



SAUDI BASIC INDUSTRIES CORPORATION (SABIC) AND ITS SUBSIDIARIES

(A SAUDI JOINT STOCK COMPANY)

ANNUAL CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 AND
INDEPENDENT AUDITOR'S REPORT

CHEMISTRY THAT MATTERS™

Annual consolidated financial statements

For the year ended 31 December 2020

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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 2020, 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 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Certified Public Accountants.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We 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.

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

Key audit matter	
i) Impairment of non-financial assets Impairment of non-financial assets comprise mainly of impairment of property, plant and equipment and impairment of goodwill. These are discussed below:	
a. Assessing impairment of property, plant and equipment	How our audit addressed the key audit matter
<p>As at 31 December 2020, the Group's consolidated statement of financial position includes property, plant and equipment amounting to SR 136.2 billion. Management has identified certain impairment indicators including strategic closure of certain plants, and significant decrease in revenue and profitability. Accordingly, management has carried out an exercise to calculate recoverable amount of these assets. The assessment of the recoverable amount of these assets incorporates significant judgement by the management in respect of various factors such as future production levels, commodity prices, operating/capital costs and economic assumptions such as discount rates.</p> <p>Based on the assessment, the management has recognised an impairment loss relating to property, plant and equipment of SR 1.4 billion for the year ended 31 December 2020.</p> <p>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 projected revenue growth, earnings before interest, tax, depreciation and amortisation (EBITDA) margins and discount rate.</p> <p>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.</p>	<p>We performed the following procedures, among others:</p> <ul style="list-style-type: none"> • Reviewed management's procedures in identifying impairment indicators in respect of property, plant and equipment; • Evaluated the reasonableness of management's assumptions and estimates in determining the recoverable value of the Group's property, plant and equipment, including those relating to projected revenue growth, EBITDA margin and discount rate. This included involvement of internal specialists in evaluating these assumptions against external benchmarks and assessing management's assumptions based on our knowledge of the Group and its industry; • Validated the mathematical accuracy of impairment models and agreeing relevant data to the latest production plans and budgets; and • Assessed the adequacy of the Group's disclosures in respect of underlying assumption, estimates used to determine carrying values and impairment losses of assets.



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INDEPENDENT AUDITOR'S REPORT

Key audit matter (continued)	
<i>i) Impairment of non-financial assets (continued)</i>	
<i>b. Impairment assessment of Goodwill</i>	<i>How our audit addressed the key audit matter</i>
<p>As of 31 December 2020, the Group's goodwill balance was SR 18 billion. Based on the annual goodwill impairment assessment, including sensitivity tests, the management concluded that no impairment of goodwill was required.</p> <p>We have considered this to be a key audit matter due to high level of judgment involved in identifying cash generating units (CGUs) and estimation required to determine projected revenue growth rates, EBITDA margins, discount rates and terminal values in respect of calculating recoverable amount of CGUs.</p> <p>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.</p>	<p>We performed the following procedures, among others:</p> <ul style="list-style-type: none"> • Verified whether the CGU determination is in line with internal reporting and IAS 36 – Impairment of Assets criteria and also verified whether carrying values were appropriately allocated to the different CGUs; • Assessed acceptability of the methodology used by management to estimate the recoverable amount of each CGU in accordance with IAS 36 – Impairment of Assets; • Evaluated the reasonableness of 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 rates, EBITDA margins, discount rates and terminal values. This included involvement of internal specialists in evaluating these assumptions against external benchmarks and assessing management's assumptions based on our knowledge of the Group and its industry; • Validated the mathematical accuracy of the calculations and reconciled inputs to the underlying business plan approved by management; and • Assessed the adequacy of the Group's disclosures in the consolidated financial statement in respect of the key assumptions, to which the outcome of the impairment test is most sensitive along with the sensitivity analysis.

INDEPENDENT AUDITOR’S REPORT

Key audit matter (continued)	
<p>ii) Change in accounting treatments and presentation In connection with the acquisition of 70% interest in SABIC by Saudi Arabian Oil Company (“Saudi Aramco”) in 2020, management has voluntarily reassessed and accordingly revised certain accounting treatments, policies and financial statement presentations in order to prepare the Group’s financial statements consistent with the accounting policies of Saudi Aramco. These include the following:</p>	
a. Change in accounting treatment for certain joint arrangements	How our audit addressed the key audit matter
<p>The Group has reassessed critical management judgments relating to determination of whether the Group has control, joint control or significant influence over investments in non-wholly owned subsidiaries, joint arrangements and associates. As a result of this reassessment, the Group has concluded that certain entities which were previously accounted for as subsidiaries will be considered joint arrangements. The change in accounting treatment is applied retrospectively in accordance with IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors.</p> <p>We considered this to be a key audit matter as significant judgment is required in assessing whether SABIC has control or joint control over an affiliate. Further, deconsolidation of previously consolidated affiliates has material impact on the consolidated financial statements for the current and comparative year due to restatement.</p> <p>For further details refer to consolidated financial statements note 4.3 and 6.2.</p>	<p>We performed the following procedures, among others:</p> <ul style="list-style-type: none"> • Evaluated management’s control reassessment over investments in affiliates in accordance with the applicable accounting standards; • Obtained the deconsolidation schedules prepared by the management and reviewed completeness and accuracy of the required deconsolidation adjustments; • Reviewed the retrospective accounting of deconsolidation for the entities which are now accounted for as joint arrangements, to be in accordance with the requirements of IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors; and • Assessed the adequacy of Group’s disclosures with respect to the change in accounting treatment.

INDEPENDENT AUDITOR'S REPORT

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

Key audit matter (continued)	
<i>ii) Change in accounting treatments and presentation (continued)</i>	
<i>b. Change in accounting policy for forward contracts</i>	<i>How our audit addressed the key audit matter</i>
<p>The Group made a voluntary change in its accounting policy choice for forward contracts to be consistent with the accounting policies of Saudi Aramco which resulted in reporting more relevant financial information. The change in accounting policy results in recognition of financial liability for the forward contract at present value of the amount payable on the exercise of the forward contract of SR 0.7 billion as at 31 December 2020. The change in accounting treatment is applied retrospectively in accordance with IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors.</p> <p>We have identified this as a key audit matter due to the reason that voluntary change in accounting policy has resulted in restatement of the consolidated financial statements as well as additional disclosures.</p> <p>For further details refer to consolidated financial statements note 4.4.</p>	<p>We performed the following procedures, among others:</p> <ul style="list-style-type: none"> Assessed that the voluntary change in accounting policy is appropriate i.e. it results in information that is reliable and more relevant as per the requirements of IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors; Evaluated the accounting treatment of forward contracts as per the changed accounting policy is in accordance with respective applicable accounting standards; Engaged our internal specialists to review the valuation performed by management's independent valuation specialists; Verified inputs into the valuation model by agreeing to the underlying supporting documents and challenged significant management assumptions; and Assessed the adequacy of Group's disclosures with respect to the change in accounting policy.



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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)	
<i>ii) Change in accounting treatments and presentation (continued)</i>	
<i>c. Change in presentation of share of results of joint ventures and associates</i>	<i>How our audit addressed the key audit matter</i>
<p>The Group has changed the presentation of consolidated statement of income to include its share of results of integral joint ventures (joint ventures for which the Group manages the production, logistics, feedstock and shared services and which are integral to, and support Group's core operating activities). The share of results of associates and non-integral joint ventures continues to be reported outside the "income from operations" caption in the consolidated statement of income.</p> <p>We have identified this as a key audit matter, this change in presentation impacts the "income from operations" caption as presented in the consolidated statement of income.</p> <p>For further details refer to consolidated financial statements note 4.3.</p>	<p>We performed the following procedures, among others:</p> <ul style="list-style-type: none">• Evaluated the changed presentation of the consolidated statement of income to be appropriate under the applicable accounting standards; and• Assessed the adequacy of Group's disclosures with respect to the change in presentation.

Other information included in the Group's 2020 Annual Report

Other information consists of the information included in the Group's 2020 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 2020 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 2020 annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.



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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 endorsed by the Saudi Organization for Certified Public Accountants and the provisions of Companies' Law and SABIC's By-laws, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional 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.



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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)

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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



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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: 25 Rajab 1442H
9 March 2021



Consolidated statement of financial position

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

	<i>Notes</i>	As at 31 December 2020	As at 31 December 2019 (Restated)	As at 1 January 2019 (Restated)
Assets				
Non-current assets				
Property, plant and equipment	7	136,179,720	136,416,152	136,101,359
Right-of-use assets	8	5,623,854	6,440,506	-
Intangible assets	9	20,662,197	20,491,550	21,048,153
Investments in associates and joint ventures	10	40,578,670	38,765,203	43,507,249
Investments in debt instruments	11	1,019,942	1,345,592	2,481,479
Investments in equity instruments	12	781,494	1,046,009	1,090,109
Deferred tax assets	32	1,028,753	711,609	865,156
Other non-current assets	13	8,201,268	7,741,628	6,364,507
Total non-current assets		214,075,898	212,958,249	211,458,012
Current assets				
Inventories	15	19,311,198	22,565,110	24,462,803
Trade receivables	16	16,927,713	16,746,049	19,586,361
Prepayments and other current assets	17	6,141,597	6,013,341	5,120,608
Short-term investments	18	5,855,928	5,558,554	9,815,499
Cash and bank balances	19	33,156,216	36,639,314	38,083,170
Total current assets		81,392,652	87,522,368	97,068,441
Total assets		295,468,550	300,480,617	308,526,453

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 2020	As at 31 December 2019 (Restated)	As at 1 January 2019 (Restated)
Equity and liabilities				
Equity				
Share capital	20	30,000,000	30,000,000	30,000,000
Statutory reserve	21	15,000,000	15,000,000	15,000,000
General reserve	21	110,889,032	110,889,032	110,889,032
Other reserves	21	(3,334,019)	(3,265,084)	(1,359,184)
Retained earnings		15,071,361	26,097,576	29,269,801
Equity attributable to equity holders of the Parent		167,626,374	178,721,524	183,799,649
Non-controlling interests	22	26,610,751	28,091,139	31,443,474
Total equity		194,237,125	206,812,663	215,243,123
Non-current liabilities				
Long-term debt	23	33,358,817	30,874,739	36,892,694
Lease liabilities	23	4,637,653	5,253,591	613,794
Employee benefits	24	19,655,985	15,810,405	13,217,412
Deferred tax liabilities	32	650,827	707,108	818,330
Other non-current liabilities	25	5,435,233	3,478,889	3,822,183
Total non-current liabilities		63,738,515	56,124,732	55,364,413
Current liabilities				
Short-term borrowings	23	4,317,874	1,346,996	1,167,589
Current portion of long-term debt	23	2,589,306	5,675,179	2,458,142
Current portion of lease liabilities	23	1,082,385	1,194,633	86,274
Trade payables	26	17,501,240	15,268,178	19,218,341
Accruals and other current liabilities	27	9,097,389	10,807,885	11,595,797
Zakat and income tax payable	32	2,904,716	3,250,351	3,392,774
Total current liabilities		37,492,910	37,543,222	37,918,917
Total liabilities		101,231,425	93,667,954	93,283,330
Total equity and liabilities		295,468,550	300,480,617	308,526,453



EVP Corporate Finance



Vice Chairman & CEO



Chairman of the Board of Directors

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 2020	For the year ended 31 December 2019 (Restated)
Revenue	28	116,949,287	135,396,003
Cost of sales	29	(94,077,889)	(105,991,286)
Gross profit		22,871,398	29,404,717
General and administrative expenses	29	(10,004,643)	(9,890,736)
Selling and distribution expenses	29	(9,301,800)	(9,724,876)
		3,564,955	9,789,105
Share of results of integral joint ventures	10	1,008,982	1,734,046
Income from operations		4,573,937	11,523,151
Share of results of non-integral joint ventures and associates	10	66,071	(1,595,349)
Finance income	34	2,441,363	1,057,192
Finance cost	30	(3,732,924)	(2,217,683)
		(1,291,561)	(1,160,491)
Other (expenses) income, net	31	(71,190)	431,498
Income before zakat and income tax		3,277,257	9,198,809
Zakat expense	32	(1,682,560)	(1,941,007)
Income tax expense	32	(338,468)	(653,932)
Net income for the year		1,256,229	6,603,870
Attributable to:			
Equity holders of the Parent		66,825	5,198,113
Non-controlling interests		1,189,404	1,405,757
		1,256,229	6,603,870
Basic and diluted earnings per share (Saudi Riyals)			
Earnings per share from net income attributable to equity holders of the Parent	33	0.02	1.73


EVP Corporate Finance


Vice Chairman & CEO


Chairman of the Board of Directors

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)

	<i>Notes</i>	For the year ended 31 December 2020	For the year ended 31 December 2019 (Restated)
Net income for the year		1,256,229	6,603,870
Other comprehensive income			
<i>Items that will not be reclassified to the consolidated statement of income (net of tax):</i>			
- Re-measurement loss on defined benefit plans	24	(3,032,011)	(1,527,459)
- Share of other comprehensive loss of associates and joint ventures	10 & 21	(174,727)	(149,132)
- Net change on revaluation of investments in equity instruments at FVOCI	21	(175,796)	(137,060)
- Tax benefit (expense) on re-measurement of employee benefits	32	81,066	(10,401)
		(3,301,468)	(1,824,052)
<i>Items that will be reclassified to the consolidated statement of income:</i>			
- Exchange difference on translation of foreign operations	21	1,625,205	(328,231)
- Share of other comprehensive income of associates and joint ventures	10 & 21	1,133,351	4,817
		2,758,556	(323,414)
Net movement of other comprehensive loss for the year (net of tax)		(542,912)	(2,147,466)
Total comprehensive income for the year		713,317	4,456,404
Attributable to:			
Equity holders of the Parent		(2,110)	3,277,059
Non-controlling interests		715,427	1,179,345
		713,317	4,456,404

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EVP Corporate Finance


Vice Chairman & CEO


Chairman of the Board of Directors

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					Total	Non- controlling interests	Total equity
	Share capital	Statutory reserve	General reserve	Other reserves	Retained earnings			
Balance as at 1 January 2020	30,000,000	15,000,000	110,889,032	(3,265,084)	16,137,960	168,761,908	42,489,414	211,251,322
Change in accounting treatment (Note 4.3, Note 4.4 and Note 39)	-	-	-	-	9,959,616	9,959,616	(14,398,275)	(4,438,659)
Balance as at 1 January 2020 (Restated, Note 39)	30,000,000	15,000,000	110,889,032	(3,265,084)	26,097,576	178,721,524	28,091,139	206,812,663
Net income	-	-	-	-	66,825	66,825	1,189,404	1,256,229
Other comprehensive loss	-	-	-	(68,935)	-	(68,935)	(473,977)	(542,912)
Total comprehensive (loss) income	-	-	-	(68,935)	66,825	(2,110)	715,427	713,317
Acquisition of non-controlling interests (Note 22.1)	-	-	-	-	6,960	6,960	101,708	108,668
Dividends and others	-	-	-	-	(11,100,000)	(11,100,000)	(2,297,523)	(13,397,523)
Balance as at 31 December 2020	30,000,000	15,000,000	110,889,032	(3,334,019)	15,071,361	167,626,374	26,610,751	194,237,125

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					Total	Non-controlling interests	Total equity
	Share capital	Statutory reserve	General reserve	Other reserves	Retained earnings			
Balance at 1 January 2019	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 4.3 and Note 39)	-	-	-	-	10,715,269	10,715,269	(16,908,621)	(6,193,352)
Balance as at 1 January 2019 (Restated, Note 39)	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	-	-	-	-	5,198,113	5,198,113	1,405,757	6,603,870
Other comprehensive loss	-	-	-	(1,921,054)	-	(1,921,054)	(226,412)	(2,147,466)
Total comprehensive (loss) income	-	-	-	(1,921,054)	5,198,113	3,277,059	1,179,345	4,456,404
Acquisition of non-controlling interests (Note 22.1)	-	-	-	15,154	5,535,402	5,550,556	(532,811)	5,017,745
Change in accounting treatment (Note 4.4 and Note 39)	-	-	-	-	(705,740)	(705,740)	1,013,725	307,985
Dividends and others	-	-	-	-	(13,200,000)	(13,200,000)	(5,012,594)	(18,212,594)
Balance as at 31 December 2019	30,000,000	15,000,000	110,889,032	(3,265,084)	26,097,576	178,721,524	28,091,139	206,812,663

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EVP Corporate Finance


Vice Chairman & CEO


Chairman of the Board of Directors

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 2020	For the year ended 31 December 2019 (Restated)
Operating activities:			
Income before zakat and income tax		3,277,257	9,198,809
<i>Adjustment to reconcile income before zakat and income tax to net cash from operating activities:</i>			
- Depreciation of property, plant and equipment	7	11,998,448	12,120,877
- Depreciation of right-of-use assets	8	1,533,158	1,497,486
- Amortisation of intangible assets and other assets	9	676,233	922,463
- Impairments and write-offs of plant and equipment and intangible assets	7, 9	1,723,810	3,889,730
- Share of results of non-integral joint ventures and associates	10	261,472	80,349
- Impairment (net of reversals) of non-integral joint ventures and associates	10, 11	(327,542)	1,515,000
- Provision for slow moving and obsolete inventories, net	15	552,982	(75,444)
- Provision for doubtful debts, net	16	(135,019)	(75,068)
- Fair value adjustment to financial instruments, net		(24,127)	44,957
- Loss on disposals of property, plant and equipment	31	191,582	54,163
- Finance costs	30	1,030,968	1,815,806
<i>Changes in operating assets and liabilities:</i>			
(Increase) decrease in other non-current assets		(3,332,583)	3,402,740
Decrease in inventories		2,700,930	1,973,137
(Increase) decrease in trade receivables		(46,645)	2,915,378
Decrease in prepayments and other current assets		1,396,343	410,042
Increase (decrease) in other non-current liabilities		3,951,720	(343,294)
Increase (decrease) in trade payables		2,233,061	(3,950,163)
Increase in employee benefits		1,231,649	813,604
(Decrease) increase in accruals and other current liabilities		(3,073,907)	2,373,943
Cash from operations		25,819,790	38,584,515
Finance cost paid		(1,034,687)	(1,491,903)
Zakat and income tax paid	32	(2,739,313)	(3,263,259)
Net cash from operating activities		22,045,790	33,829,353

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 2020	For the year ended 31 December 2019 (Restated)
Investing activities:			
Purchase of property, plant and equipment	7	(13,075,639)	(18,350,734)
Purchase of investments in debt instruments		(47,895)	(92,288)
Purchase of equity instruments		-	(55,413)
Proceeds on the maturity of investments in debt instruments		826,660	615,589
Purchase of intangible assets	9	(180,007)	(191,732)
Proceeds from sale of property, plant and equipment		117,805	51,282
Investments in associates and joint ventures	10	(2,067,378)	(373,474)
Dividend received from non-integral joint ventures and associates	10	1,275,428	1,171,465
Short-term investments, net		(812,626)	4,866,245
Net cash used in investing activities		(13,963,652)	(12,359,060)
Financing activities:			
Proceeds from debt		6,600,182	7,871,102
Repayment of debt		(7,330,653)	(10,835,616)
Lease payments		(1,681,271)	(1,943,043)
Dividends paid to shareholders		(11,210,182)	(13,190,127)
Dividends paid to non-controlling interests		(2,590,440)	(6,068,372)
Acquisition of non-controlling interests	22	1,687,500	1,125,000
Net cash used in financing activities	19	(14,524,864)	(23,041,056)
Decrease in cash and cash equivalents		(6,442,726)	(1,570,763)
Net foreign exchange loss on cash and cash equivalents		(11,250)	(52,500)
Cash and cash equivalents at the beginning of the year	19	35,292,318	36,915,581
Cash and cash equivalents at the end of the year	19	28,838,342	35,292,318


EVP Corporate Finance


Vice Chairman & CEO


Chairman of the Board of Directors

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

Notes to the consolidated financial statements

For the year ended 31 December 2020

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

1. Corporate information

Saudi Basic Industries Corporation (“SABIC” or “the Parent”) is a Saudi Joint Stock Company established pursuant to Royal Decree Number M/66 dated 13 Ramadan 1396H (corresponding to 6 September 1976) registered in Riyadh under commercial registration No. 1010010813 dated 14 Muharram 1397H (corresponding to 4 January 1977).

On 16 June 2020, Saudi Arabian Oil Co. (“Saudi Aramco”) acquired 70% ownership over SABIC through one of its subsidiaries, “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 consolidated financial statements of the Group for the year ended 31 December 2020 were authorised for issue in accordance with a resolution of the Board of Directors on 9 March 2021.

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 Organization 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; and
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2020

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

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 judgments 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 COVID-19

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 Company to re-assess its judgments and the key sources of estimation applied to the annual financial statements for the year ended 31 December 2020.

During the year ended 31 December 2020, management has assessed the overall impact on the Company'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 financial statements for the year ended 31 December 2020. The situation surrounding COVID-19 and its impact on global economic conditions, may continue to impact the Group's business, results of operations and financial condition in 2021. The situation remains uncertain and therefore it is difficult to predict with certainty the length of time that COVID-19 will impact Group's business and overall potential impact of COVID-19 on Group's business, operations and financial condition.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2020

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

2. Basis of preparation and accounting policies (continued)

2.4 Foreign currencies

The consolidated financial statements are presented in Saudi Riyals (SR), which is the functional currency of the Parent and all values are rounded to the nearest thousand (SR 000), except when otherwise indicated. For each entity, the Group determines the functional currency and items included in 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.

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.

	31 December 2020		31 December 2019	
	Closing rates	Average rates	Closing rates	Average rates
- USD	3.75	3.75	3.75	3.75
- Euro	4.61	4.56	4.20	4.16
- GBP	5.11	5.04	4.92	4.91
- CNY	1.74	1.74	1.86	1.87
- JPY	27.51	27.68	29.03	29.10

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2020

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

3. Significant accounting estimates, assumptions and judgments

The preparation of the Group's financial statements requires management to make judgments, 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.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2020

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

3. Significant accounting estimates, assumptions and judgments (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 judgments 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 judgment 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.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2020

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

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

3.1 Estimates and assumptions (continued)

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 judgment 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.

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 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.

3.1.7 Accounting for equity instruments

Call, put options and forward contracts on the equity instruments are derivative financial instruments recognised at Fair Value through Income Statement ("FVIS").

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

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

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2020

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

3.2 Critical judgments in applying accounting standards

In addition to the application of the judgment in the above-mentioned estimates and assumptions, the following critical judgments 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. Judgment 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.

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

Generally, there is a presumption that having 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. In 2020, SABIC put more emphasis on legal and contractual ability to exercise power in assessing all other relevant facts and circumstance. Refer to note 4.3.

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 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.

Hence, the Group has consolidated investees, which meet the above criteria of control 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 judgment 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 renewal 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.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2020

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

4. Changes in accounting policies

The amendments to IFRS, which are relevant to the Group and that have been applied as per 1 January 2020 by the Group are described in Note 4.1 and Note 4.2. The other changes in the Group's accounting policies are described in Note 4.3 and Note 4.4:

4.1 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 consolidated financial statements of the Group, but may affect future periods should the Group enter into any business combinations.

4.2 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.

This amendment is an elaboration to define materiality. It does not lead to any impact for these consolidated financial statements.

4.3 Change in accounting treatment for certain joint arrangements (Note 39)

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, joint arrangements or associates, 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.

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, SADAF and AR-RAZI that are subsidiaries at 31 December 2020 and consolidated line by line in these 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.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2020

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

4. Changes in accounting policies (continued)

4.3 Change in accounting treatment for certain joint arrangements (Note 39)

The impact of step acquisition upon acquiring control by SABIC is recognised in the consolidated statement of financial position and changes in equity. 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
<i>Change in accounting treatment</i>			
- 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, Note 39)	183,799,649	31,443,474	215,243,123

The restatement, reflecting the changes, is set out in Note 39 to these consolidated financial statements.

Further to this change in accounting treatment, SABIC has also revised its definition of 'income from operations' as presented in the 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.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2020

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

4. Changes in accounting policies (continued)

4.4 Change in accounting treatment for forward contracts and options (Note 39)

As disclosed in Note 22.1 of the consolidated financial statements for the year ended 31 December 2019, the forward contract relating to AR-RAZI was accounted for by reclassifying non-controlling interests attributable to AR-RAZI as non-current liabilities at each reporting date based on management's best estimate for the net present value of the settlement price payable at the end of the joint venture agreement.

In connection with the acquisition of 70% interest in SABIC by Saudi Aramco, SABIC decided to make a policy choice in accordance with IFRS 9 '*Financial Instruments*' relating to derivatives on equity instruments for its forward contracts and changed its accounting policy to be consistent with the accounting policies of Saudi Aramco. The change in accounting policy is as per below:

- Non-controlling interest continues to receive an allocation of income/loss
- Financial liability for the forward contract is recognised at the present value of the amount payable upon exercise of the forward contract.

This change in accounting policy has been applied retrospectively with net increase of total equity with corresponding net decrease of other non-current liabilities amounted to SR 308 million. Subsequently, forward contract is accounted for under IFRS 9 '*Financial Instruments*' with the movements recognised through the consolidated statement of income. The impact of above changes (Note 4.3 and 4.4) are:

	Balance as at 31 December 2019 (Audited)	Change in accounting treatment for certain joint arrangements (Note 4.3 and Note 39)	Change in accounting policy for forward contracts (Note 4.4)	Balance as at 1 January 2020 (Restated, Note 39)
Equity attributable to equity holders of the Parent	168,761,908	10,665,359	(705,743)	178,721,524
Non-controlling interests	42,489,414	(15,412,003)	1,013,728	28,091,139
Total equity	211,251,322	(4,746,644)	307,985	206,812,663
Non-current liabilities	61,667,193	(5,234,476)	(307,985)	56,124,732
Current liabilities	37,447,236	95,985	-	37,543,221
Total liabilities	99,114,429	(5,138,491)	(307,985)	93,667,953
Total equity and liabilities	310,365,751	(9,885,135)	-	300,480,616

In addition to the above, call and put options are now recognised in the financial statements as financial assets (SR 1,863 million) and financial liabilities (SR 1,995 million), instead of being disclosed as contingent assets (refer Note 38 of consolidated financial statements for the year ended 31 December 2019). This change represent change in accounting estimates with prospective effect due to changes in probabilities associated with exercise of option rights. The net impact of this change of estimate was amounted to SR 132 million recorded against the finance income and finance cost in the consolidated statement of income for the year ended 31 December 2020.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2020

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

5. 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.

5.1 Amendments to IAS 16 – Property, Plant and Equipment

The amendment prohibits entities from deduction from the costs of an item of property, plant and equipment, any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment must be applied retrospectively only to items of property, plant and equipment made available for the use of on or after the beginning of the earliest period presented when the entity first applies the amendment. The effective date is 1 January 2022. The amendment will not have an impact for the Group on the comparatives of next years' financial statements.

5.2 Amendments to IFRS 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform

The amendments to IFRS 9 '*Financial Instruments*' and IAS 39 '*Financial Instruments: Recognition and Measurement*' provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments have no impact on the consolidated financial statements of the Group as it does not have any interest rate hedge relationships.

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

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

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

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

Notes to the consolidated financial statements (continued)

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5. IFRS issued but not yet effective (continued)

5.4 Reference to the Conceptual Framework – Amendments to IFRS 3

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

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

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively. This amendment is expected not to have an impact for the Group.

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

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

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are not expected to have a material impact on the Group.

6. Summary of significant accounting policies

The significant accounting policies adopted by the Group in preparing these consolidated financial statements are applied consistently and are described below, except for the changes in accounting treatment as described in Note 4.3 and Note 4.4, and amendments to IFRS as elaborated in Note 4 that have to be mandatorily applied from 1 January 2020:

6.1 Business combinations and goodwill

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

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

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2020

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6. Summary of significant accounting policies (continued)

6.1 Business combinations and goodwill (continued)

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.

6.2 Investments in associates and joint arrangements

Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. Judgment 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 legal structure of the joint arrangement and also contractual rights and obligations of each investor. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

- *Joint operations*

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

- *Joint ventures*

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

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2020

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

6. Summary of significant accounting policies (continued)

6.2 Investments in associates and joint arrangements (continued)

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.

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.

Notes to the consolidated financial statements (continued)

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6. Summary of significant accounting policies (continued)

6.3 Current versus non-current classification

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

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

All other assets are classified as non-current.

A liability is current when:

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

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

The Group classifies all other liabilities as non-current.

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

6.4 Zakat and tax

Zakat

Zakat is levied based on adjusted income subject to zakat 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.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2020

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

6. Summary of significant accounting policies (continued)

6.5 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 statement of income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

Where the grant relates to an asset, it is recognised in the statement of financial position as deferred income and released to the statement of income in equal amounts over the expected useful life of the related asset. When the SABIC receives non-monetary grants, the asset and the grant are recorded gross at its fair value and released to the statement of income over the expected useful life and pattern of consumption of the benefit of the underlying asset by equal annual instalments.

6.6 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.

6.7 Right-of-use assets

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

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

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2020

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6. Summary of significant accounting policies (continued)

6.8 Leases

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

Group as lessee

Leases are recognised as right-of-use assets along with their corresponding liabilities at the date of which the leased assets are available for use by the Group. Each lease payment is allocated between the liability and finance cost. The 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.

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

Short-term and low value assets' leases

Short-term leases are leases with a 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.

6.9 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.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2020

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

6. Summary of significant accounting policies (continued)

6.10 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

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2020

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6. Summary of significant accounting policies (continued)

6.11 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.

6.12 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.

Notes to the consolidated financial statements (continued)

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6. Summary of significant accounting policies (continued)

6.12 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.

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

- *Financial assets at FVIS*

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

De-recognition

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

- The rights to receive cash flows from the asset have expired, or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement, and either:
 - a) The Group has transferred substantially all the risks and rewards of the asset; or
 - b) The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2020

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6. Summary of significant accounting policies (continued)

6.12 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.

6.13 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.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2020

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6. Summary of significant accounting policies (continued)

6.13 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.

6.14 Options and forward contracts on (own) equity instruments

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

Put and call options

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

If call options are being exercised, the fair value of the call option will be recognised as part of the consideration paid for the acquisition of the non-controlling interest. Otherwise it will be expensed to the statement of income in the financial income and expense section.

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

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2020

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6. Summary of significant accounting policies (continued)

6.14 Options and forward contracts on (own) equity instruments (continued)

Forward share purchase contracts

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

6.15 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.

6.16 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.

6.17 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 and the net realisable value. Inventories of work in progress and finished goods include cost of materials, labour and an appropriate proportion of direct overheads.

6.18 Cash and short-term deposits

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term highly liquid deposits with a maturity of three months or less, that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.

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

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2020

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

6. Summary of significant accounting policies (continued)

6.19 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.

6.20 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.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2020

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

6. Summary of significant accounting policies (continued)

6.21 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 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.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2020

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

6. Summary of significant accounting policies (continued)

6.21 Employee benefits (continued)

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 year, consideration is given to re-measure such liabilities and the related costs.

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

When the 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.

6.22 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.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2020

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

6. Summary of significant accounting policies (continued)

6.22 Revenue recognition (continued)

Sales revenue (continued)

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.

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.

Rendering of services

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.

6.23 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.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2020

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

7. Property, plant and equipment

For the year ended 31 December 2020

	Land and buildings	Plant and equipment	Furniture and fixtures	Vehicles	Assets under construction	Total
Cost:						
At the beginning of the year	28,686,480	245,018,156	898,593	563,566	23,888,914	299,055,709
Additions	40,161	1,759,428	4,230	7,852	11,263,968	13,075,639
Transfers (i)	175,724	4,015,182	15,221	3,801	(4,604,815)	(394,887)
Write-offs	-	-	-	-	(206,640)	(206,640)
Disposals	(62,329)	(1,189,131)	(9,659)	(127,822)	(434,940)	(1,823,881)
Currency translation	508,622	2,386,283	12,066	1,469	134,783	3,043,223
At the end of the year	29,348,658	251,989,918	920,451	448,866	30,041,270	312,749,163
Accumulated depreciation and impairment:						
At the beginning of the year	(14,127,479)	(146,922,567)	(722,700)	(437,096)	(429,715)	(162,639,557)
Charge for the year	(870,477)	(11,056,486)	(40,662)	(30,823)	-	(11,998,448)
Transfers (i)	(1,537)	10,909	1,328	53	(49,243)	(38,490)
Impairment (net of reversals of impairment)	4,706	(1,031,550)	58	-	(380,835)	(1,407,621)
Disposals	52,279	1,037,201	7,850	84,951	332,213	1,514,494
Currency translation	(322,104)	(1,663,976)	(12,273)	(1,468)	-	(1,999,821)
At the end of the year	(15,264,612)	(159,626,469)	(766,399)	(384,383)	(527,580)	(176,569,443)
Net book value:						
At 31 December 2020	14,084,046	92,363,449	154,052	64,483	29,513,690	136,179,720
At 1 January 2020	14,559,001	98,095,589	175,893	126,470	23,459,199	136,416,152

(i) Includes transfers within PPE, transfers from / to intangible assets and transfers from / to other assets.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2020

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

7. Property, plant and equipment (continued)

	For the year ended 31 December 2019 (Restated, Note 39)						Total
	Land and buildings	Plant and equipment	Furniture and fixtures	Vehicles	Finance lease	Assets under construction	
<u>Cost:</u>							
At the beginning of the year	28,329,815	238,259,465	888,145	599,534	1,258,424	17,992,931	287,328,314
Additions	321,470	3,051,521	6,032	11,279	-	14,960,432	18,350,734
Transfers (i)	315,502	7,033,224	28,226	3,069	(1,258,424)	(8,882,022)	(2,760,425)
Write-offs	(110)	(750,129)	(1,617)	(46,084)	-	(179,383)	(977,323)
Disposals	(175,172)	(2,452,458)	(18,494)	(3,928)	-	-	(2,650,052)
Currency translation	(105,025)	(123,467)	(3,699)	(304)	-	(3,044)	(235,539)
At the end of the year	28,686,480	245,018,156	898,593	563,566	-	23,888,914	299,055,709
<u>Accumulated depreciation and impairment:</u>							
At the beginning of the year	(13,450,894)	(135,899,450)	(691,338)	(464,231)	(686,443)	(34,599)	(151,226,955)
Charge for the year	(907,191)	(11,137,870)	(50,903)	(24,913)	-	-	(12,120,877)
Transfers (i)	115,010	(86,131)	(1,881)	1,878	686,443	7,092	722,411
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	170,722	2,351,708	18,315	3,890	-	-	2,544,635
Currency translation	51,932	78,165	2,813	196	-	-	133,106
At the end of the year	(14,127,479)	(146,922,567)	(722,700)	(437,096)	-	(429,715)	(162,639,557)
<u>Net book value:</u>							
At 31 December 2019	14,559,001	98,095,589	175,893	126,470	-	23,459,199	136,416,152
At 1 January 2019	14,878,921	102,360,015	196,807	135,303	571,981	17,958,332	136,101,359

(i) Includes transfers within PPE and transfers from / to other assets. Also Includes transfers of housing units constructed for employees to other non-current assets

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2020

(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 2020	For the year ended 31 December 2019 (Restated, Note 39)
Cost of sales	11,389,515	11,492,340
General and administrative expenses	559,978	570,235
Selling and distribution expenses	48,955	58,302
	<u>11,998,448</u>	<u>12,120,877</u>

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 2020 (2019: 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 2020 amounted to SR 21.57 million (2019: SR 3.03 million), entirely related to non-conventional facilities. The Group uses the capitalisation rate of 4% (2019: 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 28.01 billion (2019: SR 29.98 billion).

Certain leased assets are pledged as collateral for their lease liabilities.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2020

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

7. Property, plant and equipment (continued)

Impairment and write-offs of plant and equipment

During the year ended 31 December 2020, impairment (net of reversals) and write-offs amounting to SR 1.61 billion (2019: SR 3.67 billion), was recorded against plant and equipment, mainly for Petrochemicals SBU assets, which are or will be taken out of production mainly included:

- In 2020, SABIC suspended the production of ULTEM™ high heat polymers (“HHP”) at its Cartagena (Spain) facility as part of its global operation optimisation. The impairment on these assets amounted to SR 543 million, which is included in cost of sales in the consolidated statement of income.
- An impairment charge of SR 1.0 billion relating to UK cracker plant was recognised. The impairment relates to positioning certain Naphtha plant in the European region and is driven by the Group’s continuous efforts to strengthen synergies in its asset base and operating model and following ongoing changes in the market conditions and competitive environment.
- In the course of 2020, SABIC decided to postpone certain projects and to re-assess their strategic positioning. Due to postponing these projects an impairment loss was recognised of SR 371 million.
- Reversal of impairment was recognised in respect of Arabian Industrial Fibers Company (“Ibn Rushd”) amounting to SR 112 million due to final impact assessment of assets’ closure during the year.

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

- 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.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2020

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

8. Right-of-use assets

	For the year ended 31 December 2020				
	Land and buildings	Plant and equipment	Storage and tanks	Vessels and Vehicles	Total
Cost:					
At the beginning of the year	3,694,385	1,607,356	988,497	2,372,841	8,663,079
Additions	180,526	97,983	78,910	254,284	611,703
Re-measurement	(26,774)	(86,477)	(11,267)	(13,366)	(137,884)
Currency translation adjustment	61,981	20,544	66,154	102,033	250,712
At the end of the year	3,910,118	1,639,406	1,122,294	2,715,792	9,387,610
Accumulated depreciation:					
At the beginning of the year	(544,853)	(883,699)	(211,301)	(582,720)	(2,222,573)
Charge for the year	(503,164)	(192,498)	(186,975)	(650,521)	(1,533,158)
Re-measurement	15,884	38,168	2,181	7,377	63,610
Currency translation adjustment	(8,809)	(12,631)	(23,844)	(26,351)	(71,635)
At the end of the year	(1,040,942)	(1,050,660)	(419,939)	(1,252,215)	(3,763,756)
Net book value:					
At 31 December 2020	2,869,176	588,746	702,355	1,463,577	5,623,854
At 1 January 2020	3,149,532	723,657	777,196	1,790,121	6,440,506

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2020

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

8. Right-of-use assets (continued)

	For the year ended 31 December 2019 (Restated, Note 39)				Total
	Land and buildings	Plant and equipment	Storage and tanks	Vessels and Vehicles	
<u>Cost:</u>					
At the beginning of the year	-	-	-	-	-
IFRS 16 adoption	3,380,174	147,805	1,002,560	2,076,103	6,606,642
Transfers from property, plant and equipment at transition	45,752	1,213,819	-	5,144	1,264,715
Additions	394,325	258,588	3,710	395,288	1,051,911
Re-measurement	(113,135)	(10,472)	(4,535)	(84,578)	(212,720)
Currency translation adjustment	(12,731)	(2,384)	(13,238)	(19,116)	(47,469)
At the end of the year	3,694,385	1,607,356	988,497	2,372,841	8,663,079
<u>Accumulated depreciation:</u>					
At the beginning of the year	-	-	-	-	-
Charge for the year	(521,961)	(186,931)	(207,783)	(580,811)	(1,497,486)
Transfers	(20,589)	(697,936)	-	(2,092)	(720,617)
Re-measurement	(2,485)	-	(3,446)	209	(5,722)
Currency translation adjustment	182	1,168	(72)	(26)	1,252
At the end of the year	(544,853)	(883,699)	(211,301)	(582,720)	(2,222,573)
<u>Net book value:</u>					
At 31 December 2019	3,149,532	723,657	777,196	1,790,121	6,440,506

Allocation of depreciation charge for the year

	For the year ended 31 December 2020	For the year ended 31 December 2019 (Restated, Note 39)
Cost of sales	1,135,442	1,099,258
General and administrative expenses	327,595	340,391
Selling and distribution expenses	70,121	57,837
	1,533,158	1,497,486

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2020

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

9. Intangible assets

	For the year ended 31 December 2020					
	Goodwill	Software and IT development	Licenses	Others (i)	Intangibles under development	Total
Cost:						
At the beginning of the year	17,526,971	1,926,171	8,862,073	49,464	141,941	28,506,620
Additions	-	17,055	76,461	619	85,872	180,007
Transfers (ii)	-	74,158	99,136	(20)	(14,889)	158,385
Write-downs	-	(38,112)	(49,700)	(2,485)	-	(90,297)
Write-offs	-	-	(13,673)	(37,897)	-	(51,570)
Currency translation adjustment	484,417	33,717	103,214	(677)	-	620,671
At the end of the year	18,011,388	2,012,989	9,077,511	9,004	212,924	29,323,816
Accumulated amortisation and impairment:						
At the beginning of the year	-	(1,547,115)	(6,457,896)	(10,059)	-	(8,015,070)
Charge for the year	-	(173,178)	(467,352)	(229)	-	(640,759)
Transfers (ii)	-	-	30,777	-	-	30,777
Write-downs	-	38,112	49,700	2,485	-	90,297
Impairment and write-offs	-	-	1,751	-	(28,868)	(27,117)
Currency translation adjustment	-	(27,571)	(71,892)	(284)	-	(99,747)
At the end of the year	-	(1,709,752)	(6,914,912)	(8,087)	(28,868)	(8,661,619)
Net book value:						
At 31 December 2020	18,011,388	303,237	2,162,599	917	184,056	20,662,197
At 1 January 2020	17,526,971	379,056	2,404,177	39,405	141,941	20,491,550

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

(ii) Includes transfers within intangible assets, transfers from / to PPE and transfers from / to other assets.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2020

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

9. Intangible assets (continued)

	For the year ended 31 December 2019 (Restated, Note 39)					
	Goodwill (i)	Software and IT development	Licenses	Others (ii)	Intangibles under development	Total
Cost:						
At the beginning of the year	17,632,349	1,918,720	8,752,998	54,254	3,045	28,361,366
Additions	-	3,595	86,050	-	135,495	225,140
Transfers	-	52,455	60,100	(476)	3,401	115,480
Write-offs	-	(41,515)	(16,977)	(3,305)	-	(61,797)
Currency translation adjustment	(105,378)	(7,084)	(20,098)	(1,009)	-	(133,569)
At the end of the year	17,526,971	1,926,171	8,862,073	49,464	141,941	28,506,620
Accumulated amortisation:						
At the beginning of the year	-	(1,407,841)	(5,892,633)	(12,739)	-	(7,313,213)
Charge for the year	-	(185,164)	(396,920)	(760)	-	(582,844)
Impairment and write-offs	-	41,359	(189,340)	3,302	-	(144,679)
Currency translation adjustment	-	4,531	20,997	138	-	25,666
At the end of the year	-	(1,547,115)	(6,457,896)	(10,059)	-	(8,015,070)
Net book value:						
At 31 December 2019	17,526,971	379,056	2,404,177	39,405	141,941	20,491,550
At 1 January 2019	17,632,349	510,879	2,860,365	41,515	3,045	21,048,153

(i) This includes goodwill amounting to SR 8,888 million (SADAF SR 3,186 million and AR-RAZI SR 5,702 million), as a result of exercising option to purchase the remaining shares held by another investor in these entities (refer Note 39).

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

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2020

(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 2020	For the year ended 31 December 2019 (Restated, Note 39)
Cost of sales	45,835	131,487
General and administrative expenses	590,913	447,822
Selling and distribution expenses	4,011	3,535
	640,759	582,844

Goodwill

Goodwill has been allocated to the Group's SBUs that represent its CGUs at which the goodwill is managed. For goodwill impairment testing, these CGUs are Petrochemicals CGU and Specialties. The goodwill allocated to Petrochemicals amounts to SR 15.19 billion (2019: SR 14.71 billion) and for Specialties CGU amounts to SR 2.82 billion (2019: SR 2.82 billion). The Weighted Average Cost of Capital ("WACC") rate applied at Group's level is 8.2% for Petrochemicals (2019: 8.0%) and for Specialties 8.5% (2019: 8.2%).

The WACC is calculated based on long-term moving monthly average assumptions that reflect market assessments of the risk specific to each CGU. Segment specific risk is incorporated by applying average beta factors. The beta factors are evaluated annually based on publicly available market data of SABIC's peers. The average effective zakat rate is assumed to be 3% (2019: 3%) for MEA region and the average effective tax rate is assumed to be 24%-25% (2019: 21%-23%) for rest of the world. 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 0.5%-2.0% (2019: 0.8%- 2.0%).

No impairment loss was recognised for 2020 and 2019 respectively.

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

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2020

(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 2020	31 December 2019 (Restated, Note 39)
Associate:					
Gulf Petrochemical Industries Company ("GPIC")	33.33	Bahrain	Petrochemical	679,348	657,748
Ma'aden Phosphate Company ("MPC")	30.00	KSA	Agri-nutrients	2,118,811	2,130,182
Power and Water Utilities Company for Jubail and Yanbu ("MARAFIQ")	24.81	KSA	Utilities	1,783,893	1,727,310
Aluminium Bahrain BSC ("ALBA")	20.62	Bahrain	Aluminium	1,773,021	2,214,895
National Chemical Carrier Company ("NCC")	20.00	KSA	Transportation	321,723	310,015
Ma'aden Wa'ad Al Shamal Phosphate Company ("MWSPC")	15.00	KSA	Agri-nutrients	1,442,741	1,665,245
Saudi Arabian Industrial Investment Company ("DUSSUR")	25.00	KSA	Investments	338,653	372,762
Clariant AG ("Clariant") (Note 10.1)	31.50	Switzerland	Specialty chemical	10,716,769	8,685,005
Joint venture:					
Sinopec Sabic Tianjin Petrochemical Company ("SSTPC")	50.00	China	Petrochemical	4,718,942	4,212,360
Sabic SK Nexlene Company ("SSNC")	50.00	KSA	Petrochemical	553,478	495,189
Cosmar Inc. ("COSMAR")	50.00	USA	Petrochemical	492,996	497,736
Saudi Yanbu Petrochemical Company ("YANPET") (Note 4.3)	50.00	KSA	Petrochemical	2,893,738	3,108,561
Al-Jubail Petrochemical Company ("KEMYA") (Note 4.3)	50.00	KSA	Petrochemical	5,171,296	5,062,848
Eastern Petrochemical Company ("SHARQ") (Note 4.3)	50.00	KSA	Petrochemical	6,949,350	7,243,399
Others				623,911	381,948
				40,578,670	38,765,203

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2020

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

10 Investments in associates and joint ventures (continued)

10.1 Investment in Clariant A.G.

After clearance by the relevant regulatory authorities on 7 September 2020, SABIC acquired approximately 21 million additional shares (“the Shares”) representing 6.51% of outstanding shares in Clariant AG, a global specialty chemicals company listed at the Swiss stock exchange (“SIX”) in which SABIC held already a 24.99% investment. Consistently with the prior periods, management concluded not to have control over Clariant and, accordingly, the investment is accounted for as an associate applying the equity method.

During 2020, Clariant sold its Masterbatches business unit and therefore distributed dividend of CHF 3 per share in July 2020.

Management reassesses the carrying value of investment in Clariant by 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 share price, including a reasonable premium.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2020

(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 2020															
	Associates								Joint ventures						Others	Total
	GPIC	MPC	MARAFIQ	ALBA	NCC	MWSPC	Dussur	Clariant	SSTPC	SSNC	COSMAR	SHARQ	YANPET	KEMYA		
Balance at the beginning 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	497,736	7,243,399	3,108,561	5,062,848	381,948	38,765,203
Capital contribution	-	-	-	-	-	-	-	1,906,968	-	-	73,922	-	-	-	86,488	2,067,378
Share of results (i)	(2,009)	(11,371)	88,104	20,010	11,692	(222,504)	(34,109)	(252,902)	205,187	4,312	(78,662)	101,619	551,645	355,719	10,780	747,511
(Impairment) reversal of impairment (ii)	-	-	-	(441,208)	-	-	-	768,750	-	-	-	-	-	-	-	327,542
	(2,009)	(11,371)	88,104	(421,198)	11,692	(222,504)	(34,109)	515,848	205,187	4,312	(78,662)	101,619	551,645	355,719	10,780	1,075,053
Movements in OCI	23,609	-	(6,247)	(17,763)	16	-	-	856,189	301,395	53,977	-	(78,076)	(93,411)	(65,513)	(15,552)	958,624
Dividends received	-	-	(25,274)	(2,913)	-	-	-	(1,247,241)	-	-	-	(350,000)	(648,174)	(189,906)	-	(2,463,508)
Others	-	-	-	-	-	-	-	-	-	-	-	32,408	(24,883)	8,148	(iii) 160,247	175,920
Balance at the end of the year	679,348	2,118,811	1,783,893	1,773,021	321,723	1,442,741	338,653	10,716,769	4,718,942	553,478	492,996	6,949,350	2,893,738	5,171,296	623,911	40,578,670

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

(ii) During the year ended 2020, SABIC has decided to record an impairment charge and the reversal of an impairment provision in certain financial assets.

(iii) Others includes the reclassification of ARG mbH & Co KG as an associates from 'investment in equity instruments' (Refer Note 12).

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2020

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

10 Investments in associates and joint ventures (continued)

	For the year ended 31 December 2019 (Restated, Note 39)															
	Associates								Joint ventures						Others	Total
	GPIC	MPC	MARAFIQ	ALBA	NCC	MWSPC	Dussur	Clariant	SSTPC	SSNC	COSMAR	SHARQ	YANPET	KEMYA		
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	523,097	9,162,093	3,430,429	5,134,177	351,491	43,507,249
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)	(80,540)	320,480	1,018,088	395,479	(42,781)	1,653,697
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)	(80,540)	320,480	1,018,088	395,479	(42,781)	138,697
Movements in OCI	(33,722)	(430)	11,881	-	107	6	-	54,588	(27,984)	(30,393)	-	(45,109)	(51,210)	(40,183)	18,134	(144,315)
Dividends received	(45,000)	-	(26,201)	-	-	-	-	(171,122)	(929,142)	-	-	(2,194,065)	(1,288,746)	(426,625)	-	(5,080,901)
Others	-	-	-	-	-	-	-	-	(48,902)	-	-	-	-	-	(ii) 55,104	6,202
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	497,736	7,243,399	3,108,561	5,062,848	381,948	38,765,203

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

(ii) Others includes losses of SR 61 million related to entities under liquidation for which previous losses were recognised up to the investment value.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2020

(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 2020				
	MPC	MARAFIQ	ALBA	MWSPC (i)	Clariant (ii)
Current assets	3,093,115	2,835,096	4,009,098	2,201,530	14,019,578
Non-current assets	13,420,477	19,176,033	19,402,997	25,556,256	24,930,000
Current liabilities	1,762,428	2,025,136	4,580,948	2,446,228	8,771,289
Non-current liabilities	7,688,461	12,795,775	8,092,888	19,006,779	14,760,813
Net assets	7,062,703	7,190,218	10,738,259	6,304,779	15,417,476
<u>Reconciliation:</u>					
Group's share	30.00%	24.81%	20.62%	15.00%	31.50%
Group's share in associate	2,118,811	1,783,893	2,214,229	945,717	4,856,505
Intangible / goodwill	-	-	-	497,024	6,606,511
Impairment provision	-	-	(441,208)	-	(746,247)
Carrying amount	2,118,811	1,783,893	1,773,021	1,442,741	10,716,769
<u>For the year ended 31 December 2020</u>					
Revenue	4,004,879	3,820,150	10,562,963	3,361,496	15,712,638
Net income (loss) for the year - from continuing operations	(37,904)	355,119	97,042	(1,483,360)	(721,250)
<u>Reconciliation:</u>					
Group's share	30.00%	24.81%	20.62%	15.00%	31.50%
Group's share in associate	(11,371)	88,104	20,010	(222,504)	(133,640)
Share in earnings (losses)	(11,371)	88,104	20,010	(222,504)	(252,902)

(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 due to the 6.51% increase in shareholding. Refer Note 10.1.

(iii) Commitments, contingencies and guarantees of above amounting to SR 1,469 million.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2020

(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 2019 (Restated, Note 39)				
	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
<u>Reconciliation:</u>					
Group's share	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 (Restated, Note 39)				
	MPC	MARAFIQ	ALBA	MWSPC (i)	Clariant (ii)
Revenue	4,131,423	3,852,630	10,241,576	3,454,285	16,866,641
Net income (loss) for the year - from continuing operations	15,814	246,245	53,569	(1,244,981)	(130,363)
<u>Reconciliation:</u>					
Group's share	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)

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 investments in Clariant is recorded after fair value adjustments.
- (iii) Commitments, contingencies and guarantees of above amounting to SR 1,563 million.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2020

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

10. Investments in associates and joint ventures (continued)

Summarised financial information of material joint ventures

The tables below provide the summarised financial information of 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 2020			
	SSTPC	SHARQ	YANPET	KEMYA
Cash and bank balances	3,024,126	453,539	542,816	203,513
Total current assets	4,556,900	5,303,788	4,248,531	3,428,311
Non-current assets	11,322,833	12,867,436	4,408,089	12,244,106
Current financial liabilities (excluding trade payables)	1,370,671	776,427	964,179	1,712,703
Total current liabilities	2,329,080	1,456,039	1,444,934	2,204,255
Total non-current liabilities	4,112,769	2,816,485	1,424,211	3,125,570
Net assets	9,437,884	13,898,700	5,787,475	10,342,592
<u>Reconciliation:</u>				
Group's share	50.00%	50.00%	50.00%	50.00%
Group's share in joint venture	4,718,942	6,949,350	2,893,738	5,171,296
Carrying amount	4,718,942	6,949,350	2,893,738	5,171,296
	For the year ended 31 December 2020			
Revenue	6,651,516	6,944,196	5,139,340	6,679,264
Depreciation and amortisation	621,874	1,362,588	561,639	909,089
Interest income	104,855	4,010	4,702	2,183
Interest expense	(75,761)	(32,869)	(44,927)	(134,666)
Net income before income tax and zakat (i)	547,013	382,416	1,157,007	786,846
Zakat, Income tax expense and others	(135,243)	(89,589)	(26,859)	(37,704)
Net income for the year - from continuing operations	410,379	298,312	998,108	671,826
Other comprehensive income	602,790	(156,152)	(186,822)	(131,025)
Total comprehensive income	1,013,169	142,160	811,286	540,801
<u>Reconciliation:</u>				
Group's share	50.00%	50.00%	50.00%	50.00%
Group's share of earnings in joint venture (i)	205,187	101,619	551,645	355,719
Share of earnings	205,187	101,619	551,645	355,719

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

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2020

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

10. Investments in associates and joint ventures (continued)

Summarised financial information of material joint ventures (continued)

	As at 31 December 2019 (Restated, Note 39)			
	SSTPC	SHARQ	YANPET	KEMYA
Cash and bank balances	1,740,156	656,175	613,264	148,493
Total current assets	4,156,010	4,622,300	4,382,164	3,248,122
Non-current assets	8,753,735	13,654,628	4,616,646	12,950,570
Current financial liabilities (excluding trade payables)	799,634	603,768	587,795	1,766,876
Total current liabilities	1,822,727	1,107,106	1,604,462	2,087,568
Total non-current liabilities	2,662,298	2,683,024	1,177,227	3,985,429
Net assets	8,424,720	14,486,798	6,217,121	10,125,695
<u>Reconciliation:</u>				
Group's share	50.00%	50.00%	50.00%	50.00%
Group's share in joint venture	4,212,360	7,243,399	3,108,561	5,062,848
Carrying amount	4,212,360	7,243,399	3,108,561	5,062,848
	For the year ended 31 December 2019 (Restated, Note 39)			
Revenue	8,554,640	7,877,799	6,029,514	7,244,650
Depreciation and amortisation	594,167	1,430,384	537,831	797,837
Interest income	93,061	44,426	25,617	18,010
Interest expense	(72,547)	(31,062)	(44,980)	(232,595)
Net income before income tax and zakat (i)	1,164,054	630,124	1,996,692	787,955
Zakat, Income tax expense and others	(289,345)	5,418	19,742	1,501
Net income for the year - from continuing operations	895,804	464,021	1,752,780	654,656
Other comprehensive income	(55,972)	(90,217)	(102,420)	(80,366)
Total comprehensive income	839,832	373,804	1,650,360	574,290
<u>Reconciliation:</u>				
Group's share	50.00%	50.00%	50.00%	50.00%
Group's share of earnings in joint venture (i)	447,902	320,480	1,018,088	395,479
Share of earnings	447,902	320,480	1,018,088	395,479

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

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2020

(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 2020		For the year ended 31 December 2019 (Restated, Note 39)	
	Individually immaterial associates	Individually immaterial joint ventures	Individually immaterial associates	Individually immaterial joint ventures
Net income (loss) for the year - from continuing operations	59,618	8,621	220,857	(38,293)

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 2020 is SR 1.45 billion and SR 8.38 billion (Note 10.1) respectively (2019: SR 1.22 billion and SR 6.94 billion).

11 Investments in debt instruments

	31 December 2020	31 December 2019
<i>Current (in short-term investments – Note 18)</i>		
Fixed rate instruments	149,959	562,366
Floating rate instrument	169,421	524,080
	319,380	1,086,446
<i>Non-current</i>		
Fixed rate instruments	585,915	591,920
Floating rate instrument	434,027	753,672
	1,019,942	1,345,592
	1,339,322	2,432,038
<i>Currency exposure</i>		
	31 December 2020	31 December 2019
SR	955,093	1,664,667
USD	384,229	767,371
	1,339,322	2,432,038

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2020

(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:

	<u>31 December 2020</u>	<u>31 December 2019</u>
<i>Unlisted securities</i>		
Equity securities	464,974	732,868
Mutual fund units	316,520	313,141
	<u>781,494</u>	<u>1,046,009</u>

During the year, ARG mbH & Co. KG has been reclassified as an associates from 'investment in equity instruments' (Refer Note 10).

13 Other non-current assets

	<u>31 December 2020</u>	<u>31 December 2019</u> (Restated, Note 39)
Employee advances (i)	3,326,950	3,700,444
Receivables from related parties (ii)	2,237,956	1,658,701
Financial assets - option rights	1,863,375	-
Receivables from Japan Saudi Arabia Methanol Company, Inc. ("JSMC") (Note 22.1)	-	1,606,049
Finance lease receivable	251,653	266,533
Pre-paid mining fee	112,500	112,500
Others (iii)	408,834	397,401
	<u>8,201,268</u>	<u>7,741,628</u>

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

(ii) Receivables from related parties represent receivables against the operations and production advances, and loans receivable from certain associates and joint ventures at normal market rates.

(iii) Others mainly include advances to contractors and miscellaneous items

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2020

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

14 Financial assets and financial liabilities

		31 December 2020							
	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	735,874	735,874	-	-	806,829	-	806,829	-
- Floating	11	603,448	603,448	-	-	604,611	-	604,611	-
Unquoted equity instruments	12	781,494	-	324,164	457,330	781,515	-	482,251	299,264
Trade receivables	16	16,927,713	16,927,713	-	-	N/A	-	-	-
Short-term investments									
- Time deposits	18	5,483,903	5,483,903	-	-	N/A	-	-	-
- Other short-term investments	18	52,645	-	52,645	-	52,645	52,645	-	-
Cash and bank balances									
- Cash and bank balances	19	12,433,718	12,433,718	-	-	N/A	-	-	-
- Time deposits	19	20,722,498	20,722,498	-	-	N/A	-	-	-
Financial assets - options rights	13	1,863,375	-	1,863,375	-	1,863,375	-	-	1,863,375
Other financial assets (i)		1,407,074	1,407,074	-	-	N/A	-	-	-
		61,011,742	58,314,228	2,240,184	457,330	4,108,975	52,645	1,893,691	2,162,639
Financial liabilities									
Debt	23	40,265,997	40,265,997	-	-	41,194,293	(iii) 41,194,293	-	-
Lease liabilities (iv)	23	5,720,038	5,720,038	N/A	N/A	N/A	-	-	-
Trade payables	26	17,501,240	17,501,240	-	-	N/A	-	-	-
Financial liabilities - options rights	25	1,995,375	-	1,995,375	-	1,995,375	-	-	1,995,375
Obligations to acquire the remaining shares of certain subsidiaries	25	690,297	-	690,297	-	690,297	-	-	690,297
Other financial liabilities (i)		230,185	230,185	-	-	N/A	-	-	-
		66,403,132	63,717,460	2,685,672	-	43,879,965	41,194,293	-	2,685,672

(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 fair value of 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) SABIC issued bonds that are publically listed (see Note 23). Considering the trading frequency, the level in accordance with IFRS 13 is considered to change from Level 2 to Level 1 in 2020

(iv) Lease liabilities are recognised according to IFRS 16.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2020

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

14 Financial assets and financial liabilities (continued)

31 December 2019 (Restated, Note 39)

	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
<i>Financial assets</i>									
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	16,746,049	16,746,049	-	-	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	9,930,138	9,930,138	-	-	N/A	-	-	-
- Time deposits	19	26,709,176	26,709,176	-	-	N/A	-	-	-
Other financial assets (i)		1,447,232	1,447,232	-	-	N/A	-	-	-
		62,782,750	61,261,661	795,887	725,202	3,834,436	92,288	3,479,494	262,654
<i>Financial liabilities</i>									
Debt									
	23	37,896,914	37,896,914	-	-	39,288,856	-	39,288,856	-
Lease liabilities (iii)									
	23	6,448,224	6,448,224	N/A	N/A	N/A	-	-	-
Trade payables									
	26	15,268,178	15,268,178	-	-	N/A	-	-	-
Obligations to acquire the remaining shares of certain subsidiaries									
	25	705,743	-	705,743	-	705,743	-	-	705,743
Other financial liabilities (i)									
		1,532,118	1,532,118	-	-	N/A	-	-	-
		61,851,177	61,145,434	705,743	-	39,994,599	-	39,288,856	705,743

(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 fair value of 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.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2020

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

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 2020 and 2019.

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.

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	8.1 to 11
	• Midpoint price to book multiple	2.9
	• Put option and forward contract	6.6-7.9
	• Call option valuation	
	- Implied volatility	25% to 35%
	- Assumed dividend yield	7.7% to 11.2%
	- Risk free rate	0.8% to 1.7%
Net asset value approach	Point estimate of distributable cash and cash equivalents and net assets	SR 150 to SR 262.5

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2020

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

15 Inventories

	31 December 2020	31 December 2019 (Restated, Note 39)
Finished goods	10,442,834	12,535,150
Spare parts	5,173,888	5,241,275
Raw materials	3,977,226	3,754,395
Goods in transit	1,362,067	1,456,537
Work in process	468,910	1,138,498
	<u>21,424,925</u>	<u>24,125,855</u>
Less: Provision for slow moving and obsolete items	<u>(2,113,727)</u>	<u>(1,560,745)</u>
	<u>19,311,198</u>	<u>22,565,110</u>

Movements in the provision for obsolete inventories were as follows:

	For the year ended 31 December 2020	For the year ended 31 December 2019 (Restated, Note 39)
Balance at 1 January	1,560,745	1,636,189
Charge (release) for the year, net	<u>552,982</u>	<u>(75,444)</u>
Balance at 31 December	<u>2,113,727</u>	<u>1,560,745</u>

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

16 Trade receivables

	31 December 2020	31 December 2019 (Restated, Note 39)
Trade receivables	15,370,019	15,997,539
Due from related parties	<u>1,746,223</u>	<u>1,072,058</u>
	<u>17,116,242</u>	<u>17,069,597</u>
Less: allowance for expected credit losses	<u>(188,529)</u>	<u>(323,548)</u>
	<u>16,927,713</u>	<u>16,746,049</u>

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

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2020

(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	60-90 days	91-180 Days	181-365 days	More than one year
31 December 2020							
Expected credit loss rate	1.10%	0.05%	0.97%	25.02%	9.02%	43.99%	62.34%
Gross carrying amount	17,116,242	16,210,554	513,059	17,868	90,159	78,427	206,175
Expected credit loss	188,529	7,941	4,966	4,471	8,130	34,500	128,521
31 December 2019 (Restated, Note 39)							
Expected credit loss rate	1.89%	0.07%	1.26%	7.75%	17.97%	9.31%	47.21%
Gross carrying amount	17,069,597	15,457,764	752,212	65,196	102,728	123,089	568,608
Expected credit loss	323,548	10,657	9,504	5,052	18,457	11,456	268,422

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

	For the year 31 December 2020	For the year 31 December 2019 (Restated, Note 39)
Balance at 1 January	323,548	398,616
Charge for the year	5,558	1,514
Reversals during the year	(140,577)	(76,582)
Balance at 31 December	188,529	323,548

17 Prepayments and other current assets

	31 December 2020	31 December 2019 (Restated, Note 39)
Receivables from Japan Saudi Arabia Methanol Company, Inc. ("JSMC") (Note 22.1)	1,622,034	1,687,500
Prepaid expenses	1,127,128	1,046,506
Taxes and subsidies receivable	1,355,044	834,550
Current portion of loan receivable from related parties	54,732	662,697
Finance income receivable	26,775	71,357
Employee advances and receivables	72,273	63,403
Others	1,883,611	1,647,328
	6,141,597	6,013,341

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2020

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

18 Short-term investments

Short-term investments can be broken down as follows:

	<u>31 December 2020</u>	<u>31 December 2019</u>
Time deposits	5,483,903	4,379,820
Investments in debt instruments (Note 11)	319,380	1,086,446
Other short-term investments	52,645	92,288
	<u>5,855,928</u>	<u>5,558,554</u>

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:

	<u>31 December 2020</u>	<u>31 December 2019</u> (Restated, Note 39)
Cash in hand	563	1,064
Bank balances	12,433,155	9,929,074
Time deposits	20,722,498	26,709,176
	<u>33,156,216</u>	<u>36,639,314</u>

At 31 December 2020, the Group had available SR 8.80 billion (31 December 2019: SR 8.65 billion) of undrawn committed borrowing facilities.

At 31 December 2020, the Group has funds amounting to SR 0.64 billion (31 December 2019: SR 0.60 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:

	<u>31 December 2020</u>	<u>31 December 2019</u> (Restated, Note 39)
SR	11,823,834	11,887,902
USD	19,340,694	22,133,807
Others	1,991,688	2,617,605
	<u>33,156,216</u>	<u>36,639,314</u>

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2020

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

19 Cash and bank balances (continued)

19.1 Cash flows related disclosures

Cash and cash equivalents can be broken down as follows:

	31 December 2020	31 December 2019 (Restated, Note 39)
Cash and bank balances	33,156,216	36,639,314
Less: bank overdrafts (in short-term borrowings - Note 23)	(4,317,874)	(1,346,996)
	28,838,342	35,292,318

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

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

	As at 1 January 2020	Movement during the year	Cash flows	Foreign currency exchange and other non-cash	As at 31 December 2020
Debt	37,896,914	6,600,182	(7,330,653)	3,099,554	40,265,997
Lease	6,448,224	862,740	(1,681,271)	90,345	5,720,038
Dividends to shareholders	1,225,527	11,100,000	(11,210,182)	-	1,115,345
Dividends to non-controlling interests	75,218	2,297,523	(2,590,440)	409,007	191,308
Acquisition of non-controlling interests	-	(1,687,500)	1,687,500	-	-
	45,645,883	19,172,945	(21,125,046)	3,598,906	47,292,688

	As at 1 January 2019 (Restated, Note 39)	Movement during the year	Cash flows	Foreign currency exchange and other non-cash	As at 31 December 2019 (Restated, Note 39)
Debt	40,518,425	7,871,102	(10,835,616)	343,003	37,896,914
Lease (i)	700,068	7,613,525	(1,943,043)	77,674	6,448,224
Dividends to shareholders	1,215,654	13,200,000	(13,190,127)	-	1,225,527
Dividends to non-controlling interests	1,130,996	5,012,594	(6,068,372)	-	75,218
Acquisition of non-controlling interests	-	(1,125,000)	1,125,000	-	-
	43,565,143	32,572,221	(30,912,158)	420,677	45,645,883

(i) Includes IFRS 16 related additional leases which were recognised at transition and during the year ended 31 December 2019.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2020

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

20 Share capital

	31 December 2020	31 December 2019
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

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:

	Equity instruments	Foreign currency translation	Actuarial gain (loss)	Cash flow hedge	Total
31 December 2020					
At the beginning of the year	286,076	(3,041,464)	(492,304)	(17,392)	(3,265,084)
Net change on currency translation of foreign operations	-	1,625,205	-	-	1,625,205
Re-measurement impact of employee benefit obligations	-	-	(2,476,968)	-	(2,476,968)
Re-measurement impact of investments in equity instruments	(175,796)	-	-	-	(175,796)
Share of other comprehensive income (loss) for associates and joint ventures	-	1,158,009	(174,727)	(24,658)	958,624
Other comprehensive income (loss) for the year	(175,796)	2,783,214	(2,651,695)	(24,658)	(68,935)
At the end of the year	110,280	(258,250)	(3,143,999)	(42,050)	(3,334,019)

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2020

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

21 Reserves (continued)

Other reserves (continued)

<u>31 December 2019 (Restated, Note 39)</u>	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)	-	-	(1,316,523)	-	(1,316,523)
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)	(128,903)	18,134	(124,086)
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 22.1).

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2020

(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 2020						
	YANSAB	AR-RAZI	IBN RUSHD	Sabic Agri-Nutrients	KAYAN	GAS	UNITED
	(Note 22.1)						
Current assets	5,938,074	1,143,140	1,199,514	2,713,559	5,432,093	929,963	1,728,137
Current liabilities	1,339,390	518,059	1,162,294	639,107	3,311,711	192,446	618,925
<i>Current net assets</i>	4,598,684	625,081	37,220	2,074,452	2,120,382	737,517	1,109,212
Non-current assets	11,401,684	2,892,144	1,275,752	7,281,218	27,914,866	5,438,675	7,314,232
Non-current liabilities	1,014,911	916,690	3,361,787	1,195,061	16,026,382	1,172,217	1,845,318
<i>Non-current net assets (liabilities)</i>	10,386,773	1,975,454	(2,086,035)	6,086,157	11,888,484	4,266,458	5,468,914
<i>Net assets (liabilities)</i>	14,985,457	2,600,535	(2,048,815)	8,160,609	14,008,866	5,003,975	6,578,126
Accumulated non-controlling interests (i)	7,142,174	674,652	(1,131,360)	4,355,026	8,648,471	1,473,640	1,629,541

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

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2020

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

22 Non-controlling interests (continued)

Summarised statement of financial position (continued)

	As at 31 December 2019 (Restated, Note 39)						
	YANSAB	AR-RAZI	IBN RUSHD	Sabic Agri-Nutrients	KAYAN	GAS	UNITED
		(Note 22.1)					
Current assets	5,842,703	1,594,284	1,996,387	2,167,998	5,381,729	847,108	1,819,013
Current liabilities	1,152,758	402,394	1,267,610	681,385	2,886,750	303,965	849,386
<i>Current net assets</i>	4,689,945	1,191,890	728,777	1,486,613	2,494,979	543,143	969,627
Non-current assets	12,227,704	2,886,709	1,365,461	7,494,544	29,946,066	5,230,104	7,139,545
Non-current liabilities	774,837	851,411	3,715,887	984,866	17,488,180	608,147	1,242,960
<i>Non-current net assets (liabilities)</i>	11,452,867	2,035,298	(2,350,426)	6,509,678	12,457,886	4,621,957	5,896,585
<i>Net assets (liabilities)</i>	16,142,812	3,227,188	(1,621,649)	7,996,291	14,952,865	5,165,100	6,866,212
Accumulated non-controlling interests (i)	7,757,262	690,918	(855,295)	4,310,342	9,315,791	1,525,109	1,716,553

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

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2020

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

22 Non-controlling interests (continued)

Summarised statement of comprehensive income

	For the year ended 31 December 2020						
	YANSAB	AR-RAZI (Note 22.1)	IBN RUSHD	Sabic Agri- Nutrients	KAYAN	GAS	UNITED
Revenue	5,034,940	2,687,700	3,080,834	3,327,542	8,007,325	1,717,501	3,049,146
<i>Net income (loss) for the year</i>	677,574	896,527	(398,166)	1,294,401	(784,727)	573,175	616,012
Other comprehensive loss	(147,429)	(86,779)	(29,000)	(88,389)	(159,272)	(34,300)	(104,098)
<i>Total comprehensive income (loss)</i>	530,145	809,748	(427,166)	1,206,012	(943,999)	538,875	511,914
Net income (loss) attributable to non-controlling interests (i)	325,602	233,303	(261,004)	694,287	(510,073)	170,357	154,002
Dividends to non-controlling interests	810,911	416,986	-	577,638	-	208,404	200,000
	For the year ended 31 December 2019 (Restated, Note 39)						
Revenue	6,064,834	3,430,439	4,308,183	3,287,582	9,536,400	1,633,732	3,835,193
<i>Net income (loss) for the year</i>	1,089,772	1,539,551	(3,016,711)	1,473,919	(636,777)	515,062	1,026,302
Other comprehensive loss	(93,280)	(48,686)	(38,596)	(133,677)	(108,718)	(42,990)	(62,398)
<i>Total comprehensive income (loss)</i>	996,492	1,490,865	(3,055,307)	1,340,242	(745,495)	472,072	963,904
Net income (loss) attributable to non-controlling interests (i)	523,679	625,497	(1,548,396)	747,856	(413,905)	152,524	256,575
Dividends to non-controlling interests	1,013,555	301,759	-	712,625	-	-	-

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

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2020

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

22 Non-controlling interests (continued)

Summarised statement of cash flows

	Year ended 31 December 2020						
	YANSAB	AR-RAZI	IBN RUSHD	Sabic Agri-Nutrients	KAYAN	GAS	UNITED
Cash flow from (used in) operating activities	1,865,264	1,846,720	(103,911)	2,094,013	1,738,629	830,094	1,027,323
Cash flow used in investing activities	(271,187)	(409,926)	(107,922)	(1,297,079)	(542,169)	(602,843)	(719,557)
Cash flow used in financing activities	(1,710,589)	(1,396,232)	(173,518)	(1,085,216)	(1,544,457)	(184,616)	(351,644)
Net increase (decrease) in cash and cash equivalents	(116,512)	40,562	(385,351)	(288,282)	(347,997)	42,635	(43,878)
	Year ended 31 December 2019 (Restated, Note 39)						
Cash flow from operating activities	2,552,329	1,536,142	471,087	1,785,111	2,198,395	951,022	2,005,893
Cash flow from (used in) investing activities	(317,451)	(501,922)	(185,148)	(409,524)	1,317,477	(840,221)	(1,597,584)
Cash flow used in financing activities	(2,124,808)	(2,937,401)	(182,813)	(1,314,538)	(4,979,746)	(541,711)	(2,266,448)
Net increase (decrease) in cash and cash equivalents	110,070	(1,903,181)	103,126	61,049	(1,463,874)	(430,910)	(1,858,139)

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2020

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

22 Non-controlling interests (continued)

22.1 Increase of shareholding in a subsidiary

During 2020, SABIC and Albemarle Netherlands B.V., (“Albemarle”) a foreign shareholder in a subsidiary Saudi Organometallic Chemicals Company (“SOCC”), entered into an agreement, whereby SABIC through its 100% owned subsidiary, i.e. Arabian Petrochemical Company (“Petrokemya”) has acquired all Albemarle’s shares in SOCC. Along with the acquisition, the foreign investor has assigned a loan receivable of SR 107.5 million from SOCC to the Petrokemya without any consideration. 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 the retained earnings.

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) and second instalment amounting to SR 1.69 billion (USD 0.45 billion) have been received on 25 June 2019 and on 31 March 2020, 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 instalment of SR 1.69 billion (USD 0.45 billion) which will be due in 2021, reclassified as part of prepayments and other current assets. The final instalment has been discounted at 4% per annum. Refer Note 13.

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 obtained an obligation to acquire the remaining shares of Ar-Razi from JSMC at the end of the twentieth year. This has been accounted for an “obligations to acquire the remaining shares of certain subsidiaries” (Note 25).

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

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2020

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

23 Debt

Total debt can be broken down as follows:

	Interest rate	31 December 2020	31 December 2019 (Restated, Note 39)
Current			
Short-term bank borrowings	USD LIBOR variable rate	4,317,874	1,346,996
Current portion of long-term debt	SAIBOR and USD LIBOR	2,589,306	2,532,120
Euro bonds	2.75%	-	3,143,059
		2,589,306	5,675,179
Lease liabilities	4.04% (average)	1,082,385	1,194,633
		7,989,565	8,216,808
Non-current			
Long-term debt	SAIBOR and USD LIBOR	22,182,834	23,436,831
USD bonds	2.15% to 4.5%	11,175,983	7,437,908
		33,358,817	30,874,739
Lease liabilities	3.0%-5.0% (IBR-average)	4,637,653	5,253,591
		37,996,470	36,128,330
		45,986,035	44,345,138

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 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 2020:

- In October 2018, SABIC Capital II BV, an indirect wholly owned subsidiary of SABIC, issued a 5 year and 10 year USD 1 billion bond each, equivalent to total SR 7.5 billion. These bonds are unsecured and carry coupon rates of 4.0% and 4.5% for those maturing in 5 and 10 years, respectively. The bonds are issued in accordance with Rule 144A/Reg S offering requirements under the U.S. Securities Act of 1933, as amended. The bonds are listed on the Irish Stock Exchange (Euronext Dublin) and the proceeds were used for refinancing maturing debt.
- In September 2020, SABIC Capital I BV, an indirect wholly owned subsidiary of SABIC, issued a 10 year and 30 year USD 500 million bond each, equivalent to total SR 3.75 billion. These bonds are unsecured and carry coupon rates of 2.15 % and 3.00 % for those maturing in 10 and 30 years, respectively. The bonds are issued in accordance with Regulation S offering requirements under the U.S. Securities Act of 1933, as amended. Both bonds are listed on the Irish Stock Exchange (Euronext Dublin) and the 30 year is dual listed in Taipei Exchange in Taiwan. The proceeds were used for general propose and refinancing maturing debt.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2020

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23 Debt (continued)

The aggregate repayment schedule of debt is as follows:

	31 December 2020	31 December 2019 (Restated, Note 39)
Within one year	7,989,565	8,216,808
1-2 years	8,150,328	3,915,349
2-5 years	13,485,452	19,231,771
Thereafter	16,360,690	12,981,210
Total	45,986,035	44,345,138

During 2020, 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).

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2020

(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 2020	31 December 2019 (Restated, Note 39)
Defined benefit obligations		
End of service benefits	13,948,233	11,018,178
Defined benefits pension schemes	2,897,785	2,500,834
Post-retirement medical benefits	1,579,593	1,195,294
	<u>18,425,611</u>	<u>14,714,306</u>
Other long-term employee benefits and termination benefits		
Long-term service awards	165,938	134,352
Early retirement plans	30,989	32,150
Saving plans	1,033,447	929,597
	<u>1,230,374</u>	<u>1,096,099</u>
	<u>19,655,985</u>	<u>15,810,405</u>

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

Defined benefits obligation

The Group provides end of service and pension benefits to its employees taking into consideration the local labour laws, employment market and tax laws of the countries where the companies are located. Outside KSA, the Group limits the risks of changing financial market conditions and demographic developments by offering a defined contribution scheme to new-hires in most countries. The defined benefit plans in US and Canadian plan were closed for all future pension accrual from 31 December 2020.

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. An appropriate discount rate is then applied to determine the present value of the Group's obligation. This is an unfunded plan.

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

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2020

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

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.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2020

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

24 Employee benefits (continued)

Other long-term employee benefits

Long-term service awards

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

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.

Saving plans

Saving plans are mainly related to KSA based employees.

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

	For the year ended 31 December 2020	For the year ended 31 December 2019 (Restated, Note 39)
At the beginning of the year	14,714,306	12,234,707
Current service cost	988,600	967,387
Past service cost	-	(11,979)
Finance cost, net of finance income	428,201	482,919
Actuarial changes arising due to:		
- financial assumptions	1,976,502	2,237,180
- demographic changes	1,370,129	(41,449)
- experience adjustments	(63,754)	(249,350)
- actual return on plan assets	(331,932)	(408,521)
	2,950,945	1,537,860
Benefits paid during the year	(368,547)	(393,672)
Contributions into pension plans	(457,035)	(223,260)
Foreign currency translation adjustment and others	169,141	75,008
	18,425,611	14,668,970
Reclassification to net pension asset (*)	-	45,336
At the end of the year	18,425,611	14,714,306

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

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2020

(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 2020		
	End of service	Post-retirement medical	Total
At the beginning of the year	11,012,383	861,318	11,873,701
Current service cost	913,341	51,846	965,187
Finance cost	335,473	23,605	359,078
Actuarial changes arising due to:			
- financial assumptions	1,214,423	(116,428)	1,097,995
- demographic assumptions	826,706	529,420	1,356,126
- experience adjustments	(34,783)	(16,559)	(51,342)
	2,006,346	396,433	2,402,779
Benefits paid during the year	(316,827)	(51,720)	(368,547)
Others	(8,751)	38,037	29,286
At the end of the year	13,941,965	1,319,519	15,261,484
	For the year ended 31 December 2019 (Restated, Note 39)		
	End of service	Post-retirement medical	Total
At the beginning of the year	9,001,248	709,356	9,710,604
Current service cost	749,687	38,840	788,527
Finance cost	379,585	29,311	408,896
Actuarial changes arising due to:			
- financial assumptions	1,213,108	127,608	1,340,716
- experience adjustments	(85,537)	(29,866)	(115,403)
	1,127,571	97,742	1,225,313
Benefits paid during the year	(289,592)	(71,997)	(361,589)
Others	43,884	58,066	101,950
At the end of the year	11,012,383	861,318	11,873,701

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2020

(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 2020:

	For the year ended 31 December 2020			
	USA	UK	Others	Total
At the beginning of the year	3,411,559	2,623,630	725,202	6,760,391
Current service costs	4,848	-	18,565	23,413
Past service costs	-	-	-	-
Finance costs	103,390	53,055	17,698	174,143
Benefits paid during the year	(193,963)	(109,484)	(58,895)	(362,342)
Actuarial changes arising due to:				
- financial assumptions	450,638	366,923	67,443	885,004
- demographic changes	(11,536)	28,003	(2,464)	14,003
- experience adjustments	(38,720)	-	26,308	(12,412)
	400,382	394,926	91,287	886,595
Foreign currency and others	-	122,583	95,907	218,490
At the end of the year	3,726,216	3,084,710	889,764	7,700,690

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

	For the year ended 31 December 2020			
	USA	UK	Others	Total
Plan assets as at start of the year	1,736,191	2,161,918	21,676	3,919,785
Interest income	52,794	43,962	8,264	105,020
Employers' contribution	378,183	59,296	19,556	457,035
Return on plan assets (excluding interest income)	193,438	120,153	18,342	331,933
Benefits paid during the year	(193,963)	(109,484)	(58,895)	(362,342)
Administrative expenses	(13,478)	-	(500)	(13,978)
Foreign currency and others	-	90,890	8,218	99,108
Plan assets at end of the year	2,153,165	2,366,735	16,661	4,536,561
Defined benefit obligation, net	1,573,051	717,975	873,103	3,164,129

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2020

(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 2019:

	For the year ended 31 December 2019 (Restated, Note 39)			
	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	48,511	(168,635)	(13,822)	(133,946)
	570,948	30,928	88,239	690,115
Foreign currency and others	-	84,283	(26,622)	57,661
	3,411,559	2,623,630	954,932	6,990,121
Reclassification as net pension assets	-	-	(229,730)	(229,730)
At the end of the year	3,411,559	2,623,630	725,202	6,760,391

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

	For the year ended 31 December 2019 (Restated, Note 39)			
	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	(13,407)	-	(415)	(13,822)
Foreign currency and others	-	66,381	9,333	75,714
Plan assets as at end of the year	1,736,191	2,161,918	296,743	4,194,852
Reclassification as net pension assets	-	-	(275,067)	(275,067)
Plan assets at end of the year	1,736,191	2,161,918	21,676	3,919,785
Defined benefit obligation, net	1,675,368	461,712	703,526	2,840,606

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2020

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24 Employee benefits (continued)

	For the year ended 31 December 2020	For the year ended 31 December 2019 (Restated, Note 39)
<i>Net benefit expense</i>		
Current service cost and past service cost	988,600	955,408
Finance cost on benefit obligation	428,201	491,161
Net benefit expense	<u>1,416,801</u>	<u>1,446,569</u>

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 2020		
	USA	UK	Others
<i>Quoted and unquoted</i>			
Equity	46.66%	31.49%	-
Debt securities	36.90%	6.45%	91.43%
- Government debtors	-	6.45%	91.43%
- Other debtors	36.90%	-	-
Investment funds and insurance companies	-	43.82%	7.95%
Other investments	14.26%	13.77%	0.62%
Cash and cash equivalents	2.18%	4.47%	-
Total	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>
	For the year ended 31 December 2019 (Restated, Note 39)		
	USA	UK	Others
<i>Quoted and unquoted</i>			
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	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

Notes to the consolidated financial statements (continued)

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24 Employee benefits (continued)

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

	31 December 2020		
	KSA	USA	UK
Discount rate	2.40%	3.11%	2.10%
Average salary increase	4.50% - 6.00%	-	3.20%
Pension in payment increase	N/A	N/A	2.90%
Inflation rate (health care cost)	9% in 2021 Dec to 5% for 2025+	N/A	N/A
	31 December 2019 (Restated, Note 39)		
	KSA	USA	UK
Discount rate	4.40%	3.11%	2.10%
Average salary increase	5.50% - 7.00%	3.22%	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

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 2020			
	KSA	USA	UK	Others
<i>Increase</i>				
Discount rate (+25 bps)	(501,302)	(148,648)	(156,694)	(46,619)
Salary (+25 bps)	455,587	-	22,264	9,584
Pension (+25 bps)	N/A	-	125,807	(16,663)
Longevity (+1 year)	N/A	(52,349)	(107,514)	22,078
Health care costs (+25 bps)	54,074	NA	N/A	N/A
<i>Decrease</i>				
Discount rate (-25 bps)	525,457	157,729	168,270	49,537
Salary (-25 bps)	(437,840)	-	(23,210)	(9,280)
Pension (-25 bps)	N/A	-	(118,878)	(65,153)
Longevity (-1 year)	N/A	51,277	109,148	(20,975)
Health care costs (-25 bps)	(51,325)	N/A	N/A	N/A

Notes to the consolidated financial statements (continued)

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

24 Employee benefits (continued)

Sensitivity analysis (continued)

	31 December 2019 (Restated, Note 39)			
	KSA	USA	UK	Others
<i>Increase</i>				
Discount rate (+25 bps)	(360,250)	(139,156)	(129,863)	(27,822)
Salary (+25 bps)	336,697	-	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)	28,729	N/A	N/A	N/A
<i>Decrease</i>				
Discount rate (-25 bps)	354,819	147,770	139,310	51,900
Salary (-25 bps)	(289,940)	-	(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)	(26,143)	N/A	N/A	N/A

Expected total benefit payments can be broken down as follows:

	31 December 2020	
	KSA	Outside KSA
Within one year	451,112	314,946
1 – 2 years	463,421	306,259
2 – 3 years	494,027	303,421
3 – 4 years	562,582	302,441
4 – 5 years	651,117	300,478
Next 5 years	4,584,425	1,346,994
Total	7,206,684	2,874,539
31 December 2019 (Restated, Note 39)		
	KSA	Outside KSA
Within one year	583,528	251,694
1 – 2 years	573,156	258,328
2 – 3 years	669,825	265,488
3 – 4 years	713,199	280,803
4 – 5 years	768,326	286,224
Next 5 years	4,897,246	1,458,240
Total	8,205,280	2,800,777

Annual premiums paid to defined contribution schemes amount to SR 0.52 billion (2019: SR 0.38 billion) and relate primarily to defined contribution pension schemes.

The expected employer contributions related to the defined benefit pension plans for 2021 amount to SR 0.21 billion (2019: SR 0.21 billion).

The weighted average duration of the defined benefit obligation is 11 years for KSA plans, 18 years for plans outside KSA (31 December 2019: 11 years for KSA plans, 18 years for plans outside KSA).

Notes to the consolidated financial statements (continued)

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

25 Other non-current liabilities

Other non-current liabilities can be broken down as follows:

	31 December 2020	31 December 2019 (Restated, Note 39)
Financial liabilities – options rights	1,995,375	-
Payable to related parties (i)	1,581,782	1,685,892
Provisions (ii)	891,838	744,822
Obligations to acquire the remaining shares of certain subsidiaries	690,297	705,743
Others	275,941	342,432
	<u>5,435,233</u>	<u>3,478,889</u>

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

(ii) Provisions represent environmental obligations and miscellaneous provisions.

26 Trade payables

Trade payables can be broken down as follows:

	31 December 2020	31 December 2019 (Restated, Note 39)
Trade accounts payable	9,406,533	11,836,775
Amounts due to related parties	8,094,707	3,431,403
	<u>17,501,240</u>	<u>15,268,178</u>

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

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

27 Accruals and other current liabilities

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

	31 December 2020	31 December 2019 (Restated, Note 39)
Accrued liabilities	3,882,026	6,174,219
Employees related liabilities	1,495,095	1,688,841
Dividends payable	1,306,653	1,300,745
Payable to related parties	647,195	429,129
Sales and other tax payables	532,216	305,869
Provisions (i)	261,826	88,462
Interest payable	118,744	125,301
Others	853,634	695,319
	<u>9,097,389</u>	<u>10,807,885</u>

(i) Provisions represent current portion of environmental obligations and miscellaneous provisions.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2020

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

28 Revenue

Revenue can be broken down as follows:

	For the year ended 31 December 2020	For the year ended 31 December 2019 (Restated, Note 39)
Sales of goods	113,280,706	131,221,162
Logistic services	3,157,977	3,467,061
Rendering of services	510,604	707,780
	116,949,287	135,396,003

There is no significant revenue that has been recognised in 2020 from performance obligations satisfied in previous years. All unfulfilled remaining performance obligations as at 31 December 2020 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 2020	For the year ended 31 December 2019 (Restated, Note 39)
Changes in inventories of finished products, raw materials and consumables used	72,651,131	81,749,160
Depreciation and amortisation	12,570,792	12,723,085
Employee related costs	7,421,228	7,964,337
Impairments and write-offs of plant and equipment and intangible assets	1,434,738	3,554,704
	94,077,889	105,991,286

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2020

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

29 Expenses (continued)

29.2 General and administrative expenses

	For the year ended 31 December 2020	For the year ended 31 December 2019 (Restated, Note 39)
Employee related expenses	3,869,718	3,953,723
Research and technology cost	2,246,963	2,105,317
Depreciation and amortisation	1,478,486	1,358,448
Maintenance	1,414,513	1,605,381
Administrative support	396,310	579,494
Others	598,653	288,373
	10,004,643	9,890,736

29.3 Selling and distribution expenses

Selling and distribution expenses can be broken down as follows:

	For the year ended 31 December 2020	For the year ended 31 December 2019 (Restated, Note 39)
Transportation and shipping	7,396,780	7,609,824
Employee related expenses	1,367,523	1,377,052
Marketing related expenses	414,410	620,582
Depreciation and amortisation	123,087	117,418
	9,301,800	9,724,876

30 Finance cost

Finance cost can be broken down as follows:

	For the year ended 31 December 2020	For the year ended 31 December 2019 (Restated, Note 39)
Interest expense on loans and borrowings	1,028,984	1,415,771
Interest expense - option rights (Note 25)	1,995,375	-
Interest expense on lease liabilities (Note 38)	280,364	318,993
Interest expenses related to defined benefit plans (Note 24)	428,201	482,919
	3,732,924	2,217,683

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2020

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

31 Other (expenses) income, net

Other expenses, net can be broken down as follows:

	For the year ended 31 December 2020	For the year ended 31 December 2019 (Restated, Note 39)
Insurance claims	60,286	258,035
Foreign currency exchange differences	(94,808)	(83,086)
Rental income	37,329	48,834
Loss on disposal of property, plant and equipment	(191,582)	(54,163)
Others	117,585	261,878
	<u>(71,190)</u>	<u>431,498</u>

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 2020		
	Zakat	Income Tax	Total
At the beginning of the year	2,306,575	943,776	3,250,351
Provided during the year	1,682,560	550,511	2,233,071
Paid during the year, net	(2,040,725)	(698,588)	(2,739,313)
Other movements (foreign currency translations and reclassification)	(2,316)	162,923	160,607
At the end of the year	<u>1,946,094</u>	<u>958,622</u>	<u>2,904,716</u>

	For the year ended 31 December 2019 (Restated, Note 39)		
	Zakat	Income Tax	Total
At the beginning of the year	2,603,707	789,067	3,392,774
Provided during the year	1,941,007	623,893	2,564,900
Paid during the year, net	(2,235,077)	(1,028,182)	(3,263,259)
Other movements (foreign currency translations and reclassification)	(3,062)	558,998	555,936
At the end of the year	<u>2,306,575</u>	<u>943,776</u>	<u>3,250,351</u>

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

	For the year ended 31 December 2020		For the year ended 31 December 2019 (Restated, Note 39)	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
At the beginning of the year	711,609	707,108	865,156	818,330
Changes during the year (i)	317,144	(56,281)	(153,547)	(111,222)
At the end of the year	<u>1,028,753</u>	<u>650,827</u>	<u>711,609</u>	<u>707,108</u>

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

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2020

(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 2020	For the year ended 31 December 2019 (Restated, Note 39)
<i>Current corporate income tax</i>		
Current year	606,700	612,838
Adjustments in respect of current income tax of previous year	(56,189)	11,055
<i>Deferred corporate income tax</i>		
Origination and reversals of temporary differences	(212,043)	30,039
	338,468	653,932
	For the year ended 31 December 2020	For the year ended 31 December 2019 (Restated, Note 39)
<i>Deferred tax related to items recognised in OCI during in the year</i>		
- Deferred tax (benefit) expense on re-measurement of defined benefit plans	(81,066)	10,401
Deferred tax charged to OCI	(81,066)	10,401

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2020

(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 2020	For the year ended 31 December 2019 (Restated, Note 39)
Income before zakat and income tax	3,277,257	9,198,809
Exclude: income subject to Zakat	(7,071,789)	(12,284,202)
Income subject to income tax	(3,794,532)	(3,085,393)
Domestic income tax rate (KSA)	20%	20%
Income tax at domestic tax rate	(758,906)	(617,079)
Tax effects of		
- Current year tax benefits not recognised	805,434	932,306
- Foreign currency translation results	515,772	(84,428)
- Deviating rates	(79,264)	(90,871)
- Tax rate changes	(23,264)	22,872
- Tax charge due to other liabilities	(15,457)	(30,607)
- Return-to-provision true-ups and exempt items	(121,025)	(97,912)
- Non-tax deductible expenses	59,860	88,428
- Result on associates and joint ventures	(181,346)	390,309
- Deferred tax on outside basis differences	26,551	35,760
- State, local and other taxes	110,113	105,154
Income tax expense	338,468	653,932
Zakat expense	1,682,560	1,941,007
Total income tax and zakat expense	2,021,028	2,594,939

The tax rate changes of SR (23) million (2019: SR 23 million) mainly relate to corporate income tax rate changes enacted in 2020 and in 2019 in the Netherlands.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2020

(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 2020	31 December 2019 (Restated, Note 39)
<i>Difference in accounting and tax base related to:</i>		
- Property, plant and equipment and intangible assets	(2,078,758)	(1,972,328)
- Inventories	(11,004)	(16,317)
- Right-of-use assets	(580,347)	(509,850)
- Outside basis differences	(246,301)	(219,750)
- Others	(590)	(29,240)
Deferred tax liabilities	(2,917,000)	(2,747,485)
Set-off with deferred tax assets	2,266,173	2,040,377
Net deferred tax liabilities	(650,827)	(707,108)
Net operating losses	8,082,379	7,485,326
<i>Difference in accounting and tax base related to:</i>		
- Property, plant and equipment and intangible assets	25,081	137,890
- Employee benefits	707,846	409,663
- Lease liabilities	609,878	516,654
- Deferred charges	308,563	203,957
- Provisions on receivables and inventories	216,246	222,976
- Interest carry-forward	691,801	291,402
- Tax credits	150,524	136,882
- Others	243,106	206,353
Deferred tax assets	11,035,424	9,611,103
Un-recognised deferred tax assets	(7,740,498)	(6,859,117)
Set-off with deferred tax liabilities	(2,266,173)	(2,040,377)
Net deferred tax assets	1,028,753	711,609

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 33.25 billion (2019: SR 30.07 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.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2020

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

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 2020	For the year ended 31 December 2019 (Restated, Note 39)
Income from operations (SR '000)	4,573,937	11,523,151
Net income attributable to equity holders of the Parent (SR '000)	66,825	5,198,113
Weighted average number of ordinary shares ('000)	3,000,000	3,000,000
Earnings per share from income from operations (SR)	1.52	3.84
Earnings per share from net income attributable to equity holders of the Parent (SR)	0.02	1.73

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

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2020

(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 2020	31 December 2019 (Restated, Note 39)
<i>Cash and bank balances</i>		
- Conventional call (excluding fixed term deposits)	9,438,414	9,043,496
- Conventional time deposits	4,671,082	4,997,730
Conventional cash and bank balances	<u>14,109,496</u>	<u>14,041,226</u>
- Murabaha (including fixed term deposits)	18,745,993	21,712,509
- Current accounts (excluding fixed term deposits)	300,727	885,579
Non-conventional cash and bank balances	<u>19,046,720</u>	<u>22,598,088</u>
Total cash and bank balances	<u>33,156,216</u>	<u>36,639,314</u>
<i>Short-term and investments in debt instruments</i>		
- Conventional time deposits	-	179,698
- Bonds and floating rate notes	-	450,835
- Other investments	52,645	92,288
Conventional short-term and investments in debt instruments	<u>52,645</u>	<u>722,821</u>
- Murabaha (including fixed time deposits)	5,483,903	4,200,122
- SUKUK	1,019,942	1,345,592
- Murabaha structured deposits	319,380	635,611
Non-conventional short-term and investments in debt instruments	<u>6,823,225</u>	<u>6,181,325</u>
Total short-term and investments in debt instruments	<u>6,875,870</u>	<u>6,904,146</u>
<i>Investments in equity instruments</i>		
- Mutual funds	316,520	313,141
- Equity investments	464,974	732,868
Conventional investments in equity instruments	<u>781,494</u>	<u>1,046,009</u>
Total investments in equity instruments	<u>781,494</u>	<u>1,046,009</u>

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2020

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

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

	31 December 2020	31 December 2019 (Restated, Note 39)
<i>Short-term borrowings</i>		
- Conventional short-term borrowings	4,317,874	1,346,996
Total short-term borrowings	4,317,874	1,346,996
<i>Long and short-term debt</i>		
- Conventional loans	4,766,658	7,699,784
- Bonds/notes	11,175,959	10,580,967
- Lease liabilities	5,720,038	6,448,224
Conventional long-term debt	21,662,655	24,728,975
- Murabaha	14,511,827	12,492,718
- SIDF	1,619,706	1,367,422
- Ijarah facilities and others	3,873,973	4,409,027
Non-conventional long-term debt	20,005,506	18,269,167
Total long-term debt	41,668,161	42,998,142
Total debt	45,986,035	44,345,138
	For the year ended 31 December 2020	For the year ended 31 December 2019 (Restated, Note 39)
<i>Borrowing cost capitalised during the year:</i>		
- Murabaha loans and SIDF	21,570	3,026
Borrowing costs capitalised from non-conventional loans	21,570	3,026
Total borrowing cost capitalised during the year	21,570	3,026

Notes to the consolidated financial statements (continued)

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

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

	For the year ended 31 December 2020	For the year ended 31 December 2019 (Restated, Note 39)
<i>Finance income</i>		
- Conventional call account	672	2,452
- Conventional time deposits	78,390	146,947
- Conventional structured deposits	27,938	48,182
- Option rights	1,872,257	9,521
- Others	131,937	(12,490)
Total conventional finance income	<u>2,111,194</u>	<u>194,612</u>
- Current Murabaha (including fixed term deposits)	267,350	757,908
- SUKUK	43,517	79,167
- Murabaha structured deposits	19,302	25,505
Total non-conventional finance income	<u>330,169</u>	<u>862,580</u>
Total finance income	<u>2,441,363</u>	<u>1,057,192</u>
<i>Finance cost</i>		
- Conventional loans	24,458	172,918
- Bonds/notes	428,614	406,901
- Lease liabilities	280,364	318,993
- Option rights	1,995,375	-
- Net interest on employee benefits	428,899	482,919
- Others	86,763	51,158
Conventional finance cost	<u>3,244,473</u>	<u>1,432,889</u>
- SIDF	47,904	59,404
- Murabaha	394,313	623,198
- Ijarah facilities and others	46,234	102,192
Non-conventional financial expenses	<u>488,451</u>	<u>784,794</u>
Total finance cost	<u>3,732,924</u>	<u>2,217,683</u>

Notes to the consolidated financial statements (continued)

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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 2020		31 December 2020	
Associates	123,696	3,521,250	23,006	286,056
Joint ventures	11,948,335	17,099,294	1,534,260	3,475,723
Saudi Aramco and its subsidiaries [effective from 16 June]	2,669,635	8,931,962	754,666	3,873,074
			31 December 2020	
			Associates	Joint ventures
Loans to related parties			35,135	684,375
				Total
				719,510
	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 (Restated, Note 39)		31 December 2019 (Restated, Note 39)	
Associates	142,822	3,671,952	19,24	149,469
Joint ventures	14,083,694	19,658,374	1,329,168	3,297,949
			31 December 2019 (Restated, Note 39)	
			Associates	Joint ventures
Loans from related parties			-	107,812
Loans to related parties			35,135	615,142
				Total
				107,812
				650,277

Terms and conditions of transactions with related parties

The sales to and purchases from related parties are made at terms equivalent to those in normal commercial 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 2020 and 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.

Notes to the consolidated financial statements (continued)

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(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 2020	For the year ended 31 December 2019 (Restated, Note 39)
Purchases of goods and services	5,631,490	6,367,426
Sales of goods and services	1,139,696	1,432,878
Due to entities controlled by Saudi government	219,804	207,911
Due from entities controlled by Saudi government	10,174	75,062

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 2020	For the year ended 31 December 2019 (Restated, Note 39)
Short-term employee benefits	48,576	58,980
Post-employment benefits	483	448
Other long-term benefits	4,998	3,879
Total	54,057	63,307

Notes to the consolidated financial statements (continued)

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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 LNPT™ 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.

During 2019, 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.

Notes to the consolidated financial statements (continued)

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36 Segment information (continued)

The segments' financial details are shown below:

	For the year ended 31 December 2020			
	Petrochemicals & Specialties	Agri-nutrients	Hadeed	Consolidated
Revenue	101,844,872	6,118,779	8,985,636	116,949,287
Depreciation, amortisation, impairment and write-offs	(13,979,867)	(668,536)	(958,700)	(15,607,103)
Income (loss) from operations	4,605,874	1,534,236	(1,566,173)	4,573,937
Share of results of associates and joint ventures	301,955	(235,884)	-	66,071
Finance cost, net				(1,291,561)
Other expenses, net				(71,190)
Income before zakat and income tax				<u>3,277,257</u>

	For the year ended 31 December 2019 (Restated, Note 39)			
	Petrochemicals & Specialties	Agri-nutrients	Hadeed	Consolidated
Revenue	117,487,378	7,118,386	10,790,239	135,396,003
Depreciation, amortisation, impairment and write-offs	(15,897,041)	(905,581)	(1,274,261)	(18,076,883)
Income (loss) from operations	10,504,582	2,014,403	(995,834)	11,523,151
Share of results of associates and joint ventures	(1,850,048)	254,699	-	(1,595,349)
Finance cost, net				(1,160,491)
Other income, net				431,498
Income before zakat and income tax				<u>9,198,809</u>

	As at 31 December 2020			
	Petrochemicals & Specialties	Agri-nutrients	Hadeed	Consolidated
Total assets	266,750,886	12,213,908	16,503,756	295,468,550
Total liabilities	93,463,651	2,507,673	5,260,101	101,231,425

	As at 31 December 2019 (Restated, Note 39)			
	Petrochemicals & Specialties	Agri-nutrients	Hadeed	Consolidated
Total assets	271,113,349	11,674,577	17,692,691	300,480,617
Total liabilities	86,773,167	2,295,442	4,599,345	93,667,954

Notes to the consolidated financial statements (continued)

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36 Segment information (continued)

Geographical distribution of revenue

	31 December 2020		31 December 2019 (Restated, Note 39)	
		%		%
KSA	19,278,179	17	20,552,164	15
China	22,302,086	19	24,934,405	18
Rest of Asia	27,160,720	23	30,446,811	23
Europe	26,589,015	23	32,247,394	24
Americas	10,619,759	9	12,409,745	9
Others (i)	10,999,528	9	14,805,484	11
	116,949,287	100	135,396,003	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 2020		31 December 2019 (Restated, Note 39)	
		%		%
KSA	103,495,956	76	106,460,091	78
Europe (ii)	14,119,393	10	14,217,886	10
Americas (ii)	17,044,767	13	14,244,967	11
Asia (ii)	1,516,208	1	1,488,871	1
Others (ii)	3,396	-	4,337	-
	136,179,720	100	136,416,152	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.

Notes to the consolidated financial statements (continued)

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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.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2020

(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

External Rating	31 December 2020							Carrying value in the statement of financial position
	AA+	AA	AA-	A+	A	A-	Others	
Bank balances and time deposits	48,687	-	10,785,514	7,559,456	1,166,426	6,004,637	7,590,933	33,155,653
Investments in equity instruments	-	-	-	-	-	316,520	464,974	781,494
Investments in debt instruments	-	-	-	-	50,000	729,315	559,925	1,339,240
Short-term investments (i)	-	-	-	115,272	179,257	791,600	4,450,501	5,536,630
Total	48,687	-	10,785,514	7,674,728	1,395,683	7,842,072	13,066,333	40,813,017

(i) Excludes investments in debt instruments.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2020

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

37 Financial risk management (continued)

37.1 Credit risk (continued)

Credit risk quality (continued)

External Rating	31 December 2019 (Restated, Note 39)							Carrying value in the statement of financial position
	AA+	AA	AA-	A+	A	A-	Others	
Bank balances and time deposits	50,600	3,176,516	8,022,937	18,727,643	2,574,871	3,315,234	770,449	36,638,250
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	22,417,430	3,276,141	4,002,611	3,147,398	44,588,405

(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.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2020

(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 2020			Total
	Within 1 year	Between 1-5 years	More than 5 years	
Debt (excludes lease liabilities)	2,655,087	18,401,506	16,104,843	37,161,436
Short-term borrowings	4,317,874	-	-	4,317,874
Interest on loans and borrowings (i)	704,299	2,146,292	2,007,639	4,858,230
Trade payables	17,501,240	-	-	17,501,240
Lease liabilities	1,082,385	3,365,362	1,272,291	5,720,038
Other liabilities	230,185	-	-	230,185
Obligations to acquire the remaining shares of certain subsidiaries	-	-	690,297	690,297
Financial liabilities - options rights	-	-	1,995,375	1,995,375
	26,491,070	23,913,160	22,070,445	72,474,675

(i) Excludes interest on lease

	31 December 2019 (Restated, Note 39)			Total
	Within 1 year	Between 1-5 years	More than 5 years	
Debt (excludes lease liabilities)	5,529,017	21,784,820	9,385,944	36,699,781
Short-term borrowings	1,346,996	-	-	1,346,996
Interest on loans and borrowings (i)	1,066,790	2,924,940	635,872	4,627,602
Trade payable	15,268,178	-	-	15,268,178
Lease liabilities	1,194,633	3,827,539	1,426,052	6,448,224
Other liabilities	1,532,118	-	-	1,532,118
Obligations to acquire the remaining shares of certain subsidiaries	-	-	705,743	705,743
	25,937,732	28,537,299	12,153,611	66,628,642

(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.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2020

(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. 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 is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the fluctuations of the other currencies to USD. There is no exposure of SR to USD, as the SR is 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 2020	31 December 2019 (Restated, Note 39)
Increase in EUR/SR (10%)	(183,504)	716,638
Increase in GBP/SR (10%)	(53,774)	(20,968)
Increase in CNY/SR (10%)	117,942	19,445

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2020

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

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 2020		
	EUR	GBP	CNY
Cash and bank balances (including fixed term deposits)	(3,723,023)	101,183	842,985
Trade receivables and other monetary receivables	3,977,544	265,033	444,322
Debt	-	-	-
Trade payables	(1,206,747)	(152,047)	(81,365)
Other monetary payables	(882,825)	(751,907)	(26,521)
Total net monetary exposure	(1,835,051)	(537,738)	1,179,421

	As at 31 December 2019 (Restated, Note 39)		
	EUR	GBP	CNY
Cash and bank balances (including fixed term deposits)	(1,698,140)	(190,576)	240,958
Trade receivables and other monetary receivables	5,823,644	71,020	363,088
Debt	(3,235,755)	-	-
Trade payables	(194,876)	(47,497)	(72,888)
Other monetary payables	-	(42,625)	(336,706)
Total net monetary exposure	694,873	(209,678)	194,452

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 2020 and 2019, 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 2020	
	Gains (losses) through the consolidated statement of income	
	+100 bps	-100 bps
1M SAIBOR	(164)	164
3M SAIBOR	23	(23)
6M SAIBOR	(378)	378
6M LIBOR	(120)	120

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2020

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

37 Financial risk management (continued)

37.6 Interest rate risk (continued)

	31 December 2019 (Restated, Note 39)	
	Gains (losses) through the consolidated statement of income	
	+100 bps	-100 bps
3M SAIBOR	(495)	495
6M SAIBOR	(1,080)	1,080
6M LIBOR	(3,449)	3,449

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.

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, 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 2020	31 December 2019 (Restated, Note 39)
Total liabilities	101,231,425	93,667,954
Less: Cash and bank balances	(33,156,216)	(36,639,314)
Net debt	68,075,209	57,028,640
Total equity	194,237,125	206,812,663
Debt to equity ratio as of 31 December	35%	28%

The net debt to equity ratio increased from 28% to 35% following the issuance of bonds and dividends distributions.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2020

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

38. Commitments and contingencies

38.1 Commitments

At 31 December 2020, the Group had commitments of SR 6.22 billion (31 December 2019: SR 12.27 billion) relating to capital expenditures.

SABIC has an equity contribution commitment towards its 15% interest in MWSPC. As of 31 December 2020, the outstanding commitment toward this investment amounts to SR 0.14 billion (31 December 2019: SR 0.074 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.

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.

38.2 Guarantees

SABIC has provided guarantees for bonds and certain term loans for certain subsidiaries which amounted to SR 18.0 billion as of 31 December 2020 (31 December 2019: SR 17.7 billion).

38.3 Contingent liabilities

The Group's bankers have issued, on its behalf, bank guarantees amounting to SR 2.87 billion (31 December 2019: SR 3.12 billion) in the normal course of business.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2020

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

38 Commitments and contingencies (continued)

38.4 Leases

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

	For the year ended 31 December 2020	For the year ended 31 December 2019 (Restated)
Depreciation expense of right-of-use assets (Note 8)	1,533,158	1,497,486
Interest expense on lease liabilities (Note 30)	280,364	318,993
Expense related to short-term leases	6,791	157,402
Expense related to leases of low-value assets	74,762	13,714
Variable lease payments	39,243	132,884

The Group had total cash outflows for leases of SR 1.68 billion in 2020. The Group also had non-cash additions to right-of-use assets and lease liabilities of SR 0.61 billion in 2020. The future cash outflows relating to leases are disclosed in Note 37.

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 2020	
	Minimum lease receivable	Present value
Within one year	14,694	7,385
After one year but not more than five years	77,931	35,339
More than five years	128,053	58,829
Total minimum lease receivable	220,678	101,553
Less: amounts representing finance income	(119,125)	-
Present value of minimum lease receivable	101,553	101,553
	31 December 2019 (Restated, Note 39)	
	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

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.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2020

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

39 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"), where 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.

In conformity with its previous applied 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 in the consolidated financial statements.

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 as joint arrangements in the previous periods. 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 SR 2,980 million (SADAF representing SR 1,539 million and AR-RAZI representing SR 1,441 million) and goodwill amounting of SR 8,888 million (SADAF representing SR 3,186 million and AR-RAZI representing SR 5,702 million). The impacts of this retrospective control assessment are non-cash in nature. The other change in accounting treatment is the change in accounting related to forward contracts for AR-RAZI as explained in Note 3.2.

Notes to the consolidated financial statements (continued)

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39 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 (Previously stated)
ASSETS			
Non-current assets:			
Property, plant and equipment	136,416,152	(26,574,132)	162,990,284
Right-of-use assets	6,440,506	(625,459)	7,065,965
Intangible assets	20,491,550	8,113,937	12,377,613
Investments in associates and joint ventures	38,765,203	15,414,809	23,350,394
Investment in debt instruments	1,345,592	-	1,345,592
Investment in equity	1,046,009	-	1,046,009
Deferred tax assets	711,609	-	711,609
Other non-current assets	7,741,628	1,224,559	6,517,069
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			
Share capital	30,000,000	-	30,000,000
Statutory reserve	15,000,000	-	15,000,000
General reserve	110,889,032	-	110,889,032
Other reserves	(3,265,084)	-	(3,265,084)
Retained earnings	26,097,576	9,959,616	16,137,960
Equity attributable to equity holders of the Parent	178,721,524	9,959,616	168,761,908
Non-controlling interests	28,091,139	(14,398,275)	42,489,414
Total equity	206,812,663	(4,438,659)	211,251,322
Non-current liabilities:			
Long-term debt	30,874,739	(3,585,623)	34,460,362
Lease liability	5,253,591	(513,472)	5,767,063
Employee benefits	15,810,405	(2,238,443)	18,048,848
Deferred tax liabilities	707,108	(905,641)	1,612,749
Other non-current liabilities	3,478,889	1,700,718	1,778,171
Total non-current liabilities	56,124,732	(5,542,461)	61,667,193
Current liabilities:			
Short-term borrowings	1,346,996	-	1,346,996
Current portion of long-term debt	5,675,179	(1,214,113)	6,889,292
Current portion of lease liabilities	1,194,633	(77,210)	1,271,843
Trade payables	15,268,178	2,380,003	12,888,175
Accruals and other current liabilities	10,807,885	(761,529)	11,569,414
Zakat and income tax payable	3,250,351	(231,165)	3,481,516
Total current liabilities	37,543,222	95,986	37,447,236
Total liabilities	93,667,954	(5,446,475)	99,114,429
TOTAL EQUITY AND LIABILITIES	300,480,617	(9,885,134)	310,365,751

Notes to the consolidated financial statements (continued)

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39 Restatement due to change in accounting treatment (continued)

	For the year ended 31 December 2019 (Restated)	Adjustments	For the year ended 31 December 2019 (Previously stated)
Revenue	135,396,003	(4,341,381)	139,737,384
Cost of sales	(105,991,286)	(1,774,095)	(104,217,191)
Gross profit	29,404,717	(6,115,476)	35,520,193
General and administrative expenses	(9,890,736)	786,452	(10,677,188)
Selling and distribution expenses	(9,724,876)	285,122	(10,009,998)
	9,789,105	(5,043,902)	14,833,007
Share of results of integral joint ventures	1,734,046	1,734,046	-
Income from operations	11,523,151	(3,309,856)	14,833,007
Share of results of non-integral joint ventures and associates	(1,595,349)	-	(1,595,349)
Finance income	1,057,192	(65,925)	1,123,117
Finance cost	(2,217,683)	332,390	(2,550,073)
	(1,160,491)	266,465	(1,426,956)
Other income (expenses), net	431,498	559,894	(128,396)
Income before zakat and income tax	9,198,809	(2,483,497)	11,682,306
Zakat expense	(1,941,007)	158,993	(2,100,000)
Income tax expense, net	(653,932)	465,538	(1,119,470)
Net income for the year	6,603,870	(1,858,966)	8,462,836
Attributable to:			
Equity holders of the Parent	5,198,113	(365,158)	5,563,271
Non-controlling interests	1,405,757	(1,493,808)	2,899,565
	6,603,870	(1,858,966)	8,462,836
Basic and diluted earnings per share (Saudi Riyals)			
Earnings per share from income from operations	3.84	(1.1)	4.94
Earnings per share from net income attributable to equity holders of the Parent	1.73	(0.12)	1.85
Total comprehensive income for the year	4,456,404	(1,719,439)	6,175,843
Attributable to:			
Equity holders of the Parent	3,277,059	(365,158)	3,642,217
Non-controlling interests	1,179,345	(1,354,281)	2,533,626
	4,456,404	(1,719,439)	6,175,843
Net cash from operating activities	33,829,353	(1,743,576)	35,572,929
Net cash used in investing activities	(12,359,060)	1,331,396	(13,690,456)
Net cash used in financing activities	(23,041,056)	3,246,369	(26,287,425)
Decrease in cash and cash equivalents	(1,570,763)	2,834,189	(4,404,952)

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2020

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40 Appropriations

The Annual General Assembly (“AGA”), in its meeting held on 28 Shabaan 1441H (corresponding to 21 April 2020), 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 2019, which has been recognised in equity in the consolidated financial statements for the year ended 31 December 2019. The remaining of the dividend declared of SR 6.6 billion has been recognised in the interim condensed consolidated financial statements for the period ending 30 June 2020, which was made available for distribution in May 2020. 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, which was made available for distribution in September 2020.

On 30 Rabi Thani 1442H (corresponding to 15 December 2020), the Board of Directors proposed a distribution of cash dividends for the second half of the year 2020 amounting to SR 4.5 billion (at SR 1.50 per share). The proposed dividends are subject to approval of the shareholders in the AGA in April 2021.

41 Subsequent events

On 4 January 2021 (corresponding to 20 Jamad’ul Awwal 1442H), SABIC Agri-Nutrients Company [formally Saudi Arabian Fertilizer Company (“SAFCO”)] acquired 100% of the issued share capital of SABIC Agri-Nutrients Investment Company (“SANIC”) from SABIC in consideration for the issue by SAFCO of 59,368,738 additional shares to SABIC thereby increasing the ownership by SABIC of SAFCO from 42.99% to 50.10%. Under the terms of the transaction, SABIC injected cash of SR 392 million into SANIC prior to its transfer to SAFCO and there will be an adjustment to the purchase price depending upon the levels of net working capital and net cash at completion.

In February 2021, Specialties Chemicals and SOCC merged into Petrokemya by applying the pooling of interest method.

In the opinion of management, there have been no further significant subsequent events since the period ended 31 December 2020, which would have a material impact on the financial position of the Group as reflected in these consolidated financial statements.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2020

(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 2020	% Shareholding (direct and indirect) as at 31 December 2019
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	100.00
SABIC Agri-Nutrients Investment Company ("SANIC")	KSA	100.00	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 Speciality Chemicals Company ("SP. CHEM")	KSA	100.00	100.00
Saudi Organometallic Chemicals Company ("SOCC")	KSA	100.00	50.00
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	75.00
Al-Jubail Fertiliser Company ("AL BAYRONI")	KSA	50.00	50.00
National Methanol Company ("IBN-SINA")	KSA	50.00	50.00
Arabian Industrial Fibers Company ("IBN RUSHD")	KSA	48.07	48.07
Sabic Agri-Nutrients Company ("SABIC AGRI-NUTRIENTS") (formerly: Saudi Arabian Fertilizer Company ("SAFCO"))	KSA	42.99	42.99
Saudi Kayan Petrochemical Company ("SAUDI KAYAN")	KSA	35.00	35.00
SABIC Industrial Catalyst Company ("SABCAT")	KSA	-	-
Saudi Carbon Fibre Company ("SCFC")	KSA	-	-
Saudi Japanese Acrylonitrile Company ("SHROUQ")	KSA	-	-

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 SABIC AGRI-NUTRIENTS, AL BAYRONI and IBN AL-BAYTAR that are involved in agri-nutrients business; and HADEED is involved in metal business.
- YANSAB, SABIC AGRI-NUTRIENTS and SAUDI KAYAN are public companies and listed on the Saudi Stock Exchange (Tadawul)
- During 2020, SABIC, through its 100% owned subsidiary, (PETROKEMYA), has acquired 50% of SOCC from a foreign shareholder. (Refer Note 22.1)
- Subsequent to year-end, SOCC and SP CHEM were merged into PETROKEMYA. (Refer Note 41)
- SABCAT, SCFC and SHROUQ are under liquidation.

Notes to the consolidated financial statements (continued)

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

42. Subsidiaries (continued)

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

Subsidiaries	Country of incorporation	% Shareholding (direct and indirect) as at 31 December 2020	% Shareholding (direct and indirect) as at 31 December 2019
SABIC Innovative Plastics Argentina SRL	Argentina	100.00	100.00
SHPP Argentina SRL	Argentina	100.00	100.00
SABIC Australia Pty Ltd.	Australia	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
SHPP South America —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
SHPP Canada, Inc.	Canada	100.00	100.00
SABIC Petrochemicals 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
SHPP (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 China Holding Co. Ltd.	China	100.00	100.00
SABIC Innovative Plastics Czech s.r.o.	Czech Republic	100.00	100.00
SHPP 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
SHPP Denmark Aps	Denmark	100.00	100.00
SABIC Innovative Plastics Finland Oy	Finland	100.00	100.00
SHPP 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
SHPP 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

Notes to the consolidated financial statements (continued)

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(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 2020	% Shareholding (direct and indirect) as at 31 December 2019
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
SHPP Germany 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
SHPP Hong Kong	Hong Kong	100.00	100.00
SABIC Hungary Kft.	Hungary	100.00	100.00
SABIC Innovative Plastics Kereskedelmi Kft.	Hungary	100.00	100.00
SHPP Hungary 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
High Performance Plastics India 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
SHPP Italy Srl	Italy	100.00	100.00
SHPP Sales Italy Srl	Italy	100.00	100.00
SHPP Japan LLC	Japan	100.00	100.00
SABIC Petrochemicals Japan LLC	Japan	100.00	100.00
SABIC Korea Ltd.	Korea	100.00	100.00
SHPP Korea Ltd.	Korea	100.00	100.00
SABIC Innovative Plastics Malaysia Sdn Bhd	Malaysia	100.00	100.00
SHPP 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
High Performance Plastics Manufacturing Mexico S de RL de CV	Mexico	100.00	100.00
High Performance Plastics Service Mexico S de RL de CV	Mexico	100.00	100.00
BV Snij-Unie HiFi	Netherlands	100.00	100.00
SABIC Capital B.V.	Netherlands	100.00	100.00
SABIC Capital I 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 Global Technologies 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

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2020

(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 2020	% Shareholding (direct and indirect) as at 31 December 2019
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
SHPP Holding B.V.	Netherlands	100.00	100.00
SHPP Global Technologies B.V.	Netherlands	100.00	100.00
SHPP Ventures B.V.	Netherlands	100.00	100.00
SHPP Capital B.V.	Netherlands	100.00	100.00
SHPP Capital I B.V.	Netherlands	100.00	100.00
SHPP Capital II B.V.	Netherlands	100.00	100.00
SHPP B.V.	Netherlands	100.00	100.00
SHPP Sales 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
SHPP Poland Sp. Z o.o.	Poland	100.00	100.00
LLC SABIC Eastern Europe	Russia	100.00	100.00
SABIC Innovative Plastics Rus OOO	Russia	100.00	100.00
SHPP Russia OOO	Russia	100.00	100.00
SABIC Innovative Plastics (SEA) Pte. Ltd.	Singapore	100.00	100.00
SABIC Innovative Plastics Holding Singapore Pte. Ltd.	Singapore	100.00	100.00
SHPP Singapore Pte. Ltd.	Singapore	100.00	100.00
SABIC Asia Pacific Pte Ltd	Singapore	100.00	100.00
SHPP Slovakia s.r.o.	Slovakia	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
SHPP Manufacturing SL	Spain	100.00	100.00
SHPP Marketing Spain SL	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

Notes to the consolidated financial statements (continued)

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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 2020	% Shareholding (direct and indirect) as at 31 December 2019
SABIC Thailand Co. Ltd.	Thailand	100.00	100.00
SHPP Petrokimya Ticaret Ltd Sirketi	Turkey	100.00	100.00
SABIC Global Ltd.	UK	100.00	100.00
SABIC Tees Holdings Ltd.	UK	100.00	100.00
SHPP Manufacturing 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
SHPP Sales UK Ltd.	UK	100.00	100.00
Exatec, LLC	US	100.00	100.00
Mt. Vernon Phenol Plant Partnership	US	51.00	51.00
SABIC Americas Inc.	US	100.00	100.00
SABIC US Holdings 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 Americas Growth LLC	US	100.00	100.00
SABIC US Methanol LLC	US	100.00	100.00
SHPP US LLC	US	100.00	100.00
SABIC Uruguay SA	Uruguay	100.00	100.00
SABIC Vietnam Ltd.	Vietnam	100.00	100.00
SHPP Vietnam Co Ltd	Vietnam	100.00	100.00
Black Diamonds Structures, LL;	US	-	50.10

Notes:

- 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. This investment has been sold dated 2 February 2020.
- During 2020, SABIC has completed the carve-out project that impacted the structure of the SLUX legal entities and business model. 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 resulted in the creation of approximately 36 additional legal entities.

Notes to the consolidated financial statements (continued)

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42. Subsidiaries (continued)

42.2 SIIC Group Subsidiaries

	Country of incorporation	% Shareholding (direct and indirect) as at 31 December 2020	% Shareholding (direct and indirect) as at 31 December 2019
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	99.00
SABIC Terminal Services Company ("SABTANK")	KSA	90.00	90.00
Jubail Chemical Storage and Services Company ("CHEMTANK")	KSA	75.00	75.00

Note:

- 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.

Notes to the consolidated financial statements (continued)

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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 2020	% Shareholding (direct and indirect) as at 31 December 2019
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	31.50	24.99
Saudi Acrylic Butanol Company ("SABUCO")	KSA	Petrochemical	33.33	33.33
ARG mbH & Co KG ("ARG")	Germany	Supply Chain	25.00	20.00
Joint Ventures				
Sinopec Sabic Tianjin Petrochemical Company ("SSTPC")	China	Petrochemical	50.00	50.00
SABIC SK Nexelene Company ("SSNC")	Singapore	Petrochemical	50.00	50.00
Cosmar Inc. ("COSMAR")	USA	Petrochemical	50.00	50.00
Saudi Yanbu Petrochemical Company ("YANPET")	KSA	Petrochemical	50.00	50.00
Al-Jubail Petrochemical Company ("KEMYA")	KSA	Petrochemical	50.00	50.00
Eastern Petrochemical Company ("SHARQ")	KSA	Petrochemical	50.00	50.00
Advance Energy Storage System Company ("AESSC")	KSA	Petrochemical	43.00	100.00
SABIC Plastic Energy Advanced Recycling BV ("SABIC PLASTIC ENERGY")	Netherlands	Petrochemical	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
Saudi Methacrylates Company ("SAMAC")	KSA	Petrochemical	50.00	50.00

Notes to the consolidated financial statements (continued)

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43. Investment in associates and joint arrangements (continued)

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 and increase its investment by 6.51% in 2020. (Note 10.1)
- AESSC is a Limited Liability Company, and it was wholly owned by NUSANED. During 2020, the part of ownership has been transferred to the shareholder GEBR. SCHMID GMBH, located in Germany.
- SABIC PLASTIC ENERGY is a joint venture and engaged in plastic recycling, located in Sittard-Geleen, the Netherlands.
- 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.
 - SAMAC is a Limited Liability Company, registered in KSA and involved in production and selling of Methyl Methacrylate (MMA) and Poly Methyl Methacrylate (PMMA).

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.