	-	(303,750)	-	-	-	-	(303,750)
Disposals	143,179	936,681	12,388	20,620	577	-	1,113,445
Currency translation	125,847	975,049	8,462	(444)	(161)	-	1,108,753
At the end of the year	(15,616,034)	(168,831,092)	(792,790)	(579,320)	(709,901)	(34,599)	(186,563,736)
Net book value:							
At 31 December 2018	16,951,967	125,597,460	254,189	166,362	616,362	20,233,344	163,819,684
At 1 January 2018	17,045,060	125,341,001	262,390	201,218	583,415	23,922,827	167,355,911

(i) Includes transfers within property, plant and equipment and transfer of housing units constructed for employees to other non-current assets.

(All amounts in Saudi Riyals '000 unless otherwise stated)

7 Property, plant and equipment (continued)

Allocation of depreciation charge for the year

	For the year ended 31 December 2019	For the year ended 31 December 2018
Cost of sales	13,743,118	13,903,349
General and administrative expenses	651,524	509,351
Selling and distribution expenses	58,639	59,737
	14,453,281	14,472,437

Land and building

The land on which plant and related facilities of certain subsidiaries in KSA are constructed are leased from the Royal Commission for Jubail and Yanbu under renewable lease agreements for a period up to 30 years. The Group has similar kind of arrangements and terms for some sites in Europe.

Land and buildings include an amount of SR 2.04 billion as of 31 December 2019 (2018: SR 2.04 billion) representing the cost of freehold land.

Assets under construction

Assets under construction mainly represents the expansion of existing plants and new projects being executed by certain affiliates. The related capital commitments are reported in Note 38.

Capitalised borrowing costs

The borrowing cost capitalised during the year ended 31 December 2019 amounted to SR 3.03 million (2018: SR 38.72 million), out of which SR 3.03 million (2018: SR 15.15 million) relate to non-conventional facilities. The Group uses the capitalisation rate of 4% (2018: 4%) to determine the amount of borrowing costs eligible for capitalisation.

Pledged property, plant and equipment

Property, plant and equipment of certain subsidiaries in the KSA are pledged to the Saudi Industrial Development Fund ("SIDF") as security for its term loans amounting to SR 30.42 billion (2018: SR 34.62 billion).

Certain leased assets are pledged as security for the related lease and hire liabilities.

Impairment and write-offs of plant and equipment

During the year ended 31 December 2019, impairment and write-offs, amounting to SR 3.67 billion (2018: SR 0.30 billion), was recorded against plant and equipment, mainly for Petrochemicals SBU assets, which are or will be taken out of production. These were mostly recognised in the below two subsidiaries:

- Arabian Industrial Fibers Company ("Ibn Rushd"), where due to a changing market environment, the company revised its business model leading to the closure of certain assets in the course of 2020. An impairment loss was recognised in the consolidated statement of income as part of cost of sales, amounting to SR 2.7 billion.
- Saudi Methanol Company ("Ar-Razi") has idled a plant from its production portfolio as of 1 January 2020, as it no longer meets certain governmental regulations anymore. The book value of this plant and capitalized spare parts amounting to SR 246 million has been written-off and recognised in the consolidated statement of income as other expenses.

(All amounts in Saudi Riyals '000 unless otherwise stated)

8 Right of use assets

	For the year ended 31 December 2019				
	Land and buildings	Plant and equipment	Storage and tanks	Vessels and Vehicles	Total
Cost:					
At the beginning of the year	-	-	-	-	-
IFRS 16 adoption (Note 4)	4,017,817	149,237	1,024,249	2,103,994	7,295,297
Transfers from property, plant and equipment at transition	45,752	1,213,819	-	5,144	1,264,715
Additions	429,550	258,912	10,454	427,504	1,126,420
Re-measurement	(144,657)	(10,472)	(4,535)	(84,578)	(244,242)
Currency translation adjustment	(12,731)	(2,384)	(13,238)	(19,116)	(47,469)
At the end of the year	4,335,731	1,609,112	1,016,930	2,432,948	9,394,721
Accumulated depreciation:					
At the beginning of the year	-	-	-	-	-
Charge for the year	(600,397)	(187,923)	(217,976)	(597,409)	(1,603,705)
Transfers	(20,589)	(697,936)	-	(2,092)	(720,617)
Re-measurement	(2,449)	-	(3,446)	209	(5,686)
Currency translation adjustment	182	1,168	(72)	(26)	1,252
At the end of the year	(623,253)	(884,691)	(221,494)	(599,318)	(2,328,756)
Net book value:					
At 31 December 2019	3,712,478	724,421	795,436	1,833,630	7,065,965

Allocation of depreciation charge for the year

	For the year ended 31 December 2019
Cost of sales	1,172,418
General and administrative expenses	376,286
Selling and distribution expenses	55,001
	1,603,705

(All amounts in Saudi Riyals '000 unless otherwise stated)

9 Intangible assets

	For the year ended 31 December 2019					
	Goodwill	Software and IT development	Licenses	Others (i)	Intangibles under development	Total
Cost:						
At the beginning of the year	8,743,895	2,153,448	10,181,769	54,254	3,045	21,136,411
Additions	-	3,595	94,335	-	138,896	236,826
Transfers	-	52,455	108,671	(476)	-	160,650
Write-offs	-	(41,515)	(16,977)	(3,302)	-	(61,794)
Currency translation adjustment	(105,378)	(7,084)	(20,098)	(1,009)	-	(133,569)
At the end of the year	8,638,517	2,160,899	10,347,700	49,467	141,941	21,338,524
Accumulated amortisation:						
At the beginning of the year	-	(1,631,010)	(6,545,451)	(12,739)	-	(8,189,200)
Charge for the year	-	(188,054)	(463,865)	(760)	-	(652,679)
Impairment and write-offs	-	41,359	(189,340)	3,302	-	(144,679)
Currency translation adjustment	-	4,531	20,978	138	-	25,647
At the end of the year	-	(1,773,174)	(7,177,678)	(10,059)	-	(8,960,911)
Net book value:						
At 31 December 2019	8,638,517	387,725	3,170,022	39,408	141,941	12,377,613
At 1 January 2019	8,743,895	522,438	3,636,318	41,515	3,045	12,947,211

(All amounts in Saudi Riyals '000 unless otherwise stated)

9 Intangible assets (continued)

	For the year ended 31 December 2018					
	Goodwill	Software and IT development	Licenses	Others (i)	Intangibles under development	Total
Cost:						
At the beginning of the year	9,089,745	2,328,153	9,906,856	105,741	32,950	21,463,445
Additions	-	1,310	65,611	1,092	3,045	71,058
Additions – through business combination (Note 10)	-	-	201,668	-	-	201,668
Transfers	-	44,376	65,514	(49,145)	(28,903)	31,842
Write-offs	(97,500)	(202,867)	(649)	(836)	(4,047)	(305,899)
Currency translation adjustment	(248,350)	(17,524)	(57,231)	(2,598)	-	(325,703)
At the end of the year	8,743,895	2,153,448	10,181,769	54,254	3,045	21,136,411
Accumulated amortisation:						
At the beginning of the year	-	(1,651,660)	(6,215,522)	(53,866)	-	(7,921,048)
Charge for the year	-	(192,560)	(471,084)	-	-	(663,644)
Transfers	-	-	101,862	-	-	101,862
Write-offs	-	202,867	649	40,649	-	244,165
Currency translation adjustment	-	10,343	38,644	478	-	49,465
At the end of the year	-	(1,631,010)	(6,545,451)	(12,739)	-	(8,189,200)
Net book value:						
At 31 December 2018	8,743,895	522,438	3,636,318	41,515	3,045	12,947,211
At 1 January 2018	9,089,745	676,493	3,691,334	51,875	32,950	13,542,397

(i) Others includes trademarks, customer lists, (un)patented technology, in-house developed software and technology and innovation assets.

(All amounts in Saudi Riyals '000 unless otherwise stated)

9 Intangible assets (continued)

Allocation of amortisation charge for the year

	For the year ended 31 December 2019	For the year ended 31 December 2018
Cost of sales	231,394	229,576
General and administrative expenses	416,318	431,885
Selling and distribution expenses	4,967	2,183
	652,679	663,644

Goodwill

Goodwill, resulting from the Group's acquisitions in 2002 and 2007, has been allocated to the Group's SBUs that represent its CGUs at which the goodwill is managed. For goodwill impairment testing, these CGUs are Petrochemicals and Specialties. The goodwill allocated to Petrochemicals amounts to SR 5.82 billion and for Specialties to SR 2.82 billion. The Weighted Average Cost of Capital ("WACC") rate applied at Group's level is 8.0% for Petrochemicals (2018: 7.1%) and for Specialties 8.2% (2018: 7.7%).

The WACC is calculated based on long-term moving monthly average assumptions that reflect market assessments of the risk specific to each CGU. Segment specific risk is incorporated by applying average beta factors. The beta factors are evaluated annually based on publicly available market data of SABIC's peers. The average effective tax rate is assumed to be 21%-23% (2018: 23%-25%). The cash flow projections are derived from the respective business plans. Cash flow projections beyond the five year business plan are extrapolated taking into account an assumed growth rate of 0.8%-2.0% (2018: 1.1%- 2.0%).

For 2019, no impairment was recognised (2018: SR 0.098 billion which was determined based on the fair value less cost of disposal).

With respect to the assessment of the value in use, management believes that a reasonably possible change in its used assumptions would not cause the carrying value of its goodwill to exceed its recoverable amount.

(All amounts in Saudi Riyals '000 unless otherwise stated)

10 Investments in associates and joint ventures

The table below outlines the Group's investment in associates and joint venture companies:

Name of associates and joint ventures	Ownership %	Place of business / country of incorporation	Nature of activities	31 December 2019	31 December 2018
Associate:					
Gulf Petrochemical Industries Company ("GPIC")	33.33	Bahrain	Petrochemical	**657,748**	697,515
Ma'aden Phosphate Company ("MPC")	30.00	KSA	Agri-nutrients	**2,130,182**	2,125,868
Power and Water Utilities Company for Jubail and Yanbu ("MARAFIQ")	24.81	KSA	Utilities	**1,727,310**	1,696,036
Aluminium Bahrain BSC ("ALBA")	20.62	Bahrain	Aluminium	**2,214,895**	2,227,253
National Chemical Carrier Company ("NCC")	20.00	KSA	Transportation	**310,015**	301,975
Ma'aden Wa'ad Al Shamal Phosphate Company ("MWSPC")	15.00	KSA	Agri-nutrients	**1,665,245**	1,876,238
Saudi Arabian Industrial Investment Company ("Dussur")	25.00	KSA	Investments	**372,762**	115,706
Clariant AG ("Clariant") (Note 10.1)	24.99	Switzerland	Specialty chemical	**8,685,005**	10,550,156
Joint venture:					
Sinopec Sabic Tianjin Petrochemical Company ("SSTPC")	50.00	China	Petrochemical	**4,212,360**	4,770,486
Sabic SK Nexlene Company ("SSNC")	50.00	Singapore	Petrochemical	**495,189**	544,729
Others		-	-	**879,683**	874,588
				23,350,394	25,780,550

10 Investments in associates and joint ventures (continued)

10.1 Investment in Clariant A.G.

At 10 September 2018, SABIC acquired approximately 83 million shares equivalent to 24.99% ownership in Clariant, a global specialty chemical company listed at the Swiss Stock Exchange ("SIX"). As major stakeholder, management considers having significant influence, without having control over Clariant. Therefore, this investment is accounted for as an associate using the equity method.

The Group paid a consideration of SR 10.82 billion, which includes goodwill amounting to SR 5.38 billion.

On 18 September 2018, SABIC and Clariant announced their long-term strategic relationship. On 25 July 2019, Clariant and SABIC announced that the negotiations for this potential strategic initiative was deferred due to market circumstances. Subsequently, Clariant announced their decision to divest their Masterbatches BU and recognised a significant provision related to a price competition investigation within the European Union. All these events had a significant negative influence on Clariant's listed share price. Since the acquisition, the fair value of Clariant shares decreased, with the lowest quotation since SABIC acquired the shares, on 15 August 2019 at a closing rate of CHF 17.09 per share.

During 2019, management reassessed the carrying value of its investment in Clariant comparing the higher of fair value less cost of disposal and value in use approach. This assessment is based on publicly available information and average analyst consensus regarding the development of the 12-month forecast of the Clariant share price, including a reasonable premium given the fact that SABIC has significant influence on this investment through its 24.99% share. As a result, the Group recorded an impairment provision of SR 1.52 billion.

(All amounts in Saudi Riyals '000 unless otherwise stated)

10 Investments in associates and joint ventures (continued)

The movement of investments in associate and joint venture is as follows:

	For the year ended 31 December 2019											
	Associates								Joint ventures			
	GPIC	MPC	MARAFIQ	ALBA	NCC	MWSPC	Dussur	Clariant	SSTPC	SSNC	Others	Total
Balance at the beginning of the year	697,515	2,125,868	1,696,036	2,227,253	301,975	1,876,238	115,706	10,550,156	4,770,486	544,729	874,588	25,780,550
Capital contribution	-	-	-	-	-	-	283,092	-	-	-	55,179	338,271
Share of results (i)	38,955	4,744	45,594	(12,358)	7,933	(210,999)	(26,036)	(233,617)	447,902	(19,147)	(123,320)	(80,349)
Impairment	-	-	-	-	-	-	-	(1,515,000)	-	-	-	(1,515,000)
	38,955	4,744	45,594	(12,358)	7,933	(210,999)	(26,036)	(1,748,617)	447,902	(19,147)	(123,320)	(1,595,349)
Movements in OCI	(33,722)	(430)	11,881	-	107	6	-	54,588	(27,984)	(30,393)	-	(25,947)
Dividends received	(45,000)	-	(26,201)	-	-	-	-	(171,122)	(929,142)	-	-	(1,171,465)
Others	-	-	-	-	-	-	-	-	(48,902)	-	(ii) 73,236	24,334
Balance at the end of the year	657,748	2,130,182	1,727,310	2,214,895	310,015	1,665,245	372,762	8,685,005	4,212,360	495,189	879,683	23,350,394

(i) The Group's share of results in associates' net income recorded after fair value adjustments and changes in estimated results.

(ii) Share of results on the face of the statement of income includes losses of SR 61 million (2018: nil) related to entities under liquidation for which previous losses were recognised up to the investment value.

(All amounts in Saudi Riyals '000 unless otherwise stated)

10 Investments in associates and joint ventures (continued)

	For the year ended 31 December 2018												
	Associates									Joint ventures			
	GPIC	GARMCO	MPC	MARAFIQ	ALBA	NCC	MWSPC	Dussur	Clariant (i)	SSTPC	SSNC	Others	Total
Balance at the beginning of the year	628,503	83,059	1,960,276	1,719,222	2,152,435	331,604	1,799,877	144,687	-	4,031,268	583,084	870,125	14,304,140
Capital contribution	-	-	-	-	-	-	-	-	10,822,077	190,475	-	132,683	11,145,235
Share of results	106,803	(83,026)	163,160	(7,977)	150,543	(29,677)	77,169	(28,905)	(106,973)	831,728	1,297	(24,292)	1,049,850
Movements in OCI	(291)	(33)	2,432	20,185	-	48	(808)	(76)	(164,948)	236,920	(39,652)	-	53,777
Dividends received	(37,500)	-	-	(35,394)	(75,725)	-	-	-	-	(504,217)	-	-	(652,836)
Others	-	-	-	-	-	-	-	-	-	(15,688)	-	(ii) (103,928)	(119,616)
Balance at the end of the year	697,515	-	2,125,868	1,696,036	2,227,253	301,975	1,876,238	115,706	10,550,156	4,770,486	544,729	874,588	25,780,550

(i) The Group's share in losses of Clariant's net income over the period from 10 September 2018 until year-end are recorded after fair value adjustments.

(ii) Others include obtaining control of Black Diamond Structures, LLC as well as other movements in joint ventures.

(All amounts in Saudi Riyals '000 unless otherwise stated)

10 Investments in associates and joint ventures (continued)

Summarised financial information of associates

The tables below provide summarised financial information of the material associates of the Group. The information disclosed reflects the amounts presented in the available financial statements of the relevant investee and not SABIC's share of those amounts.

	As at 31 December 2019				
	MPC	MARAFIQ	ALBA	MWSPC (i)	Clariant (ii)
Current assets	3,060,914	2,420,667	4,555,338	2,238,704	15,598,896
Non-current assets	14,237,395	19,602,573	19,520,054	26,493,219	28,379,978
Current liabilities	1,792,801	1,967,942	4,544,922	2,497,633	10,467,834
Non-current liabilities	8,404,900	13,093,147	8,788,981	18,599,326	14,221,039
Net assets	7,100,608	6,962,151	10,741,489	7,634,964	19,290,001
Reconciliation:					
Group's share in %	30.00%	24.81%	20.62%	15.00%	24.99%
Group's share in associate	2,130,182	1,727,310	2,214,895	1,145,245	4,820,571
Intangible / goodwill	-	-	-	520,000	5,379,434
Impairment provision	-	-	-	-	(1,515,000)
Carrying amount	2,130,182	1,727,310	2,214,895	1,665,245	8,685,005

	For the year ended 31 December 2019				
Revenue	4,131,423	3,852,630	10,241,576	3,454,285	16,866,641
Net income (loss) for the year - all from continuing operations	15,814	246,245	53,569	(1,244,981)	(130,363)
Reconciliation:					
Group's share in %	30.00%	24.81%	20.62%	15.00%	24.99%
Group's share in associate	4,744	61,093	11,046	(186,747)	(32,578)
Share in earnings (losses)	4,744	45,594	(12,358)	(210,999)	(1,748,617)

(i) The Group's investment in MWSPC includes additional contribution made to one of the shareholders in relation to mineral rights.

(ii) The Group's investments in Clariant is recorded after fair value adjustments.

(All amounts in Saudi Riyals '000 unless otherwise stated)

10 Investments in associates and joint ventures (continued)

Summarised financial information of associates (continued)

	As at 31 December 2018				
	MPC	MARAFIQ	ALBA	MWSPC (i)	Clariant (ii)
Current assets	2,837,269	3,349,284	4,507,876	3,763,582	12,727,365
Non-current assets	14,624,827	19,186,046	17,034,081	27,180,114	31,803,920
Current liabilities	1,547,546	2,959,695	4,204,279	2,330,057	8,770,556
Non-current liabilities	8,828,324	12,739,537	6,536,255	19,705,388	14,746,700
Net assets	7,086,226	6,836,098	10,801,423	8,908,251	21,014,029
Reconciliation:					
Group's share in %	30.00%	24.81%	20.62%	15.00%	24.99%
Group's share in associate	2,125,868	1,696,036	2,227,253	1,336,238	5,251,406
Intangible / goodwill	-	-	-	540,000	5,298,750
Carrying amount	2,125,868	1,696,036	2,227,253	1,876,238	10,550,156

	For the year ended 31 December 2018				
Revenue	5,215,648	4,053,837	9,075,806	1,163,825	25,393,900
Net income for the year - all from continuing operations	705,082	228,214	594,270	415,816	1,364,975
Reconciliation:					
Group's share in %	30.00%	24.81%	20.62%	15.00%	24.99%
Group's share in associate	211,525	56,620	122,538	62,372	341,107
Share in earnings (losses)	163,160	(7,977)	150,543	77,169	(106,973)

Notes:

(i) The Group's investment in MWSPC includes additional contribution made to one of the shareholders in relation to mineral rights.

(ii) The Group's share in losses of Clariant's net income over the period from 10 September 2018 until year-end are recorded after fair value adjustments.

(All amounts in Saudi Riyals '000 unless otherwise stated)

10 Investments in associates and joint ventures (continued)

Summarised financial information of joint ventures

The tables below provide the summarised financial information of SSTPC, a material joint venture of the Group. The information disclosed reflects the amounts presented in the financial statements of the joint venture and not SABIC's share of those amounts.

	As at 31 December 2019	As at 31 December 2018
Cash and bank balances	1,740,156	2,778,440
Total current assets	4,156,010	4,956,637
Non-current assets	8,753,735	8,384,204
Current financial liabilities (excluding trade payables)	799,634	785,666
Total current liabilities	1,822,727	1,634,680
Total non-current liabilities	2,662,298	2,165,189
Net assets	8,424,720	9,540,972
Reconciliation:		
Group's share in %	50.00%	50.00%
Group's share in joint venture	4,212,360	4,770,486
Carrying amount	4,212,360	4,770,486

	For the year ended 31 December 2019	For the year ended 31 December 2018
Revenue	8,554,640	10,334,966
Depreciation and amortisation	594,167	483,784
Interest income	93,061	94,355
Interest expense	(72,547)	(95,467)
Income tax expense	(289,345)	(559,773)
Net income for the year - all from continuing operations	895,804	1,663,456
Reconciliation:		
Group's share in %	50.00%	50.00%
Group's share of earnings in joint venture	447,902	831,728
Share of earnings	447,902	831,728

(All amounts in Saudi Riyals '000 unless otherwise stated)

10 Investments in associates and joint ventures (continued)

Summarised financial information of individually immaterial associates and joint venture

	For the year ended 31 December 2019		For the year ended 31 December 2018	
	Individually immaterial associates	Individually immaterial joint ventures	Individually immaterial associates	Individually immaterial joint ventures
Net income (loss) for the year - all from continuing operations	220,857	(38,293)	556,571	20,013

Fair value of listed associates

The fair value of the Group's investment in ALBA and Clariant based on its trading price at 31 December 2019 is SR 1.22 billion and SR 6.94 billion (Note 10.1) respectively (2018: SR 1.75 billion and SR 5.72 billion).

11 Investments in debt instruments

	31 December 2019	31 December 2018
Current (in short-term investments –Note 18)		
Fixed rate instruments	562,366	93,750
Floating rate instrument	524,080	481,460
	1,086,446	575,210
Non-current		
Fixed rate instruments	591,920	1,146,865
Floating rate instrument	753,672	1,347,015
	1,345,592	2,493,880
	2,432,038	3,069,090

Currency exposure

	31 December 2019	31 December 2018
SR	1,664,667	1,641,779
USD	767,371	1,427,311
	2,432,038	3,069,090

(All amounts in Saudi Riyals '000 unless otherwise stated)

12 Investments in equity instruments

Carrying value of the investments in equity instruments are as follows:

	31 December 2019	31 December 2018
Unlisted securities		
Equity securities	732,868	784,815
Mutual fund units	313,141	305,294
	1,046,009	1,090,109

13 Other non-current assets

	31 December 2019	31 December 2018
Employee advances	4,050,066	3,585,847
Receivables from Japan Saudi Arabia Methanol Company, Inc. ("JSMC") (Note 22)	1,606,049	-
Loan receivable from related parties	96,075	620,029
Pre-paid mining fee	112,500	112,500
Others	652,379	808,080
	6,517,069	5,126,456

Employee advances
Employee advances represents receivables from employees related to HOP and other benefits.

Loan receivable from related parties
Loans receivable from related parties relates to certain associates and joint ventures at normal market rates.

Others
Others mainly include advances to contractors and miscellaneous items

(All amounts in Saudi Riyals '000 unless otherwise stated)

14 Financial assets and financial liabilities

		31 December 2019							
	Notes	Total	Financial assets / liabilities at amortised cost	Financial assets / liabilities at FVIS	Financial assets at FVOCI	Fair value (ii)	Level I	Level II	Level III
Financial assets									
Investments in debt instruments									
- Fixed	*11*	1,154,286	1,154,286	-	-	1,405,304	-	1,405,304	-
- Floating	*11*	1,277,752	894,960	382,792	-	1,290,835	-	1,290,835	-
Unquoted equity instruments	*12*	1,046,009	-	320,807	725,202	1,046,009	-	783,355	262,654
Trade receivables	*16*	18,322,552	18,322,552	-	-	N/A	-	-	-
Short-term investments									
- Time deposits	*18*	4,379,820	4,379,820	-	-	N/A	-	-	-
- Other short-term investments	*18*	92,288	-	92,288	-	92,288	92,288	-	-
Cash and bank balances									
- Cash and bank balances	*19*	10,019,848	10,019,848	-	-	N/A	-	-	-
- Time deposits	*19*	28,292,927	28,292,927	-	-	N/A	-	-	-
Other financial assets (i)		3,104,355	3,104,355	-	-	N/A	-	-	-
		67,689,837	66,168,748	795,887	725,202	3,834,436	92,288	3,479,494	262,654
Financial liabilities									
Debt	*23*	42,696,650	42,696,650	-	-	44,088,567	-	44,088,567	-
Lease liabilities (iii)	*23*	7,038,906	7,038,906	N/A	N/A	N/A	-	-	-
Trade payables	*25*	12,888,175	12,888,175	-	-	N/A	-	-	-
Other financial liabilities (i)		2,191,103	2,191,103	-	-	N/A	-	-	-
		64,814,834	64,814,834	-	-	44,088,567	-	44,088,567	-

(i) Other financial assets include lease receivables, loans to related parties and interest receivables. Other financial liabilities include dividend payable, payables to related parties and interest payables.

(ii) The Group assessed that trade receivables, short-term investments, cash and bank balances, trade payables and other financial assets and liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

(iii) Lease liabilities are recognised according to IFRS 16. In accordance with IFRS 7.29(d), disclosures on the fair value of lease liabilities are not required.

(All amounts in Saudi Riyals '000 unless otherwise stated)

14 Financial assets and financial liabilities (continued)

		31 December 2018							
	Notes	Total	Financial assets / liabilities at amortised cost	Financial assets / liabilities at FVIS	Financial assets at FVOCI	Fair value (ii)	Level I	Level II	Level III
Financial assets									
Investments in debt instruments									
- Fixed	*11*	1,240,615	1,240,615	-	-	1,720,920	-	1,720,920	-
- Floating	*11*	1,828,475	1,441,498	386,977	-	1,692,752	-	1,692,752	-
Investments in equity instruments									
- Unquoted	*12*	1,090,109	-	317,669	772,440	1,090,109	-	907,343	182,766
Derivative financial assets	*27*	29,651	-	29,651	-	29,651	-	29,651	-
Trade receivables	*16*	21,821,849	21,821,849	-	-	N/A	-	-	-
Short-term investments									
- Time deposits	*18*	9,240,289	9,240,289	-	-	N/A	-	-	-
Cash and bank balances							-	-	-
- Cash and bank balances	*19*	13,153,210	13,153,210	-	-	N/A			
- Time deposits	*19*	29,437,610	29,437,610	-	-	N/A	-	-	-
Other financial assets (i)		1,780,085	1,780,085	-	-	N/A	-	-	-
		79,621,893	78,115,156	734,297	772,440	4,533,432	-	4,350,666	182,766
Financial liabilities									
Debt	*23*	46,524,316	46,524,316	-	-	45,715,403	-	45,715,403	-
Finance lease liabilities	*23*	738,925	738,925	N/A	N/A	N/A	-	-	-
Derivative financial liabilities	*27*	381	-	381	-	381	-	381	-
Trade payables	*25*	14,969,357	14,969,357	-	-	N/A	-	-	-
Other financial liabilities (i)		3,357,882	3,357,882	-	-	N/A	-	-	-
		65,590,861	65,590,480	381	-	45,715,784	-	45,715,784	-

(i) Other financial assets include lease receivables, loans to related parties and interest receivables. Other financial liabilities include dividend payable, payables to related parties and interest payables.

(ii) The Group assessed that trade receivables, short-term investments, cash and bank balances, trade payables and other financial assets and liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

14 Financial assets and financial liabilities (continued)

The Group's exposure to various risks associated with the financial instruments is discussed in Note 37. The maximum exposure to credit risk at the end of the reporting year is the carrying amount of each class of financial assets mentioned above.

There were no transfers between the levels during the year ended 31 December 2019 and 2018.

The following methods and assumptions were used to estimate the fair values:

- Long-term fixed-rate and variable-rate receivables and borrowings are evaluated by the Group based on parameters such as interest rates, specific country risk factors and individual creditworthiness of the customer and the risk characteristics of the financed project. Based on this evaluation, allowances are taken into account for the expected losses of these receivables and borrowings.
- Fair value of the quoted bonds is based on price quotations at the reporting date. The fair value of unquoted debt instruments, loans from banks and other financial liabilities as well as other non-current financial liabilities is estimated by discounting future cash flows using rates for debt with similar terms, credit risk and maturities.
- For the fair value of equity instruments, the Group makes certain assumptions in valuation about the model inputs, including fair value derived based on comparable transactions. The probabilities of the various estimates within a range can be reasonably assessed used in the Group's estimate of fair value for these unquoted investments in equity instruments. Fair values of quoted investments in equity instruments are derived from quoted prices in active markets.

(All amounts in Saudi Riyals '000 unless otherwise stated)

14 Financial assets and financial liabilities (continued)

Description of valuation techniques used and key inputs to valuation investments in equity instruments is as follows:

Valuation technique	Significant unobservable input	Range
Market approach	• Equity value to EBITDA multiple • Midpoint of net asset value and price to book multiple	10.9 to 13.5 0.76
Net asset value approach	Point estimate of distributable cash and bank balances	SR 46.1 to SR 49.9
Expected returns approach	Equity value to revenue multiple	0.73

15 Inventories

	31 December 2019	31 December 2018
Finished goods	14,804,387	16,613,402
Spare parts	6,300,920	6,259,412
Raw materials	4,249,678	3,760,273
Goods in transit	1,614,514	2,260,171
Work in process	1,138,499	1,067,591
	28,107,998	29,960,849
Less: Provision for slow moving and obsolete items	(1,694,418)	(1,716,046)
	26,413,580	28,244,803

Movements in the provision for obsolete inventories were as follows:

	For the year ended 31 December 2019	For the year ended 31 December 2018
Balance at 1 January	1,716,046	1,776,274
Reversal for the year, net	(21,628)	(60,228)
Balance at 31 December	1,694,418	1,716,046

The Group's exposure to commodity price risks is discussed in Note 37.

16 Trade receivables

	31 December 2019	31 December 2018
Trade receivables	16,283,174	19,111,571
Due from related parties	2,366,655	3,116,951
	18,649,829	22,228,522
Less: allowance for expected credit losses	(327,277)	(406,673)
	18,322,552	21,821,849

Accounts receivable are non-interest bearing and are generally between 30 – 120 days terms.

(All amounts in Saudi Riyals '000 unless otherwise stated)

16 Trade receivables (continued)

As of 31 December the ageing analysis of trade receivable along with related expected credit loss is as follows:

	Total	Neither past due nor impaired	Less than 60 days	61-90 days	91-180 Days	181-365 days	More than one year
31 December 2019							
Expected credit loss rate	-	0.06%	1.32%	9.16%	16.85%	10.71%	50.49%
Gross carrying amount	18,649,829	17,091,871	719,828	55,134	109,513	141,833	531,650
Expected credit loss	327,277	10,656	9,504	5,052	18,457	15,186	268,422
31 December 2018							
Expected credit loss rate	-	0.15%	1.72%	29.16%	17.34%	35.28%	52.07%
Gross carrying amount	22,228,522	20,442,712	968,193	34,856	114,193	108,073	560,495
Expected credit loss	406,673	30,095	16,655	10,165	19,797	38,132	291,829

The expected credit loss rates for the year ended 31 December 2019 have been decreased compared to 2018 as there were less indications that trade receivables are at risk of credit impairment due to potential financial difficulties of customers at the end of the reporting period.

Movements in the allowance for expected credit losses were as follows:

	For the year 31 December 2019	For the year 31 December 2018
Opening balance	406,673	363,743
Additional allowance for expected credit losses on adoption of IFRS 9	-	39,610
As at 1 January	406,673	403,353
Charge for the year	1,514	70,411
Reversals during the year	(80,910)	(67,091)
As at 31 December	327,277	406,673

17 Prepayments and other current assets

	31 December 2019	31 December 2018
Receivables from Japan Saudi Arabia Methanol Company, Inc. ("JSMC") (Note 22)	1,687,500	-
Prepaid expenses	1,458,879	1,897,589
Taxes and subsidies receivable	872,634	1,198,681
Current portion of loan receivable from related parties	617,372	184,760
Finance income receivable	71,378	152,964
Employee advances and receivables	73,756	76,569
Others	1,572,236	1,604,294
	6,353,755	5,114,857

(All amounts in Saudi Riyals '000 unless otherwise stated)

18 Short-term investments

Short-term investments can be broken down as follows:

	31 December 2019	31 December 2018
Time deposits	4,379,820	9,240,289
Investments in debt instruments (Note 11)	1,086,446	575,210
Other short-term investments	92,288	-
	5,558,554	9,815,499

Time deposits with banks are of original maturities of more than three months and less than twelve months and carry commission rates in line with the prevailing market rates.

Other short-term investments include certificate of deposits.

19 Cash and bank balances

Cash and bank balances can be broken down as follows:

	31 December 2019	31 December 2018
Cash in hand	1,085	390
Bank balances	10,018,763	13,152,820
Time deposits	28,292,927	29,437,610
	38,312,775	42,590,820

At 31 December 2019, the Group had available SR 8.65 billion (31 December 2018: SR 10.06 billion) of undrawn committed borrowing facilities.

At 31 December 2019, the Group has funds amounting to SR 0.60 billion (31 December 2018: SR 0.51 billion) are held in separate bank accounts and are not used as part of normal business operations.

The table below provides details of amounts placed in various currencies:

	31 December 2019	31 December 2018
SR	12,268,977	15,700,877
USD	23,417,389	25,304,981
Others	2,626,409	1,584,962
	38,312,775	42,590,820

Cash flows related disclosures

Cash and cash equivalents can be broken down as follows:

	31 December 2019	31 December 2018
Cash and bank balances	38,312,775	42,590,820
Less: bank overdrafts (in short term borrowings - Note 23)	(1,346,996)	(1,167,589)
	36,965,779	41,423,231

Bank overdrafts are used in the normal business operations of the Group and represent cash balances that cannot be legally off-set.

19 Cash and bank balances (continued)

19.1 Cash flows related disclosures (continued)

Change in liabilities arising from financing activities can be broken down as follows:

	As at 1 January 2019	Charged during the year	Cash flows	Foreign currency exchange and other non-cash	As at 31 December 2019
Debt	46,524,316	2,008,900	(4,273,058)	(1,563,508)	42,696,650
Lease	738,925	353,152	(1,721,145)	(i) 7,667,974	7,038,906
Dividends to shareholders	1,215,655	13,200,000	(13,190,127)	-	1,225,528
Dividends to non-controlling interests	1,558,027	6,859,302	(8,228,095)	-	189,234
Acquisition of non-controlling interests	-	(1,125,000)	1,125,000	-	-
	50,036,923	21,296,354	(26,287,425)	6,104,466	51,150,318

(i) Includes IFRS 16 related additional leases which were recognised at transition and during the year.

	As at 1 January 2018	Charged during the year	Cash flows	Foreign currency exchange and other non-cash	As at 31 December 2018
Debt	57,198,175	-	(10,693,815)	19,956	46,524,316
Finance lease	865,013	61,025	(187,113)	-	738,925
Dividends to shareholders	1,633,220	13,200,000	(12,059,538)	-	2,773,682
Dividends to non-controlling interests	-	8,629,709	(8,736,246)	106,537	-
	59,696,408	21,890,734	(31,676,712)	126,493	50,036,923

20 Share capital

	31 December 2019	31 December 2018
Authorised shares:		
Ordinary shares of SR 10 each	3,000,000	3,000,000
Ordinary shares issued and fully paid of SR 10 each	3,000,000	3,000,000
Issued and paid capital (SR '000)	30,000,000	30,000,000

(All amounts in Saudi Riyals '000 unless otherwise stated)

21 Reserves

Statutory reserve

In accordance with Saudi Arabian Regulations for Companies, SABIC must set aside 10% of its net income in each year until it has built up a reserve equal to 30% of the share capital. As the reserve has reached the minimum amount, SABIC has resolved to discontinue such transfers. This reserve is not available for distribution.

General reserve

In accordance with SABIC's By-Laws, the General Assembly can establish a general reserve as an appropriation of retained earnings. This general reserve can be increased or decreased by a resolution of the shareholders and is available for distribution.

Other reserves

The following table shows a breakdown of other reserves and the movements during the year:

31 December 2019	Equity instruments	Foreign currency translation	Actuarial gain (loss)	Cash flow hedge	Total
At the beginning of the year	423,136	(2,699,916)	953,122	(35,526)	(1,359,184)
Net change on currency translation of foreign operations	-	(328,231)	-	-	(328,231)
Re-measurement impact of employee benefit obligations (i)	-	-	(1,414,662)	-	(1,414,662)
Re-measurement impact of investments in equity instruments	(137,060)	-	-	-	(137,060)
Share of other comprehensive income (loss) for associates and joint ventures	-	(13,317)	(30,764)	18,134	(25,947)
Other comprehensive income (loss) for the year	(137,060)	(341,548)	(1,445,426)	18,134	(1,905,900)
At the end of the year	286,076	(3,041,464)	(492,304)	(17,392)	(3,265,084)

(i) Amount is net of tax and includes amounts recognised by the acquisition of non-controlling interests (Note 22).

(All amounts in Saudi Riyals '000 unless otherwise stated)

21 Reserves (continued)

Other reserves (continued)

31 December 2018	Equity instruments	Foreign currency translation	Actuarial gain (loss)	Cash flow hedge	Total
At the beginning of the year	28,956	(1,430,422)	(792,486)	(55,711)	(2,249,663)
Adoption of IFRS 9	389,300	(275)	-	-	389,025
At 1 January 2018	418,256	(1,430,697)	(792,486)	(55,711)	(1,860,638)
Net change on currency translation of foreign operations	-	(1,301,215)	-	-	(1,301,215)
Re-measurement impact of employee benefit obligations	-	-	1,744,012	-	1,744,012
Re-measurement impact of investments in equity instrument	4,880	-	-	-	4,880
Share of other comprehensive income for associates and joint ventures	-	31,996	1,596	20,185	53,777
Other comprehensive income (loss) for the year	4,880	(1,269,219)	1,745,608	20,185	501,454
At the end of the year	423,136	(2,699,916)	953,122	(35,526)	(1,359,184)

(All amounts in Saudi Riyals '000 unless otherwise stated)

22 Non-controlling interests

Summarised statement of financial position

Set out below is summarised financial information for each subsidiary that has a non-controlling interest that are material to the Group. The amounts disclosed for each subsidiary are before inter-company eliminations:

	As at 31 December 2019							
	YANSAB	AR-RAZI	YANPET	SHARQ	KEMYA	IBN RUSHD	SAFCO	KAYAN
		(Note 22.1)						
Current assets	5,842,703	1,594,284	4,382,164	4,622,300	3,248,122	1,996,387	2,167,998	5,381,729
Current liabilities	1,152,758	402,394	1,604,462	1,107,106	2,087,568	1,278,969	681,385	2,886,750
Current net assets	4,689,945	1,191,890	2,777,702	3,515,194	1,160,554	717,418	1,486,613	2,494,979
Non-current assets	12,227,704	2,886,709	4,680,504	13,283,302	12,617,680	1,365,461	7,494,544	29,946,066
Non-current liabilities	774,837	851,411	1,177,227	2,683,024	3,985,429	3,600,132	984,866	17,488,180
Non-current net assets	11,452,867	2,035,298	3,503,277	10,600,278	8,632,251	(2,234,671)	6,509,678	12,457,886
Net assets	16,142,812	3,227,188	6,280,979	14,115,472	9,792,805	(1,517,253)	7,996,291	14,952,865
Accumulated non-controlling interests (i)	7,756,621	806,797	3,140,493	7,057,736	4,896,403	(729,344)	4,558,685	9,719,362

(i) Accumulated non-controlling interests includes adjustments such as inter-group profit elimination, absorption of income tax in non-controlling interests and others.

(All amounts in Saudi Riyals '000 unless otherwise stated)

22 Non-controlling interests (continued)

Summarised statement of financial position (continued)

	As at 31 December 2018							
	YANSAB	AR-RAZI	YANPET	SHARQ	KEMYA	IBN RUSHD	SAFCO	KAYAN
Current assets	6,227,525	3,428,862	5,941,261	8,044,262	3,690,629	2,165,665	2,249,981	9,173,922
Current liabilities	1,343,865	2,938,323	2,494,188	1,560,340	2,138,286	984,443	855,264	3,295,944
Current net assets	4,883,660	490,539	3,447,073	6,483,922	1,552,343	1,181,222	1,394,717	5,877,978
Non-current assets	12,844,534	2,818,632	4,415,143	13,867,515	13,129,797	4,074,091	7,254,486	31,521,004
Non-current liabilities	472,499	775,785	847,336	2,439,668	4,701,917	3,752,541	743,154	21,700,622
Non-current net assets	12,372,035	2,042,847	3,567,807	11,427,847	8,427,880	321,550	6,511,332	9,820,382
Net assets	17,255,695	2,533,386	7,014,880	17,911,769	9,980,223	1,502,772	7,906,049	15,698,360
Accumulated non-controlling interests (i)	8,143,373	1,109,028	3,392,926	8,596,724	4,852,558	712,967	4,183,245	9,620,400

(i) Accumulated non-controlling interests includes adjustments such as inter-group profit elimination, absorption of income tax in non-controlling interests and others.

(All amounts in Saudi Riyals '000 unless otherwise stated)

22 Non-controlling interests (continued)

Summarised statement of comprehensive income

	For the year ended 31 December 2019							
	YANSAB	AR-RAZI (Note 22.1)	YANPET	SHARQ	KEMYA	IBN RUSHD	SAFCO	KAYAN
Revenue	6,064,834	3,430,439	6,209,514	7,877,799	7,244,650	4,308,183	3,287,582	9,536,400
Net income (loss) for the year	1,089,772	1,539,551	1,752,780	464,021	654,656	(2,981,429)	1,473,919	(636,777)
Other comprehensive income	(93,280)	(48,686)	(102,420)	(90,217)	(80,366)	(38,596)	(133,677)	(108,718)
Total comprehensive income (loss)	996,492	1,490,865	1,650,360	373,804	574,290	(3,020,025)	1,340,242	(745,495)
Net income (loss) attributable to non-controlling interests (i)	523,635	384,888	808,257	217,744	297,063	(1,433,173)	840,281	(413,905)
Dividends to non-controlling interests	1,013,555	301,759	1,360,172	1,975,000	335,082	-	712,625	-
	For the year ended 31 December 2018							
Revenue	7,628,470	5,249,864	7,859,468	11,383,526	8,766,320	6,302,650	3,859,836	12,263,159
Net income for the year	2,413,978	3,045,453	2,944,221	2,859,182	1,965,479	130,862	1,738,438	1,702,248
Other comprehensive income	73,037	55,640	124,006	93,484	67,696	53,508	140,320	88,645
Total comprehensive income	2,487,015	3,101,093	3,068,227	2,952,666	2,033,175	184,370	1,878,758	1,790,893
Net income attributable to non-controlling interests (i)	1,156,336	1,360,836	1,304,256	1,406,008	946,798	67,784	874,950	1,007,816
Dividends to non-controlling interests	946,063	1,938,503	1,424,437	2,131,029	696,144	-	475,083	-

(i) Net income (loss) attributable to non-controlling interests includes adjustments such as inter-group profit elimination, absorption of income tax in non-controlling interests and others.

(All amounts in Saudi Riyals '000 unless otherwise stated)

22 Non-controlling interests (continued)

Summarised statement of cash flows

	Year ended 31 December 2019							
	YANSAB	AR-RAZI	YANPET	SHARQ	KEMYA	IBN RUSHD	SAFCO	KAYAN
Cash flow from operating activities	2,552,493	1,536,142	3,248,227	2,378,739	2,056,346	470,406	1,785,111	2,198,395
Cash flow (used in) from investing activities	(317,615)	(501,922)	(575,949)	(469,869)	(141,038)	(185,148)	(409,524)	1,317,477
Cash flow used in financing activities	(2,124,808)	(2,937,401)	(3,101,884)	(4,144,384)	(1,930,618)	(182,132)	(1,314,538)	(4,979,746)
Net increase (decrease) in cash and cash equivalents	110,070	(1,903,181)	(429,606)	(2,235,514)	(15,310)	103,126	61,049	(1,463,874)
	Year ended 31 December 2018							
Cash flow from operating activities	3,928,161	3,202,785	2,881,894	3,966,259	2,553,916	526,637	2,083,578	3,432,919
Cash flow used in investing activities	(1,857,714)	(294,522)	(547,071)	(408,623)	(310,722)	(86)	(802,588)	(2,115,782)
Cash flow used in financing activities	(3,096,501)	(1,558,860)	(1,711,058)	(4,341,786)	(2,935,188)	(210,573)	(833,080)	(1,454,539)
Net increase (decrease) in cash and cash equivalents	(1,026,054)	1,349,403	623,765	(784,150)	(691,994)	315,978	447,910	(137,402)

(All amounts in Saudi Riyals '000 unless otherwise stated)

22 Non-controlling interests (continued)

22.1 Increase of shareholding in a subsidiary

During 2019, SABIC and Japan Saudi Arabia Methanol Company, Inc. ("JSMC"), the partner in Saudi Methanol Company ("Ar-Razi") entered into an agreement, whereby SABIC agreed to acquire an additional 25% of shares in Ar-Razi from JSMC to 75% and renew the Joint Venture Agreement ("JVA") for 20 years. At the end of June 2019, all required regulatory approvals were obtained to complete this transaction.

SABIC and JSMC agreed that SABIC will receive a net consideration of SR 4.50 billion from JSMC in three instalments. The first instalment amounting to SR 1.13 billion (USD 0.30 billion) has been received on 25 June 2019, after offsetting a consideration of SR 0.56 billion (USD 0.15 billion) for the acquisition of additional 25% shares of Ar-Razi. The remaining two instalments of SR 1.69 billion (USD 0.45 billion) each, will be due on 31 March 2020 and 2021, respectively. The current instalment of receivable has been recorded as part of prepayments and other current assets and the final discounted instalment has been recorded as part of other non-current assets. The final instalment has been discounted at 4% per annum.

Considering this transaction is related to the acquisition of an additional ownership interest in a subsidiary without a change of control, accordingly, it has been accounted for as an equity transaction and excess consideration over the carrying amount of the non-controlling interests is recognised in equity attributable to the Parent. The Group has elected to recognise this effect in retained earnings. With respect to the subsidiary to which these non-controlling interests relate, there were accumulated components recognised in OCI amounting to SR 15 million which has been reallocated within equity of the Parent.

As part of the transaction, SABIC obtains an obligation to acquire the remaining shares of Ar-Razi from JSMC at the end of the twentieth year. As a result, the non-controlling interests attributable to JSMC is reclassified to non-current liabilities at each reporting date as management's best estimate for the net present value of the settlement price payable at the end of the agreement.

The accounting impact of the transaction can be summarised as follows:

Consideration from JSMC	5,062,500
Less: acquisition of 25% shares in Ar-Razi	(562,500)
Net consideration	4,500,000
Discounting of third instalment	(112,500)
Net consideration after discounting at 4% per annum	4,387,500
Add: carrying value of the additional shares in Ar-Razi	847,811
Less: transfer of other comprehensive income	(15,154)
Excess recognised in retained earnings	5,220,157

(All amounts in Saudi Riyals '000 unless otherwise stated)

23 Debt

Total debt can be broken down as follows:

	Interest rate	31 December 2019	31 December 2018
Current			
Short-term bank borrowings	USD LIBOR variable rate	1,346,996	1,167,589
Current portion of long-term debt	SAIBOR and USD LIBOR	3,746,233	3,664,754
Euro bonds	2.75%	3,143,059	-
		6,889,292	3,664,754
Lease liabilities	4.04% (average)	1,271,843	-
Finance lease liabilities	5.7% to 9.6%	-	85,502
		1,271,843	85,502
		8,161,135	3,750,256
Non-current			
Long-term debt	SAIBOR and USD LIBOR	27,022,454	31,058,023
USD bonds	4.0% to 4.5%	7,437,908	10,633,950
		34,460,362	41,691,973
Lease liabilities	3.0%-5.0% (IBR-average)	5,767,063	-
Finance lease liabilities	5.7% to 9.6%	-	653,423
		5,767,063	653,423
		40,227,425	42,345,396
		49,735,556	47,263,241

Long-term debt

The Group obtained commercial loans from various financial institutions in order to finance its growth projects and acquisitions, which are repayable in instalments at varying interest rates in conformity with the applicable loan agreements. The Public Investment Fund ("PIF") and Saudi Industrial Development Fund ("SIDF") term loans are generally repayable in semi-annual instalments and financing charges on these loans are at various rates.

Bonds

The following bonds were outstanding as of 31 December 2019:

- In October 2018, SABIC Capital II BV, an indirect wholly owned subsidiary of SABIC, issued a 5 year and 10 year USD 1 billion bond each, equivalent to total SR 7.5 billion. These bonds are unsecured and carry coupon rates of 4.0% and 4.5% for those maturing in 5 and 10 years, respectively. The bonds are issued in accordance with Rule 144A/Reg S offering requirements under the U.S. Securities Act of 1933, as amended. The bonds are listed on the Irish Stock Exchange (Euronext Dublin) and the proceeds were used for refinancing maturing debt.
- On 20 November 2013, SABIC Capital I B.V. issued a 7 year € 0.75 billion bond with a coupon of 2.75%. The proceeds were used to redeem Eurobond € 0.75 billion. The bond matures in November 2020.

(All amounts in Saudi Riyals '000 unless otherwise stated)

23 Debt (continued)

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

	31 December 2019	31 December 2018
Within one year	8,236,288	4,832,343
1-2 years	5,172,232	7,388,859
2-5 years	18,061,631	25,510,327
Thereafter	11,226,499	8,792,787
Lease obligation	7,038,906	738,925
Total	49,735,556	47,263,241

During 2019, certain group subsidiaries underwent a refinancing of the term loans and this has been reflected in the above loan maturity table.

The maturity of the lease obligation and debt are further elaborated in liquidity risk (Note 37).

(All amounts in Saudi Riyals '000 unless otherwise stated)

24 Employee benefits

The provision for employee benefits can be broken down as follows:

	31 December 2019	31 December 2018
Defined benefit obligations		
End of service benefits	13,024,992	10,598,972
Defined benefits pension schemes	2,500,834	2,226,295
Post-retirement medical benefits	1,345,462	1,154,575
	16,871,288	13,979,842
Other long term employee benefits and termination benefits		
Long-term service awards	149,305	125,340
Early retirement plans	32,150	37,311
Others	996,105	857,532
	1,177,560	1,020,183
	18,048,848	15,000,025

Management monitors the risks of all its pension plans and issues guidelines regarding the governance and risk management of these pension plans, particularly with regard to the funding of the pension plans and the portfolio structure of the existing plan assets. The obligations and plan assets, used to fund the obligations, are subject to demographic, legal and economic risks. Economic risks are primarily due to unforeseen developments in goods and capital markets. Some plans with defined benefits were closed for future service. This led to a reduction in risk with regard to future benefit levels.

Defined benefits obligation

The Group provides end of service and pension benefits to its employees taking into consideration the local labour laws, employment market and tax laws of the countries where the companies are located. Outside KSA, the Group limits the risks of changing financial market conditions and demographic developments by offering a defined contribution scheme to new-hires in most countries. The defined benefit plans in US and Canadian plan were therefore closed for future pension accrual from 31 December 2019.

<u>End of service benefits</u>

End of service benefits are mandatory for all KSA based employees under the Saudi Arabian labour law and the Group's employment policies. End of service benefit is based on employees' compensation and accumulated period of service and is payable upon termination, resignation or retirement. The Defined Benefit Obligation ("DBO") in respect of employees' end of service benefits is calculated by estimating the future benefit payment that employees have earned in return for their service. This amount applying an appropriate discount rate is used to determine the present value of the Group's obligation. This is an unfunded plan.

Re-measurements are recognised immediately in the consolidated statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Re-measurements are not reclassified to consolidated statement of income in subsequent periods.

24 Employee benefits (continued)

Defined benefits obligation (continued)

Defined benefit pension plans

The Group has a number of defined benefit pension plans outside KSA. The most significant plans are located in the United States of America ("USA") and in the United Kingdom ("UK"). These plans are funded pension plans. Other pension plans include plans in Germany, Austria, Japan, Taiwan, Canada, France and Belgium, most of which are funded. The benefits provided by these pension plans are based primarily on years of service and employee compensation.

The funding of the plans is consistent with local law and regulations in the countries of establishment. Generally, pension obligations are subject to a government regulation, including minimum funding requirements. Furthermore, there are restrictions in qualitative and quantitative terms for the investment in different asset categories. This could result in fluctuating employer contributions, additional financing requirements and the assumption of obligations in favour of the pension fund to comply with these regulatory requirements.

Below is a brief description of the Group's main defined benefit pension plans:

United States of America

In the USA, the Group has a number of qualified legacy defined benefit pension plans. These plans are subject to the applicable provisions of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). The funding policy for the US Plans is to make regular contributions each year in such amounts that are necessary to meet or exceed the minimum funding standard as set forth in employee benefit and tax laws in the USA. The group also has a supplementary non-qualified pension plan.

As of 1 January 2020, all accrual in the US plans are frozen. Going forward, employees participate in alternative defined contribution arrangements. The effect of this freeze in benefit accrual was recognised in the 2019 financial statements.

These defined benefit pension plans are administered by fiduciaries, who represents the interests of the beneficiaries and ensure that the benefits can be paid in the future.

United Kingdom

In the UK, the Group maintained final salary pension plans that have been closed to further increases in benefits for future years of service. A part of the UK workforce still accrue pension benefits due to salary increases. Since the closure of service accrual, all employees have had the opportunity to participate in a defined contribution plan.

The defined benefit pension plans are administered by trusts, whose Boards of Trustees, according to the trustees' agreement and law, represent the interests of the beneficiaries to ensure that the benefits can be paid in the future. The required funding is determined using technical valuations according to local regulations every three years. Pensions are adjusted each year to compensate for increases in the cost of living.

(All amounts in Saudi Riyals '000 unless otherwise stated)

24 Employee benefits (continued)

Other long-term employee benefits

Early retirement plans

Employee early retirement plan costs are provided for in accordance with the Group's employee benefit policies. If an instalment based compensation is agreed on, the obligation is initially discounted to its present value and then unwound through the period of compensation, which can be up to the regular retirement age of the employee.

Long-term service awards

The Group offers a long-term service award to its employees depending on years of service. This is measured similarly to a DBO, however, any re-measurement is recognised in the current year consolidated statement of income.

The following table represents the movement of the net pension position:

	For the year ended 31 December 2019	For the year ended 31 December 2018
At the beginning of the year	13,950,335	16,551,957
Current service cost	1,114,016	1,489,315
Past service cost	(11,979)	(283,821)
Finance cost, net of finance income	563,399	557,467
Actuarial changes arising due to:		
- financial assumptions	2,494,657	(1,863,573)
- demographic changes	(41,449)	(101,639)
- experience adjustments	(259,333)	(404,933)
- actual return on plan assets	(408,521)	222,252
	1,785,354	(2,147,893)
Benefits paid during the year	(439,876)	(1,980,715)
Contributions into pension plans	(223,260)	(308,526)
Foreign currency translation adjustment and others	87,963	72,551
	16,825,952	13,950,335
Reclassification to net pension asset (*)	45,336	29,507
At the end of the year	16,871,288	13,979,842

*Net pension assets are presented under non-current assets.

(All amounts in Saudi Riyals '000 unless otherwise stated)

24 Employee benefits (continued)

Following table represents the components of the employee benefits in the KSA:

	For the year ended 31 December 2019		
	End of service	Post-retirement medical	Total
At the beginning of the year	10,598,972	827,260	11,426,232
Current service cost	889,037	46,119	935,156
Finance cost	446,913	34,221	481,134
Actuarial changes arising due to:			
- financial assumptions	1,478,288	150,859	1,629,147
- experience adjustments	(91,817)	(33,569)	(125,386)
	1,386,471	117,290	1,503,761
Benefits paid during the year	(322,836)	(84,957)	(407,793)
Others	20,639	71,554	92,193
At the end of the year	13,019,196	1,011,487	14,030,683

	For the year ended 31 December 2018		
	End of service	Post-retirement medical	Total
At the beginning of the year	12,846,175	589,463	13,435,638
Current service cost	849,404	425,964	1,275,368
Finance cost	443,941	20,195	464,136
Actuarial changes arising due to:			
- financial assumptions	(1,602,947)	17,104	(1,585,843)
- experience adjustments	(183,674)	(158,423)	(342,097)
	(1,786,621)	(141,319)	(1,927,940)
Benefits paid during the year	(1,894,134)	(52,602)	(1,946,736)
Others	140,207	(14,441)	125,766
At the end of the year	10,598,972	827,260	11,426,232

(All amounts in Saudi Riyals '000 unless otherwise stated)

24 Employee benefits (continued)

Following table represents the components of the DBO outside KSA at 31 December 2019:

	For the year ended 31 December 2019			
	USA	UK	Others	Total
At the beginning of the year	2,767,092	2,516,104	881,940	6,165,136
Current service costs	158,465	-	20,395	178,860
Past service costs	(12,931)	952	-	(11,979)
Finance costs	111,764	71,761	21,388	204,913
Benefits paid during the year	(183,779)	(80,398)	(30,408)	(294,585)
Actuarial changes arising due to:				
- financial assumptions	526,517	237,644	101,349	865,510
- demographic changes	(4,080)	(38,081)	712	(41,449)
- experience adjustments	48,510	(168,635)	(13,822)	(133,947)
	570,947	30,928	88,239	690,114
Foreign currency and others	-	84,284	(26,622)	57,662
	3,411,558	2,623,631	954,932	6,990,121
Reclassification as net pension asset	-	-	(229,732)	(229,732)
At the end of the year	3,411,558	2,623,631	725,200	6,760,389

The development of plan assets for these major plans in the different regions can be shown as follows:

	For the year ended 31 December 2019			
	USA	UK	Others	Total
Plan assets as at start of the year	1,478,865	1,911,873	250,295	3,641,033
Interest income	59,538	54,117	8,993	122,648
Employers' contribution	162,476	38,296	22,488	223,260
Return on plan assets (excluding interest income)	201,490	171,649	35,382	408,521
Benefits paid during the year	(152,771)	(80,398)	(29,333)	(262,502)
Administrative expenses	(13,408)	-	(415)	(13,823)
Foreign currency and others	-	66,382	9,333	75,715
Plan assets as at end of the year	1,736,190	2,161,919	296,743	4,194,852
Reclassification as net pension assets	-	-	(275,068)	(275,068)
Plan assets at end of the year	1,736,190	2,161,919	21,675	3,919,784
Defined benefit obligation, net	1,675,368	461,712	703,525	2,840,605

(All amounts in Saudi Riyals '000 unless otherwise stated)

24 Employee benefits (continued)

Following table represents the components of the DBO outside the KSA at 31 December 2018:

	For the year ended 31 December 2018			
	USA	UK	Others	Total
At the beginning of the year	3,227,844	2,850,210	946,352	7,024,406
Current service costs	191,740	-	22,207	213,947
Past service costs	(275,757)	716	(8,780)	(283,821)
Finance costs	116,607	73,036	21,942	211,585
Benefits paid during the year	(168,006)	(149,753)	(30,092)	(347,851)
Actuarial changes arising due to:				
- financial assumptions	(247,148)	(14,921)	(15,661)	(277,730)
- demographic changes	(10,559)	(87,670)	(3,410)	(101,639)
- experience adjustments	(67,629)	6,324	(1,531)	(62,836)
	(325,336)	(96,267)	(20,602)	(442,205)
Foreign currency	-	(161,838)	(49,087)	(210,925)
	2,767,092	2,516,104	881,940	6,165,136
Reclassification as net pension asset	-	-	(198,271)	(198,271)
At the end of the year	2,767,092	2,516,104	683,669	5,966,865

The development of plan assets for major plans in the different regions can be shown as follows:

	For the year ended 31 December 2018			
	USA	UK	Others	Total
Plan assets as at start of the year	1,463,419	2,165,539	279,129	3,908,087
Interest income	53,377	55,425	9,452	118,254
Employers' contribution	262,013	39,069	7,444	308,526
Return on plan assets (excluding interest income)	(136,807)	(75,375)	(10,070)	(222,252)
Benefits paid during the year	(149,621)	(149,755)	(14,496)	(313,872)
Administrative expenses	(13,516)	-	(510)	(14,026)
Foreign currency	-	(123,030)	(20,654)	(143,684)
Plan assets as at end of the year	1,478,865	1,911,873	250,295	3,641,033
Reclassification as net pension assets	-	-	(227,778)	(227,778)
Plan assets at end of the year	1,478,865	1,911,873	22,517	3,413,255
Defined benefit obligation, net	1,288,227	604,231	661,152	2,553,610

(All amounts in Saudi Riyals '000 unless otherwise stated)

24 Employee benefits (continued)

	For the year ended 31 December 2019	For the year ended 31 December 2018
Net benefit expense		
Current service cost and past service cost	1,102,037	1,205,494
Finance cost on benefit obligation	563,399	557,467
Net benefit expense	1,665,436	1,762,961

Employee pension plan assets:

The following table represents the categories of plan assets for the major pension plans outside KSA:

	For the year ended 31 December 2019		
	USA	UK	Others
Quoted and unquoted			
Equity	39.59%	32.88%	-
Debt securities	29.71%	1.19%	92.29%
- Government debtors	-	-	*92.29%*
- Other debtors	*29.71%*	*1.19%*	-
Investment funds and insurance companies	-	46.76%	6.64%
Other investments	28.30%	15.53%	1.07%
Cash and cash equivalents	2.40%	3.64%	-
Total	100.00%	100.00%	100.00%

	For the year ended 31 December 2018		
	USA	UK	Others
Quoted and unquoted			
Equity	36.90%	33.54%	37.02%
Debt securities	29.27%	1.09%	60.17%
- Government debtors	-	*1.09%*	*60.17%*
- Other debtors	*29.27%*	-	-
Investment funds and insurance companies	-	46.56%	1.58%
Other investments	31.14%	18.26%	1.23%
Cash and cash equivalents	2.69%	0.55%	-
Total	100.00%	100.00%	100.00%

(All amounts in Saudi Riyals '000 unless otherwise stated)

24 Employee benefits (continued)

The major economic and actuarial assumptions used in benefits liabilities computation can be shown as follows:

	31 December 2019		
	KSA	USA	UK
Discount rate	3.10%	3.12%	2.10%
Average salary increase	5.50% - 7.00%	-	2.91%
Pension in payment increase	N/A	N/A	2.90%
Inflation rate (health care cost)	9% in 2020 Dec. to 5% for 2024+	N/A	N/A

	31 December 2018		
	KSA	USA	UK
Discount rate	4.40%	4.16%	2.90%
Average salary increase	5.50% to 7.00%	3.22%	3.21%
Pension in payment increase	N/A	N/A	3.25%
Inflation rate (health care cost)	9% in 2019 decrease to 5% for 2023+	N/A	N/A

Sensitivity analysis

The table below illustrates the approximate impact on the DBO if the Group were to change one key assumption, while the other actuarial assumptions remain unchanged. The sensitivity analysis is intended to illustrate the inherent uncertainty in the valuation of the DBO under market conditions at the measurement date. These results cannot be extrapolated due to non-linear effects that changes in key actuarial assumptions may have on the total DBO. The sensitivities only apply to the DBO and not to the net amounts recognised in the consolidated statement of financial position. Movements in the fair value of plan assets would, to a certain extent, be expected to offset movements in the DBO resulting from changes in the given assumptions.

	31 December 2019			
	KSA	USA	UK	Others
Increase				
Discount rate (+25 bps)	(380,757)	(139,156)	(129,863)	(27,822)
Salary (+25 bps)	357,126	-	17,504	19,887
Pension (+25 bps)	N/A	-	105,204	31,230
Longevity (+1 year)	N/A	55,302	85,345	(5,969)
Health care costs (+25 bps)	30,808	N/A	N/A	N/A
Decrease				
Discount rate (-25 bps)	397,222	147,770	139,310	51,900
Salary (-25 bps)	(344,607)	-	(17,160)	2,429
Pension (-25 bps)	N/A	-	(99,449)	(7,910)
Longevity (-1 year)	N/A	(56,645)	(84,488)	27,987
Health care costs (-25 bps)	(29,376)	N/A	N/A	N/A

(All amounts in Saudi Riyals '000 unless otherwise stated)

24 Employee benefits (continued)

Sensitivity analysis (continued)

	31 December 2018			
	KSA	USA	UK	Others
Increase				
Discount rate (+25 bps)	(287,462)	(104,965)	(129,394)	(33,532)
Salary (+25 bps)	278,079	133	30,668	7,745
Pension (+25 bps)	N/A	-	94,662	17,641
Longevity (+1 year)	N/A	38,245	71,718	(14,807)
Health care costs (+25 bps)	23,010	N/A	N/A	N/A
Decrease				
Discount rate (-25 bps)	299,478	111,092	138,607	35,715
Salary (-25 bps)	(268,468)	(131)	(29,895)	(7,358)
Pension (-25 bps)	N/A	-	(89.594)	(16,685)
Longevity (-1 year)	N/A	(39,562)	(71,355)	14,511
Health care costs (-25 bps)	(21,991)	N/A	N/A	N/A

Expected total benefit payments can be broken down as follows:

	31 December 2019	
	KSA	Outside KSA
Within one year	639,390	260,473
1 – 2 years	662,975	266,897
2 – 3 years	772,542	275,034
3 – 4 years	832,338	290,616
4 – 5 years	895,735	296,053
Next 5 years	5,556,889	1,517,999
Total	9,359,869	2,907,072

	31 December 2018	
	KSA	Outside KSA
Within one year	591,513	317,973
1 – 2 years	585,755	339,374
2 – 3 years	644,072	352,686
3 – 4 years	737,023	370,104
4 – 5 years	810,999	387,863
Next 5 years	5,229,918	2,067,327
Total	8,599,280	3,835,327

Annual premiums paid to defined contribution schemes amount to SR 0.38 billion (2018: SR 0.39 billion) and relate primarily to defined contribution pension schemes.

The expected employer contributions related to the defined benefit pension plans for 2020 amount to SR 0.21 billion (2018: SR 0.15 billion).

The weighted average duration of the defined benefit obligation is 11 years for KSA plans, 18 years for plans outside KSA (31 December 2018: 10 years for KSA plans, 20 years for plans outside KSA).

(All amounts in Saudi Riyals '000 unless otherwise stated)

25 Trade payables

Trade payables can be broken down as follows:

	31 December 2019	31 December 2018
Trade accounts payable	**12,865,317**	14,938,392
Amounts due to related parties	**22,858**	30,965
	12,888,175	14,969,357

The Group's exposure to currency and liquidity risk related to accounts payables is disclosed in Note 37.

26 Accruals and other current liabilities

Accruals and other current liabilities can be broken down as follows:

	31 December 2019	31 December 2018
Accrued liabilities	**6,695,100**	6,250,270
Employees related liabilities	**1,841,134**	2,461,530
Dividends payable	**1,414,762**	2,773,682
Sales and other tax payables	**364,716**	855,243
Interest payable	**125,301**	201,432
Contract retentions	**97,863**	112,201
Others	**1,030,538**	742,114
	11,569,414	13,396,472

27 Derivatives

Derivatives can be broken down as follows:

	31 December 2019	31 December 2018
Derivative asset:		
Non designated hedging relationship		
- Foreign exchange forward contracts	**-**	29,651
Notional amount	**-**	615,342

	31 December 2019	31 December 2018
Derivative liability:		
Non designated hedging relationship		
- Foreign exchange forward contracts	**-**	381
Notional amount	**-**	291,967

(All amounts in Saudi Riyals '000 unless otherwise stated)

28 Revenue

Revenue can be broken down as follows:

	For the year ended 31 December 2019	For the year ended 31 December 2018
Sales of goods	135,583,899	164,896,782
Logistic services	3,467,061	3,518,301
Rendering of services	686,424	713,256
	139,737,384	169,128,339

There is no significant revenue that has been recognised in 2019 from performance obligations satisfied in previous years. All unfulfilled remaining performance obligations as at 31 December 2019 are expected to be satisfied in the following year.

Refer to Note 36 for the segment and geographical distribution of revenue.

Contract balances

Payment terms are immediate to a maximum of 120 days from the date of invoice. Date of invoice is usually prior to, or at the time of fulfilling the related performance obligations. Consequently, the Groups holds no material contract assets and recognises contract liabilities when amounts are invoiced prior to fulfilment of performance obligations.

There are no significant changes of contract assets or contract liability balances during the year. The Group recognises all incremental costs of obtaining contracts as an expense when incurred as the amortisation period of the assets that the Group otherwise would have recognised is one year or less.

29 Expenses

Based on the nature of expense, cost of sales, selling and distribution expenses and general and administrative expenses can be broken down as follows:

29.1 Cost of sales

	For the year ended 31 December 2019	For the year ended 31 December 2018
Changes in inventories of finished products, raw materials and consumables used	76,060,015	83,389,610
Depreciation and amortisation	15,146,930	14,132,925
Employee related costs	9,394,793	13,294,298
Impairments and write-offs of plant and equipment and intangible assets	3,615,453	470,183
	104,217,191	111,287,016

(All amounts in Saudi Riyals '000 unless otherwise stated)

29 Expenses (continued)

29.2 General and administrative expenses

	For the year ended 31 December 2019	For the year ended 31 December 2018
Employee related expenses	4,439,123	4,997,965
Professional and other consultant services	1,840,802	1,834,609
Research and technology cost	1,625,762	1,825,235
Depreciation and amortisation	1,444,128	941,236
Maintenance	621,808	656,025
Administrative support	252,161	514,064
Others	453,404	391,884
	10,677,188	11,161,018

29.3 Selling and distribution expenses

	For the year ended 31 December 2019	For the year ended 31 December 2018
Transportation and shipping	7,880,148	7,995,009
Employee related expenses	1,692,436	1,578,477
Rental and lease expenses	-	389,374
Marketing expenses	297,937	153,468
Depreciation and amortisation	118,607	61,920
Others	20,870	221,689
	10,009,998	10,399,937

30 Finance cost

Finance cost can be broken down as follows:

	For the year ended 31 December 2019	For the year ended 31 December 2018
Interest expense on loans and borrowings	1,633,522	2,027,623
Interest expense on lease liabilities (Note 38)	353,152	61,025
Interest expenses related to defined benefit plans (Note 24)	563,399	557,467
	2,550,073	2,646,115

(All amounts in Saudi Riyals '000 unless otherwise stated)

31 Other expenses, net

Other expenses, net can be broken down as follows:

	For the year ended 31 December 2019	For the year ended 31 December 2018
Dividend from investments in equity instruments	81,260	61,631
Insurance claims	258,035	147,216
Foreign currency exchange differences	(82,588)	(193,489)
Rental income	59,238	39,010
Loss on disposal of property, plant and equipment	(110,808)	(179,700)
Write-offs of property, plant and equipment	(260,220)	-
Others	(73,313)	(298,423)
	(128,396)	(423,755)

32 Zakat and income tax

The movement in Group's zakat and income tax payable can be shown as follows:

	For the year ended 31 December 2019		
	Zakat	Income Tax	Total
At the beginning of the year	2,843,143	1,753,696	4,596,839
Provided during the year	2,100,000	1,029,599	3,129,599
Paid during the year, net	(2,457,461)	(1,752,463)	(4,209,924)
Other movements (foreign currency translations and reclassification)	(3,063)	(31,935)	(34,998)
At the end of the year	2,482,619	998,897	3,481,516

	For the year ended 31 December 2018		
	Zakat	Income Tax	Total
At the beginning of the year	2,619,140	1,921,891	4,541,031
Provided during the year	2,600,000	1,503,406	4,103,406
Paid during the year, net	(2,375,997)	(1,631,990)	(4,007,987)
Other movements	-	(39,611)	(39,611)
At the end of the year	2,843,143	1,753,696	4,596,839

The movement in Group's deferred tax is as follows:

	For the year ended 31 December 2019		For the year ended 31 December 2018	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
At the beginning of the year	865,156	1,664,138	1,518,599	2,597,059
Changes during the year (i)	(153,547)	(51,389)	(653,443)	(932,921)
At the end of the year	711,609	1,612,749	865,156	1,664,138

(i) Includes impact of foreign exchanges translation and non-controlling interests

(All amounts in Saudi Riyals '000 unless otherwise stated)

32 Zakat and income tax (continued)

32.1 Zakat

Zakat returns of SABIC and wholly owned subsidiaries are submitted to the General Authority of Zakat and Tax ("GAZT") based on separate financial statements prepared for zakat purposes only. Other non-wholly owned subsidiaries file their zakat returns separately. SABIC has filed its zakat returns with GAZT, received the zakat certificates, settled the zakat dues up to the year ended 31 December 2018. SABIC cleared its zakat assessments with GAZT up to the year ended 31 December 2016.

32.2 Income Tax

The major components of income tax in the consolidated statement of income can be broken down as follows for the year ended 31 December:

	For the year ended 31 December 2019	For the year ended 31 December 2018
Current corporate income tax		
Current year	1,005,530	1,503,406
Adjustments in respect of current income tax of previous year	24,069	-
Deferred corporate income tax		
Origination and reversals of temporary differences	89,871	(305,745)
	1,119,470	1,197,661

	For the year ended 31 December 2019	For the year ended 31 December 2018
Deferred tax related to items recognised in OCI during in the year		
- Deferred tax expense on re-measurement of defined benefit plans	10,401	5,204
Deferred tax charged to OCI	10,401	5,204

(All amounts in Saudi Riyals '000 unless otherwise stated)

32 Zakat and income tax (continued)

32.2 Income Tax (continued)

The numerical reconciliation of income tax expense derived from the accounting profit is presented in the table below:

	For the year ended 31 December 2019	For the year ended 31 December 2018
Income before zakat and income tax	11,682,306	35,683,068
Exclude: income subject to Zakat	(13,029,017)	(27,830,507)
Income subject to income tax	(1,346,711)	7,852,561
Domestic income tax rate (KSA)	20%	20%
Income tax at domestic tax rate	(269,342)	1,570,512
Tax effects of		
- Current year tax benefits not recognised	932,306	315,213
- Foreign currency translation results	(84,428)	(405,308)
- Deviating rates	(90,871)	(26,800)
- Tax rate changes	22,872	(94,415)
- Tax charge due to other liabilities	(22,836)	183,229
- Return-to-provision true-ups and exempt items	(11,358)	(566,923)
- Non-tax deductible expenses	100,457	198,135
- Result on associates and joint ventures	390,309	-
- Recognition of previously unrecognised tax benefits	-	(81,560)
- Deferred tax on outside basis	35,760	27,473
- State, local and other taxes	116,601	78,105
Income tax expense	1,119,470	1,197,661
Zakat expense	2,100,000	2,600,000
Total income tax and zakat expense	3,219,470	3,797,661

(All amounts in Saudi Riyals '000 unless otherwise stated)

32 Zakat and income tax (continued)

32.2 Income Tax (continued)

Components of deferred tax are as follows:

	31 December 2019	31 December 2018
Difference in accounting and tax base related to:		
- Property, plant and equipment and intangible assets	(3,155,471)	(3,466,676)
- Inventories	(16,317)	(29,120)
- Right of use assets	(509,850)	-
- Outside basis differences	(219,750)	(170,083)
- Others	(29,588)	(58,584)
Deferred tax liabilities	(3,930,976)	(3,724,463)
Set-off with deferred tax assets	2,318,227	2,060,325
Net deferred tax liabilities	(1,612,749)	(1,664,138)
Net operating losses	7,522,557	7,279,239
Difference in accounting and tax base related to:		
- Property, plant and equipment and intangible assets	137,890	445,332
- Employee benefits	619,862	583,956
- Lease liabilities	516,654	-
- Deferred charges	203,957	10,912
- Provisions on receivables and inventories	236,716	355,480
- Interest carry-forward	291,402	9,884
- Tax credits	136,882	145,754
- Others	223,033	66,687
Deferred tax assets	9,888,953	8,897,244
Un-recognised deferred tax assets	(6,859,117)	(5,971,763)
Set-off with deferred tax liabilities	(2,318,227)	(2,060,325)
Net deferred tax assets	711,609	865,156

The Group offsets tax assets and liabilities, if, and only if, it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred to income taxes levied by the same tax authority.

The Group has tax losses of SR 30.07 billion (2018: SR 27.74 billion) with carry-forward periods ranging from 2022 to indefinite, which are available for offsetting against future taxable profits of the companies in which the losses arose.

33 Basic and diluted earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the (Parent) by the weighted average number of ordinary shares during the year.

Diluted earnings per share amounts are calculated by dividing the net profit for the year attributable to ordinary equity holders of the (Parent) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	For the year ended 31 December 2019	For the year ended 31 December 2018
Income from operations (SR '000)	**14,833,007**	36,280,368
Net income attributable to equity holders of the Parent (SR '000)	**5,563,271**	21,520,678
Weighted average number of ordinary shares ('000)	**3,000,000**	3,000,000
Earnings per share from income from operations (SR)	**4.94**	12.09
Earnings per share from net income attributable to equity holders of the Parent (SR)	**1.85**	7.17

There has been no item of dilution affecting the weighted average number of ordinary shares.

(All amounts in Saudi Riyals '000 unless otherwise stated)

34 Conventional and non-conventional financing and investments

The tables below outline the breakdown of Group's financing and investments into conventional and non-conventional:

	31 December 2019	31 December 2018
Cash and bank balances		
- Conventional call (excluding fixed term deposits)	9,086,727	11,221,338
- Conventional time deposits	5,627,918	3,556,550
Conventional cash and bank balances	14,714,645	14,777,888
- Murabaha (including fixed term deposits)	22,665,009	25,881,062
- Current accounts (excluding fixed term deposits)	933,121	1,931,870
Non-conventional cash and bank balances	23,598,130	27,812,932
Total cash and bank balances	38,312,775	42,590,820
Short-term and investments in debt instruments		
- Conventional time deposits	690,871	478,075
- Bonds and floating rate notes	450,835	556,151
- Other investments	92,288	-
Conventional short-term and investments in debt instruments	1,233,994	1,034,226
- Murabaha (including fixed time deposits)	3,688,949	8,762,214
- SUKUK	1,344,629	1,861,143
- Murabaha structured deposits	636,574	651,796
Non-conventional short-term and investments in debt instruments	5,670,152	11,275,153
Total short-term and investments in debt instruments	6,904,146	12,309,379
Investments in equity instruments		
- Mutual funds	313,141	305,294
- Equity investments	732,868	784,815
Conventional investments in equity instruments	1,046,009	1,090,109
Total investments in equity instruments	1,046,009	1,090,109

(All amounts in Saudi Riyals '000 unless otherwise stated)

34 Conventional and non-conventional financing and investments (continued)

	31 December 2019	31 December 2018
Short-term borrowings		
- Conventional short-term borrowings	1,346,996	1,167,589
Total short-term borrowings	1,346,996	1,167,589
Long and short-term debt		
- Conventional loans	11,106,601	11,796,848
- Bonds/notes	10,580,967	10,633,950
- Lease liabilities	7,038,906	738,925
Conventional long-term debt	28,726,474	23,169,723
- Murabaha	13,892,718	16,486,010
- SIDF	1,367,422	1,678,192
- Ijarah facilities and others	4,401,946	4,761,727
Non-conventional long-term debt	19,662,086	22,925,929
Total long-term debt	48,388,560	46,095,652
Total debt	49,735,556	47,263,241

	For the year ended 31 December 2019	For the year ended 31 December 2018
Borrowing cost capitalised during the year:		
- Conventional loans	-	23,568
Borrowing costs capitalised from conventional loans	-	23,568
- Murabaha loans and SIDF	3,026	15,151
Borrowing costs capitalised from non-conventional loans	3,026	15,151
Total borrowing cost capitalised during the year	3,026	38,719

(All amounts in Saudi Riyals '000 unless otherwise stated)

34 Conventional and non-conventional financing and investments (continued)

	For the year ended 31 December 2019	For the year ended 31 December 2018
Finance income		
- Conventional call account	2,452	3,555
- Conventional time deposits	240,662	187,680
- Conventional structured deposits	5,415	28,513
- Derivatives	9,521	(11,577)
- Others	2,487	76,484
Total conventional finance income	260,537	284,655
- Current Murabaha (including fixed term deposits)	757,908	1,035,951
- SUKUK	79,167	82,571
- Murabaha structured deposits	25,505	19,543
Total non-conventional finance income	862,580	1,138,065
Total finance income	1,123,117	1,422,720
Finance cost		
- Conventional loans	274,288	695,355
- Conventional loans - (related party)	88,318	108,158
- Bonds/notes	406,901	359,675
- Lease liabilities	353,152	61,025
- Net interest on employee benefits	563,399	557,467
- Others	105,187	146,795
Conventional finance cost	1,791,245	1,928,475
- SIDF	59,404	68,381
- Murabaha	623,198	575,235
- Ijarah facilities and others	76,226	74,024
Non-conventional financial expenses	758,828	717,640
Total finance cost	2,550,073	2,646,115

(All amounts in Saudi Riyals '000 unless otherwise stated)

35 Related party transactions and balances

Interests in subsidiaries are set out in Note 42.

Related party transactions and balances can be broken down as follows:

	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
	For the year ended 31 December 2019		31 December 2019	
Associates	135,751	7,419,299	181,688	241,276
Joint ventures	12,017,790	675,859	2,399,183	26,838

	31 December 2019		
	Associates	Joint ventures	Total
Loans from related parties	-	1,876,783	1,876,783
Loans to related parties	35,135	678,312	713,447

	For the year ended 31 December 2019		
	Associates	Joint ventures	Total
Dividends paid to related parties	587,500	4,659,490	5,246,990
Dividends received from related parties	242,323	929,142	1,171,465

	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
	For the year ended 31 December 2018		31 December 2018	
Associates	16,763	8,438,035	25,818	368,434
Joint ventures	16,633,292	665,301	3,256,958	45,798

	31 December 2018		
	Associates	Joint ventures	Total
Loans from related parties	-	2,309,743	2,309,743
Loans to related parties	35,135	769,654	804,789

	For the year ended 31 December 2018		
	Associates	Joint ventures	Total
Dividends paid to related parties	650,000	7,581,939	8,231,939
Dividends received from related parties	148,619	504,217	652,836

Terms and conditions of transactions with related parties

The sales to and purchases from related parties are made at terms equivalent to those that prevail in arm's length transactions. Outstanding balances are unsecured, interest free and settled in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2019, the Group has not recorded any impairment of receivables relating to amounts owed by related parties. This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.

(All amounts in Saudi Riyals '000 unless otherwise stated)

35 Related party transactions and balances (continued)

Transactions and balances with the Saudi government can be shown as follows:

	For the year ended 31 December 2019	For the year ended 31 December 2018
Purchases of goods and services	35,659,076	40,452,392
Sales of goods and services	8,812,649	7,135,370
Due to entities controlled by Saudi government	2,072,071	2,630,608
Due from entities controlled by Saudi government	667,658	705,569

Key management personnel compensation

In addition to remunerations to key management personnel, the Group also provides non-cash benefits to directors and executive officers, and contributes to a post-employment defined benefit plan on their behalf. Remuneration of key management can be shown as follows:

	For the year ended 31 December 2019	For the year ended 31 December 2018
Short-term employee benefits	58,980	70,040
Post-employment benefits	448	494
Other long-term benefits	3,879	8,727
Total	63,307	79,261

36 Segment information

For management purposes, the Group is organised into three Strategic Business Units ("SBU") and Hadeed, a wholly-owned manufacturing business, which based on its products are grouped in three reporting segments.

The **Petrochemicals** SBU consists of chemicals and polymer products. Chemical products are produced from hydrocarbon feedstock including methane, ethane, propane, butane, and light naphtha, with a wide range of products including olefins, methanol, aromatics, glycols, carbon dioxide, ethylene, methyl tert-butyl ether (MTBE) and other chemicals. Polymer products include Polyethylene (PE) and Polypropylene (PP). The PE range includes all of the commodity thermo-polymers: Linear Low Density Polyethylene (LLDPE), Low Density Polyethylene (LDPE), and High Density Polyethylene (HDPE). The PP product range includes Random, Homo polymer, copolymer and specialty automotive grades. Other key products include Polycarbonate (PC), Polyester, Polyvinylchloride (PVC), Polystyrene, and PP compounding and Stamax.

The **Specialties** SBU – includes polymer technologies, application development on a global scale, innovative process technologies, and environmentally responsible solutions in almost every area of modern life, from automotive, aviation and electronics to construction, alternative energy, and health care. Specialties' portfolio of flagship products – NORYL™, ULTEM™ , EXTEM™ and SILTEM™ resins, a vast range of LNP™ compounds and copolymers, and a variety of thermosets and additives – helps meet complex thermal, mechanical, optical and electrical performance and sustainability requirements.

As the Specialties SBU does not meet the individual reporting requirements of *IAS 8 'Segment Reporting'* the SBU amounts are included as part of the Petrochemicals' reporting segment.

The **Agri-Nutrients** SBU – includes production of a range of fertilisers; including urea, ammonia, phosphate, as well as compound fertilisers.

Hadeed is concerned with production of steel products; long products (e.g. rebar) and flat products.

The Executive Management Committee, chaired by the Chief Executive Officer monitors the results of its segments for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on income statement and is measured consistently with profit or loss in the consolidated financial statements.

Based on management decision and in line with changes in management reporting, the income, expenses, assets and liabilities relating to 'Corporate' segment, in prior years, has been allocated over the Petro-chemicals and Specialties SBU, Agri-nutrients SBU and Hadeed according to an internally agreed consistent basis. Accordingly, segment information for prior year are restated in line with current year presentation.

All intercompany transactions within the reporting segments have been appropriately eliminated.

(All amounts in Saudi Riyals '000 unless otherwise stated)

36 Segment information (continued)

The segments' financial details are shown below:

	For the year ended 31 December 2019			
	Petrochemicals & Specialties	Agri-nutrients	Hadeed	Consolidated
Revenue	121,828,759	7,118,386	10,790,239	139,737,384
Depreciation, amortisation, impairment and write-offs	(18,405,496)	(905,581)	(1,274,261)	(20,585,338)
Income from operations	13,814,438	2,014,403	(995,834)	14,833,007
Share of results of associates and joint ventures	(1,850,048)	254,699	-	(1,595,349)
Finance cost, net				(1,426,956)
Other expenses, net				(128,396)
Income before zakat and income tax				11,682,306

	For the year ended 31 December 2018			
	Petrochemicals & Specialties	Agri-nutrients	Hadeed	Consolidated
Revenue	150,422,057	7,938,052	10,768,230	169,128,339
Depreciation, amortisation, impairment and write-offs	(13,636,068)	(745,312)	(1,120,185)	(15,501,565)
Income from operations	33,723,610	2,263,615	293,143	36,280,368
Share of results of associates and joint ventures	702,718	347,132	-	1,049,850
Finance cost, net				(1,223,395)
Other income, net				(423,755)
Income before zakat and income tax				35,683,068

	As at 31 December 2019			
	Petrochemicals & Specialties	Agri-nutrients	Hadeed	Consolidated
Total assets	280,998,483	11,674,577	17,692,691	310,365,751
Total liabilities	92,219,642	2,295,442	4,599,345	99,114,429

	As at 31 December 2018			
	Petrochemicals & Specialties	Agri-nutrients	Hadeed	Consolidated
Total assets	284,711,898	13,963,504	21,035,472	319,710,874
Total liabilities	90,775,228	3,037,431	4,461,740	98,274,399

(All amounts in Saudi Riyals '000 unless otherwise stated)

36 Segment information (continued)

Geographical distribution of revenue

	31 December 2019		31 December 2018	
		%		%
KSA	24,893,545	17%	25,270,853	15%
China	24,934,405	18%	29,713,216	17%
Rest of Asia	30,446,811	22%	36,386,396	22%
Europe	32,247,394	23%	39,449,558	23%
Americas	12,409,745	9%	14,796,092	9%
Others (i)	14,805,484	11%	23,512,224	14%
	139,737,384	100%	169,128,339	100%

The revenue information above is based on the locations of the customers.

(i) Others mainly includes sales made by certain subsidiaries to their foreign shareholders and for which detailed geographical breakdown for final end consumer sales is not available with the Group.

Geographical distribution of property, plant and equipment

	31 December 2019		31 December 2018	
		%		%
KSA	133,034,221	82%	138,563,584	85%
Europe (ii)	14,217,886	9%	13,948,735	8%
Americas (ii)	14,244,967	8%	9,759,324	6%
Asia (ii)	1,488,871	1%	1,545,226	1%
Others (ii)	4,339	-	2,815	-
	162,990,284	100%	163,819,684	100%

(ii) Significant value of property, plant and equipment in Europe is concentrated in the Netherlands, UK, Germany and Spain; in the Americas, it is concentrated in the USA and in Asia, it is concentrated in China and India. Others include countries in Africa and Oceania.

37 Financial risk management

Overview

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk
- Operational risk.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established the Risk Management Committee, which is responsible for developing and monitoring the Group's risk management policies. The committee reports regularly to the Board of Directors on its activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

37.1 Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

Financial instruments principally include cash and bank balances, trade and other accounts receivable, derivative financial instruments, investments in securities, loans and advances, short term bank borrowings, accounts payable, accrued expenses, long term debt and other liabilities.

(All amounts in Saudi Riyals '000 unless otherwise stated)

37 Financial risk management (continued)

37.1 Credit risk (continued)

Trade receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk, particularly in the currently deteriorating economic circumstances. Also, geographically there is no concentration of credit risk.

The Group trades only with recognised, credit worthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. Credit quality of the customer is assessed based on an extensive credit rating scorecard. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit limits are established for all customers using an internal and external rating criteria. Credit quality of the customer is assessed based on a credit rating scorecard. Outstanding customer receivables are regularly monitored.

The Risk Management Committee has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, when available, and in some cases, bank references. Purchase limits are established for each customer, which represents the maximum open amount without requiring approval from the Risk Management Committee; these limits are reviewed quarterly. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis.

Investments

Management actively monitors credit ratings and given that the Group only has invested in securities with high credit ratings, management does not expect any counterparty to fail to meet its obligations.

Credit risk quality

	31 December 2019							
External Rating	AA+	AA	AA-	A+	A	A-	Others	Carrying value in the statement of financial position
Bank balances and time deposits	50,600	3,176,516	8,022,937	20,402,168	2,574,871	3,315,234	769,364	38,311,690
Investments in equity instruments	-	-	-	313,141	-	-	732,868	1,046,009
Investments in debt instruments	382,792	-	-	2,049,246	-	-	-	2,432,038
Short-term investments (i)	-	-	111,980	1,327,400	701,270	687,377	1,644,081	4,472,108
Total	433,392	3,176,516	8,134,917	24,091,955	3,276,141	4,002,611	3,146,313	46,261,845

(i) Excludes investments in debt instruments.

(All amounts in Saudi Riyals '000 unless otherwise stated)

37 Financial risk management (continued)

37.1 Credit risk (continued)

Credit risk quality (continued)

	31 December 2018							
External Rating	AA+	AA	AA-	A+	A	A-	Others	Carrying value in the statement of financial position
Bank balances and time deposits	208,350	426,408	1,578,047	18,769,664	9,792,158	7,905,030	3,910,773	42,590,430
Investments in equity instruments	-	-	-	305,294	-	-	784,815	1,090,109
Investments in debt instruments	388,404	-	-	2,668,285	-	-	12,401	3,069,090
Short-term investments (i)	375,000	-	-	2,660,318	2,350,990	212,500	3,641,481	9,240,289
Financial derivatives	-	-	11,038	3,424	-	-	15,189	29,651
Total	971,754	426,408	1,589,085	24,406,985	12,143,148	8,117,530	8,364,659	56,019,569

(i) Excludes investments in debt instruments.

The credit ratings above are based on credit ratings issued by globally accepted credit rating agencies.

37.2 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group ensures that it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. In addition, the Group maintains different lines of credit.

The Group monitors its risk to a shortage of funds using forecasting models to model impacts of operational activities on overall liquidity availability. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, the revolving credit facilities and other sources of liquidity.

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry.

In order to avoid excessive concentrations of risk, the Group's policies and procedures include specific guidelines to focus on the maintenance of a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly. Selective hedging is used within the Group to manage risk concentrations at both the relationship and industry levels.

(All amounts in Saudi Riyals '000 unless otherwise stated)

37 Financial risk management (continued)

37.2 Liquidity risk (continued)

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

	31 December 2019			
	Within 1 year	Between 1-5 years	More than 5 years	Total
Debt (excludes lease liabilities)	6,765,474	25,299,920	9,488,034	41,553,428
Short-term borrowings	1,346,996	-	-	1,346,996
Interest on loans and borrowings (i)	1,184,782	3,075,627	635,872	4,896,281
Trade payables	12,888,175	-	-	12,888,175
Lease liabilities	1,599,096	4,165,074	2,904,960	8,669,130
Other liabilities	2,065,949	-	-	2,065,949
	25,850,472	32,540,621	13,028,866	71,419,959

(i) Excludes interest on lease

	31 December 2018			
	Within 1 year	Between 1-5 years	More than 5 years	Total
Debt (excludes lease liabilities)	4,098,894	35,426,705	6,019,150	45,544,749
Short-term borrowings	1,167,589	-	-	1,167,589
Interest on loans and borrowings (i)	1,477,096	3,670,073	1,007,730	6,154,899
Trade payable	14,969,357	-	-	14,969,357
Other liabilities	3,156,450	-	-	3,156,450
Derivatives	381	-	-	381
	24,869,767	39,096,778	7,026,880	70,993,425

(i) Excludes interest on lease

37.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Group buys and sells derivatives, and also incurs financial liabilities, in order to manage market risks. All such transactions are carried out within the guidelines set by the Risk Management Committee. Generally the Group seeks to apply hedge accounting in order to manage volatility in the consolidated statement of income.

(All amounts in Saudi Riyals '000 unless otherwise stated)

37 Financial risk management (continued)

37.4 Equity price risk

The Group's exposure to equity securities price risk arises from investments held by the Group and classified as Investments in equity instruments carried at FVIS. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

Net income would increase/decrease as a result of gains/losses on equity securities classified as investments in equity instruments carried at FVIS.

37.5 Currency risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the fluctuations of the other currencies towards the SR pegged to the USD. Foreign currency risk mainly arises from commercial transactions, investing and financing activities.

The Group's policy requires all subsidiaries to conduct a regular review of currency exposures, however the hedge decisions is delegated to Global Treasury, who manages the execution of all derivatives trading centrally. In respect of monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

The Group is currently exposed to currency risk on balances including receivable against sales, payable to suppliers, placement with banks and borrowings that are denominated in a currency other than SR. The currencies in which these transactions are primarily denominated includes US Dollar (USD), Euro (EUR), British Pounds (GBP) and Chinese Yuan (CNY).

The currency risk on USD exposure is not considered significant by the Group as USD is pegged against SR.

The following table demonstrates the sensitivity of the Group to a reasonably possible change in the exchange rate of SR to foreign currencies, with all other variables held constant, of the Group's monetary assets and liabilities net of hedges entered into for the year ended 31 December:

	Gains (losses) through statement of income for the year ended	
	31 December 2019	31 December 2018
Increase in EUR/SR (10%)	716,638	(72,031)
Increase in GBP/SR (10%)	(20,968)	(70,056)
Increase in CNY/SR (10%)	19,445	149,298

37 Financial risk management (continued)

37.5 Currency risk (continued)

Exposure to foreign currency risk at the end of the reporting year can be shown as follows (converted in SR '000):

	As at 31 December 2019		
	EUR	GBP	CNY
Cash and bank balances (including fixed term deposits)	(1,698,140)	(190,576)	240,958
Trade receivables	308,671	71,020	363,088
Other monetary receivables	5,514,973	-	-
Debt	3,235,755	-	-
Trade payables	(194,876)	(47,497)	(72,888)
Other monetary payables	-	(42,625)	(336,706)
Total net monetary exposure	7,166,383	(209,678)	194,452

	As at 31 December 2018		
	EUR	GBP	CNY
Cash and bank balances (including fixed term deposits)	988,961	(892,503)	1,092,707
Trade receivables	3,577,112	284,624	477,540
Debt	(3,216,375)	-	-
Trade payables	(1,054,166)	(92,681)	(54,718)
Other monetary payables	(1,015,837)	-	(22,547)
Total net monetary exposure	(720,305)	(700,560)	1,492,982

37.6 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates. The Group manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings. To lower volatility and increase predictability of interest expenses, the Group may enter into simple financial derivatives such as interest rate swaps. During 2019 and 2018, the Group had no interest rate swaps outstanding.

The following table demonstrates the sensitivity of the Group to a reasonably possible change in interest rates, with all other variables held constant, of the Groups profit before tax (through the impact on floating rate borrowings) for the year ended 31 December:

	31 December 2019	
	Gains (losses) through the consolidated statement of income	
	+100 bps	-100 bps
3M SAIBOR	(495)	495
6M SAIBOR	(1,158)	1,158
9M SAIBOR	-	-
1M LIBOR	-	-
6M LIBOR	(4,310)	4,310

(All amounts in Saudi Riyals '000 unless otherwise stated)

37 Financial risk management (continued)

37.6 Interest rate risk (continued)

	31 December 2018	
	Gains (losses) through the consolidated statement of income	
	+100 bps	-100 bps
3M SAIBOR	114	(114)
6M SAIBOR	(2,129)	2,129
9M SAIBOR	(778)	778
1M LIBOR	(94)	94
6M LIBOR	(6,394)	6,394

37.7 Commodity risk

The Group is exposed to the impact of market fluctuations of the price of various inputs to production including naphtha, benzene, natural gas and electricity. From time to time, the Group manages some elements of commodity price risk through the use of fixed price contracts and derivative instruments.

37.8 Capital management

The primary objective to the Group's capital management is to support its business and maximise shareholder value.

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Group manages its capital structure and makes adjustments to it, in light of change in economic conditions. The Board of Directors monitors the return on capital, which the Group defines as result from operating activities divided by total shareholders' equity, excluding non-redeemable preference shares and non-controlling interests. There were no changes in the Group's approach to capital management during the year. The Board of Directors also monitors the level of dividends to ordinary shareholders and capital management. Neither the Group nor any of its subsidiaries are subject to externally imposed capital requirements. The Group's debt to equity ratio at the end of the reporting year was as follows:

	31 December 2019	31 December 2018
Total liabilities	**99,114,429**	98,274,399
Less: cash and bank balances	**(38,312,775)**	(42,590,820)
Net debt	**60,801,654**	55,683,579
Total equity	**211,251,322**	221,436,475
Debt to equity ratio as of 31 December	**29%**	25%

The net debt to equity ratio increased from 25% to 29% following the adoption of IFRS 16 Leases. Both net debt and gross assets increased following the recognition of right of use assets and lease liabilities on 1 January 2019. See note 4.

(All amounts in Saudi Riyals '000 unless otherwise stated)

38 Commitments and contingencies

Capital commitments

At 31 December 2019, the Group had commitments of SR 13.20 billion (31 December 2018: SR 9.92 billion) relating to capital expenditures.

SABIC has an equity contribution commitment towards its 15% interest in MWSPC. As of 31 December 2019, the outstanding commitment toward this investment amounts to SR 0.074 billion (31 December 2018: SR 0.07 billion). Pursuant to the terms of agreements with the other shareholders and external lenders, SABIC has agreed to contribute additional funds to the project, under certain circumstances and to the extent required, in the event of project cost over-runs.

SABIC also has an equity contribution commitment towards its 25% interest in Dussur. As at 31 December 2019, the outstanding commitment towards this investment amounts to nil (as at 31 December 2018: SR 0.28 billion).

The Group has entered into a 50/50 joint arrangement with ExxonMobil (through ExxonMobil Gulf Coast Investment LLC) to design, construct and operate a jointly-owned ethylene cracker and two polymer units. The project is expected to come on stream in 2022 or 2023.

The Group has signed agreements with vendors maturing over various years through 2025 for capital commitment for the ongoing operations of its business. Under the terms of these agreements, the Group has committed to contractually specified minimums over the contract periods.

Guarantees

SABIC has provided guarantees for bonds and certain term loans for certain subsidiaries which amounted to SR 17.9 billion as of 31 December 2019 (31 December 2018: SR 29.4 billion).

Contingent assets

The Group has been granted call options to acquire shares in some joint ventures. Although the potential exercise date is quite remote, an estimate of the fair value of the call options is approximately SR 0.16 billion (2018: 0.19 billion).

Contingent liabilities

The Group's bankers have issued, on its behalf, bank guarantees amounting to SR 3.17 billion (31 December 2018: SR 3.94 billion) in the normal course of business.

Leases

The following lease related amounts recognised in consolidated statement of income:

	For the year ended 31 December 2019
Depreciation expense of right of use assets (Note 8)	1,603,705
Interest expense on lease liabilities (Note 30)	353,152
Expense related to short-term leases	168,993
Expense related to leases of low-value assets	13,912
Variable lease payments	140,535

The Group had total cash outflows for leases of SR 1.72 billion in 2019. The Group also had non-cash additions to right of use assets and lease liabilities of SR 1.13 billion in 2019. The future cash outflows relating to leases are disclosed in note 37.

(All amounts in Saudi Riyals '000 unless otherwise stated)

38 Commitments and contingencies (continued)

Leases (continued)

Group as a lessor

Future minimum lease receivables under these contracts, together with the present value of the net minimum lease payments, are as follows:

	31 December 2019	
	Minimum lease receivable	Present value
Within one year	35,703	17,300
After one year but not more than five years	154,692	82,791
More than five years	185,045	137,821
Total minimum lease receivable	375,440	237,912
Less: amounts representing finance income	(137,528)	-
Present value of minimum lease receivable	237,912	237,912

	31 December 2018	
	Minimum lease receivable	Present value
Within one year	37,919	18,103
After one year but not more than five years	132,851	84,306
More than five years	242,150	153,666
Total minimum lease receivable	412,920	256,075
Less: amounts representing finance income	(156,845)	-
Present value of minimum lease receivable	256,075	256,075

The Group is deemed as a lessor in certain supply contracts where the agreements convey the right to use related equipment, mainly gas pipelines and other related accessories. The duration of the lease agreements are between 15 to 20 years which are a significant majority of the useful lives of the related assets. The lessor is responsible for maintenance and insurance of the assets.

Generally, there are minimum payments due from the lessee regardless of potential termination of the agreements. Renewal of lease agreements are possible but are subject to mutual agreement.

(All amounts in Saudi Riyals '000 unless otherwise stated)

39 Reclassification in comparative numbers

During the year, the Group reclassified certain balances as listed below, which are considered by management a more accurate presentation and reflects the related nature. These reclassifications have no impact on previously reported net income or retained earnings:

	As per previously reported	Reclassified amounts	Amount of reclassification
Consolidated statement of financial position			
Other non-current liabilities	2,156,437	**1,384,327**	(772,110)
Accruals and other current liabilities	13,016,884	**13,396,473**	379,589
Zakat and income tax payable	4,204,317	**4,596,838**	392,521

40 Appropriations

The Annual General Assembly ("AGA"), in its meeting held on 4 Shabaan 1440H (corresponding to 9 April 2019), approved cash dividends of SR 13.2 billion (SR 4.4 per share), which includes the interim cash dividends amounting to SR 6.6 billion (SR 2.2 per share) for the first half of 2018, which has been recognised in equity in the consolidated financial statements for the year ended 31 December 2018. The remaining of the dividend declared of SR 6.6 billion has been recognised in the interim condensed consolidated financial statements for the period ended 30 June 2019, which was made available for distribution in April 2019.

The AGA also approved Board of Directors' remuneration of SR 1.8 million that is charged to general and administrative expenses.

On 18 Ramadan 1440H (corresponding to 23 May 2019), SABIC declared interim cash dividends for the first half of the year 2019 amounting to SR 6.6 billion (at SR 2.2 per share), which has been recognised in the interim condensed consolidated financial statements for the period ended 30 June 2019, which was made available for distribution in September 2019.

On 20 Rabi Thani 1441H (corresponding to 17 December 2019), the Board of Directors proposed a distribution of cash dividends for the second half of the year 2019 amounting to SR 6.6 billion (at SR 2.2 per share). The proposed dividends are subject to approval of the shareholders in the AGA in April 2020.

41 Subsequent events

In February 2020, the Group announced its intention to idle its Ultem plant in Spain to optimise its global operations. The estimated impact, including restructuring charges, is estimated at SR 700 million.

On 3rd March 2020, the Group announced that it increased its share in Clariant from 24.99% to 31.5% as part of its ongoing growth strategy to achieve a leadership position in the Specialties market. The completion of the transaction is still subject to regulatory approvals.

(All amounts in Saudi Riyals '000 unless otherwise stated)

42 Subsidiaries

SABIC Group's subsidiaries are set out below:

	Country of incorporation	% Shareholding (direct and indirect) as at 31 December 2019	% Shareholding (direct and indirect) as at 31 December 2018
SABIC Luxembourg S.à r.l. ("SLUX") and its subsidiaries (Note 42.1)	Luxembourg	100.00	100.00
SABIC Industrial Investments Company ("SIIC") and its subsidiaries (Note 42.2)	KSA	100.00	100.00
Arabian Petrochemical Company ("PETROKEMYA")	KSA	100.00	100.00
Saudi Iron and Steel Company ("HADEED")	KSA	100.00	100.00
Sabic Investment and Local Content Development Company ("NUSANED")	KSA	100.00	-
SABIC Agri-Nutrients Investment Company ("SANIC")	KSA	100.00	-
International Shipping and Transportation Co. ("ISTC")	KSA	100.00	100.00
SABIC Supply Chain Services Limited Company ("SSCS")	KSA	100.00	100.00
Saudi European Petrochemical Company ("IBN ZAHR")	KSA	80.00	80.00
Jubail United Petrochemical Company ("UNITED")	KSA	75.00	75.00
National Chemical Fertiliser Company ("IBN AL-BAYTAR")	KSA	71.50	71.50
National Industrial Gases Company ("GAS")	KSA	70.00	70.00
Yanbu National Petrochemical Company ("YANSAB")	KSA	51.95	51.95
Saudi Methanol Company ("AR-RAZI") (Note 22.1)	KSA	75.00	50.00
Al-Jubail Fertiliser Company ("AL BAYRONI")	KSA	50.00	50.00
Saudi Yanbu Petrochemical Company ("YANPET")	KSA	50.00	50.00
National Methanol Company ("IBN-SINA")	KSA	50.00	50.00
Eastern Petrochemical Company ("SHARQ")	KSA	50.00	50.00
Al-Jubail Petrochemical Company ("KEMYA")	KSA	50.00	50.00
Saudi Methacrylates Company ("SAMAC")	KSA	50.00	50.00
Arabian Industrial Fibers Company ("IBN RUSHD")	KSA	48.07	48.07
Saudi Arabian Fertiliser Company ("SAFCO")	KSA	42.99	42.99
Saudi Kayan Petrochemical Company ("SAUDI KAYAN")	KSA	35.00	35.00
Saudi Speciality Chemicals Company ("SP. CHEM")	KSA	100.00	100.00
Saudi Organometallic Chemicals Company ("SOCC")	KSA	50.00	50.00
Saudi Petrochemical Company ("SADAF")	KSA	-	100.00
SABIC Sukuk Company ("SUKUK")	KSA	-	100.00
SABIC Industrial Catalyst Company ("SABCAT")	KSA	-	100.00
Saudi Carbon Fibre Company ("SCFC")	KSA	-	100.00
Saudi Japanese Acrylonitrile Company ("SHROUQ")	KSA	-	100.00

Notes:

- The country of incorporation is also their principal place of business.
- The principal activities of majority of the Group's subsidiaries are manufacturing, marketing and distribution of petrochemical, specialties and related products except for SAFCO, AL BAYRONI and IBN AL-BAYTAR that are involved in agri-nutrients business; and HADEED is involved in metal business.
- YANSAB, SAFCO, and SAUDI KAYAN are public companies and listed on the Saudi Stock Exchange (Tadawul)
- NUSANED and SANIC are newly established entities. Nusaned is involved in promoting local business in KSA and provides financial and non-financial support. SANIC is established to facilitate the restructuring transaction of Agri-Nutrients business.
- SP. CHEM is 99% owned by Petrokemya and 1% owned by SIIC, and SOCC is 50% owned by SP. CHEM
- Effective 1 October 2019, SADAF merged with PETROKEMYA.
- SABCAT, SCFC and SHROUQ are in liquidation and controlled by the Liquidator.

(All amounts in Saudi Riyals '000 unless otherwise stated)

42 Subsidiaries (continued)

42.1 SABIC Luxembourg S.à r.l. and its subsidiaries

Subsidiaries	Country of incorporation	% Shareholding (direct and indirect) as at 31 December 2019	% Shareholding (direct and indirect) as at 31 December 2018
SABIC Innovative Plastics Argentina SRL	Argentina	100.00	100.00
SABIC Australia Pty Ltd.	Australia	100.00	100.00
SABIC Innovative Plastics Australia Pty Ltd. (i)	Australia	-	100.00
SABIC Innovative Plastics Austria GmbH	Austria	100.00	100.00
SABIC Innovative Plastics GmbH & Co. KG	Austria	100.00	100.00
SABIC Innovative Plastics South America - Indústria e Comércio de Plásticos Ltda	Brazil	100.00	100.00
NV Pijpleiding Antwerpen-Limburg-Luik (PALL)	Belgium	100.00	100.00
SABIC Belgium NV	Belgium	100.00	100.00
SABIC Innovative Plastics Canada, Inc.	Canada	100.00	100.00
SABIC Innovative Plastics (China) Co., Ltd.	China	100.00	100.00
SABIC Innovative Plastics (Chongqing) Co., Ltd.	China	100.00	100.00
SABIC Innovative Plastics International Trading (Shanghai) Ltd.	China	100.00	100.00
SABIC Innovative Plastics Management (Shanghai) Co., Ltd.	China	100.00	100.00
SABIC Innovative Plastics Shanghai Co., Ltd.	China	100.00	100.00
SABIC (Shanghai) Trading Co. Ltd.	China	100.00	100.00
SABIC (China) Research & Development Co. Ltd.	China	100.00	100.00
SABIC (Shanghai) Industry Co. Ltd.	China	100.00	100.00
SABIC Innovative Plastics Czech s.r.o.	Czech Republic	100.00	100.00
SABIC Innovative Plastics Denmark Aps	Denmark	100.00	100.00
SABIC Nordic A/S	Denmark	100.00	100.00
SABIC Innovative Plastics Finland Oy	Finland	100.00	100.00
SABIC France S.A.S.	France	100.00	100.00
SABIC Innovative Plastics France S.A.S.	France	100.00	100.00
SABIC Deutschland GmbH	Germany	100.00	100.00
SABIC Holding Deutschland GmbH	Germany	100.00	100.00
SABIC Innovative Plastics GmbH	Germany	100.00	100.00
SABIC Innovative Plastics Holding Germany GmbH	Germany	100.00	100.00
SABIC Polyolefine GmbH	Germany	100.00	100.00
SABIC Greece M.E.P.E.	Greece	100.00	100.00
SABIC Innovative Plastics Hong Kong Ltd.	Hong Kong	100.00	100.00
SABIC Innovative Plastics SIT Holding Ltd.	Hong Kong	100.00	100.00
SABIC Innovative Plastics Taiwan Holding Ltd.	Hong Kong	100.00	100.00

(i) LE SABIC Innovative Plastics Australia Pty Ltd has been liquidated in 2019.

(All amounts in Saudi Riyals '000 unless otherwise stated)

42 Subsidiaries (continued)

42.1 SABIC Luxembourg S.à r.l. and its subsidiaries (continued)

	Country of incorporation	% Shareholding (direct and indirect) as at 31 December 2019	% Shareholding (direct and indirect) as at 31 December 2018
Subsidiaries			
SABIC Hungary Kft.	Hungary	100.00	100.00
SABIC Innovative Plastics Kereskedelmi Kft.	Hungary	100.00	100.00
SABIC India Pvt Ltd.	India	100.00	100.00
SABIC Innovative Plastics India Private Ltd.	India	100.00	100.00
SABIC R&T Pvt Ltd.	India	100.00	100.00
SABIC Innovative Plastics Italy Srl	Italy	100.00	100.00
SABIC Italia Srl	Italy	100.00	100.00
SABIC Sales Italy Srl	Italy	100.00	100.00
SABIC Japan Ltd.	Japan	100.00	100.00
SABIC Korea Ltd.	Korea	100.00	100.00
SABIC Luxembourg S.à r.l.	Luxembourg	100.00	100.00
SABIC Innovative Plastics Malaysia Sdn Bhd	Malaysia	100.00	100.00
SABIC Innovative Plastics Mexico S de RL de CV	Mexico	100.00	100.00
SABIC Innovative Plastics Servicios Mexico S de RL de CV	Mexico	100.00	100.00
BV Snij-Unie HiFi	Netherlands	100.00	100.00
FRT B.V.	Netherlands	95.00	95.00
FRT Tapes B.V.	Netherlands	100.00	100.00
SABIC Capital B.V.	Netherlands	100.00	100.00
SABIC Capital I B.V.	Netherlands	100.00	100.00
SABIC Capital II B.V.	Netherlands	100.00	100.00
SABIC Innovative Plastics GP B.V.	Netherlands	100.00	100.00
SABIC Innovative Plastics Holding B.V.	Netherlands	100.00	100.00
SABIC Innovative Plastics Utilities B.V.	Netherlands	100.00	100.00
SABIC Licensing B.V.	Netherlands	100.00	100.00
SABIC Limburg B.V.	Netherlands	100.00	100.00
SABIC Sales Europe B.V.	Netherlands	100.00	100.00
SABIC Petrochemicals B.V.	Netherlands	100.00	100.00
SABIC Ventures B.V.	Netherlands	100.00	100.00
SABIC Mining B.V.	Netherlands	100.00	100.00
Petrochemical Pipeline Services B.V.	Netherlands	100.00	100.00
SABIC Europe B.V.	Netherlands	100.00	100.00
SABIC International Holdings B.V.	Netherlands	100.00	100.00
SABIC Innovative Plastics B.V.	Netherlands	100.00	100.00
SABIC Global Technologies B.V.	Netherlands	100.00	100.00
SABIC Innovative Plastics Poland Sp. Z o.o.	Poland	100.00	100.00
SABIC Poland Sp. Z o.o.	Poland	100.00	100.00
LLC SABIC Eastern Europe	Russia	100.00	100.00
SABIC Innovative Plastics Russia Z o.o.	Russia	100.00	100.00

(All amounts in Saudi Riyals '000 unless otherwise stated)

42 Subsidiaries (continued)

42.1 SABIC Luxembourg S.à r.l. and its subsidiaries (continued)

	Country of incorporation	% Shareholding (direct and indirect) as at 31 December 2019	% Shareholding (direct and indirect) as at 31 December 2018
Subsidiaries			
SABIC Innovative Plastics (SEA) Pte. Ltd.	Singapore	100.00	100.00
SABIC Innovative Plastics Holding Singapore Pte. Ltd.	Singapore	100.00	100.00
SABIC Innovative Plastics Singapore Pte. Ltd.	Singapore	100.00	100.00
SABIC Asia Pacific Pte Ltd	Singapore	100.00	100.00
SABIC Innovative Plastics Espana ScpA	Spain	100.00	100.00
SABIC Innovative Plastics GP BV, Sociedad en Comandita	Spain	100.00	100.00
SABIC Sales Spain SL	Spain	100.00	100.00
SABIC Marketing Ibérica S.A.	Spain	100.00	100.00
Saudi Innovative Plastics Sweden AB	Sweden	100.00	100.00
SABIC Innovative Plastics (Thailand) Co. Ltd.	Thailand	100.00	100.00
SABIC Global Ltd.	UK	100.00	100.00
SABIC Tees Holdings Ltd.	UK	100.00	100.00
SABIC Innovative Plastics ABS UK Ltd.	UK	100.00	100.00
SABIC Innovative Plastics Ltd.	UK	100.00	100.00
SABIC UK Ltd.	UK	100.00	100.00
SABIC UK Pension Trustee Ltd.	UK	100.00	100.00
SABIC UK Petrochemicals Ltd.	UK	100.00	100.00
Exatec, LLC	US	100.00	100.00
Mt. Vernon Phenol Plant Partner	US	51.00	51.00
SABIC Americas Inc.	US	100.00	100.00
SABIC Innovative Plastics Holding US LP	US	100.00	100.00
SABIC Innovative Plastics Mt. Vernon, LLC	US	100.00	100.00
SABIC Innovative Plastics US LLC	US	100.00	100.00
SABIC Petrochemicals Holding US, Inc.	US	100.00	100.00
SABIC Ventures US Holdings LLC	US	100.00	100.00
SABIC US Projects LLC	US	100.00	100.00
SABIC Uruguay SA	Uruguay	100.00	100.00
SABIC Vietnam Ltd.	Vietnam	100.00	100.00
SABIC Americas Growth LLC	US	100.00	100.00
SABIC US Methanol LLC	US	100.00	100.00
Black Diamonds Structures, LL	US	50.10	50.10

Note:

- Black Diamonds Structures, LL; as the Group acquired control over Black Diamond as at 1 January 2018 and due to change in control, this equity investment is now consolidated from 1 January 2018 (Note 10). This investment has been sold dated 2nd February 2020.
- SABIC is working on carve-out projects that will impact the structure of the SLUX legal entities and business model in FY 2020, as a project is expected to be completed in 2020. The project represents the carve-out of the majority of the current Specialty business called High-Performance Polymers ("HPP") which is embedded in the Innovative Plastics group. This carve-out will result in the creation of approximately 36 additional legal entities.

(All amounts in Saudi Riyals '000 unless otherwise stated)

42 Subsidiaries (continued)

42.2 SIIC Group Subsidiaries

	Country of incorporation	% Shareholding (direct and indirect) as at 31 December 2019	% Shareholding (direct and indirect) as at 31 December 2018
SABCAP Insurance Limited ("SABCAP")	Guernsey	100.00	100.00
SABIC Petrokemya Ticaret Limited ("SABIC TURKEY")	Turkey	100.00	100.00
SABIC Middle East Offshore Company ("SABIC MIDDLE EAST")	Lebanon	100.00	100.00
SABIC South Africa	South Africa	100.00	100.00
SABIC Africa for Trading & Marketing ("SABIC AFRICA")	Egypt	100.00	100.00
SABIC Morocco	Morocco	100.00	100.00
SABIC Global Mobility Company ("GMC")	UAE	100.00	100.00
SABIC Mobility Company ("GMC LLC")	UAE	100.00	100.00
SABIC Tunisia	Tunisia	100.00	100.00
SABIC Kenya	Kenya	100.00	100.00
SABIC (Pvt.) Pakistan	Pakistan	100.00	100.00
International Shipping and Transportation Co. ("ISTC")	KSA	99.00	99.00
SABIC Supply Chain Services Limited Company ("SSCS")	KSA	99.00	-
SABIC Terminal Services Company ("SABTANK")	KSA	90.00	90.00
Jubail Chemical Storage and Services Company ("CHEMTANK")	KSA	75.00	75.00

Notes:

- On 27 December 2018, SABIC transferred its 99% ownership of SSCS to the SIIC.
- GMC LLC was established during 2018 and is engaged in providing administrative services to the Group's global assignees and GMC is currently under liquidation.

(All amounts in Saudi Riyals '000 unless otherwise stated)

43 Investment in associates and joint arrangements

Below is the listing of the Group's investment in associates and joint arrangements. These are strategic investments for the Group.

	Country of incorporation	Principal activities	% Shareholding (direct and indirect) as at 31 December 2019	% Shareholding (direct and indirect) as at 31 December 2018
Associates				
Gulf Petrochemical Industries Company ("GPIC")	Bahrain	Petrochemical	33.33	33.33
Gulf Aluminium Rolling Mills Company ("GARMCO")	Bahrain	Aluminium	30.40	30.40
Ma'aden Phosphate Company ("MPC")	KSA	Agri-Nutrients	30.00	30.00
Power and Water Utilities Company for Jubail and Yanbu ("MARAFIQ")	KSA	Utilities	24.81	24.81
Aluminium Bahrain BSC ("ALBA")	Bahrain	Aluminium	20.62	20.62
National Chemical Carrier Company ("NCC")	KSA	Transportation	20.00	20.00
Ma'aden Wa'ad Al Shamal Phosphate Company ("MWSPC")	KSA	Agri-Nutrients	15.00	15.00
Saudi Arabian Industrial Investment Company ("DUSSUR")	KSA	Investments	25.00	25.00
Clariant AG ("CLARIANT")	Switzerland	Specialty chemical	24.99	24.99
Saudi Acrylic Butanol Company ("SABUCO")	KSA	Petrochemical	33.33	33.33
Joint Ventures				
SINOPEC/SABIC Tianjin Petrochemical Company Limited	China	Petrochemical	50.00	50.00
SABIC SK Nexelene Company	Singapore	Petrochemical	50.00	50.00
Cosmar Inc. ("COSMAR")	USA	Petrochemical	50.00	50.00
Joint Operations				
Utility Support Group ("USG") B.V.	Netherlands	Petrochemical	50.00	50.00
Gulf Coast Growth Venture LLC ("GCGV")	USA	Petrochemical	50.00	50.00

Notes:

- The country of incorporation is also their principal place of business.
- CLARIANT; during 2018, SABIC acquired 24.99% ownership in Clariant, a global specialty chemical company listed at the Swiss Stock Exchange. (Note 10.1)
- The Group participates in following Joint Operations:
  - USG (Geleen, the Netherlands), which is operated jointly with other stakeholders to produce utilities for a production site
  - GCGV (Houston, USA), a cooperation with ExxonMobil Chemical to investigate the feasibility of constructing an ethane steam cracking facility and downstream plants.

  The Group holds a 50% share in each of these joint operations and controls them jointly with the respective partners. The partners ensure the ongoing financing of the companies, either by the utilities directly sold to the partners or sharing the costs.