IMPORTANT NOTICE

THE ATTACHED PROSPECTUS MAY ONLY BE DISTRIBUTED TO PERSONS WHO ARE NON-U.S. PERSONS (WITHIN THE MEANING OF REGULATION S ("REGULATION S") UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT")) OUTSIDE OF THE UNITED STATES. THE ATTACHED PROSPECTUS MAY NOT BE DISTRIBUTED DIRECTLY OR INDIRECTLY IN OR INTO THE UNITED STATES.

IMPORTANT: You must read the following disclaimer before continuing. The following disclaimer applies to the prospectus attached to this electronic transmission (the "**Prospectus**") and you are therefore advised to read this disclaimer carefully before reading, accessing or making any other use of the Prospectus. In accessing the Prospectus, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from SABIC Capital I B.V. (the "**Issuer**"), Saudi Basic Industries Corporation ("**SABIC**") and the Managers (as defined below) as a result of such access. You acknowledge that this electronic transmission and the delivery of the Prospectus is confidential and intended only for you and you agree you will not reproduce or publish this electronic transmission or forward the Prospectus to any other person.

RESTRICTIONS: NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY ANY SECURITIES IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. NEITHER THE SECURITIES NOR THE GUARANTEES DESCRIBED IN THE PROSPECTUS HAVE BEEN, NOR WILL BE, REGISTERED UNDER THE SECURITIES ACT OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTIONS, NOR MAY THEY BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT IN AN OFFSHORE TRANSACTION TO A PERSON THAT IS NOT A U.S. PERSON IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT ("**REGULATION S**") AND IN ACCORDANCE WITH THE SECURITIES LAWS APPLICABLE TO ANY RELEVANT STATE OF THE UNITED STATES OR OTHER RELEVANT JURISDICTIONS.

IN MEMBER STATES OF THE EUROPEAN ECONOMIC AREA (the "**EEA**") AND THE UNITED KINGDOM, THE PROSPECTUS IS DIRECTED ONLY AT PERSONS WHO ARE "QUALIFIED INVESTORS" WITHIN THE MEANING OF REGULATION (EU) 2017/1129 (THE "**PROSPECTUS REGULATION**"). THE PROSPECTUS IS NOT BEING DISTRIBUTED TO, AND MUST NOT BE PASSED ON TO, THE GENERAL PUBLIC IN THE UNITED KINGDOM. RATHER, THE COMMUNICATION OF THE PROSPECTUS AS A FINANCIAL PROMOTION IS ONLY BEING MADE TO, AND THE DISTRIBUTION IN THE UNITED KINGDOM OF THE PROSPECTUS AND ANY OTHER MARKETING MATERIALS RELATING TO THE SECURITIES IS ONLY BEING ADDRESSED TO, OR DIRECTED AT: (I) PERSONS WHO ARE INVESTMENT PROFESSIONALS AS DEFINED IN ARTICLE 19(5) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (FINANCIAL PROMOTION) ORDER 2005 (THE "**FINANCIAL PROMOTION ORDER**"); (II) PERSONS FALLING WITHIN ANY OF THE CATEGORIES OF PERSONS DESCRIBED IN ARTICLE 49 OF THE FINANCIAL PROMOTION ORDER; AND (III) ANY OTHER PERSON TO WHOM IT MAY OTHERWISE LAWFULLY BE MADE, WITHOUT CONTRAVENTION OF SECTION 21(1) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000, AS AMENDED, OR THE FINANCIAL PROMOTION ORDER (EACH SUCH PERSON BEING REFERRED TO AS A "**RELEVANT PERSON**"). THIS COMMUNICATION IS BEING DIRECTED ONLY AT RELEVANT PERSONS IN THE UNITED KINGDOM AND QUALIFIED INVESTORS IN ANY MEMBER STATE OF THE EEA AND THE UNITED KINGDOM. ANY INVESTMENT OR INVESTMENT ACTIVITY TO WHICH THIS COMMUNICATION RELATES WILL BE ENGAGED IN ONLY WITH RELEVANT PERSONS IN THE UNITED KINGDOM AND QUALIFIED INVESTORS IN ANY MEMBER STATE OF THE EEA AND THE UNITED KINGDOM. NO PERSON OTHER THAN A RELEVANT PERSON IN THE UNITED KINGDOM OR A QUALIFIED INVESTOR IN ANY MEMBER STATE OF THE EEA AND THE UNITED KINGDOM SHOULD RELY ON IT.

THE PROSPECTUS MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON WITHOUT THE PRIOR WRITTEN CONSENT OF THE MANAGERS AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER AND, IN PARTICULAR, MAY NOT BE FORWARDED TO ANY UNITED STATES ADDRESS. DISTRIBUTION OR REPRODUCTION OF THE PROSPECTUS IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE SECURITIES LAWS OF OTHER JURISDICTIONS.

UNDER NO CIRCUMSTANCES SHALL THE PROSPECTUS CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF THE SECURITIES IN ANY JURISDICTION IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL.

IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORISED, AND WILL NOT BE ABLE, TO PURCHASE ANY OF THE SECURITIES DESCRIBED THEREIN.

CONFIRMATION OF YOUR REPRESENTATION: The Prospectus is delivered to you at your request and on the basis that you have confirmed to the Issuer, SABIC and the Managers (as defined below) that: (a) you have understood and agree to the terms set out herein; (b) you are a non-U.S. person (within the meaning of Regulation S) outside the United States who is not acting for the account or benefit of U.S. persons; (c) you consent to the delivery of the Prospectus by electronic transmission and represent to us that you and any customers you represent are not U.S. persons and/or are not acting for the account or benefit of any U.S. persons and the electronic mail address that you gave us and to which this e-mail has been delivered is not located in the U.S.; (d) you will not transmit the Prospectus (or any copy of it or part thereof) or disclose, whether orally or in writing, any of its contents to any other person except with the prior written consent of the Managers; and (e) you acknowledge that you will make your own assessment regarding any credit, investment, legal, taxation or other economic considerations with respect to your decision to subscribe or purchase any of the Notes. References to "**Managers**" herein are to: (i) in respect of the Series A Notes, BNP Paribas, Citigroup Global Markets Limited, Crédit Agricole Corporate and Investment Bank, HSBC Bank plc, ING Bank N.V., Merrill Lynch International, Mizuho International plc, MUFG Securities EMEA plc, SMBC Nikko Capital Markets Limited and Standard Chartered Bank; and (ii) in respect of the Series B Notes, BNP Paribas SA, Taipei Branch, Citibank Taiwan Limited and HSBC Bank (Taiwan) Limited.

You are reminded that the Prospectus has been delivered to you on the basis that you are a person into whose possession the Prospectus may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located, and you may not, nor are you authorised to, deliver or disclose the Prospectus, electronically or otherwise, to any other person. Failure to comply with this directive may result in a violation of the Securities Act or the applicable securities laws of other jurisdictions.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where such offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer, and any Manager or any affiliate of a Manager is a licensed broker or dealer in that jurisdiction, the offering shall be deemed, to the extent permitted by applicable laws and regulations, to be made by such Manager or such affiliate on behalf of the Issuer and SABIC in such jurisdiction.

You are reminded that the information contained in the Prospectus is not complete and may be changed, and that no representation or warranty, expressed or implied, is made or given by, or on behalf of, the Managers, nor any person who controls any of them or any director, officer, employee or agent of any of them, or affiliate of any such person as to the accuracy, completeness or fairness of the information or opinions contained in the Prospectus and such persons do not accept responsibility or liability for any acts or omissions of the Issuer, SABIC or any other person (other than the relevant Manager) in connection with the issue and offering of the Notes. The attached Prospectus is subject to correction, completion, modification and amendment in its final form.

If you received the Prospectus by e-mail, you should not reply by e-mail to this communication. Any reply e-mail communications, including those you generate by using the "reply" function on the e-mail software, will be ignored or rejected. Your receipt of this electronic transmission is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

The Prospectus has been made available to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Issuer, SABIC, the Managers nor any person who controls or is a director, officer, employee or agent of the Issuer, SABIC, any Manager nor any of their respective affiliates accepts any liability or responsibility whatsoever in respect of any difference between the document distributed to you in electronic format and the hard copy version available to you on request from any Manager.

SABIC CAPITAL I B.V.

(incorporated as a private company with limited liability under the laws of The Netherlands)

U.S.$500,000,000 2.150% Guaranteed Notes due 2030
U.S.$500,000,000 3.000% Guaranteed Notes due 2050
guaranteed by
SAUDI BASIC INDUSTRIES CORPORATION

(incorporated as a joint stock company under the laws of the Kingdom of Saudi Arabia)

The issue price of the U.S.$500,000,000 2.150% Guaranteed Notes due 2030 (the "**Series A Notes**") of SABIC Capital I B.V. (the "**Issuer**") is 99.687% of their principal amount. The issue price of the U.S.$500,000,000 3.000% Guaranteed Notes due 2050 (the "**Series B Notes**" and, together with the Series A Notes, the "**Notes**" and each series, a "**Series**") of the Issuer is 100% of their principal amount.

This prospectus (the "**Prospectus**") describes the Notes which will be issued by the Issuer. The Series A Notes and the Series B Notes will be issued on or around 14 September 2020 (the "**Issue Date**"). The Series A Notes will bear interest from the Issue Date at the rate of 2.150% per annum payable semi-annually in arrear on 14 March and 14 September in each year commencing on 14 March 2021. The Series B Notes will bear interest from the Issue Date at the rate of 3.000% per annum payable semi-annually in arrear on 14 March and 14 September in each year commencing on 14 March 2021. Saudi Basic Industries Corporation ("**SABIC**" or the "**Guarantor**") will unconditionally and irrevocably guarantee the due and punctual payment of all amounts at any time becoming due and payable in respect of the Notes of each Series (each, a "**Guarantee**" and together, the "**Guarantees**"). Payments on the Notes of each Series will be made in U.S. dollars without deduction for or on account of taxes imposed or levied by The Netherlands or the Kingdom of Saudi Arabia to the extent described under "*Terms and Conditions of the Series A Notes – Taxation*" or "*Terms and Conditions of the Series B Notes – Taxation*" (as applicable).

Unless previously redeemed or cancelled, the Series A Notes will be redeemed at their principal amount on 14 September 2030 and the Series B Notes will be redeemed at their principal amount on 14 September 2050. The Series A Notes may be redeemed at the option of the Issuer, in whole but not in part, at their principal amount on 14 June 2030 and the Series B Notes may be redeemed at the option of the Issuer, in whole but not in part, at their principal amount on 14 March 2050. The Notes are also subject to redemption in whole, but not in part, at any time at the option of the Issuer at their principal amount together with any interest accrued up to (but excluding) the date of redemption in the event of certain changes affecting taxation in The Netherlands or the Kingdom of Saudi Arabia. In addition, the holder of a Note may, by the exercise of the relevant option, require the Issuer to redeem such Note at its principal amount together with any interest accrued up to (but excluding) the Put Settlement Date (as defined in "*Terms and Conditions of the Series A Notes*" or "*Terms and Conditions of the Series B Notes*" (as applicable)). Following such redemption by the Noteholders of any Series and provided that 75% or more in principal amount of the then outstanding Notes of the relevant Series have been so redeemed, the Issuer may redeem the remaining Notes of such Series at their principal amount together with any interest accrued up to (but excluding) the date of redemption (see "*Terms and Conditions of the Series A Notes – Redemption and Purchase*" or "*Terms and Conditions of the Series B Notes – Redemption and Purchase*" (as applicable)).

Each Series will be in registered form in the denomination of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof. The Notes of each Series will be represented by a global note certificate (each, a "**Global Note Certificate**" and together, the "**Global Note Certificates**") registered in the name of a nominee of a common depositary for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream, Luxembourg**"). The Global Note Certificates will be exchangeable for individual note certificates (the "**Individual Note Certificates**") in the limited circumstances specified therein. See "*Summary of Provisions Relating to the Notes in Global Form*".

An investment in the Notes involves certain risks, see "*Risk Factors*" on page 1.

This Prospectus has been approved by the Central Bank of Ireland (the "**Central Bank**") as competent authority under Regulation (EU) 2017/1129 (the "**Prospectus Regulation**") for the purpose of giving information with regard to the issue of the Notes. The Central Bank only approves this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Such approval relates only to Notes which are to be admitted to trading on a regulated market for the purposes of Directive 2014/65/EU (as amended, "**MiFID II**") and/or which are to be offered to the public in any Member State of the European Economic Area. Such approval should not be considered as an endorsement of the Issuer or the Guarantor or the quality of the Notes that are the subject of this Prospectus. Investors should make their own assessment as to the suitability of investing in the Notes. Application has been made to the Irish Stock Exchange plc trading as Euronext Dublin ("**Euronext Dublin**") for the Notes of each Series to be admitted to listing on the official list of Euronext Dublin (the "**Official List**") and to trading on its regulated market. The regulated market of Euronext Dublin is a regulated market for the purposes of MiFID II.

Application will be made by the Issuer to the Taipei Exchange ("**TPEx**") in the Republic of China ("**Taiwan**" or the "**ROC**") for permission to deal in and for the listing of the Series B Notes on the TPEx. TPEx is not responsible for the content of this Prospectus and any amendment and supplement thereto and no representation is made by TPEx as to the accuracy or completeness of this Prospectus and any amendment and supplement thereto. TPEx expressly disclaims any and all liability for any losses arising from, or as a result of the reliance on, all or part of the contents of this Prospectus and any amendment and supplement hereto. Admission to listing and trading of the Series B Notes on the TPEx shall not be taken as an indication of the merits of the Issuer, the Guarantor or the Notes.

The Central Bank's approval of this Prospectus under the Prospectus Regulation does not constitute an approval for the purposes of the listing of the Series B Notes on the TPEx. The listing of the Series B Notes on the TPEx and any offer or sales of the Series B Notes to investors in connection with the listing on the TPEx are outside of the scope of the Prospectus Regulation.

The Series B Notes have not been, and shall not be, offered, sold or re-sold, directly or indirectly to investors other than "professional investors" as defined under Paragraph 1, Article 2-1 of the Taipei Exchange Rules Governing Management of Foreign Currency Denominated International Bonds of the ROC, which currently include: (a) a "professional institutional investor" as defined under Paragraph 2, Article 4 of the Financial Consumer Protection Act of the ROC, which currently includes: (i) overseas or domestic banks, securities firms, futures firms and insurance companies (excluding insurance agencies, insurance brokers and insurance surveyors), the foregoing as further defined in more detail in Paragraph 3 of Article 2 of the ROC Organisation Act of the Financial Supervisory Commission, (ii) overseas or domestic fund management companies, government investment institutions, government funds, pension funds, mutual funds, unit trusts, and funds managed by financial service enterprises pursuant to the ROC Securities Investment Trust and Consulting Act, the ROC Futures Trading Act or the ROC Trust Enterprise Act or investment assets mandated and delivered by or transferred for trust by financial consumers, and (iii) other institutions recognised by the Financial Supervisory Commission of the ROC; (b) a legal entity or fund meeting all of the following three criteria and having applied in writing to the securities firms for the status of a professional investor: (i) its total assets exceeding NT$50,000,000 according to its most recent CPA-audited or reviewed financial report, (ii) its authorised person doing the transaction has sufficient professional knowledge and trading experience in bonds, and (iii) it fully understands that the securities firm is exempted from certain responsibilities towards professional investors in connection with bond trading activities and agrees to sign up as a professional investor; and (c) a natural person having applied in writing to the securities firms for the status of professional investor whom meets all of the following three criteria: (i) he/she (x) has provided a proof of financial capacity of at least NT$30,000,000 or (y) has made a single trade, the transaction amount of which is higher than NT$3,000,000, his/her total assets and investments booked at and made through such securities firm are higher than NT$15,000,000, and he/she has provided a statement certifying that the value of his/her total assets has exceeded NT$30,000,000, (ii) he/she has sufficient professional knowledge or trading experience in financial products, and (iii) he/she fully understands that the securities firm is exempted from certain responsibilities toward professional investors in connection with bond trading activities and agrees to sign up as a professional investor. Purchasers of the Series B Notes are not permitted to sell or otherwise dispose of the Notes except by transfer to a professional investor.

Neither the Notes nor the Guarantees have been, nor will be, registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**") or the securities laws of any state of the United States or other jurisdictions. The Notes are being offered outside the United States by the Managers (as defined in "*Subscription and Sale*") in accordance with Regulation S under the Securities Act ("**Regulation S**"), and may not be offered, sold, pledged or otherwise transferred within the U.S. or to, or for the account or benefit of, U.S. persons (within the meaning of Regulation S) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. See also "*Subscription and Sale*".

The Notes of each Series are expected to be rated A1 by Moody's Investors Service Limited ("**Moody's**") and A- by S&P Global Ratings Europe Limited ("**S&P**"). Moody's is established in the United Kingdom and S&P is established in the European Economic Area (the "**EEA**") and each of Moody's and S&P is registered under Regulation (EU) No. 1060/2009, as amended (the "**CRA Regulation**"). **A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.**

FOR THE SERIES A NOTES

GLOBAL COORDINATORS

BNP PARIBAS	**Citigroup**	**HSBC**

JOINT LEAD MANAGERS

BNP PARIBAS	**Citigroup**	**HSBC**
Mizuho Securities	**MUFG**	**SMBC Nikko**

CO-MANAGERS

BofA Securities	**Crédit Agricole CIB**	**ING**
	Standard Chartered Bank	

FOR THE SERIES B NOTES

GLOBAL COORDINATORS

BNP PARIBAS	**Citigroup**	**HSBC**

LEAD MANAGER

BNP Paribas SA, Taipei Branch

MANAGERS

Citibank Taiwan Limited	**HSBC Bank (Taiwan) Limited**

STRUCTURING AGENTS

Mizuho Securities	**MUFG**	**SMBC Nikko**

The date of this Prospectus is 8 September 2020.

IMPORTANT NOTICES

This Prospectus comprises a prospectus for the purposes of the Prospectus Regulation and for the purpose of giving information with regard to the Issuer, the Guarantor, the Group (as defined below), the Notes and the Guarantees which is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Issuer, the Guarantor and the Group and of the rights attaching to the Notes and the Guarantees.

Each of the Issuer and the Guarantor accepts responsibility for the information contained in this Prospectus and declares that to the best of the knowledge of each of the Issuer and the Guarantor the information contained in this Prospectus is in accordance with the facts and makes no omission likely to affect its import.

This Prospectus is to be read in conjunction with any amendments or supplements hereto and with any documents incorporated herein by reference (see "*Documents Incorporated by Reference*").

Neither the Issuer nor the Guarantor has authorised the making or provision of any representation or information regarding the Issuer, the Guarantor, the Group, the Notes or the Guarantees other than as contained in this Prospectus or as approved for such purpose by the Issuer and the Guarantor. Any such representation or information should not be relied upon as having been authorised by the Issuer, the Guarantor or the Managers (as defined in "*Subscription and Sale*").

Neither the Managers nor any of their respective affiliates have authorised the whole or any part of this Prospectus and none of them makes any representation or warranty or accepts any responsibility as to the accuracy or completeness of the information contained in this Prospectus or any responsibility for the acts or omissions of the Issuer, the Guarantor or any other person (other than the relevant Manager) in connection with the issue and offering of the Notes. Neither the delivery of this Prospectus nor the offering, sale or delivery of any Note shall in any circumstances create any implication that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the condition (financial or otherwise) of the Issuer, the Guarantor or the Group since the date of this Prospectus.

Neither this Prospectus, nor any other information supplied in connection with the Notes: (a) is intended to provide the basis of any credit or other evaluation; or (b) should be considered as a recommendation by the Issuer, the Guarantor or any of the Managers that any recipient of this Prospectus or any other information supplied in connection with the Notes should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer and the Guarantor. Neither this Prospectus nor any other information supplied in connection with the Notes constitutes an offer or invitation by, or on behalf of, the Issuer, the Guarantor or the Managers to any person to subscribe for or to purchase any Notes.

Neither the delivery of this Prospectus nor the offering, sale or delivery of the Notes shall in any circumstances imply that the information contained herein concerning the Issuer, the Guarantor, the Group, the Notes and/or the Guarantees is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Notes is correct as of any time subsequent to the date indicated in the document containing the same or that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the condition (financial or otherwise) of the Issuer, the Guarantor or the Group since the date of this Prospectus. The Managers expressly do not undertake to review the financial condition or affairs of the Issuer or the Guarantor while the Notes are outstanding or to advise any investor in the Notes of any information coming to their attention.

This Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Prospectus and the offer or sale of Notes may be restricted by law in certain jurisdictions. In particular, the Notes have not been and will not be registered under the Securities Act and are subject to United States tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to U.S. persons. The Issuer, the Guarantor and the Managers do not represent that this Prospectus may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Guarantor or the Managers which is intended to permit a public offering of any Notes or distribution of this Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Prospectus or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Prospectus and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Prospectus and the offer or sale of Notes in the Abu Dhabi Global Market, the Dubai International Financial Centre, Hong Kong, Japan, the Kingdom of Bahrain, the Kingdom of Saudi Arabia, Malaysia, Singapore, Switzerland, Taiwan, the United Arab Emirates (excluding the Dubai International Financial Centre and the Abu Dhabi Global Market), the United Kingdom and the United States (see "*Subscription and Sale*").

This Prospectus has been prepared on the basis that any offer of the Notes in any member state of the European Economic Area (the "**EEA**") (each, a "**Member State**") or in the United Kingdom will be made pursuant to an exemption under the Prospectus Regulation from the requirement to publish a prospectus for offers of the Notes. Accordingly, any person making or intending to make an offer of the Notes in that Member State and/or the United Kingdom may only do so in circumstances in which no obligation arises for the Issuer, the Guarantor or any Manager to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation, and in each case, in relation to such offer, none of the Issuer, the Guarantor or any Manager has authorised, nor do they authorise, the making of any offer of the Notes in circumstances in which an obligation arises for the Issuer, the Guarantor or any Manager to publish or supplement a prospectus for such offer.

In making an investment decision, investors must rely on their own examination of the Issuer, the Guarantor and the Group and the terms of the Notes of each Series and the Guarantees being offered, including the merits and risks involved. The Notes and the Guarantees have not been approved or disapproved by the U.S. Securities and Exchange Commission or any other securities commission or other regulatory authority in the United States, nor have the foregoing authorities approved this Prospectus or confirmed the accuracy or determined the adequacy of the information contained or incorporated by reference in this Prospectus. Any representation to the contrary is unlawful.

None of the Issuer, the Guarantor or any Manager makes any representation to any investor in the Notes regarding the legality of its investment under any applicable laws. Any investor in the Notes should be able to bear the economic risk of an investment in the Notes for an indefinite period of time.

The Notes may not be a suitable investment for all investors. Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Prospectus or any applicable supplement;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes;
- understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant financial markets; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

A potential investor should not invest in Notes unless it has the expertise (either alone or with a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor's overall investment portfolio.

The Issuer and the Guarantor reserve the right to withdraw the offering of the Series A Notes at any time and the Managers reserve the right to reject any commitment to subscribe for the Series A Notes in whole or in part and to allot to any prospective purchaser less than the full amount of the Series A Notes sought by such purchaser. To the extent permitted by applicable authorities in the ROC and subject to the receipt of all necessary regulatory and listing approvals from such authorities, including but not limited to the TPEx and the Taiwan Securities Association (the "**TSA**"), the Issuer and the Guarantor reserve the right to withdraw the offering of the Series B Notes at any time and the Managers reserve the right to reject any commitment to subscribe for the Series B Notes in whole or in part and to allot to any prospective purchaser less than the full amount of the Series B Notes sought by such purchaser. The Managers and certain related entities may acquire for their own account a portion of the Notes.

NOTICE TO RESIDENTS OF JAPAN

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the "**Financial Instruments and Exchange Act**"). The Notes will not be, directly or indirectly, offered or sold in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and any other applicable laws, regulations and ministerial guidelines of Japan.

NOTICE TO RESIDENTS OF THE KINGDOM OF BAHRAIN

In relation to investors in the Kingdom of Bahrain, Notes issued in connection with this Prospectus and related offering documents may only be offered in registered form to existing accountholders and accredited investors as defined by the Central Bank of Bahrain ("**CBB**") in the Kingdom of Bahrain where such investors make a minimum investment of at least U.S.$100,000 or the equivalent amount in any other currency or such other amount as the CBB may determine.

This Prospectus does not constitute an offer of securities in the Kingdom of Bahrain pursuant to the terms of Article (81) of the Central Bank and Financial Institutions Law 2006 (decree Law No. 64 of 2006). This Prospectus and any related offering documents have not been and will not be registered as a prospectus with the CBB. Accordingly, no securities may be offered, sold or made the subject of an invitation for subscription or purchase nor will this Prospectus or any other related document or material be used in connection with any offer, sale or invitation to subscribe or purchase securities, whether directly or indirectly, to persons in the Kingdom of Bahrain, other than to accredited investors (as such term is defined by the CBB) for an offer outside the Kingdom of Bahrain.

The CBB has not reviewed, approved or registered this Prospectus or any related offering documents and it has not in any way considered the merits of the Notes to be offered for investment, whether in or outside the Kingdom of Bahrain. Therefore, the CBB assumes no responsibility for the accuracy and completeness of the statements and information contained in this Prospectus and expressly disclaims any liability whatsoever for any loss howsoever arising from reliance upon the whole or any part of the content of this Prospectus. No offer of securities will be made to the public in the Kingdom of Bahrain and this Prospectus must be read by the addressee only and must not be issued, passed to, or made available to the public generally.

NOTICE TO RESIDENTS OF THE KINGDOM OF SAUDI ARABIA

This Prospectus may not be distributed in the Kingdom of Saudi Arabia except to such persons as are permitted under the Rules on the Offer of Securities and Continuing Obligations issued by the Saudi Arabian Capital Market Authority (the "**CMA**").

The CMA does not make any representations as to the accuracy or completeness of this Prospectus, and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this Prospectus. Prospective purchasers of the Notes should conduct their own due diligence on the accuracy of the information relating to the Notes. If a prospective purchaser does not understand the contents of this Prospectus, he or she should consult an authorised financial adviser.

NOTIFICATION UNDER SECTION 309B(1)(C) OF THE SECURITIES AND FUTURES ACT (CHAPTER 289 OF SINGAPORE)

Solely for the purposes of its obligations pursuant to Sections 309B(1)(a) and 309B(1)(c) of the Securities and Futures Act (Chapter 289 of Singapore) (the "**SFA**"), the Issuer has determined, and hereby notifies all relevant persons (as defined in Regulation 3(b) of the Securities and Futures (Capital Markets Products) Regulations 2018 (the "**SF (CMP) Regulations**")) that the Notes are "prescribed capital markets products" (as defined in the SF (CMP) Regulations) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

MiFID II PRODUCT GOVERNANCE/TARGET MARKET

Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (a) the target market for the Notes is eligible counterparties and professional clients only, each as defined in MiFID II; and (b) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

STABILISATION

IN CONNECTION WITH THE ISSUE OF THE SERIES A NOTES, CITIGROUP GLOBAL MARKETS LIMITED (THE "STABILISATION MANAGER") (OR ANY PERSON ACTING ON BEHALF OF THE STABILISATION MANAGER) MAY OVER-ALLOT THE SERIES A NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE SERIES A NOTES DURING THE STABILISATION PERIOD AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, STABILISATION MAY NOT OCCUR. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE SERIES A NOTES OF THE RELEVANT SERIES IS MADE AND, IF BEGUN, MAY CEASE AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE SERIES A NOTES OF THE RELEVANT SERIES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE SERIES A NOTES. ANY STABILISATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE STABILISATION MANAGER (OR PERSONS ON BEHALF OF THE STABILISATION MANAGER) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this Prospectus may be deemed to be forward-looking statements. Forward-looking statements include statements concerning SABIC's and/or the Group's plans, objectives, goals, strategies, future operations and performance and the assumptions underlying such forward-looking statements. When used in this Prospectus, the words "believes", "estimates", "anticipates", "projects", "expects", "intends", "may", "will", "seeks", "should" and any similar expressions generally identify forward-looking statements. Forward-looking statements are statements that are not historical facts. These statements are based on current plans, estimates and projections and, therefore, undue reliance should not be placed on them.

Such forward-looking statements are contained in "*Risk Factors*", "*Description of the Group*" and other sections of this Prospectus. SABIC has based these statements on the current view of its management with respect to future events and financial performance. Although SABIC believes that the expectations, estimates and projections reflected in its forward-looking statements are reasonable as at the date of this Prospectus, if one or more of the risks or uncertainties materialise, including those identified below or which SABIC has otherwise identified in this Prospectus, or if any of SABIC's underlying assumptions prove to be incomplete or inaccurate, SABIC's and/or the Group's actual results of operation may vary materially from those expected, estimated or predicted.

The risks and uncertainties referred to above include:

- domestic and international political and economic developments affecting the Kingdom of Saudi Arabia and its economy;
- global economic and financial market conditions;
- the impact of the COVID-19 pandemic on any markets where SABIC or its customers operate;
- oil and gas price fluctuations and a substantial or extended decline in cracking margins;
- the cyclical nature of the petrochemicals industry;
- dependence on key suppliers of feedstock and utilities;
- Saudi Aramco's acquisition impact into Group's strategy and operations;
- maintaining high capacity utilisation rates in its manufacturing facilities in order to maintain its profit margins;
- high competition in the industries in which the Group operates;
- conditions affecting the transportation of products;
- weather conditions, pandemics and agricultural policies;
- managing the growth of the Group;
- risks in connection with projects under development;
- difficulties in fulfilling its financial obligations or in funding its planned capital expenditure;
- managing its joint ventures and other entities in which it holds a minority interest or joint-control with other partners; and
- its exposure to customer credit risk, interest rate risk and foreign exchange risk.

Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed under "*Risk Factors*".

Any forward-looking statements contained in this Prospectus speak only as at the date of this Prospectus. Without prejudice to any requirements under applicable laws and regulations, each of the Issuer and SABIC expressly disclaims any obligation or undertaking to disseminate after the date of this Prospectus any updates or revisions to any forward-looking statements contained herein to reflect any change in expectations thereof or any change in events, conditions or circumstances on which any such forward-looking statement is based.

PRESENTATION OF CERTAIN FINANCIAL AND OTHER INFORMATION

Presentation of Historic Financial Information

The financial statements and information presented for the Group in this Prospectus are for SABIC together with its consolidated subsidiaries, joint ventures and associates.

The Group publishes audited consolidated financial statements on an annual basis and unaudited interim condensed consolidated financial statements on a quarterly basis.

The audited consolidated financial statements of the Group as at and for the year ended 31 December 2019 (the "**2019 Audited Financial Statements**") and the audited consolidated financial statements of the Group as at and for the year ended 31 December 2018 (the "**2018 Audited Financial Statements**" and, together with the 2019 Audited Financial Statements, the "**Audited Financial Statements**") have been audited by

Ernst & Young & Co. (Certified Public Accountants) ("**EY**") as stated in their reports included elsewhere in this Prospectus.

The unaudited interim condensed consolidated financial statements of the Group as at and for the six month period ended 30 June 2020 (including the comparative information as at 31 December 2019 and for the six month period ended 30 June 2019) (the "**2020 Unaudited Interim Condensed Financial Statements**" and, together with the Audited Financial Statements, the "**Financial Statements**") have been prepared using International Accounting Standard (IAS) 34 – Interim Financial Reporting as endorsed in Saudi Arabia, and have been reviewed by EY in accordance with International Standard on Review Engagements 2410 "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*" endorsed in Saudi Arabia, as stated in their review report included elsewhere in this Prospectus.

With effect from 1 January 2017, the Group is required by Saudi Arabian regulation to prepare its financial statements in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board (the "**IASB**") and as endorsed in Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization of Certified Public Accountants ("**IFRS-KSA**"). The 2020 Unaudited Interim Condensed Financial Statements have been prepared in accordance with International Accounting Standard No. 34, *Interim Financial Reporting* as endorsed in Saudi Arabia and the Audited Financial Statements have been prepared, and are presented, in accordance with IFRS-KSA.

As described below, the Group has applied changes in accounting treatment for certain joint arrangements and revisions to certain critical accounting judgements for the six months ended 30 June 2020 and retrospectively applied these changes to the comparative financial information for the six months ended 30 June 2019 and as at 31 December 2019 when derived from the 2020 Unaudited Interim Condensed Financial Statements (see further "– *Change in accounting treatment for certain joint arrangements*"). These changes have not been retrospectively applied to the financial information derived from the Audited Financial Statements and as such, the financial information derived from the Audited Financial Statements may not be comparable to the financial information derived from the 2020 Unaudited Interim Condensed Financial Statements.

In relation to the Group: (i) the financial information included in this Prospectus as at 30 June 2020 and for the six month periods ended 30 June 2020 and 30 June 2019 has been derived from the 2020 Unaudited Interim Condensed Financial Statements; (ii) the restated financial information as at 31 December 2019 has been derived from the 2020 Unaudited Interim Condensed Financial Statements; and (iii) the financial information included in this Prospectus as at and for the financial years ended 31 December 2019 and 2018 has been derived from the Audited Financial Statements.

The Group's financial year ends on 31 December and references in this Prospectus to 2019, 2018 and 2017 are to the 12-month period ending on 31 December in each such year.

The Financial Statements are presented in Saudi Riyals.

Change in accounting treatment for certain joint arrangements

During the period ended 30 June 2020, in connection with the acquisition of 70% of SABIC by Saudi Aramco, SABIC has reappraised certain critical management judgments, which it has previously applied relating to determination of whether control, joint control or significant influence is present with respect to investments in non-wholly owned subsidiaries and joint arrangements, respectively. To support the control presumption when the Group has equal or less than a majority of the voting or similar rights of an investee, the Group now places more weight on the legal and contractual ability to exercise power, including the potential substantive voting rights, if any. As a result of this reassessment, SABIC has concluded that four entities which were previously accounted as subsidiaries (Kemya, Yanpet, Sharq and Samac) should now be accounted for as joint arrangements.

Further, Sadaf and Arrazi, which are subsidiaries and consolidated line by line in the 2020 Unaudited Interim Condensed Financial Statements, have also been accounted as joint arrangements since their founding, based on the reappraised critical judgment, until SABIC acquired control in 2017 and 2018, respectively. The impact of this step acquisition upon acquiring control by SABIC is recognised in the interim condensed consolidated statement of financial position and changes in equity.

The acquisition of 70% of SABIC by Saudi Aramco has neither changed nor is expected to change the existing relationship between SABIC and the four entities mentioned above, which are now accounted for as joint arrangements. Hence, the resultant change in accounting treatment from the reassessment of management judgments has been considered a change in accounting treatment and applied retrospectively in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors".

Based on the contractual arrangement, management has assessed that, of the four entities noted above, Kemya, Yanpet and Sharq meets the definition of a joint venture and Samac meets the definition of a joint operation, in accordance with IFRS 11 "Joint Arrangements".

Further to this change in accounting, SABIC has also revised its definition of "income from operations" as presented in the interim condensed consolidated statement of income. Having considered the nature and objective of its interests in associates and joint ventures, SABIC concluded that its interest in joint ventures for which it manages the production, logistics, feedstock and shared services are integral to, and support SABIC's core operating activities. Accordingly, SABIC has chosen to revise its definition of "income from operations" to include its share of results of integral joint ventures, whilst its share of results of associates and non-integral joint ventures continues to be reported outside "income from operations", in order to provide reliable and more relevant information. Kemya, Yanpet and Sharq are considered to be integral joint ventures.

For more information see Note 3.1 (*Change in accounting treatment for certain joint arrangements*) and Note 10 (*Restatement due to change in accounting treatment*) to the 2020 Unaudited Interim Condensed Financial Statements.

New Accounting Standards

The Group adopted IFRS 9 'Financial Instruments' from 1 January 2018 which replaced IAS 39 'Financial Instruments: Recognition and Measurement' bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting. Also, the Group adopted IFRS 15 'Revenue from Contracts with Customers' from 1 January 2018 which replaced IAS 18 'Revenue' which covers revenue arising from the sale of goods and the rendering of services. The Group has not restated the comparative information. For more information see Note 4 (*Changes in accounting policies*) to the 2018 Audited Financial Statements.

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

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

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

As at 1 January 2019, the Group has recognised lease liabilities amounting to SAR 6.83 billion and associated right of use assets amounting to SAR 7.29 billion in relation to contracts that have been concluded as leases under the principles of IFRS 16. The lease assets and liabilities previously recognised under finance leases, included under "Property, plant and equipment" were derecognised and additional lease liabilities were recognised under "Debts". The liabilities were measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate. The associated right of use assets are measured at the amount equal to the lease liabilities, adjusted by the amount of prepayments relating to that lease recognised in the consolidated statement of financial position as at 31 December 2018. The Group's weighted average incremental borrowing rate applied to the lease liabilities was 4.04% For more information see Note 4 (*Changes in accounting policies - IFRS 16 – Leases*) to the 2019 Audited Financial Statements.

Alternative Performance Measures

Certain financial information presented in this Prospectus are Alternative Performance Measures (as defined in the European Securities and Markets Authority Guidelines on Alternative Performance Measures). These Alternative Performance Measures are presented in this Prospectus to show SABIC's underlying business performance and to enhance comparability between reporting periods. Alternative Performance Measures should not be considered as a substitute for measures of performance in accordance with IFRS-KSA. The Alternative Performance Measures included in this Prospectus are unaudited and have not been prepared in accordance with IFRS-KSA or any other generally accepted accounting standards. The Alternative Performance Measures in respect to the Group are set out in the table below. Such Alternative Performance Measures should not be considered in isolation or considered as a substitute for operating profit, profit, cash flows from operating activities or other measures of performance as defined by IFRS-KSA. Such Alternative Performance Measures, as used herein, are not necessarily comparable to other similarly titled measures of other companies due to potential inconsistencies in the method of calculation. SABIC's management has used, and expects to use, these Alternative Performance Measures to assess operating performance and to make decisions about allocating resources among the Group's various business lines. The Group believes that EBIT, Adjusted EBIT, EBITDA and Adjusted EBITDA are useful indicators of its ability to incur and service its indebtedness and can assist securities analysts, investors and other parties to evaluate its business. The Group also believes that EBIT margin, Adjusted EBIT margin, EBITDA margin and Adjusted EBITDA margin are useful indicators to show how efficiently it converts sales into EBIT, Adjusted EBIT, EBITDA and Adjusted EBITDA, respectively.

The Alternative Performance Measures included in this Prospectus are set out below:

Measure	**Method of calculation (corresponding to the Audited Financial Statements)**
Earnings Before Interest and Tax (EBIT)......	Net income for the period before income tax expense, zakat expense, other income/expense, net, finance cost, net and for the years ended 31 December 2019, 2018 and 2017 share of results of associates and joint ventures and for the six months ended 30 June 2020 and 2019 share of results of non-integral joint ventures and associates.
Earnings Before Interest and Tax, Depreciation and Amortisation (EBITDA) ...	EBIT for the period plus depreciation and amortisation expense, for the period.
Adjusted EBIT	EBIT for the period plus non-recurring items and one-off items plus asset impairment and write offs, which includes impairment charges, as well as impairment reversals on property, plant and equipment and intangible assets, including goodwill, for the period.
Adjusted EBITDA	Adjusted EBIT for the period plus depreciation and amortisation, for the period.
Adjusted EBIT margin..................................	Adjusted EBIT for the period divided by revenue, for the period.
Adjusted EBITDA margin............................	Adjusted EBITDA for the period divided by revenue.
Gross debt/Adjusted EBITDA......................	Gross debt at period end (long-term debt plus short-term borrowings, lease liabilities and the current portion of long-term debt) divided by Adjusted EBITDA for the period.
Net debt...	Gross debt less cash and bank balances and short-term investments (if any) at period end.
Net debt/Adjusted EBITDA..........................	Net debt at period end divided by Adjusted EBITDA for the period. In the case of interim periods Adjusted EBITDA is calculated on a LTM basis.
Adjusted EBITDA/interest expense	Adjusted EBITDA for the period divided by finance cost for the period.

Measure	Method of calculation (corresponding to the Audited Financial Statements)
Capex	The cost of the purchase of property, plant and equipment for the period less the proceeds from the sale of property, plant and equipment for the period.
Capex/Adjusted EBITDA	Capex for the period divided by Adjusted EBITDA for the period.
Capex/Operating cash flow	Capex for the period divided by net cash from operating activities for the period.
Operating cash flow margin	Net cash from operating activities for the period divided by revenue for the period.
Net income margin	Net income for the period divided by revenue for the period.
Return on equity	Net income for the period attributable to equity holders of the parent divided by equity attributable to equity holders of the parent at period end.

The Alternative Performance Measures for the years ended 31 December 2019, 2018 and 2017 and for the six months ended 30 June 2020 and 2019, together with reconciliations of the Alternative Performance Measures to the corresponding financial data from the Audited Financial Statements are set forth in "*Selected Financial Information of the Group – Other Financial Information – Alternative Performance Measures*".

Presentation of Certain Other Information

Certain statistical information, market and market share information and industry data contained in "*Description of the Group*", "*Industry*" and "*Overview of the Kingdom of Saudi Arabia*" set out elsewhere in this Prospectus has been derived from a number of publicly available sources and industry reports (including IHS Markit Materials (as defined below)). The source of any third-party information contained in this Prospectus is stated where such information appears in this Prospectus.

None of the Issuer, SABIC or the Managers accepts responsibility for the factual correctness of any such statistics or information but each of the Issuer and SABIC confirms that such statistics or information has been accurately reproduced and, so far as each of the Issuer and SABIC is aware and has been able to ascertain from information published by the relevant sources referred to, no facts have been omitted which would render the reproduced statistics or information inaccurate or misleading. However, the accuracy of such statistics or information is subject to the availability and reliability of the data supporting such statistics or information and neither the published information nor the underlying data has been independently verified. In addition, the methodology of the identified sources for collecting information and data, and therefore the reported information, may differ from that used by SABIC to compile its own operational data and from the methodologies employed by other sources. Consequently, the resulting data may vary from source to source.

The IHS Markit reports, data and information referenced herein (the "**IHS Markit Materials**") are the copyrighted property of IHS Markit Ltd. and its subsidiaries ("**IHS Markit**") and represent data, research, opinions or viewpoints published by IHS Markit, and are not representations of fact. The IHS Markit Materials speak as of the original publication date thereof and not as of the date of this document. The information and opinions expressed in the IHS Markit Materials are subject to change without notice and IHS Markit has no duty or responsibility to update the IHS Markit Materials. Moreover, while the IHS Markit Materials reproduced herein are from sources considered reliable, the accuracy and completeness thereof are not warranted, nor are the opinions and analyses which are based upon it.

Certain Defined Terms and Conventions

Capitalised terms which are used but not defined in any particular section of this Prospectus will have the meaning attributed thereto in "*Terms and Conditions of the Series A Notes*" or "*Terms and Conditions of the Series B Notes*" (as applicable) or any other section of this Prospectus. In addition, unless otherwise specified or the context otherwise requires, the following terms as used in this Prospectus have the meanings defined below:

- references to "**Arrazi**" herein are to Saudi Methanol Company;
- references to the "**GCC**" herein are to the Gulf Cooperation Council;

- references to the "**Government**" herein are to the Government of the Kingdom of Saudi Arabia;
- references to the "**Group**" herein are to SABIC together with its consolidated subsidiaries, and where the context requires, its joint ventures and associates;
- references to "**Hadeed**" herein are to Saudi Iron and Steel Company;
- references to "**Ibn Rushd**" herein are to Arabian Industrial Fibers Company;
- references to the "**Issuer**" herein are to SABIC Capital I B.V.;
- references to "**Kemya**" herein are to Al Jubail Petrochemical Company;
- references to "**KSA**", "**Saudi Arabia**" or the "**Kingdom**" herein are to the Kingdom of Saudi Arabia;
- references to "**Petrokemya**" herein are to Arabian Petrochemical Company;
- references to "**SABIC**" herein are to Saudi Basic Industries Corporation;
- references to "**Sadaf**" herein are to Saudi Petrochemical Company;
- references to "**SAFCO**" herein are to Saudi Arabian Fertiliser Company;
- references to "**Samac**" herein are to Saudi Methacrylates Company;
- references to "**Saudi Kayan**" herein are to Saudi Kayan Petrochemical Company;
- references to "**Sharq**" herein are to Eastern Petrochemical Company;
- references to "**Terms and Conditions**", "**Terms and Conditions of the Notes**" or "**Conditions**" herein are, in respect of the Series A Notes, to "*Terms and Conditions of the Series A Notes*" and, in respect of the Series B Notes, to "*Terms and Conditions of the Series B Notes*", and references to any particular numbered Condition shall be construed accordingly;
- references to "**United Kingdom**" or "**U.K.**" herein are to the United Kingdom;
- references to "**United States**" or "**U.S.**" herein are to the United States of America;
- references to "**Yanpet**" herein are to Saudi Yanbu Petrochemical Company; and
- references to "**Yansab**" herein are to Yanbu National Petrochemical Company.

Certain figures and percentages included in this Prospectus have been subject to rounding adjustments. Accordingly, figures shown in the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

Currencies and exchange rates

All references in this Prospectus to:

- "**Euro**", "**EUR**" and "**€**" are to the currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the Treaty establishing the European Community, as amended;
- "**NT$**" are to the New Taiwan dollar, the legal currency of Taiwan;
- "**Pounds Sterling**", "**GBP**" and "**£**" are to the pounds sterling, the legal currency of the United Kingdom;
- "**Saudi Riyal**" and "**SAR**" are to the Saudi riyal, the legal currency of Saudi Arabia; and

- "**U.S. dollar**" and "**U.S.$**" are to the United States dollar, the legal currency of the United States.

As at the date of this Prospectus, the Saudi Riyal is pegged to the U.S. dollar at a fixed exchange rate of SAR3.75 = U.S.$1.00 and, unless otherwise indicated, U.S. dollar amounts in this Prospectus have been converted from Saudi Riyal at this exchange rate.

Websites and Web Links

Other than in relation to the information which is deemed to be incorporated by reference herein, the information on the websites to which this Prospectus refers to does not form a part of this Prospectus. Any websites or weblinks referred to in this document have not been scrutinised or approved by the Central Bank of Ireland.

ENFORCEMENT OF CIVIL LIABILITIES

The Notes and the Guarantees are governed by English law and disputes in respect of the Notes and the Guarantees may be settled under the Arbitration Rules of the London Court of International Arbitration ("**LCIA Rules**"), in London, England. Saudi Arabia is a signatory to the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards 1958 and, as such, any arbitral award could be submitted for enforcement to an enforcement judge responsible for enforcing foreign arbitral awards. Enforcement in Saudi Arabia of a foreign arbitral award is subject to satisfying certain conditions set out in the Saudi Arabian Enforcement Law (defined below). For example, there are a number of circumstances in which recognition of an arbitral award under the New York Convention may be declined, including where the award is contrary to the public policy of the receiving state. As a consequence, any arbitral award deemed by a court in Saudi Arabia as contrary to the public policy of Saudi Arabia may not be enforceable in Saudi Arabia (see further "*Risk Factors – Risks Relating to Enforcement*").

CONTENTS

RISK FACTORS

Any investment in the Notes is subject to a number of risks and uncertainties. Prior to investing in the Notes, prospective investors should carefully consider risk factors associated with any investment in the Notes, the business of the Issuer and the Guarantor and the industries in which each of them operates together with all other information contained in this Prospectus, including, in particular the risk factors described below, and should form their own view before making an investment decision with respect to the Notes.

Although each of the Issuer and the Guarantor believe that the factors described below represent the principal risks inherent in investing in the Notes, the following is not an exhaustive list or explanation of all risks which investors may face when making an investment in the Notes and should be used as guidance only. Additional risks and uncertainties relating to the Issuer and the Guarantor that are not currently known to the Issuer and the Guarantor, or that either currently deems immaterial, may individually or cumulatively also have a material adverse effect on the business, prospects, results of operations and/or financial position of the Issuer and the Guarantor and, if any such risk should occur, the price of the Notes may decline, and investors could lose all or part of their investment. Investors should consider carefully whether an investment in the Notes is suitable for them in light of the information in this Prospectus and their personal circumstances.

Words and expressions defined in the "Terms and Conditions of the Notes" or elsewhere in this Prospectus have the same meanings in this section.

Risks Relating to the Group's Business

The Group is subject to global economic market conditions

The Group faces risks related to changes in the economic environment globally and in the main regions where it conducts its business. In particular, the Group's performance is particularly influenced by economic cycles affecting end-user industries, such as the construction and automotive industries, since the products manufactured by the Group are used as intermediates in the manufacturing of the products utilised by such companies.

In the last decade the global economy has continued to experience periods of slowdown, high volatility, reduced business activity, unemployment, decline in interest rates and erosion of consumer confidence, that have impacted downstream demand for chemical and plastic products in certain industry sectors and regions.

The Group cannot predict adverse trends in the global economy and their effect on the market demand for the Group's products and the Group's profitability. Any downturn in regional or worldwide economies, market crisis or prolonged periods of instability could have a material and adverse effect on the Group's business, results of operations or financial condition. In particular, a worsening economic climate can result in decreased industrial output and decreased consumer demand for products including automotive products, consumer goods, packaging, industrial goods, textiles and agricultural goods, all of which incorporate the Group's products globally or in some regions where the Group conducts its business.

For the six months ended 30 June 2020, 23% of the Group's revenue was attributable to customers located in Europe, while 23%, 18%, 17%, 9% and 10% of the Group's revenue was attributable to customers located in Asia (excluding China), China, Saudi Arabia, the Americas and other regions, respectively. An extended recession in any of these geographies (or globally) could substantially decrease the demand for the Group's products. Accordingly, adverse conditions in the global economy could adversely affect the Group's business, results of operations or financial condition.

The recent coronavirus COVID-19 pandemic has caused significant disruption to both the global economy and the Kingdom of Saudi Arabia's economy, and COVID-19 or the outbreak of other communicable diseases around the world may cause further disruption

The outbreak of communicable diseases on a global scale, including COVID-19, the disease caused by coronavirus that has spread rapidly across the world and was declared a pandemic by the World Health Organisation on 11 March 2020, has affected investment sentiment, resulted in volatility in global capital markets and impacted demands and prices in many industrial sectors in which the Group sells its products. The earlier months of the COVID-19 outbreak resulted in restrictions on travel and public transport, restrictions on trade and transportation of goods, prolonged closures of workplaces and also contributed to declines in global bond and stock valuations. While some countries have reduced or eliminated restrictions, others continue to implement restrictions or are forced to reinstate them after experiencing resurgences in the number of cases or deaths reported. The current unpredictability of the COVID-19 pandemic could have a material adverse effect on the global economy and the Kingdom. COVID-19 has now been detected in almost every country, and as of 28 August 2020, had infected over 24.3 million people and killed more than 800 thousand globally, with infection rates continuing to grow in many countries. In addition to the aforementioned impacts, the outbreak of COVID-19 has severely disrupted the global economy, resulted in high levels of unemployment, negatively impacted the global demand and is expected to have a material negative impact on global growth rates, which are likely to negatively impact the GDP of the Kingdom and other regions in which the Group operates and, specifically, the demand in the product markets where the Group and its customers operate. The Kingdom and many of the countries where the Group operates have taken a number of temporary precautionary and preventative measures to contain any further outbreak of COVID-19. However, the efficacy of any public health or economic preventive measures may be insufficient to ameliorate the negative economic impact of COVID-19 on the Kingdom, particularly if it impacts the operations of the Kingdom's oil infrastructure or essential government services, and the other regions where the Group operates. The COVID-19 pandemic is on-going and the duration, impact and severity of the outbreak cannot be predicted and may be significant, particularly in the short-term.

In particular, while the vast majority of the Group's products are considered essential during this time of crisis, demand for many of the Group's products declined. The chemical sector is designated as critical infrastructure in many of the worlds' largest economies, therefore the Group's manufacturing sites were and are widely excluded from governmental shutdown orders. As a result, most of the Group's plants around the world remained and remain in operation, albeit operating under increased health and safety standards aligned with government measures, and in some cases at reduced operation rates to reflect decline in demand, both of which had an increase on costs. Further, in 2020, the global GDP growth rate is expected to be negative as the GDP of many countries are expected to contract from 2019 primarily due to the negative impacts of COVID-19. The Group is committed to capital discipline and maintaining a strong balance sheet and has suspended all capital expenditures, except for non-discretionary capital expenditures for safe and reliable operations and late stage projects. The Group expects capital expenditure to be reduced by more than 20% through 2020. While, the Group has seen some improvement in business activity in China, a deterioration in other parts of the world, influenced by lockdowns, impacted demand and market sentiment in the first six months of 2020 and will potentially continue to impact demand and market sentiment through 2020. This along with an oversupply in the Group's key products, put further pressure on product prices and margins, which has had an adverse effect on the Group's business, results of operations or financial condition.

Oil and gas price fluctuations and a substantial or extended decline in cracking margins would negatively impact the Group's financial results

Net margins within the petrochemical sector tend to be driven mostly on a combination of supply-demand dynamics and the rising cost of raw materials.

Therefore, the Group's financial results are significantly impacted by the margin between the prices at which the Group sells products and the prices at which the Group purchases feedstock for use, particularly in its petrochemicals business (the "**cracking margin**"). However, the price of the Group's feedstock and the price of the product sold to customers depend on the type of product, the location of the production and the location of the customer.

The Group's results of operations can be significantly impacted by fluctuations in the prices of a number of commodities, primarily oil, its derivatives and gas. The Group's two main gas feedstocks in Saudi Arabia (methane and ethane) are based on prices set by the Minister of Energy, Industry and Mineral Resources in Saudi Arabia. The rest of the Group's feedstock, both gas and liquid, are subject to various fluctuations in feedstock prices. The Group's petrochemicals manufacturing operations outside Saudi Arabia generally use oil-derivatives (mainly naptha) as feedstock and purchase such feedstock in the international markets at market prices.

Many of the Group's sales relate to petrochemical products and sales prices for petrochemical products generally change in tandem with changes in oil prices, albeit sometimes with a time delay and with different dynamics in different regions. For example, the significant decline in oil prices from 2015 to 2017 had a significant adverse effect on the Group's sales in 2016 as prices for (almost all) of the Group's chemical products fell during that period while a significant amount of the cost of production of the Group's operations in Saudi Arabia, which are mostly based on gas did not change. Therefore, during times of increasing oil prices, as manufacturers are unable to shift all such increases to their customers, the cracker margin of the Group's operations outside Saudi Arabia decrease in comparative terms. As a result, the margins in the Group's gas-based operations (mostly in Saudi Arabia) improve significantly in periods with higher oil prices (and higher petrochemical prices) and decline in periods of low oil prices while the margins in the Group's operations (mostly outside Saudi Arabia and some of the operations in Saudi Arabia) increase profitability in periods of low oil prices. These trends have repeated themselves with the decline of oil prices in 2020.

International oil prices have fluctuated significantly over the past two decades and may remain volatile in the future (see further "*Risk Factors – Risks Relating to Saudi Arabia and the Middle East – Saudi Arabia's economy and the Government is substantially dependent on the oil sector and is adversely affected by a low oil price environment*"). Prices for oil and gas are based on world supply and demand dynamics and are subject to large fluctuations in response to relatively minor changes in demand, whether as a result of market uncertainty or other factors beyond the control of the Group, including actions taken by major oil producing countries, actions by the Organisation of the Petroleum Exporting Countries ("**OPEC**") and adherence to agreed production quotas, war, terrorism, government regulation, social and political conditions in oil producing countries generally, economic conditions, prevailing weather patterns and meteorological phenomena such as storms and hurricanes and the availability and price of alternative sources of energy. In 2020, oil prices have remained volatile with the OPEC Reference Basket price reaching U.S.$67.12 on 2 January 2020 and subsequently declining through the early months of 2020. In addition to a fall in the demand for oil as a result of the ongoing coronavirus outbreak, a decline in oil prices has been caused by factors such as the inability of OPEC and its allies to efficiently reach an agreement on oil production levels. On 7 March 2020, the Kingdom announced that it would raise oil output and discount its oil in April 2020. The above factors led to a sharp decline in the OPEC Reference Basket price to U.S.$20.09 on 30 March 2020, an 18-year low. A series of meetings took place on 9 and 12 April 2020 between OPEC and non-OPEC oil producing countries, which culminated in an agreement to reduce their overall oil production in stages between 1 May 2020 and 30 April 2022. However, there can be no assurance that the agreement will be implemented by all relevant parties or achieve its stated goals or what effect the agreement will have on oil prices in the short to medium term. Oil prices are expected to continue to fluctuate in the future in response to changes in many factors over which the Group has no control. It is impossible to accurately predict future oil and gas price movements. There can be no assurance that these factors, in combination with others, will not result in a prolonged or further decline in oil prices.

The price of the feedstock the Group purchases and the price at which the Group can sell its products may fluctuate independently of each other due to a variety of factors beyond the Group's control, including regional and global supply of, and demand for, crude oil, gasoline and diesel and other feedstocks and refined products. These in turn depend on, among other things, the availability and quantity of imports, the production levels of suppliers, levels of refined product inventories, productivity and growth (or the lack thereof) of regional and global economies, political affairs and the extent of governmental regulation. An increase in the price at which the Group purchases feedstock, including as a result of any change to the terms on which feedstock is available to the Group as at the date of this Prospectus (including pricing terms), could have a material and adverse effect on the Group's profitability. For more information see "*Risk Factors – The Group is dependent on key suppliers of feedstock and utilities*".

If the Group is not able to timely pass on any price increases to its feedstocks to its customers or if any of the other foregoing risks were to materialise and the Group is unable to respond effectively to such circumstances, it could have a material and adverse effect on the Group's business, results of operations or financial condition.

The Group's future ability to maintain its present level of profitability in such a competitive environment will be dependent upon maintaining access to feedstock in Saudi Arabia at current prices, gaining access to new sources of gas in other regions, offsetting decreases in sales prices and profit margins by improving production efficiency and volume, shifting to production of higher margin products and/or improving existing products through innovation and research and development, none of which can be assured.

The cyclical nature of the petrochemicals industry may have a material and adverse impact on the Group's business

The petrochemicals industry is subject to the cycles of expansion and contraction in line with movements in the global economy, which create swings in the supply and demand of petrochemicals products and volatility in the prices of feedstock as well as finished petrochemical products. Due to this cyclicality, historically the international petrochemical markets have experienced alternating periods of limited supply (which has caused prices and margins to increase), followed by an expansion of production capacity (which has resulted in oversupply, lower prices and reduced margins). The Group cannot predict with any measurable accuracy these economic trends and cycles or the duration and dates of such trends and cycles, which could significantly affect the Group's business, results of operations or financial condition.

The Group is dependent on key suppliers of feedstock and utilities

For the six months ended 30 June 2020, the Group's petrochemicals segment generated a majority of the Group's revenues from the Group's petrochemicals manufacturing operations in Saudi Arabia, which purchase almost all of its feedstock from the Saudi Arabian Oil Company ("**Saudi Aramco**"), its majority owner. While oil-based feedstock processes generally move in line with oil prices, the Group's gas-based feedstock prices are lower than those on the major international markets and are subject to a pricing mechanism set by the Minister of Energy, Industry and Mineral Resources in Saudi Arabia. In January 2016, these gas-based feedstock prices increased from 0.75 per million British thermal units ("**mmbtu**") to 1.75 per mmbtu for ethane and 0.75 per mmbtu to 1.25 per mmbtu for methane. The Group also purchases propane and butane from Saudi Aramco as feedstock, but these feedstocks are priced to international reference prices at a discount. As a result, the Group's margins decreased due to the increase in the price of gas-based feedstock in 2016. Further, these gas-based feedstock prices could increase again in the future.

The Group purchases the majority of the feedstock required for its manufacturing operations from Saudi Aramco at prices which are set by the Minister of Energy, Industry and Mineral Resources in Saudi Arabia. While feedstock for Saudi Arabia is allocated on a long-term basis, volumes are mostly agreed in short-term contracts.

Further, in March 2019 Saudi Aramco signed a share purchase agreement to acquire a 70 per cent. majority stake in the Group from the Public Investment Fund of Saudi Arabia. Although this transaction was completed on 16 June 2020, there can be no assurance that going forward Saudi Aramco would renew the Group's current supply agreements should there be a change in ownership.

Additionally, the Group's manufacturing business is dependent upon the supply of electricity and other utilities for its operations and in some sites, it relies on a single supplier. For instance, as at the date of this Prospectus, within the industrial cities of Yanbu and Jubail, where most of the Group's manufacturing facilities are located, Power and Water Utilities Company for Jubail and Yanbu (MARAFIQ), a utility company in which SABIC had an equity stake of 24.81% as at 30 June 2020, is the only utility company which supplies water and sewage disposal services and National Industrial Gases Company, a utility company in which SABIC had an equity stake of 70% as at 30 June 2020, is the only company that supplies nitrogen and oxygen to SABIC manufacturing operations.

The availability of these raw materials and utilities may be negatively affected by interruptions in production by these suppliers; industrial actions, accidents or other similar events at suppliers' premises or along the supply chain; wars and natural disasters; and the availability of transportation.

Any such interruption in the supply of, or increased cost of, feedstock or utilities may affect the Group's costs, capacity utilisation and production volumes and could have a material and adverse effect on the Group's business, results of operations or financial condition.

Saudi Aramco's acquisition of the Group may impact the Group's strategy, operations or impact the Group's asset base and financial profile

As part of Saudi Aramco's acquisition of the Group, the Group's board has subsequently changed and a number of initiatives have been initiated to assess potential synergies and integration opportunities between the businesses of Saudi Aramco and the ones of SABIC. It is possible the Group's strategy going forward may change under its new ownership and the outcome of such initiatives, although no such changes are planned for the moment. While any such initiatives are meant to increase the efficiency and profitability of SABIC in the interest of all its shareholders, any change in strategy could result in changes in the profile of the Group as described here and could have a material and adverse effect on the Group's results of operations, indebtedness profile, credit rating or financial condition.

The Group needs to maintain high capacity utilisation rates in its manufacturing facilities in order to maintain its profit margins

Earnings in the petrochemicals business are closely tied to global demand, industry inventory levels and plant capacity utilisation. As higher production rates enable it to allocate fixed costs across larger production volumes and consequently impact profit margins, maximising production rates is key to the profitability of the Group's petrochemicals operations. The Group's ability to maintain profitability depends, to a significant degree, on its ability to maintain high capacity utilisation rates in its petrochemical manufacturing facilities, which is the level of output each facility achieves in relation to its capacity. Excess industry capacity, especially at times when demand is weak, may cause companies in the Group and other industry participants to lower production rates, which would reduce the Group's margins, income and cash flow.

The Group's manufacturing facilities are subject to a number of operational risks, including reduced utilisation rates due to planned activities such as maintenance or shutdowns; unplanned outages which may, for example, be due to equipment or human failure; availability of skilled resources; lower than expected recovery rates; the performance of the Group's contractors; strikes and civil unrest; corrosion problems impacting the plant and pipelines; health and safety incidents caused by third-party contractors; and exposure to natural hazards, such as extreme weather events. Any such incident could be expected to adversely affect the Group's business, results of operations or financial condition.

The failure by the portfolio companies in the Group to maintain high capacity utilisation rates could have a material and adverse effect on the Group's business, results of operations or financial condition.

The industries in which the Group operates are highly competitive

The markets for most of the Group's products are highly competitive. The Group is exposed to the competitive characteristics of several different geographic markets and industries. The Group's principal competitors vary from product to product and range from large global petrochemical companies to numerous smaller regional companies. Some of the Group's competitors are larger and more vertically integrated than the Group (in terms of their upstream and/or downstream productions) and therefore may be able to manufacture products more economically than the Group can.

In addition, some of the Group's competitors have greater technical, research and technology or marketing resources. The competitive landscape in which the Group operates may also change in a manner currently unanticipated by the Group – for instance, existing competitors may commit more resources to the markets in which the Group operates and/or raw material suppliers may expand their value chains and/or worldwide and regional refining capacity expansions may result in refining production capability exceeding refined product demand. Such events may, in turn, lead to short- or long-term downward pricing pressures. Competition and innovation in the industries in which the Group operates may put pressure on the product prices the Group is able to charge customers. For instance, the products manufactured by the Group may be subject to the risk of product substitution as a result of technological advancements or change in consumer preferences.

The implementation of the Group's strategy to remain competitive may require continued technological advances and innovation in its operations. Most of the Group's operations are based on licences on process technologies from third party licensors. While such licensors provide the Group with process and product improvements on their technology licences, there can be no assurance that the Group will have access to the most advanced technology developments from its licensors in the future or that it will have the ability to reach adequate and competitive technology advances based on its own research and development capabilities.

A key component of SABIC's strategy is to introduce new products and applications that offer distinct value for customers. The Group intends to continue to devote substantial resources to the development of new technologically advanced products and processes and to continue to devote a substantial amount of expenditure to the research and development functions of its business. However, there can be no assurance that the Group will be successful in developing new products or processes, or bringing them to market in a timely manner, that products or technologies developed by others will not render the Group's product offerings obsolete or non-competitive, that the market will accept the Group's new products and innovations, or that competitors will not be able to produce similar products at a lower cost. As a result, the implementation of these strategies may be costly and ineffective. The Group's financial condition and results of operations may be adversely affected if competitors develop or acquire intellectual property rights to technology, if the Group's innovation lags behind the rest of the industry or if the Group fails to innovate and introduce successful new products.

All of the above could hinder the Group's ability to compete effectively in the markets in which it operates and could have a material and adverse effect on the Group's business, results of operations or financial condition.

Conditions affecting transportation of products may adversely affect the performance of the Group's operations.

The Group's operations rely on transportation of materials, primarily exports of finished products, by sea and by railcars and trucks overland. Although the Group seeks cost efficiencies in the distribution of its finished products, there can be no assurance that these transportation costs will not significantly increase in the future, which may reduce the Group's competitive advantage compared to regional producers.

Any issue affecting cargo transportation by sea, such as special taxes, dangerous conditions or natural disasters, among others, could adversely affect the Group's results of operations or financial condition. Further some of the products that are required for transportation are classified as hazardous. See "*– Accidents involving the Group's products could cause severe damage or injury to property, the environment and human health, which could materially adversely affect the Group's business, results of operations and financial condition*". The Group's production facilities in Saudi Arabia are reliant on cargo transportation from the Arabian Gulf. The Group's operations elsewhere around the world also rely on various forms of transportation to get the finished products to customers. Geopolitical issues, acts of war, trade blockades and piracy affecting these transportation routes could adversely affect the Group's business, results of operation and financial condition.

The Group's Agri-Nutrients business is dependent on weather conditions and agricultural policies

The agricultural industry is heavily influenced by local weather conditions. Significant deviations from typical weather patterns of a given region, variations in local climates or major weather-related disasters may reduce demand for the products of the Group's Agri-Nutrients business, particularly in the short-term, if agricultural products or the land on which they grow are damaged or if such deviations, variations or disasters reduce the incomes of growers and thus their ability to purchase the Group's products. The effect of adverse weather conditions, in particular, can be very significant, resulting in delays or intermittent disruptions during the planting and growing seasons, which may, in turn, cause agricultural customers to use different forms of fertiliser, because fertilisers are applied at specific times. Similarly, adverse weather conditions following harvest may delay or eliminate opportunities to apply fertiliser in the autumn, which is the season when fertilisers are applied in certain geographies. Weather can also have an adverse effect on crop yields, which lowers the income of growers and could impair their ability to purchase fertilisers.

In a number of markets, the Group benefits from government policies that support the agricultural industry. These include: policies and commodity support programmes that provide subsidies to farmers for the purpose of purchasing agri-nutrient products; export duties on agri-nutrient products; government policies affecting prices of raw materials used in agri-nutrient production; and other policies such as those restricting the number of hectares that may be planted, requiring a particular type of crops to be grown and limiting the use of agri-nutrient products in certain areas or for certain types of agricultural products. As a result of such policies (which often include direct or indirect fertiliser purchase subsidies), farmers and growers are often able to spend more on agri-nutrient products than in the absence of such policies.

Furthermore, governmental policies may regulate the amount of land that can be used for growing crops, the mix of crops planted or crop prices, any of which could adversely impact the demand for the Group's products. A change in government policies due to these or other factors may result in a decrease in demand and prices for agri-nutrient products, which could have a material adverse effect on the Group's business, results of operations and financial condition.

International treaties and agreements, including those promulgated by the World Trade Organisation, may also result in reductions in subsidies for agricultural producers or in other adverse changes to agricultural state support programmes, which could undermine the growth of, or cause a decline in, demand and prices for agri-nutrient products.

In addition, a number of jurisdictions, including the European Economic Area, are considering and may adopt limitations on the use and application of agri-nutrient products due to concerns about the impact of these products on the environment and/or may impose limits on the content of cadmium and other heavy metals in fertilisers due to health concerns of harmful effects from these elements. Statutory limitations on agri-nutrient products use, if adopted, could materially adversely affect agri-nutrient products demand and prices, including demand and prices for agri-nutrient products produced by the Group.

SABIC may not be able to manage the growth of the Group successfully, including risk of cost overruns delays or cancellations in growth projects

The Group's ability to achieve and manage the future growth of its business will depend upon a number of factors, including the Group's ability to maintain, expand or develop relationships with its customers, suppliers, contractors, lenders and other third parties, reach agreements with potential joint venture partners on commercial and technical terms satisfactory to the Group, find and exploit suitable development, expansion or acquisition opportunities and expand the Group's operating capacity in line with market demand on a timely and reasonable basis. It will also depend on the Group's ability to adjust and optimise its management and operating structure to manage such projects and future growth opportunities.

The Group has undertaken targeted acquisitions in the past and intends to continue this strategy. Growth through acquisitions and investments in strategic projects entails risks inherent in identifying suitable opportunities and assessing the value, strengths and weaknesses of the acquisition or investment targets, as well as challenges in managing the increased scope, geographic diversity and complexity of the expanded operations and integrating the acquired businesses into the Group's operations. Assumptions made by the Group while deciding to acquire or invest in certain businesses may not materialise.

The Group conducts due diligence, sometimes with the assistance of outside consultants, by evaluating a number of important business, financial, tax, accounting, environmental and legal issues in determining whether or not to proceed with a new project or make a new investment. Nevertheless, when conducting due diligence and making an assessment regarding a project or an investment, the Group can only rely on resources available to it at the time, including information provided by the target of the investment where relevant and, in some circumstances, third party investigations. In some cases, information cannot be verified by reference to the underlying sources to the same extent as the Group could for information produced from its own internal sources. As a result, prior to acquisition by the Group, target companies may have incurred contractual, financial, regulatory, environmental or other obligations and liabilities that may impact the Group in the future and that are not adequately reflected in the historical financial statements of such companies or otherwise known to the Group or discovered by it during the due diligence process or with respect to which the Group does not have adequate indemnities from the seller. Any failure by the Group to identify relevant facts through the due diligence process may cause it to make inappropriate business decisions and may expose it to significant liabilities which the Group may not have been aware of.

Furthermore, the Group's ability to complete acquisitions will depend on, and may be limited by, the availability of suitable acquisition targets and restrictions contained in the Group's debt instruments and other existing and future financing arrangements. The Group's ability to complete acquisitions may also be limited by its ability to secure financing for such acquisitions as well as by regulatory constraints within the countries in which the Group operates due to anti-trust laws or political conflicts.

The integration of such acquired assets, companies or businesses and their operations, technologies and employees, may expose the Group to operating difficulties and expenditure associated with the retention of key employees, legal contingencies and risks related to the acquired business, and the maintenance and integration of procedures, controls and quality standards. Such growth may also significantly increase costs, including the cost of compliance arising from exposure to additional activities and jurisdictions. As a result of these or other factors, the Group may not be able to achieve the anticipated benefits from any acquisition or investment, and the consideration paid for an acquisition or investment may also affect the Group's financial results.

The Group also cannot provide assurance that any future acquisitions will be successfully identified and completed or that, if acquisitions are completed, the acquired companies will generate sufficient revenue to offset the associated costs or other harmful effects on the Group's business.

Strategic acquisitions and investments could also divert management's time and focus from operating the Group's business. The financing of acquisitions or investments in other companies may require the Group to use a substantial portion of its available cash, raise debt, which would increase the Group's interest expense, or for Group entities to issue shares or other rights to purchase shares, which may result in dilution to the existing shareholders and decrease SABIC's earnings per share from such Group entities. Moreover, acquisitions may result in write-offs and restructuring charges as well as in creation of goodwill and other intangible assets that are subject to an impairment test, which could result in future impairment charges. For example during 2019, the Group reassessed the carrying value of its investment in Clariant comparing the higher of fair value less cost of disposal and value in use approach. This assessment is based on publicly available information and average analyst consensus regarding the development of the 12-month forecast of the Clariant share price, including a reasonable premium given the fact that SABIC has significant influence on this investment through its 24.99% share in 2019, which has since increased by 6.51% to comprise the Group's current 31.5% share, pending regulatory approval. As a result, the Group recorded an impairment provision of SAR 1.52 billion for the year ended 31 December 2019 and an additional SAR 356 million impairment provision in the first quarter of 2020.

If the Group is not successful in meeting the challenges associated with any significant acquisitions which it may make, or in managing its growth successfully, this could have a material and adverse effect on the Group's business, results of operations or financial condition.

The Group is exposed to risks in connection with projects under development

The Group has a significant capital project under development or in the planning stages (see further "*Description of the Group – Key Projects Under Development*"). In 2019, the Group spent SAR 19.6 billion on capital expenditures and the Group expects capital expenditure levels to decrease in 2020 due to the COVID-19 pandemic. As at 31 December 2019, the Group had commitments of SAR 13.2 billion relating to capital expenditures. Other additional capital projects may be undertaken during the term of the Notes. Each of these projects entails a number of risks during construction such as the risk of investment cost over-run, the risk of delayed or incomplete start-up, the risk of any default by any appointed contractor or sub-contractor or their ability to comply with their contractual obligations, shortages or increases in the costs of equipment, breakdown or failure of equipment, processes or technology, difficulties in connecting any related upstream or downstream facility, timely availability of the required feedstock at the time of commencement of commercial operations, start-up or commissioning problems, problems with effective integration of operations, increased operating costs, exposure to unanticipated liabilities, changes in taxes or duties, difficulties in achieving projected efficiencies, synergies and cost savings, and changes in market conditions (see also "*Risk Factors – Risks Relating to the Group's Business – The Group may experience difficulties in fulfilling its financial obligations or funding its planned capital expenditure*"). If any of these risks materialise, the overall profitability of the relevant project would be materially adversely affected. If any new project fails to achieve the expected levels of performance or profitability, this could have a material and adverse effect on the Group's business, results of operations or financial condition.

The Group may experience difficulties in fulfilling its financial obligations or funding its planned capital expenditure

Any disruption in the global credit markets, re-pricing of credit risk and any difficulties in the conditions of the financial market may impact the Group's ability to fund its businesses or projects at all or in a similar manner, and at a similar cost, to the funding raised in the past. As at 30 June 2020, the Group had total indebtedness of SAR 43.4 billion, of which SAR 8.2 billion was short-term indebtedness. If the repayment of any loans or other debt instruments in respect of financing taken by SABIC or other companies of the Group cannot be refinanced or extended at acceptable terms, or paid with the proceeds of other transactions, the Group's cash flows and financial results would be materially and adversely affected. If prevailing financing costs or other factors at the time of any such refinancing result in higher financing costs, such increased financing costs would adversely affect the Group's financial results.

In addition, the Group is engaged in one significant project as at the date of this Prospectus which will require significant capital expenditure to complete. See "*Description of the Group—Key Growth Projects Under Development*". The ability of the Group to obtain external financing and the cost of such financing depends on numerous factors, including the general economic and market conditions, international interest rates, credit availability from banks or other financiers, investor sentiment towards emerging markets, investor confidence in the Group and the credit rating and financial condition of the relevant borrower. External funding may not be available to the Group on acceptable terms or at all.

If the Group raises additional debt in the future, it may become subject to additional or more restrictive financial covenants and ratios or may be required to extend security over its assets for the benefit of lenders. Any such increased indebtedness may require a substantial portion of cash flow from operations to be dedicated to the payment of principal and interest (to the extent payable) on the Group's indebtedness, thereby reducing the Group's ability to use its cash flow to fund its operations and future business opportunities. Additionally, this may limit the Group's ability to raise capital to fund any future capital expenditure or operations, expose the Group to the risk of increased interest rates and/or increased costs to hedge interest rates and expose the Group to refinancing risk, to the extent that the Group is unable to repay its borrowings out of internally generated cash flow. If the Group is not able to obtain adequate financing or other capital contributions to fund capital and investment expenditures in the future, this could require the Group to alter, reduce the scope of, defer or cancel such projects which may, in turn, affect the profitability and competitiveness of the Group's operations.

Any of the foregoing could have a material and adverse effect on the Group's business, results of operations or financial condition.

Several of the Group's operations are run through joint ventures and other entities in which it holds a minority interest or a joint-control and, in some cases, the Group does not have the right or power to direct the management and policies of such companies

Several of the Group's production facilities are owned by, and operations are conducted through, jointly controlled entities, associates and partnerships. The Group is exposed to risks relating to actions taken by the managing board of such joint ventures, its joint venture partners and controlling shareholders of entities in which the Group holds a minority interest. For the year ended 31 December 2019, the Group's share of results of associates and joint ventures was a loss of SAR 1.6 billion. Similarly, SAR 23.4 billion (or 7.5%) of the Group's total assets as of 31 December 2019 comprised investments in associates and joint ventures. To the extent that the Group does not have a controlling equity stake in, or the right or power to direct the management and policies of, a joint venture or other company through which the Group conducts its operations, joint venture partners or controlling shareholders may take action that is not in accordance with the Group's policies and objectives. Should a joint venture partner or controlling shareholder act contrary to the Group's interest, it could have a material adverse effect upon the Group's business, results of operation and financial condition.

Joint venture transactions present many of the same risks involved in acquisitions, but also involve additional risks, including the possibility that the Group's joint venture partners may have economic, business or legal interests or goals that are inconsistent with the Group's own, may become bankrupt, may refuse to make additional investments that the Group deems necessary or desirable or may prove otherwise unwilling or unable to fulfil their obligations under the relevant joint venture or associated agreements. Further, SABIC bears joint and several liabilities with certain joint venture or business partners under the relevant joint venture or other agreements and, as a result, SABIC may incur damages and other liabilities for any defective work, operation breakdowns, negligence or other breaches by joint venture or business partners. Any of the foregoing could materially impact the relevant joint venture's profitability or value. There is also a risk that the Group's joint venture partners may ultimately become its competitors. In addition, joint ventures with government entities also expose the Group to risks relating to differences in focus or priorities between successive regimes.

The Group's ability to expand successfully through joint ventures will depend upon the availability of suitable and willing joint venture partners, the Group's ability to consummate such transactions and the availability of financing on commercially acceptable terms. The Group cannot give any assurance that it will be successful in completing joint ventures or that, once completed, a joint venture will be profitable for the Group. If a joint venture is unsuccessful, the Group may be unable to recoup its initial investment and the Group's business, results of operation and financial condition may be materially and adversely affected.

In addition, many of the Group's joint ventures are subject to various forms of regulation and thereby the Group's ability to dispose of inadequate or poorly performing businesses is sometimes subject to governmental approval, which may force the Group to bear the costs of any such business for a longer period of time, with an increasingly negative and prolonged impact on its business, results of operation and financial condition, than would otherwise be the case.

The Group is exposed to customer credit risk

The Group provides services and products to a variety of customers and is subject to the risk of non-payment for the services and products that it has supplied, primarily through trade receivables. These risks are heightened when conditions in the industries in which its customers operate, or general economic conditions, deteriorate. As at 31 December 2019, the Group's expected credit losses on trade receivables were SAR 327.3 million. While the Group has procedures in place to monitor credit risk on their receivables, there can be no assurance that such procedures will prevent the occurrence of credit losses that could have a material and adverse effect on the Group's business, results of operations or financial condition.

The Group is exposed to interest rate risk and foreign exchange risk

The Group is subject to interest rate risks in the ordinary course of business, primarily as a result of its long-term debt obligations with floating interest rates. Interest rate risks result from potential changes in prevailing market interest rates. These can cause a change in the present value of fixed-rate instruments and fluctuations in the interest payments for variable-rate instruments, which would positively or negatively affect earnings. Any future unhedged interest rate risk may result in an increase in the Group's interest expense and may have a material adverse effect on the Group's business, results of operation and financial condition.

Furthermore, the Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to fluctuations of other currencies against the Saudi Riyal. This exposure is primarily through account receivables, trade payables and certain non-SAR denominated bank accounts and borrowings. However, as long as the Saudi Riyal is pegged to the U.S. Dollar and the Group's business is primarily conducted in U.S. Dollars, the Group does not have any significant exposure to U.S. dollars. As a result, the most significant foreign currency to which the Group is exposed is the Euro. The Group is also exposed but to a lesser extent to the British pound, Japanese yen and Chinese yuan. The Group's policies require subsidiaries to conduct a regular review of currency exposures, while SABIC manages all derivative executions centrally. However, there can be no assurance that any hedges will adequately protect the Group or that any future currency exchange rate fluctuations may not have an adverse effect on the Group's business, results of operations or financial condition.

In response to the declining price of crude oil since June 2014, certain regional oil producing countries that have traditionally "pegged" their domestic currencies to the U.S. dollar have faced pressure to remove these foreign exchange "pegs". Kazakhstan, Nigeria and Azerbaijan have chosen to unwind the U.S. dollar peg of their domestic currencies. While the likelihood of the GCC states pursuing a similar course of action is unclear, there remains a risk that any such future de-pegging by the GCC states could result in a de-valuation of any such de-pegged currency against the U.S. dollar and could impact open cross-currency positions leading to currency fluctuations. (see further "*– There can be no assurance that the Government will not reconsider Saudi Arabia's exchange rate policy*"). Any change to the existing exchange rate policy that results in a significant depreciation of the Saudi Riyal against the U.S. dollar or other major currencies could have a material and adverse effect on the Group's business, results of operations or financial condition.

The Group is subject to risks arising from international trade controls

The Group exports products to countries which have adopted trade defence instruments such as anti-dumping and anti-subsidies laws and regulations. Failure to comply with such laws and regulations may result in anti-dumping or anti-subsidies duties being imposed on imports of products into such countries. Moreover, SABIC's imports and exports are affected by discretionary import duties that may be imposed by some governments on imports of products commercialised by the Group or used as raw materials by the Group's local operations. SABIC considers that the use of trade defence measures and other forms of trade controls by some countries is likely to increase in the future. For example, prior to a trade deal with China in January 2020, the U.S. had increased restrictions on international trade and significantly increased tariffs on certain goods imported into the U.S and China responded with similar measures on goods imported from the U.S. The Group serves the U.S. market primarily through exports but it also imports raw materials and exports products manufactured in the U.S. and may therefore be adversely affected should additional protectionist measures be adopted by the U.S. administration and countermeasures adopted by other countries, in particular China, which is a significant export market for the Group. On the other hand, the Group benefits from trade barriers in markets where it sells domestically produced products. The worsening of such trade relations, in particular between the U.S., China and the European Union, could result in negative repercussions in these countries and have a knock-on effect on global trade and the economic environment. The Group is exposed to such measures since its main products (plastics and chemicals) may be a target of such instruments and certain of the Group's main export markets (such as China) are affected by such measures. Any trade defence measures or duties imposed on exports or imports from the Group, its suppliers or customers could have a material and adverse effect on the Group's business, results of operations or financial condition.

The Group is subject to risks arising from defective products

A number of products produced by companies in the Group are developed from highly complex and technical manufacturing processes and, accordingly, there is a risk that defects may occur in any of such products. Such exposure is increased when customers integrate the Group's products into consumer products, which are then on-sold to consumers. While the Group limits its liability to its customers for product defects under sale and purchase agreements, the legal systems in a number of countries impose a strict liability on the manufacturer or the importer of products, which cannot be limited. Moreover, the Group has a significant portion of its business without term contracts enabling the seller to limit its liability. Defects in products manufactured by the Group can give rise to significant costs, including expenses relating to recalling end-use products by downstream customers or their own customers, replacing defective items, writing down defective inventory and loss of potential sales. In addition, the occurrence of such defects may give rise to product liability and warranty claims, including liability for damages caused by such defects. Any or all of such events could have a material and adverse effect on the Group's business, results of operations or financial condition as well as its reputation.

Accidents involving the Group's products could cause severe damage or injury to property, the environment and human health, which could materially adversely affect the Group's business, results of operations and financial condition

As a business working with chemicals and hazardous substances, the Group's business is inherently subject to the risk of spills, discharges or other releases of hazardous substances into the environment. The Group uses as feedstock and manufactures, stores and transports chemical products that are volatile, explosive and/or the release of which may have an adverse impact on the environment. Environmental risks associated with the Group's operations include:

- explosions at the Group's production or logistics facilities;
- discharges of toxic gases into the atmosphere; and
- discharge of hazardous chemicals on land or in waterways.

Accidents involving these or other substances could result in fires, explosions, severe pollution or other catastrophic circumstances, which could cause severe damage or injury to persons, property or the environment as well as disruptions to the Group's business. Such events could result in equipment failures or shutdowns, civil lawsuits, criminal investigations and regulatory enforcement proceedings, all of which could lead to significant liabilities for the Group. Any damage to persons, equipment or property or other disruption to the Group's ability to produce or distribute its products could result in a significant decrease in Group revenues and profits and significant additional cost to replace or repair the Group's assets, and depending on the nature of the incident the Group may not be fully insured, or not insured at all, all of which could result in a material adverse effect on the Group's business, results of operations and financial condition.

In addition, certain environmental laws applicable to the Group impose strict liability, without regard to fault, for clean-up costs on those who have disposed of or released hazardous substances into the environment. As a result, given the nature of the Group's business, it may incur environmental clean-up liabilities in respect of its current or former facilities, adjacent or nearby third-party facilities or offsite disposal locations. Pollution risks and related clean-up costs are often impossible to assess unless environmental audits have been performed and the extent of liability under environmental laws is clearly determinable. The costs associated with future clean-up activities that the Group may be required to conduct or finance may be material. Additionally, the Group may become liable to third parties for damages, including personal injury and property damage, resulting from the disposal or release of hazardous substances into the environment.

Furthermore, the Group's properties have a long history of industrial operations and its plants generate large amounts of waste materials. The Group incurs substantial costs to manage and dispose of such waste materials. The Group's properties generally have not been subject to comprehensive environmental audits to fully assess whether contamination is present. Any findings of contamination could require removal and reclamation action and result in other liabilities that could have a material adverse effect on the Group's business, results of operations and financial condition.

Changes in laws or regulations, or a failure to comply with any laws and regulations, may materially and adversely affect the Group's business

The Group is subject to various laws and regulations. Such laws and regulations may relate to licensing requirements, EHSS obligations, asset and investment controls, marketing guidelines and a range of other requirements. In particular, the Group's petrochemicals are subject to a variety of laws and governmental regulations relating to the use, discharge and disposal of toxic or otherwise hazardous materials used by such businesses (see further "*Risk Factors – Risks Relating to the Group's Business – The Group is exposed to risks relating to EHSS liabilities*"). Compliance with such laws and regulations can be costly, and the Group incurs and will continue to incur costs, including capital expenditures, to comply with these requirements. Furthermore, failure to comply with such regulations or any changes to such regulations, including the introduction of additional regulations, could have a material and adverse effect on the Group's business, results of operations or financial condition.

The Group uses and manufactures hazardous chemicals that are subject to regulation by the European Union and by many national, provincial and local governmental authorities in the countries in which the Group operates. In order to obtain regulatory approval of certain new products and production processes, the Group must, among other things, demonstrate to the relevant authorities that the product is safe for its intended uses and that the Group is capable of manufacturing the product in accordance with applicable regulations. The process of seeking such regulatory approvals can be time-consuming and subject to unanticipated and significant delays. Regulatory approvals may not be granted to the Group on a timely basis, or at all. Any delay in obtaining, or any failure to obtain or maintain, these regulatory approvals would adversely affect the Group's ability to introduce new products, to continue distributing existing products and to generate revenue from those products, which could have a material adverse effect on its business, results of operations or financial condition. In addition, new laws and regulations may be introduced in the future that could result in additional compliance costs, confiscation, recall or monetary fines, any of which could prevent or inhibit the development, distribution and sale of the Group's products. The regulation or reclassification of any of the Group's raw materials or products could adversely affect the availability or marketability of such products, result in a ban on its import, purchase or sale, or require the Group to incur increased costs to comply with notification, labelling or handling requirements, each of which could adversely affect the Group's business, results of operations or financial condition.

Additionally, many of the Group's products are used in the production of other consumer goods, such as plastic packaging. Negative public perceptions or bans, restrictions or disincentivisations from regulators relating to the use of plastic, due to environmental concerns with respect to the production and disposal of plastic, could reduce demand for the Group's products. In addition, some jurisdictions have introduced legislation (or in some cases, more stringent legislation) to ban, restrict or dis-incentivise the use of certain types of plastic packaging or products, such as single use plastic bags. For instance, number of countries have introduced regulations to ban the use of polyethylene-based lightweight non-biodegradable plastic bags, while others have imposed taxes on their use. Further legislative action could lead to a reduction in demand for the Group's products and could adversely affect its business, results of operations or financial condition.

Laws and regulations and their interpretation and application may change from time to time. Any such change of law, regulation or interpretation (or divergence of views by any authority from that of the Group's) could have a material and adverse effect on the Group's business, results of operations or financial condition.

The Group's insurance policies may not be sufficient to cover all risks that it faces

The operations of the companies in the Group are subject to hazards and risks inherent in, among other things, refining and petrochemicals operations. Such hazards and risks include fires, explosions, pipeline ruptures and spills, storage tank leaks, chemical spills, discharges or releases of hazardous substances or gases and other environmental risks, mechanical failure of equipment at the Group's facilities, war, terrorism, sabotage and natural disasters. In addition, many of these operating and other risks may cause personal injury and loss of life, severe damage to or destruction of the Group's properties and the properties of others and environmental pollution which may result in suspension of operations and the imposition of civil or criminal penalties.

SABIC believes that the Group maintains insurance coverage in amounts consistent with relevant industry practice, including to cover the risk of property damage, business interruption resulting from, among other things, fire or machinery breakdown, and third-party liability. However, there can be no assurance that such insurance coverage will be adequate to cover all losses that a Group company may incur in future periods, or that the liability imposed on such company will not exceed its total assets. The Group could be subject to a material loss to the extent that a claim is made against the Group which is not covered in whole or in part by insurance and for which third party indemnification is not available. In addition, there can be no assurance that the Group's insurance coverage will continue to be available in the market or available at an acceptable cost.

If the Group's companies suffer large uninsured losses or if any insured loss suffered by any such company significantly exceeds its insurance coverage, the business, results of operations or financial condition of such companies may be materially and adversely affected. This would in turn affect the ability of the portfolio companies within the Group to pay dividends and make other distributions to SABIC and could have a material and adverse effect on the Group's business, results of operations or financial condition.

The Group is exposed to risks resulting from disputes and/or litigation

The Group is subject to risks relating to legal and regulatory proceedings to which it or its subsidiaries, associates and joint ventures are currently a party or which could develop in the future (see further "*Description of the Group – Litigation*"). These may include, in particular, risks relating to product liability, competition and antitrust law, export control, data protection, patent law, procurement law, tax legislation and environmental protection in the countries where the Group operates. The Group's involvement in litigation and regulatory proceedings may result in the imposition of fines or penalties or could adversely affect its reputation.

Furthermore, litigation and regulatory proceedings are unpredictable, and legal or regulatory proceedings in which the Group is or becomes involved (or settlements thereof) could result in substantial penalties which may give rise to significant losses, costs and expenses. Such losses, costs and expenses may not be covered, or fully covered, by insurance benefits. Investigations of possible legal or regulatory violations may result in the imposition of civil or criminal penalties and/or other adverse financial consequences.

Any of the foregoing could have a material and adverse effect on the Group's business, results of operations or financial condition as well as on the Group's reputation.

The Group is exposed to risks associated with the use of intellectual property and technology licences

The Group depends upon a wide range of intellectual property to support its businesses and has obtained licenses for certain technologies which are used in its manufacturing facilities. The Group's petrochemical operations in Saudi Arabia are primarily based on technology process licences from joint venture partners and other third parties. Any termination of a material technology licence or dispute related to its use could require the relevant Group entity to cease using the relevant technology and therefore possibly adversely affect such entity's ability to produce the relevant products. SABIC's inability to maintain any licence which is the subject of a sub-licence of technology to any subsidiary of the Group could require the relevant subsidiary to cease using the technology and to license such rights from other third parties on less favourable commercial terms or obtain substitute technology of lower quality or performance standards at greater cost. Any of the foregoing could have a material and adverse effect on the Group's business and results of operations.

The Group is exposed to risks associated with the use of information technology

The Group relies on a number of information technology ("**IT**") systems in order to carry out its day-to-day operations. As a result of the increasing complexity of electronic information and communication technology, the Group is exposed to various risks, ranging from the loss or theft of data, cyber-attacks, stoppages and interruptions to the business, to systems failure and technical obsolescence of IT systems.

Increased global information security threats and more sophisticated cyber-crimes pose a risk to the confidentiality, availability and integrity of data, operations and infrastructure of the IT systems, networks, facilities, products and services of the Group. The non-availability, violation of confidentiality, or the manipulation of data in critical IT systems and applications can lead to the uncontrolled outflow of data and expertise and have a direct impact on the Group's business operations.

While the Group maintains back-up systems there are no assurances that these will work as efficiently or quickly as expected if at all. Should such threats overcome the information security measures implemented by the Group, they could potentially lead to the compromise of confidential information, improper use of systems and networks, manipulation and destruction of data, production downtime and operational disruptions, which in turn could have a material and adverse effect on the Group's business, results of operations and financial condition.

The Group is highly dependent on its personnel and management teams

The Group's future success depends in part on its continued ability to hire, integrate and retain highly skilled employees, in particular in its global headquarters and operations in Saudi Arabia. Experienced and capable personnel in Saudi Arabia and in the industries and countries in which the Group operates remain in high demand and there is continuous competition for their talents. The Group may not be able to successfully recruit, train or retain the necessary qualified personnel in the future. The Group is dependent upon its executive officers and key personnel, and the success of its business is driven by the performance of such officers and key employees and the ability of the Group to retain them. The unexpected loss of the services of the Group's executive officers or key personnel could have a material and adverse effect on the Group's business, results of operations or financial condition.

The Group may need to offer competitive compensation and other benefits in order to attract and retain key personnel in the future. If the Group cannot recruit new qualified personnel to support its growing business, this could have a material and adverse effect on the Group's business, results of operations or financial condition.

The Group is exposed to risks arising from its pension obligations

The Group has defined benefit pension plans in various countries (the largest of which are in the United States and the United Kingdom). In the United States, certain Group companies also have post-retirement plans that provide certain medical benefits and life insurance for retirees and eligible dependents. The relevant Group company has funding and other obligations with respect to such pension or benefit plans in accordance with the rules applicable to the respective pension or benefit plan. The accounting for these plans requires that management makes certain assumptions relating to the long-term rate of return on plan assets, discount rates used to measure future obligations and expenses, salary scale inflation rates, health care cost trend rates, mortality and other assumptions. The selection of assumptions is based on historical trends and known economic and market conditions at the time of valuation. However, these estimates are highly susceptible to change from period to period based on the performance of plan assets, actuarial valuations, market conditions and contracted benefit changes. Unfavourable changes of those estimates, as well as actual results substantially differing from the estimates, might result in a significant increase in the Group's obligations or future funding requirements. This in turn could have a material and adverse effect on the Group's results of operations and financial condition.

The Group is exposed to risks as a result of the location of its operations

The Group has significant manufacturing and commercial operations around the world. Some of these operations are based in emerging markets and/or in jurisdictions with unstable political or economic conditions (see also "*Risk Factors – Risks Relating to Saudi Arabia and the Middle East*"). There are inherent risks in international operations, including:

- general economic, social or political conditions in the countries in which the Group operates could adversely affect its earnings from operations in those countries;

- compliance with a variety of laws and regulations in various jurisdictions may be burdensome;

- unexpected or adverse changes in laws or regulatory requirements in various jurisdictions may occur;

- exposure to possible expropriation, nationalisation or other government actions;
- the imposition of withholding taxes or other taxes on the Group's income;
- the imposition of royalties on the Group or the adoption of other restrictions on foreign trade or investment, including currency exchange controls;
- adverse changes in export duties, quotas and tariffs and difficulties in obtaining export licences;
- the imposition of any price controls and trade barriers;
- prohibitions on capital transfers;
- the imposition of foreign exchange controls and currency restrictions;
- currency devaluations and currency fluctuations;
- difficulties enforcing intellectual property rights;
- difficulties in enforcing agreements and collecting receivables;
- staffing difficulties, national or regional labour strikes or other labour disputes;
- increases in transportation and other logistics costs;
- restrictions on cross-border transport and trade;
- environmental regulations or policies; and
- hostility from local populations, civil unrest, riots, terrorism or wars.

There could also be an indirect negative impact on the Group's business outside of a region directly affected by the relevant crisis especially if the Group's customers in other countries were to change their investment and business plans as a result of the relevant crisis. There is also the risk that export control regulations, embargoes, sanctions or other forms of trade restrictions might be agreed for certain countries in which the Group operates, which could have an adverse impact on existing trading relations or investment plans which are in place before such restrictions come into force. Any of the above could have a material and adverse effect on the Group's business, results of operations or financial condition.

The Group is exposed to Environmental and Sustainability Risks

Risks relating to EHSS liabilities

Companies in the Group must comply with all environment, health, safety and security ("**EHSS**") related laws and regulations which are applicable to their operations. These laws and regulations set various standards regulating certain aspects of EHSS quality, provide for civil and criminal penalties and other liabilities for the violation of such standards and establish, in certain circumstances, obligations to remediate current and former facilities and locations where operations are or were conducted. In addition, special provisions may be applicable in environmentally sensitive areas of operation.

The Group cannot predict what EHSS legislation or regulations will be enacted in the future or how existing or future EHSS laws or regulations will be administered or enforced. Compliance with more stringent laws or regulations, or more vigorous enforcement policies of any regulatory authority, could in the future require material expenditures by the Group for the installation and operation of systems and equipment for remedial measures. Any or all of the foregoing could have a material and adverse effect on the Group's business, results of operations or financial condition.

Risks of an increase in pricing of greenhouse gas emissions

The costs associated with carbon dioxide emissions could significantly increase the Group's costs.

The Group expects continued political attention to issues concerning climate change and adaptation or mitigation through regulation that could materially affect the Group's operations. Internationally, the United Nations Framework Convention on Climate Change and the Paris Agreement address greenhouse gas emissions. Carbon dioxide ("**CO^2**") is a by-product of the burning of fuels (including oil and gas) and is considered a greenhouse gas. The Group's operations result in the emission of carbon dioxide which in 2019 were 3.4 million metric tonnes ("**mmt**"). Saudi Arabia is a signatory of the Paris Agreement and has ratified it. Compliance with the Paris Agreement may require the reduction of CO^2 emissions in Saudi Arabia, and the responsibilities of Saudi companies may change following the implementation of any CO^2 mitigation regulations. Such regulations could result in, for example, increased costs to operate and maintain the Group's manufacturing facilities and/or costs to install new emission controls and administer and manage any potential greenhouse gas emissions. These increased operating and compliance costs could have a material and adverse effect on the Group's business, results of operations or financial condition.

Risks Relating to Saudi Arabia and the Middle East

SABIC is majority-owned by Saudi Aramco, which is, in turn majority-owned by the Government of the Kingdom of Saudi Arabia. Moreover, a significant portion of the asset base of the Group is located in, and a significant portion of the Group's revenues are derived from, its operations in Saudi Arabia and the Middle East. As a result, the Group's business, operating results and growth are affected in general by financial, economic and political developments in or affecting Saudi Arabia and the Middle East. Certain risks relating to this region are set out below.

Saudi Arabia's economy and the Government is substantially dependent upon the oil sector and is adversely affected by a low oil price environment

The hydrocarbon industry is the single largest contributor to Saudi Arabia's economy and oil revenues account for a majority of the Government's total revenues and export earnings. According to the Saudi General Authority for Statistics, the oil sector accounted for 31.2% and 33.4% of Saudi Arabia's nominal GDP in the years ended 31 December 2019 and 2018, respectively. Based on preliminary figures for 2019, oil revenues accounted for 67.4% and 65.6% of total Government revenues in the fiscal years 2019 and 2018, respectively. According to the Saudi General Authority for Statistics, oil exports accounted for 76.6% and 78.7% of Saudi Arabia's total exports by value in the years ended 31 December 2019 and 2018, respectively.

As oil is Saudi Arabia's most important export, any change in oil prices affects various macroeconomic and other indicators, including, but not limited to, GDP, Government revenues, balance of payments and foreign trade which could ultimately impact the Group. International oil prices have fluctuated significantly over the past two decades and may remain volatile in the future. International oil prices have witnessed a significant decline since mid-2014, with the OPEC Reference Basket price (a weighted average of prices per barrel for petroleum blends produced by the OPEC countries) declining from a monthly average of U.S.$107.89 per barrel in June 2014 to a monthly average of U.S.$26.50 per barrel in January 2016, before partially recovering to a monthly average of U.S.$49.60 per barrel in August 2017. Oil prices have continued to be volatile in the past two years, with the basket price for 2018 reaching U.S.$65.37 and the average price for the first six months of 2020 reaching U.S.$39.03 with a high of U.S.$65.11 and a low of U.S.$17.64. The monthly price per barrel of Arabian Light Crude Oil (which is produced by Saudi Arabia and constitutes part of the OPEC Reference Basket) has also moved in line with these trends.

The relatively lower global oil price environment from mid-2014 can be attributed to a number of factors, including, but not limited to, a decline in demand for oil due to slower growth in a number of economies, particularly in the emerging markets (especially China), the increase in oil production by other producers and competition from alternative energy sources. In general, international prices for crude oil are also affected by the economic and political developments in oil producing regions, particularly the Middle East; prices and availability of new technologies; and the global climate and other relevant conditions. There can be no assurance that these factors, in combination with others, will not result in a prolonged or further decline in oil prices, which may continue to have an adverse effect on Saudi Arabia's GDP growth, Government revenues, balance of payments and foreign trade.

In addition to the negative impact of low oil prices on Government reserves and revenues, lower oil prices have also negatively impacted Saudi Arabia's current account position which could make it more vulnerable to adverse changes in global markets. Based on preliminary figures for 2018, Saudi Arabia's current account surplus was SAR 264.8 billion (U.S.$70.6 billion), representing 9.0% of nominal GDP, in the year ended

31 December 2018, compared to a current account surplus of SAR 39.2 billion (U.S.$10.5 billion), representing 1.5% of nominal GDP, in the year ended 31 December 2017, which also followed a current account deficit of SAR 89.4 billion (U.S.$23.8 billion), representing 3.7% of nominal GDP in the year ended 31 December 2016.

Furthermore, if Saudi Arabia increases its oil production in the future, there can be no assurance that Saudi Arabia's export earnings will also increase, to the extent that such increase in production is offset by any decline in international oil prices due to conditions in the global oil market. Conversely, if Saudi Arabia decreases its oil production in the future, this could result in a decline in Saudi Arabia's export earnings to the extent that such lower production is not offset by any increase in international oil prices due to conditions in the global oil market.

On 14 September 2019, the Abqaiq processing facility and the Khurais oil field in Saudi Arabia were damaged in a major act of sabotage. The act of sabotage had resulted in the temporary interruption of Saudi Arabia's production by an estimated 5.7 million barrels of crude oil per day, 2.0 billion cubic feet of associated gas, 1.3 billion cubic feet of dry gas, 500 million cubic feet of ethane and 0.5 million barrels of gas liquids. A significant portion of production was restored within two days of the act of sabotage, and the Ministry of Energy confirmed that the Kingdom will meet its full obligations to its customers by withdrawing from its crude oil stocks and adjusting the mix of some oils. The Ministry of Energy also confirmed that the Kingdom's production capacity of dry gas, ethane and gas liquids returned to pre-incident levels by the end of September 2019. There can be no assurance, however, what impact this act of sabotage (or any prolonged period of reduced production following any further incident relating to critical oil and gas infrastructure) will have on global oil and gas prices or demand and any corresponding impact on the Kingdom's hydrocarbon exports, Government revenues and the Kingdom's economy as a whole. See "*— Saudi Arabia is located in a region that has been subject to ongoing political and security concerns*".

Potential investors should also note that many of Saudi Arabia's other economic sectors are in part dependent on the oil sector, and the above analysis does not take into account the indirect impact that a prolonged or further decline in oil prices may have on Saudi Arabia's economy. Sectors such as education, healthcare and housing, may, indirectly, be adversely affected by lower levels of economic activity that may result from lower Government revenues from the oil sector.

Saudi Arabia is located in a region that has been subject to ongoing political and security concerns

Saudi Arabia is located in a region that is strategically important and parts of this region have been subject to political and security concerns, especially in recent years. Several countries in the region are currently subject to armed conflicts and/or social and political unrest, including conflicts or disturbances in Yemen, Syria, Libya and Iraq, as well as the multinational conflict with 'Da'esh' (also referred to as the "**Islamic State**"). In some instances, the recent and ongoing conflicts are a continuation of the significant political and military upheaval experienced by certain regional countries from 2011 onwards, commonly referred to as the 'Arab Spring', which gave rise to several instances of regime change and increased political uncertainty across the region. Furthermore, in March 2015, a coalition of countries, led by Saudi Arabia and supported by the international community, commenced military action against the Al-Houthi rebels in Yemen. Although in April 2020 the coalition issued a ceasefire to help combat the COVID-19 pandemic in the country, hostilities quickly resumed and the civil war in Yemen has continued and led to humanitarian crisis. Saudi Arabia was targeted on several occasions by ballistic missiles fired by the Al-Houthi rebels in Yemen during 2017, 2018 and 2019, all of which have been successfully intercepted by Saudi Arabia's defence systems. There can be no assurance that the conflict in Yemen will end in the near future. Additionally, on 14 September 2019, the Abqaiq processing facility and the Khurais oil field in Saudi Arabia were damaged in a major act of sabotage which resulted in the temporary interruption of Saudi Arabia's oil and gas production. The Al-Houthi rebels claimed responsibility for the act of sabotage, although this claim has not been verified and has been disputed. There can be no assurance what impact this act of sabotage may have on the geopolitical situation in the region, including any potential escalation of tensions. See "*— Saudi Arabia's economy and the Government is substantially dependent upon the oil sector and is adversely affected by a low oil price environment*".

Tensions have persisted between Saudi Arabia and Iran, as exemplified in January 2016 by Saudi Arabia recalling its ambassador to Iran. In addition, on 8 May 2018, the United States announced its withdrawal from the comprehensive agreement between the U.N. Security Council's five permanent members plus Germany and Iran that was reached on July 2015, reinstating U.S. nuclear sanctions on the Iranian regime. The United States also announced that it would not renew exceptional waivers for importing Iranian oil for several oil-importing countries, effective from May 2019. On 2 January 2020, the United States carried out a military strike which killed a senior Iranian military commander, as a result of which Iran launched missiles at a U.S. base in Iraq. There have since been repeated attacks by militia groups on Iraqi military bases housing foreign soldiers and retaliatory strikes by the United States. Any continuation or increase in international or regional tensions regarding Iran or Iraq, including further attacks on or seizures of oil tankers which disrupt international trade, including any impairment of trade flow through the Strait of Hormuz, or any military conflict, could have a destabilising impact on the Gulf region, including with respect to Saudi Arabia and its ability to export oil.

On 5 June 2017, three GCC countries – Saudi Arabia, the UAE and Bahrain – as well as Egypt and Yemen – severed diplomatic ties with Qatar, cut trade and transport links and imposed sanctions on Qatar. The stated rationale for such actions was Qatar's support of terrorist and extremist organisations and Qatar's interference in the internal affairs of other countries. There can be no assurance as to when diplomatic relations will be restored or air, land and sea connections reopened with Qatar.

These geopolitical events may contribute to instability in the Middle East and surrounding regions (that may or may not directly involve Saudi Arabia) and may have a material adverse effect on Saudi Arabia's attractiveness for foreign investment and capital, its ability to engage in international trade and, subsequently, its economy and financial condition. Furthermore, such geopolitical events may also contribute to increased defence spending, which could in turn have an adverse impact on Saudi Arabia's fiscal position or the budget available for other projects.

Saudi Arabia's sovereign credit rating may be downgraded in the future

Saudi Arabia has been assigned the following credit ratings: A1 (negative outlook) by Moody's and A (stable outlook) by Fitch. The credit ratings assigned to Saudi Arabia by Moody's and Fitch are a result of a downgrade by each of these credit ratings agencies from, in the case of Moody's, Aa3 to the current A1 in May 2016, which was affirmed in May 2020, and, in the case of Fitch, from AA− to A+ in March 2017. Furthermore, in February 2016, S&P, which rates Saudi Arabia on an unsolicited basis, cut Saudi Arabia's foreign and local currency credit ratings by two levels from A+ (negative) to A- (stable), which was affirmed in March 2020. For the downgraded ratings mentioned above, the relevant ratings agency cited a fall in oil prices having led to a material deterioration in Saudi Arabia's credit profile and the expectation of an increased Government budget deficit as among the reasons for the downgrade. In September 2019, Fitch further downgraded Saudi Arabia's rating to A, citing a revised assessment of the vulnerability of Saudi Arabia's economic infrastructure to regional military threats and continued deterioration in Saudi Arabia's fiscal and external balance sheets. The rating was affirmed in April 2020 and again in August 2020.

Ratings are an important factor in establishing the financial strength of debt issuers and are intended to measure an issuer's ability to repay its obligations based upon criteria established by the rating agencies. Any further downgrade in Saudi Arabia's sovereign credit rating or in the credit ratings of instruments issued, insured or guaranteed by related institutions or agencies, could negatively affect the price of the Notes. To the extent that major Government-related institutions or agencies are subject to further downgrades in the future, this may adversely affect the finances of the Government to the extent that the Government provides explicit or implicit guarantees or credit support for the indebtedness of those entities, or to the extent that such entities contribute to Government revenues.

Any further decline in Saudi Arabia's credit rating could have a material adverse effect on its cost of borrowing and could adversely affect its ability to access debt capital markets or other sources of liquidity.

A credit rating is not a recommendation to buy, sell or hold the Notes. Credit ratings are subject to revisions or withdrawal at any time by the assigning rating agency. Saudi Arabia cannot be certain that a credit rating will remain for any given period of time or that a credit rating will not be downgraded or withdrawn entirely by the relevant rating agency if, in its judgment, circumstances in the future so warrant. A suspension, downgrade or withdrawal at any time of the credit rating assigned to Saudi Arabia may adversely affect the market price of the Notes.

Investing in securities involving emerging markets such as Saudi Arabia generally involves a higher degree of risk

Investing in securities involving emerging markets, such as Saudi Arabia, generally involves a higher degree of risk than investments in securities of issuers from more developed countries. Generally, investments in emerging markets are only suitable for sophisticated investors who fully appreciate, and are familiar with, the significance of the risks involved in investing in emerging markets.

Saudi Arabia's economy is susceptible to future adverse effects similar to those suffered by other emerging market countries. In addition, as a result of "contagion", Saudi Arabia could be adversely affected by negative economic or financial developments in other emerging market countries, which could in turn adversely affect the trading price of the Notes. Key factors affecting the environment include the timing and size of increases in interest rates in the United States, further evidence of an economic slowdown in China, geopolitical tensions in the Middle East and in the Korean peninsula and other similar significant global events.

Accordingly, there can be no assurance that the market for securities bearing emerging market risk, such as the Notes, will not be affected negatively by events elsewhere, especially in other emerging markets.

Reliability of statistical information

Statistics contained in this Prospectus, including those in relation to GDP, balance of payments, revenues and expenditure, indebtedness of the Government and oil reserves and production figures have been obtained from, among others, GASTAT, SAMA, the Ministry of Finance and Saudi Aramco. Such statistics, and the component data on which they are based, may not have been compiled in the same manner as data provided by similar sources in other jurisdictions. Similar statistics may be obtainable from other sources, although the underlying assumptions, methodology and consequently the resulting data may vary from source to source. In addition, standards of accuracy of statistical data may vary from ministry to ministry or authority to authority or from period to period due to the application of different methodologies. In this Prospectus, data is presented, as applicable, as having been provided by the relevant ministry or authority to which the data is attributed, and no attempt has been made to reconcile such data to data compiled by other ministries or by other organisations, such as the IMF or the World Bank. There may also be material variances between preliminary or estimated statistical data set forth in this Prospectus and actual results, and between the statistical data set forth in this Prospectus and corresponding data previously published, or published in the future, by or on behalf of Saudi Arabia.

No assurance can be given that any such statistical information, where it differs from that provided by other sources, is more accurate or reliable. Where specified, certain statistical information has been estimated based on information currently available and should not be relied upon as definitive or final. Such information may be subject to future adjustment. In addition, in certain cases, the information is not available for recent periods and, accordingly, has not been updated. The information for past periods should not be viewed as indicative of current circumstances, future periods or periods not presented.

There can be no assurance that the Government will not reconsider Saudi Arabia's exchange rate policy

The Saudi riyal has been pegged to the U.S. dollar since 1986 and it continues to be the policy of the Government and SAMA to maintain the currency peg at its existing level. There can be no assurance that future unanticipated events, including an increase in the rate of decline of the Government's reserve assets, will not lead the Government to reconsider its exchange rate policy.

Any change to the existing exchange rate policy that results in a significant depreciation of the Saudi riyal against the U.S. dollar or other major currencies could lead to an increase in the cost of Saudi Arabia's imports, which could offset any increase in export revenues. Saudi Arabia relies on imports for the majority of its food and other consumer items, and any consequential increase in the price of food, medicine or other household items could contribute to higher inflation and have a material adverse effect on Saudi Arabia's social, economic and financial condition.

Furthermore, any change to the current exchange rate policy could increase the burden of servicing Saudi Arabia's external debt and also result in damage to investor confidence, resulting in outflows of capital and market volatility, each of which could have a material adverse effect on Saudi Arabia's economic and financial condition.

The legal system in Saudi Arabia continues to develop and this, and certain aspects of the laws of Saudi Arabia, may create an uncertain environment for investment and business activity

The courts and adjudicatory bodies in Saudi Arabia have a wide discretion as to how laws and regulations are applied to a particular set of circumstances. There is no doctrine of binding precedent in the courts of Saudi Arabia, decisions of the Saudi Arabian courts and adjudicatory bodies are not routinely published and there is no comprehensive up-to-date reporting of judicial decisions. In some circumstances, it may not be possible to obtain the legal remedies provided under the laws and regulations of Saudi Arabia in a timely manner. As a result of these and other factors, the outcome of any legal disputes in Saudi Arabia may be uncertain.

In Saudi Arabia, contractual provisions, including those governed by foreign laws, for the charging and payment of interest (or commission) have been enforced by adjudicatory bodies. However, a court or adjudicatory body in Saudi Arabia applying a strict interpretation of the Shari'ah may not enforce such contractual provisions and the future consistency of Saudi courts or adjudicatory bodies regarding the payment of interest (which may include payments on the Notes and/or pursuant to the Guarantees) cannot be predicted (see also "*Risks Relating to Enforcement*").

Risks Relating to the Issuer and Group Structure

The Issuer is a financing subsidiary of the Group and payments under the Notes are limited to amounts of certain payments received by the Issuer from other subsidiaries of the Group through intercompany loans

The Issuer is an indirect wholly-owned subsidiary of SABIC. Its principal activities consist of raising funds and on-lending the proceeds to other Group companies outside of the Middle East and the United States (see further "*Description of the Issuer*"). Such Group companies use the loans extended by the Issuer for their own operations or for financing their own subsidiaries via intercompany loans or equity.

Historically, funds raised by the Issuer through bank and capital markets financings have mainly been on-lent to SABIC Group companies outside of the Middle East and the United States via intercompany loans or equity. Accordingly, the only material assets of the Issuer are receivables from its loans to Group companies and the revenues of the Issuer consist almost entirely of interest payments under such loans.

There can be no assurance that such Group companies to which the Issuer may on-lend funds in the future will be able to generate sufficient revenues from their operations or receive a sufficient amount of interest payments or dividends or other forms of distribution from their own subsidiaries, to pay interest on such loans from the Issuer and/or repay the principal amount of such loans extended to them by the Issuer. In such event, the Issuer's ability to pay amounts due on the Notes will be dependent on financial support from SABIC, who is also the Guarantor.

SABIC is reliant on the performance of, and dividend distributions and other revenue flows from, its subsidiaries, joint ventures and associates

SABIC conducts its operations principally through, and derives most of its revenues from, its subsidiaries, joint ventures and associates, and has limited revenue-generating operations of its own. Consequently, SABIC's cash flows and ability to meet its cash requirements, including its obligations under the Notes, depend upon the profitability and cash flows from its subsidiaries, joint ventures and associates, including their ability to make dividend distributions to SABIC, repay interest on intercompany loans extended to them by SABIC, and pay fees to SABIC for any inter-Group services provided to them by SABIC (such as the sale of their products, providing/sub-licensing technology licenses, and providing catalyst supplies as well as providing certain administrative and other technical services).

In particular, SABIC conducts certain business operations through joint ventures which are not controlled by SABIC. SABIC may also enter into additional joint ventures in the future. Some of SABIC's joint ventures with third parties are managed by such joint venture's own board of directors who are mandated to make business, financial and management decisions by taking into account the corporate interest of the relevant joint venture company. Such decisions may, therefore, not be solely in the interests of SABIC and may reflect the interests of the other joint venture partners, including in relation to dividend distributions. In addition, SABIC's joint venture partners may breach their obligations to SABIC or the joint venture, have economic or business interests inconsistent with SABIC's or the joint venture's interests and/or take actions contrary to SABIC's objectives or policies, any of which may result in disputes between SABIC and its joint venture partners.

Any decline in such subsidiaries, joint ventures or associates' profitability could affect their ability to pay dividends, interest and/or make other payments to SABIC and, in turn, could have a material and adverse effect on the Group's results of operations and financial condition. See "*—Risks Relating to the Group's Business —Several of the Group's operations are run through joint ventures and other entities in which it holds a minority interest or a joint-control and, in some cases, the Group does not have the right or power to direct the management and policies of such companies*".

The Notes are structurally subordinated to indebtedness of SABIC's subsidiaries, joint ventures and associates, and will rank junior to any secured debt of the Group

SABIC is a holding company and its operations are conducted through its subsidiaries, joint ventures and associates. Although the Financial Statements are presented on a consolidated basis and include the income, financial position and cash flows position of its subsidiaries, certain joint ventures and associates (see Note 42 (*Subsidiaries*) and Note 43 (*Investments in associates and joint arrangements*) to the 2019 Audited Financial Statements), such subsidiaries, joint ventures and associates are separate legal entities. Since SABIC's subsidiaries, joint ventures and associates are not providing guarantees or any other form of security with respect to the Notes, the Noteholders will not have any recourse to, or direct claim on the cash flows or assets of such companies (including any type of assets, including cash, that appear in SABIC's balance sheet but are legally owned by such subsidiaries, joint ventures and associates and not at the free disposal of SABIC), and such subsidiaries, joint ventures and associates will have no obligation, contingent or otherwise, to pay amounts due under the Notes, or to make funds available to SABIC to make those payments.

Moreover, SABIC's subsidiaries, joint ventures and associates have incurred, and will continue to incur in the future, substantial amounts of debt in order to finance their operations. The relevant financing arrangements or other contracts to which such entities are a party may contain certain financial covenants and/or restrictions on the relevant entity's ability to distribute dividends or make other payments to SABIC. Claims of secured and unsecured creditors of such entities (including trade creditors, banks and other lenders) will have priority with respect to the assets of such entity over any claims that SABIC or the creditors of SABIC, as applicable, may have with respect to such assets. Accordingly, if SABIC became insolvent at the same time as such entities, claims of the Noteholders against SABIC in respect of the Notes would be structurally subordinated to the claims of all such creditors of SABIC's subsidiaries, joint ventures and associates.

In addition, as at 30 June 2020, 34.8% of the Group's existing indebtedness is secured by certain Group assets and would rank effectively senior to the Notes with respect to such assets.

The Government's and/or Saudi Aramco's interests may, in certain circumstances, be different from the interests of the Noteholders

As at the date of this Prospectus, Saudi Aramco, which is majority-owned by the Government, owns 70.0% of SABIC's share capital. The remaining 30.0% is owned by other investors, including certain institutions which may be controlled by the Government and private investors (see further "*Description of the Group – Shareholders*"). As a result, Saudi Aramco and the Government have significant control over actions requiring shareholder approval including, among other things, the ability to appoint SABIC's board of directors and affect the Group's business policies and strategies.

The interests of Saudi Aramco and the Government may, from time to time be different from those of SABIC's creditors, including the Noteholders. For example, decisions made by SABIC's board of directors may be influenced by the need to consider Saudi Aramco or Government objectives, including strategic and development objectives. Such decisions could result in SABIC making investments for other than purely commercial reasons, which may not be in the interests of the Noteholders.

Any decrease in the Government's shareholding in Saudi Aramco, and thereby in SABIC, could have a material and adverse effect on SABIC's credit rating as well as on the value in the secondary market of any securities issued or guaranteed by SABIC (including the Notes).

SABIC does not benefit from any direct or indirect legally enforceable guarantee by the Government. Accordingly, SABIC's financial obligations, including its obligations under the Notes, are not, and should not be regarded as, obligations of the Government. SABIC's ability to make payments under the Notes is solely dependent on SABIC's ability to fund such obligations from its operating cash flows and borrowings.

Risks Relating to Enforcement

Enforcing foreign judgments or arbitral awards against the Guarantor

The Guarantor is a Saudi joint stock company and is incorporated in Saudi Arabia and a significant proportion of its assets and operations are located outside the United Kingdom. If the Guarantor should fail to make payments under the Guarantees, it may be necessary to bring an action against the Guarantor in Saudi Arabia in order to enforce its obligations which could be time consuming and costly.

The enactment of the Enforcement Act, which was issued by Royal Decree No. M/53 dated 13/08/1433H (corresponding to 3 July 2012) (the "**Enforcement Act**") and came into force, together with its implementing regulations (the "**EA Implementing Regulations**" and, together with the Enforcement Act, the "**Saudi Arabian Enforcement Law**"), on 28 February 2013, has transferred jurisdiction for enforcement actions, including those relating to foreign judgments and arbitral awards, to the newly created Enforcement Courts staffed by specialist enforcement judges.

Pursuant to the Saudi Arabian Enforcement Law, a foreign judgment or arbitral award rendered in a foreign country (a "**Foreign Judgment**") may, subject to:

(a) the provisions of treaties and conventions, such as the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the "**New York Convention**") which Saudi Arabia has acceded to;

(b) the enforcement applicant showing the enforcement judge that the country/state in which the Foreign Judgment was rendered would reciprocally enforce the judgments of the courts and judicial committees of Saudi Arabia in such foreign jurisdiction; and

(c) satisfying certain conditions as indicated below,

be submitted for enforcement to an enforcement judge responsible for enforcing foreign judgments and orders and, subject to such enforcement judge verifying that such conditions have been satisfied, the enforcement judge shall affix the enforcement stamp on the Foreign Judgment in order that the Foreign Judgment may be enforced (in whole or in part) in accordance with the provisions of the Saudi Arabian Enforcement Law as if it were a judgment/award rendered in Saudi Arabia.

Reciprocity may be demonstrated by way of Saudi Arabia and the country in which the Foreign Judgment was issued being parties to a bilateral or multilateral agreement for the reciprocal enforcement of judgments or awards (in this regard, we note that Saudi Arabia has acceded to the New York Convention) or, in the absence of such agreement, that such country would recognize and enforce a Saudi Arabian judgment or award in the same manner as a domestic judgment or award.

In the absence of a treaty for the reciprocal enforcement of foreign judgments, a court or adjudicatory body in Saudi Arabia is unlikely to enforce an English judgment without re-examining the merits of the claim. As such, investors may have difficulties in enforcing any English judgments against the Guarantor in the courts of Saudi Arabia.

The conditions which would need to be satisfied and verified by the enforcement judge in order for a Foreign Judgment to be enforced in Saudi Arabia (whether in whole or in part) include the following (as set out in article 11 of the Enforcement Act) in addition to certain other procedural requirements as set out in article 11 of the EA Implementing Regulations (such as supporting documents, translations and certifications):

(i) the subject matter of the Foreign Judgment must not be a matter over which the courts and judicial committees of Saudi Arabia have jurisdiction;

(ii) the Foreign Judgment must have been issued by a competent court / tribunal in accordance with the applicable rules;

(iii) the party against whom the Foreign Judgment was issued, was summoned, duly represented and was provided with the opportunity to defend the claim;

(iv) the Foreign Judgment is final in accordance with the regulations applicable to the foreign issuing court/tribunal;

(v) the Foreign Judgment does not conflict with any judgment, decision or court order issued in relation to the same subject matter by a court or judicial committee of Saudi Arabia; and

(vi) the Foreign Judgment is not inconsistent with the public policy of Saudi Arabia (clarified in the implementing regulations to the Saudi Arabian Enforcement Law as being reference to *Shari'ah*).

Although it is not clear from the Enforcement Law itself, we understand that the intended scope of sub-paragraph (i) above, further to article 11(6) of the EA Implementing Regulations, is limited only to claims where the courts and judicial committees of Saudi Arabia have *exclusive* jurisdiction (such as right in rem claims with respect to real estate in Saudi Arabia) (and not simply any claims where courts and judicial committees of Saudi Arabia may together, with other foreign courts, have jurisdiction).

In addition to the above, it is a condition to the enforcement of Foreign Judgments that there is no action which was commenced before a Saudi Arabian court or other judicial committee between the same litigants and involving the same subject matter prior to the commencement of the proceeding in the country where the Foreign Judgment was issued.

According to article 12 of the Enforcement Act, the provisions and requirements of article 11 thereof applicable to foreign court judgments are similarly applicable to foreign arbitral awards.

The Guarantor has irrevocably agreed that any dispute, claim, difference or controversy arising out of, relating to, or having any connection with the Notes and the Trust Deeds (as defined below) shall be referred to, and finally resolved by, arbitration under the LCIA Rules. Noteholders will therefore only have recourse to LCIA arbitration in order to enforce their contractual rights under the Notes and the Guarantees and will not have the right to bring proceedings before the English courts.

Although Saudi Arabia has acceded to the New York Convention, when it did so its ratification was subject to a reservation such that Saudi Arabia will apply the New York Convention only to arbitral awards made in another contracting state (the reciprocity reservation) rather than extending also to the recognition and enforcement of arbitral awards made in non-contracting states (notwithstanding that such arbitral awards satisfy the basic conditions set down in the New York Convention). Accordingly, to the extent an arbitral award in connection with the Notes or the Guarantees is issued in a contracting state that would recognise and enforce arbitral awards issued in Saudi Arabia, the reciprocity requirement set out in the Enforcement Law should be satisfied.

In addition, prospective Investors should also be aware that if any terms of the Notes or any documents relating to the Notes (which would include the payment of interest) were found to be inconsistent with *Shariah*, they would not be enforced by the Enforcement Courts in Saudi Arabia.

In the event any proceedings in connection with the Notes or the Guarantees are initiated before the courts or judicial committees in Saudi Arabia, such courts and judicial committees may not observe the choice by the parties of English law as the governing law of the Notes and would instead apply Saudi Arabian law, which does not recognise the doctrine of conflict of laws.

Judicial precedents in Saudi Arabia have no binding effect on subsequent decisions. In addition, court decisions in Saudi Arabia are not generally or consistently indexed and collected in a single publication or place or made publicly available. These factors create greater judicial uncertainty, including in relation to enforcement proceedings.

The concept of appointing a process agent for service of process is not fully recognised under the laws of Saudi Arabia. Additionally, even if the parties agree that service of process on the Guarantor will be through a process agent in a foreign jurisdiction, a Saudi Arabian court or judicial committee might not consider this to be a valid service of process. It is understood that it is the customary practice of the Grievances

Board of Saudi Arabia (i.e., before its jurisdiction over foreign judgments was transferred to the Enforcement Courts) when considering the enforcement of foreign judgments to require that parties resident in Saudi Arabia be served through diplomatic channels. Other Saudi Arabian courts and judicial committees may also insist that a Saudi entity be served in Saudi Arabia through diplomatic channels. That said, if it is established that the Guarantor was served the process and attended before the court which issued the judgment, it is likely that the Saudi courts and judicial committees would not insist on process being served through diplomatic channels.

The laws of Saudi Arabia do not recognise the concept of a trust and accordingly the Saudi courts may re-characterise the trust established pursuant to the Trust Deed in respect of each Series (together the "**Trust Deeds**") in the context of the concept of *amanah*. Under Saudi Arabian law an *amin* is a person who is charged with the responsibility of holding and/or looking after assets belonging to another (*amanah*). An *amin* would be responsible for maintaining the assets it is holding for another and would be liable for any damage or loss caused to such assets where the damage or loss is caused by the *amin's* negligence or by acting *ultra vires*. As such, there can be no assurance that the obligations of the Trustee under the Trust Deeds to act on behalf of the Noteholders of the relevant Series in accordance with their instructions would be enforceable or recognised under the laws of Saudi Arabia in the same manner as under English law.

Enforcing payments of interest

The legal regime in Saudi Arabia governing transactions such as the issuance of the Notes includes *Shari'a* principles which are often expressed in general terms, providing Saudi Arabian courts and adjudicatory bodies with considerable discretion as to how to apply such principles. Under *Shari'a* principles as applied in Saudi Arabia, the charging and payment of interest, which is deemed to constitute unlawful gain (*riba*), is prohibited. Accordingly, any provision in an agreement for the payment of, whether directly or indirectly, or the bearing of the cost of any amount based upon interest will not be enforceable under Saudi Arabian law. It follows that, to the extent that any provision of the Notes or the Guarantees is viewed or characterised by a Saudi Arabian court or adjudicatory body as relating to interest, such provision will not be enforceable in Saudi Arabia.

Waiver of immunity

The Guarantor has waived its rights in relation to sovereign immunity in respect of the Trust Deeds. However, there can be no assurance as to whether such waivers of immunity from suit, execution or attachment or other legal process by it is valid and binding under the laws of Saudi Arabia. In particular, Article 21(2) of the Enforcement Law provides that no seizure of or execution may be made against property owned by the Government. However, the Enforcement Law is not clear on whether a seizure of or execution can be made against any assets owned, wholly or partially, by a company such as the Guarantor. There is no precedent of any action being taken against the Guarantor under the Enforcement Law and an execution judge may decline jurisdiction with respect to the Guarantor under the Enforcement Law. Should the enforcement judge decline jurisdiction over the Guarantor or its assets, any action to enforce any arbitral award or judgment against the Guarantor should be subject to the jurisdiction of the Board of Grievances.

Limitations on enforcement of the Guarantees

Under Saudi Arabian law there is no distinction between a guarantee as a secondary obligation and an indemnity as a primary obligation, and it is likely that a court or judicial committee in Saudi Arabia would treat both obligations as being in the nature of a guarantee. Therefore, the limitations discussed in this section apply equally to obligations expressed to be guarantees and obligations expressed to be indemnities.

Guarantees are viewed as "voluntary obligations" and as a result Saudi Arabian courts and judicial committees are likely to construe the terms and conditions of a guarantee in favour of the guarantor. For instance, we understand that it is the practice of certain courts and judicial committees in Saudi Arabia to consider a creditor filing a claim against the borrower without joining the guarantor as a party to the action to have waived its rights to claim against the guarantor, unless the claim expressly preserves the creditor's rights to claim against the guarantor. Additionally, if a creditor delays in exercising its rights against a guarantor in respect of an unpaid debt for a long period of time (as determined by the relevant court or judicial committee), the relevant court of judicial committee may construe such delay as a waiver of the creditor's rights.

In the event any guaranteed obligation proves to be illegal or unenforceable under Saudi Arabian law, the Guarantees provided by the Guarantor and any obligation held by a Saudi court or judicial committee to constitute a guarantee would, in respect of those underlying illegal or unenforceable obligations, also be unenforceable before the courts or judicial committees of Saudi Arabia. Moreover, under Islamic law, a guarantee cannot be enforced to recover monies due to a failure on behalf of a party to pay a sum in the nature of interest (howsoever described). Accordingly, the Guarantor would have, in addition to its own defences arising out of the guarantee relationship, the right to avail itself of any defences arising out of the guaranteed obligations or underlying debt.

A court or judicial committee in Saudi Arabia is likely to refuse to give a judgment in respect of principal amounts to the Noteholders in an amount greater than the principal sums found by such court or judicial committee to be due and payable less the sums in the nature of interest already paid by the Issuer or the Guarantor to the Noteholders.

A court or judicial committee in Saudi Arabia may also refuse to recognise the failure of the Issuer to pay any amount in the nature of, or otherwise related to, the payment of interest or deemed interest as an event of default. The Noteholders may, therefore, be unable to rely upon such a failure as an event of default under the terms of such agreements which may in turn limit their recourse against the Guarantor.

The obligations of the guarantor cannot be stricter than the guaranteed obligations. Moreover, an open ended guarantee that does not specify any limit on the guaranteed obligations is unlikely to be enforceable under Saudi Arabian law.

In the event that the guaranteed obligations are amended (including in relation to any change to a beneficiary of the guarantee) without the Guarantor's consent then the guarantee provided by the Guarantor (and any obligation held by a Saudi court or judicial committee to constitute a guarantee) will not cover such amendments. If the beneficiaries of a guarantee release the Issuer from any guaranteed obligation, the Guarantor will also be released from such obligations.

Any payment made by the Issuer, or by the Guarantor, in respect of the Notes may automatically be deemed to discharge the corresponding guaranteed obligations and to reduce the Guarantor's liability in respect of such guaranteed obligation, notwithstanding any provision to the contrary.

As long as any part of the guaranteed amount has not been paid to the Issuer in respect of the Notes, the Guarantor has the right to revoke its guarantee of such part of the guaranteed amount. However, this will not affect the Guarantor's obligation to guarantee the amount that has already been paid to the Issuer in respect of the Notes.

There is some uncertainty as to the practical application of the Bankruptcy Law in the Kingdom

A new bankruptcy law was issued and published in the Kingdom in 22 February 2018 pursuant to Royal decree No. M/50 dated 28/05/1439H (corresponding to 14/02/2018G) (the "**Bankruptcy Law**"), which came into effect on 18 August 2018. The bankruptcy law remains relatively new and several provisions are untested or are subject to different interpretations. Therefore, there is some uncertainty as to the practical application of certain provisions under the Bankruptcy Law. Further, the application of the Bankruptcy Law may adversely impact the performance of certain obligations in the enforceability of certain provisions under the Notes and the Guarantees.

It is uncertain under the laws of Saudi Arabia whether the obligations of the Guarantor arising following its insolvency will be enforceable with respect to the Guarantor, as the debt owed by the Guarantor will become due at the time of its insolvency. Therefore, it is unclear whether in any particular case the Guarantees would continue to be effective after the insolvency of the Guarantor and bind the liquidator in respect of advances made thereafter.

Accordingly, there is little precedent to predict how claims by or on behalf of the Noteholders and/or the Trustee would be resolved in the event of the Guarantor's insolvency and it is uncertain exactly how and to what extent the Notes or the Guarantees would be enforced by a Saudi Arabian adjudicatory body if such Saudi Arabia adjudicatory body were to void or otherwise cause such document, or any part thereof, to be void or ineffective and therefore there can be no assurance that Noteholders will receive repayment of their claims in full or at all in these circumstances.

Change of law

The structure of the issue of Notes of each Series and the Guarantees is based on English law and administrative practices in effect as at the date of this Prospectus. No assurance can be given as to the impact of any possible change to English law or administrative practices after the date of this Prospectus, nor can any assurance be given as to whether any such change could adversely affect the ability of the Issuer and/or the Guarantor to make payments under the Notes or, as the case may be, the Guarantees.

Risks Relating to the Notes

The Notes may be redeemed prior to maturity

The Series A Notes may be redeemed at the option of the Issuer, in whole but not in part, at their principal amount on 14 June 2030 and the Series B Notes may be redeemed at the option of the Issuer, in whole but not in part, at their principal amount on 14 March 2050. In addition, in the event that the Issuer or the Guarantor would be obliged to increase the amounts payable in respect of the Notes of either Series due to any withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by, or on behalf of, The Netherlands or Saudi Arabia or any political sub-division thereof or any authority therein or thereof having power to tax, the Issuer may redeem all outstanding Notes of such Series in accordance with Condition 5(b) (*Redemption and Purchase – Redemption for taxation reasons*).

In such circumstances, an investor may not be able to re-invest the redemption proceeds in a comparable security with a similar rate of return, which may have an adverse effect on the position of such investor. Potential investors should consider re-investment risk in light of other investments available at that time.

The Notes are subject to modification by a majority of Noteholders

The Terms and Conditions of the Notes contain provisions for calling meetings of Noteholders of each Series to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders of the relevant Series, including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

The Terms and Conditions of the Notes also provide that the Trustee may, without the consent of Noteholders of a Series, agree to any modification of, or to the waiver or authorisation of any breach or proposed breach of, the provisions of the Notes and/or the Trust Deed relating to such Series, in the circumstances described in Condition 12 (*Meetings of Noteholders and Modification; Substitution*).

There is no active trading market for the Notes

The Notes are new securities which may not be widely distributed and for which there is currently no active trading market. If the Notes are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Issuer and the Guarantor. Although application has been made to Euronext Dublin for the Notes of each Series to be admitted to the Official List and to trading on its regulated market and application will also be made for the listing of the Series B Notes on the TPEx, no assurance can be given as to whether such applications will be accepted or whether the Notes will be, or will remain, listed on the regulated market of Euronext Dublin or TPEx, as applicable, whether an active trading market will develop or as to the liquidity of any such trading market. Accordingly, there is no assurance as to the development or liquidity of any trading market for the Notes and investors may not be able to sell their Notes easily or at prices that will provide a yield comparable to similar investments that have a developed secondary market. In addition, if the Series B Notes fail to or cease to be listed on the TPEx, certain investors may not invest in, or continue to hold or invest in, the Series B Notes.

The Notes may be subject to exchange rate risks and exchange controls

The Issuer or, as the case may be, the Guarantor will pay principal and interest on the Notes in U.S. dollars. If an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than U.S. dollars, the investor may be subject to certain exchange rate risks. These include the risk that exchange rates may significantly change (including changes due to devaluation of U.S. dollars or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls which could adversely affect the relevant exchange rate. Any appreciation in the value of the Investor's Currency relative to U.S. dollars would decrease: (a) the Investor's Currency-equivalent yield on the Notes; (b) the Investor's Currency-equivalent value of the principal payable on the Notes; and (c) the Investor's Currency-equivalent market value of the Notes.

Credit ratings may not reflect all risks

The Notes of each Series are expected to be rated A1 by Moody's and A- by S&P. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. Any adverse change in an applicable credit rating could adversely affect the trading price for the Notes.

Each of Moody's and S&P is established in the EEA or the UK and registered under the CRA Regulation. In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the EEA or the UK and registered under the CRA Regulation unless: (a) the rating is provided by a credit rating agency not established in the EEA or the UK but is endorsed by a credit rating agency established in the EEA or the UK and registered under the CRA Regulation; or (b) the rating is provided by a credit rating agency not established in the EEA or the UK which is certified under the CRA Regulation.

Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent: (a) the Notes are legal investments for it; (b) the Notes can be used as collateral for various types of borrowing; and (c) other restrictions apply to its purchase or pledge of the Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk-based capital or similar rules.

OVERVIEW OF THE NOTES

This overview must be read as an introduction to this Prospectus and any decision to invest in the Notes should be based on a consideration of the Prospectus as a whole, including the documents incorporated by reference. This overview does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Prospectus.

Words and expressions defined in the "Terms and Conditions of the Notes" or elsewhere in this Prospectus have the same meanings in this overview.

The Issuer:	SABIC Capital I B.V., a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*) incorporated under the laws of The Netherlands, having its seat (*statutaire zetel*) in Amsterdam and its registered office at World Trade Centre, Tower H, 27th Floor, Zuidplein 216, 1077 XV Amsterdam, The Netherlands and registered with the Chamber of Commerce in The Netherlands under number 14105351.
The Guarantor:	Saudi Basic Industries Corporation.
Global Coordinators:	Series A Notes: BNP Paribas, Citigroup Global Markets Limited and HSBC Bank plc. Series B Notes: BNP Paribas, Citigroup Global Markets Limited and HSBC Bank plc. BNP Paribas, Citigroup Global Markets Limited and HSBC Bank plc are not Taiwan licensed banks and have not offered or sold and will not offer, sell, distribute or underwrite the Series B Notes.
Joint Lead Managers for the Series A Notes:	BNP Paribas, Citigroup Global Markets Limited, HSBC Bank plc, Mizuho International plc, MUFG Securities EMEA plc and SMBC Nikko Capital Markets Limited.
Co-Managers for the Series A Notes:	Crédit Agricole Corporate and Investment Bank, ING Bank N.V., Merrill Lynch International and Standard Chartered Bank.
Lead Manager for the Series B Notes:	BNP Paribas SA, Taipei Branch.
Managers for the Series B Notes:	Citibank Taiwan Limited and HSBC Bank (Taiwan) Limited.
Structuring Agents for the Series B Notes:	Mizuho International plc, MUFG Securities EMEA plc and SMBC Nikko Capital Markets Limited. Mizuho International plc, MUFG Securities EMEA plc and SMBC Nikko Capital Markets Limited are not Taiwan licensed banks and have not offered or sold and will not offer, sell, distribute or underwrite the Series B Notes.
Trustee:	Citicorp Trustee Company Limited.
The Notes:	Series A Notes: U.S.$500,000,000 2.150 per cent. Guaranteed Notes due 2030. Series B Notes: U.S.$500,000,000 3.000 per cent. Guaranteed Notes due 2050.
Issue Price:	Series A Notes: 99.687% of the principal amount of the Notes. Series B Notes: 100% of the principal amount of the Notes.

Issue Date:	Expected to be on or about 14 September 2020.
Use of Proceeds:	See "*Use of Proceeds*".
Interest:	Series A Notes: The Series A Notes will bear interest from 14 September 2020 at a rate of 2.150% per annum payable semi-annually in arrear on 14 March and 14 September in each year commencing on 14 March 2021. Series B Notes: The Series B Notes will bear interest from 14 September 2020 at a rate of 3.000% per annum payable semi-annually in arrear on 14 March and 14 September in each year commencing on 14 March 2021.
Status and Guarantee:	The Notes of each Series will constitute direct, unconditional and (subject to Condition 3 (*Negative Pledge*)) unsecured obligations of the Issuer which: (a) rank *pari passu* among themselves; and (b) will at all times rank at least *pari passu* with all other present and future unsecured obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application. The Guarantee in respect of each Series will constitute direct, unconditional and (subject to Condition 3 (*Negative Pledge*)) unsecured obligations of the Guarantor which will at all times rank at least *pari passu* with all other present and future unsecured obligations of the Guarantor, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.
Form and Denomination:	The Notes of each Series will be in registered form in the denomination of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof.
Final Redemption:	Series A Notes: Unless previously redeemed, or purchased and cancelled, the Series A Notes will be redeemed at their principal amount on 14 September 2030. Series B Notes: Unless previously redeemed, or purchased and cancelled, the Series B Notes will be redeemed at their principal amount on 14 September 2050.
Issuer Call:	The Notes of each Series may be redeemed at the option of the Issuer in whole, but not in part, on a Call Settlement Date at a price equal to 100% of their principal amount plus accrued interest to such date (see Condition 5(e) (*Redemption and Purchase – Redemption at the option of the Issuer*)).
Tax Redemption:	The Notes of each Series are subject to redemption in whole, but not in part, at any time at the option of the Issuer at their principal amount together with any interest accrued up to (but excluding) the date of redemption in the event of certain changes affecting taxation in The Netherlands or the Kingdom of Saudi Arabia (see Condition 5(b) (*Redemption and Purchase – Redemption for taxation reasons*)).
Redemption Following a Put Event:	Following the occurrence of a Put Event, the holder of a Note of any Series may require the Issuer to redeem such Note at its principal amount together with any interest accrued up to (but excluding) the Put Settlement Date (see Condition 5(c) (*Redemption and Purchase – Redemption upon the occurrence of a Change of Control Event*)).

	Following such redemption by the Noteholders and provided that 75% or more in principal amount of the Notes of the relevant Series then outstanding have been so redeemed, the Issuer may redeem the remaining Notes of such Series at their principal amount together with any interest accrued up to (but excluding) the date of redemption (see Condition 5(d) (*Redemption and Purchase – Redemption by the Issuer upon the occurrence of a Put Event*)).
Negative Pledge:	The Notes will contain a negative pledge provision as further described in Condition 3 (*Negative Pledge*).
Cross Default:	The Notes of each Series will contain a cross default provision as further described in Condition 8(c) (*Events of Default – Cross default*).
Rating:	The Notes of each Series are expected to be rated A1 by Moody's and A- by S&P. Each of Moody's and S&P is established in the EEA or the United Kingdom and registered under the CRA Regulation. In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the EEA and registered under the CRA Regulation unless: (a) the rating is provided by a credit rating agency not established in the EEA but is endorsed by a credit rating agency established in the EEA and registered under the CRA Regulation; or (b) the rating is provided by a credit rating agency not established in the EEA which is certified under the CRA Regulation. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.
Withholding Tax:	All payments in respect of the Notes of each Series and under the Guarantee in respect of each Series shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments of governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within The Netherlands or the Kingdom of Saudi Arabia or any political sub-division or any authority thereof or therein having authority to tax, save in certain limited circumstances (see Condition 7 (*Taxation*)).
Governing Law:	The Notes of each Series, the Trust Deed in respect of each Series and the Agency Agreement will be governed by English law.
Listing and Trading:	Application has been made to Euronext Dublin for the Notes of each Series to be admitted to the Official List and to trading on its regulated market. Application will be made by the Issuer to the TPEx in the ROC for permission to deal in and for the listing of the Series B Notes on the TPEx.
Clearing Systems:	Euroclear and/or Clearstream, Luxembourg.
Selling Restrictions:	See "*Subscription and Sale*".
Risk Factors:	Investing in the Notes involves certain risks (see "*Risk Factors*").

DOCUMENTS INCORPORATED BY REFERENCE

The following documents shall be deemed to be incorporated in, and to form part of, this Prospectus, provided that any statement contained in any document incorporated by reference in, and forming part of, this Prospectus shall be deemed to be modified or superseded for the purpose of this Prospectus to the extent that a statement contained herein modifies or supersedes such statement:

- audited financial statements of the Issuer as at and for the year ended 31 December 2018, together with the notes thereto and the auditors' report thereon (an electronic copy of which is available at https://www.rns-pdf.londonstockexchange.com/rns/8839D_1-2019-6-28.pdf on pages 9 to 32 and pages 34 to 37, respectively); and

- audited financial statements of the Issuer as at and for the year ended 31 December 2019, together with the notes thereto and the auditors' report thereon (an electronic copy of which is available at https://www.rns-pdf.londonstockexchange.com/rns/9919P_1-2020-6-15.pdf on pages 9 to 30 and pages 32 to 35, respectively).

Copies of such documents will be made available, free of charge, during usual business hours at the specified offices of the Principal Paying Agent.

Any documents themselves incorporated by reference in the documents incorporated by reference in this Prospectus shall not form part of this Prospectus.

This Prospectus will be available, in electronic format, on the website of Euronext Dublin (http://www.ise.ie/Market-Data-Announcements/Debt/).

TERMS AND CONDITIONS OF THE SERIES A NOTES

References herein to "Notes" are to the Series A Notes.

The U.S.$500,000,000 2.150% Guaranteed Notes due 2030 (the "**Notes**", which expression includes any further notes issued pursuant to Condition 14 (*Further Issues*) and forming a single series therewith) of SABIC Capital I B.V. (the "**Issuer**") will be issued on 14 September 2020 (the "**Issue Date**") and are constituted by, are subject to, and have the benefit of a trust deed dated 14 September 2020 (as amended or supplemented from time to time, the "**Trust Deed**") between the Issuer, Saudi Basic Industries Corporation (the "**Guarantor**") and Citicorp Trustee Company Limited as trustee (the "**Trustee**", which expression includes all persons for the time being trustee or trustees appointed under the Trust Deed) and are the subject of an agency agreement dated 14 September 2020 (as amended or supplemented from time to time, the "**Agency Agreement**") between the Issuer, the Guarantor, Citibank, N.A., London Branch as principal paying agent (the "**Principal Paying Agent**", which expression includes any successor principal paying agent appointed from time to time in connection with the Notes) and as transfer agent (the "**Transfer Agent**", which expression includes any successor or additional transfer agent appointed from time to time in connection with the Notes), Citigroup Global Markets Europe AG as registrar (the "**Registrar**", which expression includes any successor registrar appointed from time to time in connection with the Notes), the paying agents named therein (together with the Principal Paying Agent, the "**Paying Agents**", which expression includes any successor or additional paying agents appointed from time to time in connection with the Notes) and the Trustee. References herein to the "**Agents**" are to the Registrar, the Principal Paying Agent, the Transfer Agent and the Paying Agents and any reference to an "**Agent**" is to any one of them. Certain provisions of these Conditions are summaries of the Trust Deed and the Agency Agreement and are subject to their detailed provisions. The Noteholders (as defined below) are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and Agency Agreement applicable to them. Copies of the Trust Deed and the Agency Agreement are available for inspection by Noteholders by prior appointment during normal business hours at the office for the time being of the Trustee, being at the date hereof Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, United Kingdom and at the Specified Offices (as defined in the Agency Agreement) of each of the Agents, the initial Specified Offices of which are set out below.

1. Form, Denomination, Title and Transfer

(a) ***Form and denomination***: The Notes are in registered form in the denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof (each, an "**Authorised Denomination**").

(b) ***Register***: The Registrar will maintain a register (the "**Register**") in respect of the Notes in accordance with the provisions of the Agency Agreement. In these Conditions, the "**Holder**" of a Note means the person in whose name such Note is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof) and "**Noteholder**" shall be construed accordingly. A certificate (each, a "**Note Certificate**") will be issued to each Noteholder in respect of its registered holding. Each Note Certificate will be numbered serially with an identifying number which will be recorded in the Register.

(c) ***Title***: The Holder of each Note shall (except as otherwise required by law) be treated as the absolute owner of such Note for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing on the Note Certificate relating thereto (other than the endorsed form of transfer) or any notice of any previous loss or theft of such Note Certificate) and no person shall be liable for so treating such Holder. No person shall have any right to enforce any term or condition of the Note or the Trust Deed under the Contracts (Rights of Third Parties) Act 1999.

(d) ***Transfers***: Subject to Condition 1(g) (*Closed periods*) and Condition 1(h) (*Regulations concerning transfers and registration*), a Note may be transferred upon surrender of the relevant Note Certificate, with the endorsed form of transfer duly completed, at the Specified Office of the Registrar and/or any Transfer Agent, together with such evidence as the Registrar or (as the case may be) such Transfer Agent may reasonably require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer, **provided that** a Note may not be transferred unless the principal amount of Notes transferred and (where not all of the Notes held by a Holder are being transferred) the principal amount of the balance of Notes not transferred is an Authorised Denomination. Where not all Notes represented by the surrendered Note Certificate are the subject of the transfer, a new Note Certificate in respect of the balance of the Notes will be issued to the transferor.

(e) ***Registration and delivery of Note Certificates***: Within five business days of the surrender of a Note Certificate in accordance with Condition 1(d) (*Transfers*), the Registrar will register the transfer in question and deliver a new Note Certificate of a like principal amount to the Notes transferred to each relevant Holder at its Specified Office or (as the case may be) the Specified Office of any Transfer Agent or (at the request and risk of any such relevant Holder) by uninsured first class mail (airmail if overseas) to the address specified for the purpose by such relevant Holder. In this paragraph, "**business day**" means a day on which commercial banks are open for general business (including dealings in foreign currencies) in the city where the Registrar or (as the case may be) the relevant Transfer Agent has its Specified Office.

(f) ***No charge***: The transfer of a Note will be effected without charge by, or on behalf of, the Issuer, the Registrar or any Transfer Agent but against such indemnity as the Registrar or (as the case may be) such Transfer Agent may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer.

(g) ***Closed periods***: Noteholders may not require transfers to be registered during the period of 15 days ending on the due date for any payment of principal or interest in respect of the Notes.

(h) ***Regulations concerning transfers and registration***: All transfers of Notes and entries on the Register are subject to the detailed regulations concerning the transfer of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Trustee and the Registrar. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Noteholder who requests in writing a copy of such regulations.

2. Status and Guarantee

(a) ***Status of the Notes***: The Notes constitute direct, unconditional and (subject to Condition 3 (*Negative Pledge*)) unsecured obligations of the Issuer which: (i) rank *pari passu* among themselves; and (ii) will at all times rank at least *pari passu* with all other present and future unsecured obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

(b) ***Guarantee of the Notes***: The Guarantor has, in the Trust Deed, unconditionally and irrevocably guaranteed the due and punctual payment of all sums from time to time payable by the Issuer in respect of the Notes. The guarantee (the "**Guarantee**") constitutes direct, unconditional and (subject to Condition 3 (*Negative Pledge*)) unsecured obligations of the Guarantor which will at all times rank at least *pari passu* with all other present and future unsecured obligations of the Guarantor, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

3. Negative Pledge

So long as any Note remains outstanding (as defined in the Trust Deed), neither the Issuer nor the Guarantor shall create or permit to subsist, any mortgage, charge, lien, pledge or other security interest including, without limitation, anything analogous to any of the foregoing under the law of any jurisdiction (other than arising solely by operation of law) (each a "**Security Interest**") other than a Permitted Security Interest, upon the whole or any part of its present or future undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness, or payment under any guarantee or indemnity granted by the Issuer or the Guarantor in respect of any Relevant Indebtedness without at the same time or prior thereto according to the Notes and the Guarantee: (a) the same security as is created or subsisting to secure any such Relevant Indebtedness, guarantee or indemnity; or (b) such other security or other arrangement for the Notes and the Guarantee as may be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders.

For the purpose of this Condition 3:

(a) "**Indebtedness**" means any present or future indebtedness of any person for money borrowed or raised including (without limitation) any indebtedness for or in respect of:

(i) amounts raised under any note purchase facility;

(ii) the amount of any liability in respect of leases or hire purchase contracts which would, in accordance with applicable law and generally accepted accounting principles, be treated as finance or capital leases;

(iii) the amount of any liability in respect of any purchase price for assets or services the payment of which is deferred for a period in excess of 90 days; and

(iv) amounts raised under any other transaction (including, without limitation, any forward sale or purchase agreement) having the commercial effect of a borrowing;

(b) "**Permitted Security Interest**" means a Security Interest upon or over any of the Issuer's or, as applicable, the Guarantor's present or future assets or revenues or any part thereof which:

(i) is created pursuant to any asset-based financing (including, without limitation, a securitisation or project financing) where the primary source of payment of the obligations secured by such Security Interest is the assets or revenues subject to such Security Interest, without further recourse to the Guarantor;

(ii) is created pursuant to any Islamic financing arrangement other than a Sukuk Obligation where such Security Interests are created to secure the Issuer's or, as applicable, the Guarantor's payment obligations in respect of such Sukuk Obligation. For the avoidance of doubt, all underlying assets, tangible and/or non-tangible, of any sukuk and/or such assets' rights of use, over which the sukukholders have and/or had an undivided actual or beneficial ownership interest, in connection with any sukuk issuance, shall be a Permitted Security Interest;

(iii) in relation to the Guarantor, is created pursuant to any domestic issue of securities which is required by the Capital Market Authority in Saudi Arabia to be secured; or

(iv) arises by operation of law as a result of the existence of a fiscal unity (*fiscale eenheid*) for Dutch tax purposes of which the Issuer is or has been a member;

(c) "**Relevant Indebtedness**" means any Indebtedness which is in the form of, or represented or evidenced by, bonds, notes, debentures, loan stock or other securities which for the time being are, or are capable of being, quoted, listed or dealt in or traded on any stock exchange or over-the-counter or other securities market; and

(d) "**Sukuk Obligation**" means any undertaking or other obligation to pay any money given in connection with the issue of sukuk whether or not in return for consideration of any kind.

4. Interest

The Notes bear interest from and including the Issue Date at the rate of 2.150% per annum (the "**Rate of Interest**") payable in arrear on 14 March and 14 September in each year commencing on 14 March 2021 (each, an "**Interest Payment Date**"), subject as provided in Condition 6 (*Payments*).

Each Note will cease to bear interest from and including the due date for redemption unless, upon due presentation, payment of principal is improperly withheld or refused, in which case it will continue to bear interest at such rate (both before and after judgment) until whichever is the earlier of: (a) the day on which all sums due in respect of such Note up to that day are received by, or on behalf of, the relevant Noteholder; and (b) the day that is seven days after the Principal Paying Agent or the Trustee has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

The amount of interest payable on each Interest Payment Date shall be U.S.$10.75 per Calculation Amount in respect of each Note. If interest is required to be paid in respect of a Note on any other date, it shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest cent (half a cent being rounded upwards) and multiplying such rounded figure by a fraction equal to the Authorised Denomination of such Note divided by the Calculation Amount, where:

(i) "**Calculation Amount**" means U.S.$1,000; and

(ii) "**Day Count Fraction**" means, in respect of the calculation of an amount for any period of time (the "**Calculation Period**"), the number of days in the relevant period divided by 360 calculated on a formula basis as follows:

$$\frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"$\mathbf{Y_1}$" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{Y_2}$" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{M_1}$" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{M_2}$" is the calendar month, expressed as number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{D_1}$" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D_1 will be 30; and

"$\mathbf{D_2}$" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D_1 is greater than 29, in which case D_2 will be 30.

5. **Redemption and Purchase**

(a) ***Final redemption***: Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their principal amount on 14 September 2030, subject as provided in Condition 6 (*Payments*).

(b) ***Redemption for taxation reasons***: The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable), at their principal amount, together with interest accrued to the date fixed for redemption, if, immediately before giving such notice, the Issuer satisfies the Trustee that:

(i) (1) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 6 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of The Netherlands or any political sub-division or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after 8 September 2020; and (2) such obligation cannot be avoided by the Issuer taking reasonable measures available to it; or

(ii) (1) the Guarantor has or (if a demand was made under the Guarantee) would become obliged to pay additional amounts as provided or referred to in Condition 6 (*Taxation*) or the Guarantee, as the case may be, or the Guarantor has or will become obliged to make any such withholding or deduction as is referred to in Condition 6 (*Taxation*) or the Guarantee, as the case may be, from any amount paid by it to the Issuer in order to enable the Issuer to make a payment of principal or interest in respect of the Notes, in either case as a result of any change in, or amendment to, the laws or regulations of Saudi Arabia or any political sub-division or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after 8 September 2020; and (2) such obligation cannot be avoided by the Guarantor taking reasonable measures available to it,

provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer or the Guarantor would be obliged to pay such additional amounts or the Guarantor would be obliged to make such withholding or deduction if a payment in respect of the Notes were then due or (as the case may be) a demand under the Guarantee was then made.

Prior to the publication of any notice of redemption pursuant to this Condition 5(b), the Issuer shall deliver, or procure that there is delivered, to the Trustee: (A) a certificate signed by the Authorised Signatories (as defined in the Trust Deed) of the Issuer stating that the circumstances referred to in paragraphs (i)(1) and (i)(2) above prevail and setting out the details of such circumstances or (as the case may be) a certificate signed by the Authorised Signatories of the Guarantor stating that the circumstances referred to in paragraphs (ii)(1) and (ii)(2) above prevail and setting out the details of such circumstances; and (B) an opinion, in form and substance satisfactory to the Trustee of independent legal advisers of recognised international standing to the effect that the Issuer or (as the case may be) the Guarantor has or will become obliged to pay such additional amounts or (as the case may be) the Guarantor has or will become obliged to make such withholding or deduction as a result of such change or amendment.

The Trustee shall be entitled to accept such certificate and opinion as sufficient evidence of the satisfaction of the circumstances set out in paragraphs (i)(1) and (i)(2) above or, as the case may be, paragraphs (ii)(1) and (ii)(2) above, in which event they shall be conclusive and binding on the Noteholders.

Upon the expiry of any such notice as is referred to in this Condition 5(b), the Issuer shall be bound to redeem the Notes in accordance with this Condition 5(b).

(c) ***Redemption upon the occurrence of a Change of Control Event***: A "**Put Event**" will occur if while any of the Notes remain outstanding (as defined in the Trust Deed) a Change of Control Event (as defined below) occurs and, within the Change of Control Period, a Rating Event in respect of that Change of Control Event occurs (such Change of Control Event and Rating Event not having been cured prior to the expiry of the Change of Control Period).

If a Put Event occurs, each Noteholder will have the option (the "**Change of Control Put Option**") (unless, prior to the giving of the Change of Control Put Event Notice (as defined below), the Issuer gives notice to redeem the Notes under Condition 5(b) (*Redemption and Purchase – Redemption for taxation reasons*)) to require the Issuer to redeem or, at the Issuer's option, to procure the purchase of, all or part of its Notes, on the Put Settlement Date (as defined below) at the principal amount outstanding of such Notes together with (or where purchased, together with an amount equal to) interest accrued to, but excluding, the Put Settlement Date.

For the purpose of this Condition 5(c):

(i) "**Affiliate**" shall mean, with respect to the Guarantor, any person or entity that directly, or indirectly through one or more intermediaries, controls or is controlled by, or is under common control with, the specified person or entity;

(ii) a "**Change of Control Event**" shall be deemed to have occurred each time that a person or group of persons acting in concert (other than any Affiliates of the Guarantor), or any person or persons acting on behalf of such persons, acquires or comes to own, directly or indirectly, a number of shares in the share capital of the Guarantor or a Holding Company carrying more than 50% of the voting rights normally exercisable in a general meeting of shareholders (or its equivalent) of the Guarantor or such Holding Company;

(iii) "**Change of Control Period**" means the period beginning on the date (the "**Relevant Announcement Date**") that is the earlier of: (1) the first public announcement by, or on behalf of, the Issuer, the Guarantor or any bidder or any designated advisor of the relevant Change of Control Event; and (2) the date of the earliest Potential Change of Control Announcement, and ending 90 days after the Relevant Announcement Date (such 90th day, the "**Initial Longstop Date**"), **provided that**, unless any other Rating Agency has on or prior to the Initial Longstop Date effected a Rating Event in respect of its rating of the Notes, if a Rating Agency publicly announces, at any time during the period commencing on the date that is 60 days prior to the Initial Longstop Date and ending on the Initial Longstop Date, that it has placed its rating of the Notes under consideration for rating review either entirely or partially as a result of the relevant public announcement of the Change of Control Event or Potential Change of Control Announcement, the Change of Control Period shall be extended to the date that falls 60 days after the date of such public announcement by such Rating Agency;

(iv) "**Holding Company**" means any company of which the Guarantor is a Subsidiary;

(v) "**Person**" means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

(vi) "**Potential Change of Control Announcement**" means any public announcement or statement by the Issuer, the Guarantor, any actual or potential bidder or any designated adviser thereto relating to any specific and near-term potential Change of Control Event (where "**near-term**" shall mean that such potential Change of Control Event is reasonably likely to occur, or is publicly stated by the Issuer, the Guarantor, any such actual or potential bidder or any such designated adviser to be intended to occur, within 180 days of the date of such announcement of statement);

(vii) "**Rating Agency**" means any of the credit rating agencies of Fitch Ratings ("**Fitch**"), Moody's Investors Service ("**Moody's**") or S&P Global Ratings ("**S&P**") and their respective successors to their ratings business;

(viii) a "**Rating Event**" shall be deemed to have occurred in respect of a Change of Control Event if (within the Change of Control Period): (1) the rating previously assigned to the Notes by any Rating Agency solicited by (or with the consent of) the Issuer or the Guarantor is: (X) withdrawn; (Y) changed from an investment grade rating BBB-/Baa3 or its equivalent for the time being (or better) to a non-investment grade rating BB+/Ba1 or its equivalent for the time being (or worse); or (Z) (if the rating previously assigned to the Notes by any Rating Agency solicited by (or with the consent of) the Issuer or the Guarantor was below an investment grade rating (as described above)), lowered by at least one full rating notch (for example, from BB+ to BB, or their respective equivalents); and (2) such rating is not within the Change of Control Period subsequently upgraded (in the case of a downgrade) or reinstated (in the case of a withdrawal) either to an investment grade credit rating (in the case of (X) and (Y) above) or to its earlier credit rating or better (in the case of (Z) above) by such Rating Agency, **provided that** the Rating Agency making the reduction in rating announces or publicly confirms or, having been so requested by the Issuer or the Guarantor, informs the Issuer or the Guarantor in writing that the lowering of the rating or the failure to assign an investment grade rating was the result, in whole or in part, of the applicable Change of Control Event (whether or not the applicable Change of Control Event shall have occurred at the time of the Rating Event). For the avoidance of doubt, if on the Relevant Announcement Date the Notes carry a credit rating from more than one Rating Agency, at least one of which is an investment grade rating, then paragraph (Z) above will not apply; and

(ix) "**Subsidiary**" means, in relation to any Person (the "**first Person**") at any particular time, any other Person (the "**second Person**"):

(1) whose affairs and policies the first Person controls or has the power to control, whether by ownership of share capital, contract, the power to appoint or remove members of the governing body of the second Person or otherwise; or

(2) whose financial statements are, in accordance with applicable law and generally accepted accounting principles, consolidated with those of the first Person.

Promptly upon the Issuer or the Guarantor becoming aware that a Put Event has occurred, the Issuer or the Guarantor shall give notice (a "**Change of Control Put Event Notice**") to the Noteholders specifying the nature of the Put Event and the circumstances giving rise to it and the procedure for exercising the Change of Control Put Option contained in this Condition 5(c).

To exercise the Change of Control Put Option, a Noteholder must transfer, or cause to be transferred, its Notes to be so redeemed or purchased to the account of the Principal Paying Agent specified in the Change of Control Put Option Notice (as defined below) for the account of the Issuer within the period (the "**Change of Control Put Period**") of 45 days after a Change of Control Put Event Notice is given together with a duly signed and completed notice of exercise in the then current form obtainable from the Paying Agents (a "**Change of Control Put Option Notice**") and in which the Noteholder may specify a bank account to which payment is to be made under this Condition 5(c). The Paying Agent to which such Notes and Change of Control Put Option Notice are delivered will issue to the Holder concerned a non-transferable receipt in respect of the Notes so delivered. For the purpose of Condition 5 (*Payments*) receipts issued pursuant to this Condition 5(c) shall be treated as though they were Note Certificates.

A Change of Control Put Option Notice once given shall be irrevocable. The Issuer shall redeem or, at the option of the Issuer procure the purchase of, the Notes in respect of which the Change of Control Put Option has been validly exercised as provided above and, subject to the transfer of such Notes to the account of the Principal Paying Agent for the account of the Issuer as described above, such redemption shall be on the date that is the seventh Business Day following the end of the Change of Control Put Period (the "**Put Settlement Date**"). Payment in respect of such Notes will be made on the Put Settlement Date by transfer to the bank account specified in the Change of Control Put Option Notice.

For the purpose of this Condition 5(c), "**Business Day**" means a day on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in London.

For the avoidance of doubt, the Issuer shall have no responsibility for any cost or loss of whatever kind (including breakage costs) which the Noteholder may incur as a result of, or in connection with, such Noteholder's exercise or purported exercise of, or otherwise in connection with, any Change of Control Put Option (whether as a result of any purchase or redemption arising therefrom or otherwise).

(d) ***Redemption by the Issuer upon the occurrence of a Put Event***: If 75% or more in principal amount of the Notes then outstanding have been redeemed or purchased pursuant to Condition 5(c) (*Redemption and Purchase – Redemption upon the occurrence of a Change of Control Event*), the Issuer may, on not less than 30 nor more than 60 days' irrevocable notice to the Noteholders given within 30 days after the Put Settlement Date, redeem, on a date to be specified in such notice at its option, all (but not some only) of the remaining Notes at their principal amount, together with interest accrued to but excluding the date of such redemption.

(e) ***Redemption at the option of the Issuer***: The Notes may be redeemed at the option of the Issuer in whole, but not in part, on 14 June 2030 (the "**Call Settlement Date**") at a price equal to 100 per cent. of their principal amount on the Issuer giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable, but may (at the option of the Issuer) be conditional on one or more conditions precedent being satisfied, or waived by the Issuer, and shall oblige the Issuer to redeem the Notes on the Call Settlement Date at such price plus accrued interest to such date).

(f) ***No other redemption***: The Issuer shall not be entitled to redeem the Notes other than as provided in this Condition 5.

(g) ***Purchase***: The Issuer, the Guarantor or any of their respective Subsidiaries may at any time purchase Notes in the open market or otherwise at any price.

(h) ***Cancellation***: All Notes so redeemed or purchased by the Issuer, the Guarantor or any of their respective Subsidiaries shall be cancelled and may not be re-issued or resold.

6. **Payments**

(a) ***Method of payment***:

(i) *Principal*: Payments of principal in respect of the Notes will be made on the due date for payment to the persons shown on the Register at the close of business on the relevant Record Date in respect of such payment. Payments of principal in respect of the Notes will be made by U.S. dollar cheque drawn on or, upon application by a Holder of a Note to the Specified Office of the Principal Paying Agent not later than the fifteenth day before the due date for any such payment, by transfer to a U.S. dollar account maintained by the payee with, a bank in New York City and (in the case of redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of any Paying Agent.

(ii) *Interest*: Payments of interest in respect of the Notes will be paid on the due date for payment to the persons shown on the Register at the close of business on the relevant Record Date in respect of such payment. Payments of interest on each Note will be made by U.S. dollar cheque drawn on or, upon application by a Holder of a Note to the Specified Office of the Principal Paying Agent not later than the fifteenth day before the due date for any such payment, by transfer to a U.S. dollar account maintained by the payee with, a bank in New York City and (in the case of interest payable on redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of any Paying Agent.

(b) ***Payments subject to fiscal laws***: Without prejudice to the terms of Condition 6 (*Taxation*), all payments in respect of the Notes and the Guarantee are subject in all cases to any fiscal or other laws and regulations applicable in the place of payment. No commissions or expenses shall be charged to the Noteholders in respect of such payments.

(c) ***Payments on business days*****:** Where payment is to be made by transfer to a U.S. dollar account, payment instructions (for value the due date, or, if the due date is not a business day, for value the next succeeding business day) will be initiated and, where payment is to be made by cheque, the cheque will be mailed: (i) (in the case of payments of principal and interest payable on redemption) on the later of the due date for payment and the day on which the relevant Note Certificate is surrendered (or, in the case of part payment only, endorsed) at the Specified Office of a Paying Agent; and (ii) (in the case of payments of interest payable other than on redemption) on the due date for payment. A Holder of a Note shall not be entitled to any interest or other payment in respect of any delay in payment resulting from: (A) the due date for a payment not being a business day; or (B) a cheque mailed in accordance with this Condition 6 arriving after the due date for payment or being lost in the mail. In this paragraph, "**business day**" means:

(1) any day on which banks are open for general business (including dealings in foreign currencies) in New York City; and

(2) in the case of surrender (or, in the case of part payment only, endorsement) of a Note Certificate, any day on which banks are open for general business (including dealings in foreign currencies) in the place in which the Note Certificate is surrendered (or, as the case may be, endorsed).

(d) ***Partial payments***: If a Paying Agent makes a partial payment in respect of any Note, the Issuer shall procure that the amount and date of such payment are noted on the Register and, in the case of partial payment upon presentation of a Note Certificate, that a statement indicating the amount and the date of such payment is endorsed on the relevant Note Certificate.

(e) ***Record Date***: Each payment in respect of a Note Certificate will be made to the person shown as the Holder in the Register at the opening of business in the place of the Registrar's Specified Office on the fifteenth day before the due date for such payment (the "**Record Date**"). Where payment in respect of a Note is to be made by cheque, the cheque will be mailed to the address shown as the address of the Holder in the Register at the opening of business on the relevant Record Date.

7. Taxation

All payments of principal and interest in respect of the Notes by, or on behalf of, the Issuer or the Guarantor shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by, or on behalf of, The Netherlands or Saudi Arabia or any political sub-division thereof or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In that event the Issuer or (as the case may be) the Guarantor shall pay such additional amounts as will result in receipt by the Noteholders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Note:

(a) held by, or on behalf of, a Holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Note by reason of its having some connection with the jurisdiction by which such taxes, duties, assessments or charges have been imposed, levied, collected, withheld or assessed other than the mere holding of the Note;

(b) where (in the case of a payment of principal or interest on redemption) the relevant Note Certificate is surrendered for payment more than 30 days after the Relevant Date except to the extent that the relevant Holder would have been entitled to such additional amounts if it had surrendered the relevant Note Certificate on the last day of such period of 30 days; or

(c) under which a payment of interest is subject to any withholding or deduction as a result of the application of the Withholding tax act 2021 (*Wet bronbelasting 2021 as published in the Official Gazette (Staatsblad) Stb. 2019, 513 of 27 December 2019*).

For the purpose of this Condition 6, "**Relevant Date**" means whichever is the later of: (i) the date on which the payment in question first becomes due; and (ii) if the full amount payable has not been received in New York City by the Principal Paying Agent or the Trustee on or prior to such due date, the date that is seven days after the date on which, the full amount having been so received, notice to that effect shall have been given to the Noteholders.

Any reference in these Conditions to principal or interest shall be deemed to include any additional amounts in respect of principal or interest (as the case may be) which may be payable under this Condition 6 or any undertaking given in addition to, or in substitution of, this Condition 6 pursuant to the Trust Deed.

Notwithstanding anything to the contrary in these Conditions, the Issuer and the Guarantor shall be permitted to withhold or deduct any amounts required by Sections 1471 to 1474 of the U.S. Internal Revenue Code of 1986 ("**FATCA**"), any treaty, law, regulation or other official guidance implementing FATCA, or any agreement (or related guidance) between the Issuer, the Guarantor, a paying agent or any other person and the United States, any other jurisdiction, or any authority of any of the foregoing implementing FATCA and none of the Issuer, the Guarantor, any Paying Agent or any other person shall be required to pay any additional amounts with respect to any such withholding or deduction imposed on, or with respect to, any Note.

8. Events of Default

If any of the following events occurs and is continuing, then the Trustee at its discretion may and, if so requested in writing by Holders of at least one quarter of the aggregate principal amount of the outstanding Notes or if so directed by an Extraordinary Resolution, shall (subject, in the case of the happening of any of the events mentioned in Condition 8(b) (*Events of Default – Breach of other obligations*) below, to the Trustee having certified in writing that the happening of such event is in its opinion materially prejudicial to the interests of the Noteholders and, in all cases, to the Trustee having been indemnified and/or prefunded and/or secured to its satisfaction) give written notice to the Issuer declaring the Notes to be immediately due and payable, whereupon they shall become immediately due and payable at their principal amount together with accrued interest without further action or formality:

(a) ***Non-payment***: if default is made in the payment of the principal of, or any interest on, any of the Notes when due and such failure continues for a period of five days in the case of principal or seven days in the case of interest;

(b) ***Breach of other obligations***: the Issuer or, where applicable, the Guarantor does not perform or comply with any one or more of its other obligations in the Notes, or as the case may be, the Guarantee or, in either case, the Trust Deed, which default: (i) is, in the opinion of the Trustee, incapable of remedy; or (ii) being a default which is, in the opinion of the Trustee, capable of remedy, remains unremedied for 30 days (or such longer period as the Trustee may agree) after the Trustee has given written notice thereof to the Issuer and the Guarantor;

(c) ***Cross default***: (i) any other present or future indebtedness of the Issuer or the Guarantor for, or in respect of, moneys borrowed or raised is declared to be, or otherwise becomes, due and payable prior to its stated maturity by reason of an event of default (howsoever described); or (ii) any such indebtedness is not paid when due or, as the case may be, within any applicable grace period, or (iii) the Issuer or the Guarantor fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised, **provided that** the aggregate amount of the relevant indebtedness, guarantee and/or indemnity in respect of which one or more of the events mentioned above in this Condition 8(c) have occurred equals or exceeds U.S.$100,000,000 or its equivalent in other currency (on the basis of the middle spot rate for the relevant currency against the U.S. dollar, as quoted by any leading bank on the day on which this paragraph operates);

(d) ***Enforcement proceedings***: a distress, attachment, execution or other legal process is levied, enforced or sued out on or against all or any material part of the property, assets or revenues of the Issuer or the Guarantor (other than in respect of property, assets and/or revenues with an aggregate value of not in excess of U.S.$100,000,000 or its equivalent in other currency (on the basis of the middle spot rate for the relevant currency against the U.S. dollar as quoted by any leading bank on the day on which this paragraph operates)) and is not discharged or stayed within 28 days (in the case of the Issuer) or 60 days (in the case of the Guarantor);

(e) ***Security enforced***: any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Issuer or the Guarantor in respect of all or any material part of the property, assets or revenues of the Issuer or, as the case may be, the Guarantor becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, manager or other similar person and such appointment is still in effect after 28 days (in the case of the Issuer) or 60 days (in the case of the Guarantor));

(f) ***Insolvency***: (i) any corporate action, legal proceedings or other procedure, application or step is taken by the Issuer or the Guarantor for it being declared in bankruptcy (in the case of the Issuer, *faillissement*), or in relation to any suspension of payments (in the case of the Issuer, *surséance van betaling*) on the Issuer or the Guarantor or a similar situation under any applicable law or any other procedure having the effect that the Issuer or the Guarantor loses the free management or ability to dispose of its property is commenced by the Issuer or the Guarantor (irrespective of whether that procedure is provisional or final); or (ii) any legal proceedings or other procedure, application or step is taken by a third party for the Issuer or the Guarantor being declared in bankruptcy (in the case of the Issuer, *faillissement*), or in relation to any suspension of payments (in the case of the Issuer, *surséance van betaling*), special measures (in the case of the Issuer, *bijzondere voorzieningen*) or similar situation under any applicable law or any other procedure having the effect that the Issuer or the Guarantor loses the free management or ability to dispose of its property is commenced by a third party (irrespective of whether that procedure is provisional or final), unless such proceedings, procedure, application or step is discharged, stayed or set aside within 28 days (in the case of the Issuer) or 60 days (in the case of the Guarantor) days of it being commenced or taken; or (iii) the Issuer or the Guarantor offers or enters into a composition with all its creditors generally (in the case of the Issuer, *buitengerechtelijk akkoord*) or similar measure under applicable law (including any arrangement under the Bankruptcy Law issued pursuant to Royal Decree No. M/50 dated 28/05/1439H (corresponding to 14 February 2018) and its implementing regulations issued pursuant to the Council of Ministers Resolution No. 622 dated 24/12/1439H (corresponding to 4 September 2018) and published in the official gazette on 30/12/1439H (corresponding to 10 September 2018) as amended, supplemented or restated from time to time);

(g) ***Winding-up***: an order is made or an effective resolution passed for the winding-up or dissolution (*ontbinding*) of the Issuer or the Guarantor, or the Issuer or the Guarantor ceases or threatens to cease to carry on all or substantially all of its business or operations or the Issuer or the Guarantor transfers or threatens to transfer all or substantially all of its assets to another entity, except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation on terms previously approved by an Extraordinary Resolution of the Noteholder;

(h) ***Breach of obligations under the Guarantee***: the Guarantor disclaims, disaffirms, repudiates and/or challenges the validity of its obligations under the Guarantee; or

(i) ***Analogous Events***: any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of the foregoing paragraphs.

9. Prescription

Claims for principal and interest on redemption shall become void unless the relevant Note Certificates are surrendered for payment within ten years of the appropriate Relevant Date.

10. Replacement of Note Certificates

If any Note Certificate is lost, stolen, mutilated, defaced or destroyed it may be replaced at the Specified Office of the Registrar and the Transfer Agent having its Specified Office in Ireland subject to all applicable laws and stock exchange or other relevant authority requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Note Certificates must be surrendered before replacements will be issued.

11. **Trustee and Agents**

Under the Trust Deed, the Trustee is entitled to be indemnified and/or prefunded and/or secured to its satisfaction and relieved from responsibility in certain circumstances, including provisions relieving it from taking action and to be paid its costs and expenses in priority to the claims of the Noteholders. In addition, the Trustee is entitled to enter into business transactions with the Issuer, the Guarantor and any entity relating to the Issuer or the Guarantor without accounting for any profit.

In connection with the exercise by it of any trusts, powers, authorities and discretions (including without limitation, any modification, waiver, authorisation or determination), the Trustee shall have regard to the general interests of the Noteholders as a class but shall not have regard to any interests arising from circumstances particular to individual Noteholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Noteholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Trustee shall not be entitled to require, nor shall any Noteholder be entitled to claim, from the Issuer, the Guarantor, the Trustee or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders except to the extent already provided for in Condition 6 (*Taxation*) and/or any undertaking given in addition to, or in substitution for, Condition 6 (*Taxation*) pursuant to the Trust Deed.

In acting under the Agency Agreement and in connection with the Notes, the Agents act solely as agents of the Issuer, the Guarantor and (to the extent provided therein) the Trustee and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders.

The initial Agents and their initial Specified Offices are listed below. The Issuer and the Guarantor reserve the right (with the prior approval of the Trustee) at any time to vary or terminate the appointment of any Agent and to appoint a successor registrar or principal paying agent and additional or successor paying agents and transfer agents, **provided that** the Issuer and the Guarantor shall at all times maintain a principal paying agent and a registrar.

12. **Meetings of Noteholders and Modification; Substitution**

(a) ***Meetings of Noteholders***: The Trust Deed contains provisions for convening meetings of Noteholders to consider matters relating to the Notes, including the modification of any provision of these Conditions or the Trust Deed. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer and the Guarantor (acting together) or by the Trustee and shall be convened by the Trustee upon the request in writing of Noteholders holding not less than one tenth of the aggregate principal amount of the outstanding Notes. The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more persons holding or representing more than half of the aggregate principal amount of the outstanding Notes or, at any adjourned meeting, two or more persons being or representing Noteholders whatever the principal amount of the Notes held or represented, **provided that** certain proposals (including any proposal to change any date fixed for payment of principal or interest in respect of the Notes, to reduce the amount of principal or interest payable on any date in respect of the Notes or to alter the method of calculating the amount of any payment in respect of the Notes on redemption or maturity or the date for any such payment, to change the currency in which amounts due in respect of the Notes are payable, to amend the terms of the Guarantee or to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution (each, a "**Reserved Matter**")) may only be sanctioned by an Extraordinary Resolution passed at a meeting of Noteholders at which two or more persons holding or representing not less than three quarters or, at any adjourned meeting, one quarter of the aggregate principal amount of the outstanding Notes form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders, whether present or not. In addition, a resolution in writing signed by, or on behalf of, Noteholders, who for the time being are entitled to receive notice of a meeting of Noteholders under the Trust Deed, holding not less than 75% in nominal amount of the Notes outstanding, will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by, or on behalf of, one or more Noteholders.

(b) ***Modification***: The Trustee may, without the consent of the Noteholders, agree to any modification of these Conditions or the Trust Deed (other than in respect of a Reserved Matter) which is, in the opinion of the Trustee, proper to make if, in the opinion of the Trustee, such modification will not be materially prejudicial to the interests of Noteholders and to any modification of the Notes or the Trust Deed which is of a formal, minor or technical nature or is to correct a manifest error. In addition, the Trustee may, without the consent of the Noteholders, authorise or waive any proposed breach or breach of the Notes or the Trust Deed (other than a proposed breach or breach relating to the subject of a Reserved Matter) if, in the opinion of the Trustee, the interests of the Noteholders will not be materially prejudiced thereby. Unless the Trustee agrees otherwise, any such authorisation, waiver or modification shall be notified to the Noteholders as soon as practicable thereafter.

(c) ***Substitution***: The Trust Deed contains provisions under which the Guarantor or any Subsidiary of the Guarantor may, without the consent of the Noteholders, assume the obligations of the Issuer as principal debtor under the Trust Deed and the Notes, **provided that** certain conditions specified in the Trust Deed are fulfilled, including the Trustee being satisfied that the interests of the Noteholders are not materially prejudiced by the substitution and, in the case of a substitution of the Issuer by a company other than the Guarantor, a requirement that the Guarantee is fully effective in relation to the obligations of the new principal debtor under the Trust Deed and the Notes. No Noteholder shall, in connection with any substitution, be entitled to claim any indemnification or payment in respect of any tax consequence thereof for such Noteholder, except to the extent provided for in Condition 6 (*Taxation*) (or any undertaking given in addition to or substitution for it pursuant to the provisions of the Trust Deed).

13. Enforcement

The Trustee may at any time, at its discretion and without notice, institute such proceedings and/or take such other action as it thinks fit to enforce its rights under the Trust Deed in respect of the Notes, but it shall not be bound to do so unless:

(a) it has been so requested in writing by the Holders of at least one quarter of the aggregate principal amount of the outstanding Notes or has been so directed by an Extraordinary Resolution; and

(b) it has been indemnified and/or prefunded and/or secured to its satisfaction.

No Noteholder may proceed directly against the Issuer or the Guarantor unless the Trustee, having become bound to do so, fails to do so within a reasonable time and such failure is continuing.

14. Further Issues

The Issuer may from time to time, without the consent of the Noteholders, and in accordance with the Trust Deed, create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest) so as to form a single series with the Notes. Any such further notes will be issued under a new prospectus in compliance with the applicable listing and stock exchange rules.

15. Notices

Notices to the Noteholders will be sent to them by first class mail (or its equivalent) or (if posted to an overseas address) by airmail at their respective addresses on the Register. Any such notice shall be deemed to have been given on the fourth day after the date of mailing.

16. **Governing Law and Dispute Resolution**

(a) ***Governing law***: The Notes and the Trust Deed and any non-contractual obligations arising from or in connection with them are governed by English law.

(b) ***Arbitration***: Any dispute, claim, difference or controversy arising out of, relating to, or having any connection with the Notes and the Trust Deed (including any dispute regarding their existence, validity, interpretation, performance, breach or termination or the consequences of their nullity and any dispute relating to any non-contractual obligations arising out of or in connection with them (a "**Dispute**")) shall be referred to and finally resolved by arbitration under the Arbitration Rules of the London Court of International Arbitration ("**LCIA**" and such rules, the "**LCIA Rules**"), which rules (as amended from time to time) are deemed to be incorporated by reference into this Condition 16(b). For these purposes:

(i) there shall be three arbitrators, each of whom shall be disinterested in the arbitration, shall have no connection with any party to the Dispute and shall be an attorney experienced in international securities transactions. The parties to the Dispute shall each nominate one arbitrator and both arbitrators in turn shall appoint a further arbitrator who shall be the chairman of the tribunal. In cases where there are multiple claimants and/or multiple respondents, the class of claimants jointly, and the class of respondents jointly shall each nominate one arbitrator. If one party or both fails to nominate an arbitrator within the time limits specified by the LCIA Rules, such arbitrator(s) shall be appointed by the LCIA. If the party nominated arbitrators fail to nominate the third arbitrator within 15 days of the appointment of the second arbitrator, such arbitrator shall be appointed by the LCIA;

(ii) the seat of arbitration shall be London, England; and

(iii) the language of the arbitration shall be English.

(c) ***Waiver of immunity***: The Guarantor has, in the Trust Deed, acknowledged that the transactions contemplated therein are commercial transactions. To the extent that the Guarantor may claim for itself or its assets or revenues immunity from suit, execution, attachment (whether in aid of execution, before judgment or otherwise) or other legal process and to the extent that such immunity (whether or not claimed) may be attributed to the Guarantor or its assets or revenues, the Guarantor has agreed not to claim and has irrevocably and unconditionally waived such immunity in relation to any proceedings relating to a Dispute or Disputes.

TERMS AND CONDITIONS OF THE SERIES B NOTES

References herein to "Notes" are to the Series B Notes.

The U.S.$500,000,000 3.000% Guaranteed Notes due 2050 (the "**Notes**", which expression includes any further notes issued pursuant to Condition 14 (*Further Issues*) and forming a single series therewith) of SABIC Capital I B.V. (the "**Issuer**") will be issued on 14 September 2020 (the "**Issue Date**") and are constituted by, are subject to, and have the benefit of a trust deed dated 14 September 2020 (as amended or supplemented from time to time, the "**Trust Deed**") between the Issuer, Saudi Basic Industries Corporation (the "**Guarantor**") and Citicorp Trustee Company Limited as trustee (the "**Trustee**", which expression includes all persons for the time being trustee or trustees appointed under the Trust Deed) and are the subject of an agency agreement dated 14 September 2020 (as amended or supplemented from time to time, the "**Agency Agreement**") between the Issuer, the Guarantor, Citibank, N.A., London Branch as principal paying agent (the "**Principal Paying Agent**", which expression includes any successor principal paying agent appointed from time to time in connection with the Notes) and as transfer agent (the "**Transfer Agent**", which expression includes any successor or additional transfer agent appointed from time to time in connection with the Notes), Citigroup Global Markets Europe AG as registrar (the "**Registrar**", which expression includes any successor registrar appointed from time to time in connection with the Notes), the paying agents named therein (together with the Principal Paying Agent, the "**Paying Agents**", which expression includes any successor or additional paying agents appointed from time to time in connection with the Notes) and the Trustee. References herein to the "**Agents**" are to the Registrar, the Principal Paying Agent, the Transfer Agent and the Paying Agents and any reference to an "**Agent**" is to any one of them. Certain provisions of these Conditions are summaries of the Trust Deed and the Agency Agreement and are subject to their detailed provisions. The Noteholders (as defined below) are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and Agency Agreement applicable to them. Copies of the Trust Deed and the Agency Agreement are available for inspection by Noteholders by prior appointment during normal business hours at the office for the time being of the Trustee, being at the date hereof Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, United Kingdom and at the Specified Offices (as defined in the Agency Agreement) of each of the Agents, the initial Specified Offices of which are set out below.

1. **Form, Denomination, Title and Transfer**

(a) ***Form and denomination***: The Notes are in registered form in the denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof (each, an "**Authorised Denomination**").

(b) ***Register***: The Registrar will maintain a register (the "**Register**") in respect of the Notes in accordance with the provisions of the Agency Agreement. In these Conditions, the "**Holder**" of a Note means the person in whose name such Note is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof) and "**Noteholder**" shall be construed accordingly. A certificate (each, a "**Note Certificate**") will be issued to each Noteholder in respect of its registered holding. Each Note Certificate will be numbered serially with an identifying number which will be recorded in the Register.

(c) ***Title***: The Holder of each Note shall (except as otherwise required by law) be treated as the absolute owner of such Note for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing on the Note Certificate relating thereto (other than the endorsed form of transfer) or any notice of any previous loss or theft of such Note Certificate) and no person shall be liable for so treating such Holder. No person shall have any right to enforce any term or condition of the Note or the Trust Deed under the Contracts (Rights of Third Parties) Act 1999.

(d) ***Transfers***: Subject to Condition 1(g) (*Closed periods*) and Condition 1(h) (*Regulations concerning transfers and registration*), a Note may be transferred upon surrender of the relevant Note Certificate, with the endorsed form of transfer duly completed, at the Specified Office of the Registrar and/or any Transfer Agent, together with such evidence as the Registrar or (as the case may be) such Transfer Agent may reasonably require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer, **provided that** a Note may not be transferred unless the principal amount of Notes transferred and (where not all of the Notes held by a Holder are being transferred) the principal amount of the balance of Notes not transferred is an Authorised Denomination. Where not all Notes represented by the surrendered Note Certificate are the subject of the transfer, a new Note Certificate in respect of the balance of the Notes will be issued to the transferor.

(e) ***Registration and delivery of Note Certificates***: Within five business days of the surrender of a Note Certificate in accordance with Condition 1(d) (*Transfers*), the Registrar will register the transfer in question and deliver a new Note Certificate of a like principal amount to the Notes transferred to each relevant Holder at its Specified Office or (as the case may be) the Specified Office of any Transfer Agent or (at the request and risk of any such relevant Holder) by uninsured first class mail (airmail if overseas) to the address specified for the purpose by such relevant Holder. In this paragraph, "**business day**" means a day on which commercial banks are open for general business (including dealings in foreign currencies) in the city where the Registrar or (as the case may be) the relevant Transfer Agent has its Specified Office.

(f) ***No charge***: The transfer of a Note will be effected without charge by, or on behalf of, the Issuer, the Registrar or any Transfer Agent but against such indemnity as the Registrar or (as the case may be) such Transfer Agent may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer.

(g) ***Closed periods***: Noteholders may not require transfers to be registered during the period of 15 days ending on the due date for any payment of principal or interest in respect of the Notes.

(h) ***Regulations concerning transfers and registration***: All transfers of Notes and entries on the Register are subject to the detailed regulations concerning the transfer of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Trustee and the Registrar. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Noteholder who requests in writing a copy of such regulations.

2. Status and Guarantee

(a) ***Status of the Notes***: The Notes constitute direct, unconditional and (subject to Condition 3 (*Negative Pledge*)) unsecured obligations of the Issuer which: (i) rank *pari passu* among themselves; and (ii) will at all times rank at least *pari passu* with all other present and future unsecured obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

(b) ***Guarantee of the Notes***: The Guarantor has, in the Trust Deed, unconditionally and irrevocably guaranteed the due and punctual payment of all sums from time to time payable by the Issuer in respect of the Notes. The guarantee (the "**Guarantee**") constitutes direct, unconditional and (subject to Condition 3 (*Negative Pledge*)) unsecured obligations of the Guarantor which will at all times rank at least *pari passu* with all other present and future unsecured obligations of the Guarantor, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

3. Negative Pledge

So long as any Note remains outstanding (as defined in the Trust Deed), neither the Issuer nor the Guarantor shall create or permit to subsist, any mortgage, charge, lien, pledge or other security interest including, without limitation, anything analogous to any of the foregoing under the law of any jurisdiction (other than arising solely by operation of law) (each a "**Security Interest**") other than a Permitted Security Interest, upon the whole or any part of its present or future undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness, or payment under any guarantee or indemnity granted by the Issuer or the Guarantor in respect of any Relevant Indebtedness without at the same time or prior thereto according to the Notes and the Guarantee: (a) the same security as is created or subsisting to secure any such Relevant Indebtedness, guarantee or indemnity; or (b) such other security or other arrangement for the Notes and the Guarantee as may be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders.

For the purpose of this Condition 3:

(a) "**Indebtedness**" means any present or future indebtedness of any person for money borrowed or raised including (without limitation) any indebtedness for or in respect of:

(i) amounts raised under any note purchase facility;

(ii) the amount of any liability in respect of leases or hire purchase contracts which would, in accordance with applicable law and generally accepted accounting principles, be treated as finance or capital leases;

(iii) the amount of any liability in respect of any purchase price for assets or services the payment of which is deferred for a period in excess of 90 days; and

(iv) amounts raised under any other transaction (including, without limitation, any forward sale or purchase agreement) having the commercial effect of a borrowing;

(b) "**Permitted Security Interest**" means a Security Interest upon or over any of the Issuer's or, as applicable, the Guarantor's present or future assets or revenues or any part thereof which:

(i) is created pursuant to any asset-based financing (including, without limitation, a securitisation or project financing) where the primary source of payment of the obligations secured by such Security Interest is the assets or revenues subject to such Security Interest, without further recourse to the Guarantor;

(ii) is created pursuant to any Islamic financing arrangement other than a Sukuk Obligation where such Security Interests are created to secure the Issuer's or, as applicable, the Guarantor's payment obligations in respect of such Sukuk Obligation. For the avoidance of doubt, all underlying assets, tangible and/or non-tangible, of any sukuk and/or such assets' rights of use, over which the sukukholders have and/or had an undivided actual or beneficial ownership interest, in connection with any sukuk issuance, shall be a Permitted Security Interest;

(iii) in relation to the Guarantor, is created pursuant to any domestic issue of securities which is required by the Capital Market Authority in Saudi Arabia to be secured; or

(iv) arises by operation of law as a result of the existence of a fiscal unity (*fiscale eenheid*) for Dutch tax purposes of which the Issuer is or has been a member;

(c) "**Relevant Indebtedness**" means any Indebtedness which is in the form of, or represented or evidenced by, bonds, notes, debentures, loan stock or other securities which for the time being are, or are capable of being, quoted, listed or dealt in or traded on any stock exchange or over-the-counter or other securities market; and

(d) "**Sukuk Obligation**" means any undertaking or other obligation to pay any money given in connection with the issue of sukuk whether or not in return for consideration of any kind.

4. Interest

The Notes bear interest from and including the Issue Date at the rate of 3.000% per annum (the "**Rate of Interest**") payable in arrear on 14 March and 14 September in each year commencing on 14 March 2021 (each, an "**Interest Payment Date**"), subject as provided in Condition 6 (*Payments*).

Each Note will cease to bear interest from and including the due date for redemption unless, upon due presentation, payment of principal is improperly withheld or refused, in which case it will continue to bear interest at such rate (both before and after judgment) until whichever is the earlier of: (a) the day on which all sums due in respect of such Note up to that day are received by, or on behalf of, the relevant Noteholder; and (b) the day that is seven days after the Principal Paying Agent or the Trustee has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

The amount of interest payable on each Interest Payment Date shall be U.S.$15 per Calculation Amount in respect of each Note. If interest is required to be paid in respect of a Note on any other date, it shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest cent (half a cent being rounded upwards) and multiplying such rounded figure by a fraction equal to the Authorised Denomination of such Note divided by the Calculation Amount, where:

(i) "**Calculation Amount**" means U.S.$1,000; and

(ii) "**Day Count Fraction**" means, in respect of the calculation of an amount for any period of time (the "**Calculation Period**"), the number of days in the relevant period divided by 360 calculated on a formula basis as follows:

$$\frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"$\mathbf{Y_1}$" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{Y_2}$" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{M_1}$" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{M_2}$" is the calendar month, expressed as number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{D_1}$" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D_1 will be 30; and

"$\mathbf{D_2}$" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D_1 is greater than 29, in which case D_2 will be 30.

5. Redemption and Purchase

(a) ***Final redemption***: Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their principal amount on 14 September 2050, subject as provided in Condition 6 (*Payments*).

(b) ***Redemption for taxation reasons***: The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable), at their principal amount, together with interest accrued to the date fixed for redemption, if, immediately before giving such notice, the Issuer satisfies the Trustee that:

(i) (1) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 6 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of The Netherlands or any political sub-division or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after 8 September 2020; and (2) such obligation cannot be avoided by the Issuer taking reasonable measures available to it; or

(ii) (1) the Guarantor has or (if a demand was made under the Guarantee) would become obliged to pay additional amounts as provided or referred to in Condition 6 (*Taxation*) or the Guarantee, as the case may be, or the Guarantor has or will become obliged to make any such withholding or deduction as is referred to in Condition 6 (*Taxation*) or the Guarantee, as the case may be, from any amount paid by it to the Issuer in order to enable the Issuer to make a payment of principal or interest in respect of the Notes, in either case as a result of any change in, or amendment to, the laws or regulations of Saudi Arabia or any political sub-division or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after 8 September 2020; and (2) such obligation cannot be avoided by the Guarantor taking reasonable measures available to it,

provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer or the Guarantor would be obliged to pay such additional amounts or the Guarantor would be obliged to make such withholding or deduction if a payment in respect of the Notes were then due or (as the case may be) a demand under the Guarantee was then made.

Prior to the publication of any notice of redemption pursuant to this Condition 5(b), the Issuer shall deliver, or procure that there is delivered, to the Trustee: (A) a certificate signed by the Authorised Signatories (as defined in the Trust Deed) of the Issuer stating that the circumstances referred to in paragraphs (i)(1) and (i)(2) above prevail and setting out the details of such circumstances or (as the case may be) a certificate signed by the Authorised Signatories of the Guarantor stating that the circumstances referred to in paragraphs (ii)(1) and (ii)(2) above prevail and setting out the details of such circumstances; and (B) an opinion, in form and substance satisfactory to the Trustee of independent legal advisers of recognised international standing to the effect that the Issuer or (as the case may be) the Guarantor has or will become obliged to pay such additional amounts or (as the case may be) the Guarantor has or will become obliged to make such withholding or deduction as a result of such change or amendment.

The Trustee shall be entitled to accept such certificate and opinion as sufficient evidence of the satisfaction of the circumstances set out in paragraphs (i)(1) and (i)(2) above or, as the case may be, paragraphs (ii)(1) and (ii)(2) above, in which event they shall be conclusive and binding on the Noteholders.

Upon the expiry of any such notice as is referred to in this Condition 5(b), the Issuer shall be bound to redeem the Notes in accordance with this Condition 5(b).

(c) ***Redemption upon the occurrence of a Change of Control Event***: A "**Put Event**" will occur if while any of the Notes remain outstanding (as defined in the Trust Deed) a Change of Control Event (as defined below) occurs and, within the Change of Control Period, a Rating Event in respect of that Change of Control Event occurs (such Change of Control Event and Rating Event not having been cured prior to the expiry of the Change of Control Period).

If a Put Event occurs, each Noteholder will have the option (the "**Change of Control Put Option**") (unless, prior to the giving of the Change of Control Put Event Notice (as defined below), the Issuer gives notice to redeem the Notes under Condition 5(b) (*Redemption and Purchase – Redemption for taxation reasons*)) to require the Issuer to redeem or, at the Issuer's option, to procure the purchase of, all or part of its Notes, on the Put Settlement Date (as defined below) at the principal amount outstanding of such Notes together with (or where purchased, together with an amount equal to) interest accrued to, but excluding, the Put Settlement Date.

For the purpose of this Condition 5(c):

(i) "**Affiliate**" shall mean, with respect to the Guarantor, any person or entity that directly, or indirectly through one or more intermediaries, controls or is controlled by, or is under common control with, the specified person or entity;

(ii) a "**Change of Control Event**" shall be deemed to have occurred each time that a person or group of persons acting in concert (other than any Affiliates of the Guarantor), or any person or persons acting on behalf of such persons, acquires or comes to own, directly or indirectly, a number of shares in the share capital of the Guarantor or a Holding Company carrying more than 50% of the voting rights normally exercisable in a general meeting of shareholders (or its equivalent) of the Guarantor or such Holding Company;

(iii) "**Change of Control Period**" means the period beginning on the date (the "**Relevant Announcement Date**") that is the earlier of: (1) the first public announcement by, or on behalf of, the Issuer, the Guarantor or any bidder or any designated advisor of the relevant Change of Control Event; and (2) the date of the earliest Potential Change of Control Announcement, and ending 90 days after the Relevant Announcement Date (such 90th day, the "**Initial Longstop Date**"), **provided that**, unless any other Rating Agency has on or prior to the Initial Longstop Date effected a Rating Event in respect of its rating of the Notes, if a Rating Agency publicly announces, at any time during the period commencing on the date that is 60 days prior to the Initial Longstop Date and ending on the Initial Longstop Date, that it has placed its rating of the Notes under consideration for rating review either entirely or partially as a result of the relevant public announcement of the Change of Control Event or Potential Change of Control Announcement, the Change of Control Period shall be extended to the date that falls 60 days after the date of such public announcement by such Rating Agency;

(iv) "**Holding Company**" means any company of which the Guarantor is a Subsidiary;

(v) "**Person**" means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

(vi) "**Potential Change of Control Announcement**" means any public announcement or statement by the Issuer, the Guarantor, any actual or potential bidder or any designated adviser thereto relating to any specific and near-term potential Change of Control Event (where "**near-term**" shall mean that such potential Change of Control Event is reasonably likely to occur, or is publicly stated by the Issuer, the Guarantor, any such actual or potential bidder or any such designated adviser to be intended to occur, within 180 days of the date of such announcement of statement);

(vii) "**Rating Agency**" means any of the credit rating agencies of Fitch Ratings ("**Fitch**"), Moody's Investors Service ("**Moody's**") or S&P Global Ratings ("**S&P**") and their respective successors to their ratings business;

(viii) a "**Rating Event**" shall be deemed to have occurred in respect of a Change of Control Event if (within the Change of Control Period): (1) the rating previously assigned to the Notes by any Rating Agency solicited by (or with the consent of) the Issuer or the Guarantor is: (X) withdrawn; (Y) changed from an investment grade rating BBB-/Baa3 or its equivalent for the time being (or better) to a non-investment grade rating BB+/Ba1 or its equivalent for the time being (or worse); or (Z) (if the rating previously assigned to the Notes by any Rating Agency solicited by (or with the consent of) the Issuer or the Guarantor was below an investment grade rating (as described above)), lowered by at least one full rating notch (for example, from BB+ to BB, or their respective equivalents); and (2) such rating is not within the Change of Control Period subsequently upgraded (in the case of a downgrade) or reinstated (in the case of a withdrawal) either to an investment grade credit rating (in the case of (X) and (Y) above) or to its earlier credit rating or better (in the case of (Z) above) by such Rating Agency, **provided that** the Rating Agency making the reduction in rating announces or publicly confirms or, having been so requested by the Issuer or the Guarantor, informs the Issuer or the Guarantor in writing that the lowering of the rating or the failure to assign an investment grade rating was the result, in whole or in part, of the applicable Change of Control Event (whether or not the applicable Change of Control Event shall have occurred at the time of the Rating Event). For the avoidance of doubt, if on the Relevant Announcement Date the Notes carry a credit rating from more than one Rating Agency, at least one of which is an investment grade rating, then paragraph (Z) above will not apply; and

(ix) "**Subsidiary**" means, in relation to any Person (the "**first Person**") at any particular time, any other Person (the "**second Person**"):

(1) whose affairs and policies the first Person controls or has the power to control, whether by ownership of share capital, contract, the power to appoint or remove members of the governing body of the second Person or otherwise; or

(2) whose financial statements are, in accordance with applicable law and generally accepted accounting principles, consolidated with those of the first Person.

Promptly upon the Issuer or the Guarantor becoming aware that a Put Event has occurred, the Issuer or the Guarantor shall give notice (a "**Change of Control Put Event Notice**") to the Noteholders specifying the nature of the Put Event and the circumstances giving rise to it and the procedure for exercising the Change of Control Put Option contained in this Condition 5(c).

To exercise the Change of Control Put Option, a Noteholder must transfer, or cause to be transferred, its Notes to be so redeemed or purchased to the account of the Principal Paying Agent specified in the Change of Control Put Option Notice (as defined below) for the account of the Issuer within the period (the "**Change of Control Put Period**") of 45 days after a Change of Control Put Event Notice is given together with a duly signed and completed notice of exercise in the then current form obtainable from the Paying Agents (a "**Change of Control Put Option Notice**") and in which the Noteholder may specify a bank account to which payment is to be made under this Condition 5(c). The Paying Agent to which such Notes and Change of Control Put Option Notice are delivered will issue to the Holder concerned a non-transferable receipt in respect of the Notes so delivered. For the purpose of Condition 5 (*Payments*) receipts issued pursuant to this Condition 5(c) shall be treated as though they were Note Certificates.

A Change of Control Put Option Notice once given shall be irrevocable. The Issuer shall redeem or, at the option of the Issuer procure the purchase of, the Notes in respect of which the Change of Control Put Option has been validly exercised as provided above and, subject to the transfer of such Notes to the account of the Principal Paying Agent for the account of the Issuer as described above, such redemption shall be on the date that is the seventh Business Day following the end of the Change of Control Put Period (the "**Put Settlement Date**"). Payment in respect of such Notes will be made on the Put Settlement Date by transfer to the bank account specified in the Change of Control Put Option Notice.

For the purpose of this Condition 5(c), "**Business Day**" means a day on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in London.

For the avoidance of doubt, the Issuer shall have no responsibility for any cost or loss of whatever kind (including breakage costs) which the Noteholder may incur as a result of, or in connection with, such Noteholder's exercise or purported exercise of, or otherwise in connection with, any Change of Control Put Option (whether as a result of any purchase or redemption arising therefrom or otherwise).

(d) ***Redemption by the Issuer upon the occurrence of a Put Event***: If 75% or more in principal amount of the Notes then outstanding have been redeemed or purchased pursuant to Condition 5(c) (*Redemption and Purchase – Redemption upon the occurrence of a Change of Control Event*), the Issuer may, on not less than 30 nor more than 60 days' irrevocable notice to the Noteholders given within 30 days after the Put Settlement Date, redeem, on a date to be specified in such notice at its option, all (but not some only) of the remaining Notes at their principal amount, together with interest accrued to but excluding the date of such redemption.

(e) ***Redemption at the option of the Issuer***: The Notes may be redeemed at the option of the Issuer in whole, but not in part, on 14 March 2050 (the "**Call Settlement Date**") at a price equal to 100 per cent. of their principal amount on the Issuer giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable, but may (at the option of the Issuer) be conditional on one or more conditions precedent being satisfied, or waived by the Issuer, and shall oblige the Issuer to redeem the Notes on the Call Settlement Date at such price plus accrued interest to such date).

(f) ***No other redemption***: The Issuer shall not be entitled to redeem the Notes other than as provided in this Condition 5.

(g) ***Purchase***: The Issuer, the Guarantor or any of their respective Subsidiaries may at any time purchase Notes in the open market or otherwise at any price.

(h) ***Cancellation***: All Notes so redeemed or purchased by the Issuer, the Guarantor or any of their respective Subsidiaries shall be cancelled and may not be re-issued or resold.

6. **Payments**

(a) ***Method of payment***:

(i) *Principal*: Payments of principal in respect of the Notes will be made on the due date for payment to the persons shown on the Register at the close of business on the relevant Record Date in respect of such payment. Payments of principal in respect of the Notes will be made by U.S. dollar cheque drawn on or, upon application by a Holder of a Note to the Specified Office of the Principal Paying Agent not later than the fifteenth day before the due date for any such payment, by transfer to a U.S. dollar account maintained by the payee with, a bank in New York City and (in the case of redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of any Paying Agent.

(ii) *Interest*: Payments of interest in respect of the Notes will be paid on the due date for payment to the persons shown on the Register at the close of business on the relevant Record Date in respect of such payment. Payments of interest on each Note will be made by U.S. dollar cheque drawn on or, upon application by a Holder of a Note to the Specified Office of the Principal Paying Agent not later than the fifteenth day before the due date for any such payment, by transfer to a U.S. dollar account maintained by the payee with, a bank in New York City and (in the case of interest payable on redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of any Paying Agent.

(b) ***Payments subject to fiscal laws***: Without prejudice to the terms of Condition 6 (*Taxation*), all payments in respect of the Notes and the Guarantee are subject in all cases to any fiscal or other laws and regulations applicable in the place of payment. No commissions or expenses shall be charged to the Noteholders in respect of such payments.

(c) ***Payments on business days*:** Where payment is to be made by transfer to a U.S. dollar account, payment instructions (for value the due date, or, if the due date is not a business day, for value the next succeeding business day) will be initiated and, where payment is to be made by cheque, the cheque will be mailed: (i) (in the case of payments of principal and interest payable on redemption) on the later of the due date for payment and the day on which the relevant Note Certificate is surrendered (or, in the case of part payment only, endorsed) at the Specified Office of a Paying Agent; and (ii) (in the case of payments of interest payable other than on redemption) on the due date for payment. A Holder of a Note shall not be entitled to any interest or other payment in respect of any delay in payment resulting from: (A) the due date for a payment not being a business day; or (B) a cheque mailed in accordance with this Condition 6 arriving after the due date for payment or being lost in the mail. In this paragraph, "**business day**" means:

(1) any day on which banks are open for general business (including dealings in foreign currencies) in New York City and Taipei; and

(2) in the case of surrender (or, in the case of part payment only, endorsement) of a Note Certificate, any day on which banks are open for general business (including dealings in foreign currencies) in the place in which the Note Certificate is surrendered (or, as the case may be, endorsed).

(d) ***Partial payments***: If a Paying Agent makes a partial payment in respect of any Note, the Issuer shall procure that the amount and date of such payment are noted on the Register and, in the case of partial payment upon presentation of a Note Certificate, that a statement indicating the amount and the date of such payment is endorsed on the relevant Note Certificate.

(e) ***Record Date***: Each payment in respect of a Note Certificate will be made to the person shown as the Holder in the Register at the opening of business in the place of the Registrar's Specified Office on the fifteenth day before the due date for such payment (the "**Record Date**"). Where payment in respect of a Note is to be made by cheque, the cheque will be mailed to the address shown as the address of the Holder in the Register at the opening of business on the relevant Record Date.

7. Taxation

All payments of principal and interest in respect of the Notes by, or on behalf of, the Issuer or the Guarantor shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by, or on behalf of, The Netherlands or Saudi Arabia or any political sub-division thereof or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In that event the Issuer or (as the case may be) the Guarantor shall pay such additional amounts as will result in receipt by the Noteholders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Note:

(a) held by, or on behalf of, a Holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Note by reason of its having some connection with the jurisdiction by which such taxes, duties, assessments or charges have been imposed, levied, collected, withheld or assessed other than the mere holding of the Note;

(b) where (in the case of a payment of principal or interest on redemption) the relevant Note Certificate is surrendered for payment more than 30 days after the Relevant Date except to the extent that the relevant Holder would have been entitled to such additional amounts if it had surrendered the relevant Note Certificate on the last day of such period of 30 days; or

(c) under which a payment of interest is subject to any withholding or deduction as a result of the application of the Withholding tax act 2021 (*Wet bronbelasting 2021 as published in the Official Gazette (Staatsblad) Stb. 2019, 513 of 27 December 2019*).

For the purpose of this Condition 6, "**Relevant Date**" means whichever is the later of: (i) the date on which the payment in question first becomes due; and (ii) if the full amount payable has not been received in New York City by the Principal Paying Agent or the Trustee on or prior to such due date, the date that is seven days after the date on which, the full amount having been so received, notice to that effect shall have been given to the Noteholders.

Any reference in these Conditions to principal or interest shall be deemed to include any additional amounts in respect of principal or interest (as the case may be) which may be payable under this Condition 6 or any undertaking given in addition to, or in substitution of, this Condition 6 pursuant to the Trust Deed.

Notwithstanding anything to the contrary in these Conditions, the Issuer and the Guarantor shall be permitted to withhold or deduct any amounts required by Sections 1471 to 1474 of the U.S. Internal Revenue Code of 1986 ("**FATCA**"), any treaty, law, regulation or other official guidance implementing FATCA, or any agreement (or related guidance) between the Issuer, the Guarantor, a paying agent or any other person and the United States, any other jurisdiction, or any authority of any of the foregoing implementing FATCA and none of the Issuer, the Guarantor, any Paying Agent or any other person shall be required to pay any additional amounts with respect to any such withholding or deduction imposed on, or with respect to, any Note.

8. **Events of Default**

If any of the following events occurs and is continuing, then the Trustee at its discretion may and, if so requested in writing by Holders of at least one quarter of the aggregate principal amount of the outstanding Notes or if so directed by an Extraordinary Resolution, shall (subject, in the case of the happening of any of the events mentioned in Condition 8(b) (*Events of Default – Breach of other obligations*) below, to the Trustee having certified in writing that the happening of such event is in its opinion materially prejudicial to the interests of the Noteholders and, in all cases, to the Trustee having been indemnified and/or prefunded and/or secured to its satisfaction) give written notice to the Issuer declaring the Notes to be immediately due and payable, whereupon they shall become immediately due and payable at their principal amount together with accrued interest without further action or formality:

(a) ***Non-payment***: if default is made in the payment of the principal of, or any interest on, any of the Notes when due and such failure continues for a period of five days in the case of principal or seven days in the case of interest;

(b) ***Breach of other obligations***: the Issuer or, where applicable, the Guarantor does not perform or comply with any one or more of its other obligations in the Notes, or as the case may be, the Guarantee or, in either case, the Trust Deed, which default: (i) is, in the opinion of the Trustee, incapable of remedy; or (ii) being a default which is, in the opinion of the Trustee, capable of remedy, remains unremedied for 30 days (or such longer period as the Trustee may agree) after the Trustee has given written notice thereof to the Issuer and the Guarantor;

(c) ***Cross default***: (i) any other present or future indebtedness of the Issuer or the Guarantor for, or in respect of, moneys borrowed or raised is declared to be, or otherwise becomes, due and payable prior to its stated maturity by reason of an event of default (howsoever described); or (ii) any such indebtedness is not paid when due or, as the case may be, within any applicable grace period, or (iii) the Issuer or the Guarantor fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised, **provided that** the aggregate amount of the relevant indebtedness, guarantee and/or indemnity in respect of which one or more of the events mentioned above in this Condition 8(c) have occurred equals or exceeds U.S.$100,000,000 or its equivalent in other currency (on the basis of the middle spot rate for the relevant currency against the U.S. dollar, as quoted by any leading bank on the day on which this paragraph operates);

(d) ***Enforcement proceedings***: a distress, attachment, execution or other legal process is levied, enforced or sued out on or against all or any material part of the property, assets or revenues of the Issuer or the Guarantor (other than in respect of property, assets and/or revenues with an aggregate value of not in excess of U.S.$100,000,000 or its equivalent in other currency (on the basis of the middle spot rate for the relevant currency against the U.S. dollar as quoted by any leading bank on the day on which this paragraph operates)) and is not discharged or stayed within 28 days (in the case of the Issuer) or 60 days (in the case of the Guarantor);

(e) ***Security enforced***: any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Issuer or the Guarantor in respect of all or any material part of the property, assets or revenues of the Issuer or, as the case may be, the Guarantor becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, manager or other similar person and such appointment is still in effect after 28 days (in the case of the Issuer) or 60 days (in the case of the Guarantor));

(f) ***Insolvency***: (i) any corporate action, legal proceedings or other procedure, application or step is taken by the Issuer or the Guarantor for it being declared in bankruptcy (in the case of the Issuer, *faillissement*), or in relation to any suspension of payments (in the case of the Issuer, *surséance van betaling*) on the Issuer or the Guarantor or a similar situation under any applicable law or any other procedure having the effect that the Issuer or the Guarantor loses the free management or ability to dispose of its property is commenced by the Issuer or the Guarantor (irrespective of whether that procedure is provisional or final); or (ii) any legal proceedings or other procedure, application or step is taken by a third party for the Issuer or the Guarantor being declared in bankruptcy (in the case of the Issuer, *faillissement*), or in relation to any suspension of payments (in the case of the Issuer, *surséance van betaling*), special measures (in the case of the Issuer, *bijzondere voorzieningen*) or similar situation under any applicable law or any other procedure having the effect that the Issuer or the Guarantor loses the free management or ability to dispose of its property is commenced by a third party (irrespective of whether that procedure is provisional or final), unless such proceedings, procedure, application or step is discharged, stayed or set aside within 28 days (in the case of the Issuer) or 60 days (in the case of the Guarantor) days of it being commenced or taken; or (iii) the Issuer or the Guarantor offers or enters into a composition with all its creditors generally (in the case of the Issuer, *buitengerechtelijk akkoord*) or similar measure under applicable law (including any arrangement under the Bankruptcy Law issued pursuant to Royal Decree No. M/50 dated 28/05/1439H (corresponding to 14 February 2018) and its implementing regulations issued pursuant to the Council of Ministers Resolution No. 622 dated 24/12/1439H (corresponding to 4 September 2018) and published in the official gazette on 30/12/1439H (corresponding to 10 September 2018) as amended, supplemented or restated from time to time);

(g) ***Winding-up***: an order is made or an effective resolution passed for the winding-up or dissolution (*ontbinding*) of the Issuer or the Guarantor, or the Issuer or the Guarantor ceases or threatens to cease to carry on all or substantially all of its business or operations or the Issuer or the Guarantor transfers or threatens to transfer all or substantially all of its assets to another entity, except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation on terms previously approved by an Extraordinary Resolution of the Noteholder;

(h) ***Breach of obligations under the Guarantee***: the Guarantor disclaims, disaffirms, repudiates and/or challenges the validity of its obligations under the Guarantee; or

(i) ***Analogous Events***: any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of the foregoing paragraphs.

9. Prescription

Claims for principal and interest on redemption shall become void unless the relevant Note Certificates are surrendered for payment within ten years of the appropriate Relevant Date.

10. Replacement of Note Certificates

If any Note Certificate is lost, stolen, mutilated, defaced or destroyed it may be replaced at the Specified Office of the Registrar and the Transfer Agent having its Specified Office in Ireland subject to all applicable laws and stock exchange or other relevant authority requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Note Certificates must be surrendered before replacements will be issued.

11. Trustee and Agents

Under the Trust Deed, the Trustee is entitled to be indemnified and/or prefunded and/or secured to its satisfaction and relieved from responsibility in certain circumstances, including provisions relieving it from taking action and to be paid its costs and expenses in priority to the claims of the Noteholders. In addition, the Trustee is entitled to enter into business transactions with the Issuer, the Guarantor and any entity relating to the Issuer or the Guarantor without accounting for any profit.

In connection with the exercise by it of any trusts, powers, authorities and discretions (including without limitation, any modification, waiver, authorisation or determination), the Trustee shall have regard to the general interests of the Noteholders as a class but shall not have regard to any interests arising from circumstances particular to individual Noteholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Noteholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Trustee shall not be entitled to require, nor shall any Noteholder be entitled to claim, from the Issuer, the Guarantor, the Trustee or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders except to the extent already provided for in Condition 6 (*Taxation*) and/or any undertaking given in addition to, or in substitution for, Condition 6 (*Taxation*) pursuant to the Trust Deed.

In acting under the Agency Agreement and in connection with the Notes, the Agents act solely as agents of the Issuer, the Guarantor and (to the extent provided therein) the Trustee and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders.

The initial Agents and their initial Specified Offices are listed below. The Issuer and the Guarantor reserve the right (with the prior approval of the Trustee) at any time to vary or terminate the appointment of any Agent and to appoint a successor registrar or principal paying agent and additional or successor paying agents and transfer agents, **provided that** the Issuer and the Guarantor shall at all times maintain a principal paying agent and a registrar.

12. Meetings of Noteholders and Modification; Substitution

(a) ***Meetings of Noteholders***: The Trust Deed contains provisions for convening meetings of Noteholders to consider matters relating to the Notes, including the modification of any provision of these Conditions or the Trust Deed. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer and the Guarantor (acting together) or by the Trustee and shall be convened by the Trustee upon the request in writing of Noteholders holding not less than one tenth of the aggregate principal amount of the outstanding Notes. The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more persons holding or representing more than half of the aggregate principal amount of the outstanding Notes or, at any adjourned meeting, two or more persons being or representing Noteholders whatever the principal amount of the Notes held or represented, **provided that** certain proposals (including any proposal to change any date fixed for payment of principal or interest in respect of the Notes, to reduce the amount of principal or interest payable on any date in respect of the Notes or to alter the method of calculating the amount of any payment in respect of the Notes on redemption or maturity or the date for any such payment, to change the currency in which amounts due in respect of the Notes are payable, to amend the terms of the Guarantee or to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution (each, a "**Reserved Matter**")) may only be sanctioned by an Extraordinary Resolution passed at a meeting of Noteholders at which two or more persons holding or representing not less than three quarters or, at any adjourned meeting, one quarter of the aggregate principal amount of the outstanding Notes form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders, whether present or not. In addition, a resolution in writing signed by, or on behalf of, Noteholders, who for the time being are entitled to receive notice of a meeting of Noteholders under the Trust Deed, holding not less than 75% in nominal amount of the Notes outstanding, will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by, or on behalf of, one or more Noteholders.

(b) ***Modification***: The Trustee may, without the consent of the Noteholders, agree to any modification of these Conditions or the Trust Deed (other than in respect of a Reserved Matter) which is, in the opinion of the Trustee, proper to make if, in the opinion of the Trustee, such modification will not be materially prejudicial to the interests of Noteholders and to any modification of the Notes or the Trust Deed which is of a formal, minor or technical nature or is to correct a manifest error. In addition, the Trustee may, without the consent of the Noteholders, authorise or waive any proposed breach or breach of the Notes or the Trust Deed (other than a proposed breach or breach relating to the subject of a Reserved Matter) if, in the opinion of the Trustee, the interests of the Noteholders will not be materially prejudiced thereby. Unless the Trustee agrees otherwise, any such authorisation, waiver or modification shall be notified to the Noteholders as soon as practicable thereafter.

(c) ***Substitution***: The Trust Deed contains provisions under which the Guarantor or any Subsidiary of the Guarantor may, without the consent of the Noteholders, assume the obligations of the Issuer as principal debtor under the Trust Deed and the Notes, **provided that** certain conditions specified in the Trust Deed are fulfilled, including the Trustee being satisfied that the interests of the Noteholders are not materially prejudiced by the substitution and, in the case of a substitution of the Issuer by a company other than the Guarantor, a requirement that the Guarantee is fully effective in relation to the obligations of the new principal debtor under the Trust Deed and the Notes. No Noteholder shall, in connection with any substitution, be entitled to claim any indemnification or payment in respect of any tax consequence thereof for such Noteholder, except to the extent provided for in Condition 6 (*Taxation*) (or any undertaking given in addition to or substitution for it pursuant to the provisions of the Trust Deed).

13. Enforcement

The Trustee may at any time, at its discretion and without notice, institute such proceedings and/or take such other action as it thinks fit to enforce its rights under the Trust Deed in respect of the Notes, but it shall not be bound to do so unless:

(a) it has been so requested in writing by the Holders of at least one quarter of the aggregate principal amount of the outstanding Notes or has been so directed by an Extraordinary Resolution; and

(b) it has been indemnified and/or prefunded and/or secured to its satisfaction.

No Noteholder may proceed directly against the Issuer or the Guarantor unless the Trustee, having become bound to do so, fails to do so within a reasonable time and such failure is continuing.

14. Further Issues

To the extent permitted by applicable authorities in the ROC and subject to the receipt of all necessary regulatory and listing approvals from such authorities, including but not limited to the TPEx and the Taiwan Securities Association, the Issuer may from time to time, without the consent of the Noteholders, and in accordance with the Trust Deed, create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest) so as to form a single series with the Notes. Any such further notes will be issued under a new prospectus in compliance with the applicable listing and stock exchange rules.

15. **Notices**

Notices to the Noteholders will be sent to them by first class mail (or its equivalent) or (if posted to an overseas address) by airmail at their respective addresses on the Register. Any such notice shall be deemed to have been given on the fourth day after the date of mailing.

16. **Governing Law and Dispute Resolution**

(a) ***Governing law***: The Notes and the Trust Deed and any non-contractual obligations arising from or in connection with them are governed by English law.

(b) ***Arbitration***: Any dispute, claim, difference or controversy arising out of, relating to, or having any connection with the Notes and the Trust Deed (including any dispute regarding their existence, validity, interpretation, performance, breach or termination or the consequences of their nullity and any dispute relating to any non-contractual obligations arising out of or in connection with them (a "**Dispute**")) shall be referred to and finally resolved by arbitration under the Arbitration Rules of the London Court of International Arbitration ("**LCIA**" and such rules, the "**LCIA Rules**"), which rules (as amended from time to time) are deemed to be incorporated by reference into this Condition 16(b). For these purposes:

(i) there shall be three arbitrators, each of whom shall be disinterested in the arbitration, shall have no connection with any party to the Dispute and shall be an attorney experienced in international securities transactions. The parties to the Dispute shall each nominate one arbitrator and both arbitrators in turn shall appoint a further arbitrator who shall be the chairman of the tribunal. In cases where there are multiple claimants and/or multiple respondents, the class of claimants jointly, and the class of respondents jointly shall each nominate one arbitrator. If one party or both fails to nominate an arbitrator within the time limits specified by the LCIA Rules, such arbitrator(s) shall be appointed by the LCIA. If the party nominated arbitrators fail to nominate the third arbitrator within 15 days of the appointment of the second arbitrator, such arbitrator shall be appointed by the LCIA;

(ii) the seat of arbitration shall be London, England; and

(iii) the language of the arbitration shall be English.

(c) ***Waiver of immunity***: The Guarantor has, in the Trust Deed, acknowledged that the transactions contemplated therein are commercial transactions. To the extent that the Guarantor may claim for itself or its assets or revenues immunity from suit, execution, attachment (whether in aid of execution, before judgment or otherwise) or other legal process and to the extent that such immunity (whether or not claimed) may be attributed to the Guarantor or its assets or revenues, the Guarantor has agreed not to claim and has irrevocably and unconditionally waived such immunity in relation to any proceedings relating to a Dispute or Disputes.

SUMMARY OF PROVISIONS RELATING TO THE NOTES IN GLOBAL FORM

The Notes of each Series will be represented by a global note certificate in registered form (each a "**Global Note Certificate**" and together, the "**Global Note Certificates**") which shall be deposited with, and registered in the name of, a nominee for a common depositary for Euroclear and Clearstream, Luxembourg.

For so long as any of the Notes of a Series are represented by a Global Note Certificate, each person who is for the time being shown in the records of Euroclear, Clearstream, Luxembourg and/or any Alternative Clearing System (as defined below) as the holder of a particular principal amount of such Notes must look solely to Euroclear, Clearstream, Luxembourg and/or such Alternative Clearing System (as the case may be) for its share of each payment made by the Issuer or the Guarantor to the registered holder of the relevant Global Note Certificate, subject to, and in accordance with, the respective rules and procedures of Euroclear, Clearstream, Luxembourg and/or such Alternative Clearing System (as the case may be).

1. **Exchange**

Each Global Note Certificate is exchangeable in whole, but not in part, for duly authenticated and completed Individual Note Certificates in respect of the relevant Series if any of the following events occurs: (i) Euroclear Bank SA/NV or Clearstream, Luxembourg or the Alternative Clearing System is closed for business for a continuous period of 14 days (other than by reason of legal holidays, statutory or otherwise) or announces an intention permanently to cease business; or (ii) any of the circumstances in Condition 8 (*Events of Default*) occurs.

The Issuer shall notify the Holder of the relevant Series of the occurrence of any of the events specified above as soon as practicable thereafter.

Whenever a Global Note Certificate in respect of a Series is to be exchanged for Individual Note Certificates in respect of such Series, such Individual Note Certificates shall be issued in an aggregate principal amount equal to the principal amount of the relevant Global Note Certificate against the surrender of such Global Note Certificate at the Specified Office of the Registrar within five business days of the delivery to the Registrar by, or on behalf of, the Holder, Euroclear and Clearstream, Luxembourg of such information as is required to complete and deliver such Individual Note Certificates (including, without limitation, the names and addresses of the persons in whose names the Individual Note Certificates are to be registered and the principal amount of each such person's holding).

Such exchange shall be effected in accordance with the provisions of the Agency Agreement and the regulations concerning the transfer and registration of Notes scheduled thereto and, in particular, shall be effected without charge to any Holder or the Trustee, but against such indemnity as the Registrar may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such exchange. In this paragraph, "**business day**" means a day on which commercial banks are open for business (including dealings in foreign currencies) in the city in which the Registrar has its Specified Office.

2. **Transfers of Interests in a Global Note Certificate**

Transfers of interests in the Global Note Certificates within Euroclear, Clearstream, Luxembourg and/or an Alternative Clearing System will be in accordance with the usual rules and operating procedures of the relevant clearing system.

3. **Modification**

In addition, the Global Note Certificates will contain provisions which modify the Conditions as they apply to the Notes of each Series evidenced by the Global Note Certificate in respect of such Series. The following is a summary of certain of those provisions:

(a) ***Payments***

The definition for "**business day**" in Condition 6(c) (*Payments – Payments on business days*) shall be amended and shall be: (i) in respect of the Series A Notes, any day which is a day on which banks are open for general business (including dealings in foreign currencies) in New York City; and (ii) in respect of the Series B Notes, any day which is a day on which banks are open for general business (including dealings in foreign currencies) in New York City and Taipei.

(b) ***Record Date***

Each payment made in respect of the Global Note Certificates will be made to the person shown as the Holder in the Register at the close of business (in the relevant clearing system) on the Clearing System Business Day before the due date for such payment (the "**Record Date**") where "**Clearing System Business Day**" means a day on which each clearing system for which the Global Note Certificate is being held is open for business.

(c) ***Change of Control Put Option***

In order to exercise the option contained in Condition 5(c) (*Redemption and Purchase – Redemption upon the occurrence of a Change of Control Event*), the Holder of a Note must, not less than 30 nor more than 60 days before the Put Settlement Date, deposit the Note Certificate relating to such Note with any Paying Agent together with a duly completed put option notice (a "**Put Option Notice**") in the form obtainable from any Paying Agent. No Note Certificate, once deposited with a duly completed Put Option Notice in accordance with Condition 5(c) (*Redemption and Purchase – Redemption upon the occurrence of a Change of Control Event*), may be withdrawn.

(d) ***Notices***

So long as any of the Notes of a Series are represented by a Global Note Certificate, and such Global Certificate is held on behalf of Euroclear, Clearstream, Luxembourg or any other clearing system (an "**Alternative Clearing System**"), notices to Holders in respect of such Series may be given by delivery of the relevant notice to Euroclear, Clearstream, Luxembourg or such Alternative Clearing System (as the case may be).

USE OF PROCEEDS

The net proceeds of the issue of the Notes, expected to amount to U.S.$497,123,732 in respect of the Series A Notes and U.S.$499,424,656.12 in respect of the Series B Notes, in each case, after deduction of the combined management, underwriting and selling commission and the expenses incurred in connection with the issue of the Notes, will be used by the Issuer for general corporate purposes, including to repay certain of its outstanding indebtedness to third parties, and to extend loans to other Group companies outside the United States, for their respective general corporate purposes and/or for refinancing the existing indebtedness of such Group companies.

SELECTED FINANCIAL INFORMATION OF THE GROUP

Set forth below is selected financial information for the Group for the periods indicated. The consolidated financial information for the Group as at and for each of the years ended 31 December 2019 (excluding the restated comparative financial information as at 31 December 2019 extracted from the 2020 Unaudited Interim Condensed Financial Statements), 2018 and 2017 prepared in accordance with IFRS-KSA has been extracted without material adjustment from the Audited Financial Statements. The unaudited interim condensed consolidated financial information for the Group as at 30 June 2020, for each of the six month periods ended 30 June 2020 and 2019 prepared in accordance with IAS 34 as endorsed in Saudi Arabia has been extracted without material adjustment from the 2020 Unaudited Interim Condensed Financial Statements (see further "*Presentation of Certain Financial and Other Information*").

Consolidated Statement of Income Data

	Six months ended 30 June		Year ended 31 December		
	2020	**2019**	**2019**	**2018**	**2017**
			(SAR '000)		
	(unaudited)				
		(restated) [(a)]			
Revenue	54,812,574	70,909,545	139,737,384	169,128,339	149,765,968
Cost of sales	(46,631,404)	(52,960,508)	(104,217,191)	(111,287,016)	(99,858,243)
Gross profit	**8,181,170**	**17,949,037**	**35,520,193**	**57,841,323**	**49,907,725**
General and administrative expenses	(5,068,205)	(4,863,575)	(10,677,188)	(11,161,018)	(10,569,801)
Selling and distribution expenses	(4,672,230)	(4,939,555)	(10,009,998)	(10,399,937)	(10,339,537)
Share of results of integral joint ventures[(1)]	239,395	1,030,035	n/a	n/a	n/a
(Loss) Income from operations	**(1,319,870)**	**9,175,942**	**14,833,007**	**36,280,368**	**28,998,387**
Share of results of non-integral joint ventures and associates[(1)]	(670,158)	32,366	n/a	n/a	n/a
Share of results of associates and joint ventures[(1)]	n/a	n/a	(1,595,349)	1,049,850	1,419,680
Finance income	376,398	710,118	1,123,117	1,422,720	1,247,057
Finance cost	(1,034,397)	(1,198,946)	(2,550,073)	(2,646,115)	(2,329,716)
Other (expenses) income, net	39,499	178,456	(128,396)	(423,755)	289,337
(Loss) Income before zakat and income tax	**(2,608,528)**	**8,897,936**	**11,682,306**	**35,683,068**	**29,624,745**
Zakat expense	(997,525)	(1,298,029)	(2,100,000)	(2,600,000)	(2,600,000)
Income tax expense	422,268	(443,693)	(1,119,470)	(1,197,661)	(1,540,000)
Net (loss) income for the year/period	**(3,183,785)**	**7,156,214**	**8,462,836**	**31,885,407**	**25,484,745**
Attributable to:					
Equity holders of the Parent	(3,269,928)	5,352,564	5,563,271	21,520,678	18,430,236
Non-controlling interests	86,143	1,803,650	2,899,565	10,364,729	7,054,509
	(3,183,785)	**7,156,214**	**8,462,836**	**31,885,407**	**25,484,745**

(1) For the six months ended 30 June 2020, SABIC bifurcated the presentation of the line item "Share of results of associates and joint ventures" into "Share of results of integral joint ventures" and "Share of results of non-integral joint ventures and associates." These items were presented together as "Share of results of associates and joint ventures" in the Audited Financial Statements. For more information see Note 3.1 (*Change in accounting treatment for certain joint arrangements*) and Note 10 (*Restatement due to change in accounting treatment*) to the 2020 Unaudited Interim Condensed Financial Statements.

(a) The consolidated statements of income for the six months ended 30 June 2019 have been restated in accordance with the new accounting treatments – *See "Presentation of certain financial and other information – Change in accounting treatment for certain joint arrangements*"

Consolidated Statement of Financial Position Data

	As at 30 June 2020	As at 31 December 2019	As at 31 December 2019	2018	2017
			(SAR '000)		
	(unaudited)				
ASSETS		*(restated)* [(a)]			
Non-current assets					
Property, plant and equipment	133,182,368	136,416,155	162,990,284	163,819,684	167,355,911
Right of use assets	6,018,604	6,440,505	7,065,965	-	-
Intangible assets	20,179,452	20,491,548	12,377,613	12,947,211	13,542,397
Investment in associates and joint ventures	39,721,461	38,765,203	23,350,394	25,780,550	14,304,140
Investments in debt instruments	989,385	1,345,592	1,345,592	2,493,880	-
Held-to-maturity investments	-	-	-	-	3,055,161
		(restated)			
Investments in equity instruments	1,111,599	1,046,009	1,046,009	1,090,109	-
Available-for-sale financial assets	-	-	-	-	696,243
Deferred tax assets	1,222,838	711,609	711,609	865,156	673,983
Other non-current assets	5,951,265	7,741,628	6,517,069	5,126,456	4,219,500
Total non-current assets	**208,376,972**	**212,958,249**	**215,404,535**	**212,123,046**	**203,847,335**
Current assets					
Inventories	21,495,663	22,565,110	26,413,580	28,244,803	26,062,995
Trade receivables	14,271,195	16,746,049	18,322,552	21,821,849	22,609,432
Prepayments and other current assets	4,768,765	6,013,341	6,353,755	5,114,857	5,701,316
Short-term investments	9,913,459	5,558,554	5,558,554	9,815,499	4,351,072
Cash and bank balances	26,048,921	36,639,314	38,312,775	42,590,820	59,038,656
Total current assets	**76,498,003**	**87,522,368**	**94,961,216**	**107,587,828**	**117,763,471**
Total assets	**284,874,975**	**300,480,617**	**310,365,751**	**319,710,874**	**321,610,806**
EQUITY AND LIABILITIES					
Equity					
Share capital	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000
Statutory reserve	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000
General reserve	110,889,032	110,889,032	110,889,032	110,889,032	110,889,032
Other reserves	(4,811,887)	(3,265,084)	(3,265,084)	(1,359,184)	(2,249,663)
Retained earnings	12,433,391	26,803,319	16,137,960	18,554,532	10,282,264
Equity attributable to equity holders of the Parent	**163,510,536**	**179,427,267**	**168,761,908**	**173,084,380**	**163,921,633**
Non-controlling interests	25,350,936	27,077,411	42,489,414	48,352,095	46,216,859
Total equity	**188,861,472**	**206,504,678**	**211,251,322**	**221,436,475**	**210,138,492**
Non-current liabilities					
Long-term debt	30,199,810	30,867,658	34,460,362	41,691,973	41,624,732
Lease liabilities	4,975,757	5,260,672	5,767,063	653,423	-
Employee benefits	17,492,168	15,810,405	18,048,848	15,000,025	17,635,036
Deferred tax liabilities	591,513	707,108	1,612,749	1,664,138	1,752,443
Other non-current liabilities	3,729,511	3,786,874	1,778,171	1,384,327	2,160,697
Total non-current liabilities	**56,988,759**	**56,432,717**	**61,667,193**	**60,393,886**	**63,172,908**
Current liabilities					
Current portion of long-term debt	6,017,197	5,675,204	6,889,292	3,664,754	15,373,456
Short-term borrowings	1,061,120	1,346,996	1,346,996	1,167,589	1,065,000
Current portion of lease liabilities	1,125,202	1,194,608	1,271,843	85,502	-
Trade payables	12,716,890	15,268,178	12,888,175	14,969,357	18,061,464
Accruals and other current liabilities	13,992,342	10,807,885	11,569,414	13,396,472	10,124,246
Zakat and income tax payable	4,111,993	3,250,351	3,481,516	4,596,839	3,675,240
Total current liabilities	**39,024,744**	**37,543,222**	**37,447,236**	**37,880,513**	**48,299,406**
Total liabilities	**96,013,503**	**93,975,939**	**99,114,429**	**98,274,399**	**111,472,314**
Total equity and liabilities	**284,874,975**	**300,480,617**	**310,365,751**	**319,710,874**	**321,610,806**

(a) The consolidated statement of financial position as at 31 December 2019 have been restated in accordance with the new accounting treatments – *See "Presentation of certain financial and other information – Change in accounting treatment for certain joint arrangements*"

Consolidated Statement of Cash Flows Data

	Six months ended 30 June	
	2020	2019
	(SAR '000) (unaudited)	
		(restated) [a]
Operating activities:		
(Loss) Income before zakat and income tax	(2,608,528)	8,897,936
Adjustment to reconcile (loss) income before zakat and tax to net cash inflow from operating activities:		
- Depreciation, amortisation and impairment	9,172,271	7,029,282
- Finance costs	821,972	797,069
- Share of results of non-integral associates and joint ventures	670,158	(32,366)
- Provisions and other movements, net	409,724	66,021
Changes in operating assets and liabilities:		
(Increase) decrease in other non-current assets	(1,023,084)	1,347,469
Working capital changes	893,406	(1,161,781)
Increase in net employee benefits obligations	357,775	520,086
Other assets and liabilities change	282,078	1,368,131
Cash from operations	8,975,772	18,831,847
Finance cost paid	(654,154)	(841,874)
Zakat and income tax paid	(21,567)	(3,039,708)
Net cash from operating activities	**8,300,051**	**14,950,265**
Investing activities:		
Purchase of tangible and intangible assets, net	(5,651,821)	(8,117,452)
Short-term investments, net	(4,576,317)	3,744,253
Other assets movements	549,764	475,473
Investment in associates and joint ventures, net	(1,918,358)	833,158
Net cash used in investing activities	**(11,596,732)**	**(3,064,568)**
Financing activities:		
Proceeds from debt	615,625	7,425,000
Proceeds against acquisition of non-controlling interests	1,687,500	1,125,000
Debt and lease repayments	(1,718,113)	(12,348,296)
Dividends to shareholders and non-controlling interests	(7,592,848)	(8,599,711)
Net cash used in financing activities	**(7,007,836)**	**(12,398,007)**
Net decrease in cash and cash equivalents	(10,304,517)	(512,310)
Cash and cash equivalents at the beginning of the period	35,292,318	36,915,581
Cash and cash equivalents at the end of the period	**24,987,801**	**36,403,271**

[a] The consolidated statement of cash flows for the six months ended 30 June 2019 and the other financial information have been restated in accordance with the new accounting treatments – *See "Presentation of certain financial and other information – Change in accounting treatment for certain joint arrangements*"

	Year ended 31 December		
	2019	2018	2017
		(SAR '000)	
OPERATING ACTIVITIES			
Income before zakat and income tax	11,682,306	35,683,068	29,624,745
Adjustments to reconcile income before zakat and tax to net cash inflow from operating activities:			
Depreciation of property, plant and equipment	14,453,281	14,472,437	13,928,217
Depreciation of right of use assets	1,603,705	-	-
Amortisation of intangible assets	652,679	663,644	917,567
Impairment and write off of plant and equipment and intangible assets	3,875,673	365,484	1,565,189
Impairment of equity instruments	14,084	-	-
Provision for slow moving and obsolete inventories, net	(21,628)	(60,228)	276,248
Provision for doubtful debts, net	(79,396)	3,320	116,656
Share of results of associates and joint ventures	80,349	(1,049,850)	(1,419,680)
Impairment provision of associates and joint ventures	1,515,000	-	-
Fair value adjustment to derivatives, net	29,270	(39,206)	3,728
Loss on sale of property, plant and equipment, net	110,808	179,700	88,512
Finance costs	2,550,073	2,646,115	2,329,716
Changes in operating assets and liabilities:			
(Increase)/decrease in other non-current assets	1,529,401	774,757	(80,491)
(Increase)/decrease in inventories	1,852,851	(2,121,581)	(3,737,745)
(Increase)/decrease in trade receivables	3,578,692	744,653	(2,872,849)

	Year ended 31 December		
	2019	2018	2017
		(SAR '000)	
(Increase)/decrease in prepayments and other current assets	15,272	881,779	(1,049,311)
Increase/(decrease) in other non-current liabilities	(292,088)	185,249	766,393
Increase/(decrease) in trade payables	(2,081,182)	(3,092,107)	1,692,630
Increase/(decrease) in employee benefits	679,268	(1,048,193)	878,512
Increase/(decrease) in accruals and other current liabilities	(249,592)	1,592,453	610,247
Cash from operations	**41,498,826**	**50,781,494**	**43,638,284**
Finance cost paid	(1,715,973)	(2,002,413)	(1,738,073)
Zakat and income tax paid	(4,209,924)	(4,007,987)	(3,222,906)
Net cash from operating activities	**35,572,929**	**44,771,094**	**38,677,305**
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	(19,618,362)	(14,165,177)	(11,097,382)
Proceeds from short-term investments, net	4,860,469	(5,279,537)	15,754,305
Purchase of held-to-maturity investments	-	-	(100,000)
Proceeds on the maturity of held-to-maturity investments	618,770	402,040	521,420
Purchase of intangible assets	(236,826)	(71,058)	(373,722)
Proceeds from sale of property, plant and equipment	-	48,605	53,398
Purchase of debt instruments	(92,288)	-	-
Purchase of equity instruments	(55,413)	(46,054)	(24,169)
Proceeds from sale of equity instruments	-	23	27,368
Investment in associates and joint ventures	(338,271)	(10,954,760)	(352,995)
Distributions received from associates and joint ventures	1,171,465	462,361	364,106
Net cash (used in) from investing activities	**(13,690,456)**	**(29,603,557)**	**4,772,329**
FINANCING ACTIVITIES			
Proceeds from debt	9,385,880	26,787,021	3,428,345
Repayment of debt	(13,658,938)	(37,480,836)	(9,040,786)
Lease payments	(1,721,145)	(187,113)	(53,676)
Dividends paid to shareholders	(13,190,127)	(12,059,538)	(11,592,416)
Dividends paid to non-controlling interests	(8,228,095)	(8,736,246)	(5,390,185)
Acquisition of non-controlling interests	1,125,000	-	(3,075,000)
Net cash used in financing activities	**(26,287,425)**	**(31,676,712)**	**(25,723,718)**
Net (decrease) increase in cash and cash equivalents	(4,404,952)	(16,509,175)	17,725,916
Net foreign exchange loss on cash and cash equivalents	(52,500)	(41,250)	-
Cash and cash equivalents at the beginning of the year	41,423,231	57,973,656	40,247,740
Cash and cash equivalents at the end of the year	**36,965,779**	**41,423,231**	**57,973,656**

Other Financial Information – Alternative Performance Measures

Set forth below are certain Alternative Performance Measures used by the Group's management to assess the performance of its business. The Alternative Performance Measures are unaudited and have not been prepared in accordance with IFRS-KSA or any other generally accepted accounting standards. For more information regarding the method of calculation of each Alternative Performance Measure, see "*Presentation of Certain Financial and Other Information – Presentation of Historic Financial Information – Alternative Performance Measures*".

	As at and for the six months ended 30 June		As at and for the year ended 31 December		
	2020	2019	2019	2018	2017
	(SAR '000, except ratios and percentages)				
	(unaudited)	*(unaudited) (restated)*		*(unaudited)*	
Gross Profit/Sales (%)	15%	25%	25%	34%	33%
Adjusted EBIT[1]	1,076,380	9,175,942	18,708,680	36,645,852	30,563,576
Adjusted EBITDA[2]	8,129,373	16,205,223	35,418,345	51,781,933	45,409,360
Adjusted EBIT margin[3] (%)	2%	13%	13%	22%	20%
Adjusted EBITDA margin[4] (%)	15%	23%	25%	31%	30%
Gross debt/Adjusted EBITDA	5.3x	2.7x	1.4x	0.9x	1.3x
Net debt/Adjusted EBITDA	0.9x	0.1x	0.2x	(0.1)x	(0.1)x
Adjusted EBITDA/interest expense (%)	(7.9)x	(13.5)x	(13.9)x	(19.6)x	(19.5)x
Capex	5,651,821	8,117,452	19,855,188	14,236,235	11,471,104
Capex/Sales (%)	10%	11%	14%	8%	8%
Capex/Adjusted EBITDA	0.7x	0.5x	0.6x	0.3x	0.3x

	As at and for the six months ended 30 June		As at and for the year ended 31 December		
	2020	2019	2019	2018	2017
	(SAR '000, except ratios and percentages)				
	(unaudited)			*(unaudited)*	
		(restated)			
Capex/Operating cash flow	0.7x	0.5x	0.6x	0.3x	0.3x
Net (loss) income margin (%)	(6)%	10%	6%	19%	17%
Operating cash flow margin (%)	15.1%	21.1%	25.5%	26.5%	25.8%

(1) Adjusted EBIT is a non-IFRS-KSA performance measure. The Group views Adjusted EBIT as a useful measure because it is used to analyse the Group's operating profitability. Set forth below is information regarding the calculation of Adjusted EBIT for each period:

	Six months ended 30 June		Year ended 31 December		
	2020	2019	2019	2018	2017
			(SAR '000)		
			(unaudited)		
		(restated)			
Net (loss) income for the period/year	(3,183,785)	7,156,214	8,462,836	31,885,407	25,484,745
Income tax expense	(422,268)	443,693	1,119,470	1,197,661	1,540,000
Zakat expense	997,525	1,298,029	2,100,000	2,600,000	2,600,000
Other expense/(income), net	(39,499)	(178,456)	128,396	423,755	(289,337)
Finance cost, net[(a)]	657,999	488,828	1,426,956	1,223,395	1,082,659
Share of results of associates and joint venture	n/a	n/a	1,595,349	(1,049,850)	(1,419,680)
Share of results of non-integral joint ventures and associates	670,158	(32,366)	n/a	n/a	n/a
EBIT	**(1,319,870)**	**9,175,942**	**14,833,007**	**36,280,368**	**28,998,387**
Adjustments:					
Non-recurring and one-off items[(b)]	276,972	-	-	-	-
Asset impairment and write-offs	2,119,278	-	3,875,673	365,484	1,565,189
Adjusted EBIT	**1,076,380**	**9,175,942**	**18,708,680**	**36,645,852**	**30,563,576**

(a) Finance costs, net is calculated as finance costs less finance income.
(b) The non-recurring and one off items mainly refer to certain provisions associated with strategic initiatives.

(2) Adjusted EBITDA is a non-IFRS-KSA performance measure. The Group views Adjusted EBITDA as a useful measure because it is used to analyse the Group's operating profitability. Set forth below is information regarding the calculation of Adjusted EBITDA for each period:

	Six months ended 30 June		Year ended 31 December		
	2020	2019	2019	2018	2017
			(SAR '000)		
			(unaudited)		
Adjusted EBIT	1,076,380	9,175,942	18,708,680	36,645,852	30,563,576
Depreciation and amortisation expense	7,052,993	7,029,281	16,709,665	15,136,081	14,845,784
Adjusted EBITDA	**8,129,373**	**16,205,223**	**35,418,345**	**51,781,933**	**45,409,360**

(3) Adjusted EBIT margin is a non-IFRS-KSA performance measure and is calculated as Adjusted EBIT divided by revenue. For more information see "*Presentation of Certain Financial and Other Information – Alternative Performance Measures*".

(4) Adjusted EBITDA margin is a non-IFRS-KSA performance measure and is calculated as Adjusted EBITDA divided by revenue. For more information see " *Presentation of Certain Financial and Other Information – Alternative Performance Measures* ".

RELATED PARTY TRANSACTIONS

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over it in making financial and operating decisions, or *vice versa*, or where the Group and the party are subject to common control or significant influence, i.e. part of the same parent group.

The following tables provide the total amount of significant transactions that have been entered into with related parties during the year ended 31 December 2019, and the six months ended 30 June 2020, as well as balances with related parties as at 31 December 2019 and 30 June 2020:

	For the six months ended 30 June 2020		**As at 30 June 2020**	
	Sales to related parties	**Purchases from related parties**	**Amounts owed by related parties**	**Amounts owed to related parties**
	(SAR '000) *(unaudited)*		*(SAR '000)* *(unaudited)*	
Associates	5,692	1,759,182	11,349	266,912
Joint ventures and partners	4,965,307	1,061,418	1,094,913	182,552
Saudi Aramco and its subsidiaries (effective from 16 June)	222,123	535,683	464,203	2,386,493

	For the year ended 31 December 2019		**As at 31 December 2019**	
	Sales to related parties	**Purchases from related parties**	**Amounts owed by related parties**	**Amounts owed to related parties**
	(SAR '000)		*(SAR '000)* *(restated)*	
Associates	135,751	7,419,299	31,454	192,697
Joint ventures	12,017,790	675,859	n/a	n/a
Joint ventures and partners	n/a	n/a	1,379,670	179,838

	As at 30 June 2020			**As at 31 December 2019**		
	Associates	**Joint ventures and partners**	**Total**	**Associates**	**Joint ventures**	**Total**
		(SAR '000) *(unaudited)*			*(SAR '000)* *(restated)*	
Loans from related parties	-	107,812	107,812	-	107,812	107,812
Loans to related parties	35,135	711,272	746,407	35,135	615,142	650,277

	For the year ended 31 December 2019		
	Associates	**Joint ventures**	**Total**
		(SAR '000)	
Dividends paid to related parties	587,500	4,659,490	5,246,990
Dividends received from related parties	242,323	929,142	1,171,465

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

The following table shows transactions and balances with the Saudi government:

	As at and for the year ended 31 December	
	2019	2018
	(SAR '000)	
Purchases of goods and services	35,659,076	40,452,392
Sales of goods and services	8,812,649	7,135,370
Due to entities controlled by Saudi government	2,072,071	2,630,608
Due from entities controlled by Saudi government	667,658	705,569

DESCRIPTION OF THE ISSUER

Introduction

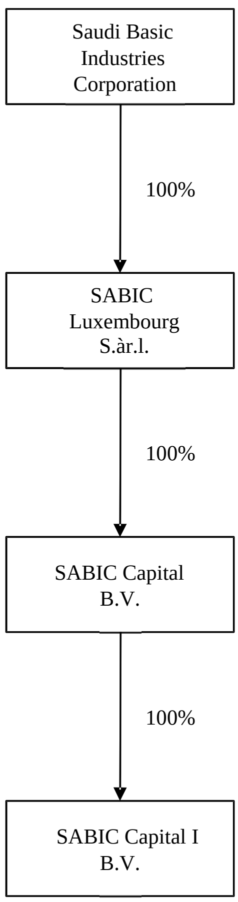
The Issuer was incorporated on 3 September 2008 as a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*) under Book 2 of the Dutch Civil Code in accordance with the laws of The Netherlands and was registered at the trade register of the Chamber of Commerce in The Netherlands on 4 September 2008, with registered number 14105351. The registered office of the Issuer is at World Trade Centre, Tower H, 27th Floor, Zuidplein 216, 1077 XV Amsterdam, The Netherlands and its telephone number is +31 20 333 3030. The Issuer operates under Dutch law.

The authorised share capital of the Issuer is EUR90,000 divided into 90,000 ordinary shares of EUR1.00 each, of which 18,000 shares have been issued and fully paid and such that the paid-up share capital of the Issuer is EUR18,000 as at the date of this Prospectus.

Shareholding and Principal Activities

The Issuer is an indirect wholly-owned subsidiary of the Guarantor. The sole shareholder of the Issuer is the Dutch company SABIC Capital B.V., a wholly-owned subsidiary of SABIC Luxembourg S.àr.l., a holding company incorporated in Luxembourg and directly wholly-owned by the Guarantor.

The chart below shows the Issuer and its parent companies.



The Issuer operates in conformity with its articles of association and its principal activities consist mainly of carrying on the business of a finance company for the operations of the SABIC Group in Europe and Asia.

The Issuer, together with its shareholder SABIC Capital B.V. and its sister company SABIC Capital II B.V., provide support for SABIC businesses in the field of international treasury, tax and financial reporting. In particular, the Issuer's activities are limited to providing services to companies outside of the United States.

The Issuer raises money from time to time by entering into financing arrangements with banks and other financial institutions and by the issue of securities. The Issuer on-lends the proceeds to companies of the Group (excluding companies in the United States).

The revenues of the Issuer consist of interest payments received under such on-loans to Group companies and other interest income.

The Issuer has limited exposure to market risk and liquidity risk due to its operating model as such risks are primarily transferred to the companies of the Group to which it provides financing. The Issuer is, however, exposed to the credit risk of such companies as it relies on their ability to generate sufficient cash-flows from their operations and/or to receive dividends from their subsidiaries, to pay interest and repay the principal of such loans to the Issuer. The Issuer, therefore, relies on the financial support of SABIC. SABIC has entered into a guarantee agreement with the Issuer whereby SABIC has unconditionally and irrevocably undertaken to the Issuer, among others, that it will make available to the Issuer sufficient funds to meet its payment obligations as and when they become due and payable (the "**Guarantee Agreement**"). The Guarantee Agreement is not limited in time nor in amount and can only be terminated with the consent of both SABIC and the Issuer. The Guarantee Agreement is directly enforceable only by the Issuer and certain creditors of the Issuer as determined by a procedure set out in the Guarantee Agreement. The Guarantee Agreement provides that the obligations of SABIC to the Issuer will not be discharged, impaired or otherwise affected by, among others, the winding up, administration, reorganisation or moratorium of the Issuer.

SABIC has also entered into an agreement with the Issuer with respect to SABIC's rights of recourse against the Issuer in the event that any guarantee issued by SABIC in relation to financial indebtedness of the Issuer is called. In accordance with the terms of this agreement, in such cases the Issuer would have an initial liability to SABIC up to EUR2.0 million while the remaining liability to SABIC would be deferred, subordinated to any other financial obligations of the Issuer to third parties, and, in the event the Issuer has on-lent to any other member of the Group the amount in relation to which SABIC's guarantee has been called, the deferred obligations of the Issuer to SABIC would have to be satisfied only with amounts received under such intercompany loans.

The Issuer is party to cash-pooling arrangements with a number of banks comprising bank accounts of the Issuer and of certain operating companies of the Group outside the United States. Some arrangements provide that cash in the bank accounts of the operating companies is periodically swept into the bank accounts of the Issuer, acting as pool coordinator. Other arrangements provide that interest on any positive or negative balance is calculated notionally on the aggregate of the deposits and overdrafts on all accounts in the pool, with the Issuer acting as a pool coordinator. In a number of such arrangements, the Issuer acts as guarantor of the overdraft and related payment obligations of any pool participant.

Board of Directors

As at the date of this Prospectus, the managing director of the Issuer is SABIC Capital B.V., a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*) incorporated under the laws of The Netherlands and registered at the trade register of the Chamber of Commerce in The Netherlands under number 14105349 ("**SABIC Capital**"). The address of SABIC Capital B.V. is World Trade Centre, Tower H, 27th Floor, Zuidplein 216, 1077XV Amsterdam, The Netherlands.

SABIC Capital's management structure consists of a board of managing directors (the "**Managing Board**") and a supervisory board (the "**Supervisory Board**"). The business address of the members of the Managing Board and the Supervisory Board is SABIC Capital B.V., World Trade Centre, Tower H, 27th Floor, Zuidplein 216, 1077XV Amsterdam, The Netherlands.

The Managing Board of SABIC Capital consists of two members:

Tim Brierley

Mr. Brierley became a managing director of SABIC Capital when he joined SABIC as the Director of Global Tax in 2012. He is currently General Manager of Global Tax for SABIC, with responsibility for tax, zakat and customs in SABIC's operations worldwide. He is also a member of SABIC's finance leadership team, the global finance talent community and the European leadership council. Prior to joining SABIC, he was the tax director for a GE Capital leasing business and an international tax partner of Deloitte in The Netherlands, where he was a managing partner for Deloitte Tax and Deloitte, Touche, Tohmatsu's global partner for aviation taxation.

Educational Qualifications: Mr. Brierley holds an LL.B. (Hons.) from the University of Newcastle upon Tyne in the United Kingdom and is a Solicitor of the Supreme Court of England and Wales, and until 2019, was a faculty member of the Advanced LL.M. in International Taxation course at the University of Leiden in The Netherlands.

Eric Dorn

Mr. Dorn became a managing director of SABIC Capital in 2020. He is currently Director of Transformation Projects in Corporate Finance, responsible for the execution of global strategic projects in SABIC. He is also a member of SABIC's finance leadership team and the European management council. Prior to his current position, he held leadership positions in corporate finance leading the Corporate Finance organization outside KSA and the global Shared Financial Services. He was also a member and chairman of the trustee board of the SABIC Europe pension fund in The Netherlands.

Educational Qualifications: Mr. Dorn holds a Master's degree in Business Economics and a post-master degree in Accountancy (CPA) from the University of Tilburg in The Netherlands.

The Supervisory Board of SABIC Capital consists of three members:

Timothy Dean Leveille

Mr. Leveille joined SABIC as Executive Vice President of Corporate Finance in 2018, after serving as senior vice president, chief financial officer, and controller of Chevron Phillips Chemical Company, based in The Woodlands, Texas, United States.

He served previously as assistant treasurer of the Chevron Corp., with oversight over global cash management and financing activities for Chevron's operating companies worldwide.

He has worked for the public accounting firm of PricewaterhouseCoopers, and in 1987, joined Caltex, an international joint venture between Texaco and Chevron that was formed originally in 1936 to market oil from the newly discovered fields in Saudi Arabia.

Mr. Leveille served in various overseas finance roles in Asia and Africa for roughly 17 years with Caltex, including as country chairman and chief financial officer of Caltex Philippines. In 2007, he became vice president of finance for Chevron's global gas business, and in 2009 senior director of international finance in corporate treasury.

Educational Qualifications: Mr. Leveille holds a Bachelor's degree in Accounting and Computer Science from Boston College and Master of Business Administration in Finance from Columbia University School of Business, United States. He is a U.S. certified public accountant (CPA), licensed by the state of New York.

Abdulrahman Saleh Abdulrahman Al Fageeh

Mr. Al Fageeh has been Executive Vice President of Petrochemicals since May 2015.

Mr. Al Fageeh has held a number of senior positions at SABIC, including Executive Vice President of the Polymers and Performance Chemicals Business Unit, Vice President of the Polyethylene Business Unit, General Manager of Operations and Planning of the Basic Chemicals Business Unit, General Manager of the Oxygenates Business Unit, President of Yansab and Chairman of the Project Committee of Yansab.

Other key board positions: As at the date of this Prospectus, he is the chairman of the boards of National Methanol Company, Saudi Japanese Acrylonitrile Company, Saudi Arabian Methacrylate Company and SABIC SK Nexlene Company. Previously, he was the vice chairman of the board of Saudi European Petrochemical Company and a member of the boards of Petrokemya and Arrazi.

Educational Qualifications: Mr. Al Fageeh holds a Bachelor's Degree in Chemical Engineering from King Saud University, Saudi Arabia and a Master of Business Administration from Bradford University, United Kingdom.

Khalid Ali Abdullah Al-Garni

Mr. Al-Garni is currently the Executive Vice President of Global Finance Reporting and Controllership at SABIC. Mr. Al-Garni has more than twenty years of experience in finance, accounting, auditing and enterprise risk services. Prior to joining SABIC, he held senior managerial positions and was audit partner at Deloitte Middle East. He has previously served on the board of directors and audit committee of Aluminium Bahrain B.S.C. and on the board of directors of SINOPEC SABIC Tianjin Petrochemical Company.

Other key board positions: As at the date of this Prospectus, he is chairman of the board of the Arabian Industrial Fibers Company where he also serves on the audit committee. He is also a member of the boards of the Yanbu National Petrochemical Company, Petrokemya, The Industrialization and Energy Services Company, Gulf One Capital BSC and SABIC Capital B.V.

Educational Qualifications: Mr. Al-Garni holds a Bachelor's Degree in Accounting and is a certified public accountant (CPA). He has also completed the Advanced Management Program at Harvard Business School, United States and the CEO Leadership Challenge Program at INSEAD.

As at the date of this Prospectus, there are no conflicts of interest between any duties of SABIC Capital or the members of the Managing Board and Supervisory Board to the Issuer and their private interests or other duties.

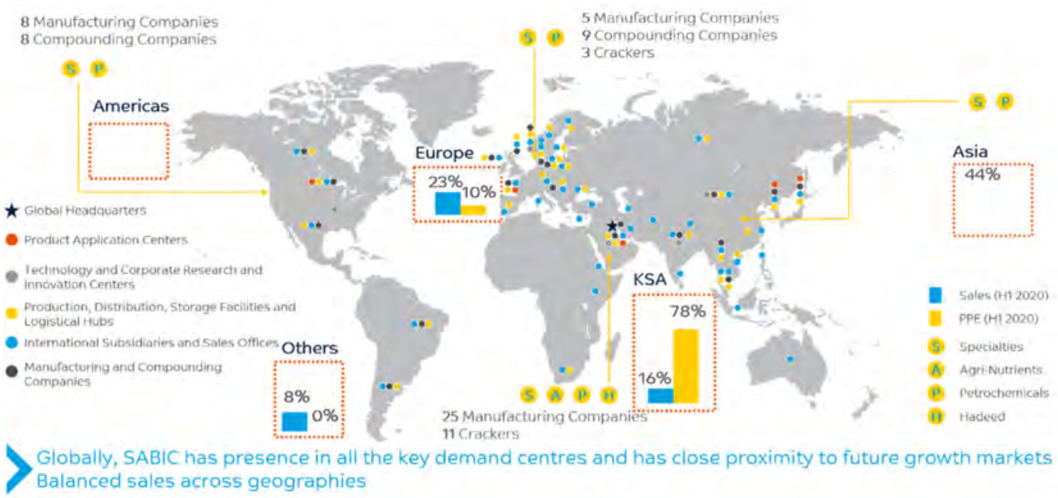
DESCRIPTION OF THE GROUP

Overview

According to Forbes, the Group is the largest non-oil industrial company in the Middle East and the third largest diversified chemical producer in the world (Forbes 2019).

Originally established in 1976 by the Government of Saudi Arabia in furtherance of its policy to diversify the Saudi industrial base outside the oil sector and to make use of crude oil associated gases at well heads (which had, until that point, been flared off), SABIC has since expanded its operations to include the manufacture and sale of chemicals, polymers, performance chemicals, innovative plastics, fertilisers and metals. SABIC is a key strategic asset for the Government, with development and growth of SABIC being a fundamental component of the Government's vision for Saudi Arabia (see "– *Competitive Strengths – Strategic importance to the Kingdom*").

Although the Group's operations are principally based in Saudi Arabia, it has operations in over 50 countries and sells its products in over 100 countries. Through subsidiaries and joint ventures, the Group operates 65 manufacturing and compounding companies.



The Group principally operates through three SBUs and a wholly-owned manufacturing business, which comprise:

- the Petrochemicals SBU, relating to commodity chemicals and polymers;
- the Specialties SBU, relating to specialty plastics;
- the Agri-Nutrients SBU, relating to fertilisers and specialty agri-nutrients; and
- Hadeed, the wholly-owned manufacturing business, which supplies iron and aluminium products primarily to customers in Saudi Arabia.

Of these, the Petrochemicals SBU is the most significant in terms of production and sales volumes. For the year ended 31 December 2019, 79% of the Group's production volume across all SBUs and 75% of the Group's sales volume across all SBUs was attributable to the Petrochemicals SBU (in each case, excluding any inter-Group adjustments and eliminations). The Group's production volume and sales volume were 60.4 mmt and 45.4 mmt in 2019.

SABIC is a joint stock company incorporated under the laws of Saudi Arabia with commercial registration number 1010010813 and with its registered office at P.O. Box 5101, Riyadh 11422, Kingdom of Saudi Arabia; its telephone number is +966 11 225 8000. SABIC was established pursuant to Royal Decree No. M/66 dated 6 September 1976 for an initial term of 99 years, which expires in 2075. Its term may be extended by an extraordinary resolution of SABIC's shareholders.

For the year ended 31 December 2019, the Group reported net income of SAR8.5 billion and Adjusted EBITDA of SAR35.4 billion. For the six months ended 30 June 2020, the Group reported net loss of SAR3.2 billion and Adjusted EBITDA of SAR8.1 billion. As at 30 June 2020, the Group's total assets were SAR284.9 billion.

As of the date of this Prospectus, SABIC had a corporate rating of A (stable) by Fitch Ratings Limited, A1 (negative) by Moody's Investors Service Limited and A- (stable) by S&P Global Ratings Europe Limited.

The standalone credit rating of SABIC is A+ by Fitch Ratings Limited, A1 by Moody's Investors Service Limited and A+ by S&P Global Ratings Europe Limited.

History

SABIC began as a Saudi Arabia-focused company manufacturing commodity petrochemical products, but soon began expanding into a regional player, and finally, a global and more diversified chemical company. Some of the key milestones on this journey are set out below.

Year	Milestone
1976	SABIC was established by the Government in furtherance of its policy to diversify the Saudi industrial base outside the oil sector and to make use of crude oil associated gases at well heads (which had, until that point, been flared off). The Government's intention was to build a chain of basic, large-scale industries located close to, or with easy access to, gas resources and to develop export oriented non-oil businesses of strategic importance to Saudi Arabia, including hydrocarbon-based chemicals and basic metal industries.
1977	SABIC commenced building industrial complexes in Jubail and Yanbu in co-operation with the Royal Commission for Jubail and Yanbu ("**RCJY**"). Jubail and Yanbu have now been transformed from fishing villages into industrial cities which are major hubs of Saudi Arabia's petrochemicals and other energy-intensive industries, such as the construction industry, and are a significant contributor to Saudi Arabia's GDP.
1980	Hadeed was established as a wholly-owned subsidiary of SABIC.
1981	SABIC entered into a joint venture agreement with Mitsubishi Corporation to establish Sharq. Located in Jubail, the Sharq petrochemical complex produces glycol ethylene, linear low-density and high-density polyethylene as well as olefins.
1984	SABIC's shares were listed on the Saudi Stock Exchange (Tadawul), at which time the Government divested 30% of its shareholding in SABIC.
	SABIC partnered with ExxonMobil and Shell on joint ventures and established Petrokemya, a wholly owned subsidiary of SABIC.
	SABIC opened its first technology centre as well as its first international office, (SABIC Europe) in London.
2000	The Group's products started being sold in more than 100 countries.
2002	SABIC acquired the petrochemical facilities and business of DSM BV, with main manufacturing plants in Geleen (The Netherlands) and in Gelsenkirchen (Germany), substantially expanding the Group's geographic coverage as well as its position in olefins and polyolefins in Europe.
2006	SABIC acquired Huntsman Petrochemicals (UK) (consisting of a steam cracker and aromatics facilities in Wilton and North Tees (UK)).
2007	SABIC acquired GE Plastics (a division of General Electric Company), which further widened the Group's geographic reach and extended its product portfolio into specialty products such as engineering resins and film and sheet products. The acquisition included production facilities in the Americas, Western Europe and Asia Pacific and also enabled the Group to take advantage of new technologies and operating processes.

Year	Milestone
2009	SABIC entered into a joint venture agreement with China Petroleum and Chemical Corporation (Sinopec) to establish SSTPC. Incorporated in China, this joint venture is engaged in the production and sale of polycarbonates.
2009	During the second half of 2009, SABIC commenced commercial production of olefins, aromatics and glycols from Yansab and Sharq facilities, with the aim of bringing new supply to customers in the Middle East and Asia.
2011/12	The Saudi Kayan petrochemical complex in Al-Jubail began commercial operations in 2010. Listed on the Tadawul, it is the first producer of polycarbonate in the Middle East.
2015	SABIC entered into a joint venture agreement with SK Global Chemical to establish SABIC SK Nexlene Company. Incorporated in South Korea (with principal operations in Singapore), this joint venture is engaged in the production and sale of high-performance specialty polyethylene products.
2016/2017	SABIC had its first production of new products in the Middle East – elastomers, methyl methacrylate ("**MMA**")/polymethyl methacrylate and polyoxymethylene.
2017	The Group acquired Shell's 50% stake in Sadaf in Jubail for approximately U.S.$820 million. In October 2019, SABIC announced the successful merger of Sadaf and Arabian Petrochemical Company to improve overall cost competitiveness and efficiency of its global operations in the long-term.
2018	The Group acquired approximately 83 million shares (representing a 24.99% stake) of Clariant. Clariant is a global specialty chemicals company listed on the Swiss stock exchange. The investment marks an expansion of SABIC's portfolio in the specialty chemicals and specialty plastic industries. In March 2020, the Group increased its stake to 31.5%. The transaction is expected to close in the second half of 2020 after completion of regulatory approval processes. In December 2018, SABIC acquired an additional 25% stake for USD 150 million in Arrazi. SABIC also extended its partnership in the joint venture for twenty years.
2019	In March 2019, Saudi Aramco signed a share purchase agreement to acquire a 70% majority stake in the Group from the Public Investment Fund of Saudi Arabia. The agreed purchase price for the shares was SAR 123.40 per share, totalling SAR 259.125 billion, which was equivalent to U.S.$ 69.1 billion. The transaction closed in June 2020. In October 2019, SABIC merged two of its wholly owned subsidiaries, Sadaf and Petrokemya to increase efficiency and competitiveness of its operations. In December 2019, the Group sold its newly formed SABIC Agri-Nutrients Investment Company to SAFCO in exchange for additional shares in SAFCO, valued at SAR 4.6 billion. After the successful completion of the transaction, SABIC increased its ownership in SAFCO from 42.99% to 50.1%, subject to regulatory approval.

Group Structure

The Group is headquartered in Saudi Arabia and a majority of the Group's assets are also located in Saudi Arabia. The Group has a number of investments in entities which are combination of subsidiaries, joint ventures and investees. See note 42 to the 2019 Audited Financial Statements for a list of its subsidiaries. See Note 22 to the 2019 Audited Financial Statements for a list of subsidiaries that the Group has a non-controlling interest in and that have operations material to the Group.

Shareholders

As at 30 June 2020, SABIC had issued and paid up share capital of SAR30,000,000,000 consisting of 3,000,000,000 shares of SAR10 each.

SABIC was established by the Government of Saudi Arabia as a 100% state-owned company. SABIC's shares were listed on the Saudi Stock Exchange (Tadawul) in 1984, at which time the Government divested 30% of its shareholding in SABIC.

In June 2020 Saudi Aramco acquired a 70% majority stake in SABIC from the Public Investment Fund ("**PIF**") of Saudi Arabia. The agreed purchase price for the shares was SAR 123.40 per share, totalling SAR 259.125 billion, which is equivalent to U.S.$ 69.1 billion.

As at the date of this Prospectus, the following entities hold more than 5% of SABIC's issued shares:

Name	No. of shares	Percentage of ownership
Saudi Aramco[1]	2,100,000,000	70.0%

[1] Saudi Aramco is majority-owned by the Government.

The remaining SABIC shares are owned by other investors, including certain institutions and private investors. Certain shares are also held by SABIC's board of directors and senior management (see "*Management and Employees – Compensation and Directors' Interests*"). Other than the Government, SABIC is not aware of any shareholder that, directly or indirectly, owns or could exercise control over SABIC.

Competitive Strengths

The Group believes that it has the following key strengths:

Leading global petrochemicals and chemicals producer with a diverse product portfolio

According to Forbes, SABIC was the largest non-oil industrial company in the Middle East and the third largest diversified chemical producer in the world (in terms of volumes of production) for the year ended 31 December 2019. SABIC's diversified product portfolio and continued focus on technological advancement, together with its significant global presence, allows it to continue to meet its existing customers' needs while also being able to attract new ones. SABIC is a market leader in multiple products and segments across each of its three SBUs, namely, Petrochemicals, Agri-Nutrients and Specialties, further described as follows:

- *Petrochemicals*: SABIC is one of the leading petrochemicals and chemicals producers in the world, with a strong market position and well-recognised brand. SABIC has globally-leading market positions by sales volumes for several petrochemicals products, which include first in glycols, first in methyl tert-butyl ether ("**MTBE**"), second in methanol, second in polycarbonate and third in polyethylene ("**PE**").

- *Agri-Nutrients*: SABIC is a leading global fertiliser producer, having produced over 7.7 mmt in 2019, and is the largest exporter globally of granular urea. SABIC's agri-nutrient products range from general to highly specific, helping address the world's ever-growing demand for food. SABIC is also at the forefront of developing sustainable projects to turn greenhouse gases to fertiliser.

- *Specialties*: SABIC's Specialties business provides unique and technologically-advanced materials and product development support that help to create value for original equipment manufacturers, enabling them to introduce new products into the market. SABIC is the supplier of reference in nearly three-quarters of its specialty products portfolio and, in many cases, is a unique supplier to its customers, which include the full spectrum of industries – mobility, infrastructure, industrial, electronics and healthcare – making them highly reliant on SABIC's products and solutions. SABIC has a broad portfolio, including specialty compounds and a range of branded products including NORYL™, ULTEM™, and LNP™ resins. SABIC believes that its Specialties business is largely resilient to economic cycles, which reduces its exposure to the cyclicality of the traditional chemicals business.

Diversified global footprint

SABIC operates in around 50 countries through its extensive network of regional offices and operational centres throughout the Americas, Europe, Middle East, Africa and Asia, supporting global production and sale of its products. SABIC has a strong presence in all key demand centres globally and has close proximity to future growth markets, with 83% of the Group's revenues in 2019 being generated from sales outside of KSA. SABIC operates 40 manufacturing sites and 21 research, development and innovation centres across key geographies, with its Global Application Technology division developing more than 150 new products every year, backed by over 12,000 global patents (including pending patent applications).

SABIC has continued to expand the breadth of its operations through an ambitious overseas acquisition programme, aiming to strengthen its presence in overseas markets, in particular, China and the United States. SABIC's acquisition programme is matched by its strategic infrastructural initiatives, such as container-load optimisation for solids, tank-terminal optimisation for liquids and conveyor belting for agri-nutrients. This enables SABIC to respond efficiently to the needs of its customers in key markets around the world and contributes to SABIC's ambitious production growth strategy.

Cost leadership and operational excellence

In operating its global network of assets, SABIC focuses on maintaining and enhancing operational excellence, with a focus on feedstock costs, operating costs and supply chain excellence:

- *Feedstock cost advantage*: SABIC benefits from advantaged cost on key feedstock supplies in Saudi Arabia, enjoying one of the most competitive cost positions and remaining among the lowest quartile producers in respect of global ethylene production costs. In addition, SABIC's cost structure is supported by low logistical costs, attributable to Saudi Arabia's geographic proximity to key end-markets, including China.

- *Operating costs optimisation*: SABIC aims to maintain cost efficiency throughout its operations. One of SABIC's key initiatives in 2016 was to streamline the Group's operations by reducing the number of its SBUs from six to three, the outcome of which was a leaner, more focused organisation, resulting in increased agility and an improved cost structure. In 2017, SABIC launched Hadeed, integrating the metals SBU and streamlining the Group's organisational structure further.

- *Supply chain excellence*: SABIC was awarded the 2019 Adam Smith worldwide award for the best trade solution for their solids supply chain in the Middle East and Africa. This aware recognized SABIC for demonstrating best practices in innovation, collaboration, creativity, teamwork and determination through practices such as shipping documents to banks electronically and cutting lead-times by 40% as well as saving costs throughout the value chain. SABIC plays a leading role in industry organizations and working groups such as the European Petrochemical Association and Gulf Petrochemicals and Chemicals Association through providing thought leadership on critical supply chain aspects including supply chain EHSS, digitalization and sustainability. In addition, SABIC plays a pivotal role in the implementation of Safety Quality and Assessment Systems in the Middle East through their role in chairing the Gulf Safety Quality and Assessment System Committee.

Strategic importance to Saudi Arabia

The Government (originally through PIF and currently through Saudi Aramco) has held a 70% shareholding in SABIC since the company was established in 1984. The Group also benefits from supportive operational environment accorded to it by the Government such as the Group being provided access to competitively-priced feedstock sourced from Saudi Aramco (which is wholly-owned by the Government).

SABIC's operations also form a critical part of Saudi Arabia's Vision 2030, which focuses on diversifying Saudi Arabia's economy away from oil. Since its creation, SABIC has evolved to become a global industry leader and, while it continues to directly contribute to Saudi Arabia's GDP and diversification of the economy, SABIC also plays a key role in promoting local businesses and supporting Vision 2030.

In 2017, SABIC established its Local Content and Business Development Unit ("**LCBDU**") which seeks to provide opportunities for investors, particularly young people and entrepreneurs, to develop their businesses in leading-edge sectors. Through the LCBDU, SABIC launched "Nusaned" in 2018, an ambitious new initiative that aims to increase localisation of industrial technologies, help create new jobs, increase exports, and turn national companies into global companies. In 2019, the total portfolio of approved initiatives reached 121 and involved many national industrial sectors including minerals, renewable energy and medical supplies which helped generate more than 1,400 new job opportunities in Saudi Arabia in 2019. SABIC also supports the Government's development programme by raising the level of competitiveness of domestic industries, strengthening Saudi Arabia's external competitive position through investments, transferring knowledge and science, focusing on investments in technology and innovation and creating an investment environment for petrochemical and downstream industries.

In line with Vision 2030, the Group is developing and fostering partnerships in its manufacturing and research and development activities. SABIC has established manufacturing partnerships with global companies such as ExxonMobil, Total and Mitsubishi, as well as research and development partnerships with over 50 international universities such as the University of Cambridge and National University of Singapore.

Saudi Aramco's acquisition of SABIC has created both upstream and downstream opportunities for growth and further strengthening of the SABIC brand. As part of the Saudi Aramco family of companies, SABIC expects to be better suited to invest in and execute major growth projects while contributing enhanced petrochemical capabilities across more locations and with a wider array of partners to the larger Saudi Aramco group. This acquisition allows for a mutually beneficial relationship and the ability to pursue selective integration synergies in the procurement, supply chain, manufacturing, marketing and sales processes of both SABIC and Saudi Aramco. Additionally, a Corporate Collaboration and Integration Committee chaired by the SABIC CEO has been established as an avenue through which recommendations on areas of collaboration, synergy and value creation for SABIC can be addressed.

As a member of the Saudi Aramco family of companies starting in June 2020, and as the chemicals growth platform, SABIC expects to benefit from Saudi Aramco's upstream production, downstream chemicals feedstock production, and ability to invest in and execute major growth projects. Meanwhile, Saudi Aramco expects to benefit from enhanced petrochemicals capabilities across complimentary geographies, projects and partners.

Robust financial profile

The combination of its market leading position, diversified global footprint, operational excellence and strong cost discipline has enabled SABIC to enjoy strong operating cash flows, despite a challenging and volatile business environment. As a highly-rated company with a corporate rating of A (stable) by Fitch, A1 (negative) by Moody's and A- (stable) by Standard & Poor's (A+, A1 and A+ respectively on a standalone basis), SABIC has demonstrated consistently high levels of profitability and cash flow generation over the last few years, with the Group's net cash from operating activities amounting to SAR35.6 billion and an adjusted EBITDA margin of 25% for the year ended 31 December 2019 (compared to net cash from operating activities of SAR44.8 billion and an adjusted EBITDA margin of 31% as at 31 December 2018). The Group has also reduced its gross debt significantly since 2010, despite a challenging economic and industrial environment and, as a result, achieved a net debt to adjusted EBITDA ratio of 0.2x as at 31 December 2019 (compared to negative 0.1x as at 31 December 2018). At the same time, the Group has also achieved a well-distributed debt maturity profile.

Experienced board of directors, management team and shareholders

SABIC is managed by experienced professionals and veterans of the industry. They are equipped by international and local knowledge to manage its highly complex business.

SABIC also benefits from an experienced board of directors comprised of individuals with extensive experience in the industries in which the Group operates. For further information, see "*Management and Employees – Board of Directors*".

Business Strategy

Maintain and further improve operating standards and cost efficiency

SABIC remains focused on maintaining and improving operating standards and cost efficiency through strong focus on reliability and ensuring continuous improvement to its assets globally.

In addition to new projects, SABIC will continue its efforts to improve and maintain cost discipline. For example, in addition to the Manufacturing Fixed Cash Cost Optimization Program, SABIC has launched the "Leadership in Manufacturing Cost" project to promote the best performance in all manufacturing sites across Saudi Arabia. SABIC will seek to continue to ensure lower bottom-line operating costs, resource and carbon efficiency and more product per unit feedstock. A testimony to this is SABIC's CO^2 purification and liquefaction plant in Jubail which has the capacity to purify and re-use 500,000 metric tons of CO^2

annually. This is not only a project towards increasing sustainability by reducing emissions but also utilising flared gas into useful products that eventually will add more value and reduce cost.

Further, as part of its global transformation journey, SABIC has continued to enhance supply chain efficiencies to ensure safer and more efficient transport, lower supply chain costs and faster product delivery. For instance, in 2019 SABIC implemented the Global Supply Chain Excellence Framework which serves as a roadmap to improving all aspects of the supply chain from strategic governance and EHSS to operational excellence and the customer experience. SABIC believes that optimising feedstock streams, running global sales and operational planning meetings and utilising network modelling tools help achieve a resilient and globally integrated network.

Maintain a leadership position through organic and inorganic growth

Profitable growth through SABIC's strategy is expected to result from expanding the Group's asset footprint globally. This expansion is focused on emerging or developed regions where the Group can benefit from advantaged feedstock pricing or has beneficial access to technology platforms, by or expanding the product/market portfolio, as well as selectively expanding SABIC's market presence in key end-user markets (including packaging, transportation, electrical and electronics, agri-nutrients and construction).

To enable profitable growth, the strategy leverages SABIC's current strengths, including existing economies of scale and scope, existing assets and capabilities and its leading position in Saudi Arabia to help drive Saudi industrialisation. SABIC's strategy also leverages transformation efforts to enhance cost management, advance operational, commercial and marketing excellence, enhance focus on technology and innovation, address and leverage sustainability, improve talent identification and development, culture and upgrade SABIC's operational model for efficiency and effectiveness.

Focus on ESG (Environmental, Social and Governance)

SABIC aims to improve its sustainability footprint by going beyond simply profitable manufacturing projects, to include development of human resources, ensure capacity and capability awareness and development across the Group, such as workforce strategic planning projects, leadership development programmes aimed at enhancing skills and capabilities, in addition to focusing on social responsibility.

As part of SABIC's sustainability efforts, it strives to ensure industry class standards and compliance with laws, regulations and internal company code of ethics.

The United Nations Sustainable Development Goals ("**SDGs**") provide commercial organizations with a universal and powerful framework to translate urgent global needs and ambitions into business solutions. As one of the world's leading and most forward-thinking petrochemical companies, SABIC understands these evolving expectations to embed environmental, social and economic dimensions of sustainability into SABIC's DNA and strategically embraces the SDGs. The SDGs that SABIC has selected are linked to both SABIC's strategic priorities for sustainability and materiality.

SABIC derives their ESG priorities based on materiality and where the most value can be created. SABIC has taken a materiality approach since soon after they began publishing their Sustainability Report in 2011. In 2018, SABIC refreshed the materiality assessment with six sustainability priorities which are linked to their commitment to the UN SDGs. The first two priorities, Governance and Integrity and Environment, Health and Safety, are both central to the company's operations and foundational for the other priorities. The third and fourth priorities, Climate Change and Energy and Resource Efficiency, aim to address challenges within SABIC's entire value chain. The fourth and fifth priorities, Innovation and Sustainable Solutions and Circular Economy, are also central to SABIC's sustainable growth model.

In particular, SABIC has developed a comprehensive compliance programme, including periodic live and online training for a large part of its workforce, compliance audits, and management leadership compliance and integrity courses. In March 2020, for the third year in a row, the London-based Ethical Boardroom magazine named SABIC as the winner of the Best Corporate Governance Award. Another key component of SABIC's commitment to sustainability are the efforts by its technological and technical teams globally to ensure technologies are adopted to address future needs.

In 2020 SABIC became a founding member of Low Carbon Emitting Technologies initiative which focuses on ways to reduce greenhouse gas emissions from the chemical production industry. Within this initiative, SABIC is leading the Waste Processing Cluster. SABIC is also a founding member of the Alliance to End

Plastic Waste which aims to develop and utilise solutions including community engagement to reduce plastic waste in the environment.

SABIC strives to instil EHSS (Environmental, Health, Safety and Security) ("**EHSS**") as a core value and a fundamental driver of its business that is never compromised for short-term objectives. SABIC seeks to proactively nurture a culture that goes beyond compliance to embrace continuous improvement. SABIC's key EHSS initiatives include the implementation of the Operations Management System (OMS) in 2018, a system offering excellence by providing clear principles, unified standards, expanded communications channels for all SABIC sites globally to share information, elevating the visibility of EHSS at every site and improving the outreach to key stakeholders. Further, all of SABIC's manufacturing sites maintain Responsible Care® RC14001:2015 certification.

Business Operations

The Group principally operates through three SBUs and a wholly-owned manufacturing business, which comprise:

- the Petrochemicals SBU, relating to commodity chemicals and polymers;
- the Specialties SBU, relating to specialty plastics;
- the Agri-Nutrients SBU, relating to fertilisers and specialty agri-nutrients; and
- Hadeed, the wholly-owned manufacturing business, which supplies iron, steel and aluminium products principally to customers in Saudi Arabia.

Of these, the Petrochemicals SBU is the most significant in terms of production and sales volumes. For the year ended 31 December 2019, 79% of the Group's production volume across all SBUs and 75% of the Group's sales volume across all SBUs was attributable to the petrochemicals SBU (in each case, excluding any inter-Group adjustments and eliminations). The Group's production volume is the total volume produced by consolidated entities or facilities while the sales volume is the actual volume sold by the Group. Some of the Group's production volume is sold externally by the Group's partners at certain facilities based on joint venture or marketing agreements and some of the production volume is used internally by other Group operations.

The following table sets forth information on sales volumes of the Group's three SBUs and Hadeed, in the years ended 31 December 2019, 2018 and 2017 and the six months ended 30 June 2020 and 2019:

Sales volume by SBU and Hadeed	**Six months ended 30 June**		**Year ended 31 December**		
	2020	**2019**	**2019**	**2018**	**2017**
	(Million metric tonnes)				
Petrochemicals	16.3	17.1	33.9	30.7	29.5
Agri-Nutrients	3.5	3.1	6.5	6.7	6.0
Hadeed	2.3	2.6	4.8	4.9	4.4
Specialties	0.1	0.1	0.27	0.3	0.5
Total	**22.2**	**22.9**	**45.4**	**42.6**	**40.4**

The following table sets out the volume of production and sales across each SBU and Hadeed for the years ended 31 December 2019, 2018 and 2017:

	Production Volume			**Sales Volume**		
	2019	**2018**	**2017**	**2019**	**2018**	**2017**
	(Million metric tonnes)					
Petrochemicals	47.9	48.7	46.0	33.9	30.7	29.5
Specialties	0.1	0.1	0.3	0.3	0.3	0.5
Agri-nutrients	7.7	8.41	7.5	6.5	6.7	6.0
Hadeed	4.7	5.1	4.3	4.8	4.9	4.4
Total	**60.4**	**62.3**	**58.1**	**45.5**	**42.6**	**40.4**

In order to optimise costs, the Group has developed corporate functions which provide "shared services". The creation of a "Shared Services Organisation" has increased corporate focus, added customer value, allowed the Group to better manage and control costs, provide better services and leverage information more effectively. Process standardisation allows the Group to benefit from economies of scale on transaction-intensive processes using the same tools, techniques, practices and economic measures. As a result, SABIC has been able to build on its size and global presence to be more competitive by centralising services. SABIC has sales offices globally that serve all its products and all its SBUs. Similarly, one supply chain organisation supports the delivery of SABIC's products to customers safely and on time by serving all SBUs. See "– *Shared Services*".

The following table sets out the geographic distribution of the Group's property, plants and equipment as extracted from the 2020 Unaudited Interim Condensed Financial Statements:

	As at 30 June 2020		**As at 31 December 2019**	
	(SAR '000)		*(SAR '000)* *(restated)*	
KSA	104,360,286	78%	106,460,091	78%
Europe	12,298,885	10%	14,217,886	11%
Americas	15,089,781	11%	14,244,967	10%
Asia	1,429,613	1%	1,488,871	1%
Others	3,803	-	4,340	-
	133,182,368	**100%**	**136,416,155**	**100%**

Set out below is a brief description of each SBU and Hadeed.

Petrochemicals SBU

The Petrochemicals SBU comprises three business groups: (i) chemicals ("**Chemicals**"), (ii) PE and (iii) performance polymers and industrial solutions ("**PP & IS**"). Based on industry sources the Group believes it has leading global market positions by sales volume for several Petrochemicals products, which include first in glycols, first in MTBE, second in methanol, second in polycarbonate and third in PE. As a result, the Group's strategy within the Petrochemicals SBU is to maintain its market leading positions.

The following table sets out the Petrochemicals SBU's total production volume (including production sold by the Group's partners and used internally) and external sales volume by business group for 2019.

	Production Volume		**Sales Volume**	
	mmt	**% of total**	**mmt**	**% of total**
Chemicals	37.1	77.6	20.1	59.2
PE	4.1	8.4	7.1	21.0
PP & IS	6.7	14.0	6.7	19.7
Total	**47.9**	**100.0**	**33.9**	**100.0**

The Petrochemicals SBU is organised largely around automotive, foam/lightweight and pipe segments, and chemicals helping find the right alternatives to replace traditional materials – wood, cotton or glass – used in a vast array of consumer and industrial products. The Petrochemicals SBU's key product offerings are polyolefins, PVC and polyester, specialty polymers and polymer additives, synthetic rubbers, olefins, oxygenates and aromatics, chemical intermediates and industrial gases These products are used across a variety of industries such as clean energy, electrical and electronics, construction, medical devices, packaging and automotive.

Approximately, 80 to 90% of the Petrochemicals SBU's variable costs are from feedstock. As a result, the cost of feedstock has a significant impact on the Group's margins. Petrochemicals products are produced from hydrocarbon feedstock, including methane, ethane, propane, butane, and light naphtha, with a wide range of products including carbon dioxide, ethylene, methyl tert-butyl ether and other chemicals. The Group sources its feedstock in Saudi Arabia principally from Saudi Aramco. Methane and ethane sourced from Saudi Aramco are based on supply agreements with Saudi Aramco where the prices are a fixed price set by the Minister of Energy, Industry and Mineral Resources. Propane and butane are also sourced from Saudi Aramco in Saudi Arabia but are priced based on a variety factors including world reference prices. For more information on the Group's feedstock arrangements and its costs. The Petrochemicals SBU's feedstock mix determines the cracker output which drives certain product volumes. The Petrochemicals SBU had four cracking facilities: two in Saudi Arabia (Jubail and Yanbu), one in the UK (Teesside) and one in The Netherlands (Geleen). The Group has 15 crackers, 11 in Saudi Arabia and 3 in Europe. In 2019, Petrochemicals SBU's cracker feedstock allocation mix in Saudi Arabia was 39% ethane, 36% propane, 14% butane, 9% natural gas liquids ("**NGLs**") and 2% naphtha.

Chemicals

In 2019, the Chemicals business group represented 77.6% and 59.2% of the Petrochemicals SBU's total production and sales volume, respectively. The principal products in the Chemicals business are glycols, methanol, MTBE, ethylene and propylene, which have a variety of uses such as antifreeze, fuel additives, solvents or gasoline additives. The Chemicals business produced 37 mmt of products in 2019. While olefins and gases were 34% and 25% of the Chemicals business production in 2019, they are primarily for captive use and only generate a small part of the external sales. The principal products in the Chemicals business which are sold externally are glycols, methanol and MTBE which were 23%, 21% and 15%, respectively of total Group external sales in 2019. Based on industry sources the Group believes its global market share by sales volume was first in glycols, first in MTBE and second in methanol in 2019.

The table below sets out the principal production facilities for the Chemicals business group, the Group's ownership interest in the facility, their capacity, location, principal products and main feedstocks in 2019:

Production facility	**Ownership interest by %[(1)]**	**Capacity KMT**	**Location**	**Principal Products**	**Main feedstock(s)**
Arrazi............................	75.0	4,604	Jubail, KSA	Methanol	Methane
				Nitrogen	
Gas-Jubail......................	70.0	4,066	Jubail, KSA	Oxygen	Atmospheric Air
				Nitrogen	
Gas-Yanbu	70.0	2,733	Yanbu, KSA	Oxygen	Atmospheric Air
				Methanol	
Ibn Sina	50.0	1,998	Jubail, KSA	MTBE	Methane, Butane
				Methanol	
Ibn Zahr.........................	80.0	1,715	Jubail, KSA	MTBE	Butane
				Olefins	
				Butene 1	
				Butadiene	Ethane, Propane,
Petrokemya....................	100.0	7,994	Jubail, KSA	Benzene	NGL
				Olefins	
				Amines	
				Ethylene, Glycols	
Saudi Kayan	35.0	3,440	Jubail, KSA	NDA	Ethane, Butane
				Olefins	
				Ethylene	
				Glycols	
				Linear Alpha Olefins	
United............................	75.0	3,182	Jubail, KSA	CO^2	Ethane
				Polyethylene-terephthalate	
Ibn Rushd......................	48.1	37	Yanbu, KSA	Paraxylene	Ethane, Reformate
				Olefins	
				Ethylene	
				Glycols	
				Butene 1	
Yansab...........................	52.0	2,981	Yanbu, KSA	Benzene	Ethane, Propane
				Olefins	
				Benzene	
			Geleen, The	Butadiene	
Geleen	100.0	1,800	Netherlands	MTBE	Naphtha
				Olefins	
Teesside.........................	100.0	1,210	Teesside, UK	Butadiene	Mixed Feed
Total..............................	-	**35,700**			

(1) Ownership interest by percentage is the Group's actual ownership of the relevant entity or facility, but the Group may have rights to a higher or lower amount of the actual production volume.

The largest customer in the Chemicals business group represented 5.7% and its top five customers represented 13.1% of Chemicals business revenue in 2019.

PE

In 2019, the PE business group represented 8.4% and 21% of the Petrochemicals SBU's total production and sales volume, respectively. The principal products in the PE business are high-density polyethylene ("**HDPE**"), linear low-density polyethylene, ("**LLDPE**") and low-density polyethylene ("**LDPE**"). These products are used for a variety of purposes such as packaging, pressure pipes, special films and foam insulants. The PE business produced 4 mmt of products in 2019. The principal products in the PE business which are sold externally are LLDPE and HDPE which were 41% and 39% of total external sales in 2019, respectively.

The table below sets out the principal production facilities for the PE business group, their capacity, the Group's ownership interest in the facility, location, principal products and main feedstocks in 2019.

Production facility	Ownership interest by %[(1)]	Capacity (kilo tonnes per annum (KTA))	Location	Principal products	Main feedstock(s)
Petrokemya....................	100.0	800	Jubail, KSA	HDPE, LLDPE	Ethylene
Saudi Kayan	35.0	700	Jubail, KSA	HDPE, LDPE	Ethylene
Yansab...........................	52.0	800	Yanbu, KSA	HDPE, LLDPE	Ethylene
Geleen	100.0	830	Geleen, The Netherlands	HDPE, LDPE	Ethylene
Gelsenkirchen................	100.0	525	Gelsenkirchen, Germany	HDPE, LDPE	Ethylene
Teesside.........................	100.0	410	Teesside, UK	LDPE	Ethylene
Total..............................		**4,055**			

(1) Ownership interest by percentage is the Group's actual ownership of the relevant entity or facility, but the Group may have rights to a higher or lower amount of the actual production volume.

The current growth project for the PE business include the U.S. Petrochemicals joint venture which will diversify some of the production outside of Saudi Arabia. See "*– Key Projects Under Development*" for more details on this growth project.

The largest customer in the PE business group represented 1.1% and its top ten customers represented 7.6% of the PE business group's revenue in 2019.

PP & IS

In 2019, the PP & IS business group represented 14% and 19.7% of the Petrochemicals SBU's total production and sales volume, respectively. The principal products in the PP & IS business are polypropylene ("**PP**") and polycarbonate ("**PC**"). These products are used for a variety of purposes such as the automotive industry, electronics, medical, fibres and bottles. The PP & IS business produced 6.7 mmt of products in 2019. The principal products in the PP & IS business which were sold externally are PP and PC which were 51% and 15% total external sales in the PP & IS business group in 2019, respectively. Based on industry sources the Group believes its global market share by sales volumes was first in PC in 2019.

The table below sets out the principal production facilities for the PP & IS business group, their capacity, the Group's ownership interest in the facility, location, principal products and main feedstocks in 2019.

Product	Capacity (KTA)	Production facility	Main feedstock(s)
PP..........................	3,028	Ibn Zahar, SK, Yanpet, Yansab, SSTPC, GLN, GSK	Propylene
PPC/STA	210	Genk, BSL, Shanghai, SpecChem	PP+ Compounds
3Ps&E...................	1,008	Kemya, Ibn Rushd, PK	Diverse
PC	1,363	SK, Mount Vernon, Burkville, BoZ, CTG	Benzene, Phenol, Acetone
Other ETP.............	1,170	SAMAC, Ibn Sina, Geismar/Cosmar, MtV, BSL, PK, Others	Diverse
Total.....................	**6,780**		

The largest customer in the PP & IS business group represented 1.2% and its top five customers represented 5.2% of the PP & IS business group's revenue in 2019.

Specialties SBU

The Specialties SBU is the 'home of unique offerings' within SABIC and is focused on challenging technology endeavours that deliver fundamental progress to the way the world travels, communicates, works and lives. It leverages global application technology centres and deep materials processing expertise, to provide specialties solutions to a wide range of industries. The Specialties SBU includes polymer technologies, application development on a global scale, innovative process technologies, and environmentally responsible solutions. The Specialties SBU's key product offerings include thermoplastic resins, specialty compounds, specialty additives, copolymer resins, application development prototyping and additive manufacturing materials. These products are then used in a number of industries such as mobility, industrial, electronics, healthcare and infrastructure.

The Specialties SBU traces its origins back to the General Electric Plastics division which was acquired in 2007. In 2015, SABIC reorganised this business by transferring the commodity assets and its film and sheets business to the Petrochemicals SBU. The specialty thermoplastics business that remained is now the Specialties SBU. SABIC's Specialties business is characterised by specialised products which tend to have higher profitability margins and to be independent from the petrochemicals cycle.

SABIC aims to improve its position in the specialty industry through a combination of development of new products and technologies, organic expansion of the manufacturing basis for its existing products, and inorganic growth beyond its core business. The Specialties SBU is working to develop new resin products in the area of additive manufacturing, resin conversion, thermoplastic composites, and nanotechnology. As part of its strategy to expand its presence in the specialty markets, in January 2018 the Group acquired approximately 83 million shares (representing a 24.99% stake) of Clariant (which was increased to 31.5% in 2020), pending regulatory approval. Clariant is a global specialty chemicals company listed on the Swiss stock exchange. The investment marks an expansion of SABIC's portfolio in the specialty chemicals and specialty plastic industries and the Group believes that this investment will allow future cooperation between the two companies, particularly in the arena of specialty plastics. The Specialties SBU's manufacturing process consists primarily of two types of operations: (1) chemical operations to produce resins and specialty additives and (2) compounding operations to produce finished products in pellet form. Some of its key raw materials include polycarbonate, phenol, methanol, styrene, benzene, additives, colorants, and fibres.

The table below sets out the principal production facilities, the Group's ownership interest in the facility, their capacity, location and principal products in 2019.

Resin Manufacturing

Production facility	Ownership interest by %[1]	Effective Capacity (KTA)	Location	Principal product
Mount Vernon	100.0	15	US	ULTEM/PEI
Selkirk	100.0	81	US	NORYL/PPO, Oligomers
Cartagena[2]	100.0	5	Spain	ULTEM/PEI
Bergen Op Zoom	100.0	planned 2021	The Netherlands	NORYL/PPO

(1) Ownership interest by percentage is the Group's actual ownership of the relevant entity or facility, but the Group may have rights to a higher or lower amount of the actual production volume.

(2) SABIC will end production of Ultem polyether imide at its plant in Cartagena in 2020 as part of the strategy to optimise global operations.

Compound manufacturing

Production facility	Ownership interest by %[1]	Effective Capacity (KTA)	Location	Principal product
Mount Vernon	100.0	9	US	ULTEM Compounding
Selkirk	100.0	54	US	NORYL Compounding
Columbus	100.0	6	US	LNP Copoly
Cobourg	100.0	14	Canada	LNP Copoly
SLP	100.0	6	Mexico	LNP Copoly

Production facility	Ownership interest by %(1)	Effective Capacity (KTA)	Location	Principal product
Bergen Op Zoom	100.0	34	The Netherlands	NORYL
RDV	100.0	8	The Netherlands	ULTEM, LNP Copoly
Pontirolo	100.0	12	Italy	LNP Copoly
Moka	100.0	37	Japan	NORYL, ULTEM, LNP COPOLY
Shanghai	100.0	112	China	ULTEM, LNP Copoly
Rayong	100.0	30	Thailand	NORYL
Benoi	100.0	45	Singapore	LNP Copoly

(1) Ownership interest by percentage is the Group's actual ownership of the relevant entity or facility, but the Group may have rights to a higher or lower amount of the actual production volume.

In response to customer needs, the Group announced projects in Singapore and The Netherlands designed to increase global capacity for two of its high-performance engineering thermoplastic materials. To increase capacity for a polyetherimide material, the Group plans to expand its existing footprint in Singapore where it currently has compounding operations. The planned new production facility in Singapore is expected to begin operations in 2022. The Group also plans to recommission operations in 2021 at its Bergen op Zoom PPE resin plant in The Netherlands to produce polyphenylene ether (PPE).

In 2019, 48% of total Specialties SBU sales were made to customers in Asia, 19% to Europe, Middle East and Africa and the remaining 33% to North America and South America. The top ten customers represented 22% of the Specialties SBU revenues in 2019.

The Group is in the process of establishing its Specialties SBU as a stand-alone group of companies holding the Specialties business and assets and managed on a stand-alone basis in the expectation of further organic and inorganic growth. The new group of companies will continue to benefit from SABIC's services and financial support. Such stand-alone organisation is expected to go live by the end of 2020.

Agri-Nutrients SBU

The Agri-Nutrients SBU produces and markets a range of fertilisers, including urea, ammonia, phosphate and compound fertilisers. The Agri-Nutrients key product offerings include nitrogen (pillared urea, granular urea and ammonia), phosphate (diammonium phosphate ("**DAP**"), monoammonium phosphate ("**MAP**") and dark DAP), specialty, nitrogen-phosphorus-potassium fertiliser ("**NPK**") and technical grade urea. These products are then used in various industries such as agriculture, fertilisers, crop protection and clean energy.

In 1990, the Group extended its product portfolio to phosphate-based fertilisers and compounded fertiliser by investing in a fertiliser-compounding unit with a nameplate capacity of approximately 1 mmt. In 2011, SABIC with Ma'aden created the joint venture, Ma'aden Phosphate Company ("**MPC**") in which SABIC has a 30% interest (the remainder 70% is owned by Ma'aden). As the Group is able to receive allocations based on its pro rata share of the production of MPC, the acquisition increased the Group's volume of sellable phosphate based fertilisers by almost 1 mmt. Also, in 2017, MWSPC, a joint venture with Ma'aden and Mosaic (SABIC's equity share is 15%), began production, increasing SABIC`s sellable phosphate fertiliser by another 0.45 mmt.

SABIC and its affiliates have since increased the capacity of the Group's urea production to approximately 4.4 mmt in 2019, over 3 mmt of ammonia (mainly for captive use in urea production), 1.9 mmt of phosphate based fertilisers (mono and diammonium phosphate) and 0.5 mmt of compounded fertilisers (NPKs).

The Agri-Nutrients SBU has three production affiliates under direct management control for the production of nitrogen based fertilisers and compound fertilisers (SAFCO II-V, IBB and Al Bayroni) and a share of 30% and 15% equity, respectively, in the two phosphate fertilisers producing joint ventures, MPC and MWSPC.

In December 2019, the Group sold its newly formed SABIC Agri-Nutrients Investment Company ("**SANIC**") to SAFCO in exchange for additional shares in SAFCO, valued at SAR 4.6 billion. After the successful completion of the transaction, SABIC increased its ownership in SAFCO from 42.99% to 50.1%, subject to regulatory approval, and it represents a step further in the journey toward meeting 2025 strategic targets and accelerate Agri-Nutrients growth strategy, while increasing efficiency and maintaining customer intimacy.

SABIC formed SANIC in 2018 to consolidate all its equity shares and assets held in several companies producing agri-nutrient products. SANIC owns 50% shares of both the National Chemical Fertilizers Company (Ibn Al-Baytar) and Jubail Fertilizer Company (Al-Bayroni), and 33.33% shares of Gulf Petrochemical Industries Company (GPIC).

Below is a table of the Agri-Nutrients SBU principal product facilities under direct control, the Group's ownership interest in the facility, its location, its product and its capacity in 2019.

Plant	Ownership interest by %[(1)]	Location	Product	Capacity of Plants	
				Capacity MT/D	Yearly
SAFCO II-V[(2)]	42.9	Jubail, KSA	Ammonia	7,160	2,600,000
			Urea	10,100	3,366,666
			UF	90	30,000
IBB	71.5	Jubail, KSA	Ammonia	1,500	500,000
			Urea	1,500	500,000
			NPK/DAP	3,096	1,032,000
Al Bayroni	50.0	Jubail, KSA	Ammonia	1,300	433,333
			Urea	1,600	533,333
			Total Ammonia	**9,960**	**3,320,000**
			Total Urea	**13,200**	**4,400,000**

(1) Ownership interest by percentage is the Group's actual ownership of the relevant entity or facility, but the Group may have rights to a higher or lower amount of the actual production volume.

(2) In December 2019, SAFCO acquired the SABIC Agri-Nutrients Investment Company in exchange for increasing SABIC's stake in SAFCO to 50.1%. The transaction is subject to regulatory approval.

The manufacturing capabilities of the Agri-Nutrients SBU are all located in Saudi Arabia, although its sells its products globally. The key raw material used in the production of ammonia and urea is natural gas supplied by Saudi Aramco. The Agri-Nutrients SBU's operations in Saudi Arabia purchase phosphoric acid from third party suppliers. MPC and MWSPC are both upstream integrated with their own phosphate mines. The Group's access to competitively priced natural gas and the integrated operations of MPC and MWSPC allow the Agri-Nutrients SBU to maintain a low-cost position in nitrogen and phosphate based fertilisers.

Agri-Nutrients has had a high average utilisation rate of over 95% in all manufacturing units in Saudi Arabia over the last five years (2015-2019).

The fertiliser industry is currently undergoing significant changes in terms of value chain integration and product offering. Key competitors have started to integrate downstream to move closer to the customer in order to better understand the needs of the farmers and develop services and product offering accordingly. New regulations and sustainability issues are driving the development of fertilisers with better performance and lower impact on the environment. Digitalisation and the development of soil/crop specific fertilisers to increase overall efficiency are key drivers in the industry. The Agri-Nutrients SBU is currently executing a customer focused strategy, which includes broadening its global asset footprints in base fertilisers, downstream integration and distribution and increasing its share of differentiating products to 20% of the total product portfolio by 2025.

In 2019, 62% of total Agri-Nutrients SBU sales were made to customers in Asia, 22% to the Middle East and Africa and the remaining 16% to North America and South America. The customer base comprises fertiliser traders, fertiliser distributors and commercial farms. The largest customer of the Agri-Nutrients SBU represented 10% and its top ten customers represented 53% of the Agri-Nutrients SBU revenues in 2019.

Hadeed

Hadeed was the first fully integrated iron- and steel-making complex in Saudi Arabia. It started producing rebar and wire rods in 1983, in Jubail Industrial City, with an original design capacity of 800,000 tonnes per year. Since that time, production has been increased and Hadeed's product range has increased such that in 2018, Hadeed produced more than five million tonnes of long and flat products.

Hadeed is one of the largest fully integrated steel producers in the Gulf region and manufactures a range of long and flat products to meet its customer needs. Long products typically consist of rebar and rods of which Hadeed had capacity for 2.75 million tonnes and 1 million tonnes per year, respectively, in 2019, while flat products consist of various types of rolled coils which are produced based on order requirements. Most of its sales are in Saudi Arabia and its top ten customers represented 49% of Hadeed's revenue in 2019.

Shared Services

In order to optimise costs across the Group, the Group has developed corporate functions which provide "shared services". The creation of a "Shared Services Organisation" has increased corporate focus, added customer value, allowed the Group to better manage and control costs, provide better services and leverage information more effectively. Process standardisation allows the Group to benefit from economies of scale on transaction-intensive processes using the same tools, techniques, practises and economic measures. As a result, SABIC has been able to build on its size and global presence to be more competitive by centralising services. These shared services include research and development; corporate services such as accounting, human resources; IT and procurement services. Additionally, SABIC has sales offices globally that serve all its products and all its SBUs. Similarly, one supply chain organisation supports the delivery of SABIC's products to customers safely and on time by serving all SBUs.

Marketing and Sales

The Group has over 40 global sales offices which provide sales and supply chain services to regional customers and are involved in product development and product introduction in their relevant markets. Sales offices are generally established for a specific SBU, but the Group is able to leverage these global sales offices to add marketing and sales support for other SBUs as business needs require. The Group's international network of sales offices and technology and innovation facilities enables the Group to act effectively and receive feedback quickly, in order to improve its products and meet customers' needs. For example, even though the Agri-Nutrients SBU manufacturing base is in Saudi Arabia, the Group supplies markets all over the world with its products.

Global Supply Chain

The Group's global supply chain ("**GSC**") function provides the following services to the Petrochemicals and Agri-Nutrients SBUs:

- acquisition and delivery of feedstocks and other raw materials, including logistics services; and
- the delivery of products both internally to Group users and externally for customers, including warehousing, storage, transportation and logistics services.

Through its global supply chain framework, the GSC governs, integrates and optimises SABIC's solid, liquid and bulk supply chains, aiming to make them more reliable, agile, resilient and efficient.

In 2019, SABIC's integrated supply chain delivered in excess of 32 million tonnes of product to nearly 21,000 destinations in more than 140 countries. More than 18,000 stock keeping units flowed through over 200 distribution centres involving over 480 logistics service providers ("**LSP**") globally.

The GSC, through its customer service and execution departments seeks to provide a reliable service and aims to achieve customer satisfaction by understanding what the customer expects and balancing those expectations against what SABIC can provide. Through its value chain planning and network optimisation, the GSC seeks to adapt to a complex and changing environment while optimising the value chain to enhance profitability and improve cost efficiency and service levels. Optimising SABIC's feedstock streams, running global sales and operational planning meetings and utilising network modelling tools are just some of the means GSC employs to achieve a resilient and globally integrated network.

The GSC is enabling growth in existing and emerging markets, with new agreements established and feasibility studies underway in various markets. SABIC, together with its LSP's, is also developing new infrastructure to enhance its global distribution network. GSC sourcing seeks to provide effective and efficient supply chain solutions that ensure SABIC products are delivered to customers in the highest quality and with the most optimal method.

Because of its inter-connectivity, the GSC is able to realise a number of economies of scale and cost savings as well as security of feedstock supply from an inbound perspective.

On its outbound supply chain, GSC leverages economies of scale between SBUs to obtain the best service offerings from its LSPs at competitive costs.

The GSC operates on a globally integrated SAP enterprise resource planning (ERP) platform covering all the aspects of the well-known Supply Chain Operations Reference (SCOR) model. All aspects of planning, sourcing, making and delivering are effectively integrated, providing information to all functions within the supply chain and other relevant stakeholders.

Technology and Innovation

SABIC believes that innovation is key in order for the Group to achieve growth and success in keeping with the Group's Strategy. As at 30 June 2020, the Group had over 1,500 employees engaged in research and development activities across 21 research centres operated by the Group around the world. These employees work closely with each SBU to improve existing, as well as to develop new processes and products. The group has over 70 licensed technologies globally and owns over 25 technologies. In addition, as part of SABIC's research effort, SABIC collaborates with other corporations, universities and international research centres. This usually involves a joint initiation, funding, supervision and completion of the research, followed by a sharing of the resulting intellectual property rights. SABIC is currently working with over 90 partners across the globe and major partnerships are instituted in the United States, Netherlands, China, Saudi Arabia and India.

Information Technology

The Group provides IT services through centralised "centre of excellence" teams in Saudi Arabia and extended support functions in the APAC, EU and the Americas regions. IT services are centrally administered under the Group's shared services function, providing services to all its business units across the globe. The Group has implemented a centralised, cost-efficient, and harmonised enterprise resource platform, 'SAP', to meet all its business demands. The platform covers all aspects of the Group's business activity including, but not limited to, receiving and handling customer orders, from customer inquiry through goods delivery, billing and payment, vendor/supplier management, finance, management controlling, manufacturing, health and safety management, and planning. The platform is designed to meet financial reporting standards and other regulatory requirements of the countries in which the Group operates, while reporting capabilities of the platform are digitalised to enable seamless visibility to business datasets, facilitating a strategic decision-making process.

Investment and Divestment Process

As discussed, under "– *Strategy*" from time to time the Group considers potential investment and divestment opportunities in connection with its global business. SABIC has implemented investment and divestment policies which it believes are disciplined and prudent while furthering SABIC's vision and strategy.

Investment Process

The investment process consists of the following phases:

- *Opportunity screening* – SABIC identifies and screens strategic objectives and targets that it believes will enhance the value of its business operations and existing strategic investments. Key identification parameters include potential for sales volume growth, contribution to margins, strategic fit, investment for growth, investment to maintain existing assets, investment in working capital and the weighted average cost of capital. Investment proposals may originate internally (including on the request of senior management) or be proposed to SABIC through third-parties (such as the Government or potential investment partners);

- *Initial study* – the basic business case gets developed including financial valuation, synergy assessment and project initial plan (budget, scheduling, resources). Each proposal is evaluated by SABIC's board of directors and, in the case of a proposed investment by a Group company, by the board of directors of such company in light of the investment parameters set out above. The evaluation may include consideration of the proposed structure for the investment, product differentiation concerns, future capital requirements and overall impact on the Group's competitive position; at this stage, the evaluating body approves incurrence of costs related with further exploration and investigation of the investment opportunity (including through appointment of external advisors and/or diligence);

- *Due diligence* – an assessment of the proposed investment is commissioned which would include an analysis of the technical, financial, commercial, employment, tax, environmental and/or legal impact of the investment. The findings of this due diligence exercise may be reviewed by SABIC's board of directors, the relevant Group company's board of directors and/or senior management (depending on the size and significance of the proposed investment) and investment recommendations are provided. At this stage, optimal financing options as well as other structuring options (such as tax structuring and regulatory approvals) are also considered. On the basis of these recommendations, SABIC's board of directors and/or the relevant Group company's board of directors decide whether to proceed with the investment opportunity;

- *Deal structuring and negotiation* – advisers are engaged in order to assist with negotiating and agreeing the terms of the proposed transaction (including detailed terms of investment and details of financing for the transaction);

- *Pre-closing* – formal approval of SABIC's board of directors and/or the relevant Group company's board of directors is obtained in respect of the final terms of the transaction and the documentation;

- *Post-merger integrations* – the new organisation is put in place and systems and business models begin to be integrated.

Upon completion of such transaction, SABIC continues to oversee the activities of its various portfolio companies by liaising and consulting with the board of directors, chief executives and senior management of such companies. Investments above U.S.$200 million are recommended to SABIC's investment committee (see "*Management – Board Committees – Investment Committee*").

Divestment Process

- *Scoping*: Screen and perform preliminary evaluation of all divestment ideas in accordance with the strategy. This stage covers the basic strategic and financial assessment.

- *Pre-marketing*: This stage is to kick off the project activities with a bigger cross-functional team and prepare the divestment pre-marketing package. This stage covers the following: preliminary project timeline and budget, structuring and due diligence preparation.

- *Marketing*: This stage is the actual marketing of the divestment, where teasers and information memorandum are distributed and non-binding offers are received and reviewed.

- *Due Diligence*: This stage, qualified bidders conduct the due diligence through the data room/VDR, questions and answer/expert sessions, management presentation and site visits.

- *Negotiation and Signing*: This stage covers mainly the contract negotiation. Internally, communication and transition planning activities are the other area of focus.

- *Pre-Closing/Closing*: This stage covers mainly the contract finalisation and communications and announcements.

- *Transition*: This stage covers the transition service execution.

Key Growth Projects Under Development

SABIC continues to implement new projects to enhance its competitiveness, in line with its strategy. Among these projects and agreements is:

- ***U.S. Petrochemicals joint venture*** – Joint venture agreement with an affiliate of ExxonMobil relating to a potential petrochemicals manufacturing site on the U.S. Gulf Coast. This project, if completed, would assist the Group's goal of diversifying its feedstock sources and establish a petrochemical manufacturing presence in North America for a wide range of products to expand the Group's market presence in the region across different products. This project would also assist in the geographical diversification of the Group's presence in global markets. The project envisages the joint venture between SABIC and the ExxonMobil affiliate to construct a petrochemicals manufacturing facility along the U.S. Gulf Coast, to produce ethylene and its derivatives such as ethylene glycol and polyethylene, with capacity to produce 1,096 mmt and 704 mmt, respectively.

Employees

As at 30 June 2020, SABIC had 4,004 employees (excluding employees of SABIC's subsidiaries and joint ventures). As at the same date, the Group had 32,544 employees. The following is a table of the Group's employees by location as at 31 December 2019 and 30 June 2020.

	As at 31 December 2019	**As at 30 June 2020**
Middle East/ Africa	20,888	20,734
Europe	5,172	5,141
Americas	3,808	3,806
Asia/ Pacific	2,853	2,863
Total	32,721	32,544

The Group's employees are engaged under a variety of employment arrangements, including, pursuant to individual employment contracts, collective bargaining agreements and through third-party sourcing. The Group believes that the material terms of its collective bargaining agreements and other terms of employment are customary for the countries and industries in which the Group operates.

The Group undertakes initiatives to motivate employees to contribute to the relevant entity's success through bonus and other long-term incentive programmes. Such programmes are reviewed and approved by each entity individually, as opposed to an overarching benefits programme managed solely by SABIC. These include bonus payment schemes as well as pension plans for certain of the portfolio companies. For a description of provisions made by the Group in respect of employee benefits, please see Note 24 (Employee Benefits) to the 2019 Audited Financial Statements.

In addition, the Group supports its employees' learning and professional development requirements through the SABIC Academy which provides core-business and core-skills training as well as "soft skills" development (including management skills and best practices training).

Intellectual Property

As a result of the Group's research and development activities, intellectual property plays an important role by providing the Group the opportunity to protect its innovation as well as providing a potential competitive advantage against other major industry players. The Group's intellectual property portfolio includes various products and technologies relating to the petrochemicals, chemicals, agri-nutrients and metal industries, including in respect of development and production catalysts required for glycol production, butadiene extraction technology, development and production of new polypropylene products (such as polypropylene foam), commercial production of acrylonitrile butadiene styrene products, development and production of new nitrogen-based fertilisers, development and production of new metal products, and development of a new electric furnace system for electric arc furnaces.

As at 31 December 2019, the Group had an active intellectual property portfolio of over 7,200 issued patents and over 5,200 pending patent applications worldwide and in 2019, the Group filed more than 350 new patent applications. As of July 2020, the Group had over 3,000 registered trademarks worldwide for marketing its services, products and technologies.

In addition, Group companies enter into relevant licensing agreements where necessary. In particular, all manufacturing facilities in Saudi Arabia benefit from a technology licence from a third party (in many cases the joint venture partner) giving SABIC access to some of the most established technologies in the relevant markets.

Sustainability

In 2015, the United Nations established a set of goals known as the Sustainable Development Goals ("**SDGs**") to create a framework for sustainable business practices at the economic, social and environmental levels. There are 17 SDGs in total, with specific targets for each, to be achieved by 2030. In addition to providing their vital support to help combat a range of important environment, social and economic challenges, by aligning business strategies to SDGs, companies can also better manage their risks and unlock opportunities.

While there are, in total, 17 SDGs, SABIC has selected 10 that are most closely aligned to its activities and where it feels it can have the greatest impact.

To meet the selected SDGs and continue towards its goals and strategy, SABIC follows the materiality approach, whereby resources are allocated to the most material issues and focuses on the risks and opportunities most important to the stakeholders and business success. In 2018, SABIC refreshed the materiality assessment, determining six core priorities and nine new areas to drive business progress, and in 2019, transitioned to the execution phase by defining metrics, step-change targets, and internal processes.

One of the most material issues driving business efforts in the markets where the Group operates is the concern for plastics in the environment and the search for new ways to reuse and re-purpose materials, the desire for effective regulations and collaboration schemes. These priorities have lead the Group to invest in circular product-solutions, through the ISO certified TRUCIRCLE™ portfolio, and the ability to accept chemically recycled feedstock.

Other initiatives include the Group collaborating with the World Economic Forum's Collaborative innovation for Low-Carbon Emitting Technologies initiative. This is a CEO led initiative to accelerate the development and upscaling of the low carbon-emitting technologies for chemical production and the related value chain. SABIC is leading the Waste Processing technology cluster, which is one of the five prioritised technology clusters that will aim at fostering the formation of alliances for the collaborative implementation of the identified technologies.

Since 2019, SABIC, together with several leading global organisations, is a founding member of the End of Plastics Waste Alliance which is a non-profit organisation worth more than USD 1.5 billion committed to eliminating plastic pollution.

The Group has also been participating in the CDP's program (formerly the 'Carbon Disclosure Project') for reporting data relevant to climate protection since 2013. In the first quarter of 2020, the Group received a 'B' rating for 2019. This is the highest rating awarded in Saudi Arabia and recognizes SABIC as one of the best performers in the Middle East and among the top 17% of responding companies worldwide. The recognition also underlines the Group's contribution to help make their customers' supply chains more sustainable.

The Group is also engaged with Ecovadis, one of the world's leading providers of business sustainability ratings. They have been assessing the Group's sustainability and CSR performance for the last five years and they have placed SABIC in the top 1% of best performers in the industrial category of Basic Chemicals, Fertilizers & Plastics Companies', after evaluating the sustainability and CSR performance of over 30,000 companies worldwide. A higher score means a higher chance to become a preferred supplier, as the EcoVadis report itself is a mandatory requirement for several supplier relationships.

In addition, the Group is subject to various international, national and local EHSS laws and regulations. The Group also seeks to benchmark itself against international EHSS standards promoted by reputable international organisations, such as the U.S. Department of Labor's Occupational Safety and Health Administration Process Safety Management standards (OSHA PSM) and the European Commission's Seveso Directive.

All of the Group's chemical manufacturing sites are Responsible Care Management System RC 14001 accredited as well as ISO 14001 accredited. In addition, all of the SABIC-affiliated manufacturing sites in Saudi Arabia are OHSAS 18001 certified. The Group has implemented EHSS policies across all operations and also conducts EHSS impact studies, reports and assessments in respect of its projects under development in order to highlight and address and potential issues.

In order to proactively manage its regulatory obligations and integrate the EHSS dimensions of operations into its core business strategy, the Group launched the global shift for environment, health, safety and security project (the "SHEMS+ project") in March 2017. The SHEMS+ project aims to: (i) identify areas of improvement in the Group's EHSS management standards; (ii) implement solutions to affect such improvement; and (iii) provide training to the Group's employees in respect of such solutions and other aspects of the Group's EHSS management standards. In addition to the SHEMS+ project, the Group continues to monitor a range of EHSS-related key performance indicators. These indicators include the Group's rate of EHSS incidents (calculated as severity weighted manhours-based rate of incidents across environment, health, safety, process safety and security) and the Total Recordable Incident Rate (calculated using OSHA IF principles), which improved by 84% and 67%, respectively, in 2019 compared to 2005. The Group achieved an EHSS accidents rate of 0.57 in the year ended 31 December 2019 (reflecting, mostly Two class A incidents). No fatalities occurred in 2019.

The Group also maintains a crisis and emergency management programme in order to implement effective crisis response at the local, regional and/or global level. For instance, during Hurricane Harvey which affected the Group's operations in Houston (U.S.), the crisis management team in the Americas region provided support for safety of personnel and facilities as well as for continuity of operations without interruption. Similar activations occurred with the drone attacks to the Saudi Aramco facilities later in 2019.

The Group actively addresses compliance issues in connection with its operations and properties and believes that it has systems in place to ensure that environmental costs and liabilities will not have a material adverse impact on it.

Insurance

The Group's operations are subject to normal hazards of operational and geographic risks, including accidents, fire and weather-related perils. Globally, the Group maintains various types of insurance policies to protect against the financial impact arising from unexpected events when the amount of the potential loss would be significant enough to prevent normal business operations. The Group may also, on occasion, purchase specific insurance for specific operations on an "as needs" basis (for instance, on the basis of the Group's review of the need for political and environmental risk insurance for a particular geography). The purchase of these policies is coordinated by an internal insurance department, with applicable limits, coverage, scope and deductibles that the Group, with the advice of its insurance advisers, believes are reasonable and prudent after all means of controlling or preventing the risk have been considered. The Group does not fully insure against certain risks to the extent that such risks may not be fully insurable or related coverage is unavailable at what the Group considers to be appropriate price levels.

Corporate Social Responsibility

The Group engage in a wide range of activities and programmes under the banner of corporate social responsibility ("**CSR**") all around the world. The Group's global CSR strategy is called RAISE and the provides the overall framework. RAISE stands for reputation, audience, innovation, strategy and endurance. Within the RAISE framework, registered groups and national organisations devise their own initiatives and follow them through with financial and other help from the Group as needed.

Material Contracts

The Group has supply agreements with Saudi Aramco for its production facilities in Saudi Arabia. The relevant Group entity supplies Saudi Aramco with its annual forecast supply needs (which are subject to a daily maximum). The supply agreements set out the price for the Group's production facilities which are either set by the Minister of Energy, Industry and Mineral Resources or set pursuant to an agreed pricing mechanism with reference to certain international prices. Saudi Aramco invoices the Group monthly for the feedstock. Saudi Aramco is permitted to cancel or alter the supply subject to certain provisions, such as failure to pay by the Group or as directed by relevant Saudi ministries. The supply agreements have varying terms many of which are up to 20 years.

Litigation

The Group is involved in legal, regulatory, governmental and arbitration proceedings in a number of jurisdictions, including the United States, involving claims by and against them, which arise in the ordinary course of its businesses, including in connection with its business activities and employees. SABIC has not been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which SABIC is aware) during the last 12 months preceding the date of this Prospectus which may have, or have had, a significant effect on its financial position or profitability.

MANAGEMENT

Corporate Governance Structure

SABIC is committed to the highest standards of corporate governance across the Group based on CMA Corporate Governance Regulations as well as international governance principles and best practices. SABIC has developed a corporate governance framework that aligns each governance element to the organisation's purpose and objectives and promotes transparency, accountability and competence.

SABIC's board of directors (the "**Board**" or "**Board of Directors**") has the overall responsibility for establishing, overseeing and reviewing SABIC's governance framework in order to ensure that SABIC is in compliance with relevant regulations while, at the same time, supporting long-term value creation by enhancing the growth and sustainability of SABIC.

The Board has established a number of committees to support meeting its strategic direction and oversight responsibilities including the Investment Committee, Audit Committee, Risk and Sustainability Committee and the Remuneration and Nomination Committee. These four Board committees play a significant role in enhancing Board effectiveness. The respective committee charters are available on the SABIC website at www.sabic.com.

The Executive Committee is responsible for the day-to-day management of SABIC's operations.

Board of Directors

The Board sets and reviews the overall policies and procedures of SABIC, including the main corporate objectives, strategic plans and overall key performance indicators of SABIC. The Board also approves SABIC's annual business plans and budgets and ensures the availability of financial and human resources required to achieve these plans. In addition, the Board has overall responsibility for identifying the optimal capital structure for SABIC, major capital expenditures, as well as asset ownership and disposal decisions. The Board also oversees the implementation and monitoring of internal control systems.

SABIC is managed by a Board of nine members with the expertise required for managing the business. The Board of Directors elects a Chairman and a Vice Chairman from among its members. The Board members shall be elected by an ordinary general meeting for a renewable term not exceeding three years. Each member of the Board of Directors receives remuneration determined by the Board of Directors but not exceeding SAR 1,800,000 for each member per year; whether such remuneration consists of a specified salary, an attendance allowance for the meetings, or a percentage of profits. The remuneration may also consist of a combination of two or more of these benefits. The annual report of the Board shall include an illustration of the remunerations and allowances paid to the Board members. In the event remuneration exceeds SAR 1,800,000 for a particular member in one year, the matter must be submitted to the General Assembly for a resolution.

The Board meets at least twice every year at the Chairman's invitation. The Chairman also convenes a meeting if requested by two members of the Board or otherwise if, in his discretion, the Chairman deems such meeting necessary. The quorum for Board meetings is five members. During the year ended 31 December 2019, the Board met five times and in 2020 up to 31 August, the Board met four times.

As at the date of this Prospectus, the Board is comprised of the following members:

Name	**Title**	**Expiry of Term**
Eng. Khalid Hashim Al-Dabbagh(1).............................	Chairman	April 2022
Yousef Abdullah Al Benyan(2)	Vice Chairman and CEO	April 2022
Ziad Thamer Al-Murshed (1)..	Board Member	April 2022
Olivier Gerard Thorel(1)...	Board Member	April 2022
Nader Ibrahim Alwehibi(3)..	Board Member	April 2022
Mohammed Talal Al-Nahas(3)	Board Member	April 2022
Dr. Khaled Hamza Nahas(3)...	Board Member	April 2022
Abdullah Mohammed Alissa(1)....................................	Board Member	April 2022
Calum MacLean(1)	Board Member	April 2022

(1) Non-executive member
(2) Executive member

(3) Independent member

Dr. Abdulaziz Saleh Aljarbou (former Board Chairman), Rashid Ibrahim Sherif and Roberto Cesar Gualdoni (former Board members) resigned from the Board on 16 June 2020.

The business address of each member of the Board is c/o Saudi Basic Industries Corporation, P.O. Box 5101, Riyadh 11422, Kingdom of Saudi Arabia. As at the date of this Prospectus, there are no conflicts of interest between any duties of the Board members to SABIC and their private interests or other duties.

Brief biographies of each member of the Board are set out below:

Eng. Khalid Hashim Al-Dabbagh

Mr. Khalid Hashim Al-Dabbagh was appointed as Chairman of the Board in June 2020 and is also Chairman of the Investment Committee.

He previously served in a number of senior roles in Saudi Aramco including as Financial Controller and Treasurer. Additionally, Mr. Al-Dabbagh has held key positions in London, Tokyo and New York at Saudi Aramco owned companies and became the CEO of Saudi Petroleum International, Inc. and the Managing Director of Saudi Petroleum Company in Tokyo.

Mr. Al-Dabbagh has also served on the boards of Sadara Chemical Company, Malaysian Pengerang Refining and Petrochemical Companies, ARLANXEO Holding B.V., Showa Shell in Japan, both Chinese Fujian Refining and Petrochemical Companies and Aramco Trading Company.

Other key board positions: As at the date of this Prospectus, Mr. Al-Dabbagh is also the Senior Vice President of Finance Strategy & Development at Saudi Aramco Oil Company, sits on the board of directors of the Saudi Aramco Development Company and serves as a member of the board of Wisayah Global Investment Company.

Educational qualifications: Mr. Al-Dabbagh earned a Bachelor of Science in Industrial Engineering from the University of Toledo, United States. He has also completed numerous executive leadership programs including the Senior Executive Program at London Business School.

Yousef Abdullah Al Benyan

Mr. Al Benyan was appointed as Vice Chairman of the Board and CEO of SABIC in February 2015 and is also a member of the Investment Committee.

Prior to being named the Vice Chairman of the Board and CEO of SABIC, Mr. Al-Benyan served as the Executive Vice President of Corporate Finance and CFO. Earlier, in 2013, Mr. Al-Benyan was elected to head SABIC's Chemicals SBU, the company's largest sector.

Mr. Al Benyan is a member of the International Business Council of the World Economic Forum and Global Business Council of the Bloomberg Global Forum. He has also served as Chairman of the boards of Yanbu National Petrochemical Company and Saudi Iron and Steel Company.

Other key board positions: As at the date of this Prospectus, Mr. Al Benyan is the Chairman of the boards of the Saudi Arabian Fertilizer Company. Additionally, he assumes leading positions at some national and regional associations and committees, including as Chairman of the Gulf Petrochemicals and Chemicals Association and Chairman of the Petrochemical Manufacturers Committee. He is a member of the boards of the Boao Forum for Asia, the International Council of Chemical Associations, the King Abdulaziz City for Science and Technology, the National Industrial Cluster Development Programme (the "**NICDP**"), the RCJY and the Saudi Ports Authority. He is a member of the King Saud University Advisory Board and the King Fahad University and Minerals International Advisory Board as well as a member of the executive committee of the Riyadh Economic Forum at the Riyadh Chamber of Commerce.

Educational qualifications: Mr. Al Benyan holds a Master's Degree in Industrial Management and a Bachelor's Degree in Economics. In addition, he has completed several specialised courses in executive management.

Mr. Ziad Thamer Al-Murshed

Mr. Al-Murshed was appointed to the Board in June 2020 and is also a member of the Remuneration and Nomination Committee and the Investment Committee.

He previously worked within Saudi Aramco as Executive Director, New Business Development; General Manager, Transaction Development; Director, Strategic Planning; Director, Economic and Energy Analysis; and Manager, Yanbu NGL Fractionation Department. Mr. Al-Murshed also served as the Chairman of the board of directors of the Saudi Aramco Entrepreneurship Center and as a board member of both the Saudi Arabian Industrial Investment Company and Sadara Chemical Company.

Other key board positions: As at the date of this Prospectus, Mr. Al-Murshed serves as the Vice President of International Operations and Vice President of Downstream Growth and Integration at Saudi Aramco Oil Company. Additionally, he sits on the boards of the Saudi Refining, Inc., Aramco Chemicals Company, Aramco Services Company, Motiva Enterprises LLC, S-Oil Corporation, ARLANXEO Holding B.V and the Saudi Authority for Industrial Cities and Technology Zone. He is also the Vice Chairman of the board of the Industrialization & Energy Services Company.

Educational qualifications: Mr. Al-Murshed earned a Bachelor's of Science in Chemical Engineering from Arizona State University and a Master's of Business Administration from Sloan School of Management at Massachusetts Institute of Technology. He also graduated from the Public Administration Program at Harvard Business School.

Olivier Gerard Thorel

Mr. Thorel was appointed to the Board in June 2020 and is a member of the Risk and Sustainability Committee.

He previously held multiple positions at Shell including Vice President of Chemicals, Asia, Ventures & New Business Development; Vice President of Global Intermediates, Shell, Singapore; and Vice President of Supply, Distribution, and Shell Pipeline, Shell, North America. Prior to his current role, Mr. Thorel was the Executive Director of Chemicals at Saudi Aramco. He has also served as a board member for several companies including PENGERANG Petrochemical and PENGERANG Refining Companies, Fujian Refining and Petrochemical Company Limited, Sadara Chemical Company and Saudi Aramco Total Refining and Petrochemical Company.

Other key board positions: As at the date of this Prospectus, Mr. Thorel is the Vice President of Chemicals at Saudi Aramco and serves as a member of the boards of Aramco Chemicals Company, Aramco Performance Materials LLC, Saudi Aramco Energy Ventures LLC and Saudi Aramco Technologies.

Educational qualifications: Mr. Thorel earned a Master's degree in finance from Paris-Dauphine University and completed an executive Master's of Business Administration at Insead.

Nader Ibrahim Alwehibi

Mr. Alwehibi was appointed to the board in April 2018 and is a member of the Audit Committee and the Risk and Sustainability Committee.

Previously, Mr. Alwehibi served as a member of the board of directors of the National Medical Care Company as well as a member of the board of directors of Jarir Marketing Company. He has held several positions at the General Organization for Social Insurance.

Other key board positions: As of the date of this Prospectus, he is the Assistant Governor for Insurance Affairs, General Organisation for Social Insurance. He is a member of the board of directors, the Executive Committee and the Nominations and Compensations Committee of Riyad Bank. He is also a member of the board of directors of Clariant.

Educational qualifications: Mr. Alwehibi holds a Master's Degree in Social Protection Policy from Maastricht University, The Netherlands, and a Bachelor's Degree in Insurance from Indiana State University, United States.

Mohammed Talal Al-Nahas

Mr. Al-Nahas was appointed to the Board in September 2016 and is a member of the Remuneration and Nomination Committee.

Mr. Al-Nahas has over 32 years' experience in banking, business development and administration. Previously, he held a number of key positions in regional banks, including general manager of various branches of Al-Inma Bank where he played a significant role in launching and operating the largest network of Islamic banking branches in Saudi Arabia and the Middle East. He has also served as regional manager for the central region branches of SAMBA Financial Group. Mr. Al-Nahas also served as a member of the board of directors of Taiba Holding Co. and Saudi Travellers Cheque Company.

Other key board positions: As at the date of this Prospectus, Mr. Al-Nahas is the Governor of the Public Pension Agency and a member of its Board of Directors. He serves as both the Chairman of the board and Chairman of the Auditing and Risk Committee of Al-Raidah Investment Company and is the board Chairman of ASMA Capital. Additionally, he is the Chairman of the board of directors of Riyad Bank, Saudi Telecom Company, the International Company for Water, Power Projects, and Reza Company. Mr. Al-Nahas also serves as the Chairman of the Saudi Pharmaceutical Industries & Medical Appliances Corporation and the Cooperative Real Estate Investment Company.

Educational qualifications: Mr. Al-Nahas holds a Bachelor's Degree in Administration from King Saud University, Saudi Arabia, and the Executive Business Administration Programme Certificate from the University of Michigan, United States.

Dr. Khaled Hamza Nahas

Dr. Nahas was appointed to the Board in April 2013, is Chairman of the Remuneration and Nomination Committee and a member of the Investment Committee.

Dr. Nahas began his career as a university lecturer. In the past, he has held a number of strategic positions including Deputy Chairman of the Industrial Committee of the Chamber of Commerce and Industry, a member of the Consultative Council and the Mayor of Makkah for five years.

Dr. Nahas has previously served as the Chairman of the boards of National Company for Spring Mattresses and Sponges and Tabuk Hotels Company. He has also served as a member of the boards of Military Industries Organisation, National Commercial Bank, National Water Company, Hasanah Investment Company, Bin Laden Co., Clariant, Riyad Bank, Saudi Hotels Company, Saudi Investment Bank and Saudi Telecom Company.

Other key board positions: As at the date of this Prospectus, Dr. Nahas is a member of the boards of Mithaq Holding Company and Arch Investment Company.

Educational qualifications: Dr. Nahas holds a Ph.D. in Engineering of Economic Systems from Stanford University, United States.

Abdullah Mohammed Al Issa

Mr. Al Issa was appointed to the Board in 1992 and is a member of both the Audit Committee and Investment Committee.

Previously, Mr. Al Issa was a member on the boards of Arabian Cement Company, National Medical Care Company, Jadwa Investment Company, National Shipping Company of Saudi Arabia and National Chemical Carriers Company.

Other key board positions: As at the date of this Prospectus, Mr. Al-Isaa is the Chairman of Asila Investment Company as well as the Chairman of the board of Riyad Bank and Dur Hospitality Co. He is also a board member of a number of companies including Maaden, Etihad Etisalat (Mobily) and Clariant.

Educational qualifications: Mr. Al Issa holds a Master's Degree in Engineering Management from Southern Methodist University, United States, and a Bachelor's Degree in Industrial Engineering Management from Southern Methodist University.

Calum MacLean

Mr. MacLean was appointed to the Board in October 2017 and is the Chairman of the Risk and Sustainability Committee.

He has previously served as the Chairman of the boards of Ineos Group, Petroineos (a PetroChina Group joint venture), Polymers Europe (where he was also the chief executive officer) and Styrolution (a BASF Group joint venture). He has also, at various times, served as the chief executive officer of EVC, Ineos ChiorVinyls, Ineos Phenol and Synthomer.

Other key board positions: As at the date of this Prospectus, Mr. MacLean is a member of the board of Clariant. and chief executive officer of Synthomer.

Educational qualifications: Mr. MacLean holds a Bachelor's Degree in Chemistry from Aberdeen University, United Kingdom.

Board Committees

Audit Committee

According to its charter, the Audit Committee shall be comprised of three to five non-executive members of the Board, at least one of whom shall be an independent director. These members are nominated by the Board and appointed by a resolution of the General Assembly of SABIC's shareholders.

The Audit Committee's responsibilities include:

- oversight of financial reporting, including: (i) reviewing the Group's financial statements; (ii) providing technical opinion(s) as to the Board report and financial statements being in compliance with regulatory requirements; (iii) examining unusual transactions in the financial statements; (iv) verifying accounting estimates; and (v) reviewing financial and accounting policies of the Group;

- oversight of internal control systems, including: (i) reviewing internal and financial control risk management systems and ensuring their effectiveness through regular reports prepared by the Internal Audit Department (or external auditors) and following up on the implementation of recommended action; and (ii) reporting to the Board in respect of the adequacy of internal control systems;

- oversight of internal audit, including: (i) supervising the Internal Audit Department and verifying its effectiveness in carrying out its roles and responsibilities; (ii) reviewing and approving the annual audit plan; (iii) reviewing reports prepared by the Internal Audit Department and following up on the implementation of recommended action; (iv) ensuring the independence of the Internal Audit Department; and (v) evaluating the performance of the head of the Internal Audit Department;

- oversight of the external auditor, including: (i) recommending the appointment or dismissal of the external auditor and determining their fee after assessing their performance, independence, scope of work and terms of engagement; (ii) verifying the independence of the external auditor; (iii) reviewing the external audit plan and verifying the compliance of this plan with applicable regulations; (iv) answering external auditor's queries and providing requisite support for the performance of an external audit; and (v) reviewing reports prepared by the external auditor and following up on the implementation of recommended action; and

- oversight of compliance, including: (i) reviewing reports prepared by regulatory bodies in respect of compliance with applicable regulations and following up on the implementation of recommended action; (ii) ensuring SABIC's compliance with relevant regulations, by-laws and policies; (iii) reviewing proposed related party transactions; (iv) establishing appropriate procedures for internal reporting of violations of internal control systems; and (v) establishing appropriate procedures for following up on any such reports of violation (including ensuring independence of such procedures),

and, where relevant, making recommendations to the Board in respect of the foregoing.

The Audit Committee met seven times in 2019 and five times in 2020 up to 27 July.

Current membership: Abdulaziz Habdan Al Habdan (Chairman, non-Board member), Abdullah Mohammed Al Issa, Nader Ibrahim Al-Wehibi, and Khaled Dawood Al Fadag (non-Board member). The Audit Committee is allowed to have members who do not sit on the Board.

Remuneration and Nomination Committee

According to its charter, the Remuneration and Nomination Committee shall be comprised of three to five non-executive members of the Board, at least one of whom shall be an independent director. These members are appointed by the Board, although their tenure and remuneration are approved by a resolution of the General Assembly of SABIC's shareholders (on the basis of a recommendation by the Board).

The nomination and remuneration committee's responsibilities include:

- oversight of remuneration, including: (i) developing remuneration policies for Board members, Board committee members and Executive Committee members and recommending them to the Board for approval by the general assembly of SABIC's shareholders; (ii) reviewing remuneration policies regularly to ensure consistency with changes in relevant legislation and regulations, SABIC's strategic objectives and the skills and qualifications required, and recommending proposed changes thereto to the Board; (iii) recommending to the Board the remuneration of Board members, Board committee members and Executive Committee members in accordance with the policy approved by the General Assembly of SABIC's shareholders; (iv) preparing an annual report on remunerations granted to the Board members, Board committee members and Executive Committee members; and (v) specifying and recommending types of incentives for employees;

- oversight of appointments of Board members, including: (i) developing a Board membership policy and recommending it to the Board for approval by the General Assembly of SABIC's shareholders; (ii) reviewing such policy regularly to ensure its consistency with the changes in the relevant legislation and regulations, SABIC's strategic objectives, skills and qualifications required, and recommending proposed changes to the Board; (iii) conducting an annual review of the required skills for Board membership and preparing a description of the required capabilities and qualifications; (iv) recommending individuals for Board membership in accordance with the Board membership policy; (v) verifying conflicts of interest for Board nominees, and making appropriate recommendations to the Board; (vi) reviewing the Board structure and recommending changes, if required or appropriate; (vii) establishing processes for addressing vacancies in the Board or Board committees; and (viii) recommending measures to evaluate the performance of the Board and the Board committees;

- oversight of the Board functioning, including: (i) ensuring independence of the independent directors; (ii) verifying Board members engagement in businesses competing with the company's business or a branch of business on an annual basis (iii) recommending re-nominations/dismissals of Board members and Board committee members; and (iv) overseeing an orientation programme for new Board members;

- oversight of appointments of Executive Committee members, including: (i) recommending to the Board appropriate policies and standards for the appointment of Executive Committee members and identifying the required capabilities and skills; (ii) reviewing such policies and standards regularly to ensure their consistency with changes in SABIC's strategic objectives, identifying the skills and qualifications required to achieve such objectives; (iii) preparing job descriptions for Executive Committee appointments; and (iv) developing succession planning processes in the event of the vacancy of the position of any member of the Executives Committee and making the required recommendations.

- reviewing the charters of the Board and the Board committees and updating them as may be required by the regulatory authorities and best practices; and

- keep Board members informed of the latest developments in the field of corporate governance and associated best practices.

The Remuneration and Nomination Committee met three times in 2019 and two times in 2020 up to 27 July.

Current membership: Khaled bin Hamza Nahas (Chairman), Ziad Thamer Al-Murshed and Mohammed Talal Al Nahas.

Risk and Sustainability Committee

According to its charter, the Risk and Sustainability Committee shall be comprised of three to five members of the Board. These members are appointed by the Board.

The Risk and Sustainability Committee's responsibilities include:

- risk management functions, including: (i) working with the Executive Committee to develop a comprehensive risk management policy in accordance with SABIC's business and activities and pursuant to SABIC's objectives and strategy, and recommending such policy to the Board; (ii) reviewing the overall risk management policy periodically to ensure consistency with changes that may occur in the internal or external environment in which SABIC operates, the legislation governing its business or strategic objectives, or otherwise, and recommending proposed changes to the Board; (iii) recommending to the Board an acceptable level of risk to SABIC and how to maintain it, and monitoring that this level is not exceeded; (iv) verifying the business continuity and annually identifying risks facing SABIC; (v) overseeing the risk management systems and assessing their effectiveness and mechanisms of identifying, measuring and monitoring risks; (vi) re-evaluating the ability to take, or be exposed to, risks regularly (for example through stress testing); (vii) preparing a report to the Board containing detailed risk-exposure and proposed steps to manage these risks; (viii) providing recommendations to the Board on risk management issues; (ix) verifying the independence of risk management personnel; (x) ensuring that risk management personnel understand the risks surrounding the company and working to increase awareness of the risk culture; and (xi) reviewing any issues raised by the Audit Committee that may affect SABIC's risk management; and

- sustainability management functions, including: (i) working with the Executive Committee to develop a comprehensive sustainability strategy and policies (such as EHSS) that are commensurate with the nature of SABIC's activities and business; (ii) reviewing the sustainability strategy and policies periodically to ensure their consistency with the changes to the internal or external environment in which SABIC operates, the legislation regulating its business or strategic objectives, or otherwise, and recommending proposed changes to the Board; and (iii) supervising SABIC's EHSS systems and ensuring they are in compliance with the relevant legislation and regulations and the availability of the necessary skills and expertise to manage these systems.

The Risk and Sustainability Committee met three times in 2019 and one time in 2020 up to 27 July.

Current membership: Calum MacLean (Chairman), Olivier Gerard Thorel and Nader Ibrahim Al-Wehibi.

Investment Committee

According to its charter, the Investment Committee shall be comprised of three to five members of the Board. These members are appointed by the Board.

The Investment Committee's responsibilities include:

- working with the Executive Committee to develop an investment strategy and policy commensurate with the nature of SABIC's business, activities and risks;

- reviewing the investment strategy and policy regularly to ensure consistency with changes that may occur in the external environment in which SABIC operates, legislation regulating business, or strategic objectives or otherwise, and recommending proposed changes to the Board;

- overseeing investment activities and establishing appropriate processes for measuring and assessing investment performance;

- evaluating the investment opportunities proposed by the Executive Committee (such as mergers or acquisitions of companies, businesses or assets; termination, sale, transfer of ownership, exit or disposition of an existing investment; and joint venture partnerships);
- examining financing prospects for such investment opportunities;
- ensuring that the proposed investment opportunities comply with relevant regulations and instructions;
- prioritising investment proposals; and
- reviewing the Executive Committee's progress reports in respect of approved investment opportunities.

The Investment Committee met two times in 2019 and one time in 2020 up to 27 July.

Current membership: Eng. Khalid Hashim Al-Dabbagh (Chairman), Yousef Abdullah Al Benyan, Dr. Khaled Hamza Nahas, Abdullah Mohammed Al Issa and Ziad Thamer Al-Murshed.

Executive Committee

The day-to-day management of SABIC's business is led by its senior management who, together with the CEO, comprise the Executive Committee.

As at the date of this Prospectus, the Executive Committee comprised the following members:

Name	Title
Yousef Abdullah Al Benyan	Vice Chairman and CEO
Abdulaziz Al Oudan.........................	Executive Vice President, Corporate Human Resources
Samir Al Abdrabbuh	Executive Vice President, Agri-Nutrients
Anas Kentab.....................................	Executive Vice President, Europe Repositioning
Ernesto Occhiello.............................	Executive Vice President, Specialties
Abdulrahman Al Fageeh	Executive Vice President, Petrochemicals
Timothy D. Leveille	Executive Vice President, Corporate Finance
Bob Maughon...................................	Executive Vice President, Sustainability, Technology and Innovation
Abdulrahman Ahmed Shamsaddin...	Executive Vice President, Shared Services
Ahmad Al Shaikh.............................	Executive Vice President, Manufacturing
Omar Al Amoudi..............................	Executive Vice President, Engineering and Project Management

The business address of each member of the Executive Committee is c/o Saudi Basic Industries Corporation, P.O. Box 5101, Riyadh 11422, Kingdom of Saudi Arabia. As at the date of this Prospectus, there are no conflicts of interest between any duties of the Executive Committee members to SABIC and their private interests or other duties.

Brief biographies of each member of the Executive Committee are set out below:

Yousef Abdullah Al Benyan

See "*Management – Board of Directors – Yousef Abdullah Al Benyan*".

Abdulaziz Al Oudan

Mr. Al Oudan has been Executive Vice President of Corporate Human Resources since May 2015.

During his 20-year career with SABIC, Mr. Al Oudan has held a number of senior positions, including the General Manager of Global Talent Management, the General Manager of Human Resources (Middle East and Africa), the Director of Global Information Technology Centre of Excellence and the Director of Global Information Technology Business Partnership.

Educational Qualifications: Mr. Al Oudan holds a degree in Management Information Systems from King Saud University, Saudi Arabia.

Samir Al Abdrabbuh

Mr. Al Abdrabbuh has been Executive Vice President of Agri-Nutrients since February 2018.

With over 30 years' experience in the petrochemicals industry, Mr. Al Abdrabbuh has held a number of senior positions at SABIC, including the Vice President of Global Supply Chain, the Vice President of the Oxygenates Business Unit and the Vice President of Global Corporate Communications.

Other key board positions: As at the date of this Prospectus, Mr. Al Abdrabbuh is the Chairman of the board of two affiliates of SABIC (SABIC Terminal Services Limited Company and Jubail Chemicals Storage and Services Company), the vice chairman of the board of the Gulf Petrochemicals and Chemicals Association Fertilisers Committee and a member of the boards of Arab Fertilisers Association and Saudi Japanese Acrylonitrile Company. Previously, he was the chairman of the boards of Asia Clean Fuels Association and Saudi Organometallic Chemicals Company and was a member of the board of National Methanol Company.

Educational Qualifications: Mr. Al Abdrabbuh holds a Bachelor's Degree in Computer Science and Engineering from King Fahd University of Petroleum and Minerals, Saudi Arabia.

Anas Kentab

Mr. Kentab has been Executive Vice President of the Crude Oil to Chemicals Project since January 2018.

Mr. Kentab has held a number of senior positions at SABIC, including the Executive Vice President of the Agri-Nutrients SBU, the Vice President of a number of business units (including polyethylene, polypropylene and olefins and industrial gases) and the General Manager of Intermediate Operations and Planning.

Other key board positions: As at the date of this Prospectus, Mr. Kentab is the chairman of the board of Saudi Organometallic Chemicals Company and Al Bayroni, the vice chairman of the board of SAFCO and a member of the board of SINOPEC SABIC Tianjin Petrochemical Company. Previously, he was a member of the boards of Kemya, Sharq, Jubail United Petrochemical Company, Sadaf and Yanpet.

Educational Qualifications: Mr. Kentab holds a Bachelor's Degree in Mechanical Engineering from King Saud University, Saudi Arabia.

Ernesto Occhiello

Mr. Occhiello has been Executive Vice President of Specialties since 1 September 2019.

Prior to joining SABIC, he had a career spanning over 25 years working for Dow Chemical where he served as global research and development director, EniChem and Montedison.

Mr. Occhiello previously served as SABIC's Executive Vice President of Technology and Innovation from 2011 to 2015 and as Executive Vice President of Specialties at SABIC from 2015 to 2018. He joined Clariant as chief executive officer from October 2018 to July 2019.

Educational Qualifications: Mr. Occhiello holds a Laurea in Chemistry with Honours from the University of Turin, Italy. He has co-authored two books, more than 100 papers and communications to congresses and is responsible for more than 45 patents.

Abdulrahman Al Fageeh

Mr. Al Fageeh has been Executive Vice President of Petrochemicals since May 2015.

Mr. Al Fageeh has held a number of senior positions at SABIC, including Executive Vice President of the Polymers and Performance Chemicals Business Unit, Vice President of the Polyethylene Business Unit, General Manager of Operations and Planning of the Basic Chemicals Business Unit, General Manager of the Oxygenates Business Unit, President of Yansab and Chairman of the Project Committee of Yansab.

Other key board positions: As at the date of this Prospectus, he is the chairman of the boards of National Methanol Company, Saudi Japanese Acrylonitrile Company, Saudi Arabian Methacrylate Company and SABIC SK Nexlene Company. Previously, he was the vice chairman of the board of Saudi European Petrochemical Company and a member of the boards of Petrokemya and Arrazi.

Educational Qualifications: Mr. Al Fageeh holds a Bachelor's Degree in Chemical Engineering from King Saud University, Saudi Arabia and a Master of Business Administration from Bradford University, United Kingdom.

Timothy D. Leveille

Mr. Leveille joined SABIC as Executive Vice President of Corporate Finance in 2018, after serving as senior vice president, chief financial officer, and controller of Chevron Phillips Chemical Company, based in The Woodlands, Texas, United States.

He served previously as assistant treasurer of the Chevron Corp., with oversight over global cash management and financing activities for Chevron's operating companies worldwide.

He has worked for the public accounting firm of PricewaterhouseCoopers, and in 1987, joined Caltex, an international joint venture between Texaco and Chevron that was formed originally in 1936 to market oil from the newly discovered fields in Saudi Arabia.

Mr. Leveille served in various overseas finance roles in Asia and Africa for roughly 17 years with Caltex, including as country chairman and chief financial officer of Caltex Philippines. In 2007, he became vice president of finance for Chevron's global gas business and in 2009 senior director of international finance in corporate treasury.

Educational Qualifications: Mr. Leveille holds a Bachelor's Degree in Accounting and Computer Science from Boston College and Master of Business Administration in Finance from Columbia University School of Business, United States. He is a U.S. certified public accountant (CPA), licensed by the state of New York.

Bob Maughon

Dr. Bob Maughon has been Executive Vice President of Sustainability, Technology & Innovation since April 2019.

Dr. Maughon joined SABIC after an extensive career in various executive transformational positions within the petrochemical industry. He has a strong background in corporate venturing, research and development, strategic planning and risk management.

Educational Qualifications: Dr. Maughon graduated with a Bachelor's degree in Chemistry from Rice University and holds a Chemistry PhD from Caltech, USA.

Abdulrahman Ahmed Shamsaddin

Mr. Shamsaddin was appointed as the Executive Vice President for Shared Services on 1st June 2020.

Mr. Shamsaddin was the Vice President, Internal Audit Dept. and held a number of senior positions at SABIC including holding several operational and management capacities covering Process Safety Management, Reliability, Engineering/Project Management, Maintenance and Operations, Enterprise Risk Management encompassing Risk Management, Internal Controls, Business Continuity Management, Global Insurance and Credit Management.

He served as a member of SABIC Risk Management's Executive Committee and as a secretary of the SABIC Board Risk and Compliance Committee.

Educational Qualifications: Mr. Shamsaddin holds a B.Sc. in Applied Mechanical Engineering (Hons) from King Fahd University of Petroleum & Minerals (KFUPM), KSA.

Ahmad Al Shaikh

Mr. Al Shaikh has been executive Vice President of Manufacturing since May 2015.

Mr. Al Shaikh has held a number of senior positions at SABIC, including Vice President of Manufacturing Centre of Excellence, President of Yanpet and President of Jubail United Petrochemical Company. With over 25 years' experience in the oil and petrochemical industries, he has also previously worked for Saudi Aramco Shell Refinery.

Educational Qualifications: Mr. Al Shaikh holds a B.Sc. in Electrical Engineering from King Abdulaziz University, Saudi Arabia.

Omar Al Amoudi

Mr. Al Amoudi is Executive Vice President of Engineering and Projects since April 2017.

Mr. Al Amoudi has held a number of senior positions at SABIC, including Executive Vice President of Shared Services, President of Petrokemya and President of Saudi European Petrochemical Company.

Other key board positions: As at the date of this Prospectus, Mr. Al Amoudi is the chairman of the board of Saudi Kayan and a member of the board of Power and Water Utilities Company for Jubail and Yanbu (MARAFIQ). Previously, he was the chairman of the board of Specialty Chemicals Company and a member of the boards of Ibn Rushd and National Plastic Company.

Educational Qualifications: Mr. Al Amoudi holds a Master's Degree in Chemical Engineering from Drexel University, United States, and a Bachelor's Degree in Chemical Engineering from King Fahd University of Petroleum and Minerals, Saudi Arabia.

Compensation and Executive Committee Interests

The annual remuneration of the Board is disbursed after the approval of the general assembly of SABIC's shareholders. The aggregate total remuneration paid by SABIC to the members of the Board (including for their membership and/or chairing the Board committees) for the year ended 31 December 2019 is set out below:

	Total Remuneration
	(SAR)
Khaled bin Hamza Nahas(3)	236,000
Mohammed Ibn Talal Al-Nahas(3)	230,000
Nader Ibrahim Alwehibi(3)	180,370
Abdulaziz Saleh Aljarbou(1)(6)	221,000
Fahad Abdullah Al-Mubarak(1) (4)	215,000
Rashid bin Ibrahim Sharif(1) (5)(6)	6,000
Calum MacLean(1)	224,000
Roberto Gualdoni(1)(6)	224,000
Abdullah M. Al-Issa(1)	245,000
Yousef Abdullah Al-Benyan(2)	221,000
Total	**2,002,370**

(1) Non-executive member
(2) Executive member
(3) Independent member
(4) Member ended his membership of the Board of Directors and Committees on 10 April 2019
(5) Member joined membership of the Board of Directors and Committees on 10 April 2019
(6) Resigned from the Board on 16 June 2020

As at 31 December 2019, the members of the Executive Committee had the following shareholding in the Group:

	SABIC	**SAFCO**	**Saudi Kayan**	**Yansab**
		(No. of shares)		
Omar Abdullah Abdulrahman Al-Amoudi	-	-	214,200	-
Abdulrahman Saleh Abdulrahman Al-Fageeh	-	-	-	5,000
Abdulaziz Ali Abdulaziz Al-Oudan	-	-	70	-
Uwaidh Khalaf Hassan Al-Harethi(1)	-	-	-	-
Ahmad Terais Saad Al-Sheikh	-	-	100,000	-
Anas Yusuf Kentab	9,000	3,000	10,000	5,000
Timothy Leveille	-	-	-	-
Bob Maughon(2)	-	-	-	-
Ernesto Occhiello(3)	-	-	-	-

Samir Al-Abdrabbuh	-	-	-	-
Total	**9,000**	**3,000**	**324,270**	**10,000**

(1) Exited the list of senior executives on 31 August 2019
(2) Joined the list of senior executives on 23 April 2019
(3) Joined the list of senior executives on 1 September 2019

INDUSTRY

*Certain parts of the projections and other information set forth in this section have been derived from external sources, including reports from AME, IHS Markit, and World Steel Association ("**WSA**"), among others. Industry surveys and publications generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. The Group believes that these industry publications, surveys and forecasts are reliable but has not independently verified them and cannot guarantee their accuracy or completeness.*

Reports/data sources used in this section:

- *Overview: June 2020 The World Bank Global Economic Prospects,*
- *Ethylene: February 2020 IHS Markit Chemical Economics Handbook; Demand & supply growth forecasts updated as of 31st August 2020 as per IHS dataset*
- *Polyethylene: September 2019 IHS Markit World Analysis Report and accompanying dataset; Demand & supply growth forecasts updated as of 31st August 2020 as per IHS dataset*
- *Ethylene Glycols: April 2020 IHS Markit Chemical Economics Handbook; Demand & supply growth forecasts updated as of 31st August 2020 as per IHS dataset*
- *Propylene: Quarterly Update – Q2 2020, World Analysis Report; Demand & supply forecasts updated as of 31st August 2020 as per IHS dataset*
- *Polypropylene Resins: Quarterly Update – Q2 2020, World Analysis Report; December 2019 IHS Markit Chemical Economics Handbook; Demand & supply growth forecasts updated as of 31st August 2020 as per IHS dataset*
- *Benzene: May 2020 IHS Markit Competitive Cost & Margin Analytics; October 2019 IHS Markit Chemical Economics Handbook*
- *Styrene: May 2020 IHS Markit Chemical Competitive Cost & Margin Analytics; October 2019 IHS Markit World Analysis Report and accompanying dataset*
- *Methanol: December 2019 IHS Markit Chemical Economics Handbook; Demand & supply growth forecasts updated as of 31st August 2020 as per IHS dataset*
- *Polycarbonate Resins: October 2019 IHS Markit World Analysis Report*
- *MTBE: October 2019 IHS Markit World Analysis Report and accompanying dataset*
- *Ammonia: June 2020 CRU Report*
- *Urea: June 2020 CRU Report*
- *Steel:*
    - *AME Group Steel 2020 Strategic Market Study*
    - *World Steel in Figures 2020 by the World Steel Association*

Overview

The World Bank forecasts project the global GDP to contract by 5.2 per cent. in 2020 due to the spread of COVID-19. The chemicals industry does follow macroeconomic trends and since Q1 2020 has been impacted by the effects of COVID-19 similar to other industries. However, the industry is currently on a recovery path and is expected to improve in H2 2020 as overall global economy recovers.

The petrochemicals industry, compared to specialties, has more cyclical performance over a period, given it is more affected by the dynamics of over/under supply of product capacities relative to demand. Demand in the petrochemicals space is also impacted by underlying macroeconomic trends but the cyclical swings are generally influenced by supply shortage or excess.

Specialties have more normalized performance as these chemicals are more customized and application focused and are used in end-markets which are GDP linked. The supply side is a lot more structured in the specialties space given higher barriers to entry, requirement of access to technology and access to end-market players.

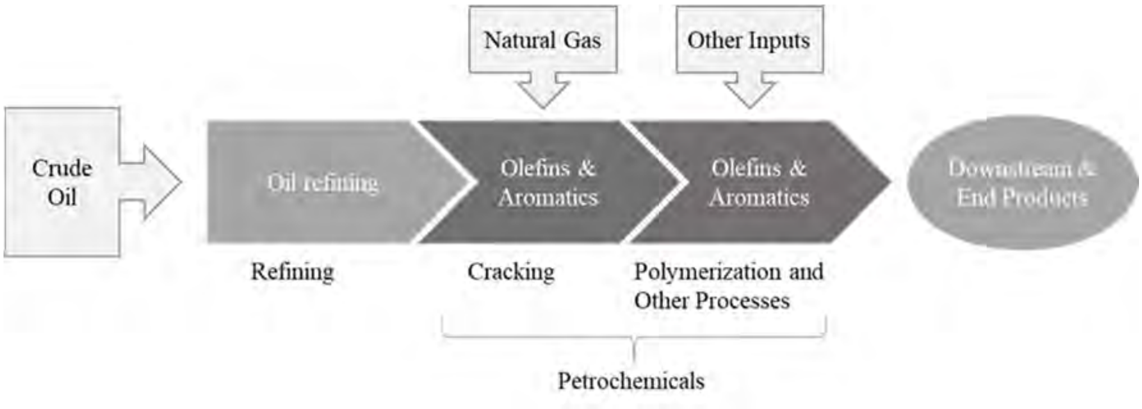
With respect to SABIC, it principally operates in four manufacturing businesses: petrochemicals, specialties, agri-nutrients and metals. The industry overview in the following pages focuses on the market environment and outlook for the Group's main products in the key geographies which it serves, namely Western Europe, China, the Middle East and the United States.

Due to the breadth of products which SABIC produces and sells, this section will only describe dynamics for selected, representative markets. The Group's main products which will be covered in this section include:

- Petrochemicals:
  - Ethylene
    - Ethylene derivatives: polyethylene, monoethylene glycol
  - Propylene
    - Propylene derivatives: polypropylene
  - Benzene
    - Benzene derivatives: styrene
  - Methanol
  - Polycarbonates
  - MTBE
- Specialty Plastics:
  - Selected products
- Agri-nutrients:
  - Nitrogen derivatives: ammonia, urea
- Metals:
  - Steel

Petrochemicals

The petrochemicals industry comprises chemical products derived from crude oil and natural gas, namely olefins, aromatics, polyolefins and various chemical intermediate products directly or indirectly derived from these. The Group participates in a considerable number of these markets, with a significant proportion of its volumes stemming from polyolefins (polyethylene, polypropylene) and chemical intermediates.



The refining industry converts crude oil into a number of different compounds, including liquid petroleum gas ("**LPG**"), gas oil and naphtha, of which a significant portion is used as feedstock for the production of olefins (e.g. ethylene and propylene) and aromatics (e.g. benzene and xylenes). These in turn are the basic building blocks for the manufacture of polyolefins and a vast variety of chemical intermediates.

SABIC's feedstock is largely diversified globally, however, ethane and methane are the main feedstocks in Saudi Arabia. The Group purchases the majority of the feedstock required for its manufacturing operations in Saudi Arabia from Saudi Aramco at prices which are set by the Minister of Energy, Industry and Mineral Resources in Saudi Arabia. The government offers the feedstock within Saudi Arabia at $1.75/mmbtu for ethane, $1.25/mmbtu for methane, and 20% discount to Japanese CFR (excluding freight rate) for propane and butane. The feedstock prices not only allow SABIC to maintain its lowest cost quartile position among global peers but also limit potential downside when global feedstock prices rise especially for its Saudi Arabian production facilities..

Petrochemicals are consumed in a variety of applications, mostly in the industrial and consumer spaces: construction, plastics, textiles, packaging, cosmetics etc. As a result of their physical properties, affordability and availability, petrochemicals continue to increase in usage and displace more traditional materials (metal, ceramics, glass and wood) and to penetrate an expanding list of end-use applications. Rising demand from end-use applications is a growth driver for the petrochemicals industry.

From a supply perspective, the petrochemicals industry remains relatively fragmented, with a significant number of smaller regional producers. Major global players include LyondellBasell, Chevron Phillips Chemical Company, SABIC, Dow, INEOS, ExxonMobil Chemical, Westlake, Formosa Plastics, Braskem and others.

Ethylene

Ethylene is the lightest olefinic hydrocarbon and is the organic hydrocarbon consumed in the greatest quantity worldwide (c. 165 mmt in 2019). By itself, ethylene has a few niche end uses, but its primary role is a basic chemical raw material used in producing a large variety of industrial products. For example, it is used in the production of polyethylene, polyvinyl chloride, polystyrene, polyester resins, and other derivatives used in applications such as detergents, antifreeze, adhesives, and lubricants.

Demand

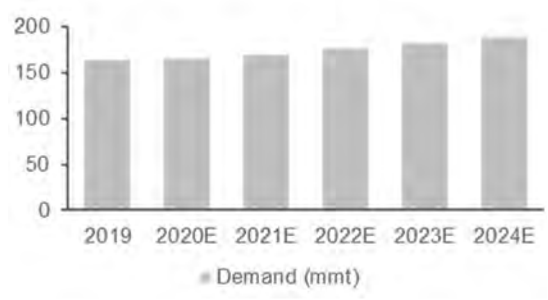
According to IHS Markit, over the next 5 years, China and the US will continue to be the largest drivers of global ethylene demand growth with a CAGR of 7.7% and 4.1% respectively, as they continue to add integrated ethylene production and derivative complexes.

IHS Markit forecasted that the domestic ethylene demand in Northeast Asia reached approximately 46 mmt in 2019, 60% of which corresponds to China. The overall economic development of region, particularly of China, has prompted fast-rising requirements for a wide range of consumables and durables, positively impacting ethylene value chain. Over the next five years, IHS Markit forecasts the region's ethylene consumption to grow at an average rate of 5.1% per annum with China growing at a CAGR of 7.7% through 2024.

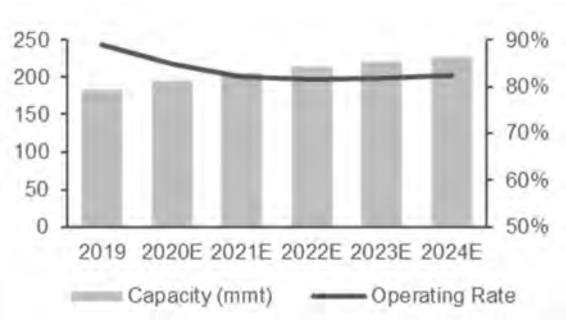
In 2019, North American ethylene consumption reached about 38 mmt, 82% of which corresponded to the US. The US ethylene industry is one of the most diversified and thus its evolution broadly tracked the US economy as a whole. Over the next five years, IHS Markit forecasts US demand to grow at an average rate of 4.1% per annum.

The Middle East is the third-largest ethylene consumer with approximately 30 mmt in 2019. Over the past decade, the consumption has increased at an average rate of 7.7% along with new ethylene capacity commissioned. IHS Markit expects the region's ethylene consumption to slightly decrease at (0.6%) per annum through 2024.

Global Ethylene Demand



Global Ethylene Supply



Source: IHS Markit.

Supply, Operating Rates and Trade

According to IHS Markit, the global ethylene production amounted to 164 mmt in 2019. Over the past five years, the production has grown at an average rate of 3.9% per annum, driven by a growing population, the economic development and urbanization in key markets such as China and India. Meanwhile, the global capacity growth remained limited, thus raising the operating rates to 90% in 2019. It is worth noting that the global ethylene production is dominated by the steam cracking of ethane (40%) and naphtha (39%).

In 2019, Northeast Asia had the single largest installed ethylene production capacity (26%), followed by North America (25%) and the Middle East (18%). IHS Markit expects the world ethylene capacity to expand at an average of 4.6% per annum over the next five years. North America and Northeast Asia will be the largest contributors, respectively accounting for 24% and 32% of the new supply base. The Middle East is expected to contribute to the capacity growth but at a moderate pace.

Competition

IHS Markit states that the ethylene production landscape appears fairly fragmented globally, with the top 15 players accounting for approximately 54% of world capacity. Major producers include global chemical companies such as Dow, SABIC, LyondellBasell, Formosa Plastics and INEOS as well as oil companies such as Exxon Mobil, Shell, SINOPEC etc. Over the next five years, IHS Markit expects a limited change to the list of top 15 ethylene producers globally.

Polyethylene

Polyethylene (PE) is the most commonly produced plastic in the world, with a share of 37% of the 282 million metric ton per annum global thermoplastic market (2019 data as per IHS Markit). Polyethylene is divided into three grades: low density (LDPE), high density (HDPE), and linear low density (LLDPE). It is a highly versatile polymer, used for a variety of applications including food and nonfood packaging, toys, bottles, caps, geomembranes[1], retail bags, and crates among others. PE is manufactured using one of high pressure, solution, slurry and gas phase processes, with key feedstocks being ethylene and alpha-olefins such as butene, hexene, or octane.

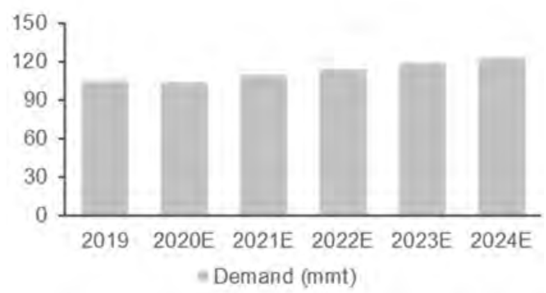
[1] A low permeability synthetic membrane barrier to control fluid migration.

Demand

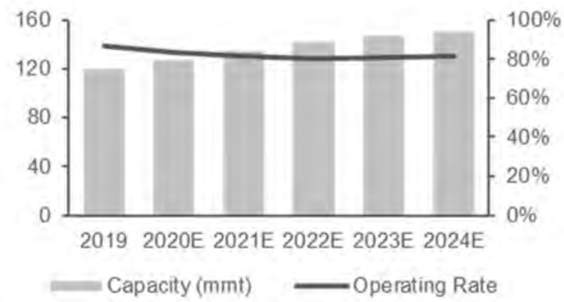
Total PE demand in 2019 was approximately 104 mmt, having grown at an annual average rate of 4.3% between 2014 and 2019. IHS Markit forecasts consumption to grow at a steady rate of approximately 3.3% per year, to reach c.123 mmt by 2024.

China is the largest region by consumption, with a total demand estimated at approximately 34.5 mmt in 2019. China's demand growth rates for the coming years will be moderate compared with the rates in the last five years, ranging from 8.3% to 5.2% per year for 2019-24. The U.S. is the second largest region in terms of consumption, accounting for approximately 12.5 mmt of PE demand in 2019. IHS Markit forecasts the North American domestic polyethylene demand to grow at an annual average rate of approximately 2.1% through 2024, roughly in line with expected GDP growth. In 2019, Western Europe[2] is the third largest PE consuming region with 12 mmt. This is forecast to grow at an average annual rate of 0.3% through 2024, primarily driven by consumer goods, food and beverages, agriculture and horticulture as well as construction and building. In 2019, the Middle East[3] consumed approximately 6 mmt of PE, with Turkey accounting for 29%. PE demand in the Middle East is forecast by IHS Markit to grow at a rate of 1.6% to 2024.

Global PE Demand



Global PE Supply



Source: IHS Markit.

Supply, Operating Rates and Trade

Global PE supply in 2019 was approximately 104 mmt, with total capacity of approximately 120 mmt and an operating rate of approximately 87%. According to IHS Markit, production grew at an annual average rate of 4.4% between 2014 and 2019, and is forecast to decelerate to a rate of 3.4% in the period to 2024. Global operating rates are also expected to trend downward over the forecast period (2019-2024) to be approximately 82% due to the new wave of global capacity additions.

Northeast Asia's annual production capacity in 2019 was about 30 mmt. IHS Markit forecasts growth in production of approximately 7.1% per year between 2019 and 2024 for the region (which includes China, Japan, South Korea and Taiwan), with China expected to account for an outsized portion of the increase. The growth in Chinese PE capacity is driven both by China's rapidly growing domestic demand and its aim for self-sufficiency. The U.S. is also forecast by IHS Markit to grow significantly over the same period due to US ethane cost advantage. IHS Markit also expects capacity additions in the Middle East, which currently constitutes approximately 18.5% of total capacity. However, these additions are forecast to come at a slower rate of growth than in China and the U.S.

The capacity additions in China, the U.S. and the Middle East are forecast by IHS Markit to heavily impact global trade, as China becomes increasingly capable of satisfying its domestic demand, thereby reducing its relative reliance on imports from the Middle East. The U.S. is targeting new export markets, with IHS Markit forecasting the regional net export position to grow from 7.3 mmt in 2019 to 12.3 mmt in 2029. The Middle East is one of the largest exporters worldwide. The region generally acquired more than 30% of the total global exports. By 2024, IHS Markit expects its export volume to slightly decrease from 17.2 mmt

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2 Unless otherwise specified, IHS Markit statistics on Western Europe cover: Austria, Belgium, Denmark, Finland, France, Germany, Greece, Iceland, Ireland, Italy, Luxembourg, Malta, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, the United Kingdom.

3 Unless otherwise specified, IHS Markit statistics on the Middle East cover: Bahrain, Cyprus, Iran, Iraq, Israel, Jordan, Kuwait, Lebanon, Oman, Qatar, Saudi Arabia, Syria, Turkey, the United Arab Emirates, and Yemen.

currently to 16.3 mmt. Top two export markets for Middle Eastern PE suppliers are China (45% of total exports) and Europe (12% of total exports).

Competition[4]

The PE market is fairly fragmented, with the top producer globally being Exxon Mobil, with a share of capacity of approximately 8.6% as of 2019. Sinopec (5.2%), Dow (5.1%) and SABIC (4.8%) follow in the ranking.

Monoethylene Glycol

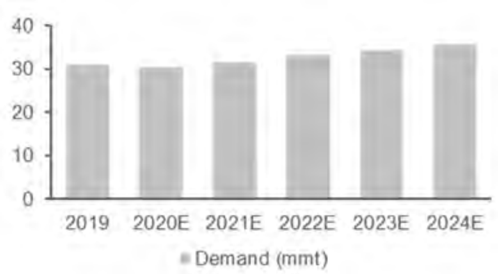
According to IHS Markit, monoethylene glycol ("**MEG**") accounts for 92% of the overall ethylene glycol market. It is primarily used for the production of polyester (PET), which accounted for more than 88% of MEG consumption as of 2019. PET is subsequently used in the production of bottles, fibres, films, solid-state resins and other consumables. The two main production processes include traditional (EO hydration) and unconventional (coal-to-MEG production technology ("**CTM**")) technologies. MEG is an odourless, colourless and slightly viscous liquid. It is also a widely traded product that is relatively easy to transport.

Demand

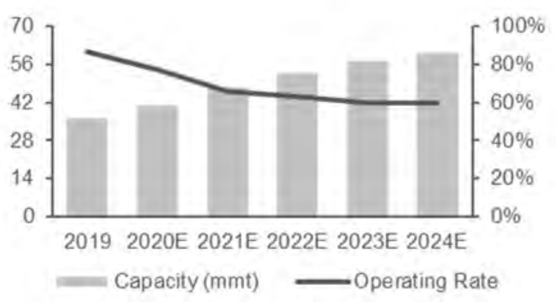
In general, consumption of MEG is highly correlated with the performance of the global economy. IHS Markit figures show that since 2000 the consumption of MEG has increased at an average rate of 4-5% per annum. In 2019, the world MEG demand stood at about 30.5 mmt and is dominated by China (approximately 57%), as well as India (approximately 9%) and the U.S. (approximately 6%). It is worth noting that the rapid growth of the PET market (solid-state polyester resin, polyester fibres and polyester film) has triggered the increase in MEG consumption; the share of MEG used to produce PET has significantly grown over the past three decades from approximately 2% to the current level of 88%.

IHS Markit expects that from 2019 to 2024, MEG demand will increase at a slower pace of 2.9% per annum largely due to growing global PET polymer capacity. Of the approximately 4.7 mmt in additional MEG demand forecasted by 2024, 3.6 mmt is attributable to China, 0.4 mmt to India and 0.4 mmt to each of the U.S. and the Middle East. Between 2019 and 2024, IHS Markit forecasts MEG consumption to grow at a CAGR of 6.0% in the Middle East, 3.8% in the US and a slight decline of (1.6%) in Western Europe due to low-cost PET product imports placing downward pressure on regional PET polymer production.

Global MEG demand



Global MEG Supply



Source: IHS Markit.

Supply, Operating Rates and Trade

Over the last decade the Middle East and Northeast Asia have contributed more than 90% to the global MEG supply capacity additions whereas Europe, Japan and North America have reduced their MEG capacities. During 2014-2019, according to IHS Markit, global MEG capacity increased by a CAGR of

4 Percentages in this subsection aggregate market share according to shareholdings in producing assets (as opposed to direct production from the respective companies).

5.6% while global MEG demand increased by a CAGR of 5.2%, resulting in a slight softening of the operating rate to 84% in 2019. Through 2024, IHS Markit expects MEG capacity growth (average 10.8% per annum) to outpace consumption growth (average 2.9% per annum), resulting in increased competition among producers and reducing the global operating rate to 60% in 2024.

A notable recent disruptive technology in the MEG production space is the CTM developed in China with the aim to capitalise on the country's coal resource abundance. However, the operating rate of CTM plants is still relatively low (IHS Markit estimates this at 58% in 2019) due to production quality and reliability issues, although this is expected to improve as the technology matures. In the mid-term, the U.S. is expected to capitalise on its competitively priced ethane, which is a result of shale gas production. According to IHS Markit estimates, the U.S. will subsequently contribute approximately 11% of total MEG capacity additions by 2024 by means of four large-scale projects on the U.S. Gulf Coast.

In 2019, 52% of global MEG production was internationally traded. Based on IHS Markit data, MEG exports are dominated by the Middle East (56%) as the region has the most cost competitive facilities, which is a result of cheap ethane feedstock and large-scale production facilities. Northeast Asia, in particular China, is the dominant export destination for Middle Eastern MEG. However, the rapidly growing shale production in the U.S., the feedstock for MEG production process in North America becomes significantly cheaper and should increase the competition.

Competition

According to IHS Markit, in 2019 the MEG industry was moderately concentrated with the top 10 producers making up 51% of global capacity. The world's leading producers are SABIC (10%), Shell (7%), SINOPEC (6%), Formosa Plastics (6%), and Lotte Chemical (4%) through either direct ownership or joint ventures. SABIC production facilities are primarily located in Saudi Arabia and therefore benefit from lower cost ethane feedstock and large-scale complexes as well as a joint venture in China, which provides SABIC with a competitive trading position.

Propylene

Propylene is the second largest chemical produced globally with more than 113 mmt in 2019 (IHS Markit). It is an important raw material for the production of organic chemicals such as polypropylene, acrylonitrile, propylene oxide and oxo alcohols. Propylene demand for chemical derivatives is heavily dominated by the production of polypropylene. After further processing, propylene is found in durable goods (cars and furniture), packaging, and infrastructure (buildings and houses).

Demand

IHS Markit estimated the global propylene consumption to amount to approximately 113 mmt in 2019. The growth in propylene demand is primarily driven by the development of polypropylene capacities. China and the US are currently, by far, the largest consumers of propylene in the world. The next largest markets include South Korea, Saudi Arabia, India and Japan. According to IHS Markit, propylene demand is expected to grow over 23 mmt at CAGR of 3.3% between 2019 and 2024. Northeast Asia (mainly China) will be the largest contributor of the future demand growth, followed by North America, Southeast Asia and Indian subcontinent.

Supply, Operating Rates and Trade

According to IHS Markit, global total propylene capacity were estimated at c.143 mmt in 2019, with an operating rate of c.78%. Northeast Asia has the largest propylene capacity of the global total with China itself holding 24% global share. Next producing regions are North America, Western Europe and the Middle East. Propylene capacity additions during 2019-24 period, including firm and hypothetical capacity will be over 32 mmt with nearly 17.5 mmt of the capacity gain via on-purpose technologies.

Competition

The propylene competitive landscape is fairly diverse. Major producers include chemical corporations such as LyondellBasell, Dow, SABIC and others as well as oil companies such as ExxonMobil, Shell, Total and others.

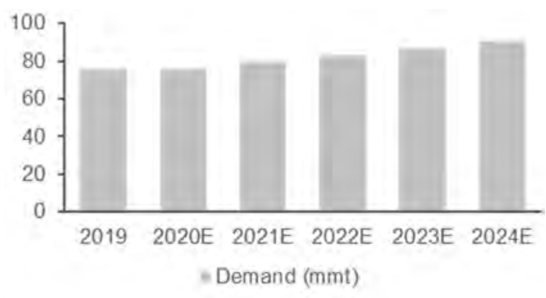
Polypropylene

PP is the single largest end use for propylene, and accounted for approximately 61% of the total demand in 2019. In terms of physical properties, polypropylene is a lightweight, versatile polymer with excellent chemical resistance, relatively high rigidity and an elevated melting point compared to other plastics (such as PE). PP is used in a wide variety of applications, ranging from diapers, household and food containers, toys, carpet fibres, automotive parts, durable goods, etc.

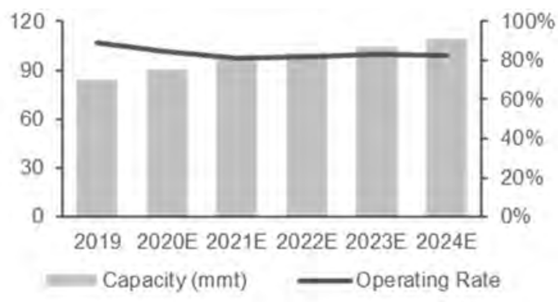
Demand

In 2019, global polypropylene demand amounted to c.76 mmt in 2019. Global demand is expected to increase by a CAGR of 3.7% over 2019-24. In North America, the PP demand is expected to recover as the automotive industry resume production in the second half of 2020 and continue to increase as the GDP growth rebounds to pre-COVID level in the forecast period. Global PP demand is primarily driven by China.

Global PP Demand



Global PP Supply



Source: IHS Markit.

Supply, Operating Rates and Trade

Global PP capacity amounted to 84 mmt in 2019. It is forecast to grow by a CAGR of 5.3% over 2019-24. Production in North America is expected to be curtailed by propylene supply until oil prices recover post 2020. In Asia, weaker negative non-integrated margins are expected to continue through 2024 and pressure high cost producers to cut back on output or rationalize capacities. Slower growth in capital projects in the long term provides support for higher forecast post 2025.

Competition

According to IHS Markit, there are 15 producers with annual capacities of 1 mmt or above. LyondellBasell is the top PP manufacturer worldwide, with capacities focused on Western Europe and North America. The other producers in the top five are Braskem (mostly based in South and North America), Reliance Industries (India), SABIC (Middle East, Western Europe and China), ExxonMobil (North America and Southeast Asia).

Benzene

Benzene is a large volume commodity (production of 50 mmt in 2019) petrochemical that is primarily produced in oil refineries and steam crackers, or as a by-product of p-xylene production. According to IHS Markit, benzene is produced primarily as a by-product; therefore, its supply is not driven by the global benzene demand, but rather by the demand for other products such as gasoline, ethylene and p-xylene. It is known carcinogen, and thus its direct applications are heavily regulated. Globally benzene consumption is dominated by the production of two major derivatives: ethylbenzene and cumene.

Demand

According to IHS Markit, world benzene consumption amounted to 51 mmt in 2019. Northeast Asia was the single largest consuming region with 50% of the global total. Over the past decade, there was a demand shift from the West (Western Europe and North America) to the East (Northeast Asia, Middle East and Southeast Asia) with the commissioning of new benzene derivative capacities. IHS Markit expects benzene consumption to grow at a CAGR of c.1.7% per annum through 2024.

Supply, Operating Rates and Trade

Based on IHS Markit, the global benzene capacity amounted to 64 mmt in 2019. Production topped 50 million metric tons for the first time, resulting in an operating rate of c.76%. Capacity and production increases in 2019 kept the market well supplied. In 2018, Northeast Asia was the single largest benzene producing region with 44% of the world's total. Within the region, China accounted for 53% of the total capacity, making it the world's largest benzene producer. IHS Markit expects the global benzene capacity to expand by a CAGR of 2.6% through 2024 with more 7 mmt of additional capacity due to come on stream.

Styrene

Styrene is a clear, colourless liquid with a low odour threshold, and it is easily stored and transported. According to IHS Markit, the product is one of the highest-volume commodity chemicals traded, with about 26% of global annual production traded internationally based on 2019 statistics. Practically, all commercially produced styrene comes from manufacturing processes that start with benzene and ethylene. PS, EPS and ABS are the most important derivatives for styrene, accounting approximately 76% of the overall global demand.

Demand

According to IHS Markit, the global styrene derivative demand has reached slightly higher than c.30 mmt in 2019. During the past two years, the market experienced a modest growth, challenged by various geopolitical issues including the US-China trade war. In 2019, demand was weakest in North America and Western Europe, resulting in declines in both regions. Most other regions experienced 2019 growth in line with global GDP. The Northeast Asian region, primarily driven by decreased demand in China, only grew by 3%, but still higher than the prior three-year average based on IHS estimates, the global styrene demand growth through 2024 is expected to hover around CAGR of 1.3% and is forecast to be insufficient to over new capacity during the same period.

Supply, Operating Rates and Trade

Based on IHS Markit findings, current total production capacity amounted to just over 34 mmt in 2019 with estimated operating rates hovering around 88%. This industry dynamic is now heading into a period of significant capacity additions and lengthening balances. Over 2019-24, global production capacity is forecast to grow at a CAGR of 4.0%.

Methanol

Methanol is a colourless liquid derived from natural gas or coal. It can be used directly as a fuel in internal combustion engines or as an ingredient for a wide range of chemicals that have applications in a variety of sectors, including (among others) textiles, packaging, furniture, coating and construction. One of the main uses for methanol is in formaldehyde synthesis which in turn is used to manufacture resins, paints, with additional applications in healthcare and in the automobile industry. According to IHS Markit, in 2019 formaldehyde accounted for 27% of total methanol 2019 demand. Other major uses for methanol include the production of olefins, MTBE and methyl tert-amyl ether ("**TAME**")[5], and as a blending component for gasoline.

Demand

In 2019, global consumption for methanol amounted to almost 82 mmt according to IHS Markit. Demand for methanol is driven by various factors, with global economic growth affecting demand for end-markets

5 Used as a gasoline octane improver (banned in several countries, including, USA, Canada and Japan among others), and as a solvent.

such as adhesives, fuel additives, coatings, solvents and paints. Meanwhile, other end-markets such as biofuels are heavily driven by regulation. The Chinese push for self-sufficiency is also increasing demand, especially due to the increasing production of methanol-to-olefin ("**MTO**") and methanol-to-propylene ("**MTP**") processing plants in China.

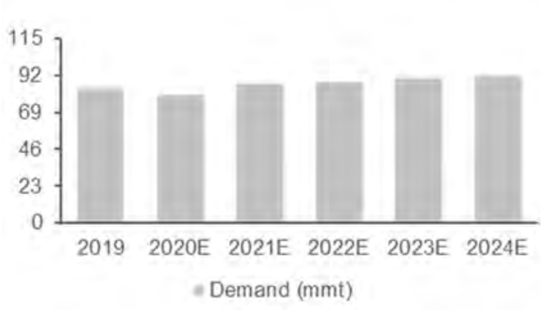
As of 2019, China was the single largest demand driver, accounting for 59% of the global total. Over the period 2014-2019, global methanol demand grew at a rate of approximately 4.9% per year, mostly driven by increasing Chinese fuel consumption and Chinese development of MTO/MTP production plants. Methanol demand has largely stagnated in most regions around the world since 2000, but has been growing at a fast pace of approximately 11.3% per annum. As per IHS Markit data, Western Europe and the U.S. each constituted approximately 9% of the market.

In 2019, Western Europe consumed approximately 7 mmt of methanol according to IHS Markit. For the years 2019-2024, the region's consumption is expected to grow at approximately 1.2% per annum. The top three end-uses for methanol in Western Europe are formaldehyde (approximately 48%), biodiesel (approximately 14%), and MTBE/TAME (9%). The market for many end-uses in Western Europe has matured over the last few years.

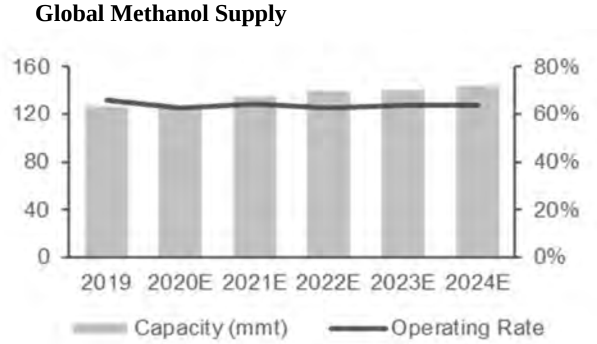
In 2019, the Middle East consumed approximately 3.3 mmt of methanol according to IHS Markit. For the years 2019-2024, the region's consumption is forecast to grow at approximately 1.1% per annum. The top three end-use distributions for methanol in the Middle East are MTBE/TAME (c. 56%), formaldehyde (c. 22%), and acetic acid (c. 8%).

In 2019, China consumed approximately 48.2 mmt of methanol according to IHS Markit, and represented the single largest market in the world. For the years 2019-2024, the region's consumption is expected to grow at approximately 2.7% per annum. The top three end-uses for methanol in China are MTO/MTP (c. 24%), formaldehyde (c.23%), and gasoline blending (c. 13%).

Global Methanol Demand



Global Methanol Supply



Source: IHS Markit.

Supply, Operating Rates and Trade

As of 2019, global production capacity of methanol was approximately 127 mmt, with a global operating rate of 65%; however, on an effective capacity basis, IHS Markit estimates operating rates to be much higher, at approximately 82%[6]. Over the past decade global capacity has more than doubled according to IHS Markit, with growth primarily driven by capacity additions in China, and to a lesser extent, the Middle East. The leading methanol producer by capacity is China, with a 53% share of the total in 2019, while the Middle East is the second largest with 16% of the global capacity.

According to IHS Markit, over the past five years, methanol capacity increased at a sustained average rate of 4.1% per annum, primarily driven by Chinese capacity additions. Operating rates, nevertheless, have gradually improved over the same period as a result of demand growth (4.9% per year) outpacing capacity increases. Global methanol production capacity is expected to increase at a CAGR of 2.6%, to reach c. 144 mmt in 2024. China is still expected to dominate the global output, with the Middle East and North America both expected to gain market share.

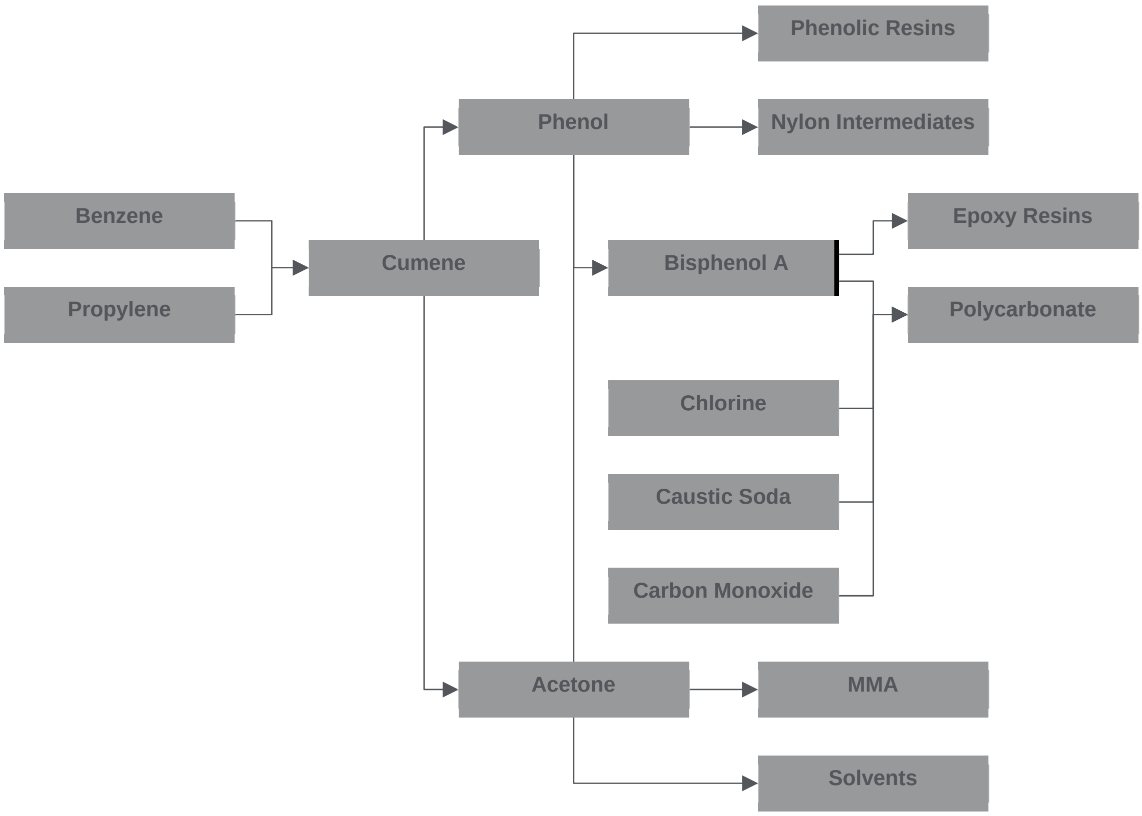
[6] Effective capacity defined as the total production achievable by an asset given current operating constraints. Effective capacity can differ from nameplate capacity due to seasonal changes in the availability of resources, the quality of feedstock, other environment-specific factors etc.

Competition

According to IHS Markit, the producer landscape is fairly fragmented with the top 15 companies/shareholders accounting for approximately 33% of total global capacity. Methanex is the largest player with a market share of 7.5%, while NPC Iran holds the second largest share of approximately 3.5%. SABIC is now the third largest methanol producer globally with a 3.4% share. The company has a total installed capacity of 4.3 million metric tons. Other major producers include Shanxi Jincheng Anthracite Mining Group, Consolidated Energy, Petronas, etc.

Polycarbonates

Polycarbonate (PC) resins are tough, very clear polymers with exceptional ductility and impact resistance, as well as high heat resistance, transparency and advantageous engineering properties over a wide range of temperatures. PC also has very good resistance to inorganic acids, salts and oxidising agents, but limited resistance to organic solvents. PC is widely used in applications requiring resistance to impact: industrial, leisure, sport, optical media etc. In fact, electrical / electronics is the largest demand segment, and one of the fastest growing. The second largest end-use is sheet and film which is closely associated with the construction industry. The diagram below demonstrates the PC resin value chain.



Source: IHS Markit.

Demand

According to IHS Markit data, global consumption of PC is estimated at approximately 4.4 mmt in 2019. Global polycarbonate demand growth at 3.3% is forecast to be higher than worldwide GDP at 2.9% during 2019-24. Global demand will shift gradually from the West to Asia. As a proportion of global demand, the Americas (North and South America) and EMEA (Europe, Middle East and Africa) will each decline 2 percentage points during 2019-24, from 15% to 13% and from 21% to 19%, respectively. Conversely, the proportion of demand from Asia (Northeast Asia, Southeast Asia, and the Indian Subcontinent) will rise from 64% to 68% as economies in Asia grow more quickly.

As per IHS Markit, in Northeast Asia, the total demand in 2019 is estimated at c.2.4mmt, c.77% of which corresponds to China. The outlook for the polycarbonate demand has been influenced by slower growth in

China's end-use consumption and the expectation of falling export volume of finished goods because of the trade dispute between China and the United States. Electronics / electrical is Northeast Asia's single largest end-use sector for polycarbonate. (IHS Markit)

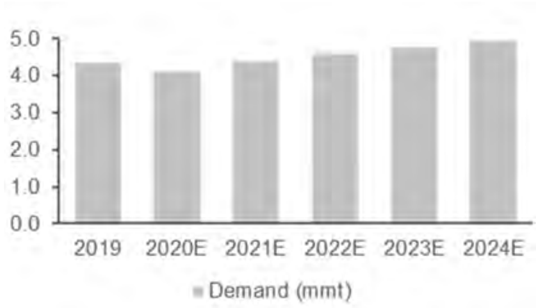
As per IHS Markit, domestic PC demand in the Middle East is estimated at c.109,000 mt in 2019. This amounts to 2.5% of the global consumption in 2019. Turkey holds the largest share in the Middle East with 53,000 mt in 2019 which represents 48% of the total regional demand. Saudi Arabia represents c.15% of the regional PC demand. For the period of 2019-24, the PC demand is forecast to grow at AAGR of 1.4% in the region. In absolute terms, the demand growth is expected to constitute 8,000 metric tons during the next five years.

Supply, Operating Rates and Trade

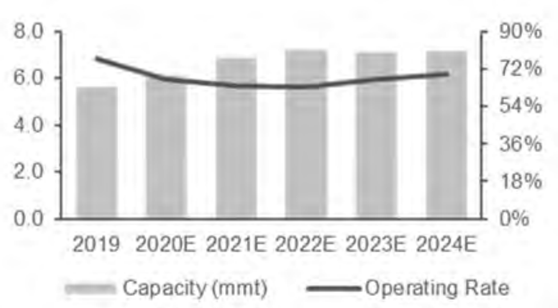
IHS Markit estimates global PC production capacity at 5.6 mmt in 2019. The global capacity is forecast to grow at AAGR of 6.9% during 2019-24, more than double the demand growth rate. Consequently, the global PC market is swinging from the "balanced" market of recent experience to a "long" market for the duration of the forecast period. Once the already announced capacity comes online, the global polycarbonate market will have sufficient capacity to meet the projected demand growth in the longer term (until 2029/2030 under the current trajectory). In addition, global PC plant operating rates are forecast to plunge from 82% in 2018 to 64% in 2024.

Rising capacity is forecast to cause trade to decline as Asia produces more and imports less from the West. Imports are forecast to fall from nearly 60% to less than 45% of global demand over the next five years. As a result, supply and availability of PC will rise in every region of the world.

Global Polycarbonate Demand



Global Polycarbonate Supply



Source: IHS Markit

Competition

According to IHS Markit, Covestro and SABIC are the primary global producers in the PC space with c.1.5 mmt and c.1.1 mmt of total PC capacity in 2019 respectively. Teijin is a distant third-largest producer, with about 5% of the global total in 2019, followed by Saudi Kayan and the Lotte Group.

As of 2019, SABIC holds 72% of the regional total production in North America and operates the two largest plants with a total capacity of 598,000 mt. SABIC is also a major producer in the Western Europe with 480,000 mt in Spain and the Netherlands accounting for 41% of the total regional production.

MTBE

Methyl tertiary-butyl ether (MTBE) and ethyl tertiary-butyl ether (ETBE) are primarily used as a blend component in the gasoline pool. MTBE can be readily produced at refineries at a relatively low cost, is frequently blended directly at the production site and, then transported via existing pipelines.

Demand

Global MTBE demand is estimated at 25 mmt in 2019. More than half of global demand, c.13 mmt, is currently consumed in Northeast Asia. China is, evidently, the key end-use market for MTBE with an estimated consumption of c.12 mmt in 2019. However, future growth in China is likely to halt and MTBE demand is even expected to decline in the next decade owing to growing use of ethanol in the Chinese gasoline pool.

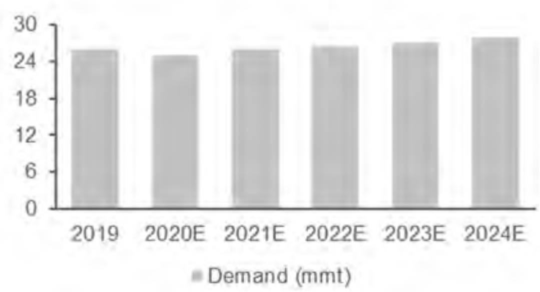
The growth of MTBE demand in emerging markets such as Mexico, Turkey, and various Asian countries is compensating for the stagnant or even declining demand seen for MTBE and gasoline in more mature markets such as Western Europe. In Europe and Japan, MTBE faced competition from growing ETBE demand over the last 10 years. ETBE demand is almost exclusively driven by biofuel regulations. (IHS Markit)

Supply

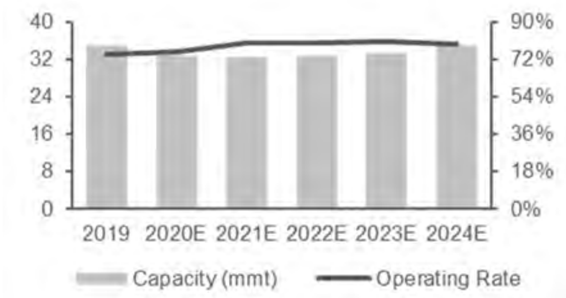
Over the last five years, global MTBE capacity has increased significantly at AAGR of 5.5%. In 2019, global MTBE production capacity amounted to c.37 mmt. Global operating rates are estimated to be c.69%, on average, slightly higher than in 2014, as capacity growth has been lower than demand growth over the last five years. (IHS Markit)

The drive toward the use of E10 (gasoline containing 10% ethanol) in China from 2020 onward will reduce domestic demand from the gasoline pool and also result in a slowdown and eventually a complete stop to investments in new MTBE capacity in the region. In the second half of the upcoming decade, closures of MTBE plants may well become an important feature of the Chinese market. Chinese annual nameplate capacity is projected to increase by about 1.4 mmt from 2019 till 2024. (IHS Markit)

Global MTBE Demand



Global MTBE Supply



Source: IHS Markit

Specialty Plastics

Through its Specialties SBU, SABIC leverages its deep technical expertise to deliver tailored, technologically advanced applications to a wide range of industries. Given the diversity of specialty formulations SABIC produces, the following paragraphs only provide an overview of dynamics for a representative group of products, namely (under SABIC registered trademarks): ULTEM resins, NORYL resins and LNP compounds and copolymers. These are highly differentiated products that offer a distinct set of physical properties.

ULTEM resin is a high performance thermoplastic resin (PEI), which provides high thermal, high strength, flame resistant properties. SABIC expects more than 50% of future growth for ULTEM resins to come from APAC in existing and emerging applications. Main current applications include: 5G telecom infrastructure, miniaturisation, automation and smart devices.

NORYL is a specialty engineering polymer, which combines the benefits of PPE (polyphenyl ether) with excellent dimensional stability, good processability and low specific gravity. SABIC estimates NORYL demand is driven by the megatrends of electric mobility and renewable energy and application development in fluid engineering. Commercially, SABIC sees strategic positions for NORYL in the Americas as well as Europe and a growing position in selected segments in APAC. Current applications include: electric mobility, external body panels in automobiles, photovoltaic junction boxes and fluid engineering.

LNP compounds and copolymers consist of unique combinations of resin system, fillers, additives and flame retardants. Through this product line, SABIC intends to expand its position in the high heat thermoplastics business, particularly using semi-crystalline resins processed through strategic alliances. An important goal here is for SABIC to become a strategic supplier in APAC for compounded high performance products. Selected applications include: the production of insulin pens as well as materials used in mobile phones and circuit solutions.

Agri-nutrients

Ammonia and Urea

Ammonia is a compound of nitrogen and hydrogen, a colourless gas which is both caustic and hazardous in its concentrated form. It contributes significantly to the nutritional needs of organisms by serving as a precursor to food and fertilisers, is a building block for the synthesis of various pharmaceutical products and is used in many commercial cleaning products. Significant portion of the global ammonia supply is used to produce urea. As of 2020, according to CRU, Ammonia prices across major benchmarks fell by $35-65/t throughout H1 2020 on the back of negative sentiment driven by the COVID-19 pandemic.

Urea is an organic compound that serves an important role in the metabolism of nitrogen-containing compounds in organisms. It is a solid nitrogen fertiliser and supplied in prills/pellets, granular or liquid form. Urea has the highest nitrogen content of any fertiliser and is therefore the most important source of nitrogen globally. Over 80% of the global urea production is used to produce urea fertilizer and the rest is used in industrial application.

As both ammonia and urea are (mostly) in the fertiliser supply chain, their dynamics are closely related.

Demand

CRU (June, 2020) states that global ammonia consumption is forecast to increase year-on-year by 1.5 mmt to 188.1 mmt in 2020, driven growth in demand for direct application and downstream fertilizer production. Additionally, the CAGR from 2020 to 2024 is forecast to amount to 1.6%, primarily driven by downstream urea consumption. Downstream demand growth for urea is weighted towards 2021 and 2022 as a series of export-orientated plants commission in Nigeria, Russia and Brunei. Industrial demand is forecast to recover beyond 2020, whereas demand for phosphates and direct application is forecast to remain relatively flat.

According to CRU, urea consumption will be the largest sector of growth for downstream ammonia demand, primarily driven by capacity additions at export-orientated plants located in the CIS, Brunei and Nigeria, and by politically motivated additions in India. These will more than offset a net reduction in capacity in China, as the commissioning of more efficient, lower-cost capacity occurs at a slower rate than the closure of higher-cost capacity. Growth is forecast to be centred around Morocco, Russia and Saudi Arabia, which will offset the declines in ammonia requirement for phosphate production in the US and China.

Based on CRU estimates, global urea demand was 163.2 mmt in 2019, the majority of which corresponds to technical urea demand and the rest is consumed by fertilizers. Technical uses of urea include resins and adhesives, animal feed, flame retardants, de-icing and stabilisation of explosives. Urea consumption in these areas is expected to grow following macroeconomic projections for global industrial production and region-specific trends observed in the medium-term. CRU forecasts technical urea demand to grow by 2.4% per annum till 2044 and to outpace the growth of 1.6% in fertilizer demand. Total urea demand is projected to reach 256.3 mmt in 2044 with long-term demand growth skewed towards such as Africa, South America, Eastern Europe and Southeast Asia.

Supply, trade and operating Rates

CRU forecasts global ammonia capacity to increase at a CAGR of 0.8% in the next five years, from 231.6 mmt in 2020 to 238.9 mmt in 2024. Ammonia demand is forecast to rise by 12.6 mmt over the same period, faster than the rate of capacity additions, causing global utilisation rates to increase from 81% in 2020 to 84% in 2024. Global ammonia production is forecast to rise from 188.1 mmt in 2020 to 200.8 mmt in 2024 at a CAGR of 1.6%.

According to CRU, global ammonia exports in 2020 are forecast to increase marginally year-on-year to 19.5 Mt in 2020, despite COVID-19 demand disruptions. Much of the industrial demand impact in the Far East is offset by expectations of higher imports into China, as investment in port infrastructure and arbitrage opportunities boost volumes in 2020. Global trade is forecast to grow at a CAGR of 2% in the medium-term, reaching 21.2 Mt by 2024. Russia is forecast to remain the largest exporter until 2022, which is expected to be replaced by Saudi Arabia when Ma'aden commissions its new ammonia plant ahead of its downstream phosphate capacity expansion (CRU, 2020).

Given the global demand for urea is increasing, a combination of the expansion of existing producers and the start-up of new producers is needed to satisfy demand. CRU (June, 2020) supply gap analysis shows that neither today's existing urea capacity nor the forecast planned capacity will provide the market the tonnes it requires beyond 2026. Based on CRU estimates, global urea supply stood at around 180 mmt in 2019 and is forecast to remain largely

Metals

Steel

Steel is one of the most commonly used alloys in the world. Because of its high tensile strength and relatively low cost, it is used as a major component in infrastructure, vehicles, tools and machines. Its demand is highly dependent on GDP growth as well as construction activity, which is in turn driven by the rate of urbanisation and population growth. There are two general classifications of steel, which are crude steel and finished steel. Crude steel or raw steel is defined as steel in the first solid state after melting, suitable for further processing and used as a supply metric. Finished steel refers to steel products that have already been refined and is therefore referenced as a demand metric.

Demand

According to a research paper by AME group, the global steel demand amounted to 1.76 billion tonnes in 2019. In a post COVID-19 economy, AME forecasts global demand for steel to grow at a CAGR of 2.65% by 2024 as inventories replenish, the impact of COVID-19 restrictions abate and government policy responses flow through to demand in the steel market. The largest consuming regions of steel in 2020 are Asia (72%), Europe (9.9%) and North America (6.9%) followed by CIS and the Middle East. AME expects such a geographical demand split to continue in 2024.

AME estimates that the Middle East accounted for approximately 2.7% of global demand for finished steel in 2019. In the Middle East, Saudi Arabian finished steel demand in 2019 is estimated at 8.74 mmt, which is expected to grow at a CAGR of approximately 6% through 2024. Iran accounts for the largest share of the Middle Eastern consumption with approximately 38% of the regional demand in 2019. AME expects the regional demand to grow rapidly in the long-term, though off low bases so its total addition to global demand will remain relatively modest.

Supply

Based on AME estimates, the global crude steel production reached 1.87 billion tonnes in 2019, which is projected to grow at a CAGR of 2.4% through 2024 to reach approximately 2.03 billion tonnes. China retains the spot as the dominant crude steel producer and is forecast to account for over half of the global crude steel production contributing 1.04 billion tonnes by 2024, according to AME. The next largest steel producing nations through 2024 will be India (160 mmt), Japan (97 mmt) and the US (92 mmt).

According to AME, the Middle Eastern crude steel production reached 48 mmt in 2019, 17% of which corresponds to Saudi Arabia. Saudi Arabia is the second largest steel producing nation in the region, preceded by Iran which accounted for 66% of the total regional production. Saudi Arabian crude steel production is estimated to grow at a CAGR of 4.9% through 2024 to reach more than 10 mmt. Overall, the regional steel production is expected to reach 62 mmt by 2024 with a CAGR of 5%.

Competition

According to the World Steel Association ("**WSA**"), as of 2019 the top five steel producers in the world contributed 17.8% to global demand with the top players being Arcelor Mittal (5.2%), China Baowu (5.1%), NSSMC (2.8%), HBIS (2.5%) and POSCO (2.3%).

Based on AME estimates, as of 2019, the biggest steel producing companies in the Middle East were Mobarakeh EAF in Iran (7.0 mmt), Hadeed (5.5 mmt) in Saudi Arabia, Khouzestan (4.5 mmt) in Iran and Emirates Steel (3.3 mmt) in the UAE. Steel supply in the Middle East is significantly lower than demand with Saudi Arabia specifically accounting for net import of 3.9 mmt in 2019. As of 15 May 2018, the GCC

(Gulf Cooperation Council) nations imposed a safeguard tariff on steel product imports, thereby providing producers in the region with a relatively advantaged position.

OVERVIEW OF THE KINGDOM OF SAUDI ARABIA

Geography

Saudi Arabia comprises a land area of approximately 2,150,000 square km. and is located in the Arabian Peninsula, a peninsula of south-west Asia situated north-east of Africa. Saudi Arabia has coastlines on the Red Sea to the west and the Arabian Gulf to the east. It is bordered in the north and north-east by the Hashemite Kingdom of Jordan and the Republic of Iraq, in the east by the State of Kuwait, the State of Qatar and the United Arab Emirates, in the south-east by the Sultanate of Oman, in the south by the Republic of Yemen, and is connected to the Kingdom of Bahrain by the King Fahd Causeway. Saudi Arabia is the largest country in the GCC.

The capital city of Saudi Arabia is Riyadh. Saudi Arabia has undergone rapid urbanisation in recent decades, and over 80% of the population of Saudi Arabia currently lives in cities, with approximately half the population of Saudi Arabia being concentrated in the six largest cities of Riyadh, Jeddah, Makkah, Medina, Ta'if and Dammam. Makkah, the birthplace of the Prophet Muhammad (peace be upon him ("**PBUH**")), is home to the Grand Mosque (*al-masjid al-haram*), which surrounds Islam's holiest site (*al-ka'bah*), which is the direction of Muslim prayer. Medina, the burial place of the Prophet Muhammad (PBUH), is home to the Prophet's Mosque (*al-masjid an-nabawi*) and is Islam's second holiest city after Makkah.

In the west of Saudi Arabia, a geological exposure known as the Arabian-Nubian Shield contains various precious and basic metals such as gold, silver, copper, zinc, lead, tin, aluminium and iron and, mainly in the east of Saudi Arabia, extensive sedimentary formations containing various industrial minerals. Saudi Arabia's deeper sedimentary formations in the eastern part of the country contain most of its proven and recoverable oil reserves.

Population and Demographics

The population of Saudi Arabia was estimated to be 34.2 million as at 31 July 2019, representing growth of 2.4% as compared to 33.4 million as at 31 July 2018. Saudi Arabia has a young population, with just over half of Saudi nationals being under the age of 30 and 31.5% under the age of 15 (source: The General Authority for Statistics (GASTAT)).

The non-Saudi portion of Saudi Arabia's total population comprises expatriates from neighbouring states as well as significant numbers of expatriates from Asia (mostly from India, Pakistan, Bangladesh, Indonesia and the Philippines), Europe, the Americas and other countries around the world. The official language of Saudi Arabia is Arabic, although English is widely spoken.

Government and Political System

Saudi Arabia is a monarchy with a political system rooted in the traditions and culture of Islam. The Custodian of the Two Holy Mosques, the King of Saudi Arabia (the "**King**"), is both the head of state and the head of the Government. Royal Decree No. A/90 dated 1 March 1992 (the "**Basic Law of Governance**") provides that the Holy Quran and Sunnah (the teachings of the Prophet Muhammad (PBUH)) form the primary sources of law in Saudi Arabia. The Basic Law of Governance specifies that the King must be chosen from among the sons of the founding King, the Late King Abdulaziz bin Abdul Rahman Al Saud ("**King Abdulaziz**"), and their male descendants. In 2006, the Allegiance Council (*hay'at al-bay'ah*) was established, comprising: (i) the surviving sons of King Abdulaziz; (ii) one son of each deceased/incapacitated son of King Abdulaziz; and (iii) one son of the incumbent King and one son of the incumbent Crown Prince, both appointed by the incumbent King, to determine which member of the royal family will be the next King and the next Crown Prince. The current King, Custodian of the Two Holy Mosques King Salman bin Abdulaziz Al Saud, acceded to the throne on 23 January 2015. The current Crown Prince is His Royal Highness Prince Mohammed bin Salman bin Abdulaziz Al Saud, who also holds the positions of Deputy Prime Minister, Minister of Defence, Chairman of the Council for Economic and Development Affairs and Chairman of the Council for Political and Security Affairs.

Saudi Arabia is divided into 13 provinces, each of which has a governor and a provincial council. The provincial councils are empowered to determine the development needs of their respective provinces, make recommendations and request appropriations in the annual budget. Saudi Arabia's 13 provinces comprise Riyadh, Makkah, Medina, the Eastern Province, Asir, Al Baha, Tabuk, Al Qassim, Ha'il, Al Jouf, the

Northern Borders, Jizan and Najran. These provinces are further divided into 118 governorates, which are in turn sub-divided into municipalities. Pursuant to the Law of Regulation of Municipalities and Rural Areas, issued by Royal Decree No. 5/M in 2003, the term of each municipal council is two years and half of the members of any municipal council must be chosen by elections, while the other half are appointed by the Minister of Municipal and Rural Affairs. In 2015, women were allowed to stand for election to, and vote for the members of, the municipal councils.

Council of Ministers (majlis al-wuzara)

The King also holds the position of Prime Minister and presides over the Council of Ministers (*majlis al-wuzara*), which was established by Royal Decree in 1953, and currently comprises the First Deputy Prime Minister, 23 Ministers with portfolios and 12 Ministers of State. The Council of Ministers is selected by the King and is responsible for, among other things, executive and administrative matters such as foreign and domestic policy, defence, finance, health and education. The King and executive officials at the national, provincial and local levels also hold regular meetings, which are open to members of the public and where members of the public may discuss issues and raise grievances.

In 1974, in accordance with the Law of the Council of Ministers, the Bureau of Experts (formerly known as the Department of Experts) was established to assist the Council of Ministers. The Bureau of Experts is responsible for, among other things, reviewing and studying cases referred to it by the Council of Ministers and its sub-committees, drafting new laws, proposing amendments to existing laws and drafting forms for High Orders, Royal Decrees and Council of Ministers Resolutions, which are then presented to the Council of Ministers for approval.

Consultative Council (majlis al-shura)

In 1992, in conjunction with the promulgation of the Basic Law of Governance, the Law of Provinces (addressing the designation and administration of Saudi Arabia's provinces) and the Law of the Consultative Council (*majlis al-shura*) were introduced. The Consultative Council comprises 150 members, of which at least 20% must be females. The Chairman, Vice Chairman and General Secretary of the Consultative Council are appointed or removed by the King. The Consultative Council has the authority to draft, review and debate legislation, which is then presented to the Council of Ministers for approval. Legislation approved by the Council of Ministers only acquires the force of law once the King has issued his approval by way of a Royal Decree. However, the Council of Ministers or the relevant government ministry or authority may be delegated the power to enact further executive regulations that govern the implementation of such legislation.

Council for Political and Security Affairs and Council for Economic and Development Affairs

In January 2015, a Royal Order was issued consolidating 12 existing Government councils and commissions under two new councils: (i) the Council for Political and Security Affairs (the "**CPSA**"); and (ii) the Council for Economic and Development Affairs (the "**CEDA**"). The formation of the CPSA and the CEDA was intended to promote greater efficiency and productivity in the various branches of the Government and enhance coordination between Government entities, thereby leading to swift decision-making and execution of proposals.

Council for Political and Security Affairs

The CPSA was established in January 2015 and its mandate is to oversee all aspects of Saudi Arabia's political and security affairs, both internally and externally. The CPSA is chaired by the Crown Prince, His Royal Highness Prince Mohammed bin Salman bin Abdulaziz Al Saud and its members currently include: the Chairman, the Minister of Interior, the Minister of the National Guard, the Minister of Defence, the Minister of Islamic Affairs, Call and Guidance, the Minister of Media, the Minister of Foreign Affairs, the Minister of Finance, Ministers of State, the Head of the Presidency of National Security, the Counsel of the National Security Centre and the Chief of General Intelligence.

On 27 December 2018, a Royal Order was issued to reform the CPSA. As a result, the CPSA now includes the following members: HRH the Crown Prince (Chairman), the Minister of Interior, the Minister of Media, the Minister of Foreign Affairs, four state ministers, the Head of the Presidency of National Security, the Counsel of the National Security Centre and the Chief of General Intelligence.

Council for Economic and Development Affairs

The CEDA is intended to consolidate a number of relevant governmental institutions in one central organisation to provide a uniform direction for Saudi Arabia's economic growth and development. The CEDA is chaired by the Crown Prince, His Royal Highness Prince Mohammed bin Salman bin Abdulaziz Al Saud and its members currently include: the Chairman, the Minister of Justice, the Minister of Finance, the Minister of Energy, the Minister of Industry and Mineral Resources, the Minister of Labour and Social Development, the Minister of Housing, the Minister of Hajj and Umrah, the Minister of Economy and Planning, the Minister of Commerce and Investment, the Minister of Transportation, the Minister of Communication and Information Technology, the Minister of Municipal and Rural Affairs, the Minister of Health, the Minister of Civil Service, the Minister of Media, the Minister of Environment, Water & Agriculture, the Minister of Education and Ministers of State. The CEDA is responsible for, among other matters, the implementation and monitoring of Vision 2030 (defined below).

On 27 December 2018, a Royal Order was issued to reform the CEDA. As a result, the CEDA now includes the following members: HRH the Crown Prince (Chairman), the Minister of Culture, the Minister of Justice, the Minister of Health, the Minister of Commerce and Investment, the Minister of Municipal and Rural Affairs, the Minister of Environment, Water & Agriculture, the Minister of Energy, the Minister of Industry and Mineral Resources, the Minister of Housing, the Minister of Civil Service, the Minister of Labour and Social Development, the Minister of Hajj and Umrah, the Minister of Finance, the Minister of Economy and Planning, the Minister of Transportation, the Minister of Foreign Affairs, the Minister of Communication and Information Technology, the Minister of Media, the Minister of Education, the Head of Bureau of Experts, the Chairman of National Content Authority, the Chairman of the Saudi Commission for Tourism and National Heritage, the Secretary of the Finance Committee of the Royal Court and three state ministers.

Vision 2030

On 25 April 2016, the Government announced its new strategy, known as "**Vision 2030**", which sets forth a comprehensive agenda of socio-economic reforms with the aim of achieving fundamental economic, social and structural changes in Saudi Arabia by the year 2030. Vision 2030 is based upon three fundamental existing strengths of Saudi Arabia: (i) its importance in the Arab and Islamic world; (ii) its leading investment capabilities; and (iii) its unique strategic geographical location with the ability to connect the three continents of Asia, Europe and Africa.

Vision 2030 focuses on three broad themes, each of which aims to capitalise on Saudi Arabia's existing strengths in its society, culture, heritage and economy. The three themes highlighted in Vision 2030 are societal development, economic reform and effective governance.

The key objectives of Vision 2030 include the diversification of Saudi Arabia's economy and decreased reliance upon oil-related revenues, boosting the private sector's role in the economy, lowering unemployment and raising non-oil revenue. The vision includes regulatory, budget and policy changes to be implemented in a phased manner. Implementation over the first five years will be guided by the National Transformation Program 2020 which is designed to build the institutional capacity and capabilities needed to achieve the vision. The Council of Ministers has delegated to the CEDA the overall responsibility for establishing and monitoring the measures required for the effective implementation of Vision 2030, and the CEDA has in turn established an integrated governance model to implement detailed programmes to attain the desired results.

The key initiatives and goals under the "Vision 2030" include the following (source: Vision 2030 website):

- to implement a government restructuring programme and to strengthen public sector governance;
- to carry out a comprehensive regulatory review programme in the Kingdom;
- to restructure the PIF and increase the size of its assets;
- to implement a strategic transformation programme in respect of Saudi Aramco to diversify its activities and transform Saudi Aramco from an oil producing company into a global industrial conglomerate;

- the privatisation of certain economic sectors such as health, airports, post and desalination;
- creating and promoting foreign investment opportunities in the Kingdom;
- encouraging SMEs and encouraging larger companies to list their shares (including on secondary markets);
- to increase non-oil government revenues to SAR 1,000 billion in 2030 from an estimated SAR 163 billion in 2016;
- to increase private sector contribution to GDP to 65% in 2030 from an estimated 40% in 2016;
- to increase non-oil exports as a percentage of GDP to 50% in 2030 from an estimated 16% in 2016; and
- to lower the unemployment rate of Saudi nationals to 7% in 2030 from an estimated 11.6% in 2016 and to increase female labour force participation to 30% in 2030 from an estimated 22% in 2016.

Legal and Judicial System

Saudi law is derived from the Basic Law of Governance and legislation enacted in various forms, the most common of which are Royal Orders, Royal Decrees, High Orders, Council of Ministers resolutions, ministerial resolutions and ministerial circulars having the force of law.

Saudi Arabia follows a civil law system. Saudi Arabia's judicial system comprises the general courts, which have general jurisdiction over most civil and criminal cases, and specialised courts covering certain specific areas of law, including a system of administrative courts known as the Board of Grievances, a Specialised Criminal Court, and various adjudicatory or quasi-judicial committees with special jurisdiction over such matters as banking transactions, securities regulation, intellectual property, labour disputes, tax, electricity industry disputes and medical malpractice.

In 2007, the Government announced a restructuring of the judicial system, including the establishment of courts of appeal and a supreme court, as well as the merger of most special adjudicatory committees into the general courts, though exceptions were made for certain adjudicatory committees. The committees that are exempted from the 2007 reforms include the Banking Disputes Committee, the Committee for the Enforcement of the Banking Control Law and the Committee for Resolution of Insurance Disputes and Violations, each of which operates under the aegis of the Saudi Arabian Monetary Authority; the Committee for the Resolution of Securities Disputes, which operates under the aegis of the Saudi Capital Markets Authority; and the Committee for Resolution of Custom Duties Disputes. The 2007 reforms also proposed the transfer of jurisdiction over commercial disputes from the Board of Grievances to the commercial courts which started to hear disputes of a commercial nature as of 22 September 2017 pursuant to the Circular of the Supreme Court of Justice No. T/967 dated 01/01/1439H (corresponding to 22 September 2017). However, with the exception of the establishment of the courts of appeal and the supreme court, most of these reforms are yet to be put into practice.

The Board of Grievances has exclusive jurisdiction to hear claims against Government bodies. Before March 2012, the Board of Grievances had exclusive jurisdiction to consider the enforcement of foreign judgments and arbitral awards; however, with the enactment of the Enforcement Law in March 2012, this jurisdiction was transferred to newly-created "Enforcement Departments" staffed by specialised "enforcement judges". The Enforcement Departments may, at their discretion, enforce all or any part of a foreign judgment or arbitral award, subject to certain conditions, which include compliance of such judgment or award with public policy in Saudi Arabia. Pursuant to the Insolvency Law issued by Royal Decree no. M/50 dated 13 February 2018, which came into effect in August 2018, the Board of Grievances' exclusive jurisdiction to supervise insolvency and bankruptcy proceedings relating to commercial entities was transferred to the Commercial Court.

In June 2017, a Royal Order was issued changing the name of the Bureau of Investigation and Public Prosecution to the Public Prosecution and establishing it as an independent government body that reports directly to the King, headed by a general prosecutor.

On 4 November 2017, the Supreme Anti-Corruption Committee (the "**Anti-Corruption Committee**") was formed by Royal Order No. (A/38) to investigate certain corruption allegations. On 9 November 2017, the Attorney General, as a member of the Anti-Corruption Committee, announced that 208 individuals had been called in for questioning and that the Anti-Corruption Committee suspected that an estimated U.S.$100 billion had been misused through systematic corruption and embezzlement over several decades. On 30 January 2019, the Supreme Anti-Corruption Committee announced that it had concluded its tasks and indicated that 381 individuals had been summoned in connection with the investigation, some of whom were summoned only to testify. A comprehensive review of each detainee's case was conducted under the supervision of the public prosecutor. After the due processing of each case, the detainees that were not indicted on charges related to corruption were released. Settlements were reached with 87 individuals after confession to the charges against them and their subsequent agreement to settlements. The public prosecutor refused to settle the cases of 56 individuals due to existing criminal charges against them. Finally, eight individuals refused to settle despite the existence of evidence against them and they were referred to the public prosecutor for further due process in accordance with relevant laws. As a result of the aforementioned measures, it is estimated that more than SAR 400 billion (U.S.$106.7 billion) was retrieved for the state treasury in the form of real estate, commercial entities, cash and other assets.

Economy

Despite recent growth in other economic sectors, Saudi Arabia's economy is still dependent on oil revenues and the price of oil and gas on international markets. Traditionally, the oil industry has been the basis of development of Saudi Arabia's economy, which means that economic planning and development has been, and will continue to be, impacted by fluctuations in oil prices. Since mid-2014, there has been a sharp decline in international crude oil prices and this, coupled with challenging economic conditions generally, has had a significant adverse effect on the economy of Saudi Arabia and the other GCC countries that are dependent on oil revenues, resulting in increased budget deficits across the GCC economies (including the Kingdom). In the 2020 Budget of Saudi Arabia, total revenues are expected to reach SAR 833 billion in 2020, with non-oil revenues expected to reach SAR 320 billion and representing a 1.58% increase on actual non-oil revenues compared to 2019.

The instability in oil prices is demonstrated by the average OPEC Reference Basket price per barrel which has fluctuated considerably in the past few years, having decreased from a year-end figure in 2014 of U.S.$96.29 per barrel to a year-end figure in 2019 of U.S.$66.48 per barrel and falling to U.S.$43.35 per barrel in July 2020 (*source*: OPEC). Oil prices are expected to remain volatile, and if the prevailing level of oil prices continues, this has the potential to adversely affect the economy of Saudi Arabia and other GCC countries in the future.

The table below shows Saudi Arabia's daily crude oil production for 2018, 2017 and 2016 (*source*: OPEC Annual Statistical Bulletin 2019):

	2019	2018	2017
		(million barrels)	
Total crude oil production	9.8	10.3	10.0

Notwithstanding the challenging economic conditions, according to data from the IMF, the Saudi Arabian economy is still estimated to have grown during 2019 as a result of ongoing government expenditure on development projects and continued structural and regulatory reforms aimed at achieving sustainable economic growth through diversifying the production base and increasing the contribution of the non-oil sector. Overall real GDP is estimated to have decreased by 0.2% in 2019 compared to an increase of 2.4% in 2018. Preliminary data from the GASTAT indicates that the non-oil sector experienced a real growth rate of 2.1% in 2018 compared to a real growth rate of 1.3% in 2017.

The table below shows Saudi Arabia's nominal GDP and related growth rates and the GDP at constant 2010 prices and related growth rates for 2019, 2018 and 2017 (*source*: IMF World Economic Outlook Database April 2020):

	2019	2018	2017
		(SAR billion)	
Real GDP	2,640	2,631	2,569
Percentage change in real GDP growth rates	0.3	1.7	4.1

The following table shows the contribution by economic sector to Saudi Arabia's GDP at constant 2010 prices for 2016, 2017 and 2018 (*source*: GASTAT Statistical Yearbook of 2018):

	2018[(1)]	2017	2016
		(SAR million)	
Industries and other producers except producers of Government services			
Agriculture, forestry and fishing	60,713	60,422	60,122
Mining and quarrying	1,042,758	1,010,104	1,046,785
(a) Crude oil and natural gas	*1,032,549*	*1,000,160*	*1,037,257*
(b) Other mining and quarrying activities	*10,209*	*9,944*	*9,527*
Manufacturing	319,550	311,982	307,987
(a) Petroleum refining	*95,539*	*96,533*	*94,610*
(b) Other manufacturing	*224,011*	*215,449*	*213,377*
Electricity, gas and water	34,611	34,132	33,688
Construction	113,667	117,259	121,203
Wholesale and retail trade, restaurants and hotels	231,170	229,378	228,074
Transport, storage and information and communication	154,349	151,789	148,467
Finance, insurance, real estate and business services	257,182	249,794	237,143
(a) Real estate activities	*137,503*	*134,487*	*127,227*
(b) Other	*119,680*	*115,307*	*109,917*
Community, social and personal services	52,057	50,323	49,648
Less: Imputed bank service charges	(21,217)	(20,963)	(20,709)
Government services	366,135	355,600	354,519
GDP (excluding import duties)	2,610,975	2,549,820	2,566,928
Import duties	14,487	18,749	20,830
GDP	**2,625,462**	**2,568,569**	**2,587,758**

(1) Preliminary data.

Petrochemicals, Chemicals and Plastics

The development of Saudi Arabia's petrochemicals, chemicals and plastics industry has been an important element of the Government's economic diversification programme. Petrochemicals are a fast-growing and increasingly important industry for Saudi Arabia, accounting for 13.8% of Saudi Arabia's total exports and 64.8% of non-oil exports in the year ended 31 December 2018. The expansion of Saudi Arabia's petrochemicals industry has been driven by competitive domestic energy costs, a ready supply of raw materials and the Government's support of industrial diversification through foreign investment. With increased investment and technological know-how, the petrochemicals industry in Saudi Arabia has undergone significant diversification from basic to more sophisticated products. Through a number of financial incentives and other supportive policies, the Government encourages industrial joint ventures and licensing technology, and has enabled the industry to move away from import substitution to actual growth in domestically manufactured products. In the meantime, Saudi Arabia's accession to the World Trade Organisation in 2005 and its geographic position facilitates Saudi Arabia's access to the international markets, such as China, India, South Korea and the European Union, for the export of products produced by the petrochemicals industry. Each of the RCJY and the NICDP have contributed significantly to the development of the petrochemicals, chemicals and plastics sector and have helped the sector evolve from the production of basic products, such as industrial gasses and urea, to high-end, value add products, such as chlor-alkali, glycols and specialty plastics that are used in the manufacture of a wide variety of consumer products such as automobiles, home appliances and solar panels.

Since the vast majority of Saudi Arabia's basic petrochemicals are derived from natural gas and methane feedstock, the Government's commitment to expanding Saudi Arabia's natural gas infrastructure has enhanced its competitive advantage in the global petrochemical markets. The Saudi petrochemicals sector is dominated by SABIC. The private sector also contributes to Saudi Arabia's petrochemicals sector, both in partnership with SABIC and, more recently, on its own. Joint venture partnerships, such as the Saudi Acrylic Polymers Company and Sahara Petrochemicals Company, between Saudi companies and U.S., European and Asian counterparts are playing an increasing role in the growth of the upstream and downstream petrochemicals industry in Saudi Arabia.

The Government continues to be supportive of the expansion of the petrochemicals, chemicals and plastics industry. One key project is the Sadara Chemical Company in Jubail, a joint venture between a subsidiary of Saudi Aramco (65%) and DowDuPont (35%), established in 2011. Sadara is the world's largest integrated chemicals complex built in a single phase. With its feedstock of 85.0 million standard cubic feet per day of ethane and 53,000 barrels per day of naphtha, it has the capacity to produce more than 3.0 million tonnes of diversified commodity chemicals and plastics per year. Sadara began producing chemicals in 2017.

Royal Commission for Jubail and Yanbu

In 1975, the RCJY was established for the development of the industrial cities of Jubail and Yanbu. The industrial cities of Ras Al Khair and Jazan City for Basic and Downstream Industries have also since been included within the ambit of the RCJY. The industrial cities of Jubail and Yanbu have developed into a major hub of Saudi Arabia's petrochemicals and other energy-intensive industries, such as the construction industry, and are a significant contributor to Saudi Arabia's GDP.

National Industrial Clusters Development Programme

Originally established in 2007, the NICDP is under the supervision of the Ministry of Energy, Industry and Mineral Resources. The programme aims to develop four export-oriented industries in Saudi Arabia (automotive, minerals and metal processing, plastics and packaging, and pharmaceuticals and biotech). As part of the NICDP, various industrial initiatives have either been completed or are in different stages of being established. By way of example, Isuzu, a Japanese automotive manufacturing company, opened its first manufacturing plant in Saudi Arabia in 2012, located in the industrial city of Dammam. Similarly, in 2009, the Saudi Arabian Mining Company (Ma'aden) entered into an agreement with U.S. aluminium manufacturer Alcoa Inc. to construct an aluminium production complex at Ras Al Khair, intended primarily for the export of aluminium products.

CLEARING AND SETTLEMENT

Book-Entry Procedures for the Global Note Certificates

Custodial and depository links are to be established between Euroclear and Clearstream, Luxembourg to facilitate the initial issue of the Notes and cross-market transfers of the Notes associated with secondary market trading (see further "*Clearing and Settlement – Book-Entry Ownership*" and "*Clearing and Settlement – Settlement and Transfer of Notes*").

Euroclear and Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg each hold securities for their customers and facilitate the clearance and settlement of securities transactions through electronic book-entry transfer between their respective accountholders. Indirect access to Euroclear and Clearstream, Luxembourg is available to other institutions which clear through or maintain a custodial relationship with an accountholder of either system. Euroclear and Clearstream, Luxembourg provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg also deal with domestic securities markets in several countries through established depository and custodial relationships. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective customers may settle trades with each other. Their customers are worldwide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Investors may hold their interests in a Global Note Certificate directly through Euroclear or Clearstream, Luxembourg if they are accountholders ("**Direct Participants**") or indirectly ("**Indirect Participants**" and, together with Direct Participants, "**Participants**") through organisations which are accountholders therein.

Book-Entry Ownership

Euroclear and Clearstream, Luxembourg

Each Global Note Certificate will have an ISIN and a Common Code and will be registered in the name of a nominee for, and deposited with a common depositary on behalf of, Euroclear and Clearstream, Luxembourg.

The address of Euroclear is 1 Boulevard du Roi Albert 11, B-1210 Brussels, Belgium, and the address of Clearstream, Luxembourg is 42 Avenue J.F Kennedy, L-1855, Luxembourg.

Relationship of Participants with Clearing Systems

Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg as the holder of a Note evidenced by a Global Note Certificate must look solely to Euroclear or Clearstream, Luxembourg (as the case may be) for its share of each payment made by the Issuer (or, as the case may be, the Guarantor) to the holder of such Global Note Certificate and in relation to all other rights arising under that Global Note Certificate, subject to and in accordance with the respective rules and procedures of Euroclear or Clearstream, Luxembourg (as the case may be). The Issuer and the Guarantor expect that, upon receipt of any payment in respect of Notes evidenced by a Global Note Certificate, the common depositary by whom such Note is held, or nominee in whose name it is registered, will immediately credit the relevant participants' or accountholders' accounts in the relevant clearing system with payments in amounts proportionate to their respective beneficial interests in the principal amount of the relevant Global Note Certificate as shown on the records of the relevant clearing system or its nominee. The Issuer and the Guarantor also expect that payments by Direct Participants in any clearing system to owners of beneficial interests in a Global Note Certificate held through such Direct Participants in any clearing system will be governed by standing instructions and customary practices. Save as aforesaid, such persons shall have no claim directly against the Issuer or the Guarantor in respect of payments due on the Notes for so long as the Notes are evidenced by such Global Note Certificate and the obligations of the Issuer and the Guarantor will be discharged by payment to the registered holder, as the case may be, of such Global Note Certificate in respect of each amount so paid. None of the Issuer, the Guarantor, the Trustee or any Agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of ownership interests in any Global Note Certificate or for maintaining, supervising or reviewing any records relating to such ownership interests.

Settlement and Transfer of Notes

Subject to the rules and procedures of each applicable clearing system, purchases of Notes held within a clearing system must be made by or through Direct Participants, which will receive a credit for such Notes on the clearing system's records. The ownership interest of each actual purchaser of each such Note (the "**Beneficial Owner**") will in turn be recorded on the Direct Participants' or Indirect Participants' records (as the case may be).

Beneficial Owners will not receive written confirmation from any clearing system of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct Participant or Indirect Participant (as the case may be) through which such Beneficial Owner entered into the transaction.

Transfers of ownership interests in Notes held within the clearing system will be affected by entries made on the books of Direct Participants or Indirect Participants (as the case may be) acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in such Notes, unless and until interests in the Global Note Certificate held within a clearing system are exchanged for Individual Note Certificates.

No clearing system has knowledge of the actual Beneficial Owners of the Notes held within such clearing system and their records will reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Direct Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by the clearing systems to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants or Indirect Participants (as the case may be) to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

The laws of some jurisdictions may require that certain persons take physical delivery in definitive form of securities. Consequently, the ability to transfer interests in the Global Notes Certificate to such persons may be limited.

Trading between Euroclear and/or Clearstream, Luxembourg Participants

Secondary market sales of book-entry interests in the Notes held through Euroclear or Clearstream, Luxembourg to purchasers of book-entry interests in the Notes held through Euroclear or Clearstream, Luxembourg will be conducted in accordance with the normal rules and operating procedures of Euroclear and Clearstream, Luxembourg and will be settled using the procedures applicable to conventional Eurobonds.

TAXATION AND ZAKAT

The following is a general description of certain tax/zakat considerations relating to the Notes. It does not purport to be a complete analysis of all tax/zakat considerations relating to the Notes whether in the countries specified below or elsewhere. Prospective purchasers of Notes should consult their own tax/zakat advisers as to the consequences under the tax laws of the country of which they are resident for tax purposes and the tax laws of The Netherlands and tax and zakat laws of Saudi Arabia of acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under the Notes. This summary is based upon the law as in effect on the date of this Prospectus and is subject to any change in law that may take effect after such date. Prospective purchasers should note that the Issuer and/or the Guarantor are not obliged to update this section for any subsequent changes or modification to the applicable tax/zakat regulations.

Also investors should note that the appointment by an investor in Notes, or any person through which an investor holds Notes, of a custodian, collection agent or similar person in relation to such Notes in any jurisdiction may have tax implications. Investors should consult their own tax/zakat advisers in relation to the tax consequences for them of any such appointment.

The Netherlands

The following summary of certain Dutch taxation matters is based on the laws and practice in force as of the date of this Prospectus and is subject to any changes in law and the interpretation and application thereof, which changes could have retroactive effect. The following summary neither purports to be a comprehensive description of all the tax considerations that may be relevant to a decision to acquire, hold or dispose of Notes, nor purports to deal with the tax consequences applicable to all categories of investors, some of which may be subject to special rules.

For the purpose of the paragraph "Taxes on income and capital gains" below, it is assumed that a holder of Notes, being an individual or a non-resident entity, neither has nor will have a substantial interest (aanmerkelijk belang) or, in the case of such holder being an entity, a deemed substantial interest in the Issuer and that a connected person (verbonden persoon) to the holder neither has nor will have a substantial interest in the Issuer.

Generally speaking, an individual has a substantial interest in a company if: (a) such individual, either alone or together with his partner, directly or indirectly, has or is deemed to have; or (b) certain relatives of such individual or his partner directly or indirectly have or are deemed to have: (i) the ownership of, a right to acquire the ownership of, or certain rights over, shares representing 5% or more of either the total issued and outstanding capital of such company or the issued and outstanding capital of any class of shares of such company; or (ii) the ownership of, or certain rights over, profit participating certificates (winstbewijzen) that relate to 5% or more of either the annual profit or the liquidation proceeds of such company.

Generally speaking, a non-resident entity has a substantial interest in a company if such entity directly or indirectly has: (1) the ownership of, a right to acquire the ownership of, or certain rights over, shares representing 5% or more of either the total issued and outstanding capital of such company or the issued and outstanding capital of any class of shares of such company; or (2) the ownership of, or certain rights over, profit participating certificates (winstbewijzen) that relate to 5% or more of either the annual profit or the liquidation proceeds of such company. Generally, an entity has a deemed substantial interest in a company if such entity has disposed of or is deemed to have disposed of all or part of a substantial interest on a non-recognition basis.

*For the purpose of this summary, the term "**entity**" means a corporation as well as any other person that is taxable as a corporation for Dutch corporate tax purposes.*

Where this summary refers to a holder of Notes, an individual holding Notes or an entity holding Notes, such reference is restricted to an individual or entity holding legal title to, as well as an economic interest in, such Notes or otherwise being regarded as owning Notes for Dutch tax purposes. It is noted that for purposes of Dutch income, corporate, gift and inheritance tax, assets legally owned by a third party such as a trustee, foundation or similar entity, may be treated as assets owned by the (deemed) settlor, grantor or similar originator or the beneficiaries in proportion to their interest in such arrangement.

Where the summary refers to "The Netherlands" or "Dutch", it refers only to the European part of the Kingdom of the Netherlands.

Investors should consult their professional advisers as to the tax consequences of acquiring, holding and disposing of Notes.

Withholding tax

All payments of principal and interest by the Issuer under the Notes can be made without withholding or deduction of any taxes of whatever nature imposed, levied, withheld or assessed by The Netherlands or any political subdivision or taxing authority thereof or therein.

However, as of 1 January 2021, Dutch withholding tax may apply on certain (deemed) payments of interest made to an affiliated (*gelieerde*) entity to the Issuer if such entity: (i) is considered to be resident (*gevestigd*) in a jurisdiction that is listed in the yearly updated Dutch Regulation on low-taxing states and non-cooperative jurisdictions for tax purposes (*Regeling laagbelastende staten en niet-coöperatieve rechtsgebieden voor belastingdoeleinden*); or (ii) has a permanent establishment located in such jurisdiction to which the interest is attributable; or (iii) is entitled to the interest income for the main purpose or one of the main purposes to avoid taxation for another person; or (iv) is a not considered to be the recipient of the interest in its jurisdiction of residence because such jurisdiction treats another (lower-tier) entity as the recipient of the interest (hybrid mismatch); or (v) is considered to be treated as the recipient that is neither considered resident in its jurisdiction of incorporation or establishment nor in any other jurisdiction (a reverse hybrid mismatch), all within the meaning of the Withholding Tax Act 2021 (*Wet bronbelasting 2021 as published in the Official Gazette (Staatsblad) Stb. 2019, 513 of 27 December 2019*).

Taxes on income and capital gains

Residents

Resident entities

An entity holding Notes which is or is deemed to be resident in The Netherlands for Dutch corporate tax purposes and which is not tax exempt will generally be subject to Dutch corporate tax in respect of income or a capital gain derived from the Notes at the prevailing statutory rates (up to 25% in 2020).

Resident individuals

An individual holding Notes who is or is deemed to be resident in The Netherlands for Dutch income tax purposes will be subject to Dutch income tax in respect of income or a capital gain derived from the Notes at the prevailing statutory rates (up to 49.50% in 2020) if:

(a) the income or capital gain is attributable to an enterprise from which the holder derives profits (other than as a shareholder); or

(b) the income or capital gain qualifies as income from miscellaneous activities (*belastbaar resultaat uit overige werkzaamheden*) as defined in the Income Tax Act 2001 (*Wet inkomstenbelasting 2001*), including, without limitation, activities that exceed normal, active asset management (*normaal, actief vermogensbeheer*).

If neither condition (a) nor (b) applies, such individual will generally be subject to Dutch income tax on the basis of a deemed return, regardless of any actual income or capital gain derived from the Notes. For 2020, the deemed return ranges from 1.79% to 5.28% of the value of the individual's net assets as at the beginning of the relevant fiscal year (including the Notes). The applicable percentages will be updated annually on the basis of historic market yields. Subject to application of certain allowances, the deemed return will be taxed at the prevailing statutory rate (30% in 2020).

Non-residents

A holder of Notes which is not and is not deemed to be resident in The Netherlands for the relevant tax purposes will not be subject to Dutch taxation on income or a capital gain derived from the Notes unless:

(a) the income or capital gain is attributable to an enterprise or part thereof which is either effectively managed in The Netherlands or carried on through a permanent establishment (*vaste inrichting*) or a permanent representative (*vaste vertegenwoordiger*) taxable in The Netherlands and the holder derives profits from such enterprise (other than by way of the holding of securities); or

(b) the holder is an individual and the income or capital gain qualifies as income from miscellaneous activities (*belastbaar resultaat uit overige werkzaamheden*) in The Netherlands as defined in the Income Tax Act 2001 (*Wet inkomstenbelasting 2001*), including, without limitation, activities that exceed normal, active asset management (*normaal, actief vermogensbeheer*).

Gift and inheritance taxes

Dutch gift or inheritance taxes will not be levied on the occasion of the transfer of Notes by way of gift by, or on the death of, a holder of Notes, unless:

(a) the holder is or is deemed to be resident in The Netherlands for the purpose of the relevant provisions; or

(b) the transfer is construed as an inheritance or gift made by, or on behalf of, a person who, at the time of the gift or death, is or is deemed to be resident in The Netherlands for the purpose of the relevant provisions.

Value added tax

There is no Dutch value added tax payable by a holder of Notes in respect of payments in consideration for the issue or acquisition of Notes, payments of principal or interest under the Notes, or payments in consideration for a disposal of Notes.

Other taxes and duties

There is no Dutch registration tax, stamp duty or any other similar tax or duty payable in The Netherlands by a holder of Notes in respect of, or in connection with the acquisition, holding or disposal of Notes, the execution, delivery and/or enforcement by legal proceedings (including any foreign judgment in the courts of The Netherlands) of the Notes or the performance of the Issuer's obligations under the Notes.

Residence

A holder of Notes will not be and will not be deemed to be resident in The Netherlands for Dutch tax purposes and, subject to the exceptions set out above, will not otherwise become subject to Dutch taxation by reason only of acquiring, holding or disposing of Notes or the execution, performance, delivery and/or enforcement of Notes.

Kingdom of Saudi Arabia

Overview of Saudi tax and zakat law

Income Tax

According to Saudi Arabian tax law, a resident capital company (on its foreign partner's (shareholder's) share) and a non-resident who does business in Saudi Arabia through a Permanent Establishment (as defined below) are subject to corporate income tax in Saudi Arabia at a flat rate of 20%. Companies which are wholly owned by Saudi nationals are subject to zakat instead of income tax.

Companies owned jointly by Saudi/GCC and non-Saudi/non-GCC nationals pay tax on the portion of income attributable to the non-Saudi/non-GCC nationals and zakat on the portion of net equity attributable to Saudi nationals. Residents of countries belonging to the GCC and shares held directly by GCC nationals or via other GCC companies (where the shareholding structure does not fall outside of the GCC) in a Saudi capital company are subject to zakat and not income tax. In determining the tax/zakat profile, the Saudi tax authority apply a "look-through" approach to determine whether the up-stream shareholding structure at any point exists outside of the GCC.

Zakat

According to zakat regulations of Saudi Arabia, zakat is assessed on Saudi and GCC nationals and on Saudi companies wholly owned by such individuals. There are certain rules that apply to the method of calculating the zakat liability. In general, zakat is levied at a rate of 2.5% on the higher of the adjusted taxable profits or the zakat base which, in general, comprises equity, loans and provisions reduced by deductible investments and fixed assets. However, the zakat rate is increased to 2.5776% while applying the zakat base if the zakat payer uses the Gregorian year as its fiscal year instead of the Hijri (Islamic) year.

*Withholding Tax ("**WHT**")*

The Saudi Arabian tax law provides for actual withholding tax at different rates on payments made to non-resident parties (including those located in the GCC) by a Saudi resident from a source of income in Saudi Arabia. WHT is imposed on payments against services and not sale of goods. Services are defined to mean anything done for consideration other than the purchase and sale of goods and other property. Loan charges paid to non-residents generally attract 5% Saudi WHT, unless such WHT is reduced or eliminated pursuant to the terms of an applicable double tax treaty.

Certain tax and zakat implications for Noteholders

GCC Noteholders who are Resident in Saudi Arabia

Noteholders who are GCC Persons (as defined below) and resident in Saudi Arabia are not subject to any Saudi Arabian income tax, whether by WHT or direct assessment, in respect of any profit payment received or gain realised in respect of the Notes. However, such Noteholders will be subject to zakat in respect of any profit payment received or gain realised in respect of the Notes including capital gain on sale of Notes. Additionally, the General Authority of Zakat and Tax does not allow an investment in the Notes to be deducted from the zakat base of such a Noteholder, as stipulated under Article 5(4) of the zakat regulations.

Non-GCC Noteholders who are Resident in Saudi Arabia

Noteholders, who are non-GCC legal entities and resident in Saudi Arabia as defined in Article 3 of the Income Tax Regulations, will be subject to Saudi Arabian corporate income tax at the rate of 20% on any profit payment received or gain realised in respect of the Notes but they will not be subject to any zakat.

Noteholders, who are non-GCC natural persons and resident in Saudi Arabia, should not be subject to Saudi Arabian income tax or zakat on any profit payment received or gain realised in respect of the Notes.

Noteholders who are not Resident in Saudi Arabia

Noteholders, either natural persons or legal entities, who are not resident in Saudi Arabia (whether such Noteholders are Saudi Arabian nationals or non-Saudi Arabian nationals (including Noteholders resident in the GCC)) and do not have a Permanent Establishment in Saudi Arabia for tax purposes, will not be subject to Saudi Arabian withholding tax (as the payments will be received from a non-resident) or zakat on any payments received by them in respect of the Notes.

Natural persons having the nationality of a GCC country other than Saudi Arabia who are not resident but have a Permanent Establishment in Saudi Arabia and legal entities established under the laws of a GCC country other than Saudi Arabia with a Permanent Establishment in Saudi Arabia are subject to Saudi Arabian corporate income tax at the rate of 20% in respect of any profit payment received or gain realised in respect of the Notes but will not be subject to zakat. However, the Permanent Establishment in Saudi Arabia owned by Saudi / GCC non-residents shall be subject to zakat in respect of any profit payment received or gain realised in respect of the Notes, provided certain residency conditions are met. Notwithstanding the above, pursuant to Condition 7 (*Taxation*), to the extent that any WHT is deducted, the Guarantor will generally be obliged to pay such additional amounts as will result in receipt by the Noteholders, after such withholding or deduction, of such amounts as would have been received by them had no such withholding or deduction been required.

Saudi Arabia has signed a double tax treaty for avoidance of double taxation with The Netherlands, which provides exemption from tax in respect of business profits of the non-resident, which does not have a Permanent Establishment in Saudi Arabia.

General

Noteholders who are natural persons with or without a Permanent Establishment in Saudi Arabia at the time of their death will not be subject to inheritance or other taxes of a similar nature in Saudi Arabia under Saudi Arabian tax law.

Noteholders will not be deemed to be resident, domiciled or carrying on business in Saudi Arabia solely by reason of holding any Note.

Under the zakat regulations, which are in effect in Saudi Arabia as at the date of this Prospectus, long-term investments in Notes are not deductible from the zakat base of the investor.

For the purposes of this summary:

(a) "**GCC**" means the Kingdom of Bahrain, the State of Kuwait, the Sultanate of Oman, the State of Qatar, the Kingdom of Saudi Arabia and the United Arab Emirates;

(b) a "**GCC Person**" means: (i) a natural person having the nationality of any of the GCC countries; and (ii) any legal entity owned by GCC nationals and established under the laws of a GCC country. A GCC Person will include a company owned by both Saudi/GCC;

(c) "**Permanent Establishment**", subject to the exceptions stipulated in the Income Tax Regulations, of a non-resident in Saudi Arabia represents a permanent place for the non-resident's activity where he conducts the activity either fully or partly; this also includes the activity conducted by the non-resident through an agent. A non-resident carrying out an activity in Saudi Arabia through a licensed branch is considered to have a Permanent Establishment in Saudi Arabia; and

(d) a "**Resident**" is defined as follows:

    (i) a natural person is considered a Resident in Saudi Arabia for a taxable year if he meets either of the two following conditions:

        (1) he has a permanent place of abode in Saudi Arabia and is physically present in Saudi Arabia for a total of not less than 30 days in the taxable year; or

        (2) he is physically present in Saudi Arabia for a period of not less than 183 days in the taxable year; and

    (ii) a company is considered Resident in Saudi Arabia during a taxable year if it meets either of the following conditions:

        (1) it is formed in accordance with the Saudi Companies Regulations; or

        (2) its place of central control and management is located in Saudi Arabia.

    Noteholders will not be deemed to be Resident in Saudi Arabia solely by reason of holding any Notes.

Foreign Account Tax Compliance Act

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "foreign financial institution" may be required to withhold on certain payments it makes ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting, or related requirements. The Issuer may be a foreign financial institution for these purposes. A number of jurisdictions (including the jurisdiction of the Issuer and the Guarantor) have entered into, or have agreed in substance to, intergovernmental agreements ("**IGAs**") with the United States to implement FATCA, which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, such withholding would not apply prior to the date that is two years after the publication of the final regulations defining "foreign passthru payment" and Notes issued on or prior to the date that is six months after the date on which final regulations defining "foreign passthru payments" are filed with the U.S. Federal Register generally would be "grandfathered" for purposes of FATCA withholding unless materially modified after such date. However, if additional notes (as described under "*Terms and Conditions of the Series A Notes – Further Issues*" and "*Terms and Conditions of the Series B Notes – Further Issues*" (as applicable)) that are not distinguishable from previously issued Notes are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Notes, including the Notes offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Noteholders should consult their own tax advisers regarding how these rules may apply to their investment in Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, no person will be required to pay additional amounts or indemnify any person as a result of any FATCA withholding.

ROC Taxation

The following is a general description of the principal ROC tax consequences for investors receiving interest in respect of, or disposing of, the Series B Notes and is of a general nature based on the Issuer's understanding of current law and practice. It does not purport to be comprehensive and does not constitute legal or tax advice.

This general description is based upon the law as in effect on the date hereof and that the Series B Notes will be issued, offered, sold and re-sold to professional investors as defined under Paragraph 1, Article 2-1 of the Taipei Exchange Rules Governing Management of Foreign Currency Denominated International Bonds of the ROC only. This description is subject to change potentially with retroactive effect. Investors should appreciate that, as a result of changing law or practice, the tax consequences may be otherwise than as stated below. Investors (particularly those subject to special tax rules, such as banks, dealers, insurance companies and tax-exempt entities) should consult their professional advisers on the possible tax consequences of subscribing for, purchasing, holding or selling the Series B Notes.

Interest on the Series B Notes

As the Issuer of the Series B Notes is not an ROC statutory tax withholder, there is no ROC withholding tax on any payment to be paid by the Issuer on the Series B Notes.

Payments of interest or deemed interest under the Series B Notes to an ROC individual holder are not subject to ROC income tax as such payments received by him/her are not considered to be ROC sourced income. However, such holder must include the interest or deemed interest in calculating his/her basic income for the purpose of calculating his/her alternative minimum tax (the "**AMT**"), unless the sum of the interest and other non-ROC sourced income received by such holder and the person(s) who is/are required to jointly file the tax return in a calendar year is below NT$1 million. If the amount of the AMT exceeds the annual income tax calculated pursuant to the ROC Basic Income Tax Act (also known as the "**AMT Act**"), the excess becomes such holder's AMT payable.

ROC corporate holders must include any interest or deemed interest receivable under the Series B Notes as part of their taxable income and pay income tax at a flat rate of 20% (unless the total taxable income for a fiscal year is under NT$120,000), as they are subject to income tax on their worldwide income on an accrual basis. The AMT is not applicable.

Sale of the Series B Notes

In general, the sale of corporate bonds or financial bonds is subject to a 0.1% securities transaction tax (the "**STT**") on the transaction price. However, Article 2-1 of the Securities Transaction Tax Act of the ROC prescribes that STT will cease to be levied on the sale of corporate bonds and financial bonds from 1 January 2010 to 31 December 2026. Therefore, the sale of the Series B Notes will be exempt from STT if the sale is conducted on or before 31 December 2026. Starting from 1 January 2027, any sale of the Series B Notes will be subject to STT at 0.1% of the transaction price, unless otherwise provided by the tax laws that may be in force at that time.

Capital gains generated from the sale of bonds are exempt from income tax. Accordingly, ROC individual and corporate holders are not subject to income tax on any capital gains generated from the sale of the Series B Notes. In addition, ROC individual holders are not subject to AMT on any capital gains generated from the sale of the Series B Notes. However, ROC corporate holders should include the capital gains in calculating their basic income for the purpose of calculating their AMT. If the amount of the AMT exceeds the ordinary income tax calculated pursuant to the AMT Act, the excess becomes the ROC corporate holders' AMT payable. Capital losses, if any, incurred by such holders could be carried over 5 years to offset against capital gains of same category of income for the purpose of calculating their AMT.

Non-ROC corporate holders with a fixed place of business (e.g., a branch) or a business agent in the ROC are not subject to income tax on any capital gains generated from the sale of the Series B Notes. However, their fixed place of business or business agent should include any such capital gains in calculating their basic income for the purpose of calculating AMT.

As to non-ROC corporate holders without a fixed place of business and a business agent in the ROC, they are not subject to income tax or AMT on any capital gains generated from the sale of the Series B Notes.

SUBSCRIPTION AND SALE

In respect of the Series A Notes, each of BNP Paribas, Citigroup Global Markets Limited, Crédit Agricole Corporate and Investment Bank, HSBC Bank plc, ING Bank N.V., Merrill Lynch International, Mizuho International plc, MUFG Securities EMEA plc, SMBC Nikko Capital Markets Limited and Standard Chartered Bank (collectively, the "**Series A Managers**") have, pursuant to a subscription agreement dated 8 September 2020 between the Issuer, the Guarantor and the Series A Managers (the "**Series A Subscription Agreement**") agreed to subscribe for the principal amount of the Series A Notes at the issue price of 99.687% of the aggregate principal amount of the Series A Notes *less* certain management and underwriting commissions payable by the Issuer (failing who, the Guarantor) to the Series A Managers.

In respect of the Series B Notes, each of BNP Paribas SA, Taipei Branch, Citibank Taiwan Limited and HSBC Bank (Taiwan) Limited (collectively, the "**Series B Managers**" and together with the Series A Managers, the "**Managers**") have, pursuant to a subscription agreement dated 8 September 2020 between the Issuer, the Guarantor and the Series B Managers (the "**Series B Subscription Agreement**" and together with the Series A Subscription Agreement, the "**Subscription Agreements**") agreed to subscribe for the principal amount of the Series B Notes at the issue price of 100% of the aggregate principal amount of the Series B Notes *less* certain management and underwriting commissions payable by the Issuer (failing who, the Guarantor) to the Series B Managers.

The Subscription Agreements provide that the obligation of the Managers to take and pay for the Notes is subject to certain conditions. The Issuer (failing who, the Guarantor) will reimburse the Managers in respect of certain of their expenses incurred in connection with the issue of the Notes and the Issuer (failing who, the Guarantor) has agreed to indemnify the Managers against certain liabilities incurred in connection with the issue of the Notes. Each of the Subscription Agreements may be terminated in certain circumstances set out therein prior to payment of the relevant issue proceeds to the Issuer.

Selling Restrictions

General

Each Manager has represented and agreed in the Subscription Agreements that it has complied and will comply with all applicable laws and regulations in each country or jurisdiction in which it purchases, offers, sells or delivers Notes or possesses, distributes or publishes this Prospectus or any related offering material, in all cases at its own expense.

Persons into whose hands this Prospectus comes are required by the Issuer, the Guarantor and the Managers to comply with all applicable laws and regulations in each country or jurisdiction in which they purchase, offer, sell or deliver Notes or possess, distribute or publish this Prospectus or any other offering material relating to the Notes, in all cases at their own expense.

Abu Dhabi Global Market

Each Manager has represented and agreed in the Subscription Agreements that it has not offered and will not offer the Notes to any person in the Abu Dhabi Global Market unless such offer is:

(a) an "Exempt Offer" in accordance with the Markets Rules (MKT) Module of the rulebook of the Financial Services Regulatory Authority (the "**FSRA Rulebook**"); and

(b) made only to persons who meet the Professional Client criteria set out in Rule 2.4.1 of the Conduct of Business (COB) Module of the FSRA Rulebook.

Dubai International Financial Centre

Each Manager has represented and agreed in the Subscription Agreements that it has not offered and will not offer the Notes to any person in the Dubai International Financial Centre unless such offer is:

(a) an "Exempt Offer" in accordance with the Markets Rules (MKT) Module of the rulebook of the Dubai Financial Services Authority (the "**DFSA Rulebook**"); and

(b) made only to persons who meet the Professional Client criteria set out in Rule 2.3.3 of the Conduct of Business Module (COB) of the DFSA Rulebook.

Hong Kong

Each Manager has represented and agreed in the Subscription Agreements that:

(a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than: (i) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "**SFO**") and any rules made under the SFO; or (ii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding-up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong ("**C(WUMP)O**") or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and

(b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended) (the "**FIEA**"). Accordingly, each Manager has represented and agreed in the Subscription Agreements that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, any person resident in Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act of 1949 (Act No. 228 of 1949, as amended)), or to others for reoffering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other relevant laws and regulations of Japan.

Kingdom of Bahrain

Each Manager has represented and agreed in the Subscription Agreements that it has not offered or sold, and will not offer or sell, any Notes, except on a private placement basis to persons in the Kingdom of Bahrain who are "accredited investors".

For this purpose, an "**accredited investor**" means:

(a) an individual holding financial assets (either singly or jointly with a spouse) of U.S.$1,000,000 or more excluding that person's principal place of residence;

(b) a company, partnership, trust or other commercial undertaking which has financial assets available for investment of not less than U.S.$1,000,000; or

(c) a government, supranational organisation, central bank or other national monetary authority or a state organisation whose main activity is to invest in financial instruments (such as a state pension fund).

Kingdom of Saudi Arabia

No action has been or will be taken in the Kingdom of Saudi Arabia that would permit a public offering of the Notes. Any investor in the Kingdom of Saudi Arabia or who is a Saudi person (a "**Saudi Investor**") who acquires any Notes pursuant to an offering should note that the offer of Notes is a private placement under Article 9 or Article 10 of the "Rules on the Offer of Securities and Continuing Obligations" as issued by the Board of the Capital Market Authority (the "**CMA**") resolution number 3-123-2017 dated 27 December 2017, as amended by CMA resolution number 1-104-2019 dated 30 September 2019 (the "**KSA**

Regulations"), made through an authorised person licensed to carry out arranging activities by the CMA and following a notification to the CMA under Article 11 of the KSA Regulations.

The Notes may thus not be advertised, offered or sold to any person in the Kingdom of Saudi Arabia other than to "Sophisticated Investors" under Article 9 of the KSA Regulations or by way of a limited offer under Article 10 of the KSA Regulations. Each Manager has represented, warranted and agreed that any offer of Notes made by it to a Saudi Investor will be made in compliance with Article 11 and either Article 9 or Article 10 of the KSA Regulations.

Each offer of Notes shall not therefore constitute a "public offer", an "exempt offer" or a "parallel market offer" pursuant to the KSA Regulations, but is subject to the restrictions on secondary market activity under Article 15 of the KSA Regulations. Any Saudi Investor who has acquired Notes pursuant to a private placement under Article 9 or Article 10 of the KSA Regulations may not offer or sell those Notes to any person unless the offer or sale is made through an authorised person appropriately licensed by the CMA and: (i) the Notes are offered or sold to a Sophisticated Investor (as defined in Article 9 of the KSA Regulations); (ii) the price to be paid for the Notes in any one transaction is equal to or exceeds Saudi Riyals 1 million or an equivalent amount; or (iii) the offer or sale is otherwise in compliance with Article 15 of the KSA Regulations.

Malaysia

Each Manager has acknowledged in the Subscription Agreements that this Prospectus has not been registered as a prospectus with the Securities Commission of Malaysia under the Capital Markets and Services Act 2007 of Malaysia (the "**CMSA**"). Accordingly, each Manager has represented and agreed in the Subscription Agreements that the Notes have not been and will not be offered, sold or delivered by it, and no invitation to subscribe for or purchase the Notes have been or will be made by it, directly or indirectly, nor may any document or other material in connection therewith be distributed by it in Malaysia, other than to persons falling within any one of the categories of persons specified under Schedule 6 or Section 229(1)(b) and Schedule 7 or Section 230(1)(b) and Schedule 8 or Section 257(3) of the CMSA, read together with Schedule 9 or Section 257(3) of the CMSA, subject to any law, order, regulation or official directive of the Central Bank of Malaysia, the Securities Commission of Malaysia and/or any other regulatory authority from time to time.

Residents of Malaysia may be required to obtain relevant regulatory approvals including approval from the Controller of Foreign Exchange to purchase the Notes. The onus is on the Malaysian residents concerned to obtain such regulatory approvals and none of the Issuer, the Guarantor or any Manager is responsible for any invitation, offer, sale or purchase of the Notes as aforesaid without the necessary approvals being in place.

Singapore

Each Manager has acknowledged in the Subscription Agreements that this Prospectus has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Manager has represented and agreed in the Subscription Agreements that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Prospectus or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of any Notes, whether directly or indirectly, to any person in Singapore other than: (a) to an institutional investor (as defined in Section 4A of the Securities and Futures Act, Chapter 289 of Singapore, as modified or amended from time to time (the "**SFA**")) pursuant to Section 274 of the SFA; (b) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA; or (c) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(i) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(ii) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

(1) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(2) where no consideration is or will be given for the transfer;

(3) where the transfer is by operation of law;

(4) as specified in Section 276(7) of the SFA; or

(5) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

Switzerland

Each Manager has acknowledged in the Subscription Agreements that the Notes may not be publicly offered, directly or indirectly, in Switzerland within the meaning of the Swiss Financial Services Act ("**FinSA**") and no application has or will be made to admit the Notes to trading on any trading venue (exchange or multilateral trading facility) in Switzerland.

Each Manager has acknowledged in the Subscription Agreements that neither the Prospectus nor any other offering or marketing material relating to the Notes constitute a prospectus pursuant to the FinSA, and neither the Prospectus nor any other offering or marketing material relating to the Notes may be publicly distributed or otherwise made publicly available in Switzerland.

Taiwan

Each Manager of the Series A Notes has represented and agreed in the Series A Subscription Agreement that the Series A Notes have not been, and will not be, registered or filed with, or approved by, the Financial Supervisory Commission of Taiwan and/or other regulatory authority or government agency of Taiwan pursuant to applicable securities laws and regulations and may not be sold, offered or otherwise made available within Taiwan through a public offering or in circumstances which constitute an offer within the meaning of the Securities and Exchange Act of the ROC or relevant laws and regulations and which require a registration, filing or approval of the Financial Supervisory Commission of the ROC and/or other regulatory authority or government agency of the ROC. No person or entity in the ROC is authorised to offer, sell or otherwise make available any Series A Notes or the provision of information relating to this Prospectus.

Each Manager of the Series B Notes has represented and agreed in the Series B Subscription Agreement that the Series B Notes have not been, and shall not be, offered, sold or re-sold, directly or indirectly to investors other than "professional investors" as defined under Paragraph 1, Article 2-1 of the Taipei Exchange Rules Governing Management of Foreign Currency Denominated International Bonds of the ROC, which currently include the following three types of investors:

(a) a "professional institutional investor" as defined under Paragraph 2, Article 4 of the Financial Consumer Protection Act of the ROC, which currently includes: (i) overseas or domestic banks, securities firms, futures firms and insurance companies (excluding insurance agencies, insurance brokers and insurance surveyors), the foregoing as further defined in more detail in Paragraph 3 of Article 2 of the ROC Organisation Act of the Financial Supervisory Commission, (ii) overseas or domestic fund management companies, government investment institutions, government funds, pension funds, mutual funds, unit trusts, and funds managed by financial service enterprises pursuant to the ROC Securities Investment Trust and Consulting Act, the ROC Futures Trading Act or the ROC Trust Enterprise Act or investment assets mandated and delivered by or transferred for trust by financial consumers, and (iii) other institutions recognised by the Financial Supervisory

Commission of the ROC. a legal entity or fund meeting all of the following three criteria and having applied in writing to the securities firms for the status of a professional investor:

(i) its total assets exceeding NT$50,000,000 according to its most recent CPA-audited or reviewed financial report;

(ii) its authorised person doing the transaction has sufficient professional knowledge and trading experience in bonds; and

(iii) it fully understands that the securities firm is exempted from certain responsibilities towards professional investors in connection with bond trading activities and agrees to sign up as a professional investor.

(a) a natural person having applied in writing to the securities firms for the status of professional investor who meets all of the following three criteria:

(i) he/she (x) has provided a proof of financial capacity of at least NT$30,000,000 or (y) has made a single trade, the transaction amount of which is higher than NT$3,000,000, his/her total assets and investments booked at and made through such securities firm are higher than NT$15,000,000, and he/she has provided a statement certifying that the value of his/her total assets has exceeded NT$30,000,000;

(ii) he/she has sufficient professional knowledge or trading experience in financial products; and

(iii) he/she fully understands that the securities firm is exempted from certain responsibilities towards professional investors in connection with bond trading activities and agreed to sign up as a professional investor.

Purchasers of the Series B Notes are not permitted to sell or otherwise dispose of the Series B Notes except by transfer to a professional investor.

United Arab Emirates (excluding the Dubai International Financial Centre and the Abu Dhabi Global Market)

Each Manager has represented and agreed in the Subscription Agreements that the Notes have not been and will not be offered, sold or publicly promoted or advertised by it in the United Arab Emirates other than in compliance with any laws applicable in the United Arab Emirates governing the issue, offering and sale of securities.

United Kingdom

Each Manager has represented and agreed in the Subscription Agreements that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000, as amended ("**FSMA**")) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

United States of America

The Notes have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the United States Internal Revenue Code and regulations thereunder.

Each Manager has agreed that, except as permitted by the Subscription Agreements, it will not offer, sell or deliver the Notes, (a) as part of their distribution at any time or (b) otherwise, until 40 days after the later of the commencement of the offering and the issue date of the Notes, within the United States or to, or for the account or benefit of, U.S. persons, and that it will have sent to each dealer to which it sells Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after commencement of the offering, an offer or sale of Notes within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

FOR SERIES B NOTES - ROC SETTLEMENT AND TRADING

ROC Settlement and Trading

The Issuer has not entered into any settlement agreement with Taiwan Depository & Clearing Corporation ("**TDCC**") and has no intention to do so.

In the future, if the Issuer enters into a settlement agreement with TDCC, an investor, if it has a securities book-entry account with a Taiwan securities broker and a foreign currency deposit account with a Taiwanese bank, may settle the Series B Notes through the account of TDCC with Euroclear or Clearstream, Luxembourg if it applies to TDCC (by filling in a prescribed form) to transfer the Series B Notes in its own account with Euroclear or Clearstream, Luxembourg to such TDCC account with Euroclear or Clearstream, Luxembourg for trading in the domestic market or *vice versa* for trading in overseas markets. For settlement through TDCC, TDCC will allocate the respective Series B Notes position to the securities book-entry account designated by such investor in the ROC. The Series B Notes will be traded and settled pursuant to the applicable rules and operating procedures of TDCC and the TPEx as domestic bonds. For such investors who hold their interest in the Series B Notes through an account opened and held by TDCC with Euroclear or Clearstream, Luxembourg, distributions of principal and/or interest for the Series B Notes to such holders may be made by payment services banks whose systems are connected to TDCC to the foreign currency deposit accounts of the holders. Such payment is expected to be made on the second Taiwanese business day following TDCC's receipt of such payment (due to time difference, the payment is expected to be received by TDCC one Taiwanese business day after the distribution date). However, when the holders actually receive such distributions may vary depending upon the daily operations of the Taiwanese banks with which the holder has the foreign currency deposit account.

GENERAL INFORMATION

Authorisation

1. The creation and issue of the Notes has been authorised by a resolution of the board of directors of the Issuer dated 31 August 2020. The giving of the Guarantees has been authorised by a resolution of the board of directors of the Guarantor dated 16 June 2020.

Legal Entity Identifier

2. The Legal Entity Identifier (LEI) code of the Issuer is 213800LBMMAIG1FQP389. The Legal Entity Identifier (LEI) code of the Guarantor is 213800ZCTFZZZJSK8645.

Listing and Admission to Trading

3. Application has been made to Euronext Dublin for the Notes of each Series to be admitted to the Official List and to trading on its regulated market. It is anticipated that such listing and admission to trading will take place on or around 14 September 2020. Application will also be made to the TPEx for permission to deal in and for the listing of the Series B Notes on the TPEx. However, there can be no assurance that any such listing or admission to trading will be granted or maintained. The total expenses related to: (i) the admission of the Notes to the Official List and trading on the regulated market of Euronext Dublin are expected to amount to approximately €8,000; and (ii) the listing of the Series B Notes on the TPEx are expected to amount to approximately NT$100,000.

   Arthur Cox Listing Services Limited is acting solely in its capacity as listing agent for the Issuer in relation to the Notes and is not itself seeking admission of the Notes to the Official List or to trading on the regulated market of Euronext Dublin for the purposes of the Prospectus Regulation.

Documents on Display

4. From the date of this Prospectus, copies of the following documents (together with, in the case of paragraph (b) below, English translations thereof) may be inspected at the Specified Office of the Principal Paying Agent during normal business hours on any weekday (excluding Saturdays, Sundays and public holidays) or at https://www.sabic.com/en/investors/debt-bonds-maturities:

   (a) the articles of association of the Issuer;

   (b) the bylaws of the Guarantor;

   (c) the audited financial statements of the Issuer as at and for the year ended 31 December 2019 and as at and for the year ended 31 December 2018 and the respective independent auditor's report;

   (d) the unaudited interim condensed consolidated financial statements of the Group as at and for the six months ended 30 June 2020 and the independent auditor's review report thereon;

   (e) the audited consolidated financial statements of the Group as at and for the year ended 31 December 2019 and as at and for the year ended 31 December 2018 and the respective independent auditor's report;

   (f) the Trust Deeds (which include the Guarantees) and the Agency Agreement; and

   (g) a copy of this Prospectus.

   In addition, this Prospectus will be available, in electronic format, on the website of Euronext Dublin (http://www.ise.ie/Market-Data-Announcements/Debt/).

Clearing Systems

5. The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg.

In respect of the Series A Notes, the ISIN is XS2228112954 and the common code is 222811295. The Financial Instrument Short Name (FISN) is SABIC CAPITAL I/3EUR NT 20301008 RE and the Classification of Financial Instruments (CFI) code is DBFUGR.

In respect of the Series B Notes, the ISIN is XS2228113762 and the common code is 222811376. The Financial Instrument Short Name (FISN) is SABIC CAPITAL I/3EUR NT 20501008 RE and the Classification of Financial Instruments (CFI) code is DBFUGR.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels and the address of Clearstream, Luxembourg is Clearstream Banking S.A., 42 Avenue JF Kennedy, L-1855 Luxembourg.

Yield

6. The yield of the Series A Notes is 2.185% on an annual basis. The yield of the Series B Notes is 3.000% on an annual basis.

Significant or Material Change

7. Since 31 December 2019, there has been no significant change in the financial position or financial performance of the Issuer nor any material adverse change in the prospects of the Issuer.

Save as disclosed in "*Risk Factors – Risks Relating to the Group's Business – The recent coronavirus COVID-19 pandemic has caused significant disruption to both the global economy and the Kingdom of Saudi Arabia's economy, and COVID-19 or the outbreak of other communicable diseases around the world may cause further disruption*", there has been no significant change in the financial position or financial performance of the Guarantor or the Group since 30 June 2020 and there has been no material adverse change in the prospects of the Guarantor or the Group since 31 December 2019.

Litigation

8. There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened, of which the Issuer or the Guarantor is aware), which may have, or have had during the 12 months prior to the date of this Prospectus, a significant effect on the financial position or profitability of the Issuer or the Group.

Corporate Governance

9. As at the date of this Prospectus, each of the Issuer and the Guarantor are in compliance with applicable Dutch law corporate governance requirements and Saudi Arabian law corporate governance requirements, respectively, in all material respects.

Auditors

10. The audited financial statements of the Issuer as at and for the year ended 31 December 2019 and as at and for the year ended 31 December 2018 were audited without qualification by Ernst & Young Accountants LLP. The registered accountants at Ernst & Young Accountants LLP are members of the NBA (*Nederlandse Beroepsorganisatie van Accountants*), the professional body for accountants in The Netherlands.

The unaudited interim condensed consolidated financial statements of the Group as at and for the six months ended 30 June 2020 were reviewed by Ernst & Young & Co. (Certified Public Accountants) as stated in their review report included elsewhere in this Prospectus. The audited consolidated financial statements of the Group as at and for the year ended 31 December 2019 and as at and for the year ended 31 December 2018 were audited by Ernst & Young & Co. (Certified Public Accountants) as stated in their respective audit reports included elsewhere in this Prospectus. Ernst & Young & Co. (Certified Public Accountants) is licensed by the Saudi Organization for Certified Public Accountants.

With respect to the unaudited interim condensed consolidated financial statements of the Group as at and for the six months ended 30 June 2020, Ernst & Young & Co. (Certified Public Accountants) has reported that they have applied limited procedures in accordance with ISRE 2410. However, their review report dated 13 August 2020, included elsewhere in this Prospectus, states that they did not audit and they do not express any audit opinion on that interim consolidated financial information. Accordingly, the degree of reliance on their report on such information should be restricted in light of the limited nature of the review procedures applied.

Validity of the Prospectus and Prospectus Supplements

11. This Prospectus is valid for twelve months. For the avoidance of doubt, the Issuer shall have no obligation to supplement this Prospectus after the end of the offer or admission to trading of the Notes.

Managers Transacting with the Issuer and the Guarantor

12. Certain of the Managers and their affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with the Issuer, the Guarantor or their affiliates. The Managers have received, or may in the future receive, customary fees and commissions for these transactions. In addition, in the ordinary course of the Managers' business activities, the Managers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer, the Guarantor or their affiliates. Certain underwriters or their affiliates that have a lending relationship with the Issuer, the Guarantor or their affiliates routinely hedge their credit exposure to the Issuer and/or the Guarantor consistent with their customary risk management policies. Typically, such underwriters and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities issued by the Issuer and/or the Guarantor, including potentially the Notes offered hereby. Any such short positions could adversely affect future trading prices of the Notes offered hereby. The Managers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

Miscellaneous

13. The language of this Prospectus is English. Certain technical legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

INDEX TO FINANCIAL STATEMENTS

Building a better
working world

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

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

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

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

Independent auditor's review report on the interim condensed consolidated financial statements to the shareholders of Saudi Basic Industries Corporation (SABIC)
(A Saudi Joint Stock Company)

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Saudi Basic Industries Corporation ("SABIC") and its subsidiaries (collectively with SABIC referred to as "the Group") as at 30 June 2020, and the related interim condensed consolidated statements of income and comprehensive income for the three and six months periods ended 30 June 2020, and the related interim condensed consolidated statements of changes in equity and cash flows for the six months period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34") that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" endorsed in the Kingdom of Saudi Arabia. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 that is endorsed in the Kingdom of Saudi Arabia.

for Ernst & Young

Rashid S. AlRashoud
Certified Public Accountant
License No. (366)

Riyadh: 23 Dhul-Hijjah 1441H
(13 August 2020)

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

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

	Notes	As at 30 June 2020	As at 31 December 2019 (Restated, Note 10)
ASSETS			
Non-current assets:			
Property, plant and equipment		133,182,368	136,416,155
Right-of-use assets		6,018,604	6,440,505
Intangible assets	3.1	20,179,452	20,491,548
Investments in associates and joint ventures	3.1, 4.1	39,721,461	38,765,203
Other non-current assets	5	9,275,087	10,844,838
Total non-current assets		208,376,972	212,958,249
Current assets:			
Inventories		21,495,663	22,565,110
Trade receivables		14,271,195	16,746,049
Prepayments and other current assets		4,768,765	6,013,341
Short-term investments		9,913,459	5,558,554
Cash and bank balances		26,048,921	36,639,314
Total current assets		76,498,003	87,522,368
TOTAL ASSETS		284,874,975	300,480,617
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Parent		163,510,536	179,427,267
Non-controlling interests		25,350,936	27,077,411
Total equity		188,861,472	206,504,678
Non-current liabilities:			
Long-term debt and lease liabilities		35,175,567	36,128,330
Employee benefits		17,492,168	15,810,405
Other non-current liabilities	6	4,321,024	4,493,982
Total non-current liabilities		56,988,759	56,432,717
Current liabilities:			
Short-term borrowings, current portion of long-term debt and lease liabilities		8,203,519	8,216,808
Trade payables and other current liabilities		30,821,225	29,326,414
Total current liabilities		39,024,744	37,543,222
Total liabilities		96,013,503	93,975,939
TOTAL EQUITY AND LIABILITIES		284,874,975	300,480,617

EVP Corporate Finance — Vice Chairman & CEO — Authorised Board of Directors Member

The accompanying notes from 1 to 12 form an integral part of these interim condensed consolidated financial statements.

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

	Notes	For the three months period ended 30 June		For the six months period ended 30 June	
		2020	2019 (Restated)	2020	2019 (Restated, Note 10)
Revenue		24,619,429	34,899,150	54,812,574	70,909,545
Cost of sales		(21,145,256)	(26,356,233)	(46,631,404)	(52,960,508)
Gross profit		3,474,173	8,542,917	8,181,170	17,949,037
General and administrative expenses		(2,448,254)	(2,416,997)	(5,068,205)	(4,863,575)
Selling and distribution expenses		(2,317,831)	(2,508,654)	(4,672,230)	(4,939,555)
		(1,291,912)	3,617,266	(1,559,265)	8,145,907
Share of results of integral joint ventures	3.1	31,540	405,980	239,395	1,030,035
(Loss) income from operations		(1,260,372)	4,023,246	(1,319,870)	9,175,942
Share of results of non-integral joint ventures and associates	3.1, 4.1	(231,721)	(174,826)	(670,158)	32,366
Finance cost, net		(340,418)	(251,747)	(657,999)	(488,828)
Other (expenses) income, net		(36,055)	100,453	39,499	178,456
(Loss) income before zakat and income tax		(1,868,566)	3,697,126	(2,608,528)	8,897,936
Zakat expense		(505,432)	(648,752)	(997,525)	(1,298,029)
Income tax expense, net		163,223	(181,766)	422,268	(443,693)
Net (loss) income for the period		(2,210,775)	2,866,608	(3,183,785)	7,156,214
Attributable to:					
Equity holders of the Parent		(2,223,984)	2,029,979	(3,269,928)	5,352,564
Non-controlling interests		13,209	836,629	86,143	1,803,650
		(2,210,775)	2,866,608	(3,183,785)	7,156,214
Basic and diluted earnings per share (Saudi Riyals):					
Earnings per share from (loss) income from operations		(0.42)	1.34	(0.44)	3.06
Earnings per share from net (loss) income attributable to equity holders of the Parent		(0.74)	0.68	(1.09)	1.78

EVP Corporate Finance

Vice Chairman & CEO

Authorised Board of Directors Member

The accompanying notes from 1 to 12 form an integral part of these interim condensed consolidated financial statements.

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

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

	For the three months period ended 30 June		For the six months period ended 30 June	
	2020	2019 (Restated)	2020	2019 (Restated, Note 10)
Net (loss) income for the period	(2,210,775)	2,866,608	(3,183,785)	7,156,214
Other comprehensive income				
Items that will not be reclassified to the consolidated statement of income (net of tax):				
- Re-measurement loss on defined benefit plans and others	(1,080,899)	(314,778)	(1,323,988)	(1,119,047)
- Share of other comprehensive income of associates and joint ventures	(103,136)	(43,590)	(71,205)	(49,843)
- Net change on revaluation of investments in equity instruments at FVOCI	-	-	-	(20,579)
Items that will be reclassified to the consolidated statement of income (net of tax):				
- Exchange difference on translation of foreign operations and others	277,565	189,181	(283,930)	(75,387)
- Share of other comprehensive income of associates and joint ventures	41,452	461,968	(50,960)	63,915
Movement of other comprehensive (loss) income	(865,018)	292,781	(1,730,083)	(1,280,941)
Total comprehensive (loss) income for the period	(3,075,793)	3,159,389	(4,913,868)	5,955,273
Attributable to:				
Equity holders of the Parent	(2,905,722)	2,240,717	(4,816,731)	4,246,661
Non-controlling interests	(170,071)	918,672	(97,137)	1,708,612
	(3,075,793)	3,159,389	(4,913,868)	5,955,273

EVP Corporate Finance | Vice Chairman & CEO | Authorised Board of Directors Member

The accompanying notes from 1 to 12 form an integral part of these interim condensed consolidated financial statements.

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

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

	Attributable to the equity holders of the Parent							
	Share capital	Statutory reserve	General reserve	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
Balance as at 31 December 2018	30,000,000	15,000,000	110,889,032	(1,359,184)	18,554,532	173,084,380	48,352,095	221,436,475
Change in accounting treatment (Note 3.1)	-	-	-	-	10,715,269	10,715,269	(16,908,621)	(6,193,352)
Balance as at 1 January 2019 (Restated)	30,000,000	15,000,000	110,889,032	(1,359,184)	29,269,801	183,799,649	31,443,474	215,243,123
Net income	-	-	-	-	5,352,564	5,352,564	1,803,650	7,156,214
Other comprehensive loss	-	-	-	(1,105,903)	-	(1,105,903)	(95,038)	(1,200,941)
Total comprehensive (loss) income	-	-	-	(1,105,903)	5,352,564	4,246,661	1,708,612	5,955,273
Acquisition of non-controlling interests	-	-	-	15,154	5,535,402	5,550,556	(532,811)	5,017,745
Dividends and others	-	-	-	-	(13,200,000)	(13,200,000)	(3,445,787)	(16,645,787)
Balance as at 30 June 2019	30,000,000	15,000,000	110,889,032	(2,449,933)	26,957,767	180,396,866	29,173,488	209,570,354
Balance as at 1 January 2020 (Restated, Note 10)	30,000,000	15,000,000	110,889,032	(3,265,084)	26,803,319	179,427,267	27,077,411	206,504,678
Net (loss) income	**-**	**-**	**-**	**-**	**(3,269,928)**	**(3,269,928)**	**86,143**	**(3,183,785)**
Other comprehensive loss	**-**	**-**	**-**	**(1,546,803)**	**-**	**(1,546,803)**	**(183,280)**	**(1,730,083)**
Total comprehensive loss	**-**	**-**	**-**	**(1,546,803)**	**(3,269,928)**	**(4,816,731)**	**(97,137)**	**(4,913,868)**
Transfer of non-controlling interests to non-current liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**30,769**	**30,769**
Dividends and others	**-**	**-**	**-**	**-**	**(11,100,000)**	**(11,100,000)**	**(1,660,107)**	**(12,760,107)**
Balance as at 30 June 2020	**30,000,000**	**15,000,000**	**110,889,032**	**(4,811,887)**	**12,433,391**	**163,510,536**	**25,350,936**	**188,861,472**

EVP Corporate Finance | Vice Chairman & CEO | Authorised Board of Directors Member

The accompanying notes from 1 to 12 form an integral part of these interim condensed consolidated financial statements.

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

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

	For the six months period ended 30 June 2020	For the six months period ended 30 June 2019 (Restated)
Operating activities:		
(Loss) income before zakat and income tax	(2,608,528)	8,897,936
Adjustments to reconcile (loss) income before zakat and income tax to net cash inflow from operating activities:		
- Depreciation, amortisation and impairment	9,172,271	7,029,282
- Finance costs	821,972	797,069
- Share of results of non-integral joint ventures and associates	670,158	(32,366)
- Provisions and other movements, net	409,724	66,021
Changes in operating assets and liabilities:		
(Increase) decrease in other non-current assets	(1,023,084)	1,347,469
Working capital changes	893,406	(1,161,781)
Increase in net employee benefits obligations	357,775	520,086
Other assets and liabilities changes	282,078	1,368,131
Cash from operations	8,975,772	18,831,847
Finance cost paid	(654,154)	(841,874)
Zakat and income tax paid	(21,567)	(3,039,708)
Net cash from operating activities	8,300,051	14,950,265
Investing activities:		
Purchase of tangible and intangible assets, net	(5,651,821)	(8,117,452)
Short-term investments, net	(4,576,317)	3,744,253
Other assets movements	549,764	475,473
Investments in associates and joint ventures, net	(1,918,358)	833,158
Net cash used in investing activities	(11,596,732)	(3,064,568)
Financing activities:		
Proceeds from debt	615,625	7,425,000
Proceeds against acquisition of non-controlling interests	1,687,500	1,125,000
Debt and lease repayments	(1,718,113)	(12,348,296)
Dividends to shareholders and non-controlling interests	(7,592,848)	(8,599,711)
Net cash used in financing activities	(7,007,836)	(12,398,007)
Net decrease in cash and cash equivalents	(10,304,517)	(512,310)
Cash and cash equivalents at the beginning of the period	35,292,318	36,915,581
Cash and cash equivalents at the end of the period	24,987,801	36,403,271
Cash and bank balances	26,048,921	36,597,337
Less: bank overdrafts	(1,061,120)	(194,066)
Cash and cash equivalents	24,987,801	36,403,271

EVP Corporate Finance | Vice Chairman & CEO | Authorised Board of Directors Member

The accompanying notes from 1 to 12 form an integral part of these interim condensed consolidated financial statements.

1. Corporate information

Saudi Basic Industries Corporation ("SABIC" or "the Parent") is a Saudi Joint Stock Company established pursuant to Royal Decree Number M/66 dated 13 Ramadan 1396H (corresponding to 6 September 1976) registered in Riyadh under commercial registration No. 1010010813 dated 14 Muharram 1397H (corresponding to 4 January 1977).

On 16 June 2020, Saudi Arabian Oil Co. ("Saudi Aramco") acquired 70% ownership over SABIC through one of its subsidiary, "Aramco Chemicals Company" from the Government of the Kingdom of Saudi Arabia ("KSA") through the Public Investment Fund ("PIF"). The other 30% ownership is held by the private sector. The registered office is located at Qurtubah district, P.O. Box 5101, Riyadh 11422, KSA.

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 interim condensed consolidated financial statements of the Group for the six months period ended 30 June 2020 were authorised for issue in accordance with a resolution of the Board of Directors on 5 August 2020.

2. Basis of preparation

These interim condensed consolidated financial statements for the three and six months periods ended 30 June 2020 have been prepared in accordance with International Accounting Standard 34 *'Interim Financial Reporting'* ("IAS 34") as endorsed in the KSA and other standards and pronouncements that are endorsed by the Saudi Organisation for Certified Public Accountants ("SOCPA").

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements and should therefore be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2019.

An interim period is considered as integral part of the whole fiscal year; however, the results of operations for the interim periods may not be a fair indication of the results of the full year operations.

3. Summary of significant accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in preparing the Group's annual consolidated financial statements for the year ended 31 December 2019, except for change in accounting treatment as elaborated in Note 3.1 and amendments to International Financial Reporting Standards ("IFRS") that have to be mandatorily applied from 1 January 2020.

3.1 Change in accounting treatment for certain joint arrangements (Note 10)

During the period, in connection with the acquisition of 70% of SABIC by Saudi Aramco, SABIC has reappraised certain critical management judgments, which it has previously applied and disclosed in Note 3.2.2 of the consolidated financial statements for the year ended at 31 December 2019 relating to determination of whether control, joint control or significant influence is present with respect to investments in non-wholly owned subsidiaries and joint arrangements, respectively. To support the control presumption when the Group has equal or less than a majority of the voting or similar rights of an investee, the Group now places more weight on the legal and contractual ability to exercise power, including the potential substantive voting rights, if any. As a result of this reassessment, SABIC has concluded that four entities which were previously accounted as subsidiaries (KEMYA, YANPET, SHARQ and SAMAC) should now be accounted for as joint arrangements.

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

3. Summary of significant accounting policies (continued)

3.1 Change in accounting treatment for certain joint arrangements (Note 10) (continued)

Further, SADAF and AR-RAZI that are subsidiaries at 30 June 2020 and consolidated line by line in these interim condensed consolidated financial statements have also been accounted as joint arrangements since their founding, based on the reappraised critical judgment, until SABIC acquired control in 2017 and 2018, respectively. The impact of this step acquisition upon acquiring control by SABIC is recognised in the interim condensed consolidated statement of financial position and changes in equity.

The acquisition of 70% of SABIC by Saudi Aramco has neither changed nor is expected to change the existing relationship between SABIC and the four entities mentioned above, which are now accounted for as joint arrangements. Hence, the resultant change in accounting treatment from the reassessment of management judgments has been considered a change in accounting treatment and applied retrospectively in accordance with IAS 8 '*Accounting Policies, Changes in Accounting Estimates and Errors*'.

Based on the contractual arrangement, management has assessed that, of the four entities noted above, KEMYA, YANPET and SHARQ meets the definition of a joint venture and SAMAC meets the definition of a joint operation, in accordance with IFRS 11 '*Joint Arrangements'*.

Reassessment of critical management judgment relating to determination of whether control, joint control or significant influence is present with respect to investments in non-wholly owned subsidiaries, joint arrangements or associates, respectively, has affected the total equity at 1 January 2019, as per below:

	Attributable to the equity holders of the Parent	Non-controlling interests	Total equity
Balance as at 31 December 2018	173,084,380	48,352,095	221,436,475
Change in accounting treatment			
- SHARQ	-	(8,470,937)	(8,470,937)
- YANPET	-	(3,366,385)	(3,366,385)
- KEMYA	-	(4,852,558)	(4,852,558)
- SAMAC (50%)	-	(849,230)	(849,230)
- SADAF	4,371,776	-	4,371,776
- AR-RAZI	6,343,493	630,489	6,973,982
	10,715,269	(16,908,621)	(6,193,352)
Balance as at 1 January 2019 (restated)	183,799,649	31,443,474	215,243,123

The restatement, reflecting the above changes, is set out in Note 10 to the interim condensed consolidated financial statements. Further to this change in accounting, SABIC has also revised its definition of 'income from operations' as presented in the interim condensed consolidated statement of income. Having considered the nature and objective of its interests in associates and joint ventures, SABIC concluded that its interest in joint ventures for which it manages the production, logistics, feedstock and shared services are integral to, and support SABIC's core operating activities. Accordingly, SABIC has chosen to revise its definition of 'income from operations' to include its share of results of integral joint ventures, whilst its share of results of associates and non-integral joint ventures continues to be reported outside 'income from operations', in order to provide reliable and more relevant information. KEMYA, YANPET and SHARQ are considered to be integral joint ventures.

3. Summary of significant accounting policies (continued)

3.2 Amendments to IFRS

The following amendments to IFRS that have to be mandatorily applied as per 1 January 2020 by the Group, which are relevant to the Group:

3.2.1 Amendments to IFRS 3: Definition of a Business

The amendment to IFRS 3 *'Business Combinations'* clarifies the definition of a business as an integrated set of activities and assets that must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. However, a business can exist without including all of the inputs and processes needed to create outputs. These amendments have no impact on the interim condensed consolidated financial statements of the Group, but may affect future periods should the Group enter into any business combinations.

3.2.2 Amendments to IAS 1 and IAS 8: Definition of Material

The amendments to IAS 1 *'Presentation of Financial Statements'* and IAS 8 *'Accounting policies, Changes in Accounting Estimates and Errors'* provide a new definition of material. This definition states: "*information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.*" Materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

These amendments had no impact on the interim condensed consolidated financial statements. The Group has not early adopted any new standard, interpretation or amendment that have been issued but which are not yet effective.

4. Significant matters during the period

4.1. Investment in Clariant AG

In March 2020, SABIC, announced the acquisition of approximately 21 million additional shares in Clariant AG ("Clariant"), a global specialty chemicals company listed at the Swiss stock exchange ("SIX"). This stake represents 6.51% of Clariant's shares, and it has increased SABIC's total share in Clariant from 24.99% to 31.50%. The completion of the transaction is still subject to regulatory approvals. As major stakeholder, management's position, considering having significant influence without having control over Clariant, will not change with these additional shares. Accordingly, the investment in Clariant AG is continued to be accounted for as an associate using the equity method. Consequently, this acquisition is recognised as part of the carrying amount of Investments in associates and joint ventures.

Due to prevailing law and regulations, the preliminary Purchase Price Allocation ("PPA") for the additional shares is based on publicly available information only. The consideration paid amount to USD 499 million. As part of the initial PPA for these additional shares, the goodwill for these has been determined at approximately USD 194 million, which is subject to further assessment of the fair value of the (net) assets of Clariant during the next 12 months. The trading price of a Clariant share as at 30 June 2020 was CHF 18.61.

4.2. Restructuring of asset portfolio

In February 2020, SABIC has announced that it will suspend the production of ULTEM™ high heat polymers ("HHP") at its Cartagena (Spain) facility during the year as part of its global operation optimisation. The impact of this restructuring program is SR 713 million for the period ended 30 June 2020, which is included in cost of sales in the interim condensed consolidated income statement.

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

4. Significant matters during the period (continued)

4.2 Restructuring of asset portfolio (continued)

During the three-month period ended 30 June 2020, a SR 1.18 billion plant and equipment impairment charge was recorded. The impairment refers to positioning certain Petrochemical SBU assets in the European region driven by the Company's continuous efforts to strengthen synergies in its asset base and operating model and following ongoing changes in the market conditions and competitive environment.

4.3 COVID-19 assessment

The outbreak of novel coronavirus ("COVID-19") since early 2020 and its spread across mainland China and then globally caused disruptions to businesses and economic activities including the KSA. The World Health Organisation qualified COVID-19 as a pandemic, with governments issuing strict regulations and guidance for its populations and companies. It necessitated the Group to re-assess its judgments and the key sources of estimation applied to the annual financial statements for the year ended 31 December 2019.

During the quarter ended 30 June 2020, management has assessed the overall impact on the Group's operations and business aspects, and considered factors like effects on supply chain, impact of decreased oil prices, operating rates of its plants and lost volume, additional cost in supply chain, margin squeeze, and product demand. Majority of the planned shutdowns and turnarounds, which drive some part of the fixed costs have been rescheduled. Based on this assessment, no significant adjustments were required in the interim condensed consolidated financial statements for the period ended 30 June 2020. However, in view of the ongoing uncertainty, any future change in the assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets and/or liabilities in future periods. As the situation is rapidly evolving with future uncertainties, management will continue to assess the impact based on prospective developments.

5. Other non-current assets

	As at 30 June 2020	As at 31 December 2019 (Restated, Note 10)
Employee advances and loans	3,566,219	3,700,444
Long-term receivable from associates and joint ventures	1,396,609	1,439,878
Investments in debt instruments	989,385	1,345,592
Investments in equity instruments and funds	1,111,599	1,046,009
Receivables from JSMC	-	1,606,049
Deferred tax assets	1,222,838	711,609
Others	988,437	995,257
	9,275,087	10,844,838

6. Other non-current liabilities

	As at 30 June 2020	As at 31 December 2019 (Restated, Note 10)
Deferred tax liabilities	591,513	707,108
Long-term payables to associates and joint ventures	1,609,489	1,685,892
Obligation to acquire the remaining shares of certain subsidiaries	982,959	1,013,728
Others	1,137,063	1,087,254
	4,321,024	4,493,982

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

7. Fair value measurement

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

Valuation technique	Significant non-observable input	Range
Market approach	• Equity value to EBITDA multiple • Midpoint of Net Asset Value and Price to Book multiple	7.9 to 13.1 0.76
Net Asset Value approach	Point estimate of distributable cash and cash equivalents and net assets	SR 46.1 to SR 49.9
Expected Returns approach	Equity value to Revenue multiple	0.73

At 30 June 2020, the fair values of Group's other financial assets and financial liabilities approximate the carrying value.

8. Related party transactions and balances

The significant related party transactions and balances are broken down as follows:

	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties	Loans to related parties	Loans from related parties
	For the six months period ended 30 June 2020		As at 30 June 2020		As at 30 June 2020	
Associates	5,692	1,759,182	11,349	266,912	35,135	-
Joint ventures and partners	4,965,307	1,061,418	1,094,913	182,552	711,272	107,812
Saudi Aramco and its subsidiaries [effective from 16 June]	222,123	535,683	464,203	2,386,493	-	-
	For the six months period ended 30 June 2019 (Restated)		As at 31 December 2019 (Restated)		As at 31 December 2019 (Restated)	
Associates	24,157	1,737,675	31,454	192,697	35,135	-
Joint ventures and partners	4,803,279	1,310,602	1,379,670	179,838	615,142	107,812

9. Segment information

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

Based on a management decision and in line with changes in management reporting, the income, expenses, assets and liabilities relating to 'Corporate' segment, in prior years, has been allocated over the Petrochemicals & Specialties and Agri-nutrients SBUs and Hadeed according to an internally agreed consistent basis. All intercompany transactions within the reporting segments have been appropriately eliminated.

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

9. Segment information (continued)

The segments' financial details are shown below:

	For the three months period ended 30 June 2020			
	Petro-chemicals & Specialties	Agri-nutrients	Hadeed	Consolidated
Revenue	21,348,595	1,583,660	1,687,174	24,619,429
Depreciation, amortisation and impairment	(4,294,859)	(189,594)	(278,147)	(4,762,600)
(Loss) income from operations	(1,047,506)	374,803	(587,669)	(1,260,372)
Share of results of non-integral joint ventures and associates	(83,480)	(148,241)	-	(231,721)
Finance cost, net				(340,418)
Other expenses, net				(36,055)
Loss before zakat and income tax				(1,868,566)

	For the three months period ended 30 June 2019 (Restated)			
	Petro-chemicals & Specialties	Agri-nutrients	Hadeed	Consolidated
Revenue	30,536,222	1,801,592	2,561,336	34,899,150
Depreciation, amortisation and impairment	(3,129,873)	(190,366)	(270,427)	(3,590,666)
Income (loss) from operations	3,687,023	472,367	(136,144)	4,023,246
Share of results of non-integral joint ventures and associates	(150,573)	(24,253)	-	(174,826)
Finance cost, net				(251,747)
Other income, net				100,453
Income before zakat and income tax				3,697,126

	For the six months period ended 30 June 2020			
	Petro-chemicals & Specialties	Agri-nutrients	Hadeed	Consolidated
Revenue	47,306,539	3,053,670	4,452,365	54,812,574
Depreciation, amortisation and impairment	(8,222,406)	(388,312)	(561,553)	(9,172,271)
(Loss) income from operations	(1,256,653)	732,671	(795,888)	(1,319,870)
Share of results of non-integral joint ventures and associates	(435,035)	(235,123)	-	(670,158)
Finance cost, net				(657,999)
Other income, net				39,499
Loss before zakat and income tax				(2,608,528)

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

9. Segment information (continued)

	For the six months period ended 30 June 2019 (Restated, Note 10)			
	Petro-chemicals & Specialties	Agri-nutrients	Hadeed	Consolidated
Revenue	61,480,883	3,612,137	5,816,525	70,909,545
Depreciation, amortisation and impairment	(6,076,753)	(392,215)	(560,314)	(7,029,282)
Income (loss) from operations	8,283,093	1,023,278	(130,429)	9,175,942
Share of results of non-integral joint ventures and associates	14,438	17,928	-	32,366
Finance cost, net				(488,828)
Other income, net				178,456
Income before zakat and income tax				8,897,936

	As at 30 June 2020			
	Petro-chemicals & Specialties	Agri-nutrients	Hadeed	Consolidated
Total assets	256,906,333	11,869,196	16,099,446	284,874,975
Total liabilities	88,659,486	2,612,634	4,741,383	96,013,503

	As at 31 December 2019 *(Restated, Note 10)*			
	Petro-chemicals & Specialties	Agri-nutrients	Hadeed	Consolidated
Total assets	271,113,349	11,674,577	17,692,691	300,480,617
Total liabilities	87,081,152	2,295,442	4,599,345	93,975,939

Geographical distribution of revenue

	For the three months period ended 30 June 2020		For the three months period ended 30 June 2019 *(Restated)*	
KSA	3,843,353	16%	5,912,351	17%
China	5,043,759	20%	5,893,153	17%
Rest of Asia	5,799,464	24%	7,906,376	23%
Europe	5,695,153	23%	8,334,906	24%
Americas	2,210,560	9%	3,121,815	9%
Others	2,027,140	8%	3,730,549	10%
	24,619,429	100%	34,899,150	100%

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

9. Segment information (continued)

	For the six months period ended 30 June 2020		For the six months period ended 30 June 2019 *(Restated, Note 10)*	
KSA	9,063,177	17%	12,620,001	18%
China	9,912,209	18%	11,942,919	17%
Rest of Asia	12,821,629	23%	15,798,370	22%
Europe	12,855,273	23%	16,723,575	24%
Americas	5,039,481	9%	6,252,724	9%
Others	5,120,805	10%	7,571,956	10%
	54,812,574	100%	70,909,545	100%

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

Geographical distribution of property, plant and equipment

	As at 30 June 2020		As at 31 December 2019 *(Restated, Note 10)*	
KSA	104,360,286	78%	106,460,091	78%
Europe	12,298,885	10%	14,217,886	11%
Americas	15,089,781	11%	14,244,967	10%
Asia	1,429,613	1%	1,488,871	1%
Others	3,803	-	4,340	-
	133,182,368	100%	136,416,155	100%

10. Restatement due to change in accounting treatment

SABIC changed the accounting treatment of certain entities as elaborated in Note 3.1. In completion of the process for the acquisition of 70% of the shares of SABIC by Saudi Aramco, certain studies and analyses were accomplished to align the efforts of the two companies to achieve their strategic goals at the local and global levels. These studies and analyses included the alignment of significant accounting estimates, assumptions and judgments ("significant judgments") particularly in the control assessment of SABIC's investments in certain legal entities ("legal entities"), which SABIC holds 50% shareholding. Currently, the number of these legal entities is seven, and they are all located in the industrial cities of the Kingdom of Saudi Arabia.

10. Restatement due to change in accounting treatment (continued)

In conformity with its previous critical judgments, SABIC had consolidated the financial statements of those legal entities in accordance with the IFRS as endorsed in KSA up to 31 March 2020. The consolidation of these legal entities' financial statements mainly depends on applying "critical judgments" besides applying the relevant standards, which in some cases are not compatible with the accounting judgments applied by Saudi Aramco. Being the “Parent Company” as of the date of acquiring SABIC, Saudi Aramco is required to prepare its consolidated financial statements using unified accounting policies and judgments for transactions and other events under similar circumstances. Accordingly, SABIC and Saudi Aramco have aligned the “critical judgments” applied in this regard, and to follow unified accounting policies and judgments applied by Saudi Aramco.

In line with these unified accounting policies and judgments, and based on a re-assessment of the control over these legal entities, the accounting treatment of the following four legal entities have changed:

1. Saudi Yanbu Petrochemical Company (“YANPET”)
2. Al-Jubail Petrochemical Company (“KEMYA”)
3. Eastern Petrochemical Company (“SHARQ”)
4. Saudi Methacrylates Company (“SAMAC”)

SABIC, as on the date of Saudi Aramco's acquisition during the second quarter of 2020, has ceased consolidating the financial statements of these four legal entities and considered them as “joint arrangements” and retrospectively recognised three of them (“YANPET”, “KEMYA” and “SHARQ”) as investment in “joint ventures”, applying the equity method of accounting while recognizing SAMAC as investments in “joint operation” by recognising the related share of assets and liabilities, revenue and expenses.

Due to the change in critical judgments, SABIC reviewed other joint arrangements it held in the past and concluded that SADAF and AR-RAZI would have been similarly recognised. SABIC has applied acquisition accounting in accordance with IFRS 3 ‘*Business Combinations*’ upon acquiring control.

In August 2017, SABIC increased its shareholding in SADAF from 50% to 100% as a result of exercising an option to purchase the remaining 50% of shares held by another investor and obtained control of SADAF at this date.

In November 2018, SABIC obtained control of AR-RAZI as a result of the expiry of the Joint Venture Agreement SABIC held with another investor, which gave SABIC the immediate right to purchase the remaining 50% of shares held by another investor. In addition, negotiations with the other investor resulted in the conclusion of a transaction in June 2019, which resulted in an increase of SABIC's shareholding in AR-RAZI to 75%. Considering this transaction is related to the acquisition of an additional ownership interest in a subsidiary without a change of control, accordingly, it has been accounted for as an equity transaction and excess consideration over the carrying amount of the non-controlling interests is recognised in equity attributable to the Parent amounting to SR 5,550 million.

At the time of acquiring control, as per the management's best estimates the acquisition accounting has resulted in the recognition of step up of property, plant and equipment of SAR 2,764 million (SADAF representing SR 1,655 million and AR-RAZI representing SR 1,109 million) and goodwill amounting of SR 8,888 million (SADAF representing SR 5,702 million and AR-RAZI representing SR 3,186 million). The impacts of this retrospective control assessment are non-cash in nature.

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

10. Restatement due to change in accounting treatment (continued)

The impact of all above adjustments are presented in the below table:

	As at 31 December 2019 (Restated)	Adjustments	As at 31 December 2019
ASSETS			
Non-current assets:			
Property, plant and equipment	136,416,155	(26,574,129)	162,990,284
Right of use assets	6,440,505	(625,460)	7,065,965
Intangible assets	20,491,548	8,113,935	12,377,613
Investments in associates and joint ventures	38,765,203	15,414,809	23,350,394
Other non-current assets	10,844,838	1,224,559	9,620,279
Total non-current assets	212,958,249	(2,446,286)	215,404,535
Current assets:			
Inventories	22,565,110	(3,848,470)	26,413,580
Trade receivables	16,746,049	(1,576,503)	18,322,552
Prepayments and other current assets	6,013,341	(340,414)	6,353,755
Short-term investments	5,558,554	-	5,558,554
Cash and bank balances	36,639,314	(1,673,461)	38,312,775
Total current assets	87,522,368	(7,438,848)	94,961,216
TOTAL ASSETS	300,480,617	(9,885,134)	310,365,751
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Parent	179,427,267	10,665,359	168,761,908
Non-controlling interests	27,077,411	(15,412,003)	42,489,414
Total equity	206,504,678	(4,746,644)	211,251,322
Non-current liabilities:			
Long-term debt and lease liabilities	36,128,330	(4,099,095)	40,227,425
Employee benefits	15,810,405	(2,238,443)	18,048,848
Other non-current liabilities	4,493,982	1,103,062	3,390,920
Total non-current liabilities	56,432,717	(5,234,476)	61,667,193
Current liabilities:			
Short-term borrowings, current portion of long-term debt and lease liabilities	8,216,808	(1,291,323)	9,508,131
Trade payables and other current liabilities	29,326,414	1,387,309	27,939,105
Total current liabilities	37,543,222	95,986	37,447,236
Total liabilities	93,975,939	(5,138,490)	99,114,429
TOTAL EQUITY AND LIABILITIES	300,480,617	(9,885,134)	310,365,751

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

10. Restatement due to change in accounting treatment (continued)

	For the six months period ended 30 June 2019 (Restated)	Adjustments	For the six months period ended 30 June 2019
Revenue	70,909,545	(2,327,138)	73,236,683
Cost of sales	(52,960,508)	(1,015,469)	(51,945,039)
Gross profit	17,949,037	(3,342,607)	21,291,644
General and administrative expenses	(4,863,575)	358,225	(5,221,800)
Selling and distribution expenses	(4,939,555)	148,374	(5,087,929)
	8,145,907	(2,836,008)	10,981,915
Share of results of integral joint ventures	1,030,035	1,030,035	-
Income from operations	9,175,942	(1,805,973)	10,981,915
Share of results of non-integral joint ventures and associates	32,366	(10,241)	42,607
Finance cost, net	(488,828)	162,841	(651,669)
Other income (expenses), net	178,456	254,500	(76,044)
Income before zakat and income tax	8,897,936	(1,398,873)	10,296,809
Zakat expense	(1,298,029)	51,971	(1,350,000)
Income tax expense, net	(443,693)	224,967	(668,660)
Net income for the period	7,156,214	(1,121,935)	8,278,149
Attributable to:			
Equity holders of the Parent	5,352,564	(171,027)	5,523,591
Non-controlling interests	1,803,650	(950,908)	2,754,558
	7,156,214	(1,121,935)	8,278,149
Total comprehensive income for the period	5,955,273	(1,070,564)	7,025,837
Attributable to:			
Equity holders of the Parent	4,246,661	(171,027)	4,417,688
Non-controlling interests	1,708,612	(899,537)	2,608,149
	5,955,273	(1,070,564)	7,025,837

11. Appropriations

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

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

On 24 Shawwal 1441H (corresponding to 16 June 2020), SABIC declared interim cash dividends for the first half of the year 2020 amounting to SR 4.5 billion (at SR 1.5 per share), which has been recognised in these interim condensed consolidated financial statements for the period ended 30 June 2020.

12. Subsequent events

On 1 July 2020, Clariant (an associate) announced that it closed the deal to sell their Masterbatches business unit and therefore declared dividend CHF 3 a share which is paid in the first week of July.

In the opinion of management, there have been no further significant subsequent events since the period ended 30 June 2020, which would have a material impact on the financial position of the Group as reflected in these interim condensed consolidated financial statements.

EY
Building a better working world

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

Registration No. 45/11/323
C.R. No. 1010383821
Tel: +966 11 215 9898
+966 11 273 4740
Fax: +966 11 273 4730
ey.ksa@sa.ey.com
ey.com/mena

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Consolidated Financial Statements

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

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

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

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

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

Other information included in the Group's 2019 Annual Report

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

for Ernst & Young

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

Riyadh: 8 Rajab 1441H
3 March 2020

شركة ارنست ويونغ وشركاهم محاسبون قانونيون
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ترخيص مهني رقم ٤٥
PROFESSIONAL LICENCE No. 45
ERNST & YOUNG & Co. PUBLIC ACCOUNTANTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

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

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

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

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

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

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

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

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

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

1. Corporate information

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

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

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

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

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

2. Basis of preparation and accounting policies

2.1 Basis of preparation

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

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

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

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

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

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

2. Basis of preparation and accounting policies (continued)

2.2 Basis of consolidation

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

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

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

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

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

2.3 Foreign currencies

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

Transactions and balances

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

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

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

2. Basis of preparation and accounting policies (continued)

2.3 Foreign currencies (continued)

Group's companies

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

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

3. Significant accounting estimates, assumptions and judgements

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

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

Other disclosures relating to the Group's exposure to risks and uncertainties include:

- Capital management, financial instrument risk management and policies (Note 37)
- Sensitivity analysis disclosures (Notes 24 and 37)

3.1 Estimates and assumptions

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

3.1.1 Impairment of non-financial assets

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

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

3.1 Estimates and assumptions (continued)

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

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

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

The Group is required to make judgements about:

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

3.1.4 Provisions

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

3.1.5 Defined employee benefit plans (Note 24)

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

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

3.1.6 Accounting for income tax (Note 32)

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

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

3.1 Estimates and assumptions (continued)

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

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

3.1.7 Accounting for options on own equity instruments

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

3.2 Critical judgements in applying accounting standards

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

3.2.1 Component parts of plant and equipment

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

3.2.2 Determination of control, joint control and significant influence

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

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

3.2.2.1 Assessing control over consolidated subsidiaries

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

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

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

3.2 Critical judgements in applying accounting standards (continued)

3.2.2.1 Assessing control over consolidated subsidiaries (continued)

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

Based on above considerations, the Group believes:

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

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

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

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

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

4. Changes in accounting policies

IFRS 16 – Leases

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

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

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

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

4. Changes in accounting policies (continued)

IFRS 16 – Leases (continued)

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

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

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

IFRIC Interpretation 23 - Uncertainty over Income Tax Treatment

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

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

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

Amendments to IAS 19: Plan Amendment, Curtailment or Settlement

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

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

5. New IFRS issued but not yet effective

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

Amendment to IFRS 3 – Business Combinations

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

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

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

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

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

6. Summary of significant accounting polices

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

Business combinations and goodwill

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

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

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

6. Summary of significant accounting polices (continued)

Business combinations and goodwill (continued)

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

Investments in associates and joint arrangements

Investments in associates

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

Investments in joint arrangements

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

- *Joint operations*

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

- *Joint ventures*

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

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

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

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

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

6. Summary of significant accounting polices (continued)

Investments in associates and joint arrangements (continued)

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

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

Current versus non-current classification

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

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

All other assets are classified as non-current.

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

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

Zakat and tax

Zakat

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

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.

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. Summary of significant accounting polices (continued)

Property, plant and equipment

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

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

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

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

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

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

Group as lessee

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

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

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

6. Summary of significant accounting polices (continued)

Leases

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

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

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

Group as a lessor

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

6. Summary of significant accounting polices (continued)

Borrowing costs

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

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

Intangible assets

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

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

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

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

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

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

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

6. Summary of significant accounting polices (continued)

Impairment of non-current assets

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

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

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

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

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

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

Financial assets

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

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

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

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

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

6. Summary of significant accounting polices (continued)

Financial assets (continued)

Initial measurement

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

Subsequent measurement

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

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

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

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

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

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

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

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

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

De-recognition

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

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

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

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

6. Summary of significant accounting polices (continued)

Financial assets (continued)

Impairment

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

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

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

Financial liabilities

Initial recognition and measurement

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

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

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

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

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

Subsequent measurement

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

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

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

6. Summary of significant accounting polices (continued)

Financial liabilities (continued)

Trade and other payables

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

Financial guarantee contracts

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

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

De-recognition

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

Offsetting of financial instruments

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

Derivative financial instruments and hedge accounting

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

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

Inventories

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

6. Summary of significant accounting polices (continued)

Cash dividend paid to equity holders of the Parent

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

Provisions

General

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

Environmental obligations

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

Onerous contracts

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

De-commissioning liability

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

Employee benefits

Long-term employee benefit obligations

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

6. Summary of significant accounting polices (continued)

Employee benefits (continued)

Long-term employee benefit obligations (continued)

Defined contribution plans

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

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

Defined benefit plans

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

End of service benefits and pension plans

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

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

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

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

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

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

6. Summary of significant accounting polices (continued)

Employee benefits (continued)

Long-term employee benefit obligations (continued)

End of service benefits and pension plans (continued)

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

Employee Home Ownership Program ("HOP")

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

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

Employee Home Loan Program ("HLP")

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

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

Revenue recognition

Sales revenue

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

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

Rights of return

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

Allocation of performance obligations

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

6. Summary of significant accounting polices (continued)

Revenue recognition (continued)

Variable pricing – preliminary pricing

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

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

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

Variable pricing – volume rebates

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

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

<u>Rendering of services</u>

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

Finance income

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

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

7 Property, plant and equipment

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

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

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

7 Property, plant and equipment (continued)

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

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

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

7 Property, plant and equipment (continued)

Allocation of depreciation charge for the year

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

Land and building

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

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

Assets under construction

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

Capitalised borrowing costs

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

Pledged property, plant and equipment

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

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

Impairment and write-offs of plant and equipment

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

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

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

8 Right of use assets

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

Allocation of depreciation charge for the year

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

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

9 Intangible assets

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

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

9 Intangible assets (continued)

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

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

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

9 Intangible assets (continued)

Allocation of amortisation charge for the year

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

Goodwill

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

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

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

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

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

10 Investments in associates and joint ventures

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

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

10 Investments in associates and joint ventures (continued)

10.1 Investment in Clariant A.G.

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

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

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

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

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

10 Investments in associates and joint ventures (continued)

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

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

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

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

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

10 Investments in associates and joint ventures (continued)

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

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

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

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

10 Investments in associates and joint ventures (continued)

Summarised financial information of associates

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

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

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

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

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

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

10 Investments in associates and joint ventures (continued)

Summarised financial information of associates (continued)

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

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

Notes:

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

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

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

10 Investments in associates and joint ventures (continued)

Summarised financial information of joint ventures

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

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

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

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

10 Investments in associates and joint ventures (continued)

Summarised financial information of individually immaterial associates and joint venture

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

Fair value of listed associates

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

11 Investments in debt instruments

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

Currency exposure

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

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

12 Investments in equity instruments

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

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

13 Other non-current assets

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

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

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

Others
Others mainly include advances to contractors and miscellaneous items

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

14 Financial assets and financial liabilities

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

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

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

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

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

14 Financial assets and financial liabilities (continued)

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

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

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

14 Financial assets and financial liabilities (continued)

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

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

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

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

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

14 Financial assets and financial liabilities (continued)

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

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

15 Inventories

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

Movements in the provision for obsolete inventories were as follows:

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

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

16 Trade receivables

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

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

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

16 Trade receivables (continued)

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

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

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

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

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

17 Prepayments and other current assets

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

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

18 Short-term investments

Short-term investments can be broken down as follows:

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

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

Other short-term investments include certificate of deposits.

19 Cash and bank balances

Cash and bank balances can be broken down as follows:

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

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

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

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

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

Cash flows related disclosures

Cash and cash equivalents can be broken down as follows:

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

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

19 Cash and bank balances (continued)

19.1 Cash flows related disclosures (continued)

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

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

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

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

20 Share capital

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

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

21 Reserves

Statutory reserve

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

General reserve

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

Other reserves

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

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

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

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

21 Reserves (continued)

Other reserves (continued)

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

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

22 Non-controlling interests

Summarised statement of financial position

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

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

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

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

22 Non-controlling interests (continued)

Summarised statement of financial position (continued)

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

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

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

22 Non-controlling interests (continued)

Summarised statement of comprehensive income

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

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

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

22 Non-controlling interests (continued)

Summarised statement of cash flows

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

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

22 Non-controlling interests (continued)

22.1 Increase of shareholding in a subsidiary

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

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

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

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

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

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

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

23 Debt

Total debt can be broken down as follows:

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

Long-term debt

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

Bonds

The following bonds were outstanding as of 31 December 2019:

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

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

23 Debt (continued)

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

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

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

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

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

24 Employee benefits

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

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

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

Defined benefits obligation

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

<u>End of service benefits</u>

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

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

24 Employee benefits (continued)

Defined benefits obligation (continued)

Defined benefit pension plans

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

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

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

United States of America

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

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

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

United Kingdom

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

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

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

24 Employee benefits (continued)

Other long-term employee benefits

Early retirement plans

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

Long-term service awards

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

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

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

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

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

24 Employee benefits (continued)

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

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

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

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

24 Employee benefits (continued)

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

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

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

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

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

24 Employee benefits (continued)

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

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

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

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

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

24 Employee benefits (continued)

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

Employee pension plan assets:

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

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

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

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

24 Employee benefits (continued)

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

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

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

Sensitivity analysis

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

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

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

24 Employee benefits (continued)

Sensitivity analysis (continued)

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

Expected total benefit payments can be broken down as follows:

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

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

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

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

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

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

25 Trade payables

Trade payables can be broken down as follows:

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

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

26 Accruals and other current liabilities

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

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

27 Derivatives

Derivatives can be broken down as follows:

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

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

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

28 Revenue

Revenue can be broken down as follows:

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

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

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

Contract balances

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

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

29 Expenses

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

29.1 Cost of sales

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

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

29 Expenses (continued)

29.2 General and administrative expenses

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

29.3 Selling and distribution expenses

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

30 Finance cost

Finance cost can be broken down as follows:

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

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

31 Other expenses, net

Other expenses, net can be broken down as follows:

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

32 Zakat and income tax

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

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

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

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

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

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

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

32 Zakat and income tax (continued)

32.1 Zakat

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

32.2 Income Tax

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

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

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

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

32 Zakat and income tax (continued)

32.2 Income Tax (continued)

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

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

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

32 Zakat and income tax (continued)

32.2 Income Tax (continued)

Components of deferred tax are as follows:

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

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

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

33 Basic and diluted earnings per share

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

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

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

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

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

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

34 Conventional and non-conventional financing and investments

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

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

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

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

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

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

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

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

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

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

35 Related party transactions and balances

Interests in subsidiaries are set out in Note 42.

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

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

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

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

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

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

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

Terms and conditions of transactions with related parties

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

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

35 Related party transactions and balances (continued)

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

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

Key management personnel compensation

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

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

36 Segment information

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

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

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

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

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

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

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

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

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

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

36 Segment information (continued)

The segments' financial details are shown below:

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

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

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

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

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

36 Segment information (continued)

Geographical distribution of revenue

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

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

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

Geographical distribution of property, plant and equipment

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

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

37 Financial risk management

Overview

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

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

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

Risk management framework

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

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

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

37.1 Credit risk

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

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

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

37 Financial risk management (continued)

37.1 Credit risk (continued)

Trade receivables

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

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

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

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

Investments

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

Credit risk quality

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

(i) Excludes investments in debt instruments.

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

37 Financial risk management (continued)

37.1 Credit risk (continued)

Credit risk quality (continued)

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

(i) Excludes investments in debt instruments.

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

37.2 Liquidity risk

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

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

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

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

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

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

37 Financial risk management (continued)

37.2 Liquidity risk (continued)

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

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

(i) Excludes interest on lease

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

(i) Excludes interest on lease

37.3 Market risk

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

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

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

37 Financial risk management (continued)

37.4 Equity price risk

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

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

37.5 Currency risk

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

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

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

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

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

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

37 Financial risk management (continued)

37.5 Currency risk (continued)

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

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

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

37.6 Interest rate risk

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

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

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

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

37 Financial risk management (continued)

37.6 Interest rate risk (continued)

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

37.7 Commodity risk

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

37.8 Capital management

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

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

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

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

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

38 Commitments and contingencies

Capital commitments

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

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

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

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

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

Guarantees

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

Contingent assets

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

Contingent liabilities

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

Leases

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

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

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

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

38 Commitments and contingencies (continued)

Leases (continued)

Group as a lessor

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

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

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

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

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

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

39 Reclassification in comparative numbers

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

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

40 Appropriations

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

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

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

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

41 Subsequent events

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

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

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

42 Subsidiaries

SABIC Group's subsidiaries are set out below:

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

Notes:

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

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

42 Subsidiaries (continued)

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

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

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

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

42 Subsidiaries (continued)

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

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

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

42 Subsidiaries (continued)

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

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

Note:

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

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

42 Subsidiaries (continued)

42.2 SIIC Group Subsidiaries

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

Notes:

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

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

43 Investment in associates and joint arrangements

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

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

Notes:

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

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

Building a better working world

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

Registration No. 45/11/323
C.R. No. 1010383821
Tel: +966 11 215 9898
+966 11 273 4740
Fax: +966 11 273 4730
riyadh@sa.ey.com
www.ey.com/mena

INDEPENDENT AUDITOR'S REPORT
To the Shareholders of Saudi Basic Industries Corporation (SABIC)
(A Saudi Arabian Joint Stock Company)

Report on the Audit of the Consolidated Financial Statements

Opinion
We have audited the consolidated financial statements of Saudi Basic Industries Corporation (SABIC) and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2018, 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 ("KSA") and other standards and pronouncements that are issued by the Saudi Organization for Certified Public Accountants.

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

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

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

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

<table>
<tr><th colspan="2">Key audit matter</th></tr>
<tr><td colspan="2"> Impairment of non-financial assets
In relation to impairment of property, plant and equipment, the carrying values of the property, plant and equipment are reviewed annually by management for potential indicators of impairment. For such assets where impairment indicators exist, management performs detailed impairment reviews, taking into account, inter alia, the impact of revenue assumptions, technical factors, usage and economic condition which may affect the expected remaining useful lives and carrying value of the assets.
In relation to impairment of goodwill, management performs an annual impairment test on the recoverability of the goodwill. Accordingly, the management assesses the recoverable amount of each cash generating unit (CGU) or group of CGUs to which the goodwill relates, to determine if an impairment is required or not. In this regard, management needs to apply considerable judgement in allocating the goodwill to the appropriate business units as well as in assessing the future performance and prospects of each CGU and the discount rates to apply. </td></tr>
<tr><th>a. Assessing impairment of property, plant and equipment</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td> As at 31 December 2018, the Group's consolidated statement of financial position includes property, plant and equipment amounting to SR 164 billion. The assessment of the recoverable value of these assets, incorporates significant judgement in respect of factors such as future production levels, commodity prices, operating/capital costs and economic assumptions such as discount rates.
Based on the assessment, the management concluded that no material impairment of property, plant and equipment was required.
We identified the impairment of property, plant and equipment as a key audit matter as the assessment involves a significant degree of management judgement in determining the key assumptions such as expected revenue levels and technical factors.
Refer to consolidated financial statements note 6 for the significant accounting policy relating to impairment of non-current assets, note 3.1.1 for the significant accounting estimates, assumptions and judgements relating to impairment of non-financial assets and note 7 for property, plant and equipment related disclosures. </td>
<td> We performed the following procedures, among others:

Evaluating the management's assumptions and estimates to determine the recoverable value of its property, plant and equipment, including those relating to production, cost, capital expenditure and discount rates. This included using specialists to compare these assumptions against external benchmarks and evaluating management's assumptions based on our knowledge of the Group and its industry;
Validating the mathematical accuracy of cash flow models and agreeing relevant data to the latest production plans and approved budgets; and
Assessing the adequacy of the Group's disclosures in respect of asset carrying values and impairment losses.
</td></tr>
</table>

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

Key audit matter	
b. *Impairment assessment of Goodwill*	**How our audit addressed the key audit matter**
As of 31 December 2018, the Group's goodwill balance was SR 8.7 billion. Based on the annual goodwill impairment assessment, including sensitivity tests, the management concluded that no material impairment of goodwill was required. We have considered this to be a key audit matter in light of the amount of judgment involved and estimation required to assess the recoverable amount of CGUs. Refer to consolidated financial statements note 6 for the significant accounting policy relating to impairment of non-current assets, note 3.1.1 for the significant accounting estimates, assumptions and judgements relating to impairment of non-financial assets and note 8 for intangible assets related disclosures.	We performed the following procedures in respect of the impairment assessment of goodwill: • Evaluated the methodology used by management to estimate the recoverable amount of each CGU; • Evaluated the assumptions and methodologies used in the annual impairment test prepared by the management; • Evaluated management's critical assumptions in particular, the projected revenue growth, margin developments, discount rates and terminal growth rates. This included using specialists in assessing management's assumptions based on our knowledge of the Group and its industry; • Verified whether the CGU definition is in line with internal reporting and IAS 36 criteria and verified whether carrying values were appropriately allocated to the different CGUs; • Performed an assessment of the mathematical accuracy of the calculations and a reconciliation to the underlying plan as approved by the management; and • We also focused on the adequacy of the Group's disclosures in the consolidated financial statement concerning those key assumptions to which the outcome of the impairment test is most sensitive.

Other information included in the Group's 2018 Annual Report

Other information consists of the information included in the Group's 2018 annual report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information in its annual report. The Group's 2018 annual report is expected to be made available to us after the date of this auditor's report.

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

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

When we read the Group's 2018 annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

Responsibilities of Management and those Charged with Governance for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by the Saudi Organization for Certified Public Accountants and the provisions of Companies' Law and SABIC's By-law, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

for Ernst & Young

Rashid S. Al Rashoud
Certified Public Accountant
License No. 366
Riyadh: 5 Rajab 1440H
12 March 2019

شركة ارنست ويونغ وشركاهم محاسبون قانونيون
ترخيص مهني رقم ٤٥
PROFESSIONAL LICENCE No. 45
ERNST & YOUNG & Co. PUBLIC ACCOUNTANTS

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

	Notes	As at 31 December 2018	As at 31 December 2017
Assets			
Non-current assets			
Property, plant and equipment	7	163,819,684	167,355,911
Intangible assets	8	12,947,211	13,542,397
Investments in associates and joint ventures	9	25,780,550	14,304,140
Investments in debt instruments	10	2,493,880	-
Held-to-maturity investments	10	-	3,055,161
Investments in equity instruments	11	1,090,109	-
Available-for-sale financial assets	11	-	696,243
Deferred tax assets	31.2	865,156	673,983
Other non-current assets	12	5,126,456	4,219,500
Total non-current assets		212,123,046	203,847,335
Current assets			
Inventories	14	28,244,803	26,062,995
Trade receivables	15	21,821,849	22,609,432
Prepayments and other current assets	16	5,114,857	5,701,316
Short-term investments	17	9,815,499	4,351,072
Cash and bank balances	18	42,590,820	59,038,656
Total current assets		107,587,828	117,763,471
Total assets		319,710,874	321,610,806

The notes on page 15 to 108 form an integral part of these consolidated financial statements.

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

	Notes	As at 31 December 2018	As at 31 December 2017
Equity and liabilities			
Equity			
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*	**(1,359,184)**	(2,249,663)
Retained earnings		**18,554,532**	10,282,264
Equity attributable to equity holders of the Parent		**173,084,380**	163,921,633
Non-controlling interests	*21*	**48,352,095**	46,216,859
Total equity		**221,436,475**	210,138,492
Non-current liabilities			
Long-term debt	*22*	**42,345,396**	41,624,732
Employee benefits	*23*	**15,000,025**	17,635,036
Deferred tax liabilities	*31.2*	**1,664,138**	1,752,443
Other non-current liabilities		**2,156,437**	2,160,697
Total non-current liabilities		**61,165,996**	63,172,908
Current liabilities			
Current portion of long-term debt	*22*	**3,750,256**	15,373,456
Short-term borrowings	*22*	**1,167,589**	1,065,000
Trade payables	*24*	**14,969,357**	18,061,464
Accruals and other current liabilities	*25*	**13,016,884**	10,124,246
Zakat and income tax payable	*31*	**4,204,317**	3,675,240
Total current liabilities		**37,108,403**	48,299,406
Total liabilities		**98,274,399**	111,472,314
Total equity and liabilities		**319,710,874**	321,610,806

EVP Corporate Finance — Vice Chairman & CEO — Chairman, Board of Directors

The notes on page 15 to 108 form an integral part of these consolidated financial statements.

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

	Notes	For the year ended 31 December 2018	For the year ended 31 December 2017
Revenue	27	169,128,339	149,765,968
Cost of sales	28.1	(111,520,471)	(99,858,243)
Gross profit		57,607,868	49,907,725
General and administrative expenses	28.2	(10,944,907)	(10,569,801)
Selling and distribution expenses	28.3	(10,399,937)	(10,339,537)
Income from operations		36,263,024	28,998,387
Share of results of associates and joint ventures	9.1	1,049,850	1,419,680
Finance income	33	1,422,720	1,247,057
Finance cost	29 & 33	(2,646,115)	(2,329,716)
		(1,223,395)	(1,082,659)
Other (expenses) income, net	30	(406,411)	289,337
Income before zakat and income tax		35,683,068	29,624,745
Zakat expense	31.1	(2,600,000)	(2,600,000)
Income tax expense	31.2	(1,197,661)	(1,540,000)
Net income for the year		31,885,407	25,484,745
Attributable to:			
Equity holders of the Parent		21,520,678	18,430,236
Non-controlling interests		10,364,729	7,054,509
		31,885,407	25,484,745
Basic and diluted earnings per share (Saudi Riyals)			
Earnings per share from income from operations	32	12.09	9.67
Earnings per share from net income attributable to equity holders of the Parent	32	7.17	6.14

EVP Corporate Finance | Vice Chairman & CEO | Chairman, Board of Directors

The notes on page 15 to 108 form an integral part of these consolidated financial statements.

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

	Notes	For the year ended 31 December 2018	For the year ended 31 December 2017
Net income for the year		31,885,407	25,484,745
Other comprehensive income			
Items that will not be reclassified to the consolidated statement of income (net of tax):			
- Re-measurement gain on defined benefit plans	*23*	2,147,893	274,582
- Share of other comprehensive income of associates and joint ventures	*9 & 20*	1,596	-
- Net change on revaluation of investments in equity instruments at FVOCI	*20*	4,880	-
- Deferred tax expense	*31.2*	(5,204)	(61,349)
		2,149,165	213,233
Items that will be reclassified to the consolidated statement of income (net of tax):			
- Exchange difference on translation of foreign operations	*20*	(1,301,215)	3,021,606
- Share of other comprehensive income of associates and joint ventures	*9 & 20*	52,181	(184,923)
- Net change on revaluation of available-for-sale financial assets	*20*	-	(10,023)
		(1,249,034)	2,826,660
Movement of other comprehensive income		900,131	3,039,893
Total comprehensive income for the year		32,785,538	28,524,638
Attributable to:			
Equity holders of the Parent		22,022,132	21,488,556
Non-controlling interests		10,763,406	7,036,082
		32,785,538	28,524,638

EVP Corporate Finance | Vice Chairman & CEO | Chairman, Board of Directors

The notes on page 15 to 108 form an integral part of these consolidated financial statements.

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

	Attributable to the equity holders of the Parent							
	Share capital	Statutory reserve	General reserve	Other reserves *(Note 20)*	Retained earnings	Total	Non-controlling interests	Total equity
Balance as at 31 December 2017	30,000,000	15,000,000	110,889,032	(2,249,663)	10,282,264	163,921,633	46,216,859	210,138,492
Adoption of IFRS 9 and IFRS 15 (Note 4)	-	-	-	389,025	(48,410)	340,615	1,539	342,154
Balance as at 1 January 2018	30,000,000	15,000,000	110,889,032	(1,860,638)	10,233,854	164,262,248	46,218,398	210,480,646
Net income for the year	-	-	-	-	21,520,678	21,520,678	10,364,729	31,885,407
Other comprehensive income	-	-	-	501,454	-	501,454	398,677	900,131
Total comprehensive income	-	-	-	501,454	21,520,678	22,022,132	10,763,406	32,785,538
Dividends (Note 39) and others	-	-	-	-	(13,200,000)	(13,200,000)	(8,629,709)	(21,829,709)
Balance as at 31 December 2018	30,000,000	15,000,000	110,889,032	(1,359,184)	18,554,532	173,084,380	48,352,095	221,436,475

The notes on page 15 to 108 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

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

	Attributable to the equity holders of the Parent							
	Share capital	Statutory reserve	General reserve	Other reserves (Note 20)	Retained earnings	Total	Non-controlling interests	Total equity
Balance as at 1 January 2017	30,000,000	15,000,000	110,889,032	(5,307,983)	6,953,960	157,535,009	44,544,030	202,079,039
Net income for the year	-	-	-	-	18,430,236	18,430,236	7,054,509	25,484,745
Other comprehensive income	-	-	-	3,058,320	-	3,058,320	(18,427)	3,039,893
Total comprehensive income	-	-	-	3,058,320	18,430,236	21,488,556	7,036,082	28,524,638
Dividends and others	-	-	-	-	(12,000,000)	(12,000,000)	(5,390,185)	(17,390,185)
Acquisition of non-controlling interests (Note 21.1)	-	-	-	-	(739,795)	(739,795)	(2,335,205)	(3,075,000)
Absorption of loss on behalf of non-controlling interests (Note 21.2)	-	-	-	-	(2,362,137)	(2,362,137)	2,362,137	-
Balance as at 31 December 2017	30,000,000	15,000,000	110,889,032	(2,249,663)	10,282,264	163,921,633	46,216,859	210,138,492

EVP Corporate Finance

Vice Chairman & CEO

Chairman, Board of Directors

The notes on page 15 to 108 form an integral part of these consolidated financial statements.

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

	Notes	For the year ended 31 December 2018	For the year ended 31 December 2017
Operating activities:			
Income before zakat and income tax		35,683,068	29,624,745
Adjustment to reconcile income before zakat and income tax to net cash from operating activities:			
- Depreciation of plant and equipment	7	14,472,437	13,928,217
- Amortisation of intangible assets	8	663,644	917,567
- Impairment and write downs of plant and equipment and intangible assets	7 & 8	365,484	1,565,189
- Provision for slow moving and obsolete inventories	14	(60,228)	276,248
- Provision for doubtful debts, net	15	3,320	116,656
- Share of results of associates and joint ventures	9	(1,049,850)	(1,419,680)
- Fair value adjustment to derivatives, net		(39,206)	3,728
- Loss on sale/disposals of property, plant and equipment	30	179,700	88,512
- Finance costs	29	2,646,115	2,329,716
Changes in operating assets and liabilities:			
Decrease (increase) in other non-current assets		774,757	(80,491)
Increase in inventories		(2,121,581)	(3,737,745)
Decrease (increase) in trade receivables		744,653	(2,872,849)
Decrease (increase) in prepayments and other current assets		881,779	(1,049,311)
Increase in other non-current liabilities		185,249	766,393
(Decrease) increase in trade payables		(3,092,107)	1,692,630
(Decrease) increase in employee benefits		(1,048,193)	878,512
Increase in accruals and other current liabilities		1,551,203	610,247
Cash from operations		50,740,244	43,638,284
Finance cost paid		(2,002,413)	(1,738,073)
Zakat and income tax paid	31	(4,007,987)	(3,222,906)
Net cash from operating activities		44,729,844	38,677,305

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

	Notes	For the year ended 31 December 2018	For the year ended 31 December 2017
Investing activities:			
Purchase of property, plant and equipment	7	(14,165,177)	(11,097,382)
Short-term investments, net		(5,279,537)	15,754,305
Purchase of held-to-maturity investments		-	(100,000)
Proceeds on the maturity of investments in debt instruments		402,040	521,420
Purchase of intangible assets	8	(71,058)	(373,722)
Proceeds from sale/disposals of property, plant and equipment		48,605	53,398
Purchase of investments in equity instruments		(46,054)	(24,169)
Proceeds from sale of investments in equity instruments		23	27,368
Investments in associates and joint ventures	9	(10,954,760)	(352,995)
Distributions received from associates and joint ventures		462,361	364,106
Net cash (used in) from investing activities		(29,603,557)	4,772,329
Financing activities:			
Proceeds from debt		26,787,021	3,428,345
Repayment of debt		(37,480,836)	(9,040,786)
Finance lease payments		(187,113)	(53,676)
Dividends paid to shareholders		(12,059,538)	(11,592,416)
Dividends paid to non-controlling interests		(8,736,246)	(5,390,185)
Acquisition of non-controlling interests		-	(3,075,000)
Net cash used in financing activities	18	(31,676,712)	(25,723,718)
Net (decrease) increase in cash and cash equivalents		(16,550,425)	17,725,916
Cash and cash equivalents at the beginning of the year	18	57,973,656	40,247,740
Cash and cash equivalents at the end of the year	18	41,423,231	57,973,656

EVP Corporate Finance | Vice Chairman & CEO | Chairman, Board of Directors

The notes on page 15 to 108 form an integral part of these consolidated financial statements.

1. Corporate information

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

The registered office is located at Qurtubah district, P.O. Box 5101, Riyadh 11422, KSA.

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

The consolidated financial statements of the Group for the year ended 31 December 2018 were authorised for issue in accordance with a resolution of the Board of Directors on 12 March 2019.

2. Basis of preparation and accounting policies

2.1 Basis of preparation

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

Certain prior period's figures have been reclassified to conform to the current period's presentation (Note 38).

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless whether that price is directly observable or estimated using another technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability, if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for leasing transactions that are within the scope of IAS 17 '*Leases*', and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 *'Inventories'* or value in use in IAS 36 *'Impairment of Assets'*.

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

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

2. Basis of preparation and accounting policies (continued)

2.2 Basis of consolidation

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

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

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

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

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

2.3 Foreign currencies

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

<u>Transactions and balances</u>

Transactions in foreign currencies are initially recorded 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 with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in OCI until the net investment is disposed, at which time, the cumulative amount is reclassified to consolidated statement of income. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in OCI.

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

2. Basis of preparation and accounting policies (continued)

2.3 Foreign currencies (continued)

Group's companies

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

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

3. Significant accounting estimates, assumptions and judgements

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

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

Other disclosures relating to the Group's exposure to risks and uncertainties include:
- Capital management, financial instrument risk management and policies (Note 36)
- Sensitivity analysis disclosures (Notes 23 and 36)

3.1 Estimates and assumptions

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

3.1.1 Impairment of non-financial assets

Impairment exists when the carrying value of an asset or Cash Generating Unit ("CGU") exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing the asset. The value in use is based on a Discounted Cash Flow ("DCF") model. The cash flows are derived from the budget and business plan for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future net cash-inflows and the growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount for the different CGUs are disclosed in Notes 7 and 8.

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

3.1 Estimates and assumptions (continued)

3.1.2 Purchase price allocation interest in Clariant AG ("Clariant")

Upon acquiring control or significant influence over a company, the Group has to follow the policy for business combinations. In the specific case of acquiring significant influence over Clariant, management had to allocate its consideration paid to the fair value of assets and liabilities at the date of acquisition. As Clariant is stock listed, the Group had to rely on only publically available information to assess the fair value of the assets and liabilities at that time. The fair values of non-current assets and working capital were derived from similar transactions in the petrochemical industry, including estimating the value of customer lists, licenses and useful life of intangible assets and plants and equipment.

3.1.3 Measurement of financial instruments (Notes 10, 11, 13 & 15)

By adopting IFRS 9, the Group is required to make judgements about:

- The regional and business related risk profiles of the Group's customers to assess the Expected Credit Losses ("ECL") on trade receivables.
- The basis to determine the fair value of its investments in equity instruments, in reference to similar kind of investments being sold in the market. The selection of the investments to determine the basis requires judgement by management to recognise investments in equity instruments at Fair Value through Other Comprehensive Income ("FVOCI"). For fair value determination, these investments qualify as level 3 items (Note 2.1).

3.1.4 Provisions

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

3.1.5 Defined employee benefit plans (Note 23)

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

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

3.1.6 Accounting for income tax (Note 31.2)

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

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

3.1 Estimates and assumptions (continued)

3.1.6 Accounting for income tax (Note 31.2) (continued)

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

3.2 Critical judgements in applying accounting standards

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

3.2.1 Component parts of plant and equipment

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

3.2.2 Determination of control, joint control and significant influence

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

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

3.2.2.1 Assessing control over consolidated subsidiaries

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

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

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

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

3.2 Critical judgements in applying accounting standards (continued)

3.2.2.1 Assessing control over consolidated subsidiaries (continued)

Based on above considerations, the Group believes:

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

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

4. Changes in accounting policies

Effective 1 January 2018, the Group has applied two new accounting standards, International Financial Reporting Standard 9 *'Financial Instruments'* ("IFRS 9") and IFRS 15 *'Revenue from Contracts with Customers'* ("IFRS 15").

4.1 IFRS 9 - Financial Instruments

The Group has adopted IFRS 9 and has opted for the modified retrospective approach for the adoption without changing the comparative financial information presented. The difference between the carrying amounts of the financial assets resulting from adopting IFRS 9 are recognised in retained earnings and other reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2018 under IFRS 9. The financial liabilities are not affected.

The following assessments have been made based on the facts and circumstances at the date of initial application:

- The determination of the business model within which a financial asset is held
- The designation and revocation of previous designated financial assets as measured at Fair Value through Income Statement ("FVIS")
- The designation of certain investments in equity instruments not held for trading as FVOCI
- The designation of debt instruments as financial assets at amortised cost

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

4. Changes in accounting policies (continued)

4.1 IFRS 9 - Financial Instruments (continued)

The following table shows changes in measurement and classification of the different categories in accordance with IAS 39 *'Financial Instruments: Recognition and Measurement'* and the new measurement and classification categories in accordance with IFRS 9 for the Group's financial assets as per 1 January 2018:

	Measurement under IAS 39	Measurement under IFRS 9	Carrying value under IAS 39	Carrying value under IFRS 9	Changes on adoption of IFRS 9
Financial assets:					
Held-to-maturity investments (i)	Amortised cost	FVIS	375,000	388,404	13,404
Held-to-maturity investments (i)	Amortised cost	Amortised cost	3,070,481	3,070,481	-
Available-for-sale financial assets (i)	Cost	FVOCI	696,243	1,085,543	389,300
Trade receivables	Amortised cost	Amortised cost	22,609,432	22,569,822	(39,610)
Other receivables	Amortised cost	Amortised cost	2,001,134	2,011,288	10,154

(i) Held-to-maturity investments and available-for-sale financial assets have been classified as investments in debt instruments and investment in equity instruments respectively.

4.2 IFRS 15 - Revenue from Contracts with Customers

The Group adopted IFRS 15 resulting in a change in the revenue recognition of contracts with customers. The Group opted for the modified retrospective approach for the adoption without changing the comparative financial information presented and has deferred revenue allocated to the logistic services.

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

4. Changes in accounting policies (continued)

4.3 Comparative financial information

The adoption of IFRS 9 and IFRS 15 has resulted in a change in the non-controlling interests, other reserves and retained earnings as follows:

	Non-controlling interests	Other reserves	Retained earnings
Balance as at 31 December 2017	46,216,859	(2,249,663)	10,282,264
IFRS 9 adjustments			
- Re-measurement of investments at FVOCI	-	389,300	-
- Re-measurement of investments at FVIS	-	-	13,404
- Recognition of provision based on ECL	1,539	-	(30,995)
- Recognition of related currency translation and deferred taxes	-	(275)	8,616
	1,539	389,025	(8,975)
IFRS 15 adjustment			
- Deferral of revenue relating to logistic services	-	-	(39,435)
Total IFRS 9 and 15 adjustments	1,539	389,025	(48,410)
Opening balance as at 1 January 2018 (restated)	46,218,398	(1,860,638)	10,233,854

5. New IFRS issued but not yet effective

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

IFRS 16 - Leases

The IASB has issued a new standard for the recognition of leases. This standard will replace: IAS 17 – '*Leases*' ("IAS 17"), IFRIC 4 '*Whether an arrangement contains a lease*', SIC 15 '*Operating leases – Incentives*' and SIC 27 '*Evaluating the substance of transactions involving the legal form of a lease*'.

Under IAS 17, lessees are required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 *'Leases'* ("IFRS 16") will require lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for all lease contracts apart from an optional exemption for certain short-term leases and low value assets.

In addition, under the new lease standard, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group will adopt IFRS 16 from its mandatory adoption date of 1 January 2019 using the modified simplified transition approach as permitted under the specific transition provisions in the standard. As a result, comparatives for the 2018 financial year will not be restated.

5. New IFRS issued but not yet effective (continued)

IFRS 16 - Leases (continued)

The Group has not used the practical expedient of applying IFRS 16 to only those contracts that were previously identified as leases under IAS 17. In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

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

On adoption of IFRS 16, the Group will recognise lease liabilities and associated right-of-use assets in relation to contracts that have been concluded as leases under the principles of IFRS 16. The liabilities will be measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate as of 1 January 2019. The associated rights-of-use assets will be measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position as at 31 December 2018. The Group is in the process of finalizing its calculation of the final amount for the right-of-use assets and lease liability as at 1 January 2019. The impact is expected to be between 1-3% of total assets and 5-7% of total liabilities. There will be no impact on retained earnings on 1 January 2019. The impact of adopting IFRS 16 on the Group's net income for 2019 will be insignificant.

IFRIC Interpretation 23 - Uncertainty over Income Tax Treatment

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

The Interpretation specifically addresses the following:

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

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available. The Group expects no significant impact from this interpretation and will adopt from its effective date.

5. New IFRS issued but not yet effective (continued)

Amendments to IAS 19 – Plan Amendment Curtailment or Settlement

The Amendments to IAS 19 *'Employee Benefits'* specifies how companies determine pension expenses when changes to a defined benefit pension plan occur.

The Amendments require a company to use the updated assumptions from this re-measurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan. The amendments are effective on or after 1 January 2019. The Group expects no significant impact from these Amendments and will adopt from its effective date.

Amendment to IFRS 3 – Business Combinations

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

6. Summary of significant accounting polices

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

Business combinations and goodwill

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

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

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

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

6. Summary of significant accounting polices (continued)

Investments in associates and joint arrangements

Investments in associates

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

Investments in joint arrangements

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

- *Joint operations*

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

- *Joint ventures*

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

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

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

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

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

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.

6. Summary of significant accounting polices (continued)

Investments in associates and joint arrangements (continued)

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

Current versus non-current classification

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

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

All other assets are classified as non-current.

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

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

Zakat and tax

Zakat

Zakat is levied at the higher of adjusted income subject to zakat or the zakat base in accordance with the Regulations of the General Authority of Zakat and Tax ("GAZT") in KSA. The Group computes its zakat by using the zakat base, which makes this a levy not based on income subject to zakat. 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.

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.

Government grants

Government grants are recognised when there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised in the consolidated statement of income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

6. Summary of significant accounting polices (continued)

Government grants (continued)

Where the grant relates to an asset, it is recognised in the consolidated statement of financial position as deferred income and released to the consolidated statement of income in equal amounts over the expected useful life of the related asset. When the Group receives non-monetary grants, the asset and the grant are recorded gross at its fair value and released to the consolidated statement of income over the expected useful life and pattern of consumption of the benefit of the underlying asset by equal annual instalments.

Property, plant and equipment

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

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

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

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

An item of property, plant and equipment and any significant part initially recognized 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 derecognizing 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.

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in the arrangement.

A lease is classified at the inception date as a finance lease or an operating lease. A lease that substantially transfers all the risks and rewards incidental to ownership to the Group is classified as a finance lease.

Finance leases are recognised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in finance costs in the consolidated statement of income.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

An operating lease is a lease other than a finance lease. Operating lease payments are recognized as an operating expense in the consolidated statement of income on a straight-line basis over the lease term.

6. Summary of significant accounting polices (continued)

Property, plant and equipment (continued)

Borrowing costs

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

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

Intangible assets

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

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

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

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

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

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

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

6. Summary of significant accounting polices (continued)

Impairment of non-current assets

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

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

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

Impairment losses of continuing operations, including impairment on working capital, if applicable, are recognized 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 recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group's estimates the asset's or CGU's recoverable amount. A previously recognized 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 recognized. Such reversal is recognized 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 recognized. Impairment losses relating to goodwill cannot be reversed in future years.

Financial assets

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

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

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

6. Summary of significant accounting polices (continued)

Financial assets (continued)

Initial measurement

Financial assets are initially measured at their fair value plus transaction costs. Transaction costs of financial assets carried at fair value through income statement are recognised in the consolidated statement of income, when incurred.

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

Debt instruments

The Group recognises three classifications to subsequently measure its debt instruments:

- *Amortised cost*

  Financial assets held for collection of contractual cash flows, where those cash flows represent Solely Payments of Principal and Interest ("SPPI"), are measured at amortised cost. A gain or loss on an investment in debt instruments subsequently measured at amortised cost, and not part of a hedging relationship, is recognised in the consolidated statement of income when the asset is de-recognised or impaired. Interest income from these financial assets is included in finance income using the Effective Interest Rate ("EIR") method.

- *FVOCI*

  Financial assets held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses, which are recognised in the consolidated statement of income. When the financial asset is de-recognised, the cumulative gain or loss previously recognised in OCI, is reclassified from equity to the consolidated statement of income and recognised in other gains/ (losses). Interest income from these financial assets is included in finance income using the EIR method. Foreign exchange gains and losses are presented in other income/expense.

- *FVIS*

  Financial assets at fair value through income statement include financial assets held for trading, financial assets designated upon initial recognition at fair value through income statement, or financial assets mandatorily required to be measured at fair value. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through income statement, irrespective of the business model.

  Financial assets at fair value through income statement are carried in the consolidated statement of financial position at fair value with net changes in fair value recognised in the consolidated statement of income. This category includes derivative instruments.

Equity instruments

The Group measures all investments in equity instruments at fair value and presents changes in fair value of investments in equity instruments in OCI. Dividends from such investments continue to be recognised in the consolidated statement of income as other income when the Group's right to receive payments is established. There shall be no subsequent reclassification of changes in fair value through the consolidated statement of income.

6. Summary of significant accounting polices (continued)

Financial assets (continued)

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.

Impairment

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

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

For accounts receivables, the Group applies the simplified approach in calculating ECL's. Therefore, the Group does not track changes in credit risk, but instead recognized a loss allowance base on lifetime ECL's at each reporting date. The Group 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.

Accounting policy until end 2017

Until the end of 2017, financial assets are classified as financial assets at fair value through the statement of income, loans and receivables, held to maturity investments, available for sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition.

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 also classified as held for trading unless they are designated as effective hedging instruments.

6. Summary of significant accounting polices (continued)

Financial liabilities (continued)

Initial recognition and measurement (continued)

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

Subsequent measurement

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

For other financial liabilities, including loans and borrowings, after initial recognition, these are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in 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.

De-recognition

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

Offsetting of financial instruments

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

6. Summary of significant accounting polices (continued)

Derivative financial instruments and hedge accounting

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

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

Inventories

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

Cash dividend paid to equity holders of the Parent

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

Provisions

General

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

Environmental obligations

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

Onerous contracts

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

De-commissioning liability

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

6. Summary of significant accounting polices (continued)

Employee benefits

Long-term employee benefit obligations

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

Defined contribution plans

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

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

Defined benefit plans

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

End of service benefits and pension plans

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

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

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

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

6. Summary of significant accounting polices (continued)

Employee benefits

Long-term employee benefit obligations (continued)

End of service benefits and pension plans (continued)

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

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

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

Employee Home Ownership Program ("HOP")

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

Under the HOP, the amounts paid by the employee towards the house are repayable back to the employee in case the employee discontinues employment and the house is returned back to the Group. HOP is recognised as a non-current prepayment asset at time the residential units are allocated to the employees and are amortised over the repayment period of the facility due from employees.

Employee Home Loan Program ("HLP")

The Group provides interest free home loan to its eligible employees for purposes related to purchase or building of a house or apartment. The loan is repaid in monthly instalment by deduction of employee's pay.

HLP is recognised as a non-current financial asset at fair value and measured at amortised cost using the EIR method. The difference between the fair value and the actual amount of cash given to the employee is recognised as a "non-current prepaid employee benefit" and is amortised as an expense equally over the period of service. The same amount is also amortised as finance income against the receivable from employees.

Revenue recognition

Sales revenue

The Group recognises revenue when control of the products sold, transfers to the customer, which shall be considered in the context of a five-step approach and applying the applicable shipping terms.

Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. Revenue arrangements are assessed against specific criteria to determine whether the Group is acting as a principal or agent.

Rights of return

When a contract with a customer provides a right of return of the good within a specified period, the Group accounts for the right of return when requested by the customer and contractual conditions are met.

6. Summary of significant accounting polices (continued)

Revenue recognition (continued)

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.

Variable pricing – preliminary pricing

Certain products in certain markets may be sold with variable pricing arrangements. Such arrangements determine that a preliminary price is charged to the customer at the time of transfer of control of the products while the final price for the products can only be determined by reference to a time period ending after that time. In such cases, and irrespective of the formula used for determining preliminary and final prices, revenue is recorded at the time of transfer of control of the products at an amount representing the expected final amount of consideration that the Group receives.

Where the Group records an 'accounts receivable' for the preliminary price, subsequent changes in the estimated final price shall not be recorded as revenue until such point in time at which the actual final price is determined (as long as these changes result from changes in the market price/market price index of the products). They may however be considered in subsequent re-measurement as a financial asset at fair value. Such re-measurement may be recorded as a separate revenue.

All other updates to the preliminary price is recorded against revenue with the additional receivable amount recorded under a contract asset or contract liability. Such contract asset or liability is de-recognised against an accounts receivable at the point in time at which the actual final price is determined.

Variable pricing – volume rebates

The Group provides retrospective volume rebates to its customers on products purchased by the customer once the quantity of products purchased during the period exceeds a threshold specified in the contract. The Group estimates the expected volume rebates using a prudent assessment of the expected amount of rebates, reviewed and updated on a regular basis. These amounts will subsequently be repaid in cash to the customer or are offset against amounts payable by the customer, if allowed by the contract.

Volume rebates give rise to variable consideration. The Group considers the "most likely amount" method to be the best estimate of this variable consideration.

<u>Rendering of services</u>

In certain instances, the Group provides logistic services for goods sold. This service is satisfied over the period of delivery. Consequently, the Group defers revenue allocated to the logistic services and recognise it over that period.

<u>Accounting policy until end 2017</u>

Until the end of 2017, the Group recognized revenue in accordance with IAS 18 *'Revenue'*. The prevailing principle of recognizing revenue was upon the sale of goods when significant risks and rewards of ownership of the goods have been passed to the buyer, usually on delivery of the goods. Revenue from the sale of goods was measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates.

Finance income

For all financial instruments measured at amortised cost and interest-bearing financial assets classified as investments in equity instruments at FVOCI, finance income is recorded using the EIR. EIR is the rate that discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability.

(All amounts in Saudi Riyals '000 unless otherwise stated)

7 Property, plant and equipment

	For the year ended 31 December 2018						
	Land and buildings	Plant and equipment	Furniture and fixtures	Vehicles	Finance lease	Assets under construction	Total
Cost:							
At the beginning of the year	31,853,024	281,502,829	1,016,897	755,245	1,217,233	24,894,448	341,239,676
Additions	207,171	2,090,600	17,238	16,655	29,858	11,812,453	14,173,975
Transfers (i)	975,707	13,426,401	39,453	4,659	79,795	(16,235,952)	(1,709,937)
Disposals	(165,221)	(985,644)	(14,111)	(29,584)	(578)	(146,612)	(1,341,750)
Currency translation adjustment	(302,680)	(1,605,634)	(12,498)	(1,293)	(45)	(56,394)	(1,978,544)
At the end of the year	32,568,001	294,428,552	1,046,979	745,682	1,326,263	20,267,943	350,383,420
Accumulated depreciation and impairment:							
At the beginning of the year	(14,807,964)	(156,161,828)	(754,507)	(554,027)	(633,818)	(971,621)	(173,883,765)
Charge for the year	(1,054,903)	(13,230,628)	(64,986)	(45,421)	(76,499)	-	(14,472,437)
Impairment	-	(303,750)	-	-	-	-	(303,750)
Transfers	(22,193)	(1,046,616)	5,853	(48)	-	937,022	(125,982)
Disposals	143,179	936,681	12,388	20,620	577	-	1,113,445
Currency translation adjustment	125,847	975,049	8,462	(444)	(161)	-	1,108,753
At the end of the year	(15,616,034)	(168,831,092)	(792,790)	(579,320)	(709,901)	(34,599)	(186,563,736)
Net book amounts:							
At 31 December 2018	16,951,967	125,597,460	254,189	166,362	616,362	20,233,344	163,819,684
At 1 January 2018	17,045,060	125,341,001	262,390	201,218	583,415	23,922,827	167,355,911

(i) Includes transfers within property, plant and equipment and transfer of housing units constructed for employees to other non-current assets.

(All amounts in Saudi Riyals '000 unless otherwise stated)

7 Property, plant and equipment (continued)

	For the year ended 31 December 2017						
	Land and buildings	Plant and equipment	Furniture and fixtures	Vehicles	Finance lease	Assets under construction	Total
Cost:							
At the beginning of the year	30,135,060	269,962,131	937,676	747,204	1,217,969	25,670,957	328,670,997
Additions	96,779	3,473,092	11,151	11,935	-	7,504,425	11,097,382
Transfers	992,607	6,898,846	59,797	2,215	-	(8,343,989)	(390,524)
Disposals	(90,017)	(2,030,891)	(10,141)	(8,437)	(867)	(45,781)	(2,186,134)
Write down	(14,362)	(59,811)	-	(538)	-	(103,414)	(178,125)
Currency translation adjustment	732,957	3,259,462	18,414	2,866	131	212,250	4,226,080
At the end of the year	31,853,024	281,502,829	1,016,897	755,245	1,217,233	24,894,448	341,239,676
Accumulated depreciation and impairment:							
At the beginning of the year	(13,237,142)	(142,658,096)	(662,491)	(508,372)	(585,907)	(669,007)	(158,321,015)
Charge for the year	(1,043,519)	(12,689,525)	(74,505)	(52,154)	(68,514)	-	(13,928,217)
Impairment and write down	(105,527)	(976,939)	(15)	538	(921)	(302,614)	(1,385,478)
Transfers	(142,450)	289,860	(13,550)	-	21,022	-	154,882
Disposals	88,640	1,936,588	9,947	8,182	867	-	2,044,224
Currency translation adjustment	(367,966)	(2,063,716)	(13,893)	(2,221)	(365)	-	(2,448,161)
At the end of the year	(14,807,964)	(156,161,828)	(754,507)	(554,027)	(633,818)	(971,621)	(173,883,765)
Net book amounts:							
At 31 December 2017	17,045,060	125,341,001	262,390	201,218	583,415	23,922,827	167,355,911
At 1 January 2017	16,897,918	127,304,035	275,185	238,832	632,062	25,001,950	170,349,982

(All amounts in Saudi Riyals '000 unless otherwise stated)

7 Property, plant and equipment (continued)

Allocation of depreciation charge for the year

	For the year ended 31 December 2018	For the year ended 31 December 2017
Cost of sales	**13,903,349**	13,268,321
Selling and distribution expenses	**59,737**	74,328
General and administrative expenses	**509,351**	585,568
Total	**14,472,437**	13,928,217

Land and building

The land on which plant and related facilities of certain subsidiaries in KSA are constructed are leased from the Royal Commission for Jubail and Yanbu under renewable lease agreements for a period up to 30 years. Land and buildings include an amount of SR 2.04 billion as of 31 December 2018 (2017: SR 2.04 billion) representing the cost of freehold land.

Assets under construction

Assets under construction mainly represents the expansion of existing plants and new projects being executed by certain subsidiaries. The related capital commitments are reported in Note 37.

Capitalised borrowing costs

The borrowing cost capitalised during the year ended 31 December 2018 amounted to SR 0.04 billion (2017: SR 0.18 billion), out of which SR 0.02 billion (2017: SR 0.10 billion) relate to non-conventional facilities. The Group uses the capitalisation rate of 4% (2017: 4%) to determine the amount of borrowing costs eligible for capitalisation.

Finance lease

Leased assets are pledged as security for the related finance lease and hire purchase liabilities.

Pledged property, plant and equipment

Property, plant and equipment of certain subsidiaries in the KSA pledged to Saudi Industrial Development Fund ("SIDF") as security for its term loans amounting to SR 34.62 billion (2017: SR 36.86 billion).

Impairment and write down of plant and equipment

During the year ended 31 December 2018, total impairment and write down, amounting to SR 0.30 billion (2017: SR 1.56 billion), was recorded against the plant and equipment mainly are as follows:

- During 2018, impairment was determined based on the fair value less cost of disposal of the related CGU. (Note 8).
- During 2017, an impairment loss amounting to SR 0.48 billion, recorded against certain plant and equipment of subsidiaries to bring these to their recoverable amount due to lower profitability and demand. The recoverable amount of the plant and equipment were computed as SR 1.37 billion as at 31 December 2017 based on "value-in-use" method and determined at the level of CGU as identified by respective subsidiaries' management. In determining value in use for the CGU, the cash flows – determined using approved 5-year business plan and budget – were discounted at a rate of 7.48%-9.49% on a pre-zakat basis and were projected up to the year 2047 in line with the estimated useful life of the concerned plant and equipment.
- During 2017, a write down amounting SR 1.08 billion recorded against certain plant and equipment that have been decided to be idle as a result of their economic conditions and were not expected to bring these plant and equipment to become operative in the near future and hence the amount above is recognised in the consolidated statement of income under cost of sales. These write-downs were to reduce the total carrying value of certain plant and equipment to nil.

(All amounts in Saudi Riyals '000 unless otherwise stated)

8 Intangible assets

	For the year ended 31 December 2018					
	Goodwill	Software and IT development	Licenses	Others (i)	Intangibles under development	Total
Cost:						
At the beginning of the year	9,089,745	2,328,153	9,906,856	105,741	32,950	21,463,445
Additions	-	1,310	65,611	1,092	3,045	71,058
Additions – through business combination (Note 9)	-	-	201,668	-	-	201,668
Transfers	-	44,376	65,514	(49,145)	(28,903)	31,842
Impairment and write down	(97,500)	(202,867)	(649)	(836)	(4,047)	(305,899)
Currency translation adjustment	(248,350)	(17,524)	(57,231)	(2,598)	-	(325,703)
At the end of the year	8,743,895	2,153,448	10,181,769	54,254	3,045	21,136,411
Accumulated amortisation:						
At the beginning of the year	-	(1,651,660)	(6,215,522)	(53,866)	-	(7,921,048)
Charge for the year	-	(192,560)	(471,084)	-	-	(663,644)
Transfers	-	-	101,862	-	-	101,862
Write down	-	202,867	649	40,649	-	244,165
Currency translation adjustment	-	10,343	38,644	478	-	49,465
At the end of the year	-	(1,631,010)	(6,545,451)	(12,739)	-	(8,189,200)
Net book amounts:						
At 31 December 2018	8,743,895	522,438	3,636,318	41,515	3,045	12,947,211
At 1 January 2018	9,089,745	676,493	3,691,334	51,875	32,950	13,542,397

(All amounts in Saudi Riyals '000 unless otherwise stated)

8 Intangible assets (continued)

	For the year ended 31 December 2017					
	Goodwill	Software and IT development	Licenses	Others (i)	Intangibles under development	Total
Cost:						
At the beginning of the year	8,432,788	2,461,065	9,079,283	20,605	44,916	20,038,657
Additions	-	23,339	269,531	6,652	74,200	373,722
Transfers	-	(60,800)	549,047	76,684	(86,166)	478,765
Write down	-	(139,028)	(129,616)	(4,634)	-	(273,278)
Currency translation adjustment	656,957	43,577	138,611	6,434	-	845,579
At the end of the year	9,089,745	2,328,153	9,906,856	105,741	32,950	21,463,445
Accumulated amortisation:						
At the beginning of the year	-	(1,571,844)	(5,530,686)	(10,219)	-	(7,112,749)
Charge for the year	-	(235,318)	(663,768)	(18,481)	-	(917,567)
Transfers	-	35,617	(67,701)	(28,561)	-	(60,645)
Write down	-	139,028	128,030	4,634	-	271,692
Currency translation adjustment	-	(19,143)	(81,397)	(1,239)	-	(101,779)
At the end of the year	-	(1,651,660)	(6,215,522)	(53,866)	-	(7,921,048)
Net book amounts:						
At 31 December 2017	9,089,745	676,493	3,691,334	51,875	32,950	13,542,397
At 1 January 2017	8,432,788	889,221	3,548,597	10,386	44,916	12,925,908

(i) Others includes trademarks, customer lists, (un)patented technology, in-house developed software and technology and innovation assets.

(All amounts in Saudi Riyals '000 unless otherwise stated)

8 Intangible assets (continued)

Allocation of amortisation charge for the year

	For the year ended 31 December 2018	For the year ended 31 December 2017
Cost of sales	529,906	818,741
General and administrative expenses	133,738	98,826
Total	663,644	917,567

Goodwill

Goodwill, resulting from the Group's acquisitions in 2002 and 2007, has been allocated to the Group's CGUs at which the goodwill is managed. For goodwill impairment testing, these CGUs are Petrochemicals and Specialties. The goodwill allocated to Petrochemicals amounts to SR 5.99 billion and to Specialties SR 2.82 billion. The Weighted Average Cost of Capital ("WACC") rate applied is 7.1% for Petrochemicals (2017: 6.4%) and for Specialties 7.7% (2017: 7.3%)

The WACC is calculated based on long-term moving monthly average assumptions that reflect market assessments of the risk specific to each CGU. Segment specific risk is incorporated by applying average beta factors. The beta factors are evaluated annually based on publicly available market data of SABIC's peers. The average effective tax rate is assumed to be 23%-25% (2017: 25%). The cash flow projections are derived from the respective business plans. Cash flow projections beyond the five year business plan are extrapolated taking into account an assumed growth rate of 1.1%-2.0% (2017: 1.8%- 2.0%).

During 2018, the impairment and write down included an amount of SR 0.098 billion (2017: SR NIL) was determined based on the fair value less cost of disposal of the related CGU. (Note 7).

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 further.

(All amounts in Saudi Riyals '000 unless otherwise stated)

9 Investments in associates and joint ventures

The table below outlines the Group's investment in associates and joint venture companies:

Name of associates and joint ventures	Ownership %	Place of business / country of incorporation	Nature of activities	31 December 2018	31 December 2017
Associate:					
Gulf Petrochemical Industries Company ("GPIC")	33.33	Bahrain	Petrochemical	**697,515**	628,503
Gulf Aluminium Rolling Mills Company ("GARMCO")	30.40	Bahrain	Aluminium	**-**	83,059
Ma'aden Phosphate Company ("MPC")	30.00	KSA	Agri-nutrients	**2,125,868**	1,960,276
Power and Water Utilities Company for Jubail and Yanbu ("MARAFIQ")	24.81	KSA	Utilities	**1,696,036**	1,719,222
Aluminium Bahrain BSC ("ALBA")	20.62	Bahrain	Aluminium	**2,227,253**	2,152,435
National Chemical Carrier Company ("NCC")	20.00	KSA	Transportation	**301,975**	331,604
Ma'aden Wa'ad Al Shamal Phosphate Company ("MWSPC")	15.00	KSA	Agri-nutrients	**1,876,238**	1,799,877
Saudi Arabian Industrial Investment Company ("Dussur")	25.00	KSA	Investments	**115,706**	144,687
Clariant AG ("Clariant") (Note 9.1)	24.99	Switzerland	Specialty chemical	**10,550,156**	-
Black Diamond Structures, LLC ("Black Diamond") (i)	50.00	USA	Specialties	**-**	103,926
Others		-	-	**874,588**	766,199
Joint venture:					
Sinopec Sabic Tianjin Petrochemical Company ("SSTPC")	50.00	China	Petrochemical	**4,770,486**	4,031,268
Sabic SK Nexlene Company ("SSNC")	50.00	Singapore	Petrochemical	**544,729**	583,084
				25,780,550	14,304,140

(i) The Group acquired control over Black Diamond as per 1 January 2018. Due to change in control, this equity investment is consolidated from 1 January 2018. The carrying values of total assets amounted to SR 0.2 billion reflected the fair value at the date of acquisition.

9 Investments in associates and joint ventures (continued)

9.1 Acquisition of Clariant

At 10 September 2018, SABIC acquired approximately 83 million shares equivalent to 24.99% ownership in Clariant, a global specialty chemical company listed at the Swiss Stock Exchange ("SIX"). As major stakeholder, management considers having significant influence, without having control over Clariant. Therefore, this investment is accounted for as an associate using the equity method.

Due to prevailing Swiss law and regulations, the preliminary Purchase Price Allocation ("PPA") is based on public available information only. Through an independent appraiser, management applied a benchmark analysis approach, where it reviewed recent PPA's of transactions in the chemicals industry and applied the outcome of this analysis on the applied enterprise value of Clariant. This is subject to further assessment of the fair value of the (net) assets of Clariant during next 12 months.

The Group paid a consideration of SR 10.82 billion which includes an initial goodwill amounting to SR 5.38 billion. The market price of a Clariant share was Swiss Francs (CHF) 18.09 [approximately SR 68] each as at 28 December 2018, the last trading day at SIX, amounting to a total quoted fair value of approximately SR 5.72 billion. Management believes that the fair value per share as unit of account is not representative of the value of this investment. A premium on this investment is considered appropriate, given the fact that SABIC has significant influence through its 24.99% share in Clariant and the fact that on 18 September 2018, SABIC and Clariant announced their long-term strategic relationship, whereby both parties are currently in discussion about strategic initiatives. At year-end, management assessed the carrying value of its investment using the higher of fair value less cost of disposal and value in use approach using publicly available information taking an average analyst consensus and reasonable assumptions. Based on its assessment, management concluded that the carrying value of this investment at 31 December 2018 is supportable under both valuation methodologies.

(All amounts in Saudi Riyals '000 unless otherwise stated)

9 Investments in associates and joint ventures (continued)

The movement of investments in associate and joint venture is as follows:

	For the year ended 31 December 2018												
	Associates										Joint ventures		
	GPIC	GARMCO	MPC	MARAFIQ	ALBA	NCC	MWSPC	Dussur	Clariant	Others	SSTPC	SSNC	Total
Balance at the beginning of the year	628,503	83,059	1,960,276	1,719,222	2,152,435	331,604	1,799,877	144,687	-	870,125	4,031,268	583,084	14,304,140
Capital contribution during the year	-	-	-	-	-	-	-	-	10,822,077	132,683	190,475	-	11,145,235
Share of results	106,803	(83,026)	163,160	(7,977)	150,543	(29,677)	77,169	(28,905)	(106,973)	(24,292)	831,728	1,297	1,049,850
Movements in OCI	(291)	(33)	2,432	20,185	-	48	(808)	(76)	(164,948)	-	236,920	(39,652)	53,777
Dividends received	(37,500)	-	-	(35,394)	(75,725)	-	-	-	-	-	(504,217)	-	(652,836)
Others (i)	-	-	-	-	-	-	-	-	-	(103,928)	(15,688)	-	(119,616)
Balance at the end of the year	697,515	-	2,125,868	1,696,036	2,227,253	301,975	1,876,238	115,706	10,550,156	874,588	4,770,486	544,729	25,780,550

(i) Others include obtaining control of Black Diamond Structures, LLC as well as other movements in joint ventures.

(All amounts in Saudi Riyals '000 unless otherwise stated)

9 Investments in associates and joint ventures (continued)

	For the year ended 31 December 2017											
	Associates									Joint ventures		
	GPIC	GARMCO	MPC	MARAFIQ	ALBA	NCC	MWSPC	Dussur	Others	SSTPC	SSNC	Total
Balance at the beginning of the year	478,150	106,300	1,885,816	1,643,288	2,017,284	319,768	1,587,540	96,240	808,382	3,508,677	488,879	12,940,324
Capital contribution during the year	-	-	-	-	-	-	140,625	92,550	119,820	-	-	352,995
Share of results	43,853	(23,241)	74,460	83,705	196,314	11,836	71,712	(44,103)	(35,453)	1,059,693	(19,096)	1,419,680
Movements in OCI	-	-	-	23,241	-	-	-	-	(56,294)	(265,171)	113,301	(184,923)
Dividends received, net of withholding tax and adjustments (i)	106,500	-	-	(31,012)	(61,163)	-	-	-	33,670	(271,931)	-	(223,936)
Balance at the end of the year	628,503	83,059	1,960,276	1,719,222	2,152,435	331,604	1,799,877	144,687	870,125	4,031,268	583,084	14,304,140

(i) Adjustments related to prior year's dividend declaration from GPIC, which has been rescinded in 2017 and thus reversed.

(All amounts in Saudi Riyals '000 unless otherwise stated)

9 Investments in associates and joint ventures (continued)

Summarised financial information of associates

The tables below provide summarised financial information of the material associates of the Group. The information disclosed reflects the amounts presented in the available financial statements of the relevant investee and not SABIC's share of those amounts.

	MPC	MARAFIQ	ALBA	MWSPC (i)	Clariant (ii)
	As at 31 December 2018				
Current assets	2,837,269	3,349,284	4,507,876	3,763,582	12,727,365
Non-current assets	14,624,827	19,186,046	17,034,081	27,180,114	31,803,920
Current liabilities	1,547,546	2,959,695	4,204,279	2,330,057	8,770,556
Non-current liabilities	8,828,324	12,739,537	6,536,255	19,705,388	14,746,700
Net assets	7,086,226	6,836,098	10,801,423	8,908,251	21,014,029
Reconciliation:					
Group's share in %	30.00%	24.81%	20.62%	15.00%	24.99%
Group's share in associate	2,125,868	1,696,036	2,227,253	1,336,238	5,251,406
Intangible / goodwill	-	-	-	540,000	5,298,750
Carrying amount	2,125,868	1,696,036	2,227,253	1,876,238	10,550,156
	For the year ended 31 December 2018				
Revenue	5,215,648	4,053,837	9,075,806	1,163,825	25,393,900
Net income for the year - all from continuing operations	705,082	228,214	594,270	415,816	1,364,975
Reconciliation:					
Group's share in %	30.00%	24.81%	20.62%	15.00%	24.99%
Group's share in associate	211,525	56,620	122,538	62,372	341,107
Share in earnings (losses) (iii)	163,160	(7,977)	150,543	77,169	(106,973)

Notes:

(i) The Group's investment in MWSPC includes additional contribution made to one of the shareholders in relation to mineral rights.

(ii) The Group's share in losses of Clariant's net income over the period from 10 September 2018 until year-end are recorded after fair value adjustments.

(iii) The Group's share of earnings (losses) include certain adjustments made in Group's share of investments and earnings (losses).

(All amounts in Saudi Riyals '000 unless otherwise stated)

9 Investments in associates and joint ventures (continued)

Summarised financial information of associates (continued)

	MPC	MARAFIQ	ALBA	MWSPC
	As at 31 December 2017			
Current assets	2,388,835	3,967,877	4,356,845	2,175,416
Non-current assets	15,219,205	21,443,315	12,337,072	26,328,595
Current liabilities	1,824,375	2,772,990	1,764,673	2,111,058
Non-current liabilities	9,249,412	15,708,648	4,490,666	17,993,770
Net assets	6,534,253	6,929,554	10,438,578	8,399,183
Reconciliation:				
Group's share in %	30.00%	24.81%	20.62%	15.00%
Group's share in associate	1,960,276	1,719,222	2,152,435	1,259,877
Intangible	-	-	-	540,000
Carrying amount	1,960,276	1,719,222	2,152,435	1,799,877
	For the year ended 31 December 2017			
Revenue	4,253,916	3,983,429	8,494,263	1,096,917
Net income for the year - all from continuing operations	248,200	337,384	952,056	478,080
Reconciliation:				
Group's share in %	30.00%	24.81%	20.62%	15.00%
Group's share in associate	74,460	83,705	196,314	71,712
Share in earnings	74,460	83,705	196,314	71,712

(All amounts in Saudi Riyals '000 unless otherwise stated)

9 Investments in associates and joint ventures (continued)

Summarised financial information of joint ventures

The tables below provide the summarised financial information of SSTPC, a material joint venture of the Group. The information disclosed reflects the amounts presented in the financial statements of the joint venture and not SABIC's share of those amounts.

	As at 31 December 2018	As at 31 December 2017
Cash and bank balances	2,778,440	3,759,990
Total current assets	4,956,637	5,321,463
Non-current assets	8,384,204	8,460,766
Current financial liabilities (excluding trade payables)	785,666	1,507,095
Total current liabilities	1,634,680	2,620,246
Total non-current liabilities	2,165,189	3,099,448
Net assets	9,540,972	8,062,535
Reconciliation:		
Group's share in %	50.00%	50.00%
Group's share in joint venture	4,770,486	4,031,268
Carrying amount	4,770,486	4,031,268

	For the year ended 31 December 2018	For the year ended 31 December 2017
Revenue	10,334,966	12,844,702
Depreciation and amortisation	483,784	(446,064)
Interest income	94,355	57,921
Interest expense	(95,467)	(123,731)
Income tax expense	(559,773)	(709,951)
Net income for the year - all from continuing operations	1,663,456	2,119,386
Reconciliation:		
Group's share in %	50.00%	50.00%
Group's share of earnings in joint venture	831,728	1,059,693
Share of earnings	831,728	1,059,693

(All amounts in Saudi Riyals '000 unless otherwise stated)

9 Investments in associates and joint ventures (continued)

Summarised financial information of individually immaterial associates and joint venture

	For the year ended 31 December 2018		For the year ended 31 December 2017	
	Individually immaterial associates	Individually immaterial joint ventures	Individually immaterial associates	Individually immaterial joint ventures
Net income (loss) for the year - all from continuing operations	556,571	20,013	72,364	(43,995)

Fair value of listed associates

The fair value of the Group's investment in ALBA and Clariant is SR 1.75 billion and SR 5.72 billion (Note 9.1) respectively (2017: ALBA SR 1.79 billion).

10 Investments in debt instruments

	31 December 2018	31 December 2017
Current (in short-term investments)		
Fixed rate instruments	93,750	-
Floating rate instrument	481,460	390,320
	575,210	390,320
Non-current		
Fixed rate instruments	1,146,865	1,755,531
Floating rate instrument	1,347,015	1,299,630
	2,493,880	3,055,161
	3,069,090	3,445,481

As at 2017, the investments in debt instruments were classified as held-to-maturity investments (Note 4).

Currency exposure

	31 December 2018	31 December 2017
SR	1,641,779	2,029,856
USD	1,427,311	1,415,625
	3,069,090	3,445,481

(All amounts in Saudi Riyals '000 unless otherwise stated)

11 Investments in equity instruments

Carrying value of the investments in equity instruments carried at FVOCI are as follows:

	31 December 2018	31 December 2017
Listed securities		
Equity securities	-	20
Unlisted securities		
Equity securities	784,815	396,817
Mutual fund units	305,294	299,406
	1,090,109	696,223
Total	1,090,109	696,243

As at 2017, the investments in equity instruments were classified as available-for-sale financial assets (Note 4).

12 Other non-current assets

	31 December 2018	31 December 2017
Employee advances	3,585,847	2,576,031
Loan receivable from related parties	620,029	576,090
Pre-paid mining fee	112,500	112,500
Re-imbursement of tax receivable	-	244,112
Others	808,080	710,767
	5,126,456	4,219,500

Employee advances
Employee advances represents receivables from employees related to HOP and other benefits.

Loan receivable from related parties
Loans receivable from related parties relates to certain associates and joint ventures at normal market rates.

Re-imbursement of tax receivable
Reimbursement of tax payments relates to the recovery of the tax payments from GE Company as a result of the purchase price agreement related to the acquisition of SABIC Innovative Plastics Holding B.V., a subsidiary of SLUX. During 2018, this amount transferred to prepayment and other current assets as the collection is expected within twelve months.

Others
Others mainly include advances to contractors and miscellaneous items

(All amounts in Saudi Riyals ‘000 unless otherwise stated)

13 Financial assets and financial liabilities

	31 December 2018							
	Total	Financial assets / liabilities at amortised cost	Financial assets / liabilities at FVIS	Financial assets at FVOCI	Fair value (iii)	Level I	Level II	Level III
Financial assets								
Investments in debt instruments								
- Fixed	1,240,615	1,240,615	-	-	1,720,920	-	1,720,920	-
- Floating	1,828,475	1,441,498	386,977	-	1,692,752	-	1,692,752	-
Investments in equity instruments								
- Unquoted	1,090,109	-	-	1,090,109	1,090,109	-	305,294	784,815
Derivative financial assets	29,651	-	29,651	-	29,651	-	29,651	-
Trade receivables	21,821,849	21,821,849	-	-	N/A	-		-
Short-term investments								
- Time deposits	9,240,289	9,240,289	-	-	N/A	-		-
Cash and bank balances						-		-
- Bank balances	13,152,820	13,152,820	-	-	N/A			
- Time deposits	29,437,610	29,437,610	-	-	N/A	-		-
Other financial assets (ii)	1,780,085	1,780,085	-	-	N/A	-		-
Total	79,621,503	78,114,766	416,628	1,090,109	4,533,432	-	3,748,617	784,815
Financial liabilities								
Debt	47,263,241	47,263,241	-	-	45,715,403	-	45,715,403	-
Derivative financial liabilities	381	-	381	-	381	-	381	-
Trade payables	14,969,357	14,969,357	-	-	N/A	-	-	-
Other financial liabilities (ii)	3,357,882	3,357,882	-	-	N/A	-	-	-
Total	65,590,861	65,590,480	381	-	45,715,784	-	45,715,784	-

(All amounts in Saudi Riyals '000 unless otherwise stated)

13 Financial assets and financial liabilities (continued)

	31 December 2017							
	Total	Loans and advances/ liabilities at amortised cost	Financial assets / liabilities at FVIS	Available for sale through OCI	Fair value (iii)	Level I	Level II	Level III
Financial assets								
Held-to-maturity investments	3,445,481	3,445,481	-	-	3,856,110	-	3,856,110	-
Available for sale financial assets								
- Quoted	20	-	-	20	20	20	-	-
- Unquoted (i)	696,223	-	-	696,223	299,406	-	299,406	-
Derivative financial assets	26,806	-	26,806	-	26,806	-	26,806	-
Trade receivables	22,609,432	22,609,432	-	-	N/A	-	-	-
Short-term investments	3,960,752	3,960,752	-	-	N/A	-	-	-
Cash and bank balances	59,038,656	59,038,656	-	-	N/A	-	-	-
Other financial assets (ii)	2,001,134	2,001,134	-	-	N/A	-	-	-
Total	91,778,504	91,055,455	26,806	696,243	4,182,342	20	4,182,322	-
Financial liabilities								
Debt	58,063,188	58,063,188	-	-	56,939,299	-	56,939,299	-
Derivative financial liabilities	16,236	-	16,236	-	16,236	-	16,236	-
Trade payables	18,061,464	18,061,464	-	-	N/A	-	-	-
Other financial liabilities (ii)	2,347,871	2,347,871	-	-	N/A	-	-	-
Total	78,488,759	78,472,523	16,236	-	56,955,535	-	56,955,535	-

(i) Includes SR 396,817 thousand of investments in unquoted equity shares of companies operating within and outside KSA. The fair value of these equity shares cannot be measured reliably since there is no active market available for these shares. SABIC intends to hold these investments for strategic purposes.

(ii) Other financial assets include lease receivables, loans to related parties and interest receivables, and other financial liabilities include dividend payable, payables to related parties and interest payables.

(iii) The Group assessed that trade receivables, short-term investments, cash and bank balances, trade payables and other financial assets and liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

(All amounts in Saudi Riyals '000 unless otherwise stated)

13 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.

There were no transfers between Level 1 and Level 2 during the year ended 31 December 2018 and the year ended 31 December 2017.

The Group assessed that cash and short-term deposits, trade receivables, trade payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

The following methods and assumptions were used to estimate the fair values:

- Long-term fixed-rate and variable-rate receivables and borrowings are evaluated by the Group based on parameters such as interest rates, specific country risk factors, and individual creditworthiness of the customer and the risk characteristics of the financed project. Based on this evaluation, allowances are taken into account for the expected losses of these receivables and borrowings. As at 31 December 2018 and 31 December 2017, the carrying amounts of such net receivables and borrowings, were not materially different from their calculated fair values.
- Fair value of the quoted bonds is based on price quotations at the reporting date. The fair value of unquoted instruments, loans from banks and other financial liabilities, obligations under finance leases, as well as other non-current financial liabilities is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.
- The Group enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. Derivatives valued using valuation techniques with market observable inputs are mainly interest rate swaps, foreign exchange forward contracts and commodity forward contracts. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates, interest rate curves and forward rate curves of the underlying commodity.
- The valuation requires the Group to make certain assumptions about the model inputs, including forecast cash flows, the discount rate, credit risk and volatility. The probabilities of the various estimates within the range can be reasonably assessed and are used in the Group's estimate of fair value for these unquoted investments in equity instruments. Fair value of quoted investments in equity instruments at FVOCI is derived from quoted prices in active markets.
- Due to the adoption of IFRS 9, the measurement of the available-for-sale financial assets under IAS 39, changed from cost to FVOCI (Note 4). Since the valuation performed using a significant non-observable input, the fair value is classified as a level 3 measurement.

Description of valuation techniques used and key inputs to valuation investments in equity instruments is as follows:

Valuation technique	Significant unobservable input	Range
Market approach	• Equity value to EBITDA multiple • Midpoint of Net Asset Value and Price to Book multiple	7.9 to 13.1 0.76
Net Asset Value approach	Point estimate of distributable cash and bank balances	SR 46.1 to SR 49.9
Expected Returns approach	Equity value to Revenue multiple	0.73

(All amounts in Saudi Riyals '000 unless otherwise stated)

14 Inventories

	31 December 2018	31 December 2017
Finished goods	17,561,580	15,547,664
Raw materials	4,202,729	4,445,988
Spare parts	5,890,142	5,560,723
Goods in transit	2,260,171	2,163,711
Work in process	46,227	121,183
	29,960,849	27,839,269
Less: Provision for slow moving and obsolete items	(1,716,046)	(1,776,274)
	28,244,803	26,062,995

Movements in the provision for obsolete inventories were as follows:

	For the year ended 31 December 2018	For the year ended 31 December 2017
Balance at 1 January	1,776,274	1,500,026
(Reversal) charge for the year	(60,228)	276,248
Balance at 31 December	1,716,046	1,776,274

The Group's exposure to commodity price risks is disclosed in Note 36.

15 Trade receivables

	31 December 2018	31 December 2017
Trade receivables	19,111,571	19,838,279
Due from related parties	3,116,951	3,134,896
	22,228,522	22,973,175
Less: allowance for expected credit losses	(406,673)	(363,743)
	21,821,849	22,609,432

Accounts receivable are non-interest bearing and are generally on 30 – 120 days terms.

(All amounts in Saudi Riyals '000 unless otherwise stated)

15 Trade receivables (continued)

As of 31 December the ageing analysis of trade receivable along with related expected credit loss is as follows:

	Total	Neither past due nor impaired	Less than 60 days	61-90 days	91-180 days	181-365 days	More than one year
31 December 2018							
Expected credit loss rate (rounded)		0.15%	1.72%	29.16%	17.34%	35.28%	52.07%
Gross carrying amount	22,228,522	20,442,712	968,193	34,856	114,193	108,073	560,495
Expected credit loss	406,673	30,095	16,655	10,165	19,797	38,132	291,829
1 January 2018							
Expected credit loss rate (rounded)		0.11%	1.94%	19.78%	23.96%	36.77%	61.34%
Gross carrying amount	22,973,175	21,414,369	822,558	36,824	91,353	159,645	448,426
Expected credit loss	403,353	22,860	15,940	7,284	21,886	60,300	275,083

Movements in the allowance for expected credit losses were as follows:

	2018	2017
Opening balance	363,743	247,087
Additional allowance for expected credit losses on adoption of IFRS 9 (Note 4)	39,610	-
As at 1 January	403,353	247,087
Charge for the year	70,411	175,774
Write-off /reversals during the year	(67,091)	(59,118)
As at 31 December	406,673	363,743

16 Prepayments and other current assets

	31 December 2018	31 December 2017
Prepaid expenses	1,897,589	1,811,990
Taxes and subsidies receivable	1,198,681	920,506
Current portion of loan receivable from related parties	184,760	238,760
Finance income receivable	152,964	147,627
Employee advances and receivables	76,569	91,267
Others	1,604,294	2,491,166
	5,114,857	5,701,316

(All amounts in Saudi Riyals '000 unless otherwise stated)

17 Short-term investments

	31 December 2018	31 December 2017
Time deposits	9,240,289	3,960,752
Investments in debt instruments / held-to-maturity investments (Note 10)	575,210	390,320
	9,815,499	4,351,072

The time deposits with banks are of original maturities of more than three months and less than twelve months and carry commission rates in line with the prevailing market rates.

18 Cash and bank balances

	31 December 2018	31 December 2017
Cash in hand	390	413
Bank balances	13,152,820	14,566,314
Time deposits	29,437,610	44,471,929
	42,590,820	59,038,656

The time deposits represent deposits with banks of original maturities of less than three months.

18.1 Cash flows related disclosures

Cash and cash equivalents:

	31 December 2018	31 December 2017
Cash and bank balances	42,590,820	59,038,656
Less: bank overdrafts	(1,167,589)	(1,065,000)
Cash and cash equivalents at the end of the year	41,423,231	57,973,656

Reconciliation of liabilities arising financing activities

	As at 1 January 2018	Charged during the year	Cash flows	Foreign currency exchange and other non-cash	As at 31 December 2018
Debt	57,198,175	-	(10,693,815)	19,956	46,524,316
Finance lease payments	865,013	61,025	(187,113)	-	738,925
Dividends payable to shareholders	1,633,220	13,200,000	(12,059,538)	-	2,773,682
Dividends paid to non-controlling interests	-	8,629,709	(8,736,246)	106,537	-
Total financing activities	59,696,408	21,890,734	(31,676,712)	126,493	50,036,923

18 Cash and bank balances (continued)

18.1 Cash flows related disclosures (continued)

Reconciliation of liabilities arising financing activities (continued)

	As at 1 January 2017	Charged during the year	Cash flows	Foreign currency exchange and other non-cash	As at 31 December 2017
Debt	62,254,380	-	(5,612,441)	556,236	57,198,175
Finance lease payments	855,369	63,320	(53,676)	-	865,013
Dividends payable to shareholders	1,225,636	12,000,000	(11,592,416)	-	1,633,220
Dividends paid to non-controlling interests	-	5,390,185	(5,390,185)	-	-
Acquisition of non-controlling interests	-	3,075,000	(3,075,000)	-	-
Total financing activities	64,335,385	20,528,505	(25,723,718)	556,236	59,696,408

Bank balances earn interest at fixed and floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest or profit at the respective short-term deposit rates.

At 31 December 2018, the Group had available SR 10.06 billion (31 December 2017: SR 7.1 billion) of undrawn committed borrowing facilities.

The table below provides details of amounts placed in various currencies:

	31 December 2018	31 December 2017
SR	**15,700,877**	30,398,916
USD	**25,304,981**	25,342,450
Others	**1,584,962**	3,297,290
	42,590,820	59,038,656

19 Share capital

	31 December 2018	31 December 2017
Authorised shares		
Ordinary shares of SR 10 each	**3,000,000**	3,000,000
Ordinary shares issued and fully paid of SR 10 each	**3,000,000**	3,000,000
Issued and paid capital (SR ‘000)	**30,000,000**	30,000,000

(All amounts in Saudi Riyals '000 unless otherwise stated)

20 Reserves

Statutory reserve

In accordance with Saudi Arabian Regulations for Companies, SABIC must set aside 10% of 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. The reserve is not available for distribution.

General reserve

In accordance with SABIC's By-Laws, the General Assembly can establish general reserve as an appropriation of retained earnings. The general reserve can be increased or decreased by a resolution of the shareholders and is available for distribution.

Other reserves

The following table shows a breakdown of 'other reserves' and the movements during the year:

31 December 2018	Equity instruments and others at FVOCI	Foreign currency translation	Actuarial gain/loss	Cash flow hedge	Total
At the beginning of the year	28,956	(1,430,422)	(792,486)	(55,711)	(2,249,663)
Adoption of IFRS 9 (Note 4)	389,300	(275)	-	-	389,025
At 1 January 2018	418,256	(1,430,697)	(792,486)	(55,711)	(1,860,638)
Net change on currency translation of foreign operations	-	(1,301,215)	-	-	(1,301,215)
Re-measurement impact of employee benefit obligations	-	-	1,744,012	-	1,744,012
Re-measurement impact of investments in equity instrument at FVOCI	4,880	-	-	-	4,880
Share of other comprehensive income for associates and joint ventures	-	31,996	1,596	20,185	53,777
Other comprehensive income for the year	4,880	(1,269,219)	1,745,608	20,185	501,454
At the end of the year	423,136	(2,699,916)	953,122	(35,526)	(1,359,184)

(All amounts in Saudi Riyals '000 unless otherwise stated)

20 Reserves (continued)

31 December 2017	Available-for-sale financial assets	Foreign currency translation	Actuarial gain/loss	Cash flow hedge	Total
At the beginning of the year	38,979	(4,213,936)	(1,024,146)	(108,880)	(5,307,983)
Net change on currency translation of foreign operations	-	3,021,606	-	-	3,021,606
Re-measurement impact of employee benefit obligations	-	-	231,660	-	231,660
Re-measurement impact of investments in equity instrument at FVOCI	(10,023)	-	-	-	(10,023)
Share of other comprehensive income for associates and joint ventures	-	(238,092)	-	53,169	(184,923)
Other comprehensive income for the year	(10,023)	2,783,514	231,660	53,169	3,058,320
At the end of the year	28,956	(1,430,422)	(792,486)	(55,711)	(2,249,663)

Re-measurement impact of employee benefit obligations include a net (tax) benefit amounting to SR 0.01 billion (2017 SR: 0.06 billion).

21 Non-controlling interests

Non-controlling interests in the group companies are included in the consolidated statement of financial position as part of equity. Non-controlling interests in the net results of subsidiaries are disclosed separately in the consolidated statement of income.

21.1 Acquisition of non-controlling interests

On 22 January 2017 (the "Value Date"), SABIC and Shell Chemicals Arabia LLC ("Shell"), SABIC's partner in Saudi Petrochemical Company ("Sadaf"), entered into an agreement pursuant to which SABIC agreed to purchase Shell's entire stake in Sadaf for SR 3.075 billion (the "Transaction"), thereby increasing SABIC's ownership interest in Sadaf from 50% to 100%. SABIC and Shell completed the Transaction on 16 August 2017.

Due to no change in control, the acquisition of Shell's ownership interest in Sadaf is accounted for as an equity transaction. Consequently, the excess consideration paid over the carrying value of Shell's ownership interest in Sadaf is recognised in retained earnings.

As agreed between SABIC and Shell, Shell's share of Sadaf's operating results related to the financial year ended 31 December 2017 has been reallocated to SABIC.

The carrying value of the net assets of Sadaf as of the Value Date was SR 2.34 billion. The details of additional interest acquired in Sadaf are:

	For the year ended 31 December 2017
Cash consideration paid to non-controlling interest partner (USD 0.82 billion)	(3,075,000)
Carrying value of the additional interest in Sadaf	2,335,205
Difference recognised in retained earnings	(739,795)

21 Non-controlling interests (continued)

21.2 Absorption of loss on behalf of non-controlling interests

During the year ended 31 December 2017, the Board of Directors of SABIC, in order to support and continue the operation of Arabian Industrial Fibers Company ("Ibn Rushd"), a subsidiary, on a going concern basis, and to ensure compliance with the regulatory obligations under the Companies Regulations, resolved and recommended the following:

- Convert SR 4.58 billion representing the value of dues owed by the subsidiary to SABIC at 1 April 2017, as an "additional non-cash investment" to reduce the subsidiary's accumulated losses without affecting the subsidiary's existing number of shares and shareholding rights
- Reduce the subsidiary's share capital by SR 6.51 billion, to absorb further accumulated losses of the subsidiary, without affecting the subsidiary's shareholding proportion
- Convert the subsidiary's legal entity structure from closed Joint Stock Company ("JSC") to Limited Liability Company ("LLC")

In accordance with the outcome of Ibn Rushd's Extra Ordinary General Assembly, held on 31 December 2017, with respect to the capital restructuring and the conversion of the legal entity structure, these recommendations/resolutions were put into effect on 31 December 2017. As no change of control has occurred, the above have been accounted for as an equity transaction, in accordance with IFRS 10 – 'Consolidated Financial Statement' provisions. This resulted in a SR 2.36 billion reduction of retained earnings attributable to the equity holders of the Parent, with an offset to non-controlling interests.

(All amounts in Saudi Riyals '000 unless otherwise stated)

21 Non-controlling interests (continued)

Summarised statement of financial position

Set out below is summarised financial information for each subsidiary that has non-controlling interest that are material to the Group. The amounts disclosed for each subsidiary are before inter-company eliminations:

	As at 31 December 2018							
	YANSAB	AR RAZI	YANPET	SHARQ	KEMYA	IBN RUSHD	SAFCO	KAYAN
Current assets	6,227,525	3,428,862	5,941,261	8,044,262	3,690,629	2,165,665	2,249,981	9,173,922
Current liabilities	1,343,865	2,938,323	2,494,188	1,560,340	2,138,286	984,443	855,264	3,295,944
Current net assets	4,883,660	490,539	3,447,073	6,483,922	1,552,343	1,181,222	1,394,717	5,877,978
Non-current assets	12,844,534	2,818,632	4,415,143	13,867,515	13,129,797	4,074,091	7,254,486	31,521,004
Non-current liabilities	472,499	775,785	847,336	2,439,668	4,701,917	3,752,541	743,154	21,700,622
Non-current net assets	12,372,035	2,042,847	3,567,807	11,427,847	8,427,880	321,550	6,511,332	9,820,382
Net assets	17,255,695	2,533,386	7,014,880	17,911,769	9,980,223	1,502,772	7,906,049	15,698,360
Accumulated non-controlling interests (i)	8,143,373	1,109,028	3,392,926	8,596,724	4,852,558	712,967	4,183,245	9,620,400

(i) Accumulated non-controlling interests includes adjustments such as inter-group profit elimination, absorption of income tax in non-controlling interests and others.

(All amounts in Saudi Riyals ‘000 unless otherwise stated)

21 Non-controlling interests (continued)

Summarised statement of financial position (continued)

	As at 31 December 2017							
	YANSAB	AR RAZI	YANPET	SHARQ	KEMYA	IBN RUSHD	SAFCO	KAYAN
Current assets	6,582,991	1,668,841	4,795,571	8,867,168	4,439,751	2,050,745	1,192,281	6,811,410
Current liabilities	2,323,147	583,217	1,899,696	1,647,884	2,969,987	1,046,139	785,304	3,350,402
Current net assets	4,259,844	1,085,624	2,895,875	7,219,284	1,469,764	1,004,606	406,977	3,461,008
Non-current assets	13,181,539	2,832,730	4,418,245	14,656,409	13,611,878	4,356,819	7,154,587	33,499,880
Non-current liabilities	703,953	854,018	983,466	2,716,243	5,798,158	4,016,225	700,939	23,052,842
Non-current net assets	12,477,586	1,978,712	3,434,779	11,940,166	7,813,720	340,594	6,453,648	10,447,038
Net assets	16,737,430	3,064,336	6,330,654	19,159,450	9,283,484	1,345,200	6,860,625	13,908,046
Accumulated non-controlling interests (i)	7,898,003	1,393,102	3,027,742	9,003,506	4,419,052	631,311	3,645,208	8,555,340

(i) Accumulated non-controlling interests includes adjustments such as inter-group profit elimination, absorption of income tax in non-controlling interests and others.

(All amounts in Saudi Riyals '000 unless otherwise stated)

21 Non-controlling interests (continued)

Summarised statement of comprehensive income

	For the year ended 31 December 2018							
	YANSAB	AR RAZI	YANPET	SHARQ	KEMYA	IBN RUSHD	SAFCO	KAYAN
Revenue	7,628,470	5,249,864	7,859,468	11,383,526	8,766,320	6,302,650	3,859,836	12,263,159
Net income for the year	2,413,978	3,045,453	2,944,221	2,859,182	1,965,479	130,862	1,738,438	1,702,248
Other comprehensive income	73,037	55,640	124,006	93,484	67,696	53,508	140,320	88,645
Total comprehensive income	2,487,015	3,101,093	3,068,227	2,952,666	2,033,175	184,370	1,878,758	1,790,893
Net income attributable to non-controlling interests	1,156,336	1,360,836	1,304,256	1,406,008	946,798	67,784	874,950	1,007,816
Dividends to non-controlling interests	946,063	1,938,503	1,424,437	2,131,029	696,144	-	475,083	-
	For the year ended 31 December 2017							
Revenue	7,220,906	3,631,472	7,510,101	10,066,000	7,910,236	5,704,262	2,759,455	9,983,926
Net income for the year	2,376,365	1,778,390	2,993,537	2,735,429	1,604,213	(608,807)	878,628	668,174
Other comprehensive income	(6,978)	(1,699)	7,378	(5,814)	(2,219)	1,088	44,113	(11,473)
Total comprehensive income	2,369,387	1,776,691	3,000,915	2,729,615	1,601,994	(607,719)	922,741	656,701
Net income attributable to non-controlling interests	996,942	787,865	1,496,174	1,150,915	856,623	(316,182)	429,438	352,992
Dividends to non-controlling interests	793,083	1,080,100	1,996,505	814,688	540,229	-	415,698	-

Net income (loss) attributable to non-controlling interests includes adjustments such as inter-group profit elimination, absorption of income tax in non-controlling interests and others.

(All amounts in Saudi Riyals '000 unless otherwise stated)

21 Non-controlling interests (continued)

Summarised statement of cash flows

	YANSAB	AR RAZI	YANPET	SHARQ	KEMYA	IBN RUSHD	SAFCO	KAYAN
	Year ended 31 December 2018							
Cash flow from operating activities	3,928,161	3,202,785	2,881,894	3,966,259	2,553,916	526,637	2,083,578	3,432,919
Cash flow from investing activities	(1,857,714)	(294,522)	(547,071)	(408,623)	(310,722)	(86)	(802,588)	(2,115,782)
Cash flow from financing activities	(3,096,501)	(1,558,860)	(1,711,058)	(4,341,786)	(2,935,188)	(210,573)	(833,080)	(1,454,539)
Net increase / (decrease) in cash and cash equivalents	(1,026,054)	1,349,403	623,765	(784,150)	(691,994)	315,978	447,910	(137,402)
	Year ended 31 December 2017							
Cash flow from operating activities	3,235,901	2,110,365	3,900,893	3,325,029	2,051,289	432,166	1,395,787	3,592,324
Cash flow from investing activities	(716,755)	(303,434)	(314,653)	(425,839)	(863,816)	(291,734)	(703,277)	(905,316)
Cash flow from financing activities	(3,143,125)	(1,873,585)	(3,777,386)	(1,779,483)	(1,604,184)	(160,972)	(732,898)	(1,560,010)
Net increase / (decrease) in cash and cash equivalents	(623,979)	(66,654)	(191,146)	1,119,707	(416,711)	(20,540)	(40,388)	1,126,998

(All amounts in Saudi Riyals '000 unless otherwise stated)

22 Debt

	Interest rate	31 December 2018	31 December 2017
Current			
Shot-term bank borrowings	USD LIBOR variable rate	**1,167,589**	1,065,000
Current portion of long-term debt	SAIBOR and USD LIBOR	**3,664,754**	8,535,254
Obligations under finance leases (Note 37)	5.7% to 9.6%	**85,502**	93,301
Bonds	2.63%	**-**	3,744,901
Notes	SAIBOR variable rate	**-**	3,000,000
Total current loans and borrowings		**3,750,256**	15,373,456
Non-current			
Long-term debt	SAIBOR and USD LIBOR	**31,058,023**	35,500,304
Obligations under finance leases (Note 37)	5.7% to 9.6%	**653,423**	771,712
Notes	SAIBOR variable rate	**-**	2,000,000
Bonds	2.75%	**10,633,950**	3,352,716
		42,345,396	41,624,732
Total debt		**47,263,241**	58,063,188

Long-term debt

The Group obtained commercial loans from various financial institutions in order to finance its expansions, new projects and acquisitions, which are repayable in instalments at varying interest rates in conformity with the applicable loan agreements.

The Public Investment Fund (PIF) and Saudi Industrial Development Fund (SIDF) term loans are generally repayable in semi-annual instalments and financing charges on these loans are at varying rates.

Bonds

The following bonds were outstanding as of 31 December 2018:

- 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% 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 have been used for refinancing recently maturing debt.
- On 20 November 2013, SABIC Capital I B.V. issued a 7 year € 0.75 billion bond with a coupon of 2.75%. The proceeds were used to redeem Eurobond € 0.75 billion.

(All amounts in Saudi Riyals '000 unless otherwise stated)

22 Debt (continued)

Notes

On 29 December 2009, the Group entered into an agreement with PIF for a private placement of unsecured Saudi Riyal notes amounting to SR10 billion with multiple tranches. These notes are fully drawn and have a bullet maturity after 7 years of their respective issuance. As at 31 December 2018, all outstanding notes were all fully repaid.

The aggregate repayment schedule of long-term debt is as follows:

	31 December 2018	31 December 2017
Within one year	4,832,343	16,345,155
1-2 years	7,388,859	6,676,568
2-5 years	25,510,327	26,970,381
Thereafter	8,792,787	7,206,071
Lease obligation (Note 37)	738,925	865,013
Total	47,263,241	58,063,188

23 Employee benefits

The provision for employee benefits can be broken down as follows:

	31 December 2018	31 December 2017
Defined benefit obligations		
End of service benefits	10,598,972	12,846,175
Defined benefits pension schemes	2,226,295	2,690,085
Post-retirement medical benefits	1,154,575	1,038,172
	13,979,842	16,574,432
Other long term employee benefits and termination benefits		
Early retirement plans	37,311	49,937
Long-term service awards	125,340	155,227
Others	857,532	855,440
	1,020,183	1,060,604
	15,000,025	17,635,036

Management monitors the risks of all pension plans of the Group and issues guidelines regarding the governance and risk management of pension plans, particularly with regard to the funding of the pension plans and the portfolio structure of the existing plan assets. The obligations and the 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. Measures were taken to close plans with defined benefits for future service. This led to a reduction in risk with regard to future benefit levels.

23 Employee benefits (continued)

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 defined contribution pensions to new-hires in most countries. As in recent years, when many of the defined benefit plans have been closed to future benefit accrual, the US and Canadian plan will be closed for future pension accrual from 31 December 2019.

End of service benefits

End of service benefits are mandatory for all KSA based employees under the Saudi Arabian labour law and the Group's employment policies. End of service benefit is based on employees' compensation and accumulated period of service and is payable upon termination, resignation or retirement. The Defined Benefit Obligation ("DBO") in respect of employees' end of service benefits is calculated by estimating the future benefit payment that employees have earned in return for their service. This amount using an appropriate discount rate 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, France and Belgium, most of which are funded. The benefits provided by these pension plans are based primarily on years of service and employees' compensation.

The funding of the plans is consistent with local requirements in the countries of establishment. Generally, pension obligations are subject to a government regulation, including minimum funding requirements in many countries. Furthermore, there are restrictions in qualitative and quantitative terms for the investment in different asset categories. This could result in fluctuating employer contributions, financing requirements and the assumption of obligations in favour of the pension fund to comply with the regulatory requirements.

Below is a brief description of the Group's main defined benefit pension plans:

United States of America

In the USA, the Group offers a defined benefit pension plan. This plan is subject to the applicable provisions of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). The funding policy for the US Plans is to make regular contributions each year in such amounts that are necessary to meet or exceed the minimum funding standard as set forth in employee benefit and tax laws in USA. As of 1 January 2014, the US Plan was closed for new participants. Employees who were already participants in the US plan as of 31 December 2013 continue to accrue benefits until 31 December 2019. As per 1 January 2020, the plan will be frozen and employee will participate in alternative defined contribution arrangements. The primary contributors to the total change in liabilities was a one-off adjustment linked to the decision to freeze future accruals. The gain is recognized as part service cost.

(All amounts in Saudi Riyals '000 unless otherwise stated)

23 Employee benefits (continued)

Defined benefits obligation (continued)

Defined benefit pension plans (continued)

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

Group companies maintain final salary pension plans in UK which have been closed to further increases in benefits for future years of service. A part of the workforce still receives benefit increases linked to salary increases. Since the closure of service accrual, all employees have had the opportunity to participate in a defined contribution plan.

The defined benefit pension plans are administered by trusts, whose Boards of Trustees, according to the trustees' agreement and law, represents the interests of the beneficiaries and ensures 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

Early retirement plans

Employee early retirement plan costs are provided for in accordance with the Group's policies. If an instalment based compensation is agreed on, the obligation is initially discounted to its present value and then unwound through the period of compensation which can be up to the regular retirement age of the employee.

Long-term service awards

The Group offers a long-term service award depending on years of service. This is measured similarly to a DBO, however, any re-measurement is recognised in the current year consolidated statement of income.

The following table represents the movement of the net pension position:

	For the year ended 31 December 2018	For the year ended 31 December 2017
At the beginning of the year	16,551,957	15,596,799
Current service cost	1,489,315	1,290,975
Past service cost	(283,821)	44,175
Finance cost, net of finance income	557,467	581,024
Actuarial changes arising due to:		
- financial assumptions	(1,863,573)	(21,966)
- demographic changes	(101,639)	(37,125)
- experience adjustments	(404,933)	95,005
- actual return on plan assets	222,252	(249,147)
	(2,147,893)	(213,233)
Payments during the year	(1,980,715)	(627,038)
Contributions into pension plans	(308,526)	(313,995)
Foreign currency translation adjustment and others	72,551	193,250
	13,950,335	16,551,957
Reclassification as net pension asset	29,507	22,475
At the end of the year	13,979,842	16,574,432

For net pension, assets are presented under non-current assets.

(All amounts in Saudi Riyals '000 unless otherwise stated)

23 Employee benefits (continued)

Following table represents the components of the employee benefits in the KSA:

	For the year ended 31 December 2018		
	End of service	Post-retirement medical	Total
At the beginning of the year	12,846,175	589,463	13,435,638
Current service cost	849,404	425,964	1,275,368
Finance cost	443,941	20,195	464,136
Actuarial changes arising due to:			
- financial assumptions	(1,602,947)	17,104	(1,585,843)
- experience adjustments	(183,674)	(158,423)	(342,097)
	(1,786,621)	(141,319)	(1,927,940)
Payments during the year	(1,894,134)	(52,602)	(1,946,736)
Others	140,207	(14,441)	125,766
At the end of the year	10,598,972	827,260	11,426,232

	For the year ended 31 December 2017		
	End of service	Post-retirement medical	Total
At the beginning of the year	12,046,025	277,738	12,323,763
Current service cost	1,043,387	23,496	1,066,883
Finance cost	464,664	9,776	474,440
Actuarial changes arising due to:			
- financial assumptions	(82,200)	35,772	(46,428)
- experience adjustments	(78,379)	254,453	176,074
	(160,579)	290,225	129,646
Payments during the year	(561,757)	(14,351)	(576,108)
Others	14,435	2,579	17,014
At the end of the year	12,846,175	589,463	13,435,638

(All amounts in Saudi Riyals '000 unless otherwise stated)

23 Employee benefits (continued)

Following table represents the components of the DBO outside KSA at 31 December 2018:

	For the year ended 31 December 2018			
	USA	UK	Others	Total
At the beginning of the year	3,227,844	2,850,210	946,352	7,024,406
Current service costs	191,740	-	22,207	213,947
Past service costs	(275,757)	716	(8,780)	(283,821)
Finance costs	116,607	73,036	21,942	211,585
Benefits paid	(168,006)	(149,753)	(30,092)	(347,851)
Actuarial changes arising due to:				
- financial assumptions	(247,148)	(14,921)	(15,661)	(277,730)
- demographic changes	(10,559)	(87,670)	(3,410)	(101,639)
- experience adjustments	(67,629)	6,324	(1,531)	(62,836)
	(325,336)	(96,267)	(20,602)	(442,205)
Foreign currency	-	(161,838)	(49,087)	(210,925)
	2,767,092	2,516,104	881,940	6,165,136
Reclassification as net pension asset	-	-	(198,271)	(198,271)
At the end of the year	2,767,092	2,516,104	683,669	5,966,865

The development of plan assets for major plans in the different regions is elaborated in the next table:

	For the year ended 31 December 2018			
	USA	UK	Others	Total
Plan assets as at start of the year	1,463,419	2,165,539	279,129	3,908,087
Interest income	53,377	55,425	9,452	118,254
Employers' contribution	262,013	39,069	7,444	308,526
Return on plan assets (excluding interest income)	(136,807)	(75,375)	(10,070)	(222,252)
Benefits paid	(149,621)	(149,755)	(14,496)	(313,872)
Administrative expenses	(13,516)	-	(510)	(14,026)
Foreign currency	-	(123,030)	(20,654)	(143,684)
Plan assets as at end of the year	1,478,865	1,911,873	250,295	3,641,033
Reclassification as net pension assets	-	-	(227,778)	(227,778)
Plan assets at end of the year	1,478,865	1,911,873	22,517	3,413,255
Defined benefit obligation, net	1,288,227	604,231	661,152	2,553,610

(All amounts in Saudi Riyals '000 unless otherwise stated)

23 Employee benefits (continued)

Following table represents the components of the DBO outside the KSA at 31 December 2017:

	For the year ended 31 December 2017			
	USA	UK	Others	Total
At the beginning of the year	3,040,708	2,835,871	854,189	6,730,768
Current service costs	200,498	-	23,594	224,092
Past service costs	18,307	12,960	12,908	44,175
Finance costs	119,284	79,250	20,814	219,348
Benefits paid	(251,914)	(180,253)	(35,019)	(467,186)
Participants' contributions	-	-	211	211
Actuarial changes arising due to:				
- financial assumptions	208,541	(156,096)	(27,983)	24,462
- demographic changes	(37,064)	-	(61)	(37,125)
- experience adjustments	(70,516)	-	(10,553)	(81,069)
	100,961	(156,096)	(38,597)	(93,732)
Foreign currency	-	258,478	108,252	366,730
	3,227,844	2,850,210	946,352	7,024,406
Reclassification as net pension asset	-	-	(235,349)	(235,349)
At the end of the year	3,227,844	2,850,210	711,003	6,789,057

The development of plan assets for major plans in the different regions is elaborated in the next table:

	For the year ended 31 December 2017			
	USA	UK	Others	Total
Plan assets as at start of the year	1,246,675	1,969,282	241,775	3,457,732
Finance income	47,675	55,509	9,580	112,764
Employers' contribution	260,343	43,276	10,587	314,206
Actual return on plan assets	143,180	89,562	16,405	249,147
Benefits paid	(218,805)	(180,253)	(17,198)	(416,256)
Administrative expenses	(15,649)	-	(506)	(16,155)
Foreign currency	-	188,163	18,486	206,649
	1,463,419	2,165,539	279,129	3,908,087
Reclassification as net pension assets	-	-	(257,824)	(257,824)
Plan assets at end of the year	1,463,419	2,165,539	21,305	3,650,263
Defined benefit obligation, net	1,764,425	684,671	689,698	3,138,794

(All amounts in Saudi Riyals '000 unless otherwise stated)

23 Employee benefits (continued)

	For the year ended 31 December 2018	For the year ended 31 December 2017
Net benefit expense		
Current service cost	1,205,494	1,335,150
Finance cost on benefit obligation	557,467	581,024
Net benefit expense	1,762,961	1,916,174

Employee pension plan assets:

Following table represents the categories of plan assets for major pension plans outside KSA:

	For the year ended 31 December 2018		
	USA	UK	Others
Quoted and unquoted			
Equity	36.90%	33.54%	37.02%
Debt securities	29.27%	1.09%	60.17%
- Government debtors	-	*1.09%*	*60.17%*
- Other debtors	*29.27%*	-	-
Investment funds and insurance companies	-	46.56%	1.58%
Other investments	31.14%	18.26%	1.23%
Cash and cash equivalents	2.69%	0.55%	-
Total	100.00%	100.00%	100.00%

	For the year ended 31 December 2017		
	USA	UK	Others
Quoted and unquoted			
Equity	38.86%	33.67%	39.90%
Debt securities	48.46%	24.25%	54.05%
- Government debtors	-	*23.22%*	*54.05%*
- Other debtors	*48.46%*	*1.03%*	-
Investment funds and insurance companies	-	23.04%	1.41%
Other investments	9.90%	17.28%	4.64%
Cash and cash equivalents	2.78%	1.76%	-
Total	100.00%	100.00%	100.00%

(All amounts in Saudi Riyals '000 unless otherwise stated)

23 Employee benefits (continued)

Major economic and actuarial assumptions used in benefits liabilities computation:

	31 December 2018		
	KSA	USA	UK
Discount rate	4.40%	4.16%	2.90%
Average salary increase	5.50% to 7.00%	3.22%	3.21%
Pension in payment increase	N/A	N/A	3.25%
Inflation rate (health care cost)	9% in 2019 decrease to 5% for 2023+	N/A	N/A

	31 December 2017		
	KSA	USA	UK
Discount rate	3.60%	3.70%	2.70%
Average salary increase	5.00% to 7.00%	3.28%	2.76%
Pension in payment increase	N/A	N/A	3.15%
Inflation rate (health care cost)	10% in 2018 decrease to 5% for 2023+	N/A	N/A

Sensitivity analysis

The table below illustrates the approximate impact on the DBO if the Group were to change one key assumption, while the other actuarial assumptions remain unchanged. The sensitivity analysis is intended to illustrate the inherent uncertainty in the valuation of the DBO under market conditions at the measurement date. Its 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 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 2018			
	KSA	USA	UK	Others
Increase				
Discount rate (+25 bps)	(287,462)	(104,965)	(129,394)	(33,532)
Salary (+25 bps)	278,079	133	30,668	7,745
Pension (+25 bps)	NA	-	94,662	17,641
Longevity (+1 year)	NA	38,245	71,718	(14,807)
Health care costs (+25 bps)	23,010	NA	NA	NA
Decrease				
Discount rate (-25 bps)	299,478	111,092	138,607	35,715
Salary (-25 bps)	(268,468)	(131)	(29,895)	(7,358)
Pension (-25 bps)	NA	-	(89.594)	(16,685)
Longevity (-1 year)	NA	(39,562)	(71,355)	14,511
Health care costs (-25 bps)	(21,991)	NA	NA	NA

(All amounts in Saudi Riyals '000 unless otherwise stated)

23 Employee benefits (continued)

Sensitivity analysis (continued)

	31 December 2017			
	KSA	USA	UK	Others
Increase				
Discount rate (+25 bps)	(362,579)	(138,858)	(150,558)	(36,689)
Salary (+25 bps)	313,884	16,841	34,170	9,370
Pension (+25 bps)	NA	-	112,018	NA
Longevity (+1 year)	NA	42,608	80,372	NA
Health care costs (+25 bps)	21,255	NA	NA	NA
Decrease				
Discount rate (-25 bps)	338,388	147,656	162,140	39,109
Salary (-25 bps)	(341,056)	(16,546)	(33,309)	(15,291)
Pension (-25 bps)	NA	-	(105,766)	NA
Longevity (-1 year)	NA	(44,040)	(79,939)	NA
Health care costs (-25 bps)	(20,268)	NA	NA	NA

Expected total benefit payments

	31 December 2018	
	KSA	**Outside KSA**
Within one year	**591,513**	**317,973**
1 – 2 years	**585,755**	**339,374**
2 – 3 years	**644,072**	**352,686**
3 – 4 years	**737,023**	**370,104**
4 – 5 years	**810,999**	**387,863**
Next 5 years	**5,229,918**	**2,067,327**
Total	**8,599,280**	**3,835,327**

	31 December 2017	
	KSA	Outside KSA
Within one year	720,507	371,901
1 – 2 years	665,140	397,270
2 – 3 years	741,461	419,623
3 – 4 years	839,591	444,219
4 – 5 years	901,619	472,071
Next 5 years	5,920,141	2,724,245
Total	9,788,459	4,829,329

Annual premiums paid to defined contribution schemes amount to SR 0.39 billion (2017: SR 0.33 billion) and relate primarily to defined contribution pension schemes in the Netherlands.

The expected employer contributions related to the defined benefit pension plans for next year amount to SR 0.15 billion (2017: SR 0.14 billion).

The weighted average duration of the defined benefit obligation is 10 years for KSA plans, 20 years for plans outside KSA (31 December 2017: 12 years for KSA plans, 20 years for plans outside KSA).

(All amounts in Saudi Riyals '000 unless otherwise stated)

24 Trade payables

	31 December 2018	31 December 2017
Trade accounts payable	14,938,392	17,886,738
Amounts due to related parties	30,965	174,726
	14,969,357	18,061,464

The Group's exposure to currency and liquidity risk related to accounts payables is disclosed in Note 36.

25 Accruals and other current liabilities

	31 December 2018	31 December 2017
Accrued liabilities	6,250,270	5,087,426
Employees related liabilities	2,461,530	1,904,510
Dividend payable	2,773,681	1,633,220
Sales and other tax payables	401,584	303,879
Contract retentions	112,201	227,109
Others	1,017,618	968,102
	13,016,884	10,124,246

26 Derivatives

	31 December 2018	31 December 2017
Derivative asset:		
Not designated in hedging relationship		
- Foreign exchange forward contracts	29,651	2,828
- Interest rate collar derivatives – current (i)	-	3,472
- Interest rate collar derivatives – non-current (i)	-	20,506
Total financial derivatives	29,651	26,806
Notional amount	615,342	1,070,622

	31 December 2018	31 December 2017
Derivative liability:		
Not designated in hedging relationship		
- Foreign exchange forward contracts	381	-
- Interest rate swap agreements – current	-	14,258
- Interest rate swap agreements – non-current	-	1,978
Total financial derivatives	381	16,236
Notional amount	291,967	716,645

(i) On adoption of IFRS 9, these derivatives have been combined with host contracts.

(All amounts in Saudi Riyals '000 unless otherwise stated)

27 Revenue

	For the year ended 31 December 2018	For the year ended 31 December 2017
Sales of goods	164,896,782	149,242,828
Logistic services	3,518,301	-
Rendering of services	713,256	523,140
	169,128,339	149,765,968

There is no significant revenue that has been recognised in 2018 from performance obligations satisfied in previous years. All unfulfilled remaining performance obligations as at 31 December 2018 are expected to be satisfied in the following year.

Refer to Note 35 for the segment and geographical distribution of revenue.

Contract balances

Payment terms are immediate to a maximum of 120 days from the date of invoice. Date of invoice is usually prior to, or at the time of fulfilling the related performance obligations. Consequently, the Groups holds no material contract assets and recognises contract liabilities when amounts are invoiced prior to fulfilment of performance obligations.

There are no significant changes of contract assets or contract liability balances during the year. The Group recognises all incremental costs of obtaining contracts as an expense when incurred as the amortisation period of the assets that the Group otherwise would have recognised is one year or less.

Comparative information

The comparative information is not presented for the current year disclosures as the Group has adopted IFRS 15 using the modified retrospective method (Note 4).

28 Expenses

Based on the nature of the expenses, cost of sales, selling and distribution expenses and general and administrative expenses include the following:

28.1 Cost of sales

	For the year ended 31 December 2018	For the year ended 31 December 2017
Changes in inventories of finished products, raw materials and consumables used	83,322,735	72,029,578
Employee related costs	13,294,298	12,178,000
Depreciation of plant and equipment	13,903,349	13,268,321
Impairment and write down of plant and equipment	470,183	1,563,603
Amortisation of intangible assets	529,906	818,741
	111,520,471	99,858,243

(All amounts in Saudi Riyals '000 unless otherwise stated)

28 Expenses (continued)

28.2 General and administrative expenses

	For the year ended 31 December 2018	For the year ended 31 December 2017
Employee related (i)	5,923,083	5,488,822
Research and technology cost	1,163,468	1,130,223
Professional and other consultant services	1,834,609	1,666,168
Administrative support	514,064	572,642
Depreciation and amortisation	643,089	684,394
Maintenance	288,079	242,453
Others	578,515	785,099
	10,944,907	10,569,801

28.3 Selling and distribution expenses

	For the year ended 31 December 2018	For the year ended 31 December 2017
Transportation and shipping	7,995,009	7,810,112
Employee related (i)	1,578,477	1,438,797
Rental and lease expenses	389,374	586,197
Marketing expenses	153,468	158,645
Depreciation	59,737	74,328
Others	223,872	271,458
	10,399,937	10,339,537

(i) As a result of a strategic workforce optimization initiative in the first quarter of 2018, the Group has recorded a non-recurring restructuring expense of SR 1.38 billion, which is mainly related to severance cost. This strategic initiative is expected to reduce the Group's cost base going forward.

29 Finance cost

	For the year ended 31 December 2018	For the year ended 31 December 2017
Interest expense on loans and borrowings	2,088,648	1,748,692
Interest expenses related to defined benefit plans (Note 23)	557,467	581,024
	2,646,115	2,329,716

30 Other (expenses) income, net

	For the year ended 31 December 2018	For the year ended 31 December 2017
Dividend from investments in equity instruments at FVOCI	61,631	44,364
Insurance claims	147,216	279,973
Foreign currency exchange differences	(193,489)	200,921
Rental income	39,010	39,831
Loss on disposal of property, plant and equipment	(179,700)	(88,512)
Others	(281,079)	(187,240)
	(406,411)	289,337

(All amounts in Saudi Riyals '000 unless otherwise stated)

31 Zakat and income tax

The movement in Group's zakat and income tax payable is as follows:

	For the year ended 31 December 2018		
	Zakat	Income Tax	Total
At the beginning of the year	2,619,140	1,056,100	3,675,240
Provided during the year	2,600,000	1,503,406	4,103,406
Paid during the year, net	(2,375,997)	(1,631,990)	(4,007,987)
Other movements (foreign currency translations and reclassification)	-	433,658	433,658
At the end of the year	2,843,143	1,361,174	4,204,317

	For the year ended 31 December 2017		
	Zakat	Income Tax	Total
At the beginning of the year	2,386,336	447,246	2,833,582
Provided during the year	2,600,000	1,466,329	4,066,329
Paid during the year, net	(2,367,196)	(855,710)	(3,222,906)
Other movements	-	(1,765)	(1,765)
At the end of the year	2,619,140	1,056,100	3,675,240

The movement in Group's deferred tax is as follows:

	For the year ended 31 December 2018		For the year ended 31 December 2017	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
At the beginning of the year	1,518,599	2,597,059	678,221	1,858,820
Changes during the year (i)	(653,443)	(932,921)	(4,238)	(106,377)
At the end of the year	865,156	1,664,138	673,983	1,752,443

(i) Includes impact of foreign exchanges translation and non-controlling interests

(All amounts in Saudi Riyals '000 unless otherwise stated)

31 Zakat and income tax (continued)

31.1 Zakat

Zakat returns of SABIC and wholly owned subsidiaries are submitted to the General Authority of Zakat and Tax ("GAZT") based on separate financial statements prepared for zakat purposes only. Other non-wholly owned subsidiaries file their zakat returns separately. SABIC has filed its zakat returns with GAZT, received the zakat certificates, settled the zakat dues for the year ended 31 December 2017 and cleared its zakat assessments with GAZT up to the year ended 31 December 2016.

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:

	For the year ended 31 December 2018	For the year ended 31 December 2017
Current corporate income tax		
Current year	1,503,406	1,466,329
Adjustments in respect of current income tax of previous year	-	-
Deferred corporate income tax		
(Decrease) increase in deferred tax, net	(305,745)	73,671
Total income tax expense reported in the consolidated statement of income	1,197,661	1,540,000

	For the year ended 31 December 2018	For the year ended 31 December 2017
Deferred tax related to items recognised in OCI during in the year		
- Deferred tax expense on actuarial gains and losses	5,204	61,349
Deferred tax charged to OCI	5,204	61,349

(All amounts in Saudi Riyals '000 unless otherwise stated)

31 Zakat and income tax (continued)

31.2 Income Tax (continued)

The numerical reconciliation of income tax expense derived from the accounting profit is presented in the table below:

	For the year ended 31 December 2018	For the year ended 31 December 2017
Income before zakat and income tax	35,683,068	29,624,745
Exclude: income subject to Zakat	(27,830,507)	(23,521,746)
Income subject to income tax	7,852,561	6,102,999
Domestic income tax rate (KSA)	20%	20%
Income tax at domestic tax rate	1,570,512	1,220,600
Tax effects of		
- Current year tax benefits not recognised	342,686	498,436
- Foreign currency translation results	(405,308)	433,424
- Deviating rates	(26,800)	280,638
- Tax rate change	(94,415)	(118,201)
- Tax charge due to other liabilities	183,229	12,739
- Return-to-provision true-ups and exempt items	(566,923)	(74,551)
- Non-tax deductible expenses	198,135	62,667
- Recognition of previously unrecognised tax benefits	(81,560)	(818,022)
- Withholding tax	67,998	30,120
- State, local and other taxes	10,107	12,150
Income tax expense	1,197,661	1,540,000
Zakat expense	2,600,000	2,600,000
Total income tax and zakat expense	3,797,661	4,140,000

(All amounts in Saudi Riyals '000 unless otherwise stated)

31 Zakat and income tax (continued)

31.2 Income Tax (continued)

Components of deferred tax are as follows:

	31 December 2018	31 December 2017
Difference in accounting and tax base related to:		
- Tangible and intangible assets	(3,466,676)	(3,200,976)
- Inventories	(29,120)	(27,413)
- Reserves	(204,670)	(195,011)
- Others	(23,997)	(27,011)
Deferred tax liabilities	(3,724,463)	(3,450,411)
Set-off with deferred tax assets	2,060,325	1,697,968
Net deferred tax liabilities	(1,664,138)	(1,752,443)
Net operating losses	7,279,239	6,824,447
Difference in accounting and tax base related to:		
- Tangible and intangible assets	445,332	320,871
- Employee benefits	583,956	967,003
- Deferred charges	10,912	164,163
- Provisions on receivables and inventories	355,480	286,524
- Tax credits	145,754	151,241
- Others	76,571	41,512
Deferred tax assets	8,897,244	8,755,761
Un-recognised deferred tax assets	(5,971,763)	(6,383,810)
Set-off with deferred tax liabilities	(2,060,325)	(1,697,968)
Net deferred tax assets	865,156	673,983

The Group offsets tax assets and liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred to income taxes levied by the same tax authority.

The Group has tax losses of SR 27.74 billion (2017: SR 25.25 billion) with carry-forward periods ranging from 2021 to indefinite, which are available for offsetting against future taxable profits of companies in which the losses arose.

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 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 2018	For the year ended 31 December 2017
Income from operations (SR '000)	36,263,024	28,998,387
Net income attributable to equity holders of the Parent (SR '000)	21,520,678	18,430,236
Weighted average number of ordinary shares ('000)	3,000,000	3,000,000
Earnings per share from income from operations (SR)	12.09	9.67
Earnings per share from net income attributable to equity holders of the Parent (SR)	7.17	6.14

There has been no item of dilution affecting the weighted average number of ordinary shares.

(All amounts in Saudi Riyals '000 unless otherwise stated)

33 Conventional and non-conventional financing and investments

The tables below outline the breakdown of Group's financing and investments into conventional and non-conventional:

	31 December 2018	31 December 2017
Cash and bank balances		
- Conventional call (excluding Fixed term deposits)	11,221,338	12,485,139
- Conventional time deposits	3,556,550	4,318,927
Conventional cash and bank balances	14,777,888	16,804,066
- Murabaha (including fixed term deposits)	25,881,062	40,153,002
- Current accounts (excluding fixed term deposits)	1,931,870	2,081,588
Non-conventional cash and bank balances	27,812,932	42,234,590
Total cash and bank balances	42,590,820	59,038,656
Short-term and investments in debt instruments		
- Bonds and floating rate notes	556,151	543,750
- Conventional time deposits	478,075	123,963
Conventional short-term and investments in debt instruments	1,034,226	667,713
- Murabaha (including fixed time deposits)	8,762,214	3,836,790
- SUKUK	1,861,143	2,264,140
- Murabaha structured deposits	651,796	637,590
Non-Conventional short-term and investments in debt instruments	11,275,153	6,738,520
Total short-term and investments in debt instruments	12,309,379	7,406,233
Investments in equity instruments at FVOCI		
- Mutual funds	305,294	299,407
- Equity investments	784,815	396,836
Conventional investments in equity instruments at FVOCI	1,090,109	696,243
Total Investments in equity instruments at FVOCI	1,090,109	696,243

(All amounts in Saudi Riyals '000 unless otherwise stated)

33 Conventional and non-conventional financing and investments (continued)

	31 December 2018	31 December 2017
Short-term borrowings		
- Conventional short-term borrowings	1,167,589	1,065,000
Total short-term borrowings	1,167,589	1,065,000
Long and short-term debt		
- Conventional loans	11,796,848	24,071,844
- Bonds/notes	10,633,950	12,097,616
- Finance leases	738,925	865,013
Conventional long-term debt	23,169,723	37,034,473
- Ijarah facilities	4,761,727	5,073,886
- SIDF	1,678,192	2,012,726
- Murabaha	16,486,010	12,877,103
Non-conventional long-term debt	22,925,929	19,963,715
Total long-term debt	46,095,652	56,998,188
Total debt	47,263,241	58,063,188

	For the year ended 31 December 2018	For the year ended 31 December 2017
Borrowing cost capitalised during the year:		
- Conventional loans	23,568	75,867
Borrowing costs capitalised from conventional loans	23,568	75,867
- Murabaha loans and SIDF	15,151	102,482
Borrowing costs capitalised from non-conventional loans	15,151	102,482
Total borrowing cost capitalised during the year	38,719	178,349

(All amounts in Saudi Riyals '000 unless otherwise stated)

33 Conventional and non-conventional financing and investments (continued)

	For the year ended 31 December 2018	For the year ended 31 December 2017
Finance income		
- Conventional call account	3,555	3,838
- Conventional time deposits	187,680	74,574
- Conventional structured deposits	28,513	31,244
- Derivatives	(11,577)	54,064
- Others	76,484	24,665
Total conventional finance income	284,655	188,385
- Current Murabaha (including fixed term deposits)	1,035,951	949,056
- SUKUK	82,571	98,980
- Murabaha structured deposits	19,543	10,636
Total non-conventional finance income	1,138,065	1,058,672
Total finance income	1,422,720	1,247,057
Finance cost		
- Conventional loans	695,355	669,872
- Conventional loans - (related party)	108,158	-
- Bonds/notes	359,675	383,987
- Finance leases	61,025	91,889
- Derivative liabilities	-	10,797
- Net interest on employee benefits	557,467	581,024
- Others	146,795	124,759
Conventional finance cost	1,928,475	1,862,328
- SIDF	68,381	61,331
- Murabaha	575,235	117,286
- Ijarah facilities	-	288,771
- Others	74,024	-
Non-conventional financial expenses	717,640	467,388
Total finance cost	2,646,115	2,329,716

(All amounts in Saudi Riyals '000 unless otherwise stated)

34 Related party transactions and balances

Interests in subsidiaries are set out in Note 41.

	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
	For the year ended 31 December 2018		31 December 2018	
Associates	15,871	5,937,172	27,818	23,499
Joint ventures	14,300,850	1,229,386	3,098,870	24,025

	31 December 2018		
	Associates	Joint ventures	Total
Loans from related parties	-	2,309,743	2,309,743
Loans to related parties	35,135	769,654	804,789

	For the year ended 31 December 2018		
	Associates	Joint ventures	Total
Dividends paid to related parties	650,000	5,099,221	5,749,221
Dividends received from related parties	148,619	504,217	652,836

	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
	For the year ended 31 December 2017		31 December 2017	
Associates	8,881	5,285,739	201,453	157,464
Joint ventures	12,160,154	476,172	2,976,637	40,614

	31 December 2017		
	Associates	Joint ventures	Total
Loans from related parties	-	2,491,245	2,491,245
Loans to related parties	62,135	752,715	814,850

	For the year ended 31 December 2017		
	Associates	Joint ventures	Total
Dividends paid to related parties	250,000	4,262,696	4,512,696
Dividends received from related parties	92,175	271,931	364,106

Terms and conditions of transactions with related parties

The sales to and purchases from related parties are made at terms equivalent to those that prevail in arm's length transactions. Outstanding balances are unsecured, interest free and settled in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2018, the Group has not recorded any impairment of receivables relating to amounts owed by related parties. This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.

(All amounts in Saudi Riyals '000 unless otherwise stated)

34 Related party transactions and balances (continued)

Transactions and balances with the Saudi government are as follows:

	For the year ended 31 December 2018	For the year ended 31 December 2017
Purchases of goods and services	39,272,783	31,612,060
Sales of goods and services	7,135,370	6,660,941
Due to entities controlled by Saudi government	3,079,962	1,618,469
Due from entities controlled by Saudi government	705,569	756,573

Key management personnel compensation

In addition to their 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 is detailed as follows:

	For the year ended 31 December 2018	For the year ended 31 December 2017
Short-term employee benefits	70,040	43,501
Post-employment benefits	494	452
Other long-term benefits	8,727	11,880
Total	79,261	55,833

35 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 - products are produced from hydrocarbon feedstock including methane, ethane, propane, butane, and light naphtha, with a wide range of products including carbon dioxide, ethylene, methyl tert-butyl ether and other chemicals. During 2017, products related to polymers were merged into a single segment with chemical products. These included Polyethylene (PE) and Polypropylene (PP). The PE range includes all of the commodity thermo-polymers: Linear Low Density Polyethylene (LLDPE), Low Density Polyethylene (LDPE), and High Density Polyethylene (HDPE). The PP product range includes Random, Homopolymer, Copolymer and specialty automotive grades. Other key products include Polycarbonate (PC), Polyester, Polyvinylchloride (PVC), Polystyrene, and PP compounding and Stamax.

The **Specialties** SBU – includes polymer technologies, application development on a global scale, innovative process technologies, and environmentally responsible solutions in almost every area of modern life, from automotive, aviation and electronics to construction, alternative energy, and health care. The extensive product portfolio includes thermoplastic resins, specialty compounds, film and sheet products, and coatings. As the Specialties SBU does not meet the individual reporting requirements of *IAS 8 'Segment Reporting'* the SBU amounts are included as part of the Petrochemicals' reporting segment.

The **Agri-Nutrients** SBU – includes production of a range of fertilisers; including urea, ammonia, phosphate, as well as compound fertilisers.

Hadeed is concerned with production of steel products; long products (e.g. rebars) and flat products.

The Executive Management Committee, chaired by the Chief Executive Officer monitors the results of its segments for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on income statement and is measured consistently with profit or loss in the consolidated financial statements.

Based on management decision and in line with changes in management reporting, the income, expenses, assets and liabilities relating to 'Corporate' segment, in prior years, has been allocated over the Petro-chemicals and Specialties, Agri-nutrients SBU's and Hadeed according to an internally agreed consistent basis. Accordingly, segment information for prior year are restated in line with current year presentation.

All intercompany transactions within the reporting segments have been appropriately eliminated. The segments' financial details are shown below:

(All amounts in Saudi Riyals '000 unless otherwise stated)

35 Segment information (continued)

	For the year ended 31 December 2018			
	Petrochemicals & Specialties	Agri-nutrients	Hadeed	Consolidated
Revenue	150,422,057	7,938,052	10,768,230	169,128,339
Depreciation, amortisation, impairment and write down	(13,636,068)	(745,312)	(1,120,185)	(15,501,565)
Income from operations	33,708,253	2,262,772	291,999	36,263,024
Share of results of associates and joint ventures	702,718	347,132	-	1,049,850
Finance cost, net				(1,223,395)
Other expenses, net				(406,411)
Income before zakat and income tax				35,683,068

	For the year ended 31 December 2017			
	Petrochemicals & Specialties	Agri-nutrients	Hadeed	Consolidated
Revenue	135,301,994	5,909,386	8,554,588	149,765,968
Depreciation, amortisation, impairment and write down	(14,244,571)	(722,828)	(1,443,574)	(16,410,973)
Income from operations	29,781,574	782,710	(1,565,897)	28,998,387
Share of results of associates and joint ventures	1,229,655	190,025	-	1,419,680
Finance cost, net				(1,082,659)
Other income, net				289,337
Income before zakat and income tax				29,624,745

	As at 31 December 2018			
	Petrochemicals & Specialties	Agri-nutrients	Hadeed	Consolidated
Total assets	284,711,898	13,963,504	21,035,472	319,710,874
Total liabilities	90,775,228	3,037,431	4,461,740	98,274,399

	As at 31 December 2017			
	Petrochemicals & Specialties	Agri-nutrients	Hadeed	Consolidated
Total assets	286,050,389	13,143,050	22,417,367	321,610,806
Total liabilities	102,860,422	3,202,599	5,409,293	111,472,314

(All amounts in Saudi Riyals '000 unless otherwise stated)

35 Segment information (continued)

Geographical distribution of revenue

	31 December 2018		31 December 2017	
		%		%
KSA	25,270,853	15%	22,751,799	15%
China	29,713,216	17%	25,404,525	17%
Rest of Asia	36,386,396	22%	32,595,863	22%
Europe	39,449,558	23%	35,913,940	24%
Americas	14,796,092	9%	12,744,946	8%
Others (i)	23,512,224	14%	20,354,895	14%
	169,128,339	100%	149,765,968	100%

The revenue information above is based on the locations of the customers.

Geographical distribution of property, plant and equipment

	31 December 2018		31 December 2017	
		%		%
KSA	138,563,584	85%	143,163,921	86%
Europe (ii)	13,948,735	8%	15,086,965	9%
Americas (ii)	9,759,324	6%	7,383,489	4%
Asia (ii)	1,545,226	1%	1,718,893	1%
Others (ii)	2,815	-	2,643	-
	163,819,684	100%	167,355,911	100%

(i) Others includes sales made by certain subsidiaries to their foreign shareholders amounting to SR 14.32 billion (2017 SR 13.31 billion) and for which detailed geographical breakdown for final end consumer sales is not available with the Group.

(ii) Significant value of property, plant and equipment in Europe is concentrated in Netherlands, UK, Germany and Spain; in Americas is concentrated in USA and in Asia is concentrated in China and India. Others include countries in Africa and Oceania.

36 Financial risk management

Overview

The Group has exposure to the following risks from its use of financial instruments:
- Credit risk
- Liquidity risk
- Market risk
- Operational risk.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established the Risk Management Committee, which is responsible for developing and monitoring the Group's risk management policies. The committee reports regularly to the Board of Directors on its activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee. Financial instruments principally include cash and bank balances, trade and other accounts receivable, derivative financial instruments, investments in securities, loans and advances, short term bank borrowings, accounts payable, accrued expenses, long term debt and other liabilities.

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.

Trade receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk, particularly in the currently deteriorating economic circumstances. Also geographically there is no concentration of credit risk.

The Group trades only with recognised, credit worthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. Credit quality of the customer is assessed based on an extensive credit rating scorecard. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

(All amounts in Saudi Riyals '000 unless otherwise stated)

36 Financial risk management (continued)

Trade receivables (continued)

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit limits are established for all customers using an internal and external rating criteria. Credit quality of the customer is assessed based on an extensive credit rating scorecard. Outstanding customer receivables are regularly monitored.

The Risk Management Committee has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, when available, and in some cases, bank references. Purchase limits are established for each customer, which represents the maximum open amount without requiring approval from the Risk Management Committee; these limits are reviewed quarterly. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis.

Investments

Management actively monitors credit ratings and given that the Group only has invested in securities with high credit ratings, management does not expect any counterparty to fail to meet its obligations.

Guarantees

The Group monitors its risk to a shortage of funds using forecasting models to model impacts of operational activities on overall liquidity availability. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, the revolving credit facilities and other sources of liquidity.

Credit risk quality

	31 December 2018							
External Rating	AA+	AA	AA-	A+	A	A-	Others	Carrying value in the statement of financial position
Bank balances	208,350	426,408	1,578,047	18,769,664	9,792,158	7,905,030	3,910,773	42,590,430
Investments in equity instruments at FVOCI	-	-	-	305,294	-	-	784,815	1,090,109
Investments in debt instruments	-	-	-	2,668,285	388,404	-	12,401	3,069,090
Short-term investments (excluding investments in debt instruments)	375,000	-	-	2,660,318	2,350,990	212,500	3,641,481	9,240,289
Financial derivatives	-	-	11,038	3,424	-	-	15,189	29,651
Total	583,350	426,408	1,589,085	24,406,985	12,531,552	8,117,530	8,364,659	56,019,569

(All amounts in Saudi Riyals '000 unless otherwise stated)

36 Financial risk management (continued)

Credit risk quality (continued)

	31 December 2017							
External Rating	AA+	AA	AA-	A+	A	A-	Others	Carrying value in the statement of financial position
Bank balances	74,190	80,236	4,032,418	24,702,761	8,399,650	18,872,720	2,876,268	59,038,243
Available for sale financial assets	-	-	-	299,406	-	-	396,837	696,243
Held-to-maturity investments	-	-	-	3,070,481	-	375,000	-	3,445,481
Short-term investments (excluding held-to-maturity investments)	-	-	-	489,655	1,624,252	1,157,672	689,173	3,960,752
Financial derivatives	-	22,498	1,013	2,920	326	-	49	26,806
Total	74,190	102,734	4,033,431	28,565,223	10,024,228	20,405,392	3,962,327	67,167,525

The credit ratings above are based on credit ratings issued by globally accepted credit rating agencies.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group ensures that it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. In addition, the Group maintains different lines of credit.

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry.

(All amounts in Saudi Riyals '000 unless otherwise stated)

36 Financial risk management (continued)

Liquidity risk (continued)

In order to avoid excessive concentrations of risk, the Group's policies and procedures include specific guidelines to focus on the maintenance of a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly. Selective hedging is used within the Group to manage risk concentrations at both the relationship and industry levels. The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

	31 December 2018			
	Within 1 year	Between 1-5 years	More than 5 years	Total
Debt	4,098,894	35,426,705	6,019,150	45,544,749
Short-term borrowings	1,167,589	-	-	1,167,589
Trade payable	14,969,357	-	-	14,969,357
Other liabilities	3,357,882	-	-	3,357,882
Derivatives	381	-	-	381
	23,594,103	35,426,705	6,019,150	65,039,958

	31 December 2017			
	Within 1 year	Between 1-5 years	More than 5 years	Total
Debt	15,599,125	33,152,024	9,078,533	57,829,682
Short-term borrowings	1,065,000	-	-	1,065,000
Trade payable	18,061,464	-	-	18,061,464
Other liabilities	2,230,384	-	-	2,230,384
Derivatives	1,978	14,258	-	16,236
	36,957,951	33,166,282	9,078,533	79,202,766

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Group buys and sells derivatives, and also incurs financial liabilities, in order to manage market risks. All such transactions are carried out within the guidelines set by the Risk Management Committee. Generally the Group seeks to apply hedge accounting in order to manage volatility in the consolidated statement of income.

(All amounts in Saudi Riyals '000 unless otherwise stated)

36 Financial risk management (continued)

Equity price risk

The Group's exposure to equity securities price risk arises from investments held by the Group and classified as Investments in equity instruments at FVOCI. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

Other components of equity would increase/decrease as a result of gains/losses on equity securities classified as investments in equity instruments at FVOCI.

Currency risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the fluctuations of the other currencies towards the SR. Foreign currency risk mainly arises from commercial transactions, investing and financing activities.

The Group's policy requires all subsidiaries to conduct a regular review of currency exposures, however the hedge decisions is delegated to Global Treasury, who manages the execution of all derivatives trading centrally. In respect of monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

The Group is currently exposed to currency risk on balances including receivable against sales, payable to suppliers, placement with banks and borrowings that are denominated in a currency other than SR. The currencies in which these transactions are primarily denominated includes US Dollar (USD), Euro (EUR), British Pounds (GBP), Japanese Yen (JPY) and Chinese Yuan (CNY).

The currency risk on USD exposure is not considered significant by the Group as USD is pegged against SR.

The following table demonstrates the sensitivity of the Group to a reasonably possible change in the exchange rate of SR to foreign currencies, with all other variables held constant, of the Group's monetary assets and liabilities net of hedges entered into for the year ended 31 December:

	Gains (losses) through statement of income for the year ended	
	31 December 2018	31 December 2017
Increase in EUR/SR (10%)	(72,031)	(277,522)
Increase in GBP/SR (10%)	(70,056)	(116,404)
Increase in CNY/SR (10%)	149,298	68,796
Increase in JPY/SR (10%)	11,172	151,093
	18,383	(174,037)

36 Financial risk management (continued)

Currency risk (continued)

Exposure to foreign currency risk at the end of the reporting year, was as follows (converted in SR '000):

	As at 31 December 2018			
	EUR	GBP	CNY	JPY
Cash and bank (including fixed term deposits)	988,961	(892,503)	1,092,707	90,467
Trade receivables	3,577,112	284,624	477,540	137,828
Debt	(3,216,375)	-	-	-
Trade payables	(1,054,166)	(92,681)	(54,718)	(56,841)
Other monetary payables	(1,015,837)	-	(22,547)	(59,735)
Total net monetary exposure	(720,305)	(700,560)	1,492,982	111,719

	As at 31 December 2017			
	EUR	GBP	CNY	JPY
Cash and bank (including fixed term deposits)	1,015,186	(1,003,738)	562,710	904,078
Trade receivables	3,840,916	257,776	125,293	606,856
Debt	(3,373,875)	-	-	-
Trade payables	(1,419,887)	(75,902)	(41)	-
Other monetary payables	(2,837,559)	(342,174)	-	-
Total net monetary exposure	(2,775,219)	(1,164,038)	687,962	1,510,934

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.

The following table demonstrates the sensitivity of the Group to a reasonably possible change in interest rates after taking into account the effect of the interest rate swap hedges, with all other variables held constant, of the Groups profit before tax (through the impact on floating rate borrowings) for the year ended 31 December:

	31 December 2018	
	Gains (losses) through the consolidated statement of income	
	+100 bps	-100 bps
3M SAIBOR	114	(114)
6M SAIBOR	(2,129)	2,129
9M SAIBOR	(778)	778
1M LIBOR	(94)	94
6M LIBOR	(6,394)	6,394

(All amounts in Saudi Riyals '000 unless otherwise stated)

36 Financial risk management (continued)

Interest rate risk (continued)

	31 December 2017	
	Gains (losses) through the consolidated statement of income	
	+100 bps	-100 bps
3M SAIBOR	(73)	73
6M SAIBOR	(2,063)	2,063
9M SAIBOR	(546)	546
1M LIBOR	(679)	679
3M LIBOR	(200)	200
6M LIBOR	(4,795)	4,795

Commodity risk

The Group is exposed to the impact of market fluctuations of the price of various inputs to production including naphtha, benzene, natural gas and electricity. From time to time, the Group manages some elements of commodity price risk through the use of fixed price contracts and derivative instruments.

Capital management

The primary objective to the Group's capital management is to support its business and maximise shareholder value.

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Group manages its capital structure and makes adjustments to it, in light of change in economic conditions. The Board of Directors monitors the return on capital, which the Group defines as result from operating activities divided by total shareholders' equity, excluding non-redeemable preference shares and non-controlling interests. There were no changes in the Group's approach to capital management during the year. The Board of Directors also monitors the level of dividends to ordinary shareholders and capital management. Neither the Group nor any of its subsidiaries are subject to externally imposed capital requirements. The Group's debt to equity ratio at the end of the reporting year was as follows:

	31 December 2018	31 December 2017
Total liabilities	**98,274,399**	111,472,314
Less: cash and bank balances	**(42,590,820)**	(59,038,656)
Net debt	**55,683,579**	52,433,658
Total equity	**221,436,475**	210,138,492
Debt to equity ratio as of 31 December	**25%**	25%

(All amounts in Saudi Riyals '000 unless otherwise stated)

37 Commitments and contingencies

Capital commitments

At 31 December 2018, the Group had commitments of SR 9.92 billion (31 December 2017: SR 9.11 billion) relating to capital expenditures.

SABIC has an equity contribution commitment towards its 15% interest in MWSPC. As of 31 December 2018, the outstanding commitment toward this investment amounts to SR 0.07 billion (31 December 2017: SR 0.07 billion). Pursuant to the terms of agreements with the other shareholders and external lenders, SABIC has agreed to contribute additional funds to the project, under certain circumstances and to the extent required, in the event of project cost over-runs.

SABIC also has an equity contribution commitment towards its 25% interest in Dussur. As at 31 December 2018, the outstanding commitment towards this investment amounts to SR 0.28 billion (as at 31 December 2017: SR 0.28 billion).

The Group has signed agreements with vendors maturing over various years through 2025 for capital commitment for the ongoing operations of its business. Under the terms of these agreements, the Group has committed to contractually specified minimums over the contract periods.

Guarantees

SABIC has provided guarantees for bonds and certain term loans for certain subsidiaries which amounted to SR 29.4 billion as of 31 December 2018 (31 December 2017: SR 31.0 billion).

Contingent liabilities

The Group's bankers have issued, on its behalf, bank guarantees amounting to SR 2.72 billion (31 December 2017: SR 2.86 billion) in the normal course of business.

Operating lease commitments

The Group has entered into operating leases on certain motor vehicles and items of machinery. Future minimum rentals payable under non-cancellable operating leases as at 31 December are, as follows:

	31 December 2018	31 December 2017
Within one year	1,520,312	1,012,977
After one year but not more than five years	3,929,788	2,886,844
More than five years	3,455,462	2,657,715
	8,905,562	6,557,536

(All amounts in Saudi Riyals '000 unless otherwise stated)

37 Commitments and contingencies (continued)

Finance leases

Group as a lessee

The Group has finance lease contracts for various items of plant and machinery.

Future minimum lease payments under finance lease contracts, together with the present value of the net minimum lease payments, are as follows:

	31 December 2018	
	Minimum Payments	Present value of payments
Within one year	138,709	85,502
After one year but not more than five years	497,430	348,325
More than five years	356,093	305,098
Total minimum lease payments	992,232	738,925
Less: amounts representing finance charges	(253,307)	-
Present value of minimum lease payments	738,925	738,925

	31 December 2017	
	Minimum Payments	Present value of payments
Within one year	102,230	93,301
After one year but not more than five years	517,629	439,798
More than five years	564,113	331,914
Total minimum lease payments	1,183,972	865,013
Less: amounts representing finance charges	(318,959)	-
Present value of minimum lease payments	865,013	865,013

Group as a lessor

Future minimum lease receivables under these contracts, together with the present value of the net minimum lease payments, are as follows:

	31 December 2018	
	Minimum lease receivable	Present value
Within one year	37,919	18,103
After one year but not more than five years	132,851	84,306
More than five years	242,150	153,666
Total minimum lease receivable	412,920	256,075
Less: amounts representing finance income	(156,845)	-
Present value of minimum lease receivable	256,075	256,075

(All amounts in Saudi Riyals '000 unless otherwise stated)

37 Commitments and contingencies (continued)

Finance leases (continued)

Group as a lessor (continued)

	31 December 2017	
	Minimum lease receivable	Present value
Within one year	41,673	16,389
After one year but not more than five years	163,845	108,671
More than five years	253,235	162,818
Total minimum lease receivable	458,753	287,878
Less: amounts representing finance income	(170,875)	-
Present value of minimum lease receivable	287,878	287,878

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.

38 Reclassification in comparative numbers

During the year, the Group reclassified certain balances as listed below, which are considered by management a more accurately presentation and reflects the related nature. These reclassifications have no impact on previously reported net income or retained earnings:

	As per previously reported	Reclassified amounts	Amount of reclassification
Consolidated statement of financial position			
Deferred tax assets	1,518,599	673,983	844,616
Deferred tax liabilities	2,597,059	1,752,443	844,616
Consolidated statement of income statement			
Cost of sales	99,785,144	99,858,243	73,099
General and administrative expenses	10,642,900	10,569,801	73,099

39 Appropriations

The Annual General Assembly ("AGA"), in its meeting held on 1 Shabaan 1439H (corresponding to 17 April 2018), approved cash dividends of SR 12.6 billion (SR 4.2 per share) which includes the interim cash dividends amounting to SR 6 billion (SR 2 per share) for the first half of 2017. The AGA also approved Board of Directors' remuneration of SR 1.8 million that is charged to general and administrative expenses.

On 20 Ramadan 1439H (corresponding to 5 June 2018), SABIC declared interim cash dividends for the first half of the year 2018 amounting to SR 6.6 billion (at SR 2.2 per share).

The aforementioned appropriations have been reflected in these consolidated financial statements for the year ended 31 December 2018, excluding interim dividend of SR 6 billion for the first half of 2017, which had already been accounted for in the consolidated financial statements for the year ended 31 December 2017.

On 11 Rabi Thani 1440H (corresponding to 18 December 2018), the Board of Directors proposed a distribution of cash dividends for the second half of the year 2018 amounting to SR 6.6 billion (at SR 2.2 per share). The proposed dividends are subject to approval of the shareholders in the AGA in April 2019.

40 Subsequent events

In the opinion of management, there have been no significant subsequent events since the year ended 31 December 2018 that would have a material impact on the financial position of the Group as reflected in these consolidated financial statements.

(All amounts in Saudi Riyals '000 unless otherwise stated)

41 Subsidiaries

SABIC Group's subsidiaries are set out below:

	Country of incorporation	% Shareholding (direct and indirect) as at 31 December 2018	% Shareholding (direct and indirect) as at 31 December 2017
SABIC Luxembourg S.à r.l. ("SLUX") and its subsidiaries (Note 41.1)	Luxembourg	100.00	100.00
SABIC Industrial Investments Company ("SIIC") and its subsidiaries (Note 41.2)	KSA	100.00	100.00
Arabian Petrochemical Company ("PETROKEMYA")	KSA	100.00	100.00
Saudi Iron and Steel Company ("HADEED")	KSA	100.00	100.00
SABIC Sukuk Company ("SUKUK")	KSA	100.00	100.00
SABIC Industrial Catalyst Company ("SABCAT")	KSA	100.00	100.00
Saudi Carbon Fibre Company ("SCFC")	KSA	100.00	100.00
SABIC Supply Chain Services Limited Company ("SSCS")	KSA	100.00	100.00
Saudi Petrochemical Company ("SADAF")	KSA	100.00	100.00
Saudi Japanese Acrylonitrile Company ("SHROUQ")	KSA	100.00	80.00
Saudi European Petrochemical Company ("IBN ZAHR")	KSA	80.00	80.00
Jubail United Petrochemical Company ("UNITED")	KSA	75.00	75.00
National Chemical Fertiliser Company ("IBN AL-BAYTAR")	KSA	71.50	71.50
National Industrial Gases Company ("GAS")	KSA	70.00	70.00
Yanbu National Petrochemical Company ("YANSAB")	KSA	51.95	51.95
Saudi Methanol Company ("AR-RAZI")	KSA	50.00	50.00
Al-Jubail Fertiliser Company ("AL BAYRONI")	KSA	50.00	50.00
Saudi Yanbu Petrochemical Company ("YANPET")	KSA	50.00	50.00
National Methanol Company ("IBN-SINA")	KSA	50.00	50.00
Eastern Petrochemical Company ("SHARQ")	KSA	50.00	50.00
Al-Jubail Petrochemical Company ("KEMYA")	KSA	50.00	50.00
Saudi Methacrylates Company ("SAMAC")	KSA	50.00	50.00
Arabian Industrial Fibers Company ("IBN RUSHD")	KSA	48.07	48.07
Saudi Arabian Fertiliser Company ("SAFCO")	KSA	42.99	42.99
Saudi Kayan Petrochemical Company ("SAUDI KAYAN")	KSA	35.00	35.00
Saudi Speciality Chemicals Company ("SP. CHEM")	KSA	100.00	100.00
Saudi Organometallic Chemicals Company ("SOCC")	KSA	50.00	50.00

Notes:

- The country of incorporation is also their principal place of business.
- The principal activities of majority of the Group's subsidiaries are manufacturing, marketing and distribution of petrochemical, specialties and related products except for;
  - SAFCO, AL BAYRONI and IBN AL-BAYTAR that are involved in agri-nutrients business; and
  - HADEED is involved in metal business
- YANSAB, SAFCO, and SAUDI KAYAN are public companies and listed on Saudi Stock Exchange (Tadawul)
- SHROUQ; during 2018, the Group acquired 20% of the non-controlling interests in SHROUQ.
- AR-RAZI; on 4 December 2018, the Group and Japan Saudi Arabia Methanol Company, Inc., the partner in AR-RAZI, entered into an agreement for the Group to acquire 50% of JSMC's share in AR-RAZI (equivalent to 25% in AR-RAZI) for USD 0.15 billion. The transfer of share and payment are expected to be completed in 2019, subject to regulatory approvals. As there is no change in control, the acquisition would be accounted for as an equity transaction.
- SP. CHEM is 99% owned by Petrokemya and 1% owned by SIIC, and SOCC is 50% owned by SP. CHEM
- SUKUK is currently in the process of liquidation

(All amounts in Saudi Riyals '000 unless otherwise stated)

41 Subsidiaries (continued)

41.1 SABIC Luxembourg S.à r.l. and its subsidiaries

	Country of incorporation	% Shareholding (direct and indirect) as at 31 December 2018	% Shareholding (direct and indirect) as at 31 December 2017
Subsidiaries			
SABIC Innovative Plastics Argentina SRL	Argentina	100.00	100.00
SABIC Australia Pty Ltd.	Australia	100.00	100.00
SABIC Innovative Plastics Australia Pty Ltd.	Australia	100.00	100.00
SABIC Innovative Plastics Austria GmbH	Austria	100.00	100.00
SABIC Innovative Plastics GmbH & Co. KG	Austria	100.00	100.00
SABIC Innovative Plastics South America - Indústria e Comércio de Plásticos Ltda	Brazil	100.00	100.00
NV Pijpleiding Antwerpen-Limburg-Luik (PALL)	Belgium	100.00	100.00
SABIC Belgium NV	Belgium	100.00	100.00
SABIC Innovative Plastics Canada, Inc.	Canada	100.00	100.00
SABIC Innovative Plastics (China) Co., Ltd.	China	100.00	100.00
SABIC Innovative Plastics (Chongqing) Co., Ltd.	China	100.00	100.00
SABIC Innovative Plastics International Trading (Shanghai) Ltd.	China	100.00	100.00
SABIC Innovative Plastics Management (Shanghai) Co., Ltd.	China	100.00	100.00
SABIC Innovative Plastics Shanghai Co., Ltd.	China	100.00	100.00
SABIC (Shanghai) Trading Co. Ltd.	China	100.00	100.00
SABIC (China) Research & Development Co. Ltd.	China	100.00	100.00
SABIC (Shanghai) Industry Co. Ltd.	China	100.00	100.00
SABIC Innovative Plastics Czech s.r.o.	Czech Republic	100.00	100.00
SABIC Innovative Plastics Denmark Aps	Denmark	100.00	100.00
SABIC Nordic A/S	Denmark	100.00	100.00
SABIC Innovative Plastics Finland Oy	Finland	100.00	100.00
SABIC France S.A.S.	France	100.00	100.00
SABIC Innovative Plastics France S.A.S.	France	100.00	100.00
SABIC Deutschland GmbH	Germany	100.00	100.00
SABIC Holding Deutschland GmbH	Germany	100.00	100.00
SABIC Innovative Plastics GmbH	Germany	100.00	100.00
SABIC Innovative Plastics Holding Germany GmbH	Germany	100.00	100.00
SABIC Polyolefine GmbH	Germany	100.00	100.00
SABIC Greece M.E.P.E.	Greece	100.00	100.00
SABIC Innovative Plastics Hong Kong Ltd.	Hong Kong	100.00	100.00
SABIC Innovative Plastics SIT Holding Ltd.	Hong Kong	100.00	100.00
SABIC Innovative Plastics Taiwan Holding Ltd.	Hong Kong	100.00	100.00

(All amounts in Saudi Riyals '000 unless otherwise stated)

41 Subsidiaries (continued)

41.1 SABIC Luxembourg S.à r.l. and its subsidiaries (continued)

	Country of incorporation	% Shareholding (direct and indirect) as at 31 December 2018	% Shareholding (direct and indirect) as at 31 December 2017
Subsidiaries			
SABIC Hungary Kft.	Hungary	100.00	100.00
SABIC Innovative Plastics Kereskedelmi Kft.	Hungary	100.00	100.00
SABIC India Pvt Ltd.	India	100.00	100.00
SABIC Innovative Plastics India Private Ltd.	India	100.00	100.00
SABIC R&T Pvt Ltd.	India	100.00	100.00
SABIC Innovative Plastics Italy Srl	Italy	100.00	100.00
SABIC Italia Srl	Italy	100.00	100.00
SABIC Sales Italy Srl	Italy	100.00	100.00
SABIC Japan Ltd.	Japan	100.00	100.00
SABIC Korea Ltd.	Korea	100.00	100.00
SABIC Luxembourg S.à r.l.	Luxembourg	100.00	100.00
SABIC Innovative Plastics Malaysia Sdn Bhd	Malaysia	100.00	100.00
SABIC Innovative Plastics Mexico S de RL de CV	Mexico	100.00	100.00
SABIC Innovative Plastics Servicios Mexico S de RL de CV	Mexico	100.00	100.00
BV Snij-Unie HiFi	Netherlands	100.00	100.00
FRT B.V.	Netherlands	95.00	95.00
FRT Tapes B.V.	Netherlands	100.00	100.00
SABIC Capital B.V.	Netherlands	100.00	100.00
SABIC Capital I B.V.	Netherlands	100.00	100.00
SABIC Capital II B.V.	Netherlands	100.00	100.00
SABIC Innovative Plastics GP B.V.	Netherlands	100.00	100.00
SABIC Innovative Plastics Holding B.V.	Netherlands	100.00	100.00
SABIC Innovative Plastics Utilities B.V.	Netherlands	100.00	100.00
SABIC Licensing B.V.	Netherlands	100.00	100.00
SABIC Limburg B.V.	Netherlands	100.00	100.00
SABIC Sales Europe B.V.	Netherlands	100.00	100.00
SABIC Petrochemicals B.V.	Netherlands	100.00	100.00
SABIC Ventures B.V.	Netherlands	100.00	100.00
SABIC Mining B.V.	Netherlands	100.00	100.00
Petrochemical Pipeline Services B.V.	Netherlands	100.00	100.00
SABIC Europe B.V.	Netherlands	100.00	100.00
SABIC International Holdings B.V.	Netherlands	100.00	100.00
SABIC Innovative Plastics B.V.	Netherlands	100.00	100.00
SABIC Global Technologies B.V.	Netherlands	100.00	100.00
SABIC Innovative Plastics Poland Sp. Z o.o.	Poland	100.00	100.00
SABIC Poland Sp. Z o.o.	Poland	100.00	100.00
LLC SABIC Eastern Europe	Russia	100.00	100.00
SABIC Innovative Plastics Russia Z o.o.	Russia	100.00	100.00

(All amounts in Saudi Riyals '000 unless otherwise stated)

41 Subsidiaries (continued)

41.1 SABIC Luxembourg S.à r.l. and its subsidiaries (continued)

	Country of incorporation	% Shareholding (direct and indirect) as at 31 December 2018	% Shareholding (direct and indirect) as at 31 December 2017
Subsidiaries			
SABIC Innovative Plastics (SEA) Pte. Ltd.	Singapore	100.00	100.00
SABIC Innovative Plastics Holding Singapore Pte. Ltd.	Singapore	100.00	100.00
SABIC Innovative Plastics Singapore Pte. Ltd.	Singapore	100.00	100.00
SABIC Asia Pacific Pte Ltd	Singapore	100.00	100.00
SABIC Innovative Plastics Espana ScpA	Spain	100.00	100.00
SABIC Innovative Plastics GP BV, Sociedad en Comandita	Spain	100.00	100.00
SABIC Sales Spain SL	Spain	100.00	100.00
SABIC Marketing Ibérica S.A.	Spain	100.00	100.00
Saudi Innovative Plastics Sweden AB	Sweden	100.00	100.00
SABIC Innovative Plastics (Thailand) Co. Ltd.	Thailand	100.00	100.00
SABIC Global Ltd.	UK	100.00	100.00
SABIC Tees Holdings Ltd.	UK	100.00	100.00
SABIC Innovative Plastics ABS UK Ltd.	UK	100.00	100.00
SABIC Innovative Plastics Ltd.	UK	100.00	100.00
SABIC UK Ltd.	UK	100.00	100.00
SABIC UK Pension Trustee Ltd.	UK	100.00	100.00
SABIC UK Petrochemicals Ltd.	UK	100.00	100.00
Exatec, LLC	US	100.00	100.00
Mt. Vernon Phenol Plant Partner	US	51.00	51.00
SABIC Americas Inc.	US	100.00	100.00
SABIC Innovative Plastics Holding US LP	US	100.00	100.00
SABIC Innovative Plastics Mt. Vernon, LLC	US	100.00	100.00
SABIC Innovative Plastics US LLC	US	100.00	100.00
SABIC Petrochemicals Holding US, Inc.	US	100.00	100.00
SABIC Ventures US Holdings LLC	US	100.00	100.00
SABIC US Projects LLC	US	100.00	100.00
SABIC Uruguay SA	Uruguay	100.00	100.00
SABIC Vietnam Ltd.	Vietnam	100.00	100.00
SABIC Americas Growth LLC	US	100.00	-
SABIC US Methanol LLC	US	100.00	-
Black Diamonds Structures, LL	US	50.1	-

Note:

- Black Diamonds; as the Group acquired control over Black Diamond as at 1 January 2018 and due to change in control, this equity investment is now consolidated from 1 January 2018. (Note 9)

(All amounts in Saudi Riyals '000 unless otherwise stated)

41 Subsidiaries (continued)

41.2 SIIC Group Subsidiaries

	Country of incorporation	% Shareholding (direct and indirect) as at 31 December 2018	% Shareholding (direct and indirect) as at 31 December 2017
SABCAP Insurance Limited ("SABCAP")	Guernsey	100.00	100.00
SABIC Petrokemya Ticaret Limited ("SABIC TURKEY")	Turkey	100.00	100.00
SABIC Middle East Offshore Company ("SABIC MIDDLE EAST")	Lebanon	100.00	100.00
SABIC South Africa	South Africa	100.00	100.00
SABIC Africa for Trading & Marketing ("SABIC AFRICA")	Egypt	100.00	100.00
SABIC Morocco	Morocco	100.00	100.00
SABIC Global Mobility Company ("GMC")	UAE	100.00	100.00
SABIC Mobility Company ("GMC LLC")	UAE	100.00	--
SABIC Tunisia	Tunisia	100.00	100.00
SABIC Kenya	Kenya	100.00	100.00
SABIC (Pvt.) Pakistan	Pakistan	100.00	100.00
International Shipping and Transportation Co. ("ISTC")	KSA	99.00	99.00
SABIC Terminal Services Company ("SABTANK")	KSA	90.00	90.00
Jubail Chemical Storage and Services Company ("CHEMTANK")	KSA	75.00	75.00

Notes:

- GMC LLC was established during 2018 and is engaged in providing administrative services to the Group's global assignees and GMC is currently under liquidation.
- CHEMTANK; during 2018, management has decided to change the legal name of JCSCC as "CHEMTANK".

(All amounts in Saudi Riyals '000 unless otherwise stated)

42 Investment in associates and joint arrangements

Below is the listing of the Group's investment in associates and joint arrangements. These are strategic investments for the Group.

	Country of incorporation	Principal activities	% Shareholding (direct and indirect) as at 31 December 2018	% Shareholding (direct and indirect) as at 31 December 2017
Associates				
Gulf Petrochemical Industries Company ("GPIC")	Bahrain	Petrochemical	33.33	33.33
Gulf Aluminium Rolling Mills Company ("GARMCO")	Bahrain	Aluminium	30.40	30.40
Ma'aden Phosphate Company ("MPC")	KSA	Agri-Nutrients	30.00	30.00
Power and Water Utilities Company for Jubail and Yanbu ("MARAFIQ")	KSA	Utilities	24.81	24.81
Aluminium Bahrain BSC ("ALBA")	Bahrain	Aluminium	20.62	20.62
National Chemical Carrier Company ("NCC")	KSA	Transportation	20.00	20.00
Ma'aden Wa'ad Al Shamal Phosphate Company ("MWSPC")	KSA	Agri-Nutrients	15.00	15.00
Saudi Arabian Industrial Investment Company ("DUSSUR")	KSA	Investments	25.00	25.00
Clariant AG ("CLARIANT")	Switzerland	Specialty chemical	24.99	-
Cosmar Inc. ("COSMAR")	USA	Petrochemical	50.00	50.00
Black Diamonds Structures, LLC ("BLACK DIAMONDS")	USA	Specialities	-	50.00
Joint Ventures				
SINOPEC/SABIC Tianjin Petrochemical Company Limited	China	Petrochemical	50.00	50.00
SABIC SK Nexelene Company	Singapore	Petrochemical	50.00	50.00
Joint Operations				
Utility Support Group ("USG") B.V.	Netherlands	Petrochemical	50.00	50.00
Gulf Coast Growth Venture LLC ("GCGV")	USA	Petrochemical	50.00	50.00

Notes:

- The country of incorporation is also their principal place of business.
- CLARIANT; during 2018, SABIC acquired 24.99% ownership in Clariant, a global specialty chemical company listed at the Swiss Stock Exchange. (Note 9.1)
- BLACK DIAMONDS; as the Group acquired control over Black Diamond as at 1 January 2018 and due to change in control, this equity investment is now consolidated from 1 January 2018. (Note 9)
- SLUX Group participates in following Joint Operations:
    - USG (Geleen, the Netherlands), which is operated jointly with other stakeholders to produce utilities for a production site
    - GCGV (Houston, USA), a cooperation with ExxonMobil Chemical to investigate the feasibility of constructing an ethane steam cracking facility and downstream plants.

  The Group holds a 50% share in each of these joint operations and controls them jointly with the respective partners. The partners ensure the ongoing financing of the companies, either by the utilities directly sold to the partners or sharing the costs.

REGISTERED OFFICE OF THE ISSUER

SABIC Capital I B.V.
World Trade Centre
Tower H, 27th Floor
Zuidplein 216
1077 XV Amsterdam
The Netherlands

REGISTERED OFFICE OF THE GUARANTOR

Saudi Basic Industries Corporation
Al-Qordoba District
P.O. Box 5101
Riyadh 11422
Kingdom of Saudi Arabia

TRUSTEE

Citicorp Trustee Company Limited
Citigroup Centre
Canada Square
Canary Wharf
London E14 5LB
United Kingdom

PRINCIPAL PAYING AGENT AND TRANSFER AGENT

Citibank, N.A., London Branch
Citigroup Centre
Canada Square
Canary Wharf
London E14 5LB
United Kingdom

REGISTRAR

Citigroup Global Markets Europe AG
Reuterweg 16
D-60323 Frankfurt am Main
Germany

MANAGERS
FOR THE SERIES A NOTES

BNP Paribas
10 Harewood Avenue
London NW1 6AA
United Kingdom

Citigroup Global Markets Limited
Citigroup Centre
Canada Square, Canary Wharf
London E14 5LB
United Kingdom

Crédit Agricole Corporate and Investment Bank
12, Place des Etats-Unis, CS 70052
92547 Montrouge Cedex
France

HSBC Bank plc
8 Canada Square
London E14 5HQ
United Kingdom

ING Bank N.V.
Foppingadreef 7
1102 BD Amsterdam
The Netherlands

Merrill Lynch International
2 King Edward Street
London EC1A 1HQ
United Kingdom

Mizuho International plc
Mizuho House
30 Old Bailey
London EC4M 7AU
United Kingdom

MUFG Securities EMEA plc
Ropemaker Place
25 Ropemaker Street
London EC2Y 9AJ
United Kingdom

SMBC Nikko Capital Markets Limited
One New Change
London EC4M 9AF
United Kingdom

Standard Chartered Bank
7th Floor Building One, Gate Precinct
Dubai International Financial Centre
P.O. Box 999
Dubai, United Arab Emirates

MANAGERS
FOR THE SERIES B NOTES

BNP Paribas SA, Taipei Branch
72F, Taipei 101
No.7. Sec.5, Xinyi Road, Taipei 110
Taiwan, R.O.C

Citibank Taiwan Limited
16F, No.1 SongZhi Road
Taipei 110, Taiwan
R.O.C

HSBC Bank (Taiwan) Limited
13F, International Trade Building
333 Keelung Road, Sec. 1
Taipei 110, Taiwan

LEGAL ADVISORS

To the Issuer as to the laws of The Netherlands

Clifford Chance LLP
IJsbaanpad 2
1076CV Amsterdam
The Netherlands

To the Issuer as to ROC law for Series B Notes

Lee and Li, Attorneys-at-Law
8th floor
No. 555, Sec. 4, Zhongxiao E. Rd.,
Taipei 11072, Taiwan, ROC

To the Guarantor as to the laws of the Kingdom of Saudi Arabia

Abuhimed Al-Sheikh Al-Hagbani Law Firm
Building 15, The Business Gate
King Khaled International Airport Road
Cordoba District
Riyadh
Kingdom of Saudi Arabia

To the Guarantor as to the laws of England and Wales

Clifford Chance LLP
Level 15, Burj Daman
Dubai International Financial Centre
P.O. Box 9380
Dubai
United Arab Emirates

To the Managers as to the laws of The Netherlands

Loyens & Loeff N.V.
Fred. Roeskestraat 100
1076 ED Amsterdam
The Netherlands

To the Managers as to the laws of the Kingdom of Saudi Arabia

The Law Office of Salman M. Al-Sudairi in association with Latham & Watkins
7th Floor, Tower 1, Al-Tatweer Towers
King Fahad Highway
P.O. Box 17411
Riyadh 11484
Kingdom of Saudi Arabia

To the Managers as to the laws of England and Wales

Latham & Watkins LLP
Dubai International Financial Centre
P.O. Box 506698
Dubai
United Arab Emirates

To the Trustee as to the laws of England and Wales

Latham & Watkins (London) LLP
99 Bishopsgate
London EC2M 3XF
United Kingdom

AUDITORS TO THE GUARANTOR

Ernst & Young & Co. (Certified Public Accountants)
Al Faisaliah Office Tower
P.O. Box 2732
King Fahad Road
Riyadh 11461
Kingdom of Saudi Arabia

AUDITORS TO THE ISSUER

Ernst & Young Accountants LLP
Prof. Dr. Dorgelolaan 14
5613 AM Eindhoven, Netherlands
Postbus 455
5600 AL Eindhoven
The Netherlands

IRISH LISTING AGENT

Arthur Cox Listing Services Limited
Ten Earlsfort Terrace
Dublin 2
Ireland