



# SAUDI BASIC INDUSTRIES CORPORATION (SABIC)

(A SAUDI JOINT STOCK COMPANY)

ANNUAL CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022  
AND INDEPENDENT AUDITOR'S REPORT

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CHEMISTRY THAT MATTERS™

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# *Independent auditor's report to the shareholders of Saudi Basic Industries Corporation (SABIC)*

*(A Saudi Joint Stock Company)*

## *Report on the audit of the consolidated financial statements*

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### *Our opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Saudi Basic Industries Corporation ("SABIC" or the "Company") and its subsidiaries (together the "Group") as at 31 December 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

### **What we have audited**

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2022;
- the consolidated statement of income for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

### *Basis for opinion*

We conducted our audit in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia. 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Independence**

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards), endorsed in the Kingdom of Saudi Arabia (the "Code"), that is relevant to our audit of the consolidated financial statements and we have fulfilled our other ethical responsibilities in accordance with the Code's requirements.

# Independent auditor's report to the shareholders of Saudi Basic Industries Corporation (continued)

## Our audit approach

### Overview

- |                   |  |
|-------------------|--|
| Key Audit Matters | <ul style="list-style-type: none"> <li>• Impairment assessment of property, plant and equipment</li> <li>• Valuation of the investment in Clariant AG</li> </ul> |
|-------------------|--|

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

### Key audit matters

Key audit matters are those matters that, in our professional judgement, 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 our opinion thereon, and we do not provide a separate opinion on these matters.

<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
<p><b><i>Impairment assessment of property, plant and equipment</i></b></p> <p>As at 31 December 2022, the consolidated statement of financial position includes property, plant and equipment amounting to Saudi Riyals (SR) 126.8 billion. Management has identified certain impairment indicators including strategic closure of certain plants. Accordingly, management carried out an exercise to calculate the recoverable amount of these assets.</p> <p>The recoverable amounts were determined based on value-in-use calculations derived using discounted cash flow models. The models were based on the most recent financial plans and included 5-year projection periods with terminal values assumed thereafter.</p> <p>The assessment of the recoverable amount of these assets incorporates significant judgement and estimates by the management in respect of various factors such as future production levels, commodity prices, operating / capital expenditure,</p>	<p>Our procedures included the following:</p> <ul style="list-style-type: none"> <li>• We reviewed the appropriateness of management's determination of CGUs, based on the requirements of International Accounting Standard ("IAS") 36 'Impairment of Assets', that is endorsed in the Kingdom of Saudi Arabia;</li> <li>• We reviewed management's procedures in identifying impairment indicators in respect of the related CGUs for property, plant and equipment;</li> <li>• We evaluated the reasonableness of management's assumptions and estimates in determining the recoverable amount of the Group's property, plant and equipment, including those relating to projected forecasts, EBITDA margin, discount rate and terminal growth rate;</li> <li>• We involved our internal experts to validate the mathematical accuracy and</li> </ul>

## Independent auditor's report to the shareholders of Saudi Basic Industries Corporation (continued)

macroeconomic assumptions, earnings before interest, tax, depreciation and amortization (EBITDA), EBITDA margins, discount rates and terminal growth rates as set out in the approved business plans of the respective Cash Generating Units (CGUs).

Based on the assessment, management has recognised an impairment loss relating to property, plant and equipment of SR 435 million for the year ended 31 December 2022.

We considered the potential impairment of property, plant and equipment as a key audit matter because the assessment involves a significant degree of management's judgement and estimates in determining the key assumptions stated above.

*Refer to Note 3.1.1, Note 6.10 and Note 7 to the consolidated financial statements for further information.*

the assumptions used by management in the impairment models and agreeing relevant data to the latest production plans and projections;

- We tested management's sensitivity analyses that considered the impact of changes in assumptions on the outcome of the impairment assessments; and
- We considered the appropriateness of the related accounting policies and disclosures in the consolidated financial statements.

### Key audit matter

### How our audit addressed the key audit matter

#### Valuation of the investment in Clariant AG

As at 31 December 2022, the carrying value of the investment in Clariant AG ("Clariant") amounted to SR 8.1 billion.

The investment in Clariant is accounted for as an associate using the equity method in accordance with IAS 28 'Investments in Associates and Joint Ventures', that is endorsed in the Kingdom of Saudi Arabia.

During the year 2022, the decrease in Clariant's share price indicated an impairment which led to recognition of an impairment loss of SR 1.6 billion.

We considered the valuation of Clariant as a key audit matter due to the complexities and judgement related to the determination of the recoverable amount based on the valuation assumptions used in determining the control premium over the investment in Clariant.

*Refer to Note 3.1.7, Note 6.2 and Note 10.1 to the consolidated financial statements for further information.*

Our procedures included the following:

- We reviewed management's procedures in identifying impairment indicators in respect of the Clariant investment;
- We engaged our internal valuation expert to assess the control premium used in the calculation of the recoverable amount. Further, we assessed the reasonableness of key management assumptions in respect of the determination of the control premium and performed a sensitivity analysis on the key assumptions; and
- We considered the appropriateness of the related accounting policies and disclosures in the consolidated financial statements.

## *Independent auditor's report to the shareholders of Saudi Basic Industries Corporation (continued)*

### *Other information*

Management is responsible for the other information. The other information comprises the Annual Report, but does not include the consolidated financial statements and our auditor's report thereon, which we obtained prior to the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we do 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 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.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### *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 International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, and the applicable requirements of the Regulations for Companies and the Company's By-laws, 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, i.e. the Board of Directors, 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 International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia, 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 International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

## *Independent auditor's report to the shareholders of Saudi Basic Industries Corporation (continued)*


- 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.
- 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, actions taken to eliminate threats or safeguards applied.

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.

**PricewaterhouseCoopers**

  
Bader I. Benmohareb  
License No. 471  
27 February 2023





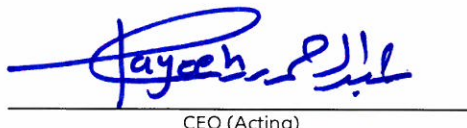
## Consolidated statement of financial position

All amounts in thousands of Saudi Riyals unless otherwise stated

	Note	As at 31 December 2022	As at 31 December 2021*
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	7	126,797,000	131,018,714
Right-of-use assets	8	6,306,719	6,357,560
Intangible assets	9	20,012,764	19,856,254
Investments in associates and joint ventures	10	41,686,763	42,187,623
Investments in debt instruments	11	448,265	750,555
Investments in equity instruments	12	235,419	292,452
Deferred tax assets	31	781,596	565,220
Derivative financial instruments	13	2,687,250	2,389,875
Other assets and receivables	14	7,332,661	7,622,444
<b>Total non-current assets</b>		<b>206,288,437</b>	<b>211,040,697</b>
<b>Current assets</b>			
Inventories	16	28,224,642	28,621,278
Trade receivables	17	23,923,727	26,330,104
Other assets and receivables	14	5,930,721	5,977,302
Short-term investments	11	8,678,959	5,066,554
Cash and cash equivalents	18, 38	40,059,331	42,319,393
<b>Total current assets</b>		<b>106,817,380</b>	<b>108,314,631</b>
<b>Total assets</b>		<b>313,105,817</b>	<b>319,355,328</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	19	30,000,000	30,000,000
Statutory reserve	20	15,000,000	15,000,000
General reserve	20	110,889,032	110,889,032
Other reserves	20	(1,931,155)	(3,542,781)
Retained earnings		32,088,421	27,794,542
<b>Equity attributable to equity holders of the Parent</b>		<b>186,046,298</b>	<b>180,140,793</b>
Non-controlling interests	21	31,570,961	31,692,505
<b>Total equity</b>		<b>217,617,259</b>	<b>211,833,298</b>
<b>Non-current liabilities</b>			
Debt	22	21,543,556	26,836,532
Lease liabilities	22	5,469,463	5,467,676
Employee benefits	23, 38	14,074,900	17,441,236
Deferred tax liabilities	31	903,549	748,733
Derivative financial instruments	13	2,928,610	3,300,827
Provisions	24	861,398	870,644
Other liabilities	25	1,513,405	1,662,372
<b>Total non-current liabilities</b>		<b>47,294,881</b>	<b>56,328,020</b>
<b>Current liabilities</b>			
Short-term borrowings	22	915,839	13,347
Current portion of debt	22	5,979,853	5,290,046
Current portion of lease liabilities	22	904,614	951,669
Trade payables	26	22,537,990	26,149,125
Other liabilities	25, 38	14,864,314	15,211,813
Income tax payable	31	830,304	1,128,413
Zakat payable	31	2,160,763	2,449,597
<b>Total current liabilities</b>		<b>48,193,677</b>	<b>51,194,010</b>
<b>Total liabilities</b>		<b>95,488,558</b>	<b>107,522,030</b>
<b>Total equity and liabilities</b>		<b>313,105,817</b>	<b>319,355,328</b>



EVP Corporate Finance



CEO (Acting)



Chairman of the Board of Directors

\* Refer Note 38 regarding the comparatives.

The accompanying notes from 1 to 41 form an integral part of these consolidated financial statements.



## Consolidated statement of income

All amounts in thousands of Saudi Riyals unless otherwise stated

	Note	For the year ended 31 December 2022	For the year ended 31 December 2021*
Revenue	27	198,466,764	174,883,126
Cost of sales	28, 38	(155,794,483)	(127,005,996)
<b>Gross profit</b>		<b>42,672,281</b>	<b>47,877,130</b>
General and administrative expenses	28, 38	(9,035,910)	(8,455,705)
Research and development expenses	28, 38	(1,875,574)	(1,911,245)
Selling and distribution expenses	28, 38	(10,899,725)	(7,542,766)
Results from integral joint ventures	10	1,722,383	3,274,761
Other operating income	29, 38	1,590,200	1,041,449
Other operating expenses	29, 38	(294,595)	(683,629)
<b>Income from operations</b>		<b>23,879,060</b>	<b>33,599,995</b>
Results from non-integral joint ventures and associates	10	2,683,443	2,452,747
Finance income	30	739,485	292,446
Finance cost	30	(1,313,812)	(2,257,224)
<b>Income before zakat and income tax</b>		<b>25,988,176</b>	<b>34,087,964</b>
Zakat expense	31	(1,962,183)	(1,960,393)
Income tax expense	31	(533,170)	(1,625,800)
<b>Net income</b>		<b>23,492,823</b>	<b>30,501,771</b>
Attributable to:			
- Equity holders of the Parent		16,529,722	23,066,002
- Non-controlling interests		6,963,101	7,435,769
		<b>23,492,823</b>	<b>30,501,771</b>
Basic and diluted earnings per share from net income attributable to equity holders of the Parent (Saudi Riyals)	32	5.51	7.69

  
EVP Corporate Finance

  
CEO (Acting)

  
Chairman of the Board of Directors

\* Refer Note 38 regarding the comparatives.

The accompanying notes from 1 to 41 form an integral part of these consolidated financial statements.

## Consolidated statement of comprehensive income

All amounts in thousands of Saudi Riyals unless otherwise stated

	Notes	For the year ended 31 December 2022	For the year ended 31 December 2021
Net income		23,492,823	30,501,771
<b>Other comprehensive income</b>			
<i>Items that will not be reclassified subsequently to the consolidated statement of income</i>			
- Re-measurement gain on defined benefit plans	23	4,517,015	1,698,306
- Share of other comprehensive income of associates and joint ventures	10, 20	188,662	259,406
- Net change on revaluation of investments in equity instruments classified as fair value through other comprehensive income	20	3,617	17,619
- Tax (expense) benefit	31	(157,261)	21,329
		4,552,033	1,996,660
<i>Items that will be reclassified subsequently to the consolidated statement of income</i>			
- Exchange difference on translation	20	(1,668,537)	(1,687,218)
- Share of other comprehensive loss of associates and joint ventures	10, 20	(610,495)	(332,730)
		(2,279,032)	(2,019,948)
<b>Net movement of other comprehensive income (loss)</b>		2,273,001	(23,288)
<b>Total comprehensive income</b>		25,765,824	30,478,483
<b>Attributable to:</b>			
- Equity holders of the Parent		18,225,929	22,857,240
- Non-controlling interests		7,539,895	7,621,243
		25,765,824	30,478,483

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EVP Corporate Finance



CEO (Acting)



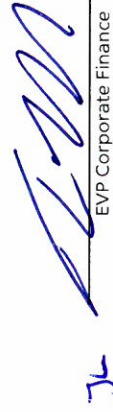
Chairman of the Board of Directors

The accompanying notes from 1 to 41 form an integral part of these consolidated financial statements.

## Consolidated statement of changes in equity

All amounts in thousands of Saudi Rials unless otherwise stated

	Attributable to the equity holders of the Parent					Non-controlling interests	Total equity
	Share capital	Statutory reserve	General reserve	Other reserves	Retained earnings	Total	
Balance as at 1 January 2021	30,000,000	15,000,000	110,889,032	(3,334,019)	15,071,361	167,626,374	194,237,125
Net income	-	-	-	-	23,066,002	23,066,002	30,501,771
Other comprehensive (loss) income	-	-	-	(208,762)	-	(208,762)	(23,288)
Total comprehensive (loss) income	-	-	-	(208,762)	23,066,002	22,857,240	30,478,483
Changes in shareholdings of subsidiaries (refer Note 21)	-	-	-	-	(1,016,196)	(1,016,196)	-
Derecognition of forward contract (refer Note 21)	-	-	-	-	423,375	423,375	423,375
Dividends and others	-	-	-	-	(9,750,000)	(9,750,000)	(13,305,685)
Balance as at 31 December 2021	30,000,000	15,000,000	110,889,032	(3,542,781)	27,794,542	180,140,793	211,833,298
Balance as at 1 January 2022	30,000,000	15,000,000	110,889,032	(3,542,781)	27,794,542	180,140,793	211,833,298
Net income	-	-	-	-	16,529,722	16,529,722	23,492,823
Other comprehensive income	-	-	-	1,696,207	-	1,696,207	2,273,001
Total comprehensive income	-	-	-	1,696,207	16,529,722	18,225,929	25,765,824
Changes in shareholdings of subsidiaries (refer Note 21)	-	-	-	-	(4,924)	(4,924)	(229,884)
Derecognition of options (refer Note 13)	-	-	-	-	1,184,500	1,184,500	-
Derecognition of investments through OCI (refer Notes 12 and 20)	-	-	-	(84,581)	84,581	-	-
Dividends and others	-	-	-	-	(13,500,000)	(13,500,000)	(19,751,979)
Balance as at 31 December 2022	30,000,000	15,000,000	110,889,032	(1,931,155)	32,088,421	186,046,298	217,617,259

  
EVP Corporate Finance

  
CEO (Acting)

  
Chairman of the Board of Directors

The accompanying notes from 1 to 41 form an integral part of these consolidated financial statements.




## Consolidated statement of cash flows

All amounts in thousands of Saudi Riyals unless otherwise stated

	Notes	For the year ended 31 December 2022	For the year ended 31 December 2021*
<b>Operating activities</b>			
Income before zakat and income tax		25,988,176	34,087,964
<i>Adjustment to reconcile income before zakat and income tax to net cash from operating activities:</i>			
- Depreciation of property, plant and equipment	7	12,128,112	11,855,297
- Depreciation of right-of-use assets	8	1,526,642	1,556,486
- Amortisation of intangible assets and other assets		502,934	652,761
- Impairments and write-offs of plant and equipment, right-of-use assets and intangible assets	7, 8, 9	532,968	841,237
- Results of non-integral joint ventures and associates	10	(2,683,443)	(2,452,747)
- Results of integral joint ventures and associates	10	(1,722,383)	(3,274,761)
- Loss on disposals of property, plant and equipment	29	73,069	148,947
- Finance income	30	(739,485)	(292,446)
- Finance costs	30	1,313,812	2,257,224
<i>Change in operating assets and liabilities:</i>			
Decrease in other non-current assets and receivables		1,338,342	848,203
Decrease (increase) in inventories		396,636	(9,310,080)
Decrease (increase) in trade receivables		2,406,377	(9,402,391)
Decrease (increase) in other current assets and receivables		132,991	(1,521,136)
(Decrease) increase in other non-current liabilities		(818,557)	429,048
Decrease in provisions		(9,246)	(23,346)
(Decrease) increase in trade payables		(3,611,135)	8,647,885
Increase (decrease) in employee benefits		544,315	(495,115)
(Decrease) increase in other current liabilities		(342,582)	4,497,080
		36,957,543	39,050,110
Dividend received from integral joint ventures	10	2,537,993	3,363,026
Interest received		653,075	290,377
Interest paid		(973,904)	(1,076,511)
Zakat and income tax paid	31	(3,364,576)	(2,133,371)
<b>Net cash from operating activities</b>		<b>35,810,131</b>	<b>39,493,631</b>
<b>Investing activities</b>			
Purchase of property, plant and equipment	7	(10,111,785)	(10,800,388)
Purchase of investments in equity instruments	12	(32,670)	(33,528)
Proceeds on the maturity of investments in debt		214,940	671,655
Additions of intangible assets	9	(111,897)	(171,074)
Proceeds from sale of property, plant and equipment		28,176	28,855
Investments in associates and joint ventures	10	(748,785)	(147,123)
Consideration paid for step acquisition	10	(401,625)	-
Dividend received from non-integral joint ventures and associates	10	1,292,788	829,285
Proceeds from sale and divestiture of equity investments	10, 12	828,735	-
Short-term investments, net		(3,524,910)	704,594
<b>Net cash used in investing activities</b>		<b>(12,567,033)</b>	<b>(8,917,724)</b>

  
EVP Corporate Finance

  
CEO (Acting)

  
Chairman of the Board of Directors

\* Refer Note 38 regarding the comparatives.

The accompanying notes from 1 to 41 form an integral part of these consolidated financial statements.

## Consolidated statement of cash flows (continued)


All amounts in thousands of Saudi Riyals unless otherwise stated

	Notes	For the year ended 31 December 2022	For the year ended 31 December 2021*
<b>Financing activities</b>			
Proceeds from debt		3,945,868	486,242
Repayment of debt		(7,715,165)	(4,470,071)
Lease payments		(1,846,934)	(2,015,281)
Changes in shareholdings of subsidiaries	21	(229,881)	-
Acquisition of non-controlling interests		-	1,687,500
Dividends paid to shareholders		(13,468,495)	(9,909,554)
Dividends paid to non-controlling interests		(6,103,341)	(3,602,557)
<b>Net cash used in financing activities</b>	18	<b>(25,417,948)</b>	<b>(17,823,721)</b>
(Decrease) increase in cash and cash equivalents		(2,174,850)	12,752,186
Net foreign exchange loss on cash and cash equivalents		(92,061)	(36,297)
Cash and cash equivalents at the beginning of the year	18, 38	42,306,046	29,590,157
<b>Cash and cash equivalents at the end of the year</b>	18, 38	<b>40,039,135</b>	<b>42,306,046</b>

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EVP Corporate Finance


  
CEO (Acting)


  
Chairman of the Board of Directors

\* Refer Note 38 regarding the comparatives.

The accompanying notes from 1 to 41 form an integral part of these consolidated financial statements.

## Notes to the consolidated financial statements

All amounts in thousands of Saudi Riyals unless otherwise stated

### 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). The registered office is located at Qurtubah district, P.O. Box 5101, Riyadh 11422, Kingdom of Saudi Arabia (“KSA”).

Saudi Arabian Oil Company (“Saudi Aramco”) owns 70% of SABIC through one of its subsidiaries, “Aramco Chemicals Company”. The Saudi Arabian Government is largest shareholder by 94.19% direct shareholding in Saudi Aramco. The remaining 30% of SABIC shares are held by the private sector.

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

The consolidated financial statements of the Group for the year ended 31 December 2022 were authorised for issue in accordance with a resolution of the Board of Directors on 27 February 2023.

### 2. Basis of preparation and significant 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 endorsed in KSA and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants (“SOCPA”) (collectively referred to as “IFRS as endorsed in KSA”).

The Group has prepared these consolidated financial statements on the basis that it will continue to operate as a going concern. Certain prior period’s amounts have been reclassified in accordance with current period’s presentation (refer Note 38).

The consolidated financial statements are prepared under the historical cost convention, except for financial instruments, which are measured at fair value. 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 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, such as net realizable value in IAS 2 ‘Inventories’, value in use in IAS 36 ‘Impairment of Assets’ or net present value for employee benefits in IAS 19 ‘Employee Benefits’.

The Group has categorised 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; and
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

#### 2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of SABIC and subsidiaries controlled by SABIC, besides 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 3.2.4 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 in 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 on consolidation.



## Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

### 2. Basis of preparation and significant accounting policies (continued)

#### 2.2 Basis of consolidation (continued)

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 between shareholders.

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 and all amounts are rounded to the nearest thousand ("SR 000"), except when otherwise indicated. For each entity, the Group determines the functional currency and items included in their financial statements using that functional currency.

##### Transactions and balances

Transactions in foreign currencies are initially recognised by the Group's entities 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.

Non-monetary items that are measured at historical cost in a foreign currency are recognised using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are recognised using the exchange rates at the date when the fair value is applied. 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.

##### Group's companies

On consolidation, the assets and liabilities of foreign operations are translated into SR at the rate of exchange prevailing at 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 reporting date.

The rates for SABIC's major currencies are as follows:

	2022		2021	
	Spot rates at 31 December	Average rate	Spot rates at 31 December	Average rate
- USD	3.75	3.75	3.75	3.75
- Euro	4.01	3.95	4.25	4.24
- GBP	4.54	4.64	5.06	4.99
- CNY	1.84	1.79	1.70	1.70

## Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

### 3. Significant accounting estimates, assumptions and judgements

Preparation of Group's consolidated 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 (refer Notes 35 and 36); and
- sensitivity analysis disclosures (refer Notes 23 and 35).

#### 3.1 Estimates and assumptions

The Group used 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. The key assumptions concerning the future and other key sources of estimation uncertainty, that have a significant risk of causing material differences in the carrying amounts of assets and liabilities within the next financial period, are disclosed in the next paragraphs.

##### 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 or other initiatives 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 SABIC's CGUs or individual assets are disclosed in Note 9.

##### 3.1.2 Incremental borrowing rate for lease agreements (refer Notes 8 and 22.1)

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 (refer Notes 11, 12, 13, 15 and 17)

The Group is required to make judgements about the basis to determine the fair value of its investments in equity instruments or financial derivatives, in reference to similar kind of investments being sold in the market. The selection of the investments or derivatives to determine the basis requires judgement by management to recognise investments in equity instruments. For fair value determination, these investments qualify as Level 2 or 3 (refer Note 2).

## Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

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

#### 3.1 Estimates and assumptions (continued)

##### 3.1.4 Provisions

By their nature, provisions are dependent upon estimates and assessments whether the criteria for recognition have been met, including estimates of the probability of cash outflows. Management's estimates related to provisions for environmental matters are based on an estimate of the costs, taking into account legal advice and other information presently available. Provisions for termination benefits and exit costs, if any, also involve management's judgement in estimating the expected cash outflows for severance payments and site closures or other exit costs. Provisions for onerous contracts or uncertain liabilities involve management's best estimate whether cash outflows are probable.

SABIC is subject to legal, environmental and regulatory risks. These may include non-compliance with competition and anti-trust laws, export controls, data protection, intellectual property rights, tax and environmental legislations. Furthermore, litigation and regulatory proceedings are unpredictable, and legal or regulatory proceedings in which SABIC is or becomes involved, or settlements thereof, could result in substantial penalties, which may not be recovered by insurance policies.

##### 3.1.5 Defined employee benefit plans (refer Note 23)

Post-employment defined benefits plans, end-of-service benefits plans, legal indemnity liabilities and other long-term employee related liabilities, represent obligations that will be settled in the future due to service provided by the employees. These arrangements require actuarial valuations to measure these obligations. The Group is required to make assumptions regarding variables such as discount rates, rate of salary increase, longevity, attrition rates 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 at 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, if there is no deep market in such high quality corporate 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 (refer Note 31)

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 and deferred tax expenses. 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.

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 recognised. 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.

The Group is exposed to tax risks and uncertainty over complex tax treatments in the many jurisdictions in which it operates. Significant management judgement is required in the recognition and measurement of uncertain tax positions, whereby positive and negative evidence are weighted with regard to the facts and circumstances of each case, technical arguments and case law decision or rulings on similar issues.

##### 3.1.7 Investments in equity instruments

For all equity investments, SABIC assesses such financial assets measured at fair value, whether gains and losses are recognised either in net income ("FVIS") or other comprehensive income ("FVOCI") through an irrevocable election at the time of initial recognition.

For investments in equity instruments which are measured as FVIS, further elaborations on the judgements made are disclosed below.

## Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

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

#### 3.1 Estimates and assumptions (continued)

##### 3.1.7 Investments in equity instruments (continued)

###### *Financial derivatives on equity instruments*

Call, put options and forward contracts on the equity instruments are derivative financial instruments recognised at FVIS. Put options and forward contracts are recognised at the present value of the best estimated amount to be paid at the end of the agreement. Call options are recognised at their fair value. Put and call options offer contract parties the right to exercise them or to refrain from exercising the option rights.

Due to the nature of these derivatives, the fair values of financial assets and financial liabilities recognised in the consolidated statement of financial position cannot be measured based on quoted prices in active markets. Therefore, their fair value is measured using valuation techniques. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk, volatility and dividend yield. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments.

###### *Equity investments measured at fair value less costs of disposal*

For some listed equity investments, the Group has significant influence and ability to affect decisions in general meetings of shareholders due to its relative share in the company without being able to control it. If sources of impairment indicate that an impairment test is required, impairment testing of these listed equity investments, require determining the premium over fair value less costs of disposal as quoted on stock exchanges, due to the Group's significant influence. The premium is determined, based on market data to capture a reasonable range as premium paid upon business acquisitions for similar partial acquisitions in the same industry. Each reporting date the Group has to assess its share in income due to a time lag in the availability of public information.

##### 3.1.8 Conflict in Ukraine

The Russian-Ukrainian conflict started in February 2022 resulting in a steep increase of crude oil and natural gas prices and at the same time affecting share prices at stock exchanges. The course of events required a reassessment of certain accounting estimates, assumptions and judgements of the Group's exposure on impairment risks, expected credit losses and onerous contracts, if any. Management will keep monitoring the situation and further developments. Based on the current assessment, no significant adjustments were required in the consolidated financial statements for the year ended 31 December 2022.

#### 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 Climate and sustainability related developments

The petrochemical industry is resource-intensive. The Group is committed to the Paris Climate Agreement: Using resources as efficiently and responsibly as possible and the concept of a circular economy are firmly embedded in the Group's strategy, its actions and clearly defined ambitious targets for reducing carbon emissions, the use of renewable and recycled feedstock. The Group always strives to employ raw materials more efficiently, increase the use of renewable energy and improve production processes as well as to continuously seek ways to use non-fossil, renewable or recycled feedstock. For this reason, current developments and measures relating to climate change and sustainability do not lead to fundamentally changed expectations with regard to useful lives or recoverability of the majority of noncurrent assets. Any change in legislation or commitment could affect the assessment and subsequent measurement.

Climate policies and energy transformation are also offering business opportunities, like demand for lightweight materials. Therefore, currently it is assessed that there are no adjustments required for the goodwill impairment test and no impairment was recognised.

## Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

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

#### 3.2 Critical judgements in applying accounting standards (continued)

##### 3.2.2 Principal vs agent consideration for the sale of goods

A certain portion of SABIC's revenue is derived from marketing agreements, whereby in some cases, SABIC purchases products from its subsidiaries, and sells these to end customers. There is significant judgement whether SABIC controls the products before they are transferred to the customer. It has been concluded that SABIC is principal in these arrangements due to the following factors, as SABIC:

- is exposed to fulfilment risk and is the primary obligor for the goods;
- has a direct relationship with the customer and controls the underlying products before they are transferred to the end customers;
- remains solely responsible for the quality of the goods and customers hold a substantive right of return which results in the Group being exposed to inventory risk.

##### 3.2.3 Principal vs agent consideration for logistics services

For sales contracts with C-class incoterms, revenue from logistics and freight services is recognised as a separate performance obligation. For these contracts, SABIC considers itself to be a principal. There is significant judgement whether SABIC controls the freight and logistics services prior to transferring this to the customer. It has been concluded that SABIC is principal in these arrangements due to the following factors, as SABIC:

- is exposed to fulfilment risk and is the primary obligor for the freight and logistic service provided;
- is exposed the risk of losses in relation to the service not being fulfilled;
- has a direct relationship with the customer and controls the underlying service before it is transferred to the end customers;

##### 3.2.4 Determination of control, joint control and significant influence

Subsidiaries are all investees over which the Group has control. Management considers that it controls an investee 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.

The determination about whether the Group has power depends on the way decisions about the relevant activities are made and the rights the Group has, in relation to the investees. In contrast, there are certain cases where the Group owns less than 50% of voting rights but considers it has control by directing the relevant activities of the investee as it has de-facto control or there are contractual arrangements which allow the Group to exercise control.

It is generally presumed that the Group has significant influence when the Group has 20% shareholding. Judgement is required, particularly where the Group owns shareholding and voting rights of more or less than 20% and where the Group has assessed to have 'significant influence' over such investees.

##### 3.2.5 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 if it is reasonably certain whether or not to exercise the option to renew or terminate the lease. All relevant factors that create an economic incentive for the group and its contract partners to exercise either the renewal or termination are considered. Such facts and circumstances include a long term preferential rental rates availability, existence of significant penalty on terminations, substantial lease hold improvements etc. The Group reassesses the lease term if there is a significant event or change in the circumstances that affects its ability to exercise or not to exercise the option to renew or to terminate the contract.

## Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

### 4. Changes in accounting policies

The amendments to IFRS, which are relevant to the Group and that have been applied on 1 January 2022 by the Group are described below:

#### 4.1 Reference to the Conceptual Framework – Amendments to IFRS 3

Amendments to IFRS 3 '*Business Combinations*' ("IFRS 3") are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements with a reference to the Conceptual Framework for Financial Reporting without significantly changing its requirements.

The amendment includes an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 '*Provisions, Contingent Liabilities and Contingent Assets*' ("IAS 37") or IFRIC 21 '*Leases*', if incurred separately. In addition, it clarifies existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

This amendment has no impact on these consolidated financial statements of the Group for this year's business combinations.

#### 4.2 IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

The amendment to IFRS 9 '*Financial Instruments*' clarifies the fees a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment was applied while performing the 10 per cent test for any loan modified or refinanced during the year. The amendment has no material impact on these consolidated financial statements of the Group.

#### 4.3 Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

The amendments to IAS 37 specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

This amendment has no material impact on these consolidated financial statements of the Group.

### 5. IFRS issued but not yet effective

The IFRS standards and interpretations that are issued and relevant for the Group, but not yet effective, are elaborated below. These standards will be adopted by the Group when they become effective.

#### 5.1 Amendments to IAS 1: Classification of Liabilities as Current or Non-current

The amendment to IAS 1 '*Financial Statements*' elaborates the requirements for classifying liabilities as current or non-current. The amendments clarify:

- what is meant by a right to defer settlement;
- that a right to defer must exist at the end of the reporting period;
- what classification is unaffected by the likelihood that an entity will exercise its deferral right; and
- what only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The amendment will not affect the Group's classification of current and non-current liabilities.

#### 5.2 Definition of Accounting Estimates - Amendments to IAS 8

The amendments to IAS 8, in which a definition of 'accounting estimates' is introduced, clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how measurement techniques and inputs to develop accounting estimates, should be used.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. The amendments are not expected to have a material impact on the Group's classification of current and non-current liabilities.



## Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

### 6. Summary of significant accounting policies

The significant accounting policies adopted by the Group in preparing these consolidated financial statements are applied consistently and are elaborated below including amendments to IFRS as elaborated in Note 4 that have to be applied from 1 January 2022 onwards.

#### 6.1 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 financial 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 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 excess, the gain is recognised in the consolidated statement of income.

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 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.

#### 6.2 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.

##### Investments in joint arrangements

Investments in joint arrangements are classified as either joint operations or joint ventures ("JVs"). The classification depends on the legal structure of the joint arrangement and also contractual rights and obligations of each investor. 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 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 entity.

## Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

### 6. Summary of significant accounting policies (continued)

#### 6.2 Investments in associates and joint arrangements (continued)

Income from operations include share of results of integral joint ventures. Integral joint ventures are the joint ventures which are integral to and support SABIC's core operating activities. Al-Jubail Petrochemical Company ("KEMYA"), Saudi Yanbu Petrochemical Company ("YANPET") and Eastern Petrochemical Company ("SHARQ") are considered to be integral joint ventures. For integral joint ventures SABIC manages the production, logistics, feedstock and shared services. All other joint ventures are classified as non-integral joint ventures. Share of results of associates and non-integral joint ventures is recognised separately as results from non-integral joint ventures.

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.

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.

#### 6.3 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;
- held primarily for the purpose of trading;
- 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 expected to be settled in the normal operating cycle;
- it is held primarily for the purpose of trading;
- it is due to be settled within twelve months after the reporting period; or
- there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

The Group classifies all other liabilities as non-current.

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

#### 6.4 Zakat and tax

##### Zakat

Zakat is levied based on adjusted income subject to zakat and the zakat base in accordance with the Regulations of the Zakat, Tax and Customs Authority ("ZATCA") in KSA. 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.

##### Current Income tax

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

## Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

### 6. Summary of significant accounting policies (continued)

#### 6.4 Zakat and tax (continued)

##### Uncertain zakat and tax positions

Uncertain positions relate to risk or uncertainty over complex zakat and tax treatments. Such uncertain zakat and tax positions are measured using the single most likely amount or the expected value method, depending on which method is expected to better predict the resolution of the uncertainty.

##### Deferred tax

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.

#### 6.5 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 plant and equipment and borrowing costs for long-term construction projects, when 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 when the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the consolidated statement of income when incurred. The present value of the expected cost for demolishing the asset after its use, is included in the cost of the respective asset when the recognition criterion 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

Assets under construction, which are not ready for their intended use, and land 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.

#### 6.6 Right-of-use assets

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, if any, and adjusted for any re-measurement of lease liabilities. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Land and buildings	13 to 99 years
- Plant and equipment	4 to 50 years
- Storage and tanks	20 to 30 years
- Vessels and vehicles	4 to 25 years

## Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

### 6. Summary of significant accounting policies (continued)

#### 6.7 Leases

The Group assesses at contract inception whether a contract is or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

##### *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 right of use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

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.

##### *Short-term and low value assets' leases*

Short-term leases are leases with a contract 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.

The initial assessment of land lease contracts with the Royal Commission for Jubail and Yanbu has been revised. For the computation of these lease liabilities the lease terms applied have been extended to reflect SABIC's reasonable expectations of the period during which the underlying asset will be used. Considering the broader economics of these contracts and recent developments, SABIC is reasonably certain that contract partners will exercise extension options given in the land lease agreements. As a consequence of this change in assessment, the leasing term for certain land lease contracts have been extended to 99 years.

##### *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.

#### 6.8 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 be completed for its intended use, are capitalised as part of the costs of these assets, until such time as the asset is 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.

## Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

### 6. Summary of significant accounting policies (continued)

#### 6.9 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 is reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for prospectively.

Research costs are expensed as incurred. Development expenditures on projects 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; and
- 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 its intended use. It is amortised over the period of expected future benefits. The amortisation or impairment losses on intangible assets are recognised in the consolidated statement of income in the expense category that is consistent with the function the intangible asset serves. During the period of development, the asset is tested for impairment annually.

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

- Software and IT development	3 to 5 years
- Licenses, including trademarks	5 to 22 years
- (Un)patented technology and customer lists	3 to 18 years

#### 6.10 Impairment of non-current assets

The Group assesses 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 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 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.

## Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

### 6. Summary of significant accounting policies (continued)

#### 6.11 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 financial assets measured at fair value will be recognised either through the consolidated statement of income or through the consolidated statement of OCI.

Loans receivable 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.

Certain sales contracts have a provisional pricing clause with the final pricing based on an average market price over a specific period. Such trade receivables are measured at fair value because the contractual cash flows are not solely payments of principal and interest. Other trade receivables meet these criteria and are measured at amortised cost.

##### 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. These investments were irrevocably designated at fair value through OCI as the Group considers these investments to be strategic in nature.

- *Financial assets at 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.



## Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

### 6. Summary of significant accounting policies (continued)

#### 6.11 Financial assets (continued)

##### Impairment

Management assesses on a forward-looking basis the Expected Credit Losses ("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 trade 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.

#### 6.12 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 recognised 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 recognised at fair value with changes being recognised 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.

##### 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.

## Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

### 6. Summary of significant accounting policies (continued)

#### 6.12 Financial liabilities (continued)

##### 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.

#### 6.13 Options and forward contracts on (own) equity instruments

Call and put options on equity instruments are derivative financial instruments to be recognised at fair value through income statement. When there are call or put options on an entity's equity instruments controlled by the shareholder, the shareholder is assumed to have options on its own equity instruments with specific recognition requirements. Due to the nature of the stipulations in (option) agreements, the shareholder has no present ownership interest in the shares subject to these options and therefore, a non-controlling interest will be recognised.

##### *Put and call options*

Put options are recognised at the present value of the best estimated amount to be paid at the end of the agreement. Call options are recognised at their fair value. Subsequent re-measurement of put and call options will be recognised through statement of income as financial income and expense. Put and call options offer contract parties the right to exercise them or to refrain from exercising the option rights.

If put options are being exercised, the financial liability, as re-measured immediately before the transaction, is extinguished by payment of the exercise price and the non-controlling interest purchased is derecognised against equity attributable to the owners of the parent. If the put option expires unexercised, the financial liability is reclassified to retained earnings.

If call options are being exercised, the fair value of the call option will be recognised as part of the consideration paid for the acquisition of the non-controlling interest. If call option expires unexercised, it is derecognised through income statement as a finance expense.

##### *Forward share purchase contracts*

Forward share purchase contract are commitments to purchase the shares subject to the contract stipulations in due time. Therefore, the present value of the best estimated amount to be paid at the end of the agreement is recognised as a liability. The subsequent movement in liability is recognised in the consolidated statement of income.

#### 6.14 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.

#### 6.15 Inventories

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

#### 6.16 Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and time deposits with a maturity of three months or less, that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value. Time deposits with an original maturity of greater than three months but less than twelve-months, are included as part of short-term investments.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and time deposits, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management.

## Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

### 6. Summary of significant accounting policies (continued)

#### 6.17 Cash dividend paid to equity holders of the Parent

The Group recognises a liability for cash dividend 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 recognised when approved by the Board of Directors. A corresponding amount is recognised directly in the consolidated statement of changes in equity.

#### 6.18 Provisions

Provisions are recognised when the Group has a present obligation, either 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 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 and remediation costs

In accordance with the Group's environmental policy and applicable legal requirements, the Group recognises a provision when the amount of cash outflow can be reasonably estimated. Environmental and remedial provisions are recognised for expected costs of environmental remediation and rehabilitating contaminated sites across the regions.

##### 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. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

##### Asset demolishing and site restoration costs

The Group recognises a provision for demolishing costs of manufacturing facilities when an obligation exists. Demolition 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 risk free rate that reflects the risks specific to this liability. The unwinding of the discount is expensed as incurred and recognised in the consolidated statement of income as finance cost. The estimates for this provision 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.

#### 6.19 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 recognised 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.

##### *Defined contribution plans*

A defined contribution plan is a post-employment benefit plan under which the Group pays fixed contributions into a separate entity, trust or fund, 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.

##### *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.

## Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

### 6. Summary of significant accounting policies (continued)

#### 6.19 Employee benefits (continued)

##### *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 Labour 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 at reporting date, if any.

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 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 year, 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 benefit plans 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.

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 recognised as financial cost. Any changes in net liability due to actuarial valuations and changes in assumptions are taken as re-measurement in OCI.

##### Employee saving plan

The Group operates a saving plan to encourage its Saudi employees to make savings. The saving contributions from the participants are deposited in a separate bank account other than the Company's normal operating bank accounts. Employee saving plan represents the contribution made by the employee and SABIC in accordance with the Group HR policy and is presented as current liabilities.

##### 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.

## Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

### 6. Summary of significant accounting policies (continued)

#### 6.20 Revenue recognition

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.

For certain revenue contracts, an intermediary is used to provide the goods and services. The Group assesses whether it is an agent or principal in these arrangements. The Group acts as a principal when it controls the specified good or service prior to transfer. When the Group acts as a principal the revenue recognised is the gross amount billed. Certain other arrangements with certain customer are such that the Group's responsibility is to arrange for a third party to provide a specified good or service to the client. If the Group is acting as an agent and does not control the relevant good or service before it is transferred to the customer. If the Group is acting as an agent, the revenue is recognised at the net amount retained.

##### 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.

##### *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.

##### *Provisional pricing*

Certain revenue contracts with customers include provisional pricing at the time of shipment. Initially, revenue on these contracts is recognised based on the estimate of the final price at the time control is transferred to the customer. The final pricing is based on the actual average market indexed price. Any difference between the estimate and the final price is recognised as a change in fair value of the related receivable, as part of revenue, in the consolidated statement of income. The associated trade receivables related to contracts with provisional pricing arrangements are subsequently measured at FVIS.

##### *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.

##### Rendering of services

##### *Logistic services*

In certain instances, the Group provides the delivery services for goods sold based on the C-class incoterms. The service is considered as a separate performance obligation. The separate transaction price is not explicitly available in the contract and SABIC uses estimation method to allocate the transaction price to such performance obligation. The estimation is based on standalone selling price. This service is satisfied over the period of delivery.

##### *Rental income*

The Group also provides services pertaining to storage and warehousing as well as terminal services for some of the goods handled by Group Companies. Rental income from these arrangements is recognised on systematic basis over the contract term.

## Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

### 6. Summary of significant accounting policies (continued)

#### 6.21 Research and development expenses

Research and development ("R&D") activities include expenses to:

- develop and improve our existing materials, products, solutions and processes,
- improve ecological footprint

These activities focus on delivering differentiated and sustainable product and application solutions and sustainable cost-advantaged process innovation to meet the needs of our customers and the value chain over the near, mid-, and long term horizon.

#### 6.22 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 recognised 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.

#### 6.23 Finance cost

Finance expense is recognised for interest portion paid to the lender of all financial instruments measured at amortised cost. Finance expense is also recognised for the time value of money considered while discounting the liability to its present value. The finance expense is recognised using the EIR for liabilities measured at amortised cost. 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 liability. Typical financial instruments include bonds, conventional notes, murabaha, etc. Additionally the finance expense also includes time value of money for all the lease liabilities recognised.



## Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

## 7. Property, plant and equipment

	For the year ended 31 December 2022					
	Land and buildings	Plant and equipment	Furniture and fixtures	Vehicles	Assets under construction	Total
<b>Cost:</b>						
As at the beginning of the year	28,889,288	254,902,509	905,694	713,487	27,150,431	312,561,409
Additions	104,109	2,040,559	137,398	2,802	7,976,588	10,261,456
Acquisition (i)	76,124	60,912	14,136	-	13,592	164,764
Transfers (ii)	3,225,194	16,948,206	128,123	36,040	(21,281,760)	(944,197)
Disposals and retirements	(51,025)	(1,357,860)	(17,490)	(25,297)	(63,565)	(1,515,237)
Foreign currency translation adjustment	(343,500)	(2,217,183)	(14,330)	(800)	(124,327)	(2,700,140)
<b>As at the end of the year</b>	<b>31,900,190</b>	<b>270,377,143</b>	<b>1,153,531</b>	<b>726,232</b>	<b>13,670,959</b>	<b>317,828,055</b>
<b>Accumulated depreciation and impairment:</b>						
As at the beginning of the year	(15,494,905)	(164,228,076)	(774,751)	(427,045)	(617,918)	(181,542,695)
Charge for the year	(814,210)	(11,200,083)	(59,773)	(54,046)	-	(12,128,112)
Impairment and write-offs	-	(434,550)	-	-	(98,418)	(532,968)
Disposals and retirements	39,951	1,333,455	17,481	23,105	-	1,413,992
Foreign currency translation adjustment	192,846	1,550,413	10,921	716	3,832	1,758,728
<b>As at the end of the year</b>	<b>(16,076,318)</b>	<b>(172,978,841)</b>	<b>(806,122)</b>	<b>(457,270)</b>	<b>(712,504)</b>	<b>(191,031,055)</b>
<b>Net book value:</b>						
<b>As at 31 December 2022</b>	<b>15,823,872</b>	<b>97,398,302</b>	<b>347,409</b>	<b>268,962</b>	<b>12,958,455</b>	<b>126,797,000</b>
As at 1 January 2022	13,394,383	90,674,433	130,943	286,442	26,532,513	131,018,714

(i) Refers to the consolidation of Scientific Design group of companies, as result of acquisition of additional shares (refer Note 10.3).

(ii) Transfers represent the capitalisation of assets under construction, transfers from/to intangible assets and transfers of HOP related assets to "Other assets and receivables" within non-current assets.

## Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

## 7. Property, plant and equipment (continued)

	For the year ended 31 December 2021					Total
	Land and buildings	Plant and equipment	Furniture and fixtures	Vehicles	Assets under construction	
Cost:						
As at the beginning of the year	29,348,658	251,989,918	920,451	448,866	30,041,270	312,749,163
Additions	23,513	1,940,196	4,485	368	8,831,826	10,800,388
Transfers (i)	289,648	7,709,809	(934)	278,764	(11,497,776)	(3,220,489)
Disposals and retirements	(315,153)	(4,786,443)	(10,560)	(13,122)	(98,849)	(5,224,127)
Foreign currency translation adjustment	(457,378)	(1,950,971)	(7,748)	(1,389)	(126,040)	(2,543,526)
As at the end of the year	28,889,288	254,902,509	905,694	713,487	27,150,431	312,561,409
Accumulated depreciation and impairment:						
As at the beginning of the year	(15,264,612)	(159,626,469)	(766,399)	(384,383)	(527,580)	(176,569,443)
Charge for the year	(835,304)	(10,924,579)	(41,223)	(54,191)	-	(11,855,297)
Transfers (i)	5,643	892,204	16,082	-	19,321	933,250
Impairment (net of reversals of impairment)	-	(623,421)	-	-	(109,596)	(733,017)
Disposals and retirements	306,526	4,719,140	10,539	10,120	-	5,046,325
Foreign currency translation adjustment	292,842	1,335,049	6,250	1,409	(63)	1,635,487
As at the end of the year	(15,494,905)	(164,228,076)	(774,751)	(427,045)	(617,918)	(181,542,695)
Net book value:						
As at 31 December 2021	13,394,383	90,674,433	130,943	286,442	26,532,513	131,018,714
As at 1 January 2021	14,084,046	92,363,449	154,052	64,483	29,513,690	136,179,720

- (i) Transfers represent the capitalisation of assets under construction, transfers from/to intangible assets, transfers of HOP related assets to "Other assets and receivables" within non-current assets, and reclassifications of Saudi Butanol Company ("SABUCO") and Utility Support Group B.V. ("USG").

## Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

### 7. Property, plant and equipment (continued)

Allocation of depreciation charge for the year:

	For the year ended 31 December 2022	For the year ended 31 December 2021
Cost of sales	11,498,731	11,171,372
General and administrative expenses	392,044	419,435
Research and development expenses	186,084	214,847
Selling and distribution expenses	51,253	49,643
	12,128,112	11,855,297

#### Land and building

Land and buildings include an amount of SR 2,109 million as of 31 December 2022 (2021: SR 1,854 million) 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 37.

#### Capitalised borrowing costs

The borrowing cost capitalised during the year ended 31 December 2022 amounted to SR 26 million (2021: SR 37 million), out of which SR 5 million (2021: SR 37 million) related to non-conventional facilities. The Group uses the capitalisation rate of 4.5% (2021: 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 23,304 million (2021: SR 26,429 million).

#### Impairment and write-offs of plant and equipment

During the year ended 31 December 2022, an impairment charge of SR 435 million relating to plant and equipment was recognised. The impairment mainly relates to certain Petrochemical assets in the Europe region for SR 319 million. Post-tax Weighted Average Cost of Capital ("WACC") rate applied is 7.6% (pre-tax is 8.1%) and the growth rate applied is 2%. Impairment was recognised within cost of sales and the respective functional expenses in the consolidated statement of income, as a result of the changed market conditions in addition to mainly demolition and decommissioning costs for SR 116 million related to certain assets.

During the year ended 31 December 2021, an impairment charge (net of reversals) of SR 733 million relating to plant and equipment and certain assets under constructions was recognised. The impairment mainly relates to positioning certain Petrochemical SBU assets in the European region and is driven by the Group's continuous efforts to strengthen synergies in its asset base and operating model and following ongoing changes in the market conditions and competitive environment.

## Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

## 8. Right-of-use assets

	For the year ended 31 December 2022				
	Land and buildings	Plant and equipment	Storage and tanks	Vessels and vehicles	Total
<b>Cost:</b>					
As at the beginning of the year	3,589,800	2,617,167	1,053,953	3,437,608	10,698,528
Additions	309,259	129,387	101,068	280,501	820,215
Acquisition (i)	5,038	2,329	-	-	7,367
Re-measurement (ii)	802,632	-	-	-	802,632
Disposals and retirements	(535,803)	(111,906)	(49,485)	(629,006)	(1,326,200)
Foreign currency translation adjustment	(42,628)	(15,253)	(45,467)	(57,859)	(161,207)
<b>As at the end of the year</b>	<b>4,128,298</b>	<b>2,621,724</b>	<b>1,060,069</b>	<b>3,031,244</b>	<b>10,841,335</b>
<b>Accumulated depreciation and impairment:</b>					
As at the beginning of the year	(1,094,168)	(1,156,099)	(486,597)	(1,604,104)	(4,340,968)
Charge for the year	(493,169)	(219,427)	(178,061)	(635,985)	(1,526,642)
Disposals and retirements	485,300	111,737	49,486	628,410	1,274,933
Foreign currency translation adjustment	12,234	7,615	18,072	20,140	58,061
<b>As at the end of the year</b>	<b>(1,089,803)</b>	<b>(1,256,174)</b>	<b>(597,100)</b>	<b>(1,591,539)</b>	<b>(4,534,616)</b>
<b>Net book value:</b>					
<b>As at 31 December 2022</b>	<b>3,038,495</b>	<b>1,365,550</b>	<b>462,969</b>	<b>1,439,705</b>	<b>6,306,719</b>
As at 1 January 2022	2,495,632	1,461,068	567,356	1,833,504	6,357,560

(i) Refers to the consolidation of Scientific Design group of companies, as result of acquisition of additional shares (refer Note 10.3).

(ii) The land lease contracts with the Royal Commission for Jubail and Yanbu has been revised, and for the computation of the lease liabilities the lease terms applied have been extended to reflect SABIC's reasonable expectations of the period during which the underlying asset will be used.

## Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

## 8. Right-of-use assets (continued)

	For the year ended 31 December 2021				
	Land and buildings (i)	Plant and equipment	Storage and tanks	Vessels and vehicles	Total
Cost:					
As at the beginning of the year	3,910,118	1,639,406	1,122,294	2,715,792	9,387,610
Additions	380,767	1,144,461	243,675	1,046,979	2,815,882
Disposals and retirements	(648,733)	(149,889)	(243,813)	(235,066)	(1,277,501)
Foreign currency translation adjustment	(52,352)	(16,811)	(68,203)	(90,097)	(227,463)
At the end of the year	3,589,800	2,617,167	1,053,953	3,437,608	10,698,528
Accumulated depreciation and impairment:					
As at the beginning of the year	(1,040,942)	(1,050,660)	(419,939)	(1,252,215)	(3,763,756)
Charge for the year	(513,037)	(221,310)	(208,041)	(614,098)	(1,556,486)
Disposals and retirements	482,451	103,668	170,224	226,051	982,394
Impairment	(35,350)	-	(52,326)	-	(87,676)
Foreign currency translation adjustment	12,710	12,203	23,485	36,158	84,556
At the end of the year	(1,094,168)	(1,156,099)	(486,597)	(1,604,104)	(4,340,968)
Net book value:					
As at 31 December 2021	2,495,632	1,461,068	567,356	1,833,504	6,357,560
As at 1 January 2021	2,869,176	588,746	702,355	1,463,577	5,623,854

## Allocation of depreciation charge for the year:

	For the year ended 31 December 2022	For the year ended 31 December 2021
Cost of sales	786,284	776,318
General and administrative expenses	321,195	298,949
Research and development expenses	24,167	60,169
Selling and distribution expenses	394,996	421,050
	1,526,642	1,556,486

- (i) 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. The Group has similar kind of arrangements and terms for some of its major sites in Europe.

## Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

## 9. Intangible assets

	For the year ended 31 December 2022					
	Goodwill (i)	Software and IT development	Licenses	Others	Intangibles under development	Total
<b>Cost:</b>						
As at the beginning of the year	17,582,597	1,961,798	9,179,192	22,829	195,695	28,942,111
Additions	-	1,956	88,927	-	21,014	111,897
Acquisition (ii)	405,049	1,121	-	398,629	-	804,799
Transfers (iii)	-	14,807	60,107	17,272	(28,398)	63,788
Disposals and retirements	-	(39,267)	(5,322)	(16,023)	(29,547)	(90,159)
Foreign currency translation adjustment	(274,262)	(20,878)	(74,329)	621	-	(368,848)
<b>As at the end of the year</b>	<b>17,713,384</b>	<b>1,919,537</b>	<b>9,248,575</b>	<b>423,328</b>	<b>158,764</b>	<b>29,463,588</b>
<b>Accumulated amortisation and impairment:</b>						
As at the beginning of the year	-	(1,810,961)	(7,237,722)	(8,306)	(28,868)	(9,085,857)
Charge for the year	-	(26,882)	(437,646)	(20,038)	-	(484,566)
Disposals and retirements	-	39,062	5,322	-	-	44,384
Foreign currency translation adjustment	-	18,528	56,337	350	-	75,215
<b>As at the end of the year</b>	<b>-</b>	<b>(1,780,253)</b>	<b>(7,613,709)</b>	<b>(27,994)</b>	<b>(28,868)</b>	<b>(9,450,824)</b>
<b>Net book value:</b>						
<b>As at 31 December 2022</b>	<b>17,713,384</b>	<b>139,284</b>	<b>1,634,866</b>	<b>395,334</b>	<b>129,896</b>	<b>20,012,764</b>
As at 1 January 2022	17,582,597	150,837	1,941,470	14,523	166,827	19,856,254

- (i) This includes goodwill amounting to SR 8,888 million out of which SR 3,186 million related to Saudi Petrochemical Company ("SADAF") and SR 5,702 million related to Saudi Methanol Company ("AR-RAZI"), as a result of exercising option to purchase the remaining shares held by another investor in these entities. Effective 1 October 2019, SADAF merged with Arabian Petrochemical Company ("PETROKEMYA").
- (ii) Refers to the consolidation of Scientific Design group of companies, as result of acquisition of additional shares (refer Note 10.3).
- (iii) Includes transfers within intangible assets, transfers from / to property, plant and equipment and transfers from / to other assets and receivables.



## Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

## 9. Intangible assets (continued)

	For the year ended 31 December 2021					
	Goodwill	Software and IT development	Licenses	Others	Intangibles under development	Total
Cost:						
As at the beginning of the year	18,011,388	2,012,989	9,077,511	9,004	212,924	29,323,816
Additions	-	-	133,036	12,548	25,490	171,074
Transfers (i)	-	(4,482)	195,968	1,303	(42,719)	150,070
Disposals and retirements	-	(14,078)	(114,767)	-	-	(128,845)
Foreign currency translation adjustment	(428,791)	(32,631)	(112,556)	(26)	-	(574,004)
As at the end of the year	17,582,597	1,961,798	9,179,192	22,829	195,695	28,942,111
Accumulated amortisation and impairment:						
As at the beginning of the year	-	(1,709,752)	(6,914,912)	(8,087)	(28,868)	(8,661,619)
Charge for the year	-	(136,553)	(465,608)	(133)	-	(602,294)
Transfers (i)	-	12,330	(19,196)	-	-	(6,866)
Disposals and retirements	-	14,078	114,390	-	-	128,468
Impairment (net of reversals of impairment)	-	-	(20,544)	-	-	(20,544)
Foreign currency translation adjustment	-	8,936	68,148	(86)	-	76,998
As at the end of the year	-	(1,810,961)	(7,237,722)	(8,306)	(28,868)	(9,085,857)
Net book value:						
As at 31 December 2021	17,582,597	150,837	1,941,470	14,523	166,827	19,856,254
As at 1 January 2021	18,011,388	303,237	2,162,599	917	184,056	20,662,197

(i) Includes transfers within intangible assets, transfers from / to property, plant and equipment, transfers from / to other assets and receivables and reclassifications of SABUCO and USG.

## Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

### 9. Intangible assets (continued)

Allocation of amortisation charge for the year:

	For the year ended 31 December 2022	For the year ended 31 December 2021
Cost of sales	64,355	57,606
General and administrative expenses	393,936	523,831
Research and development expenses	21,261	17,266
Selling and distribution expenses	5,014	3,591
	484,566	602,294

### Goodwill

Goodwill 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 14,643 million (2021: SR 14,853 million) and for Specialties CGU amounts to SR 3,070 million (2021: SR 2,730 million).

The post-tax WACC rate applied at Group's level is 9.5% for Petrochemicals (2021: 8.2%) and for Specialties 9.6% (2021: 8.0%). The pre-tax WACC rate is 11.9% (2021: 9.7%) for Petrochemicals and 11.5% (2021: 9.8%) for Specialties.

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 zakat rate is assumed to be 3% (2021: 3%) for MEA region and the average effective tax rate is assumed to be 23%-25% (2021: 26%-27%) for rest of the world. The cash flow projections are derived from the respective business plans covering a period of 5 years. Cash flow projections beyond the five year business plan are extrapolated taking into account an assumed growth rate of 2.9% (2021: 2%) for Petrochemicals and 3% (2021: 2%) for Specialties.

No impairment loss was recognised for 2022 and 2021 respectively.

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.

## Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

## 10. Investments in associates and joint ventures

The table below outlines the Group's investments in associates:

Associates	Ownership %	Place of business / country of incorporation	Nature of activities	31 December 2022	31 December 2021
Clariant AG ("CLARIANT")	31.50	Switzerland	Specialty Chemical	8,076,945	10,164,125
Ma'aden Phosphate Company ("MPC")	30.00	KSA	Agri-Nutrients	3,883,110	2,647,616
Aluminium Bahrain BSC ("ALBA")	20.62	Bahrain	Aluminium	3,738,418	2,641,823
Ma'aden Wa'ad Al Shamal Phosphate Company ("MWSPC")	15.00	KSA	Agri-Nutrients	2,091,643	1,566,499
Power and Water Utilities Company for Jubail and Yanbu ("MARAFIQ") (10.2)	17.50	KSA	Utilities	1,455,221	1,920,918
Gulf Petrochemical Industries Company ("GPIC") (ii)	16.70	Bahrain	Agri-Nutrients, Petrochemicals	869,901	769,087
Saudi Arabian Industrial Investment Company ("DUSSUR")	25.00	KSA	Investments	593,715	310,676
National Chemical Carrier Company ("NCC")	20.00	KSA	Transportation	379,455	320,563
ARG mbH & Co KG ("ARG") entities	25.00	Germany	Transportation	154,895	127,261
Nusaned Fund I, Nusaned Fund II	50.00, 60.00	KSA	Equity Investments	34,168	34,557
German Pipeline Development Company GMBH ("GPDC")	39.00	Germany	Transportation	32,138	41,151
Mallinda, Inc. ("MALLINDA")	26.20	USA	Ventures	912	912
Gulf Aluminium Rolling Mill Company ("GARMCO")	30.40	Bahrain	Aluminium	-	36
				21,310,521	20,545,224

(i) The Group measured the above investments under the equity method of accounting.

(ii) GPIC is owned 33.33% by SABIC Agri-Nutrients Company (known as "SABIC AN") and SABIC share is 16.70%.

## Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

## 10. Investments in associates and joint ventures (continued)

The table below outlines the Group's investments in joint ventures:

Joint ventures	Ownership %	Place of business / country of incorporation	Nature of activities	31 December 2022	31 December 2021
Al-Jubail Petrochemical Company ("KEMYA")	50.00	KSA	Petrochemicals	6,158,686	5,891,134
Eastern Petrochemical Company ("SHARQ")	50.00	KSA	Petrochemicals	5,370,901	6,183,732
Sinopec Sabic Tianjin Petrochemical Company ("SSTPC")	50.00	China	Petrochemicals	3,721,375	4,827,331
Saudi Yanbu Petrochemical Company ("YANPET")	50.00	KSA	Petrochemicals	3,002,952	2,948,961
Sabic SK Nexlene Company Pte. Ltd. ("SSNC")	50.00	Singapore	Petrochemicals	730,076	608,910
Cosmar Company ("COSMAR")	50.00	USA	Petrochemicals	460,552	461,624
SABIC Fujian Petrochemicals Co., Ltd. ("FUJIAN") (i)	51.00	China	Petrochemicals	326,418	-
Utility Support Group B.V. ("USG") (ii)	50.00	Netherlands	Utilities	272,700	229,928
Mauritania Saudi Mining & Steel Company S.A. ("TAKAMUL")	50.00	Mauritania	Mining (Metal)	173,142	176,846
SABIC Plastic Energy Advanced Recycling BV ("SPEAR")	50.00	Netherlands	Petrochemicals	97,438	105,538
Advanced Energy Storage System Investment Company ("AESSIC")	48.72	KSA	Renewable Energy	33,734	30,765
Saudi Pallet Manufacturing Company ("SPMC")	30.50	KSA	Logistics	25,334	27,402
Isotopes Company ("IHC") (i)	13.44	KSA	Machinery Equipment	2,934	-
Scientific Design ("SD") entities (refer Note 10.3)	100.00	Germany	Specialties	-	150,228
				20,376,242	21,642,399
				41,686,763	42,187,623

(i) SABIC has made equity investment of SR 332 million in FUJIAN and SR 3 million in IHC during the year ended 31 December 2022.

(ii) During the year ended 31 December 2021, USG was reclassified from a joint operation to a joint venture.

## Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

## 10. Investments in associates and joint ventures (continued)

The movement of investments in associates is as follows:

	CLARIANT	MPC	ALBA	MWSPC	MARAFIQ	GPIC	DUSSUR	NCC	ARG	NUSANED FUNDS	GPDC	MALLINDA	GARMCO	Total
As at 1 January 2022	10,164,125	2,647,616	2,641,823	1,566,499	1,920,918	769,087	310,676	320,563	127,261	34,557	41,151	912	36	20,545,224
Capital contribution	-	-	-	-	-	-	325,000	-	-	412	-	-	-	325,412
Share of results (i)	33,157	1,461,782	853,335	525,420	231,050	408,314	(40,301)	58,892	28,089	(976)	(6,675)	-	-	3,552,087
(Impairment) reversal of impairment (refer Notes 10.1, 10.6)	(1,589,607)	-	441,208	-	-	-	-	-	-	-	-	-	-	(1,148,399)
Gain on divestiture of investment (refer Note 10.2)	-	-	-	-	220,971	-	-	-	-	-	-	-	-	220,971
Movements in OCI	(367,337)	(1,288)	49,402	(276)	-	-	(1,660)	-	(11,722)	-	(2,338)	-	(36)	(335,255)
Dividends received	(163,393)	(225,000)	(247,350)	-	(92,129)	(307,500)	-	-	-	-	-	-	-	(1,035,372)
Others (ii)	-	-	-	-	(825,589)	-	-	-	11,267	175	-	-	-	(814,147)
<b>As at 31 December 2022</b>	<b>8,076,945</b>	<b>3,883,110</b>	<b>3,738,418</b>	<b>2,091,643</b>	<b>1,455,221</b>	<b>869,901</b>	<b>593,715</b>	<b>379,455</b>	<b>154,895</b>	<b>34,168</b>	<b>32,138</b>	<b>912</b>	<b>-</b>	<b>21,310,521</b>

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

(ii) Others include the divestiture of investments in Marafiq. (refer Note 10.2)



## Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

### 10. Investments in associates and joint ventures (continued)

The movement of investments in joint ventures is as follows:

	KEMYA	SHARQ	SSTPC	YANPET	SSNC	COSMAR	FUJIAN	USG	TAKAMUL	SPEAR	AESSC	SPMC	IHC	SD	Total
As at 1 January 2022	5,891,134	6,183,732	4,827,331	2,948,961	608,910	461,624	-	229,928	176,846	105,538	30,765	27,402	-	150,228	21,642,399
Capital contribution (i)	-	-	-	-	-	78,373	331,875	-	-	-	10,125	-	3,000	-	423,373
Share of results (ii) (iii)	1,220,369	(132,076)	(453,389)	634,090	167,502	(79,445)	(1,145)	54,488	(551)	(2,263)	(7,156)	(2,068)	(66)	375,796	1,774,086
Movements in OCI	102,774	123,510	(395,151)	150,448	(46,336)	-	(4,312)	(11,716)	(3,153)	(5,837)	-	-	-	3,195	(86,578)
Dividends received (iv)	(1,044,631)	(773,436)	(257,416)	(719,926)	-	-	-	-	-	-	-	-	-	-	(2,795,409)
Others (v)	(10,960)	(30,829)	-	(10,621)	-	-	-	-	-	-	-	-	-	(529,219)	(581,629)
<b>As at 31 December 2022</b>	<b>6,158,686</b>	<b>5,370,901</b>	<b>3,721,375</b>	<b>3,002,952</b>	<b>730,076</b>	<b>460,552</b>	<b>326,418</b>	<b>272,700</b>	<b>173,142</b>	<b>97,438</b>	<b>33,734</b>	<b>25,334</b>	<b>2,934</b>	<b>-</b>	<b>20,376,242</b>

(i) Capital contribution refers to the additional investment in associates and joint ventures amounting to SR 749 million (2021: SR 147 million).

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

(iii) Share of results includes the share of results of integral joint ventures related to SHARQ, YANPET and KEMYA is amounting to SR 1,722 million (2021: SR 3,275 million) and this has been presented in the consolidated statement of income before income from operations.

(iv) Dividends received from the integral joint ventures is amounting to SR 2,538 million (2021: SR 3,363 million) and from the non-integral associates and joint ventures is SR 1,293 million (2021: SR 829 million).

(v) During 2022, SABIC acquired the remaining 50% shares of SD, which has been reclassified as a subsidiary (refer Note 10.3).

## Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

## 10. Investments in associates and joint ventures (continued)

The movement of investments in associate is as follows:

	CLARIANT	MPC	ALBA	MWSPC	MARAFIQ	GPIC	DUSSUR	NCC	ARG	NUSANED FUNDS	GPDC	MALLINDA	GARMCO	SABUCO	Total
As at 1 January 2021	10,716,769	2,118,811	1,773,021	1,442,741	1,783,893	679,348	338,653	321,723	138,176	40,168	-	-	-	349,963	19,703,266
Share of results	(64,317)	528,805	926,887	123,758	169,093	242,874	(27,977)	(1,160)	-	(1,075)	34,467	-	-	-	1,931,355
Movements in OCI	(190,179)	-	19,216	-	-	-	-	-	(10,915)	-	(1,639)	-	36	-	(183,481)
Dividends received	(298,148)	-	(77,301)	-	(32,068)	(118,125)	-	-	-	-	-	-	-	-	(525,642)
Others (i)	-	-	-	-	-	(35,010)	-	-	-	(4,536)	8,323	912	-	(349,963)	(380,274)
As at 31 December 2021	10,164,125	2,647,616	2,641,823	1,566,499	1,920,918	769,087	310,676	320,563	127,261	34,557	41,151	912	36	-	20,545,224

(i) Others include the reclassification of SABUCO as a joint operation from an associate.

The movement of investments in joint venture is as follows:

	KEMYA	SHARQ	SSTPC	YANPET	SSNC	COSMAR	USG	TAKAMUL	SPEAR	AESSC	SPMC	SD	Total
As at 1 January 2021	5,171,296	6,949,350	4,718,942	2,893,738	553,478	492,996	-	67,549	57,633	37,971	-	-	20,942,953
Capital contribution	-	-	-	-	-	62,379	-	-	55,289	-	29,455	-	147,123
Share of results	1,433,682	482,541	290,938	1,358,538	124,438	(93,751)	33,437	(3,203)	(629)	(5,305)	(2,053)	177,520	3,796,153
Movements in OCI	45,476	30,643	92,327	48,999	(69,006)	-	(10,288)	-	(6,755)	61	-	(3,681)	127,776
Dividends received	(730,392)	(1,272,570)	(274,876)	(1,360,064)	-	-	-	-	-	-	-	(28,767)	(3,666,669)
Others (i)	(28,928)	(6,232)	-	7,750	-	-	206,779	112,500	-	(1,962)	-	5,156	295,063
As at 31 December 2021	5,891,134	6,183,732	4,827,331	2,948,961	608,910	461,624	229,928	176,846	105,538	30,765	27,402	150,228	21,642,399

(i) Others include USG which has been reclassified from joint operations to a joint venture and SD which has been reclassified as joint venture from 'Investments in equity instruments'. It also includes the transfer of TAKAMUL investment related to pre-paid mining fees.

## Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

### 10. Investments in associates and joint ventures (continued)

#### 10.1 Investment in Clariant A.G. ("CLARIANT")

SABIC owns 31.50% of the shares in CLARIANT, a global specialty chemicals company listed at the Swiss stock exchange ("SIX"). The investment is accounted for as an associate using the equity method in these consolidated financial statements. As at 31 December 2022, SABIC assessed the carrying value of investment in CLARIANT for impairment on the basis of CLARIANT's share price and other publicly available information. The implied premium included is in line with market average in the chemicals space.

During the year ended 31 December 2022, the share price of CLARIANT has declined from CHF 19.00 as at 31 December 2021 to CHF 14.65 as at 31 December 2022, mainly due to the global general economic pressure along with the Russian-Ukrainian conflict.

In the fourth quarter of 2022, CLARIANT declared impairment losses on certain manufacturing assets which have negatively impacted the SABIC share in results for SR 232 million. Furthermore, the reduction in the share price triggered an additional impairment provision of SR 1,590 million during the year ended 31 December 2022, which has been recognised and presented within 'share of results of non-integral joint ventures and associates' in the consolidated statement of income and consolidated statement of cash flows.

As at 31 December 2022, the carrying amount of investment in CLARIANT is SR 8,077 million (2021: SR 10,164 million), which also represents its recoverable amount.

#### 10.2 Divestiture of investment in Marafiq

On 26 October 2022, Marafiq has offered 73,094,500 ordinary shares to the public, representing 29.24% of Marafiq's share capital at SR 46 per share. As a result of this transaction, SABIC's investment in Marafiq has reduced by 18,273,625 shares, equivalent to 7.31% of total share capital against cash consideration of SR 829 million and has recognised a gain on sale of this divestiture of investment amounting to SR 221 million in the consolidated statement of income. As at 31 December 2022, SABIC holds 43,750,000 shares of investment in Marafiq equivalent to 17.50% of Marafiq's total share capital.

#### 10.3 Acquisition of Scientific Design group of companies

On 14 April 2022 ("the closing date"), SABIC acquired the remaining 50% shares in the 'Scientific Design group of companies' ("SD Group") from Clariant A.G. for a cash consideration amounting to SR 523 million (USD 139 million), which has been disclosed in the consolidated statement of cash flows, net of cash acquired. The acquisition will expand SABIC's growth in the Specialties segment, ensure long-term development of the catalyst business and support expected synergies.

The acquisition qualifies as a step acquisition with change in control in accordance with IFRS 3 'Business Combinations'. From the closing date, SABIC fully owns and controls the SD Group, and therefore consolidates the SD Group. The fair value gain on the original 50% shareholding against the previous carrying value of investments amounting to SR 365 million (USD 97 million) has been recognised in the consolidated statement of income and presented within 'share of results of non-integral joint ventures and associates'.

The impact of the transaction is summarised as follows:

Total equity consideration on 100% basis	1,045,500
<i>of which:</i>	
Net cash acquired	121,130
Tangible assets	209,250
Intangible assets	399,750
Deferred tax liability	(89,679)
Total fair value of net assets	519,321
Goodwill	405,049

## Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

### 10. Investments in associates and joint ventures (continued)

#### 10.4 Additional capital contribution in DUSSUR

During the year ended 31 December 2022, SABIC contributed SR 325 million as equity contribution pertaining to SABIC's 25% shareholding in Saudi Arabian Industrial Investment Company ("DUSSUR"), as associate which was established by Public Investment Fund ("PIF"), Saudi Aramco and SABIC.

#### 10.5 Acquisition of investment in subsidiaries

On 24 January 2022, SABIC Agri-Nutrients Company ("SABIC AN"), a subsidiary of SABIC has signed binding agreement to acquire 49% in the share capital of ETG Inputs Holdco Limited for an enterprise value of SR 1,200 million. The transaction is subject to obtaining the required regulatory approvals and other terms and conditions of acquisition agreement which are expected to be completed in the course of 2023.

#### 10.6 Impairment assessment of equity investments

The increase of demand for aluminium and a positive business outlook driven by additional production capacities at Aluminium Bahrain BSC ("ALBA") have had a positive effect on its share price in the year ended 31 December 2022. Consequently, the impairment loss in respect of investment in ALBA of SR 441 million was reversed during the year then ended. As at 31 December 2022, the carrying amount of investment in ALBA is SR 3,738 million which also represents its recoverable amount.

The reversal of impairment in respect of investment in ALBA is presented within 'share of results of non-integral joint ventures and associates' in the consolidated statement of income and consolidated statement of cash flows.

## Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

## 10. Investments in associates and joint ventures (continued)

## 10.7 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 2022				
	MPC	MARAFIQ (i)	ALBA	MWSPC (ii)	Clariant (iii)
<b>Current assets</b>					
Cash and cash equivalents	327,897	414,706	6,190,216	1,273,976	1,436,160
Others	5,931,951	3,509,650	931,910	6,225,978	9,951,120
<b>Total current assets</b>	<b>6,259,848</b>	<b>3,924,356</b>	<b>7,122,126</b>	<b>7,499,954</b>	<b>11,387,280</b>
<b>Non-current assets</b>	<b>12,326,920</b>	<b>20,476,326</b>	<b>18,930,632</b>	<b>24,166,185</b>	<b>16,377,120</b>
<b>Current liabilities</b>					
Financial liabilities (excluding trade and other payables)	61,760	787,657	1,235,503	658,846	2,378,640
Others	1,531,869	1,563,706	1,586,349	2,754,862	6,597,360
<b>Total current liabilities</b>	<b>1,593,629</b>	<b>2,351,363</b>	<b>2,821,852</b>	<b>3,413,708</b>	<b>8,976,000</b>
<b>Non-current liabilities</b>	<b>4,049,438</b>	<b>13,969,844</b>	<b>5,089,248</b>	<b>17,557,517</b>	<b>6,931,920</b>
<b>Net assets</b>	<b>12,943,701</b>	<b>8,079,475</b>	<b>18,141,658</b>	<b>10,694,914</b>	<b>11,856,480</b>
<b>Reconciliation:</b>					
Group's share	30.00%	17.50%	20.62%	15.00%	31.50%
Group's share in associate	3,883,110	1,413,908	3,740,810	1,604,237	3,734,791
Intangible / goodwill	-	-	-	487,406	7,377,198
Estimated year end result / dividends paid	-	41,313	-	-	(541,789)
Impairment provision	-	-	-	-	(2,493,255)
Others	-	-	(2,392)	-	-
<b>Carrying amount</b>	<b>3,883,110</b>	<b>1,455,221</b>	<b>3,738,418</b>	<b>2,091,643</b>	<b>8,076,945</b>

	For the year ended 31 December 2022				
	MPC	MARAFIQ (i)	ALBA	MWSPC (ii)	Clariant (iii)
Revenue	10,700,934	4,635,772	18,325,478	10,313,104	10,457,040
Depreciation and amortisation	(1,060,515)	(867,313)	(1,268,661)	(1,322,956)	(558,960)
Interest income	60,889	17,369	-	66,098	32,640
Interest expense	(185,059)	(132,520)	(188,698)	(586,406)	(179,520)
Zakat and Income tax expense	(152,335)	(83,159)	(4,032)	(307,851)	(265,200)
<b>Net income for the year</b>	<b>4,869,775</b>	<b>714,433</b>	<b>4,142,734</b>	<b>3,476,926</b>	<b>1,574,880</b>
<b>Reconciliation:</b>		*	*		*
Group's share	30.00%	17.50%	20.62%	15.00%	31.50%
Group's share in associate (iii)	1,460,933	125,026	854,232	521,539	496,087
<b>Share in earnings</b>	<b>1,461,782</b>	<b>231,050</b>	<b>853,335</b>	<b>525,420</b>	<b>33,157</b>

(i) The information provided for MARAFIQ is as on 30 September 2022 and for the 9 months ended 30 September 2022.

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

(iii) The information provided for CLARIANT is as on 30 June 2022 and for the 6 months ended 30 June 2022.

(iv) Carrying amount of the investments and group's share in associates include inter-group profit elimination, zakat, income tax and other adjustments.

\* including estimate at year end.

## Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

## 10. Investments in associates and joint ventures (continued)

## 10.7 Summarised financial information of associates (continued)

	As at 31 December 2021				
	MPC	MARAFIQ	ALBA	MWSPC (i)	Clariant (iii)
Current assets					
Cash and cash equivalents	687,239	657,067	928,234	1,299,587	1,693,200
Others	3,663,412	3,386,897	6,180,263	2,545,456	7,327,680
Total current assets	4,350,651	4,043,964	7,108,497	3,845,043	9,020,880
Non-current assets	12,859,641	20,099,783	19,000,375	25,029,398	16,315,920
Current liabilities					
Financial liabilities (excluding trade and other payables)	1,513,727	397,179	2,237,884	608,021	3,092,640
Others	1,339,260	2,455,089	1,855,174	2,461,899	5,977,200
Total current liabilities	2,852,987	2,852,268	4,093,058	3,069,920	9,069,840
Non-current liabilities	5,527,829	13,954,831	7,064,160	18,583,128	8,257,920
Net assets	8,829,476	7,336,648	14,951,654	7,221,393	8,009,040
Reconciliation:					
Group's share	30.00%	24.81%	20.62%	15.00%	31.50%
Group's share in associate (ii)	2,647,616	1,920,918	3,083,031	1,083,209	2,522,848
Intangible / goodwill	-	-	-	483,290	8,517,521
Impairment provision	-	-	(441,208)	-	(876,244)
Carrying amount	2,647,616	1,920,918	2,641,823	1,566,499	10,164,125
	For the year ended 31 December 2021				
Revenue	6,567,318	6,192,287	15,765,558	6,161,430	17,837,760
Depreciation and amortisation	(1,073,186)	(1,169,133)	(1,223,854)	(1,307,202)	(1,089,360)
Interest income	9,355	19,606	-	726	97,920
Interest expense	(170,021)	(236,518)	(389,315)	(440,525)	(285,600)
Zakat and Income tax expense	(55,736)	(116,999)	(10,674)	(97,004)	(416,160)
Net income for the year	1,769,025	664,654	4,495,086	918,461	1,521,840
Reconciliation:					
Group's share	30.00%	24.81%	20.62%	15.00%	31.50%
Group's share in associate (ii)	528,805	169,093	926,887	123,758	479,380
Share in earnings	528,805	169,093	926,887	123,758	479,380

- (i) The Group's investment in MWSPC includes additional contribution made to one of the shareholders in relation to mineral rights.
- (ii) Carrying amount of the investments and group's share in associates include inter-group profit elimination, zakat, income tax and other adjustments.
- (iii) The information related to CLARIANT for the year ended 31 December 2021 has been included in these consolidated financial statements, which was not available last year due to delay in publication of CLARIANT's 2021 financial results.



## Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

## 10. Investments in associates and joint ventures (continued)

## 10.8 Summarised financial information of material joint ventures

The tables below provide the summarised financial information of material joint ventures 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 2022			
	SSTPC	SHARQ	YANPET	KEMYA
<b>Current assets</b>				
Cash and cash equivalents	2,455,438	269,983	395,529	687,736
Others	1,399,935	3,977,301	4,418,663	4,164,383
<b>Total current assets</b>	<b>3,855,373</b>	<b>4,247,284</b>	<b>4,814,192</b>	<b>4,852,119</b>
<b>Non-current assets</b>	<b>10,881,993</b>	<b>10,662,052</b>	<b>4,784,094</b>	<b>10,531,715</b>
<b>Current liabilities</b>				
Financial liabilities (excluding trade and other payables)	899,038	9,958	34,065	562,857
Others	2,549,120	1,723,169	2,189,409	1,854,561
<b>Total current liabilities</b>	<b>3,448,158</b>	<b>1,733,127</b>	<b>2,223,474</b>	<b>2,417,418</b>
<b>Non-current liabilities</b>	<b>3,829,741</b>	<b>2,568,813</b>	<b>1,139,982</b>	<b>1,247,728</b>
<b>Net assets</b>	<b>7,459,467</b>	<b>10,607,396</b>	<b>6,234,830</b>	<b>11,718,688</b>
<b>Reconciliation:</b>				
Group's share	50.00%	50.00%	50.00%	50.00%
Group's share in joint venture	3,721,375	5,370,901	3,002,952	6,158,686
<b>Carrying amount</b>	<b>3,721,375</b>	<b>5,370,901</b>	<b>3,002,952</b>	<b>6,158,686</b>
	For the year ended 31 December 2022			
Revenue	9,792,924	9,653,626	6,993,238	10,156,667
Depreciation and amortisation	(542,084)	(1,378,489)	(483,459)	(818,951)
Interest income	-	5,329	7,496	2,192
Interest expense	(62,148)	(24,296)	(40,575)	(58,062)
Net income before income tax and zakat (i)	(915,167)	(255,412)	1,347,083	2,552,743
Zakat and income tax expense	-	(10,676)	(175,981)	(324,121)
<b>Net income for the year</b>	<b>(915,167)</b>	<b>(266,088)</b>	<b>1,171,102</b>	<b>2,228,622</b>
Other comprehensive income	-	222,319	270,806	184,994
<b>Total comprehensive income</b>	<b>(915,167)</b>	<b>(43,769)</b>	<b>1,441,908</b>	<b>2,413,616</b>
<b>Reconciliation:</b>				
Group's share	50.00%	50.00%	50.00%	50.00%
Group's share of earnings in joint venture (i)	(453,389)	(132,076)	634,090	1,220,369
<b>Share of earnings</b>	<b>(453,389)</b>	<b>(132,076)</b>	<b>634,090</b>	<b>1,220,369</b>

- (i) For the KSA based joint ventures, namely SHARQ, YANPET and KEMYA the net income has been adjusted with zakat expenses to reflect the carrying value of the investments.

## Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

## 10. Investments in associates and joint ventures (continued)

## 10.8 Summarised financial information of material joint ventures (continued)

	As at 31 December 2021			
	SSTPC	SHARQ	YANPET	KEMYA
Current assets				
Cash and cash equivalents	2,837,657	663,220	554,983	88,549
Others	2,023,376	4,831,340	4,435,233	4,223,788
Total current assets	4,861,033	5,494,560	4,990,216	4,312,337
Non-current assets	11,932,335	11,408,352	4,575,682	11,118,663
Current liabilities				
Financial liabilities (excluding trade and other payables)	1,285,162	1,369,723	1,713,009	1,922,456
Others	1,154,621	839,095	647,154	336,247
Total current liabilities	2,439,783	2,208,818	2,360,163	2,258,703
Non-current liabilities	4,698,922	2,700,493	1,433,722	1,999,753
Net assets	9,654,663	11,993,601	5,772,013	11,172,544
Reconciliation:				
Group's share	50.00%	50.00%	50.00%	50.00%
Group's share in joint venture	4,827,331	6,183,732	2,948,961	5,891,134
Carrying amount	4,827,331	6,183,732	2,948,961	5,891,134
For the year ended 31 December 2021				
Revenue	11,157,111	10,420,487	7,597,151	9,819,507
Depreciation and amortisation	(682,399)	(1,378,561)	(463,130)	(874,283)
Interest income	122,936	2,528	1,049	-
Interest expense	(52,666)	(36,035)	(37,661)	(69,807)
Net income before income tax and zakat (i)	832,849	2,064,612	2,872,002	3,005,912
Zakat and income tax expense	(239,342)	(311,234)	(350,422)	(456,094)
Net income for the year	593,507	1,753,378	2,521,580	2,549,818
Other comprehensive income	-	68,841	98,001	63,875
Total comprehensive income	593,507	1,822,219	2,619,581	2,613,693
Reconciliation:				
Group's share	50.00%	50.00%	50.00%	50.00%
Group's share of earnings in joint venture (i)	290,938	482,541	1,358,538	1,433,682
Share of earnings	290,938	482,541	1,358,538	1,433,682

(i) For the KSA based joint ventures, namely SHARQ, YANPET and KEMYA the net income has been adjusted with zakat expenses to reflect the carrying value of the investments.

## Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

## 10. Investments in associates and joint ventures (continued)

## 10.9 Summarised financial information of individually immaterial associates and joint ventures

	For the year ended 31 December 2022		For the year ended 31 December 2021	
	Individually immaterial associates	Individually immaterial joint ventures	Individually immaterial associates	Individually immaterial joint ventures
Net income for the year	1,457,889	414,123	747,980	376,386
Other comprehensive (loss) income	(88,566)	717	(555)	(141,259)
<b>Total comprehensive income</b>	<b>1,369,323</b>	<b>414,840</b>	<b>747,425</b>	<b>235,127</b>

## 10.10 Fair value of listed associates

The fair value of the Group's investment in ALBA, CLARIANT and MARAFIQ based on its trading price at 31 December 2022 is SR 3,165 million, SR 6,217 million and SR 11,725 million respectively (2021: SR 2,323 million, SR 8,160 million and SR Nil respectively).

## 11. Investments in debt instruments and short-term investments

	Remaining maturity	Interest rate	31 December 2022	31 December 2021
<b><i>Non-current</i></b>				
Fixed rate long-term debt instruments	1 year to 22 years	3.2% – 5.06%	187,429	484,159
Floating rate long-term debt instruments	1 year to 6 years	SAIBOR variable rate	260,836	266,396
<b>Total non-conventional non-current portion of investments in debt instruments</b>			<b>448,265</b>	<b>750,555</b>
<b>Total non-current debt instruments</b>			<b>448,265</b>	<b>750,555</b>
<b><i>Current</i></b>				
Fixed rate long-term debt instruments	Less than 12 months	3.5%	296,730	132,729
Floating rate long-term debt instruments	Less than 12 months	SAIBOR variable rate	23,380	99,962
Murabaha (including fixed time deposits)	Greater than 3 months and less than 12 months	Fixed rate	8,305,838	4,781,039
<b>Total non-conventional short-term investments</b>			<b>8,625,948</b>	<b>5,013,730</b>
Other investments			53,011	52,824
<b>Total conventional short-term investments</b>			<b>53,011</b>	<b>52,824</b>
<b>Total short-term investments</b>			<b>8,678,959</b>	<b>5,066,554</b>

Long-term debt currency exposure

	31 December 2022	31 December 2021
SR	384,145	300,179
USD	384,230	683,067
	<b>768,375</b>	<b>983,246</b>

## Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

## 12. Investments in equity instruments

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

	31 December 2022	31 December 2021
<b>Unlisted securities</b>		
Equity securities measured at FVOCI	231,129	288,003
<b>Listed securities</b>		
Investment in equity fund measured at FVIS	4,290	4,449
	<b>235,419</b>	<b>292,452</b>

During the year 2022, no investments have been reclassified from 'investment in equity instruments' to 'investment in associates and joint ventures' (refer Note 10). During the year 2022, SR 4 million has been reclassified from unlisted securities to listed securities. The amount is not used as a part of normal business operations.

During the year 2021, SD, GPDC, TAKAMUL and MALLINDA have been reclassified from 'investment in equity instruments' to 'investment in associates and joint ventures' (refer Note 10).

Movement in the equity instruments measured at fair value for the years ended 31 December 2022 and 2021 is as follows:

	2022	2021
As at 1 January	292,452	464,974
Additions	32,670	33,528
Foreign currency translation difference	(11,291)	(90,116)
Sale	(79,469)	(3,139)
Change in fair value	3,617	17,619
Transfer to associates and joint ventures (refer Note 10)	-	(98,225)
Transfer from debt instruments	4,290	-
Transfer to other assets	(6,850)	(32,189)
<b>As at 31 December</b>	<b>235,419</b>	<b>292,452</b>

## 13. Derivative financial instruments

	31 December 2022	31 December 2021
Financial assets - option rights	2,687,250	2,389,875
Financial liabilities – options and forward contracts	2,373,750	2,643,750
Obligations to acquire the remaining shares of certain subsidiaries	554,860	657,077
	<b>2,928,610</b>	<b>3,300,827</b>

Based on the novation of the joint venture agreement among SABIC, SANIC (a 100% subsidiary of SABIC AN) and Taiwan Fertilizer Company ("TFC", a joint venture partner of Al Bayroni), the option right on TFC's share in Al Bayroni were transferred from SABIC to SANIC. Due to the nature of this derivative financial instrument, the expiration and acquisition are recognised through the statement of changes in equity. As SABIC owns 50.1% interest in SABIC AN, the difference of 49.9% of SABIC's ownership of Al Bayroni's option rights were offset through NCI and recognised in consolidated statement of changes in equity at the amount of SR 1,185 million.

## Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

## 14. Other assets and receivables

	31 December 2022	31 December 2021
<b>Non-current:</b>		
Employee advances and receivables (i)	4,773,554	4,773,550
Receivables from related parties (ii)	1,425,621	1,362,702
Loan receivables from related parties (refer Note 33) (iii)	579,143	715,229
Finance lease receivables (refer Note 37)	217,594	237,360
Receivable against dilution of investment (refer Note 21)	125,275	139,253
License fee receivable from related parties (iv)	-	154,687
Miscellaneous (vi)	211,474	239,663
	7,332,661	7,622,444
<b>Current:</b>		
Tax receivable	2,042,161	1,779,348
Prepaid expenses	1,688,794	1,619,461
Employee advances and receivables (i)	372,647	362,812
Trade advances	353,718	929,343
Receivables from related parties (ii)	329,526	323,369
License fee receivable from related parties (iv)	154,687	-
Recoverable from suppliers (v)	154,046	384,369
Finance income receivable	120,596	34,144
Current portion of loan receivable from related parties	58,715	52,532
Miscellaneous (vi)	655,831	491,924
	5,930,721	5,977,302

- (i) Employee advances and receivables represent receivables from employees related to Housing Ownership Program ("HOP").
- (ii) Receivables from related parties represent receivables against the operations and production advances.
- (iii) Loans receivable from certain associates and joint ventures are at normal market rates.
- (iv) License fee receivable relates to the amount receivable from a joint venture, against the usage of intellectual property and technology licenses, which has been reclassified as 'current assets' considering its expected recoverability.
- (v) Recoverable from suppliers related to rebate receivables against raw material purchases.
- (vi) Miscellaneous include advances to contractors, finance lease receivables and insurance claims.

## Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

## 15. Financial assets and financial liabilities

		31 December 2022							
			Financial assets / liabilities at amortised cost	Financial assets / liabilities at FVIS	Financial assets at FVOCI	Fair value	Level I	Level II	Level III
	Notes	Total							
<b>Financial assets</b>									
Investments in debt instruments:									
- Fixed	11	484,159	484,159	-	-	478,249	-	478,249	-
- Floating	11	284,216	284,216	-	-	309,666	-	309,666	-
Investment in equity instruments	12	235,419	-	4,290	231,129	235,419	4,290	33,612	197,517
Trade receivables (i)	17	23,923,727	23,923,727	-	-	N/A	-	-	-
Short-term investments:									
- Time deposits	11	8,305,838	8,305,838	-	-	N/A	-	-	-
- Other short-term investments	11	53,011	-	53,011	-	53,011	-	53,011	-
Cash and cash equivalents:									
- Cash and bank balances	18	14,918,027	14,918,027	-	-	N/A	-	-	-
- Time deposits	18	25,141,304	25,141,304	-	-	N/A	-	-	-
Derivatives financial instruments	13	2,687,250	-	2,687,250	-	2,687,250	-	-	2,687,250
Other financial assets (ii)		3,138,126	3,138,126	-	-	N/A	-	-	-
		79,171,077	76,195,397	2,744,551	231,129	3,763,595	4,290	874,538	2,884,767
<b>Financial liabilities</b>									
Debt	22	28,439,248	28,439,248	-	-	27,674,452	10,400,813	17,273,639	-
Lease liabilities	22	6,374,077	6,374,077	-	-	N/A	-	-	-
Trade payables	26	22,537,990	22,537,990	-	-	N/A	-	-	-
Derivatives financial instruments	13	2,373,750	-	2,373,750	-	2,373,750	-	-	2,373,750
Obligations to acquire the remaining shares of certain subsidiaries	13	554,860	-	554,860	-	554,860	-	-	554,860
Other financial liabilities (ii)		3,487,238	3,487,238	-	-	N/A	-	-	-
		63,767,163	60,838,553	2,928,610	-	30,603,062	10,400,813	17,273,639	2,928,610

The Group assessed fair value of short-term investments, cash and cash equivalents, trade payables and other financial assets and liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

(i) The trade receivables are disclosed net of expected credit losses.

(ii) Other financial assets include lease receivables, loans to related parties and interest receivables, net of expected credit losses, where applicable.  
Other financial liabilities include dividend payable, payables to related parties and interest payables

N/A = not applicable



## Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

## 15. Financial assets and financial liabilities (continued)

		31 December 2021							
	Notes	Total	Financial assets / liabilities at amortised cost	Financial assets / liabilities at FVIS	Financial assets at FVOCI	Fair value	Level I	Level II	Level III
<i>Financial assets</i>									
Investments in debt instruments:									
- Fixed	11	616,888	616,888	-	-	652,417		549,154	103,263
- Floating	11	366,358	366,358	-	-	409,389	-	409,389	
Investment in equity instruments	12	292,452	-	4,449	288,003	292,452	4,449	92,849	195,154
Trade receivables (i)	17	26,330,104	26,330,104	-	-	N/A	-	-	-
Short-term investments:									
- Time deposits	11	4,781,039	4,781,039	-	-	N/A	-	-	-
- Other short-term investments	11	52,824	-	52,824	-	52,824	-	52,824	-
Cash and cash equivalents:									
- Cash and bank balances	18	11,487,739	11,487,739	-	-	N/A	-	-	-
- Time deposits	18	30,831,654	30,831,654	-	-	N/A	-	-	-
Derivatives financial instruments	13	2,389,875	-	2,389,875	-	2,389,875	-	-	2,389,875
Other financial assets (ii)		2,915,955	2,915,955	-	-	N/A	-	-	-
		80,064,888	77,329,737	2,447,148	288,003	3,796,957	4,449	1,104,216	2,688,292
<i>Financial liabilities</i>									
Debt	22	32,139,925	32,139,925	-	-	32,580,212	11,753,100	20,827,112	-
Lease liabilities	22	6,419,345	6,419,345	-	-	N/A	-	-	-
Trade payables	26	26,149,125	26,149,125	-	-	N/A	-	-	-
Derivatives financial instruments	13	2,643,750	-	2,643,750	-	2,643,750	-	-	2,643,750
Obligations to acquire the remaining shares of certain subsidiaries	13	657,077	-	657,077	-	657,077	-	-	657,077
Other financial liabilities (ii)		3,487,238	3,487,238	-	-	N/A	-	-	-
		71,496,460	68,195,633	3,300,827	-	35,881,039	11,753,100	20,827,112	3,300,827

The Group assessed fair value of short-term investments, cash and cash equivalents, trade payables and other financial assets and liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

(i) The trade receivables are disclosed net of expected credit losses.

(ii) Other financial assets include lease receivables, loans to related parties and interest receivables, net of expected credit losses, where applicable.  
Other financial liabilities include dividend payable, payables to related parties and interest payables.

N/A = not applicable

## Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

### 15. Financial assets and financial liabilities (continued)

The Group's exposure to various risks associated with the financial instruments is discussed in Note 36. 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.

During the year ended 31 December 2021, the fair value of loans and borrowings, other than bonds which are publicly traded, are reassessed from Level 1 to Level 2 (refer Note 22).

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

- Fair value of the quoted bonds is the respective market price 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 market rates for debt instruments with similar terms, credit risk and maturities.
- When there are no quoted prices in the market to determine the fair value of equity instruments, the Group makes certain assumptions in valuation for model inputs, including information derived from comparable transactions. The probabilities of the various estimates within a range can be reasonably assessed in the Group's estimate of fair value for these unquoted equity investments. Fair values of quoted equity investments are derived from quoted prices in active markets, when a proxy is required.

The following table summarises the information about the significant non-observable inputs used in level 3 fair value measurements:

Description	Valuation technique	Significant non-observable input	Range	
			2022	2021
Derivative financial instruments	Market approach	Put options and forward contracts:		
		- Equity value to EBITDA multiple	3.8	6.2
		Call option valuation:		
		- Implied volatility	25% to 30%	25% to 35%
		- Assumed dividend yield	8.5% to 14.2%	8.7% to 11.8%
		- Risk free rate	4.1% to 4.3%	1.5% to 2.1%

A change in the assumptions underlying the valuation of the options of +/- 10% would reflect in a change in the value of the call option up to approximately +/- SR 713 million and approximately +/- SR 225 million in the value of the put/call options.

There is no material unquoted equity instrument at FVOCI to be disclosed separately.

## Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

## 15. Financial assets and financial liabilities (continued)

The following table presents the changes in level 3 items for the periods ended 31 December 2022 and 31 December 2021:

	Unlisted equity instruments	Derivatives financial assets	Derivatives financial liabilities	Obligations to acquire the remaining shares of certain subsidiaries	Investments in debt instruments - fixed
Aa at 1 January 2021	299,264	1,863,375	(1,995,375)	(690,297)	178,263
Additions	15,128	-	-	-	-
Sale	-	-	-	-	(75,000)
Net movement in unrealised fair value gain (loss)	42,157	526,500	(648,375)	33,220	-
Net movement in unrealised foreign currency translation	(6,420)	-	-	-	-
Net movement in realised fair value loss	(65,625)	-	-	-	-
Net transfers from financial assets	(89,350)	-	-	-	-
As at 31 December 2021	195,154	2,389,875	(2,643,750)	(657,077)	103,263
Additions	28,740	-	-	-	-
Sale	(3,161)	-	-	-	(103,263)
Net movement in unrealised fair value (loss) gain	(12,544)	297,375	270,000	102,217	-
Net movement in unrealised foreign currency translation	(5,554)	-	-	-	-
Net movement in realised fair value gain	1,732	-	-	-	-
Net transfers from financial assets	(6,850)	-	-	-	-
As at 31 December 2022	197,517	2,687,250	(2,373,750)	(554,860)	-

During 31 December 2022, there were transfers from Level 2 to Level 1 for certain equity investments. This was done based on availability of certain facts and circumstances. There were no other transfers between the levels of the fair value hierarchy during the year ended 31 December 2022. There were no changes made to any of the valuation techniques applied as of 31 December 2022.

## 16. Inventories

	31 December 2022	31 December 2021
Finished goods	16,425,618	17,937,786
Spare parts	4,494,439	4,926,384
Raw materials	5,641,131	4,038,421
Goods in transit	2,039,205	2,200,441
Work in process	1,464,837	1,562,676
	30,065,230	30,665,708
Less: Provision for slow moving and obsolete items	(1,840,588)	(2,044,430)
	28,224,642	28,621,278

Movements in the provision for slow moving and obsolete inventories were as follows:

	2022	2021
As at 1 January	2,044,430	2,113,727
Release for the year, net	(203,842)	(69,297)
As at 31 December	1,840,588	2,044,430

The reversal is essentially due to consumption or utilisation of certain inventory items.

## Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

## 17. Trade receivables

	31 December 2022	31 December 2021
Trade receivables	21,172,686	24,178,808
Due from related parties (refer Note 33)	2,936,981	2,331,380
	24,109,667	26,510,188
Less: allowance for expected credit losses	(185,940)	(180,084)
	23,923,727	26,330,104

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

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

	Total	Current	Less than 60 days	60-90 days	91-180 Days	181-365 days	More than one year
<b>31 December 2022</b>							
Expected credit loss rate	0.77%	0.05%	3.63%	7.86%	18.82%	17.91%	99.18%
Gross carrying amount	24,109,667	21,741,834	2,092,496	106,583	37,126	56,872	74,756
Expected credit loss	185,940	10,208	76,038	8,375	6,987	10,188	74,144
<b>31 December 2021</b>							
Expected credit loss rate	0.68%	0.08%	2.03%	33.83%	40.28%	55.23%	53.07%
Gross carrying amount	26,510,188	25,562,749	647,153	68,488	13,949	91,475	126,374
Expected credit loss	180,084	20,539	13,163	23,169	5,618	50,526	67,069

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

	2022	2021
As at 1 January	180,084	188,529
Charge for the year	25,170	7,003
Reversals during the year	(19,314)	(15,448)
<b>As at 31 December</b>	<b>185,940</b>	<b>180,084</b>

## 18. Cash and cash equivalents

Cash and cash equivalents can be broken down as follows:

	31 December 2022	31 December 2021
Cash in hand	1,304	653
Call account	2	2
Murabaha call accounts	599,129	1,979,389
Non-conventional current accounts	10,853,646	4,521,343
Conventional current accounts	3,463,946	4,986,352
	14,916,723	11,487,086
Conventional time deposits	3,506,250	6,373,516
Murabaha fixed time deposits	21,635,054	24,458,138
	25,141,304	30,831,654
	40,059,331	42,319,393
Conventional cash and cash equivalents	6,970,196	11,359,868
Non-conventional cash and cash equivalents	33,089,135	30,959,525
	40,059,331	42,319,393

At 31 December 2022, the Group has funds amounting to SR 949 million (31 December 2021: SR 936 million) that are held in separate bank accounts, within the Kingdom of Saudi Arabia and cannot be used as part of normal business operations.

## Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

**18. Cash and cash equivalents (continued)**

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

	31 December 2022	31 December 2021
SR	20,133,198	28,133,585
USD	15,672,879	12,713,518
Others	4,253,254	1,472,290
	40,059,331	42,319,393

**18.1 Cash flows related disclosures**

Cash and cash equivalents can be broken down as follows:

	31 December 2022	31 December 2021
Cash and cash equivalents	40,059,331	42,319,393
Less: Short-term borrowings (bank overdrafts, refer Note 22)	(20,196)	(13,347)
	40,039,135	42,306,046

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

The cash and cash equivalent does not include accrued interest of SR 121 million (2021: SR 34 million) which is reported within 'other assets and receivables'.

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

	As at 1 January 2022	Movement during the year	Cash outflows	Foreign currency exchange and other non-cash	As at 31 December 2022
Debt	32,126,578	3,945,868	(7,715,165)	61,771	28,419,052
Lease	6,419,345	1,623,447	(1,846,934)	178,219	6,374,077
Dividends to shareholders	1,084,889	13,500,000	(13,468,495)	18,027	1,134,421
Dividends to non-controlling interests	61,589	6,251,979	(6,103,341)	(18,027)	192,200
Changes in shareholdings of subsidiaries	-	229,881	(229,881)	-	-
	39,692,401	25,551,175	(29,363,816)	239,990	36,119,750

	As at 1 January 2021	Movement during the year	Cash outflows	Foreign currency exchange and other non-cash	As at 31 December 2021
Debt	35,948,123	486,242	(4,470,071)	162,284	32,126,578
Lease	5,720,038	2,588,419	(2,015,281)	126,169	6,419,345
Dividends to shareholders	1,115,345	9,750,000	(9,909,554)	129,098	1,084,889
Dividends to non-controlling interests	191,308	3,555,685	(3,602,557)	(82,847)	61,589
Acquisition of non-controlling interests	-	(1,687,500)	1,687,500	-	-
	42,974,814	14,692,846	(18,309,963)	334,704	39,692,401

**19. Share capital**

	31 December 2022	31 December 2021
Authorised shares:		
Ordinary shares of SR 10 each ('000)	3,000,000	3,000,000
Ordinary shares issued and fully paid of SR 10 each ('000)	3,000,000	3,000,000
Issued and paid capital	30,000,000	30,000,000

## Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

**20. Reserves**Statutory reserve

In accordance with Saudi Arabian Regulations for Companies, SABIC 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:

	Equity instruments	Foreign currency translation	Actuarial gain (loss)	Cash flow hedge	Total
As at 1 January 2022	127,899	(2,297,898)	(1,350,432)	(22,350)	(3,542,781)
Exchange difference on translation	-	(1,668,537)	-	-	(1,668,537)
Re-measurement gain on defined benefit plans, net of tax (i)	-	-	3,782,960	-	3,782,960
Net change on revaluation of investments in equity instruments classified as FVOCI	3,617	-	-	-	3,617
Share of other comprehensive income (loss) of associates and joint ventures	-	(663,594)	188,662	53,099	(421,833)
Other comprehensive income (loss) for the year	3,617	(2,332,131)	3,971,622	53,099	1,696,207
Transfer of OCI upon disposals of equity instruments classified as FVOCI	(84,581)	-	-	-	(84,581)
<b>As at 31 December 2022</b>	<b>46,935</b>	<b>(4,630,029)</b>	<b>2,621,190</b>	<b>30,749</b>	<b>(1,931,155)</b>

	Equity instruments	Foreign currency translation	Actuarial gain (loss)	Cash flow hedge	Total
As at 1 January 2021	110,280	(258,250)	(3,143,999)	(42,050)	(3,334,019)
Exchange difference on translation	-	(1,687,218)	-	-	(1,687,218)
Re-measurement gain on defined benefit plans, net of tax (i)	-	-	1,534,161	-	1,534,161
Net change on revaluation of investments in equity instruments classified as FVOCI	17,619	-	-	-	17,619
Share of other comprehensive income (loss) of associates and joint ventures	-	(352,430)	259,406	19,700	(73,324)
Other comprehensive income (loss) for the year	17,619	(2,039,648)	1,793,567	19,700	(208,762)
<b>As at 31 December 2021</b>	<b>127,899</b>	<b>(2,297,898)</b>	<b>(1,350,432)</b>	<b>(22,350)</b>	<b>(3,542,781)</b>

(i) Amount is net of tax and includes amounts recognised by the acquisition of non-controlling interests (refer Note 21).



## Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

## 21. Non-controlling interests

Below is the summarised financial information disclosed for each consolidated subsidiary in which the Group has less than full ownership with non-controlling interests that are significant to the Group. The amounts disclosed for each subsidiary are before inter-company eliminations:

	As at 31 December 2022							
	YANSAB	AR-RAZI	IBN RUSHD	SABIC AN	KAYAN	GAS	UNITED	IBN ZAHR
Current assets	6,958,810	1,061,879	1,777,031	16,747,682	4,421,102	672,763	2,344,121	3,640,672
Current liabilities	1,649,008	588,648	1,004,495	2,448,908	4,403,851	373,198	1,142,659	2,004,891
<b>Current net assets</b>	<b>5,309,802</b>	<b>473,231</b>	<b>772,536</b>	<b>14,298,774</b>	<b>17,251</b>	<b>299,565</b>	<b>1,201,462</b>	<b>1,635,781</b>
Non-current assets	9,720,781	2,903,335	1,075,961	10,233,726	23,852,135	4,996,409	7,148,059	4,011,493
Non-current liabilities	979,730	760,984	3,692,696	3,562,523	8,392,100	1,104,423	2,000,663	782,526
<b>Non-current net assets (liabilities)</b>	<b>8,741,051</b>	<b>2,142,351</b>	<b>(2,616,735)</b>	<b>6,671,203</b>	<b>15,460,035</b>	<b>3,891,986</b>	<b>5,147,396</b>	<b>3,228,967</b>
<b>Net assets (liabilities)</b>	<b>14,050,853</b>	<b>2,615,582</b>	<b>(1,844,199)</b>	<b>20,969,977</b>	<b>15,477,286</b>	<b>4,191,551</b>	<b>6,348,858</b>	<b>4,864,748</b>
Accumulated non-controlling interests (i)	6,726,525	763,006	(1,019,118)	10,847,529	9,656,667	1,075,123	1,583,313	973,024

	As at 31 December 2021							
	YANSAB	AR-RAZI	IBN RUSHD	SABIC AN	KAYAN	GAS	UNITED	IBN ZAHR
Current assets	7,666,605	1,384,006	1,189,264	9,344,615	6,986,345	843,940	2,887,631	3,532,394
Current liabilities	1,886,025	594,718	3,778,877	1,565,652	4,019,543	401,923	1,219,959	1,460,490
<b>Current net assets (liabilities)</b>	<b>5,780,580</b>	<b>789,288</b>	<b>(2,589,613)</b>	<b>7,778,963</b>	<b>2,966,802</b>	<b>442,017</b>	<b>1,667,672</b>	<b>2,071,904</b>
Non-current assets	10,494,305	2,884,278	1,179,083	10,508,533	25,910,282	5,276,286	7,383,664	3,996,319
Non-current liabilities	1,232,494	834,851	275,581	1,260,236	12,407,812	1,167,679	2,176,316	605,215
<b>Non-current net assets</b>	<b>9,261,811</b>	<b>2,049,427</b>	<b>903,502</b>	<b>9,248,297</b>	<b>13,502,470</b>	<b>4,108,607</b>	<b>5,207,348</b>	<b>3,391,104</b>
<b>Net assets (liabilities)</b>	<b>15,042,391</b>	<b>2,838,715</b>	<b>(1,686,111)</b>	<b>17,027,260</b>	<b>16,469,272</b>	<b>4,550,624</b>	<b>6,875,020</b>	<b>5,463,008</b>
Accumulated non-controlling interests (i)	7,158,004	638,117	(938,117)	9,164,670	10,211,211	1,333,670	1,702,178	1,057,218

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

## Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

## 21. Non-controlling interests (continued)

Summarised statement of comprehensive income

	For the year ended 31 December 2022							
	YANSAB	AR-RAZI	IBN RUSHD	SABIC AN	KAYAN	GAS	UNITED	IBN ZAHR
Revenue	7,024,050	4,897,889	3,566,735	18,980,830	11,157,015	1,709,946	5,383,517	10,683,454
Net income (loss) for the year	414,145	2,816,811	(157,604)	10,461,145	(1,243,890)	360,973	(28,233)	2,087,795
Other comprehensive income (loss)	281,817	125,394	(484)	11,629	251,904	29,954	152,071	181,349
<b>Total comprehensive income (loss)</b>	<b>695,962</b>	<b>2,942,205</b>	<b>(158,088)</b>	<b>10,472,774</b>	<b>(991,986)</b>	<b>390,927</b>	<b>123,838</b>	<b>2,269,144</b>
Net income (loss) attributable to non-controlling interests (i)	244,041	565,502	(81,298)	5,449,008	(718,282)	99,100	5,617	410,752
Dividends to non-controlling interests	808,673	813,918	-	2,879,610	-	193,617	162,500	607,500

	For the year ended 31 December 2021							
	YANSAB	AR-RAZI	IBN RUSHD	SABIC AN	KAYAN	GAS	UNITED	IBN ZAHR
Revenue	7,499,273	4,913,275	3,674,584	9,591,975	12,656,207	1,653,727	5,459,121	9,579,289
Net income for the year	1,531,299	3,002,258	356,439	5,639,566	2,390,616	438,421	1,429,315	1,986,231
Other comprehensive income	72,510	35,923	6,265	131,500	69,790	33,229	42,579	39,229
<b>Total comprehensive income</b>	<b>1,603,809</b>	<b>3,038,181</b>	<b>362,704</b>	<b>5,771,066</b>	<b>2,460,406</b>	<b>471,650</b>	<b>1,471,894</b>	<b>2,025,460</b>
Net income attributable to non-controlling interests (i)	741,223	617,795	129,777	2,986,947	1,517,374	170,357	154,002	104,298
Dividends to non-controlling interests	741,479	700,000	-	821,245	-	276,037	293,750	476,250

(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.

## Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

## 21. Non-controlling interests (continued)

Summarised statement of cash flows

	For the year ended 31 December 2022							
	YANSAB	AR-RAZI	IBN RUSHD	SABIC AN	KAYAN	GAS	UNITED	IBN ZAHR
Cash flow from operating activities	1,872,729	3,401,074	58,940	11,446,815	3,180,406	733,804	961,331	3,482,980
Cash flow (used in) from investing activities	(261,267)	(328,608)	5,509	(4,113,581)	(354,465)	(208,979)	(443,438)	(439,607)
Cash flow (used in) from financing activities	(1,708,323)	(3,229,605)	530,867	(4,009,893)	(3,371,874)	(697,763)	(559,533)	(2,886,268)
Net (decrease) increase in cash and cash equivalents	(96,861)	(157,139)	595,316	3,323,341	(545,933)	(172,938)	(41,640)	157,105

	For the year ended 31 December 2021							
	YANSAB	AR-RAZI	IBN RUSHD	SABIC AN	KAYAN	GAS	UNITED	IBN ZAHR
Cash flow from operating activities	2,639,628	3,180,626	280,966	5,092,469	3,828,120	936,372	1,646,933	2,762,550
Cash (used in) from investing activities	(807,640)	(357,380)	(31,351)	332,738	191,559	(221,880)	(594,115)	(299,944)
Cash flow used in financing activities	(1,567,964)	(2,944,121)	(428,737)	(1,371,940)	(3,683,100)	(822,525)	(784,592)	(2,331,717)
Net increase (decrease) in cash and cash equivalents	264,024	(120,875)	(179,122)	4,053,267	336,579	(108,033)	268,226	130,889

## Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

### 21. Non-controlling interests (continued)

In the course of the year ended 31 December 2022 and the year before, certain equity transactions were incurred. These transactions and their impact are elaborated in the next paragraphs as changes in shareholding of subsidiaries and acquisition of non-controlling interests.

#### Changes in shareholdings of subsidiaries

##### *Acquisition of 4% additional shareholding in National Industrial Gases Company:*

During the year ended 31 December 2022, SABIC acquired 4% additional shareholding in its subsidiary, National Industrial Gases Company ("GAS"), for a consideration amounting to SR 181 million. As a result, SABIC's shareholding has increased from 70% to 74%, with no change in control. Therefore, the net loss from the transaction has been reflected in the consolidated statement of changes in equity amounting to SR 1 million.

##### *Acquisition of 49% shareholding in Mt. Vernon Phenol Plant Partnership:*

In 2022, SABIC acquired the remaining 49% shareholding in Mount Vernon Phenol Plant Partnership ("MVPPP"), now integrated into "SABIC IP Mount Vernon LLC", a wholly owned subsidiary for a consideration amounting to SR 49 million and the net loss from this acquisition amounting to SR 4 million was recognised in the consolidated statement of changes in equity.

##### *Acquisition of 7.11% additional shareholding in SABIC Agri-Nutrients Company:*

On 4 January 2021, SABIC transferred all its shares in SABIC Agri-Nutrients Investment Company ("SANIC") to SABIC Agri-Nutrients Company ("SABIC AN"). The transfer was in kind and a cash consideration paid for which 59,368,738 ordinary shares in SABIC AN were issued to SABIC valued at a fair value of SR 81 per share. SABIC's ownership in SABIC AN increased from 42.99% to 50.10%. This transaction has been recognised as a step acquisition without any change in control. Therefore, the impact (net loss) amounting to SR 967 million has been recognised through the retained earnings.

##### *Dilution of shareholding in Chemtank:*

On 2 November 2021, SABIC disposed 17% of its interest in Chemtank for consideration of SR 186 million. As the disposal of shares does not result in change in control over Chemtank, hence, the transaction is recognised through retained earnings amounting to SR 49 million. As a result, SABIC has de-recognised financial liability relating to the forward contract amounting to SR 423 million through equity in accordance with the accounting policy. As at 31 December 2021, SABIC indirectly holds 58% shares in Chemtank.

## Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

## 22. Debt

Total debt can be broken down as follows:

	Interest rate	31 December 2022	31 December 2021
<b>Non-current</b>			
<i>Non-current portion of debt</i>			
Commercial loans	USD LIBOR & SAIBOR variable rate	404,255	582,541
Bonds	2.15% to 4.50%	7,451,384	11,187,276
<i>Conventional Loans</i>		7,855,639	11,769,817
Murabaha	USD LIBOR & SAIBOR variable rate	13,060,394	14,296,396
SIDF	Commission fee	627,523	770,319
<i>Non-Conventional loans</i>		13,687,917	15,066,715
<b>Total non-current portion of debt</b>		21,543,556	26,836,532
<b>Current</b>			
<i>Short-term borrowings</i>			
Murabaha		895,643	-
Conventional short-term bank borrowings (bank overdraft)		20,196	13,347
<b>Total short-term borrowings</b>		915,839	13,347
<i>Current portion of debt</i>			
Commercial loans	USD LIBOR & SAIBOR variable rate	186,458	3,765,376
Bonds	4%	3,747,192	-
<i>Conventional loans</i>		3,933,650	3,765,376
Murabaha	USD LIBOR & SAIBOR variable rate	1,817,870	382,007
SIDF	Commission fee	228,333	546,390
Ijarah	USD LIBOR	-	596,273
<i>Non-conventional loans</i>		2,046,203	1,524,670
<b>Total current portion of debt</b>		5,979,853	5,290,046
<b>Total debt</b>		28,439,248	32,139,925

Short-Term bank borrowings included bank overdraft and short-term revolving credit facility. The current portion of debt does not include accrued interest and similar charges of SR 212 million (2021: SR 126 million), which is reported within 'other payables'.

## Debt

During 2022, the Group repaid long-term debt totalling SR 7,715 million (2021: SR 8,775 million) and drew-down SR 3,946 million (2021: SR 486 million), these figures include amounts within prior year's current portion of SR 2,859 million, which have been refinanced in the current year.

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 "SIDF" term loans are generally repayable in semi-annual instalments and financing charges on these loans are at various rates.

In securing the SIDF loans, certain property, plant and equipment has been pledged as mortgaged assets. The carrying amounts of non-financial assets pledged as security for current and non-current borrowings are disclosed in Note 7.

The borrowings include USD LIBOR debt maturing after mid-2023 amounting to USD 2,442 million (SR 9,156 million) is subject to IBOR reforms' impact.

## Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

## 22 Debt (continued)

## Bonds

The following bonds were outstanding as of 31 December 2022:

- 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.
- In September 2020, SABIC Capital I BV, an indirect wholly owned subsidiary of SABIC, issued a 10-year and 30-year USD 500 million bond each, equivalent to total SR 3.75 billion. These bonds are unsecured and carry coupon rates of 2.15% and 3.00% for those maturing in 10 and 30 years, respectively. The bonds are issued in accordance with Regulation S offering requirements under the U.S. Securities Act of 1933, as amended. Both bonds are listed on the Irish Stock Exchange (Euronext Dublin) and the 30-year bond is dual listed in Taipei Exchange in Taiwan. The proceeds were used for general propose and refinancing maturing debt. The aggregate repayment schedule of debt is as follows:

	31 December 2022	31 December 2021
Within 1 year	6,895,691	5,303,394
1 – 2 years	2,038,193	8,375,777
2 – 5 years	7,889,899	4,055,553
Thereafter	11,615,465	14,405,201
<b>Total</b>	<b>28,439,248</b>	<b>32,139,925</b>

## Undrawn borrowing facilities

During the year, the Group has entered into SR 3,105 million (2021: SR 1,031 million) of committed short-term working capital facilities. The total value of undrawn committed facilities is SR 12,011 million (2021: SR 9,145 million), of which SR 11,636 million (2021: SR 8,531 million) are in the form of revolving credit facilities.

## Borrowing cost capitalised during the year

	31 December 2022	31 December 2021
Murabaha loans and SIDF	25,738	36,899
<b>Borrowing cost capitalised from non-conventional loans</b>	<b>25,738</b>	<b>36,899</b>

## 22.1 Lease liabilities

## Group as a lessee

Lease liabilities can be broken down as follows:

	31 December 2022	31 December 2021
<b>Non-current</b>		
Lease liabilities	5,469,463	5,467,676
<b>Current</b>		
Lease liabilities	904,614	951,669
	<b>6,374,077</b>	<b>6,419,345</b>

All addition to leases are recognised as right-of-use assets which are disclosed in Note 8.

There are no residual value guarantees and no leases yet commenced, to which SABIC is committed.



## Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

**22 Debt (continued)****22.1 Lease liabilities (continued)**

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

	For the year ended 31 December 2022	For the year ended 31 December 2021
Depreciation expense of right-of-use assets (refer Note 8)	1,526,642	1,556,486
Interest expense on lease liabilities (refer Note 30)	223,864	249,207
Expense related to short-term leases	32,495	118,035
Expense related to leases of low-value assets	17,552	30,655
Variable lease payments	24,960	41,899

The Group had total cash outflows for leases of SR 1,846 million in 2022 (2021: SR 2,015 million). The Group also had non-cash additions to right-of-use assets and lease liabilities of SR 820 million in 2022 (2021: SR 2,816 million). The future cash outflows relating to leases are disclosed in Note 37.

Aggregate repayment schedule of leases is as follows:

	31 December 2022	31 December 2021
Within 1 year	904,614	951,669
1 – 2 years	940,100	728,881
2 – 5 years	1,903,785	1,458,947
Thereafter	2,625,578	3,279,848
<b>Total</b>	<b>6,374,077</b>	<b>6,419,345</b>

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

## Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

**23. Employee benefits**

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

	31 December 2022	31 December 2021
<b>Defined benefit obligations</b>		
End of service benefits	11,570,963	13,791,721
Defined benefits pension schemes	1,353,638	2,020,665
Post-retirement medical benefits	936,044	1,356,914
	13,860,645	17,169,300
<b>Other long-term employee benefits and termination benefits</b>		
Long-term service awards	78,628	152,110
Early retirement plans	66,263	56,363
Other long-term benefits	69,364	63,463
	214,255	271,936
	14,074,900	17,441,236

Management monitors the risks of all its pension plans and works with local Fiduciaries and Trustees 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 most employees.

End of service benefits

End of service benefits are mandatory for all KSA based employees under the Saudi 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 Group provides End of Service benefits in excess of the statutory requirement. 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. An appropriate discount rate is then applied 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.

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 and Belgium, most of which are also funded. The benefits provided by these pension plans are based primarily on years of service and employee compensation. The Canadian plan was settled in the year 2022.

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, the investment of assets is also regulated. 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.

## Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

**23. Employee benefits (continued)****Defined benefits obligation (continued)**

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, all of which are closed for all future benefit accrual. 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 USA 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.

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, where 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.

**Other long-term employee benefits**Long-term service awards

The Group offers a long-term service award to its employees depending on years of service, which is measured similarly to a DBO.

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.

The following table represents the movement of the defined benefit obligation position:

	2022	2021
As at 1 January	17,169,300	18,425,611
Current service cost	1,196,925	1,266,678
Past service cost	-	12,806
Finance cost, net	452,719	413,203
Actuarial changes arising due to:		
- financial assumptions	(6,210,190)	(984,925)
- demographic changes	23,791	2,832
- experience adjustments	458,123	(431,370)
- actual return on plan assets	1,368,522	(306,172)
Benefits paid during the year	(637,742)	(397,802)
Employer contributions into pension plans	(178,207)	(500,454)
Foreign currency translation adjustment and others	217,404	(331,107)
<b>As at 31 December</b>	<b>13,860,645</b>	<b>17,169,300</b>

## Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

**23. Employee benefits (continued)**

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

	End of service	Post-retirement medical	Total
As at 1 January 2022	13,786,331	1,126,564	14,912,895
Current service cost	1,086,746	91,976	1,178,722
Finance cost	381,521	30,221	411,742
Actuarial changes arising due to:			
- financial assumptions	(3,664,945)	(290,189)	(3,955,134)
- demographic adjustments	-	(592)	(592)
- experience adjustments	280,774	46,726	327,500
Benefits paid during the year	(363,280)	(97,521)	(460,801)
Others	63,816	28,859	92,675
<b>As at 31 December 2022</b>	<b>11,570,963</b>	<b>936,044</b>	<b>12,507,007</b>

	End of service	Post-retirement medical	Total
As at 1 January 2021	13,941,965	1,319,519	15,261,484
Current service cost	1,140,348	98,790	1,239,138
Finance cost	329,434	28,585	358,019
Actuarial changes arising due to:			
- financial assumptions	(761,557)	(42,364)	(803,921)
- experience adjustments	(389,133)	(20,837)	(409,970)
Benefits paid during the year	(334,255)	(63,547)	(397,802)
Others	(140,471)	(193,582)	(334,053)
<b>As at 31 December 2021</b>	<b>13,786,331</b>	<b>1,126,564</b>	<b>14,912,895</b>

Following table represents the components of the DBO outside KSA at 31 December 2022:

	USA	UK	Others	Total
As at 1 January 2022	3,315,634	3,073,038	751,098	7,139,770
Current service costs	2,154	-	16,049	18,203
Finance costs	85,718	50,192	13,026	148,936
Benefits paid during the year	(304,078)	(110,422)	(25,752)	(440,252)
Settlements paid	-	-	(217,601)	(217,601)
Actuarial changes arising due to:				
- financial assumptions	(980,199)	(1,023,203)	(251,654)	(2,255,056)
- demographic changes	5,139	19,068	177	24,384
- experience adjustments	30,378	82,728	17,517	130,623
Loss on settlement	-	-	58,706	58,706
Foreign currency and others	-	(296,077)	(53,726)	(349,803)
<b>As at 31 December 2022</b>	<b>2,154,746</b>	<b>1,795,324</b>	<b>307,840</b>	<b>4,257,910</b>

## Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

**23. Employee benefits (continued)**

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

	USA	UK	Others	Total
Plan assets as at 1 January 2022	2,412,007	2,524,863	(53,505)	4,883,365
Interest income	62,031	42,065	3,863	107,959
Employer's contribution	104,210	52,533	21,464	178,207
Return on plan assets (excluding interest income)	(687,578)	(659,029)	(21,915)	(1,368,522)
Benefits paid during the year	(289,509)	(110,422)	(22,275)	(422,206)
Settlement paid	-	-	(217,601)	(217,601)
Administrative expenses	(3,713)	-	(310)	(4,023)
Foreign currency and others	-	(248,717)	(4,190)	(252,907)
Plan assets as at 31 December 2022	1,597,448	1,601,293	(294,469)	2,904,272
<b>Defined benefit obligation, net</b>	<b>557,298</b>	<b>194,031</b>	<b>602,309</b>	<b>1,353,638</b>

Following table represents the components of the DBO outside the KSA at 31 December 2021:

	USA	UK	Others	Total
As at 1 January 2021	3,726,216	3,084,710	889,764	7,700,690
Current service costs	2,622	-	24,918	27,540
Past service costs	-	12,806	-	12,806
Finance costs	83,319	46,221	15,786	145,326
Benefits paid during the year	(288,312)	(124,499)	(34,587)	(447,398)
Actuarial changes arising due to:				
- financial assumptions	(205,559)	92,140	(67,585)	(181,004)
- demographic changes	11,758	(9,029)	103	2,832
- experience adjustments	(14,410)	-	(6,990)	(21,400)
Foreign currency and others	-	(29,311)	(70,311)	(99,622)
As at 31 December 2021	3,315,634	3,073,038	751,098	7,139,770

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

	USA	UK	Others	Total
Plan assets as at 1 January 2021	2,153,165	2,366,735	16,661	4,536,561
Interest income	47,254	35,823	7,065	90,142
Employer's contribution	406,855	64,442	29,157	500,454
Return on plan assets (excluding interest income)	98,521	232,707	(25,056)	306,172
Benefits paid during the year	(288,312)	(124,499)	(34,587)	(447,398)
Administrative expenses	(5,476)	-	(534)	(6,010)
Foreign currency and others	-	(50,345)	(1,064)	(51,409)
Plan assets as at 31 December 2021	2,412,007	2,524,863	(8,358)	4,928,512
Effect of asset ceiling/onerous liability	-	-	(45,147)	(45,147)
<b>Defined benefit obligation, net</b>	<b>903,627</b>	<b>548,175</b>	<b>804,603</b>	<b>2,256,405</b>

	For the year ended 31 December 2022	For the year ended 31 December 2021
<b>Net benefit expense</b>		
Current service cost and past service cost	1,196,925	1,279,484
Finance cost on benefit obligation	452,719	413,203
<b>Net benefit expense</b>	<b>1,649,644</b>	<b>1,692,687</b>

## Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

## 23. Employee benefits (continued)

## 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 2022		
	USA	UK	Others
<i>Quoted and unquoted</i>			
Equity	39.70%	10.05%	-
Debt securities	59.80%	1.12%	-
- Government debtors	-	1.12%	-
- Other debtors	59.80%	-	-
Investment funds and insurance companies	-	52.29%	92.09%
Other investments	-	29.06%	7.91%
Cash and cash equivalents	0.50%	7.48%	-
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

	For the year ended 31 December 2021		
	USA	UK	Others
<i>Quoted and unquoted</i>			
Equity	66.44%	23.86%	-
Debt securities	32.82%	5.98%	97.81%
- Government debtors	-	5.98%	97.81%
- Other debtors	32.82%	-	-
Investment funds and insurance companies	-	47.67%	1.39%
Other investments	-	20.33%	0.80%
Cash and cash equivalents	0.74%	2.16%	-
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

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

	31 December 2022		
	KSA	USA	UK
Discount rate	5.20%	4.98%	4.95%
Average salary increase	4.50% - 6.00%	-	3.56%
Pension in payment increase	N/A	N/A	2.95%
Inflation rate (health care cost)	9% in 2022 decreasing to 5% in 2026+	N/A	N/A
Duration of benefits plan	11 years	12 years	13 years

	31 December 2021		
	KSA	USA	UK
Discount rate	2.80%	2.69%	1.80%
Average salary increase	4.50% - 6.00%	-	3.71%
Pension in payment increase	N/A	N/A	3.25%
Inflation rate (health care cost)	9% in 2021 decreasing to 5% for 2025+	N/A	N/A
Duration of benefits plan	13 years	16 years	22 years

N/A = not applicable

## Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

## 23. Employee benefits (continued)

## 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 2022			
	KSA	USA	UK	Others
<b><i>Increase</i></b>				
Discount rate (+25 bps)	(372,395)	(63,942)	(55,291)	(20,634)
Salary (+25 bps)	368,817	-	9,077	2,237
Pension (+25 bps)	N/A	-	68,866	8,983
Longevity (+1 year)	N/A	(24,437)	(46,668)	(18,112)
Health care costs (+25 bps)	46,630	-	-	-
<b><i>Decrease</i></b>				
Discount rate (-25 bps)	372,438	67,157	57,806	15,751
Salary (-25 bps)	(370,737)	-	(8,803)	(7,996)
Pension (-25 bps)	N/A	-	(65,471)	(14,339)
Longevity (-1 year)	N/A	23,490	46,239	11,920
Health care costs (-25 bps)	(44,469)	N/A	N/A	NA

	31 December 2021			
	KSA	USA	UK	Others
<b><i>Increase</i></b>				
Discount rate (+25 bps)	(473,356)	(131,306)	(153,213)	(39,535)
Salary (+25 bps)	432,026	-	23,624	8,249
Pension (+25 bps)	N/A	-	130,157	21,769
Longevity (+1 year)	N/A	(48,928)	(110,791)	19,335
Health care costs (+25 bps)	50,353	-	-	N/A
<b><i>Decrease</i></b>				
Discount rate (-25 bps)	495,346	139,125	163,745	41,673
Salary (-25 bps)	(415,774)	-	(22,775)	(7,995)
Pension (-25 bps)	N/A	-	(123,356)	(20,643)
Longevity (-1 year)	N/A	47,931	112,831	(18,886)
Health care costs (-25 bps)	(47,865)	N/A	N/A	N/A

N/A = not applicable

Expected total benefit payments can be broken down as follows:

	31 December 2022	
	KSA	Outside KSA
Within 1 year	655,354	217,202
1 – 2 years	638,144	221,392
2 – 3 years	756,032	221,924
3 – 4 years	828,487	215,398
4 – 5 years	915,934	213,951
Next 5 years	6,539,508	1,057,056
<b>Total</b>	<b>10,333,459</b>	<b>2,146,923</b>



## Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

## 23. Employee benefits (continued)

## Sensitivity analysis (continued)

Expected total benefit payments can be broken down as follows:

	31 December 2021	
	KSA	Outside KSA
Within 1 year	511,605	293,932
1 – 2 years	478,339	291,775
2 – 3 years	539,980	290,280
3 – 4 years	651,551	287,484
4 – 5 years	697,908	272,876
Next 5 years	4,917,322	1,287,383
<b>Total</b>	<b>7,796,705</b>	<b>2,723,730</b>

## 24. Provisions

	31 December 2022	31 December 2021
<b>Non-current:</b>		
Demolition and site restoration (i)	345,698	193,748
Restructuring (ii)	158,593	172,141
Litigation claims (iii)	124,413	129,214
Environmental obligations (iv)	84,614	85,502
Miscellaneous (v)	148,080	290,039
	<b>861,398</b>	<b>870,644</b>
<b>Current:</b>		
Demolition and site restoration (i)	35,189	54,780
Environmental obligations (iv)	1,652	3,286
Miscellaneous (v)	45,191	72,380
	<b>82,032</b>	<b>130,446</b>
	<b>943,430</b>	<b>1,001,090</b>

- (i) Considering the recent emphasis on the Environment, Social and Governance (“ESG”) framework and the newly issued IFRS Sustainability Standards, the Group re-assessed the term of site restoration for plants on its land leases. Demolition and site restoration provision represents the provision for cost of dismantling and site restoration of certain manufacturing sites of the Group subsidiaries. The Group recognises a provision when an obligation arise as a consequence of a legal or constructive obligation. (refer Note 6.18)
- (ii) Restructuring provisions represent mainly onerous contracts, decommissioning and severance costs relating to specific restructuring projects.
- (iii) Provision for litigation obligations represents pending legal claims (refer Notes 3.1.4 and 37.3). Management do not believe that any currently pending or threatened litigation, either individually or in the aggregate, is likely to have a significant adverse effect on its financial position or results of operations. It also include provisions for damage claims, warranties and similar obligations. (refer Note 37.3)
- (iv) Environmental obligation represents the expected costs of environmental remediation and rehabilitating contaminated sites across the different manufacturing sites. (refer Note 6.18)
- (v) Miscellaneous provisions relates to various risks and commitments.

In order to provide more transparent presentation and to align with industry best practices in terms of visibility of the Company’s provisions in its books, the provisions have been disclosed separately and has been reclassified from ‘other liabilities’ into a separate line, ‘provisions’, on the face of the consolidated statement of financial position, amounting to SR 871 million as on 31 December 2021.

The current portion of provisions have been disclosed as a part of other current liabilities, within Note 25.

## Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

## 24. Provisions (continued)

The movement in total provisions has been broken down as follows:

	Demolition and site restoration	Restructuring	Litigation claims	Environmental obligations	Miscellaneous	Total
As at 1 January 2021	237,810	46,641	120,546	93,121	657,698	1,155,816
Additions	86,606	134,882	11,250	2,129	18,181	253,048
Utilization	(68,119)	(6,505)	(108)	(5,849)	(256,992)	(337,573)
Reversals	-	-	(777)	(1,026)	(48,719)	(50,522)
Others	(7,769)	(2,877)	(1,697)	413	(7,749)	(19,679)
As at 31 December 2021	248,528	172,141	129,214	88,788	362,419	1,001,090
Additions	151,560	-	12,040	2,030	2,933	168,563
Utilization	(23,976)	(4,345)	(14)	(5,490)	(129,795)	(163,620)
Reversals	-	-	(2,512)	(1,116)	(32,740)	(36,368)
Others	4,775	(9,203)	(14,315)	2,054	(9,546)	(26,235)
As at 31 December 2022	380,887	158,593	124,413	86,266	193,271	943,430

## 25. Other liabilities

	31 December 2022	31 December 2021
<b>Non-current:</b>		
Payable to related parties (i)	1,312,435	1,421,535
Contract liability (ii)	169,341	174,811
Miscellaneous	31,629	66,026
	1,513,405	1,662,372
<b>Current:</b>		
Accrued liabilities	6,677,299	6,131,914
Employees related liabilities	2,538,094	3,160,886
Employee saving plan (refer Note 38 (i))	2,022,371	1,788,985
Dividends payable	1,326,621	1,146,478
Sales and other tax payables	1,047,967	1,203,522
Trade advances	353,719	928,983
Payable to related parties (i)	268,417	275,204
Interest payable	212,305	125,835
Incentives payable to customers	165,058	149,032
Provisions (iii)	82,032	130,446
Miscellaneous (iv)	170,431	170,528
	14,864,314	15,211,813

(i) Payable to related parties represents the payable against the operations and production advances.

(ii) Contract liability represents the payable against the asset received from third party under the tolling agreement.

(iii) Provisions represent current portion of demolition and site restoration, environmental obligations and miscellaneous provisions. (refer Note 24)

(iv) Miscellaneous liabilities mainly include disputed liabilities and payables.

## 26. Trade payables

Trade payables can be broken down as follows:

	31 December 2022	31 December 2021
Trade accounts payable	10,253,243	12,138,576
Due to related parties (refer Note 33)	12,284,747	14,010,549
	22,537,990	26,149,125

Trade payables are non-interest bearing and are settled within normal commercial terms.

The Group's exposure to currency and liquidity risk related to accounts payables is disclosed in Note 35.

## Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

### 27. Revenue

Revenue can be broken down as follows:

	For the year ended 31 December 2022	For the year ended 31 December 2021
Sales of goods	192,413,560	171,217,351
Logistic services	5,544,386	3,210,290
Rental income	508,818	455,485
	198,466,764	174,883,126

There is no significant revenue that has been recognised in 2022 from performance obligations satisfied in previous years. All unfulfilled remaining performance obligations as at 31 December 2022 are expected to be satisfied in the following year.

Refer Note 34 for the segment and geographical distribution of revenue.

### 28. Expenses

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

#### 28.1 Cost of sales

Cost of sales can be broken down as follows:

	For the year ended 31 December 2022	For the year ended 31 December 2021
Changes in inventories of finished products, raw materials and consumables used	129,050,427	102,239,251
Depreciation and amortisation	12,349,370	12,182,230
Employee related costs	8,317,332	8,562,410
Logistic service related costs	5,544,386	3,210,290
Impairments and write-offs of plant and equipment and intangible assets (refer Notes 7 and 9)	532,968	811,815
	155,794,483	127,005,996

#### 28.2 General and administrative expenses

General and administrative expenses can be broken down as follows:

	For the year ended 31 December 2022	For the year ended 31 December 2021
Employee related expenses	4,921,902	4,565,160
Administrative support	2,361,872	1,906,824
Depreciation, amortisation and impairment	1,107,175	1,392,604
Maintenance	406,093	447,358
Others	238,868	143,759
	9,035,910	8,455,705

## Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

**28. Expenses (continued)****28.3 Research and development expenses**

Research and development expenses can be broken down as follows:

	For the year ended 31 December 2022	For the year ended 31 December 2021
Employee related expenses	1,167,604	1,226,554
Depreciation and amortisation	231,512	312,828
Administrative support	231,097	117,439
Maintenance	174,937	175,120
Others	70,424	79,304
	<b>1,875,574</b>	<b>1,911,245</b>

In previous years, R&D expense was disclosed net of depreciation and amortisation of acquired R&D assets under the line item "General and administrative expense". With the fiscal year 2022, SABIC has commenced presenting R&D expenses separately on the face of the consolidated statement of income. Depreciation and amortization charged to R&D cost centres are included in the presentation. In the year 2021, the respective R&D related depreciation and amortisation amounted to SR 313 million.

**28.4 Selling and distribution expenses**

Selling and distribution expenses can be broken down as follows:

	For the year ended 31 December 2022	For the year ended 31 December 2021
Transportation and shipping	7,908,067	5,351,099
Employee related expenses	1,587,093	1,605,373
Marketing related expenses	954,613	430,456
Depreciation, amortisation and impairment	449,952	155,838
	<b>10,899,725</b>	<b>7,542,766</b>

**29. Other operating income and expenses**

Other operating income can be broken down as follows:

	For the year ended 31 December 2022	For the year ended 31 December 2021
Services rendered to integral JVs	720,963	744,751
Foreign currency exchange differences	370,401	52,042
Insurance claims	263,834	123,984
Miscellaneous	235,002	120,672
	<b>1,590,200</b>	<b>1,041,449</b>

Other operating expenses can be broken down as follows:

	For the year ended 31 December 2022	For the year ended 31 December 2021
Donations	104,867	79,796
Loss on disposal of plant and equipment	73,069	148,947
Restructuring provision	-	134,882
Miscellaneous	116,659	320,004
	<b>294,595</b>	<b>683,629</b>

## Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

**30. Finance income and cost**

Finance income can be broken down as follows:

	For the year ended 31 December 2022	For the year ended 31 December 2021
Murabaha (including fixed time deposits)	349,688	114,377
Interest income	389,797	178,069
	739,485	292,446

Finance cost can be broken down as follows:

	For the year ended 31 December 2022	For the year ended 31 December 2021
Interest expense on loans and borrowings	1,306,821	1,083,603
Derivatives financial instruments	(669,592)	511,211
Interest expenses related to defined benefit plans	452,719	413,203
Interest expense on lease liabilities	223,864	249,207
	1,313,812	2,257,224

Conventional and non-conventional break-up of finance income and finance cost is as follows:

	For the year ended 31 December 2022	For the year ended 31 December 2021
<b>Finance income</b>		
- Conventional call account	3,130	26
- Conventional time deposits	281,769	55,074
- Conventional current account	81,760	62,711
- Interest income (expense) from loans and borrowings – related party	(5,395)	25,570
- Others	105	-
<b>Total conventional finance income</b>	<b>361,369</b>	<b>143,381</b>
- Current Murabaha (including fixed time deposits)	349,688	114,377
- SUKUK	28,428	33,682
- Murabaha structured deposits	-	1,006
<b>Total non-conventional finance income</b>	<b>378,116</b>	<b>149,065</b>
<b>Total finance income</b>	<b>739,485</b>	<b>292,446</b>
<b>Finance cost</b>		
- Conventional loans	47,552	55,521
- Bonds/notes	415,313	415,313
- Lease liabilities	223,864	249,207
- Derivatives financial instruments	(669,592)	511,211
- Net interest on employee benefits	452,719	413,203
- Net foreign currency exchange differences for borrowings	279,545	191,439
- Others	(2,845)	93,179
<b>Total conventional finance cost</b>	<b>746,556</b>	<b>1,929,073</b>
- SIDF	33,756	45,565
- Murabaha	518,301	261,155
- Ijarah facilities and others	15,199	21,431
<b>Total non-conventional finance cost</b>	<b>567,256</b>	<b>328,151</b>
<b>Total finance cost</b>	<b>1,313,812</b>	<b>2,257,224</b>
Conventional financial result	(385,187)	(1,785,692)
Non-conventional financial result	(189,140)	(179,086)
<b>Financial result</b>	<b>(574,327)</b>	<b>(1,964,778)</b>

## Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

**31. Zakat and income tax**

The movement in the net zakat and income tax payable can be shown as follows:

	Zakat	Income Tax	Total
As at 1 January 2022	2,449,597	1,077,132	3,526,729
Provided during the year	1,962,183	814,554	2,776,737
Paid during the year, net	(2,249,159)	(1,115,417)	(3,364,576)
Other movements (foreign currency translations and reclassification)	(1,858)	(33,607)	(35,465)
<b>As at 31 December 2022</b>	<b>2,160,763</b>	<b>742,662</b>	<b>2,903,425</b>

Presentation in the consolidated statement of financial position can be broken down as follows:

	For the year ended 31 December 2022		
	Zakat	Income Tax	Total
Receivables	-	87,642	87,642
Payables	2,160,763	830,304	2,991,067
<b>Net payables</b>	<b>2,160,763</b>	<b>742,662</b>	<b>2,903,425</b>

	Zakat	Income Tax	Total
As at 1 January 2021	1,946,094	691,765	2,637,859
Provided during the year	1,960,393	1,065,073	3,025,466
Paid during the year, net	(1,456,647)	(676,724)	(2,133,371)
Other movements (foreign currency translations and reclassification)	(243)	(2,982)	(3,225)
<b>As at 31 December 2021</b>	<b>2,449,597</b>	<b>1,077,132</b>	<b>3,526,729</b>

Presentation in the consolidated statement of financial position can be broken down as follows:

	For the year ended 31 December 2021		
	Zakat	Income Tax	Total
Receivables	-	51,281	51,281
Payables	2,449,597	1,128,413	3,578,010
<b>Net payables</b>	<b>2,449,597</b>	<b>1,077,132</b>	<b>3,526,729</b>

In order to provide more transparent presentation in terms of visibility of the Group's income tax and zakat liabilities, income tax payable and zakat payable have been grossed up and disclosed separately on the face of the consolidated statement of financial position as on 31 December 2022 and 31 December 2021.

**31.1 Zakat**

Zakat returns of SABIC and wholly owned subsidiaries are submitted to the ZATCA based on separate financial statements prepared for zakat purposes only. Other non-wholly owned affiliates file their zakat returns separately. SABIC has filed its zakat returns with ZATCA, received the zakat certificates, settled the zakat dues up to the year ended 31 December 2020. SABIC cleared its zakat assessments with ZATCA up to the year ended 31 December 2016, and the years 2017 through 2019 are under review by the ZATCA.

**31.2 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 2022	For the year ended 31 December 2021
<b>Current income tax</b>		
Current year	932,032	1,073,397
Adjustments in respect of current income tax of previous year	(117,478)	(8,324)
<b>Deferred income tax</b>		
Origination and reversals of temporary differences	(281,384)	560,727
	<b>533,170</b>	<b>1,625,800</b>

## Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

## 31. Zakat and income tax (continued)

## 31.2 Income Tax (continued)

The following deferred income tax related items charged or credited directly to equity, and reported in the consolidated statement of other comprehensive income, can be broken down as follows for the years ended 31 December:

	For the year ended 31 December 2022	For the year ended 31 December 2021
Tax expense (benefit) on re-measurement of defined benefit plans	157,261	(21,329)
<b>Deferred income tax expense (benefit) recognised in other comprehensive income</b>	<b>157,261</b>	<b>(21,329)</b>

The relationship between the domestic (Saudi Arabia) income tax expense and the effective tax expense is as follows for the years ended 31 December:

	For the year ended 31 December 2022	For the year ended 31 December 2021
Income before zakat and income tax	25,988,176	34,087,964
Exclude: income subject to Zakat	(29,082,495)	(30,962,214)
Income (loss) subject to income tax	(3,094,319)	3,125,750
<b>Domestic income tax rate (KSA)</b>	<b>20%</b>	<b>20%</b>
<b>Income tax at domestic tax rate</b>	<b>(618,864)</b>	<b>625,150</b>
<b>Tax effects of:</b>		
- Current year tax benefits not recognised	1,599,189	1,313,546
- Deviating rates	(312,373)	(13,868)
- Tax rate changes	1,914	11,915
- Foreign currency losses	(225,252)	(335,019)
- Tax-exempt results on associates and joint ventures	214,300	(21,433)
- Non-tax deductible expenses	52,174	48,184
- Prior year adjustments and other tax-exempt items	(249,472)	(29,746)
- Tax charge due to other liabilities	(76,404)	(98,085)
- Deferred income tax on outside basis differences	(1,744)	58,561
- State, local and other income taxes	149,702	66,595
<b>Income tax expense</b>	<b>533,170</b>	<b>1,625,800</b>
<b>Zakat expense</b>	<b>1,962,183</b>	<b>1,960,393</b>
<b>Total income tax and zakat expense</b>	<b>2,495,353</b>	<b>3,586,193</b>

Review of the major drivers for the current year effective tax expense and zakat expense:

The effective tax and zakat rate is 10% (2021: 11%).

The effective tax expense is negatively impacted by current year tax losses and deductible temporary differences in Luxembourg and the United States of America for which no tax benefits have been recognised. Tax exempt results on associates and joint ventures, local income and withholding taxes have further contributed to the higher effective tax expense.

Favourable impact to the effective tax expense included tax deductible foreign currency exchange losses in the Netherlands as its tax return filing currency differs from the functional currency used for reporting purposes. In addition, true-ups to prior year tax returns, deviating local statutory tax rates on current year losses, as well as various reserve releases for uncertain tax positions have favourably impacted the effective tax expense.

The current year zakat expense is in line with last year.

The deferred income tax assets / (liabilities) presented in the consolidated statement of financial position are as follows:

	As at 31 December 2022	As at 31 December 2021
Deferred income tax assets	781,596	565,220
Deferred income tax liabilities	(903,549)	(748,733)
	<b>(121,953)</b>	<b>(183,513)</b>



## Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

## 31. Zakat and income tax (continued)

## 31.2 Income Tax (continued)

Components of deferred income tax are as follows:

	Consolidated statement of financial position		Consolidated statement of income	
	2022	2021	2022	2021
- Property, plant and equipment and intangible assets	(2,026,798)	(1,772,949)	220,261	(240,305)
- Right-of-use assets	(817,790)	(878,841)	(39,551)	341,822
- Inventories	(3,271)	(9,961)	(6,690)	(1,043)
- Outside basis differences	(290,527)	(305,052)	(1,744)	58,781
- Others	(11,642)	(79,086)	(67,444)	78,496
<b>Deferred income tax liabilities</b>	<b>(3,150,028)</b>	<b>(3,045,889)</b>		
Set-off with deferred income tax assets	2,246,479	2,297,156		
<b>Net deferred income tax liabilities</b>	<b>(903,549)</b>	<b>(748,733)</b>		
- Tax loss carry forward	9,669,070	8,256,194	(1,447,365)	(239,083)
- Property, plant and equipment and intangible assets	125,937	50,336	(75,601)	(25,255)
- Employee benefits	276,618	580,228	(2,774)	133,594
- Lease liabilities	846,766	868,316	(4,077)	(302,635)
- Deferred charges	346,048	321,122	(24,501)	(12,674)
- Provisions on receivables and inventories	94,561	244,532	149,854	(28,190)
- Interest carry forward	1,977,765	1,150,716	(858,127)	(480,945)
- Tax credits	312,497	136,755	(183,242)	1,710
- Others	331,499	419,373	148,100	(227,121)
<b>Deferred income tax assets</b>	<b>13,980,761</b>	<b>12,027,572</b>		
Unrecognised deferred income tax assets	(10,952,686)	(9,165,196)	1,911,517	1,503,575
Set-off with deferred income tax liabilities	(2,246,479)	(2,297,156)		
<b>Net deferred income tax assets</b>	<b>781,596</b>	<b>565,220</b>		
<b>Deferred income tax expense (benefit)</b>			<b>(281,384)</b>	<b>560,727</b>

The Group has not recognised SR 10,953 million (2021: SR 9,165 million) of deferred income tax assets, largely related to tax losses carry forward in various jurisdictions, as no sufficient evidence exists to support the Group's ability to realise such assets. The ultimate realisation of deferred income tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considered the scheduled reversal of deferred income tax liabilities, projected future taxable income and tax planning strategies in making this assessment.

Based on current profitability and forecasts for future years, the Group has recognised deferred income tax assets related to its tax losses carry forward in Saudi Arabia of SR 10 million (2021: SR 10 million), in the Netherlands of SR 440 million (2021: SR 134 million), in Spain of SR 138 million (2021: SR 154 million) and in the United States of America of SR 425 million (2021: SR 395 million).

An overview of the Group's recognised tax loss carry forward is shown below:

	31 December 2022	31 December 2021	Expiration ranges
Saudi Arabia	48,659	49,117	Indefinite
Netherlands	1,704,815	519,800	Indefinite
United States of America	1,817,320	1,688,734	2027 – Indefinite
Spain	551,341	615,789	Indefinite
Others	394,229	128,191	Various
<b>Total</b>	<b>4,516,364</b>	<b>3,001,631</b>	

In addition, the Group has unrecognised tax losses carry forward available of SR 32,252 million (2021: SR 30,921 million), mainly in Luxembourg, Netherlands and the United States of America and which can be applied against future taxable income. In certain jurisdictions, these tax losses are pending completion of tax filings and/or acceptance of tax filings by tax authorities.

The Group has recognised a deferred income tax liability of SR 291 million (2021: SR 305 million) for withholding taxes that would be payable on the distribution of unremitted earnings of its subsidiaries, joint ventures and associates.

## Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

**32. 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 2022	For the year ended 31 December 2021
Net income attributable to equity holders of the Parent (SR '000)	16,529,722	23,066,002
Weighted average number of ordinary shares ('000)	3,000,000	3,000,000
<b>Earnings per share from net income attributable to equity holders of the Parent (SR)</b>	<b>5.51</b>	<b>7.69</b>

There are no instruments that have diluted the weighted average number of ordinary shares.

**33. Related party transactions and balances**

Interests in subsidiaries are set out in Note 41.

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 2022		As at 31 December 2022	
Associates	164,823	6,131,785	38,555	515,963
Joint ventures (i)	8,027,896	20,039,831	1,328,005	4,081,365
Saudi Aramco and its subsidiaries (ii)	15,067,369	51,699,564	1,562,175	7,338,667

	31 December 2022			
	Associates	Joint ventures	Entities (FVOCI equity accounted)	Total
Loans to related parties	34,414	561,796	41,648	637,858

	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
	For the year ended 31 December 2021		As at 31 December 2021	
Associates	227,463	5,110,793	31,971	469,525
Joint ventures	6,890,684	21,862,469	1,293,416	5,315,375
Saudi Aramco and its subsidiaries	9,595,224	35,144,195	1,002,111	7,952,701

	31 December 2021			
	Associates	Joint ventures	Entities (FVOCI equity accounted)	Total
Loans to related parties	43,407	691,707	32,647	767,761

(i) Amount owed by and owed to related parties include current and non-current receivables and payables.

(ii) During the year ended 31 December 2021, SABIC and Saudi Aramco entered into a framework agreement, whereby, SABIC markets the petrochemicals and polymers products of certain affiliates of Saudi Aramco. The purchase and sale transactions of these agreements are disclosed as related party transactions.

## Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

**33. Related party transactions and balances (continued)****Terms and conditions of transactions with related parties**

The sales to and purchases from related parties are made at agreed terms and conditions. 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 2022 and 2021, the Group has not recognised 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.

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

	For the year ended 31 December 2022	For the year ended 31 December 2021
Purchases of goods and services	2,844,795	3,387,055
Sales of goods and services	17,683	9,578

	As at 31 December 2022	As at 31 December 2021
Due to entities controlled by the Saudi government	348,752	272,948
Due from entities controlled by the Saudi government	8,246	3,882

**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 2022	For the year ended 31 December 2021
Short-term employee benefits	36,586	33,412
Post-employment benefits	592	531
Other long-term benefits	25,675	23,774
<b>Total</b>	<b>62,853</b>	<b>57,717</b>

## Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

### 34. 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, Methyl Tert-Butyl Ether (MTBE) and other chemicals. Polymer products include Polyethylene (PE) and Polypropylene (PP). The PE range includes: Linear Low Density Polyethylene (LLDPE), Low Density Polyethylene (LDPE), and High Density Polyethylene (HDPE). The PP product range includes Homopolymer, Random and impact copolymer as well as specialty automotive grades. Other key products include Polycarbonate (PC), Polyester, Polyvinylchloride (PVC), and Polystyrene.

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 *IFRS 8 'Segment Reporting'* the SBU amounts are included as part of the Petrochemicals' reporting segment.

The **Agri-Nutrients** SBU consists of range of fertiliser products; 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.

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

The segments' financial details are shown below:

	For the year ended 31 December 2022			
	Petrochemicals & Specialties	Agri-nutrients	Hadeed	Consolidated
Revenue	164,845,965	18,230,607	15,390,192	198,466,764
Depreciation, amortisation and impairments (write-offs)	(12,653,474)	(839,403)	(1,197,779)	(14,690,656)
Income from operations	12,773,953	10,460,762	644,345	23,879,060
Share of results of non-integral joint ventures and associates	287,927	2,395,516	-	2,683,443
Finance income				739,485
Finance cost				(1,313,812)
Income before zakat and income tax				25,988,176

	For the year ended 31 December 2021			
	Petrochemicals & Specialties	Agri-nutrients	Hadeed	Consolidated
Revenue	149,879,769	12,192,877	12,810,480	174,883,126
Depreciation, amortisation and impairment	(12,813,112)	(956,427)	(1,136,242)	(14,905,781)
Income (loss) from operations	27,485,445	5,634,976	479,574	33,599,995
Share of results of non-integral joint ventures and associates	1,557,309	895,438	-	2,452,747
Finance income				292,446
Finance cost				(2,257,224)
Income before zakat and income tax				34,087,964

## Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

## 34. Segment information (continued)

	As at 31 December 2022			
	Petrochemicals & Specialties	Agri-nutrients	Hadeed	Consolidated
Total assets	271,936,874	21,536,224	19,632,719	313,105,817
Capital expenditure	8,862,914	771,621	589,147	10,223,682
Investment in associates and joint ventures	34,668,964	6,844,654	173,145	41,686,763
Total liabilities	86,874,558	2,983,373	5,630,627	95,488,558

	As at 31 December 2021			
	Petrochemicals & Specialties	Agri-nutrients	Hadeed	Consolidated
Total assets	287,979,437	13,199,668	18,176,223	319,355,328
Capital expenditure	9,770,746	636,568	564,148	10,971,462
Investment in associates and joint ventures	37,027,575	4,983,202	176,846	42,187,623
Total liabilities	98,838,753	2,192,580	6,490,697	107,522,030

## Geographical distribution of revenue

	For the year ended 31 December 2022		For the year ended 31 December 2021	
		%		%
KSA	40,225,104	20	31,006,023	18
China	33,290,282	17	31,123,031	18
Rest of Asia	34,568,369	18	33,010,796	19
Europe	42,422,513	21	41,426,007	24
Americas	19,387,810	10	14,543,393	8
Africa	11,979,503	6	10,529,514	6
Others	16,593,183	8	13,244,362	7
	198,466,764	100	174,883,126	100

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

## Geographical distribution for non-current assets excluding financial assets and deferred tax assets

	As at 31 December 2022		As at 31 December 2021	
		%		%
KSA	112,506,034	71	115,759,070	71
Europe	18,939,974	12	19,670,377	12
Americas	23,517,746	15	23,711,526	15
Asia	2,913,423	2	2,856,309	2
Africa	12,860	-	8,796	-
	157,890,037	100	162,006,078	100

## Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

### 35. Financial risk management

#### Overview

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

- Credit risk
- Liquidity risk
- Market 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.

## Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

## 35. Financial risk management (continued)

## 35.1 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. The maximum exposure to credit risk is the carrying value of these assets.

The Group's policies limit the amount of credit exposure to any individual counterparty based on their credit rating as well as other factors. Moreover, the Group's policies require that cash and cash equivalents and short-term investments be invested with a diversified group of financial institutions, in the majority of cases with investment grade credit ratings. The group ensures that each counterparty is of an acceptable credit quality by relying on quantitative and qualitative measures compiled from internal and third party rating models.

	For the year ended 31 December 2022										Carry value in the statement of financial position
	AA+	AA	AA-	A+	A	A-	BBB+	BBB	BBB-	Other	
Bank balances and time deposits	-	3	5,388	10,326,229	8,943,636	17,912,903	2,708,118	6,743	11,234	143,773	40,058,027
Investments in equity instruments	-	4,290	-	-	-	-	-	-	-	231,129	235,419
Investments in debt instruments	-	-	-	-	623,125	-	-	-	-	145,250	768,375
Short-term investments (i)	-	-	-	347,970	739,368	4,630,200	2,588,300	-	-	-	8,305,838
	-	4,293	5,388	10,674,199	10,306,129	22,543,103	5,296,418	6,743	11,234	520,152	49,367,659

	For the year ended 31 December 2021										Carry value in the statement of financial position
	AA+	AA	AA-	A+	A	A-	BBB+	BBB	BBB-	Other	
Bank balances and time deposits	534,409	-	4,676,008	7,442,686	5,152,694	7,675,048	16,562,189	126,484	2,651	146,571	42,318,740
Investments in equity instruments	-	4,449	-	-	-	-	-	-	-	288,003	292,452
Investments in debt instruments	-	-	-	-	834,337	-	-	-	-	148,909	983,246
Short-term investments (i)	-	-	-	150,000	249,900	280,200	3,868,039	232,900	-	52,824	4,833,863
	534,409	4,449	4,676,008	7,592,686	6,236,931	7,955,248	20,430,228	359,384	2,651	636,307	48,428,301

(i) Excludes investments in debt instruments.



## Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

**35. Financial risk management (continued)****35.1 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 customer demographics, including default risk of the industry and country in which customer operates, as these factors may have an influence on credit risk. Due to the global activities and diversified customer structure of the Group, there is no significant concentration of credit default risk.

The Group takes credit risk on trades 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 internal credit rating scorecard by taking into account the payment behaviour, company legal structure, financial and non-financial profile and external data where available. Credit limits are established accordingly and frequently monitored in accordance with the established policy. Payment terms are generally agreed upon individually with customers and, as a rule, are within 30-120 days. The Group considers additional measures to mitigate credit risk when deemed appropriate by means of letter of credits, credit insurance, bank guarantees or parent company guarantees.

The Group applies the simplified approach allowed by IFRS 9 in providing for expected credit losses for trade receivables which uses the lifetime expected credit loss provision for all trade receivables. Such credit losses have historically been nominal and the loss allowance for trade receivables (refer Note 17) is not material.

**35.2 Liquidity risk**

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities. SABIC's approach to managing liquidity risk is to maintain sufficient cash and cash equivalents and ensuring the availability of incremental funding through credit facilities (refer Note 18).

Management also monitor its risk to a shortage of funds using forecasting models to model impacts of operational activities on overall liquidity availability. SABIC invests surplus cash in current accounts, time deposits, money market deposits and marketable securities, ensuring instruments with appropriate maturities or sufficient liquidity to meet forecasted cash flow requirements. The Group prioritizes security and liquidity over yield.

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

	31 December 2022				Total
	Within 1 year	Between 1-2 years	Between 2-5 years	More than 5 years	
Debt (excludes lease liabilities)	5,853,133	2,050,829	7,406,654	11,653,069	26,963,685
Short-term borrowings	915,839	-	-	-	915,839
Interest on loans and borrowings (i)	1,359,467	1,054,697	2,207,826	2,218,362	6,840,352
Trade payables	22,537,990	-	-	-	22,537,990
Lease liabilities	1,294,311	1,859,280	1,310,371	10,174,648	14,638,610
Other liabilities	409,331	-	-	-	409,331
Obligations to acquire the remaining shares of certain subsidiaries	-	-	-	554,860	554,860
Financial liabilities - derivatives financial instruments	-	-	-	2,373,750	2,373,750
Guarantees (refer Note 37.2)	231,869	-	-	-	231,869
	32,601,940	4,964,806	10,924,851	26,974,689	75,466,286

(i) Excludes interest on lease

## Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

## 35. Financial risk management (continued)

## 35.2 Liquidity risk (continued)

	31 December 2021				Total
	Within 1 year	Between 1-2 years	Between 2-5 years	More than 5 years	
Debt (excludes lease liabilities)	5,384,983	9,672,381	6,699,017	10,557,083	32,313,464
Short-term borrowings	13,347	-	-	-	13,347
Interest on loans and borrowings (i)	577,563	557,917	1,146,468	2,478,619	4,760,567
Trade payables	26,149,125	-	-	-	26,149,125
Lease liabilities	1,312,133	1,950,184	1,164,991	3,289,711	7,717,019
Other liabilities	207,844	-	-	-	207,844
Obligations to acquire the remaining shares of certain subsidiaries	-	-	-	657,077	657,077
Financial liabilities - derivatives financial instruments	-	-	-	2,643,750	2,643,750
Guarantees (refer Note 37.2)	468,132	231,872	-	-	700,004
	34,113,127	12,412,354	9,010,476	19,626,240	75,162,197

(i) Excludes interest on lease

## 35.3 Market risk

Market risk is the risk that changes in market prices, such as foreign equity prices, exchange rates and interest rates and 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 has 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.

Equity price risk

The Group's exposure to equity price risk arises from investments in equity instruments. To manage its price risk arising from these investments, the Group diversifies its investment portfolio. Diversification of the investment portfolio is in accordance with the limits set by the Group.

Exchange rate risk

The Group's foreign currency risk management objective is to protect future cash flows in SR and in USD. Cash flow foreign currency risk exposures are considered at the group level and these primarily consist of currency exchange risks from account payables and receivables. SABIC management centrally manage currency risk and monitor currency exposures through applying a value-at-risk (VaR) methodology which is based on a Monte Carlo simulation, at a 97.5% confidence level, a 12-month time horizon is considered. When managing currency risk the Group assumes all capital expenditure is in USD and EUR exposures are reflected in the sales price, with an appropriate holding period. If a foreign currency exposure breaches certain thresholds then the Group will apply risk management activities. There is no exposure of SR to USD, as the SR is pegged to the USD.

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 2022 and 2021, the Group had no interest rate swaps outstanding.

Debt interest rate classification between fixed and variable is disclosed under Note 22. The total value of variable rate borrowings were SR 16,470 million (2021: SR 20,113 million) and the total value of fixed rate borrowings were SR 12,139 million (2021: SR 12,072 million).

## Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

**35. Financial risk management (continued)****35.3 Market risk (continued)**Interest rate risk (continued)

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):

	31 December 2022	
	Gains (losses) through income and equity	
	+100 bps	-100 bps
1M SAIBOR	-	-
3M SAIBOR	27	(27)
6M SAIBOR	(3,365)	3,365
6M LIBOR	(5,254)	5,254

	31 December 2021	
	Gains (losses) through income and equity	
	+100 bps	-100 bps
1M SAIBOR	(176)	176
3M SAIBOR	14	(14)
6M SAIBOR	(368)	368
6M LIBOR	(461)	461

**36. 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, 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.

In 2022, SABIC has started to disclose the net debt to equity ratio, replacing the liabilities to equity ratio, in order to align with the common practices in the capital markets. The Group believes that this measure provides more useful information to investors to see the economic effect of finance debt, cash and cash equivalents in total and also enables investors to see how significant net debt is relative to total equity.

The Group's debt to equity ratio at the end of the reporting years is as follows:

	31 December 2022	31 December 2021
Gross debt	34,813,325	38,559,270
Less: Cash and cash equivalents	(40,059,331)	(42,319,393)
Less: Short-term fixed time deposits	(8,678,959)	(5,066,554)
Net debt	(13,924,965)	(8,826,677)
Total equity	217,617,259	211,833,298
Net debt to equity ratio	(6)%	(4)%

**36.1 Compliance with covenants**

The Group is subject to certain covenants related primarily to its borrowings. Non-compliance with such covenants may result in negative consequences including growth in the cost of borrowings and declaration of default. The Group was in compliance with covenants at 31 December 2022 and 31 December 2021.

## Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

### 37. Commitments and contingencies

#### 37.1 Commitments

At 31 December 2022, the Group had commitments of SR 10,799 million (31 December 2021: SR 6,079 million) relating to capital expenditures.

SABIC has an equity contribution commitment towards its 15% interest in MWSPC. As of 31 December 2022, the outstanding commitment toward this investment amounts to SR 74 million (31 December 2021: SR 74 million). 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.

NUSANED has an equity contribution commitment towards its 50% interest in NUSANED Fund. As of 31 December 2022, the outstanding commitment toward this investment amounts to SR 464 million (31 December 2021: SR 14 million).

SABIC AN has an equity purchase commitment towards ETG Inputs Holdco Ltd for acquisition of 49% of its share capital (refer Note 10.5). As of 31 December 2022, the outstanding commitment towards this investment is amounting to SR 1,200 million (31 December 2021: SR Nil).

#### 37.2 Guarantees

SABIC has issued financial guarantee contracts to make specified payments to reimburse holders for losses incurred due to certain associates and joint ventures failing to make payments when due, in accordance with original or modified terms of the debt instrument, such as a loan agreement.

There were no events that took place during the years ended 31 December 2022 and 31 December 2021 that have triggered the use of these financial guarantees. The total value of the financial guarantees outstanding as of 31 December 2022 is SR 225 million (31 December 2021: SR 675 million). These amounts together with the associated interest exposure have been included as a part of the liquidity note (refer Note 35.2).

#### 37.3 Contingent liabilities

In the ordinary course of business, SABIC has a number of legal claims. After having obtained appropriate legal advice, management is of the opinion that these claims will not have a significant adverse impact on the financial position of SABIC or its future results, other than those that have been accrued for.

The Group's bankers have issued, on its behalf, bank guarantees amounting to SR 1,167 million (31 December 2021: SR 1,958 million) in the normal course of business, mainly to its integral JVs.

#### 37.4 Leases

##### Group as a lessor

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

	31 December 2022	31 December 2021
Within 1 year	39,648,448	40,844,233
1 – 2 years	38,177,048	39,648,448
2 – 3 years	36,276,103	38,177,048
3 – 4 years	35,496,925	36,276,103
4 – 5 years	32,893,734	35,496,925
More than 5 years	228,080,136	260,973,870
	410,572,394	451,416,627

## Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

### 38. Reclassification in comparative numbers

As part of the regular review of the financial disclosures and certain underlying assumptions, SABIC has reassessed previous judgements and adjusted the presentation and structure of certain items in the consolidated statement of financial position, income and cash flow in order to improve readability and transparency, to present the appropriate nature of the transactions and balances, to safeguard consistency with IFRS standards and in anticipation of principles of future ESG reporting. The adjustments required in the prior year disclosures – as outlined below - have no impact on previously reported net income and retained earnings.

	As previously reported	Amount of reclassification	Reclassified amounts
<b>Consolidated statement of financial position (i)</b>			
Cash and cash equivalents	41,402,842	916,551	42,319,393
<b>Total current assets</b>	<b>107,398,080</b>	<b>916,551</b>	<b>108,314,631</b>
Other liabilities	13,422,828	1,788,985	15,211,813
<b>Total current liabilities</b>	<b>49,405,025</b>	<b>1,788,985</b>	<b>51,194,010</b>
Employee benefits	18,313,670	(872,434)	17,441,236
<b>Total non-current liabilities</b>	<b>57,200,454</b>	<b>(872,434)</b>	<b>56,328,020</b>
<b>Consolidated statement of income</b>			
Cost of sales (ii)	123,795,706	3,210,290	127,005,996
General and administrative expense (iii)	10,366,950	(1,911,245)	8,455,705
Research and development expense (iii)	-	1,911,245	1,911,245
Selling and distribution expense (ii)	10,753,056	(3,210,290)	7,542,766
<b>Income from operations (iv)</b>	<b>33,242,175</b>	<b>357,820</b>	<b>33,599,995</b>

- (i) SABIC offers savings plans to its employees based in KSA. Employee contributions to the plan are made to dedicated bank accounts managed by SABIC. As these cash balances do not meet the definition of plan assets under IAS 19 'Employee Benefits', SABIC has reclassified the cash balances and related employee saving obligations and presented them on a gross basis as a current asset and a current liability. The cash balance which has been reclassified amounts to SR 917 million (2020: SR 652 million). The liability which has been reclassified amounts to SR 1,789 million (2020: SR 1,643 million).
- (ii) Revenue from logistic services to customers related to C-class incoterms are considered a separate performance obligation and hence, is disclosed under 'revenue'. In light of the increased materiality of associated shipping and forwarding expenses in 2022, the direct cost relating to these services have been reclassified from 'selling and distribution expenses' to 'cost of sales', amounting to SR 3,356 million in 2021.
- (iii) In order to provide more transparent presentation and to align with industry best practices in terms of visibility of the Company's effort on research, development and sustainability respective expenses have been reclassified from 'general and administrative expense' into a separate line 'research and development expense' on the face of the consolidated statement of income, amounting to SR 1,911 million.
- (iv) As part of the IASB Primary Financial Statements project, 'other operating income and expense' was identified as subject to different interpretations. In accordance with international practice and based on SABIC's reassessment, 'other operating income' and 'other operating expenses' amounting to SR 1,044 million and SR 686 million respectively, have been categorised as operating activities and presented within 'income from operations' on a gross basis.

The impact of the reclassifications in the consolidated statement of financial position and the consolidated statement of income have a corresponding impact on the consolidated statement of cash flows and has been reflected in the corresponding account balances.

## Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

### 39. Appropriations

The Ordinary General Assembly, in its meeting held on 9 Ramadan 1443H (corresponding to 10 April 2022), approved final cash dividends of SR 6,750 million (at SR 2.25 per share) for the second half of the year 2021, which has been recognised in these consolidated financial statements for the year ended 31 December 2022.

On 19 Dhul Al Qidah 1443H (corresponding to 18 June 2022), SABIC declared interim cash dividends for the first half of the year 2022 amounting to SR 6,750 million (at SR 2.25 per share), which has been recognised in these consolidated financial statements for the year ended 31 December 2022.

On 19 Jamad'ul Awwal 1444H (corresponding to 13 December 2022), the Board of Directors proposed a distribution of cash dividends for the second half of the year 2022 amounting to SR 6,000 million (at SR 2.0 per share). The proposed dividends are subject to approval of the shareholders in the upcoming Ordinary General Assembly on 10 April 2023.

### 40. Subsequent events

In the opinion of management, there have been no further significant subsequent events since the year ended 31 December 2022, which would have a material impact on the financial position of the Group as reflected in these consolidated financial statements.

## Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

### 41. Subsidiaries and investments in associates and joint arrangements

Subsidiaries of the Group are set out below:

	Country of incorporation (i)	Principal business activity (ii)	% Shareholding (direct and indirect) at 31 December 2022	% Shareholding (direct and indirect) at 31 December 2021	Conventional financial assets at 31 December 2022	Conventional financial liabilities at 31 December 2022	Interest income from conventional financial assets for the year ended 31 December 2022
SABIC Luxembourg S.à r.l. ("SLUX") and its subsidiaries	Luxembourg	Petrochemicals	100.00	100.00	5,483	44,852,620	-
SABIC Industrial Investments Company ("SIIC") and its subsidiaries	KSA	Investments	100.00	100.00	9,866	668,072	2
SABIC Agri-Nutrients Company ("SABIC AN") and its subsidiaries (iii)	KSA	Agri-Nutrients	50.10	50.10	-	96,023	150,981
Sabic Investment and Local Content Development Company ("NUSANED") and its subsidiaries	KSA	Investment	100.00	100.00	-	-	22
Arabian Petrochemical Company ("PETROKEMYA")	KSA	Petrochemicals	100.00	100.00	-	500,531	47
Saudi Iron and Steel Company ("HADEED")	KSA	Metals	100.00	100.00	-	2,005,319	742
Saudi European Petrochemical Company ("IBN ZAHR")	KSA	Petrochemicals	80.00	80.00	-	54,210	-
Jubail United Petrochemical Company ("UNITED")	KSA	Petrochemicals	75.00	75.00	435	50,759	-
Saudi Methanol Company ("AR-RAZI")	KSA	Petrochemicals	75.00	75.00	-	283,573	3
National Industrial Gases Company ("GAS") (iv)	KSA	Utilities	74.00	70.00	56,302	56,060	15,732
Yanbu National Petrochemical Company ("YANSAB") (iii), (iv)	KSA	Petrochemicals	52.08	52.07	-	147,832	19
National Methanol Company ("IBN-SINA")	KSA	Petrochemicals	50.00	50.00	-	30,826	-
Arabian Industrial Fibers Company ("IBN RUSHD") (iv)	KSA	Petrochemicals	48.37	48.34	-	620,588	-
Saudi Kayan Petrochemical Company ("SAUDI KAYAN") (iii)	KSA	Petrochemicals	35.00	35.00	-	1,144,647	-

Notes:

- (i) The country of incorporation is also their principal place of business.
- (ii) The principal activities of majority of the Group's subsidiaries are manufacturing, marketing and distribution of petrochemicals, specialties and related products except for SABIC AN, AL BAYRONI and IBN AL-BAYTAR that are involved in agri-nutrients business; and HADEED is involved in metal business.
- (iii) YANSAB, SABIC AN, and SAUDI KAYAN are public companies and listed on the Saudi Stock Exchange (Tadawul).
- (iv) During 2022, SABIC has acquired 4% of additional shareholding in GAS (refer Note 21), as a result of which, SABIC's shareholding has increased from 70% to 74%, with no change in control. This has also lead to an increase in SABIC's indirect ownerships in YANSAB (from 52.07% to 52.08%) and IBN RUSHD (from 48.34% to 48.37%).



## Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

## 41. Subsidiaries and investments in associates and joint arrangements (continued)

## Subsidiaries of SLUX

	Country of incorporation	Principal business activity	% Shareholding (direct and indirect) at 31 December 2022	% Shareholding (direct and indirect) at 31 December 2021	Conventional financial assets at 31 December 2022	Conventional financial liabilities at 31 December 2022	Interest income from conventional financial assets for the year ended 31 December 2022
<b>Subsidiaries</b>							
SABIC Innovative Plastics Argentina SRL	Argentina	Petrochemicals	100.00	100.00	41,913	49	795
SABIC High Performance Plastic ("SHPP") Argentina SRL	Argentina	Specialties	100.00	100.00	5,430	31	-
SABIC Australia Pty Ltd.	Australia	Petrochemicals	100.00	100.00	23,536	-	8
SABIC Innovative Plastics Aus GmbH	Austria	Petrochemicals	100.00	100.00	14,975	-	-
SABIC Innovative Plastics GmbH & Co. KG	Austria	Petrochemicals	100.00	100.00	47,999	25,458	-
SABIC Innovative Plastics South America-Indústria e Comércio de Plásticos Ltda	Brazil	Petrochemicals	100.00	100.00	30,529	84,781	5,703
SHPP South America-Comércio de Plásticos Ltda	Brazil	Specialties	100.00	100.00	13,702	42	8
NV Pijpleiding Antwerpen-Limburg-Luik (PALL)	Belgium	Support services	100.00	100.00	2,157	-	-
SABIC Belgium NV	Belgium	Petrochemicals	100.00	100.00	-	81,850	-
SHPP Canada, Inc.	Canada	Specialties	100.00	100.00	58,743	-	939
SABIC Petrochemicals Canada, Inc.	Canada	Petrochemicals	100.00	100.00	19,804	81	675
SABIC Innovative Plastics (China) Co., Ltd.	China	Petrochemicals	100.00	100.00	114,089	13,595	584
SABIC Innovative Plastics (Chongqing) Co., Ltd.	China	Petrochemicals	100.00	100.00	26,957	199,054	210
SABIC Innovative Plastics International Trading (Shanghai) Ltd.	China	Petrochemicals	100.00	100.00	17,788	79,300	304
SABIC Innovative Plastics Management (Shanghai) Co., Ltd. (ii)	China	Petrochemicals	100.00	100.00	1	-	233
SHPP (Shanghai) Co., Ltd.	China	Specialties	100.00	100.00	240,254	3,953	1,421
SABIC (Shanghai) Trading Co. Ltd.	China	Petrochemicals	100.00	100.00	436,763	-	1,266
SABIC (China) Research & Development Co. Ltd.	China	Petrochemicals	100.00	100.00	26,270	13,778	133
SABIC (China) Holding Co. Ltd.	China	Petrochemicals	100.00	100.00	619,602	66,518	314
SABIC Innovative Plastics Czech s.r.o.	Czech Republic	Petrochemicals	100.00	100.00	5,275	395	-
SHPP Czech s.r.o.	Czech Republic	Specialties	100.00	100.00	8,621	319	-

## Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

## 41. Subsidiaries and investments in associates and joint arrangements (continued)

## Subsidiaries of SLUX (continued)

	Country of incorporation	Principal business activity	% Shareholding (direct and indirect) at 31 December 2022	% Shareholding (direct and indirect) at 31 December 2021	Conventional financial assets at 31 December 2022	Conventional financial liabilities at 31 December 2022	Interest income from conventional financial assets for the year ended 31 December 2022
<b>Subsidiaries</b>							
SABIC Innovative Plastics Denmark Aps	Denmark	Petrochemicals	100.00	100.00	36,297	-	-
SABIC Nordic A/S	Denmark	Petrochemicals	100.00	100.00	20,071	65	-
SABIC Innovative Plastics Finland OY	Finland	Petrochemicals	100.00	100.00	11,552	122	-
SHPP Finland OY	Finland	Specialties	100.00	100.00	189	103	-
SABIC France S.A.S.	France	Petrochemicals	100.00	100.00	112,057	1,776	-
SABIC Innovative Plastics France S.A.S.	France	Petrochemicals	100.00	100.00	71,811	831	-
SHPP France S.A.S.	France	Specialties	100.00	100.00	18,676	200	-
SABIC Deutschland GmbH	Germany	Petrochemicals	100.00	100.00	319,666	2,488	-
SABIC Holding Deutschland GmbH	Germany	Petrochemicals	100.00	100.00	44,738	662,186	387
SABIC Innovative Plastics GmbH	Germany	Petrochemicals	100.00	100.00	207,486	819	-
SABIC Innovative Plastics Holding Germany GmbH	Germany	Petrochemicals	100.00	100.00	-	108,741	-
SABIC Polyolefine GmbH	Germany	Petrochemicals	100.00	100.00	222,829	32,710	-
SHPP Germany GmbH	Germany	Specialties	100.00	100.00	90,798	3,498	-
		Administrative					
SD Verwaltungs GmbH	Germany	Company	100.00	50.00	149	-	-
SD Lizenzverwertungs GmbH & Co KG	Germany	License Company	100.00	50.00	5,925	-	10
SD Beteiligings GmbH & Co KG	Germany	Specialties	100.00	50.00	102	-	-
SABIC Greece M.E.P.E. (ii)	Greece	Petrochemicals	100.00	100.00	4,423	-	-
SABIC Innovative Plastics Hong Kong Ltd.	Hong Kong	Petrochemicals	100.00	100.00	59,029	-	-
SABIC Innovative Plastics SIT Holding Ltd.	Hong Kong	Petrochemicals	100.00	100.00	641	-	-

## Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

## 41. Subsidiaries and investments in associates and joint arrangements (continued)

## Subsidiaries of SLUX (continued)

	Country of incorporation	Principal business activity	% Shareholding (direct and indirect) at 31 December 2022	% Shareholding (direct and indirect) at 31 December 2021	Conventional financial assets at 31 December 2022	Conventional financial liabilities at 31 December 2022	Interest income from conventional financial assets for the year ended 31 December 2022
<b>Subsidiaries</b>							
SABIC Taiwan Holding Ltd.	Hong Kong	Petrochemicals	100.00	100.00	38,372	-	-
SHPP Hong Kong	Hong Kong	Specialties	100.00	100.00	22,661	1,788	-
SABIC Hungary Kft.	Hungary	Petrochemicals	100.00	100.00	955	153	-
SABIC Innovative Plastics Kereskedelmi Kft.	Hungary	Petrochemicals	100.00	100.00	13,333	18	-
SHPP Hungary Kft.	Hungary	Specialties	100.00	100.00	1,672	22	-
SABIC India Pvt. Ltd.	India	Petrochemicals	100.00	100.00	27,356	2,725	-
SABIC Innovative Plastics India Private Ltd.	India	Petrochemicals	100.00	100.00	24,361	134	467
SABIC R&T Pvt Ltd.	India	Petrochemicals	100.00	100.00	55,638	418	29
High Performance Plastics India Pvt Ltd.	India	Petrochemicals	100.00	100.00	20,359	-	-
SABIC Innovative Plastics Italy Srl	Italy	Petrochemicals	100.00	100.00	42,462	717	-
SABIC Italia Srl	Italy	Petrochemicals	100.00	100.00	87,687	3,790	-
SABIC Sales Italy Srl	Italy	Specialties	100.00	100.00	8,106	756	-
SHPP Italy Srl	Italy	Specialties	100.00	100.00	10,011	293	-
SHPP Sales Italy Srl	Italy	Specialties	100.00	100.00	11,994	563	-
SHPP Japan LLC	Japan	Petrochemicals	100.00	100.00	91,524	9,170	-
SABIC Petrochemicals Japan LLC	Japan	Petrochemicals	100.00	100.00	18,524	22,622	-
SABIC Korea Ltd.	Korea	Petrochemicals	100.00	100.00	36,117	1,660	21
SHPP Korea Ltd.	Korea	Specialties	100.00	100.00	34,471	676	200
SABIC Innovative Plastics Malaysia Sdn Bhd	Malaysia	Petrochemicals	100.00	100.00	9,949	73	111
SHPP Malaysia Sdn Bhd	Malaysia	Specialties	100.00	100.00	5,150	-	-
SABIC Innovative Plastics Mexico S de RL de CV	Mexico	Petrochemicals	100.00	100.00	18,271	233,451	1,279

## Notes to the consolidated financial statements (continued)

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## 41. Subsidiaries and investments in associates and joint arrangements (continued)

## Subsidiaries of SLUX (continued)

	Country of incorporation	Principal business activity	% Shareholding (direct and indirect) at 31 December 2022	% Shareholding (direct and indirect) at 31 December 2021	Conventional financial assets at 31 December 2022	Conventional financial liabilities at 31 December 2022	Interest income from conventional financial assets for the year ended 31 December 2022
<b>Subsidiaries</b>							
High Performance Plastics Manufacturing Mexico S de RL de CV	Mexico	Specialities	100.00	100.00	16,605	374	142
BV Snij-Unie HiFi	Netherlands	Petrochemicals	100.00	100.00	18,639	391	-
SABIC Capital B.V.	Netherlands	Financing	100.00	100.00	-	113,821	-
SABIC Capital I B.V.	Netherlands	Financing	100.00	100.00	7,212,776	34,572,012	81,525
SABIC Capital II B.V.	Netherlands	Financing	100.00	100.00	4,525,043	8,317,517	9,875
Petrochemical Pipeline Services B.V.	Netherlands	Petrochemicals	100.00	100.00	19,473	6,508	-
SABIC Europe B.V.	Netherlands	Petrochemicals	100.00	100.00	46,872	7,619,313	-
SABIC Global Technologies B.V.	Netherlands	Petrochemicals	100.00	100.00	1,059,602	315	-
SABIC International Holdings B.V.	Netherlands	Petrochemicals	100.00	100.00	3,749,917	31,324,838	-
SABIC Innovative Plastics B.V.	Netherlands	Petrochemicals	100.00	100.00	2,655	31,592,167	-
SABIC Innovative Plastics GP B.V.	Netherlands	Petrochemicals	100.00	100.00	30,100	-	-
SABIC Innovative Plastics Holding B.V.	Netherlands	Petrochemicals	100.00	100.00	556,832	16,862,526	-
SABIC Innovative Plastics Utilities B.V.	Netherlands	Petrochemicals	100.00	100.00	6,200	-	-
SABIC Licensing B.V.	Netherlands	Petrochemicals	100.00	100.00	213,695	-	-
SABIC Limburg B.V.	Netherlands	Petrochemicals	100.00	100.00	88,871	-	-
SABIC Sales Europe B.V.	Netherlands	Petrochemicals	100.00	100.00	7,381	206,366	-
SABIC Petrochemicals B.V.	Netherlands	Petrochemicals	100.00	100.00	1,735,066	1,270,681	-

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## 41. Subsidiaries and investments in associates and joint arrangements (continued)

## Subsidiaries of SLUX (continued)

	Country of incorporation	Principal business activity	% Shareholding (direct and indirect) at 31 December 2022	% Shareholding (direct and indirect) at 31 December 2021	Conventional financial assets at 31 December 2022	Conventional financial liabilities at 31 December 2022	Interest income from conventional financial assets for the year ended 31 December 2022
<b>Subsidiaries</b>							
SABIC Ventures B.V.	Netherlands	Petrochemicals	100.00	100.00	318,593	-	-
SABIC Mining B.V.	Netherlands	Petrochemicals	100.00	100.00	176,826	-	-
SHPP Holding B.V.	Netherlands	Specialties	100.00	100.00	77,563	-	-
SHPP Global Technologies B.V.	Netherlands	Specialties	100.00	100.00	-	26,496	-
SHPP Ventures B.V.	Netherlands	Specialties	100.00	100.00	192	-	-
SHPP Capital B.V.	Netherlands	Financing	100.00	100.00	1,917	171	-
SHPP Capital I B.V.	Netherlands	Financing	100.00	100.00	265,596	265,542	15,650
SHPP Capital II B.V.	Netherlands	Financing	100.00	100.00	460,175	464,116	8,287
SHPP B.V.	Netherlands	Specialties	100.00	100.00	58	512,632	-
SHPP Sales B.V.	Netherlands	Specialties	100.00	100.00	5,296	-	-
SABIC Innovative Plastics Poland Sp. Z o.o.	Poland	Petrochemicals	100.00	100.00	30,767	189	-
SABIC Poland Sp. Z o.o.	Poland	Petrochemicals	100.00	100.00	10,234	252	-
SHPP Poland Sp. Z o.o.	Poland	Specialties	100.00	100.00	4,632	18	-
LLC SABIC Eastern Europe	Russia	Petrochemicals	100.00	100.00	5,167	232	-
SABIC Innovative Plastics Rus Z.o.o	Russia	Petrochemicals	100.00	100.00	2,801	406	-
SHPP Russia OOO	Russia	Specialties	100.00	100.00	1,013	119	-
SABIC Innovative Plastics (SEA) Pte. Ltd.	Singapore	Petrochemicals	100.00	100.00	40,739	431	-
SABIC Innovative Plastics Holding Singapore Pte. Ltd.	Singapore	Petrochemicals	100.00	100.00	104,053	-	-
SHPP Singapore Pte. Ltd.	Singapore	Specialties	100.00	100.00	444,665	22,822	-
SABIC Asia Pacific Pte Ltd ("SAPPL")	Singapore	Petrochemicals, Agri-Nutrients	100.00	100.00	1,170,184	383,648	42
SHPP Slovakia s.r.o. (i)	Slovakia	Specialties	-	100.00	-	-	-
SABIC Innovative Plastics Espana ScpA	Spain	Petrochemicals	100.00	100.00	1,196,851	71,081	-

## Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

## 41. Subsidiaries and investments in associates and joint arrangements (continued)

## Subsidiaries of SLUX (continued)

	Country of incorporation	Principal business activity	% Shareholding (direct and indirect) at 31 December 2022	% Shareholding (direct and indirect) at 31 December 2021	Conventional financial assets at 31 December 2022	Conventional financial liabilities at 31 December 2022	Interest income from conventional financial assets for the year ended 31 December 2022
<b>Subsidiaries</b>							
SABIC Innovative Plastics GP BV, Sociedad en Comandita	Spain	Petrochemicals	100.00	100.00	-	2,069,659	-
SABIC Sales Spain SL	Spain	Petrochemicals	100.00	100.00	10,461	491	-
SABIC Marketing Ibérica S.A.	Spain	Petrochemicals	100.00	100.00	51,782	344	-
SHPP Manufacturing Spain SL	Spain	Specialties	100.00	100.00	1,256	4,614	-
SHPP Marketing Plastics SL	Spain	Specialties	100.00	100.00	1,021	334	-
Saudi Innovative Plastics Sweden AB	Sweden	Petrochemicals	100.00	100.00	10,725	-	-
SHPP Thailand Co. Ltd.	Thailand	Specialties	100.00	100.00	61,387	4	3
SABIC (Thailand) Co. Ltd.	Thailand	Petrochemicals	100.00	100.00	7,695	261	-
SHPP Petrokimya Ticaret Ltd Sirketi	Turkey	Specialties	100.00	100.00	880	-	61
SABIC Global Ltd.	UK	Petrochemicals	100.00	100.00	142,683	-	-
SABIC Tees Holdings Ltd.	UK	Petrochemicals	100.00	100.00	240	1,422,123	-
SHPP Manufacturing UK Ltd.	UK	Specialties	100.00	100.00	13,959	2,679	-
SABIC Innovative Plastics Ltd.	UK	Petrochemicals	100.00	100.00	24,511	-	-
SABIC UK Ltd.	UK	Petrochemicals	100.00	100.00	128,641	-	-
SABIC UK Pension Trustee Ltd.	UK	Petrochemicals	100.00	100.00	-	-	-
SABIC UK Petrochemicals Ltd.	UK	Petrochemicals	100.00	100.00	457,310	975,859	2
SHPP Sales UK Ltd.	UK	Specialties	100.00	100.00	894	-	-

## Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

## 41. Subsidiaries and investments in associates and joint arrangements (continued)

## Subsidiaries of SLUX (continued)

	Country of incorporation	Principal business activity	% Shareholding (direct and indirect) at 31 December 2022	% Shareholding (direct and indirect) at 31 December 2021	Conventional financial assets at 31 December 2022	Conventional financial liabilities at 31 December 2022	Interest income from conventional financial assets for the year ended 31 December 2022
<b>Subsidiaries</b>							
Exatec, LLC	USA	Petrochemicals	100.00	100.00	21,109	-	-
Mt. Vernon Phenol Plant Partnership (ii)	USA	Petrochemicals	100.00	51.00	9,829	111,977	-
SABIC Americas LLC	USA	Petrochemicals, Agri-Nutrients	100.00	100.00	474,987	33,774	-
SABIC US Holdings LP	USA	Petrochemicals	100.00	100.00	1,243,124	531,540	-
SABIC Innovative Plastics Mt. Vernon, LLC	USA	Petrochemicals	100.00	100.00	298,543	240	-
SABIC Innovative Plastics US LLC	USA	Petrochemicals	100.00	100.00	298,543	10,085,818	-
SABIC Petrochemicals Holding US, LLC	USA	Petrochemicals	100.00	100.00	160,755	7	-
SABIC Ventures US Holdings LLC	USA	Petrochemicals	100.00	100.00	125,171	-	3,478
SABIC US Projects LLC	USA	Petrochemicals	100.00	100.00	1,233,102	841,272	-
SABIC Americas Growth LLC	USA	Petrochemicals	100.00	100.00	274,098	-	-
SABIC US Methanol LLC	USA	Petrochemicals	100.00	100.00	985	-	-
SHPP US LLC	USA	Specialties	100.00	100.00	461,410	537,163	5,871
JVSS Holding Co Inc. (iii)	USA	Specialties	100.00	-	7	-	-
Scientific Design Co. Inc.	USA	Specialties	100.00	-	93,496	5,720	228
SABIC Vietnam Company Ltd.	Vietnam	Petrochemicals	100.00	100.00	2,578	1,048	1
SHPP Vietnam Co Ltd	Vietnam	Specialties	100.00	100.00	3,503	35	-

## Notes:

- (i) The changes in the corporate structure of the Group during 2022 are related to the liquidation of SHPP Slovakia s.r.o.
- (ii) SABIC Innovative Plastics Management (Shanghai) Co., Ltd. based in China, SABIC Greece M.E.P.E. based in Greece and Mt. Vernon Phenol Plant Partnership based in the USA are under liquidation.
- (iii) JVSS Holding Co Inc. is a holding company owning Scientific Design Co. Inc.

## Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

## 41. Subsidiaries and investments in associates and joint arrangements (continued)

## Subsidiaries of SIIC

	Country of incorporation	Principal business activity	% Shareholding (direct and indirect) at 31 December 2022	% Shareholding (direct and indirect) at 31 December 2021	Conventional financial assets at 31 December 2022	Conventional financial liabilities at 31 December 2022	Interest income from conventional financial assets for the year ended 31 December 2022
SABCAP Insurance Limited ("SABCAP")	Guernsey	Insurance	100.00	100.00	53,011	-	-
SABIC Petrokemya Ticaret Limited ("SABIC TURKEY")	Turkey	Petrochemicals	100.00	100.00	-	-	96
SABIC Middle East Offshore Company ("SABIC MIDDLE EAST") (i)	Lebanon	Petrochemicals	100.00	100.00	8	-	-
SABIC Middle East Business Management LLC	Jordan	Petrochemicals	100.00	100.00	4	1,016	-
SABIC South Africa Proprietary Ltd.	South Africa	Petrochemicals	100.00	100.00	-	5,018	7
SABIC Africa for Trade & Marketing ("S.A.E.") (i)	Egypt	Petrochemicals	100.00	100.00	-	-	-
SABIC Morocco	Morocco	Petrochemicals	100.00	100.00	-	-	-
SABIC Global Mobility Company FZ LLC ("GMC")	UAE	Personnel and	100.00	100.00	-	-	-
SABIC Global Mobility ("GMC LLC") (i)	UAE	other support services	100.00	100.00	-	35	-
SABIC Tunisia	Tunisia	Petrochemicals	100.00	100.00	-	-	120
SABIC Kenya	Kenya	Petrochemicals	100.00	100.00	-	1,271	(159)
SABIC Pakistan (Pvt.) Ltd.	Pakistan	Petrochemicals	100.00	100.00	1	1,114	2,258
SABIC East Africa for Trade and Marketing LLC	Egypt	Petrochemicals	99.99	99.99	-	186	-
International Shipping and Transportation Co. ("ISTC")	KSA	Supply chain	99.00	99.00	-	253,693	34
SABIC Supply Chain Services Limited Company ("SSCS")	KSA	Supply chain	99.00	99.00	-	46,895	-
SABIC Terminal Services ("SABTANK")	KSA	Supply chain	90.00	90.00	-	38,046	-
Jubail Chemical Storage and Services Company ("CHEMTANK") (ii)	KSA	Supply chain	58.00	58.00	-	60,236	-

## Notes:

(i) SABIC MIDDLE EAST, S.A.E. and GMC LLC are under liquidation.

(ii) SABIC disposed 17% of its shares in Chemtank to Jubail Chemicals Storage &amp; Services Company (refer Note 13) in the year 2021.



## Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

## 41. Subsidiaries and investments in associates and joint arrangements (continued)

## Subsidiaries of SABIC AN

	Country of incorporation	Principal business activity	% Shareholding (direct and indirect) at 31 December 2022	% Shareholding (direct and indirect) at 31 December 2021	Conventional financial assets at 31 December 2022	Conventional financial liabilities at 31 December 2022	Interest income from conventional financial assets for the year ended 31 December 2022
<b>Subsidiaries</b>							
SABIC Agri-Nutrients Investment Company ("SANIC")	KSA	Agri-Nutrients	100.00	100.00	-	-	35,196
National Chemical Fertiliser Company ("IBN AL-BAYTAR")	KSA	Agri-Nutrients	100.00	100.00	-	34,737	20,167
Al-Jubail Fertiliser Company ("AL BAYRONI")	KSA	Agri-Nutrients	50.00	50.00	-	39,723	-
<b>Associates</b>							
Gulf Petrochemical Industries Company ("GPIC")	Bahrain	Agri-Nutrients, Petrochemicals	33.33	33.33	636,143	-	14,129

Note:

SABIC AN owns 100% (direct and indirect) in SANIC and IBN AL-BAYTAR, 50% in AL-BAYRONI and 33.33% in GPIC (refer Note 21 for changes in shareholding of subsidiaries).

## Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

## 41. Subsidiaries and investments in associates and joint arrangements (continued)

## Subsidiaries of NUSANED

	Country of incorporation	Principal business activity	% Shareholding (direct and indirect) at 31 December 2022	% Shareholding (direct and indirect) at 31 December 2021	Conventional financial assets at 31 December 2022	Conventional financial liabilities at 31 December 2022	Interest income from conventional financial assets for the year ended 31 December 2022
<b>Joint Ventures</b>							
Advanced Energy Storage System Investment Company ("AESSIC") (i)	KSA	Renewable Energy	48.72	43.00	-	-	-
Saudi Pallet Manufacturing Company ("SPMC") (ii)	KSA	Logistic	30.50	30.50	-	-	-
Isotopes Company ("IHC")	KSA	Machinery Equipment	13.44	-	-	-	-
<b>Associates</b>							
Nusaned Fund I	KSA	Equity Investments	50.00	50.00	-	-	-
Nusaned Fund II	KSA	Equity Investments	60.00	-	-	-	-

## Notes:

- (i) AESSIC is a Limited Liability Company, and it was wholly owned by NUSANED. During 2020, the part of ownership has been transferred to the shareholder GEBR. SCHMID GMBH, located in Germany.
- (ii) Nusaned Investment owns SPMC 23% (direct) and through Nusaned Fund I 15% (indirect).

## Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

## 41. Subsidiaries and investments in associates and joint arrangements (continued)

Below is the listing of the Group's investments in associates:

	Country of incorporation (i)	Principal business activity	% Shareholding (direct and indirect) at 31 December 2022	% Shareholding (direct and indirect) at 31 December 2021	Conventional financial assets at 31 December 2022	Conventional financial liabilities at 31 December 2022	Interest income from conventional financial assets for the year ended 31 December 2022
<b>Associates</b>							
Clariant AG ("CLARIANT")	Switzerland	Specialty chemical	31.50	31.50	-	-	-
Ma'aden Phosphate Company ("MPC")	KSA	Agri-Nutrients	30.00	30.00	-	-	-
Bahrain Aluminium Company BSC ("ALBA")	Bahrain	Aluminium	20.62	20.62	-	-	-
Power and Water Utilities Company for Jubail and Yanbu ("MARAFIQ")	KSA	Utilities	17.50	24.81	-	-	-
Ma'aden Wa'ad Al Shamal Phosphate Company ("MWSPC")	KSA	Agri-Nutrients	15.00	15.00	-	-	-
National Chemical Carrier Company ("NCC")	KSA	Transportation	20.00	20.00	-	-	-
Saudi Arabian Industrial Investment Company ("DUSSUR")	KSA	Investments	25.00	25.00	-	-	-
ARG mbH & Co KG ("ARG") (ii)	Germany	Transportation	25.00	25.00	-	-	-
ARG Verwaltungs GmbH	Germany	Administrative company	25.00	25.00	-	-	-
German Pipeline Development Company GMBH ("GPDC")	Germany	Transportation	39.00	39.00	-	-	-
Mallinda, Inc. ("MALLINDA")	USA	Ventures	26.20	26.20	381	504	-
Gulf Aluminium Rolling Mill Company ("GARMCO")	Bahrain	Aluminium	30.40	30.40	-	-	-

Notes:

- (i) The country of incorporation is also their principal place of business.
- (ii) ARG includes ARG Verwaltungs GmbH which is administrative and non-operating company based in Germany.

## Notes to the consolidated financial statements (continued)

All amounts in thousands of Saudi Riyals unless otherwise stated

## 41. Investment in associates and joint arrangements (continued)

Below is the listing of the Group's investments in joint arrangements:

	Country of incorporation (i)	Principal business activity	% Shareholding (direct and indirect) at 31 December 2022	% Shareholding (direct and indirect) at 31 December 2021	Conventional financial assets at 31 December 2022	Conventional financial liabilities at 31 December 2022	Interest income from conventional financial assets for the year ended 31 December 2022
<b>Joint Ventures</b>							
Eastern Petrochemical Company ("SHARQ")	KSA	Petrochemicals	50.00	50.00	72	245,163	5,329
Al-Jubail Petrochemical Company ("KEMYA")	KSA	Petrochemicals	50.00	50.00	12	641,276	2,192
SINOPEC/SABIC Tianjin Petrochemical Company Limited ("SSTPC")	China	Petrochemicals	50.00	50.00	-	4,377,055	-
Saudi Yanbu Petrochemical Company ("YANPET")	KSA	Petrochemicals	50.00	50.00	70	340,705	7,496
SABIC SK Nexelene Company Pte. Ltd. ("SSNC")	Singapore	Petrochemicals	50.00	50.00	-	284,193	-
Cosmar Company ("COSMAR")	USA	Petrochemicals	50.00	50.00	-	-	-
Utility Support Group ("USG") B.V. (ii)	Netherlands	Utilities	50.00	50.00	-	-	-
SABIC Plastic Energy Advanced Recycling BV ("SPEAR") (iii)	Netherlands	Petrochemicals	50.00	50.00	-	40,510	-
Mauritania Saudi Mining & Steel Company S.A. ("TAKAMUL")	Mauritania	Mining (Metal)	50.00	50.00	-	-	-
SABIC Fujian Petrochemicals Co., Ltd. ("FUJIAN")	China	Petrochemicals	51.00	-	-	-	-
<b>Joint Operations *</b>							
Saudi Methacrylates Company ("SAMAC") (iv)	KSA	Petrochemicals	50.00	50.00	-	1,336,798	17
Gulf Coast Growth Venture LLC ("GCGV") (v)	USA	Petrochemicals	50.00	50.00	-	-	-
Saudi Acrylic Butanol Company ("SABUCO") (vi)	KSA	Petrochemicals	11.67	11.67	-	-	-
Geismar (vii)	USA	Petrochemicals	11.50	11.50	-	-	-

## Notes:

- (i) The country of incorporation is also their principal place of business.
- (ii) USG (Geleen, Netherlands), which is operated jointly with other stakeholders to produce utilities for a production site. USG has been reclassified from joint operations to joint venture in 2021.
- (iii) SPEAR is a joint venture and engaged in plastic recycling, located in Sittard-Geleen, Netherlands.
- (iv) SAMAC is a Limited Liability Company, registered in KSA and involved in production and selling of Methyl Methacrylate ("MMA") and Poly Methyl Methacrylate ("PMMA").
- (v) Gulf Coast Growth Venture LLC ("GCGV") is a joint venture established with Exxon Mobil (a foreign partner) for the production of petrochemicals products.
- (vi) SABUCO, a Saudi based mixed limited liability company, having principal activities comprise of Butanol plant in Jubail for production of N-Butanol and Iso-Butanol. SABUCO is owned 33.33% by SAUDI KAYAN and SABIC share is 11.67%. During the year 2021, this been classified as a joint operation based on reassessment of its control over this investment.
- (vii) Geismar, Louisiana, USA, is a cooperation with NOVA Chemicals to produce ethylene. The Group holds 11.5% share in this joint operation and controls it jointly with the partner.

\* The Group holds a joint control in each of these joint operations with the respective partners. The partners ensure the ongoing financing of the companies, either by the product and utility directly sold to the partners or sharing the costs.