



SAUDI BASIC INDUSTRIES CORPORATION (SABIC) AND ITS SUBSIDIARIES

(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS PERIODS ENDED 30 SEPTEMBER 2018
AND INDEPENDENT AUDITOR'S REVIEW REPORT

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CHEMISTRY THAT MATTERS™

SAUDI BASIC INDUSTRIES CORPORATION (SABIC) AND ITS SUBSIDIARIES
(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS PERIODS ENDED 30 SEPTEMBER 2018

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**Independent auditor's review report on the interim condensed consolidated financial statements to the shareholders of Saudi Basic Industries Corporation (SABIC)
(A Saudi Joint Stock Company)**

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Saudi Basic Industries Corporation ("SABIC") and its subsidiaries (collectively with SABIC referred to as "the Group") as at 30 September 2018, and the related interim condensed consolidated statements of income and comprehensive income, for the three and nine months periods ended 30 September 2018, and the related interim condensed consolidated statements of changes in equity and cash flows for the nine months period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34") endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" endorsed in the Kingdom of Saudi Arabia. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 endorsed in the Kingdom of Saudi Arabia.

for Ernst & Young

Rashid S. AlRashoud
Certified Public Accountant
License No. (366)



Riyadh: 19 Safar 1440H
(28 October 2018)

SAUDI BASIC INDUSTRIES CORPORATION (SABIC) AND ITS SUBSIDIARIES
(A Saudi Joint Stock Company)

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

| | <i>Notes</i> | As at 30 September 2018 | As at 31 December 2017 |
|---|--------------|----------------------------|---------------------------|
| ASSETS | | | |
| Non-current assets: | | | |
| Property, plant and equipment | | 163,451,605 | 167,355,911 |
| Intangible assets | | 13,163,278 | 13,542,397 |
| Investment in associates and joint ventures | 6.1 | 25,973,998 | 14,304,140 |
| Deferred tax assets | | 1,218,609 | 1,518,599 |
| Other non-current assets | 5 | 8,783,685 | 7,970,904 |
| Total non-current assets | | 212,591,175 | 204,691,951 |
| Current assets: | | | |
| Inventories | | 28,267,825 | 26,062,995 |
| Trade receivables | | 25,705,561 | 22,609,432 |
| Prepayments and other current assets | | 5,452,921 | 5,701,316 |
| Short-term investments | | 25,444,008 | 4,351,072 |
| Cash and bank balances | | 36,837,173 | 59,038,656 |
| Total current assets | | 121,707,488 | 117,763,471 |
| TOTAL ASSETS | | 334,298,663 | 322,455,422 |
| EQUITY AND LIABILITIES | | | |
| Equity attributable to equity holders of the Parent | | 169,165,000 | 163,921,633 |
| Non-controlling interests | | 48,799,205 | 46,216,859 |
| Total equity | | 217,964,205 | 210,138,492 |
| Non-current liabilities: | | | |
| Long-term debt | | 40,705,862 | 41,624,732 |
| Employee benefits | | 16,363,699 | 17,635,036 |
| Deferred tax liabilities | | 2,154,160 | 2,597,059 |
| Other non-current liabilities | | 2,277,872 | 2,160,697 |
| Total non-current liabilities | | 61,501,593 | 64,017,524 |
| Current liabilities: | | | |
| Short-term borrowings and current portion of long-term debt | 6.3 | 22,032,385 | 16,438,456 |
| Trade payables and other current liabilities | | 32,800,480 | 31,860,950 |
| Total current liabilities | | 54,832,865 | 48,299,406 |
| Total liabilities | | 116,334,458 | 112,316,930 |
| TOTAL EQUITY AND LIABILITIES | | 334,298,663 | 322,455,422 |

AP


Executive Vice President Corporate Finance


Chief Executive Officer


Authorised Board of Directors Member

The notes on page 8 to 19 form an integral part of these interim condensed consolidated financial statements.

SAUDI BASIC INDUSTRIES CORPORATION (SABIC) AND ITS SUBSIDIARIES
(A Saudi Joint Stock Company)

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

| | Notes | For the three months period ended 30 September | | For the nine months period ended 30 September | |
|---|-------|--|-------------------|---|-------------------|
| | | 2018 | 2017 | 2018 | 2017 |
| Sales | | 43,711,932 | 38,678,748 | 128,858,126 | 109,437,729 |
| Cost of sales | 6.2 | (28,813,564) | (25,091,722) | (83,907,953) | (72,002,691) |
| Gross profit | | 14,898,368 | 13,587,026 | 44,950,173 | 37,435,038 |
| General and administrative expenses | 6.2 | (2,488,835) | (2,552,846) | (7,615,430) | (7,518,720) |
| Selling and distribution expenses | 6.2 | (2,454,309) | (2,531,412) | (7,609,247) | (7,492,252) |
| Income from operations | | 9,955,224 | 8,502,768 | 29,725,496 | 22,424,066 |
| Share of results of associates and joint ventures | | 327,168 | 384,458 | 1,023,468 | 1,130,662 |
| Finance cost, net | | (333,892) | (246,409) | (886,648) | (721,358) |
| Other (expense) income, net | | (65,680) | 9,301 | (182,882) | 273,940 |
| Income before zakat and income tax | | 9,882,820 | 8,650,118 | 29,679,434 | 23,107,310 |
| Zakat expense | | (650,000) | (650,000) | (1,950,000) | (1,950,000) |
| Income tax expense | | (164,000) | (483,409) | (1,010,000) | (1,183,409) |
| Net income for the period | | 9,068,820 | 7,516,709 | 26,719,434 | 19,973,901 |
| Attributable to: | | | | | |
| Equity holders of the Parent | | 6,097,894 | 5,787,547 | 18,301,292 | 14,727,762 |
| Non-controlling interests | | 2,970,926 | 1,729,162 | 8,418,142 | 5,246,139 |
| | | 9,068,820 | 7,516,709 | 26,719,434 | 19,973,901 |
| Basic and diluted earnings per share (Saudi Riyals): | | | | | |
| Earnings per share from income from operations | | 3.32 | 2.83 | 9.91 | 7.47 |
| Earnings per share from net income attributable to equity holders of the Parent | | 2.03 | 1.93 | 6.10 | 4.91 |


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Chief Executive Officer


Authorised Board of Directors Member

The notes on page 8 to 19 form an integral part of these interim condensed consolidated financial statements

SAUDI BASIC INDUSTRIES CORPORATION (SABIC) AND ITS SUBSIDIARIES
(A Saudi Joint Stock Company)

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

| | For the three months period ended 30 September | | For the nine months period ended 30 September | |
|--|---|------------------|--|-------------------|
| | 2018 | 2017 | 2018 | 2017 |
| Net income for the period | 9,068,820 | 7,516,709 | 26,719,434 | 19,973,901 |
| Other comprehensive income | | | | |
| <i>Items that will not be reclassified to the consolidated statement of income (net of tax):</i> | | | | |
| - Re-measurement gain (loss) on defined benefit plans and others | 95,847 | (684,034) | 614,867 | (678,435) |
| <i>Items that will be reclassified to the consolidated statement of income (net of tax):</i> | | | | |
| - Exchange difference on translation of foreign operations and others | (253,735) | 800,338 | (995,542) | 2,775,456 |
| Share of other comprehensive income of associates and joint ventures | (106,153) | (91,027) | 282,296 | 53,168 |
| Movement of other comprehensive income | (264,041) | 25,277 | (98,379) | 2,150,189 |
| Total comprehensive income for the period | 8,804,779 | 7,541,986 | 26,621,055 | 22,124,090 |
| Attributable to: | | | | |
| Equity holders of the Parent | 5,835,044 | 5,938,203 | 18,102,752 | 17,003,330 |
| Non-controlling interests | 2,969,735 | 1,603,783 | 8,518,303 | 5,120,760 |
| | 8,804,779 | 7,541,986 | 26,621,055 | 22,124,090 |


Executive Vice President Corporate Finance


Chief Executive Officer


Authorised Board of Directors Member

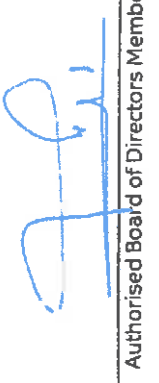
SAUDI BASIC INDUSTRIES CORPORATION (SABIC) AND ITS SUBSIDIARIES
(A Saudi Joint Stock Company)

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

| | Attributable to the equity holders of the Parent | | | | | | | |
|---|--|-------------------|-----------------|----------------|-------------------|--------------|---------------------------|--------------|
| | Share capital | Statutory reserve | General reserve | Other reserves | Retained earnings | Total | Non-controlling interests | Total equity |
| Balance as at 1 January 2017 | 30,000,000 | 15,000,000 | 110,889,032 | (5,307,983) | 6,953,960 | 157,535,009 | 44,544,030 | 202,079,039 |
| Net income for the period | - | - | - | - | 14,727,762 | 14,727,762 | 5,246,139 | 19,973,901 |
| Other comprehensive income | - | - | - | 2,275,568 | - | 2,275,568 | (125,379) | 2,150,189 |
| Total comprehensive income | - | - | - | 2,275,568 | 14,727,762 | 17,003,330 | 5,120,760 | 22,124,090 |
| Dividends, net | - | - | - | - | (12,000,000) | (12,000,000) | (4,481,002) | (16,481,002) |
| Acquisition of non-controlling interest | - | - | - | - | (739,795) | (739,795) | (2,335,205) | (3,075,000) |
| Balance as at 30 September 2017 | 30,000,000 | 15,000,000 | 110,889,032 | (3,032,415) | 8,941,927 | 161,798,544 | 42,848,583 | 204,647,127 |
| Balance as at 31 December 2017 | 30,000,000 | 15,000,000 | 110,889,032 | (2,249,663) | 10,282,264 | 163,921,633 | 46,216,859 | 210,138,492 |
| Adoption of IFRS 9 and IFRS 15 (note 4) | - | - | - | 389,025 | (48,410) | 340,615 | 1,539 | 342,154 |
| Balance as at 1 January 2018 | 30,000,000 | 15,000,000 | 110,889,032 | (1,860,638) | 10,233,854 | 164,262,248 | 46,218,398 | 210,480,646 |
| Net income for the period | - | - | - | - | 18,301,292 | 18,301,292 | 8,418,142 | 26,719,434 |
| Other comprehensive income | - | - | - | (198,540) | - | (198,540) | 100,161 | (98,379) |
| Total comprehensive income | - | - | - | (198,540) | 18,301,292 | 18,102,752 | 8,518,303 | 26,621,055 |
| Dividends, net (note 8) | - | - | - | - | (13,200,000) | (13,200,000) | (5,937,496) | (19,137,496) |
| Balance as at 30 September 2018 | 30,000,000 | 15,000,000 | 110,889,032 | (2,059,178) | 15,335,146 | 169,165,000 | 48,799,205 | 217,964,205 |


Executive Vice President Corporate Finance


Chief Executive Officer


Authorised Board of Directors Member

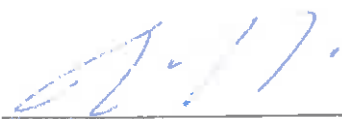
The notes on page 5 to 10 form an integral part of these interim condensed consolidated financial statements.


SAUDI BASIC INDUSTRIES CORPORATION (SABIC) AND ITS SUBSIDIARIES
(A Saudi Joint Stock Company)

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

| | Notes | For the nine months period ended 30 September | |
|--|-------|--|---------------------|
| | | 2018 | 2017 |
| Operating activities: | | | |
| Income before zakat and income tax | | 29,679,434 | 23,107,310 |
| <i>Adjustment to reconcile income before zakat and tax to net cash inflow from operating activities:</i> | | | |
| Depreciation, amortisation and impairment | | 11,548,725 | 11,604,750 |
| Finance costs | | 1,932,354 | 1,684,647 |
| Share of results of associates and joint ventures | | (1,023,468) | (1,130,662) |
| Provisions and other movements, net | | 164,913 | 299,578 |
| <i>Changes in operating assets and liabilities:</i> | | | |
| Decrease in other non-current assets | | 370,770 | 283,333 |
| Working capital changes | | (4,121,747) | (2,586,797) |
| (Decrease) increase in employee benefits | | (1,080,131) | 366,274 |
| Increase (decrease) in other non-current liabilities | | 119,153 | (209,092) |
| Cash from operations | | 37,590,003 | 33,419,341 |
| Finance cost paid | | (1,252,183) | (993,922) |
| Zakat and income tax paid | | (3,353,820) | (2,904,508) |
| Net cash from operating activities | | 32,984,000 | 29,520,911 |
| Investing activities: | | | |
| Purchase of tangible and intangible assets, net | | (9,271,185) | (10,099,178) |
| Short-term investments, net | | (20,676,886) | 12,737,679 |
| Other assets movements | | 77,744 | (5,435) |
| Investment in associates and joint ventures, net | 6.1 | (10,467,531) | 12,597 |
| Net cash (used in) from investing activities | | (40,337,858) | 2,645,663 |
| Financing activities: | | | |
| Proceeds from debt | 6.3 | 15,294,270 | 1,161,475 |
| Debt and lease repayments | | (10,775,490) | (4,973,216) |
| Dividends, net | | (19,377,111) | (15,681,367) |
| Acquisition of non-controlling interests | | - | (3,075,000) |
| Net cash used in financing activities | | (14,858,331) | (22,568,108) |
| Net (decrease) increase in cash and cash equivalents | | (22,212,189) | 9,598,466 |
| Cash and cash equivalents at the beginning of the period | | 57,973,656 | 40,247,740 |
| Cash and cash equivalents at the end of the period | | 35,761,467 | 49,846,206 |
| Cash and bank balances | | 36,837,173 | 49,846,206 |
| Less: bank overdrafts | | (1,075,706) | |
| Cash and cash equivalents | | 35,761,467 | 49,846,206 |

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Executive Vice President Corporate Finance


Chief Executive Officer


Authorised Board of Directors Member

The notes on page 8 to 19 form an integral part of these interim condensed consolidated financial statements.

SAUDI BASIC INDUSTRIES CORPORATION (SABIC) AND ITS SUBSIDIARIES
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS PERIODS ENDED 30 SEPTEMBER 2018
(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). SABIC is 70% owned by the Government of the Kingdom of Saudi Arabia ("KSA") and 30% by the private sector. The registered office is located at Qurtubah district, P.O. Box 5101, Riyadh 11422, KSA.

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

The interim condensed consolidated financial statements of the Group for the three and nine months periods ended 30 September 2018 were authorised for issue in accordance with a resolution of the Board of Directors on 27 October 2018.

2. Basis of preparation

These interim condensed consolidated financial statements for the three and nine months periods ended 30 September 2018 have been prepared in accordance with International Accounting Standard 34 '*Interim Financial Reporting*' ("IAS 34") as endorsed in the KSA and other standards and pronouncements that are issued by the Saudi Organization for Certified Public Accountants ("SOCPA").

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements and should therefore be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2017.

Certain prior periods' figures have been reclassified to conform to the current period's presentation.

3. Summary of significant accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in preparing the Group's annual consolidated financial statements for the year ended 31 December 2017, except for the adoption of International Financial Reporting Standard 9 '*Financial Instruments*' ("IFRS 9") and IFRS 15 '*Revenue from Contracts with Customers*' ("IFRS 15") on their effective date 1 January 2018.

IFRS 9 replaces IAS 39 '*Financial Instruments: Recognition and Measurement*' ("IAS 39") bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting. IFRS 15 replaces IAS 18 '*Revenue*' ("IAS 18") which covers revenue arising from the sale of goods and the rendering of services. The accounting policies affected by these new standards are disclosed below.

The Group has not early adopted any new standard, interpretation or amendment that has been issued but which are not yet effective.

3.1 Financial instruments

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 Other Comprehensive Income ("OCI").

3. Summary of significant accounting policies (continued)

3.1 Financial instruments (continued)

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.

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

Debt instruments

The Group recognises three classifications to subsequently measure its debt instruments:

- *Amortised cost*
Financial assets held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest (SPPI), are measured at amortised cost. A gain or loss on a debt investment subsequently measured at amortised cost, and not part of a hedging relationship, is recognised in the consolidated statement of income when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.
- *Fair Value through Other Comprehensive Income ("FVOCI")*
Financial assets held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses, which are recognised in the consolidated statement of income. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI, is reclassified from equity to the consolidated statement of income and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other income/expense.
- *Fair Value through Income Statement ("FVIS")*
Financial assets that do not meet the criteria for subsequent recognition at amortised cost or FVOCI are measured at fair value through income statement. 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.

Equity instruments

The Group 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 Group's right to receive payments is established. There shall be no subsequent reclassification of changes in fair value through the consolidated statement of income.

3. Summary of significant accounting policies (continued)

3.1 Financial instruments (continued)

De-recognition

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

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

Impairment

The Group assesses on a forward looking basis the Expected Credit Losses ("ECL") associated with its debt instruments as part of its financial assets, which are carried at amortised cost and FVOCI. The ECL is based on a 12-month ECL and a life time ECL. The 12-month ECL is the portion of lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. For accounts receivables, the Group applies the simplified approach, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

3.2 Revenue recognition

Revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer, when control of a good or service transfers to a customer.

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.

Specific recognition criteria described below must be met before revenue is recognised. Where there are no specific criteria, above policy will apply and revenue is recorded as earned and accrued.

Sales revenue

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

Rights of return

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

Allocation of performance obligations

In certain instances, the Group determines delivery services as separately identifiable and distinct from the sale of goods. Revenues on these services are recognized 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.

3. Summary of significant accounting policies (continued)

3.2 Revenue recognition (continued)

Sales revenue (continued)

Variable pricing – preliminary pricing

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

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

All other updates to the preliminary price is recorded against revenue with the additional receivable amount recorded under a contract asset or contract liability. Such contract asset or liability is derecognised 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, if deemed necessary. 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.

Under IFRS 15, 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.

3.3 Significant accounting estimates, assumptions and judgements

By adopting IFRS 9, the Group is required to make judgements about:

- The regional and business related risk profiles of the Group's customers to assess the expected credit losses on trade receivables.
- The basis to determine the fair value of its equity investments, in reference to similar kind of investments being sold in the market. The selection of the investments to determine the basis requires judgement by management to recognise equity investments at fair value through other comprehensive income. For fair value determination, these investments qualify as level 3 items.

For IFRS 15, management is required to make judgement and estimation of revenue and timing of when the logistic revenue has been provided to the Group's customers.

4. Adoption of IFRS 9 and IFRS 15

4.1 IFRS 9 - Financial Instruments

The Group adopted the new standard and has not restated comparative information. The difference between the carrying amounts of the financial assets resulting from adopting IFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2018 under IFRS 9. The financial liabilities are not affected.

The following assessments have been made based on the facts and circumstances at the date of initial application:

- The determination of the business model within which a financial asset is held
- The designation and revocation of previous designated financial assets as measured at FVIF
- The designation of certain investments in equity instruments not held for trading as FVOCI
- The designation of debt instruments as financial assets at amortised cost

The following table shows changes in measurement and classification of the different categories in accordance with IAS 39 and the new measurement and classification categories in accordance with IFRS 9 for the Group's financial assets as per 1 January 2018:

| | Measurement under IAS 39 | Measurement under IFRS 9 | Carrying value under IAS 39 | Carrying value under IFRS 9 | Changes on adoption of IFRS 9 |
|---|-----------------------------|-----------------------------|--------------------------------|--------------------------------|-------------------------------------|
| Financial assets: | | | | | |
| Held-to-maturity investments ^A | Amortised cost | FVIF | 375,000 | 388,404 | 13,404 |
| Held-to-maturity investments * | Amortised cost | Amortised cost | 2,680,161 | 2,680,161 | - |
| Available-for-sale financial assets ^A | Cost | FVOCI | 696,243 | 1,085,543 | 389,300 |
| Trade receivables | Amortised cost | Amortised cost ** | 22,609,432 | 22,569,822 | (39,610) |
| Other receivables | Amortised cost | Amortised cost | 2,001,134 | 2,011,288 | 10,154 |

^A Held-to-maturity investments and available-for-sale financial assets have been classified as investments in debt instruments and investment in equity instruments respectively (note 5).

** Trade receivables includes certain receivables with provisional pricing that qualifies for FVIF.

4. Adoption of IFRS 9 and IFRS 15 (continued)

4.2 IFRS 15 - Revenue from Contracts with Customers

The Group adopted IFRS 15 resulting in a change in the revenue recognition of contracts with customers. The Group opted for the modified retrospective approach for the adoption without change in comparative financial information presented and has deferred revenue allocated to the logistic services.

4.3 Comparative financial information

The adoption of IFRS 9 and IFRS 15 has resulted in a change in the non-controlling interests, other reserves and retained earnings as follows:

| | Non- controlling interests | Other reserves | Retained earnings |
|--|----------------------------------|-------------------|----------------------|
| Balance as at 31 December 2017 | 46,216,859 | (2,249,663) | 10,282,264 |
| <i>IFRS 9 adjustments</i> | | | |
| - Re-measurement of investments at FVOCI | - | 389,300 | - |
| - Re-measurement of investments at FVIS | - | - | 13,404 |
| - Recognition of provision based on ECL | 1,539 | - | (30,995) |
| - Recognition of related currency translation and deferred taxes | - | (275) | 8,616 |
| | 1,539 | 389,025 | (8,975) |
| <i>IFRS 15 adjustment</i> | | | |
| Deferral of revenue relating to logistic services | - | - | (39,435) |
| Total IFRS 9 and 15 adjustments | 1,539 | 389,025 | (48,410) |
| Opening balance as at 1 January 2018 (restated) | 46,218,398 | (1,860,638) | 10,233,854 |

5. Other non-current assets

| | As at 30 September 2018 | As at 31 December 2017 |
|---|----------------------------|---------------------------|
| Held to maturity investments (note 4) | - | 3,055,161 |
| Available-for-sale investments (note 4) | - | 696,243 |
| Investments in equity instruments at FVOCI | 1,085,282 | - |
| Investments in debt instruments at FVIS | 388,404 | - |
| Investments in debt instruments at amortised cost | 2,157,655 | - |
| Others | 5,152,344 | 4,219,500 |
| | 8,783,685 | 7,970,904 |

6. Significant matters during the period

6.1 Acquisition of a stake in Clariant AG

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

Due to prevailing law and regulations, the Preliminary Purchase price Allocation (PPA) is based on public available information only. The consideration paid amounted to USD 2.89 billion. As part of the initial PPA, goodwill has been determined at approximately USD 1.3 billion, which is subject to further assessment of the fair value of the (net) assets of Clariant during next 12 months. The market price of Clariant share was Swiss Francs (CHF) 25.54/- each as at 30 September 2018.

6.2 Strategic workforce optimization initiative

As a result of a strategic workforce optimization initiative in the first quarter of 2018, the Group has recorded a non-recurring restructuring expense of SR 1.38 billion, which is mainly related to severance cost. This strategic initiative is expected to reduce the Group's cost base going forward.

6.3 Period funding

The Group is engaged in several global strategic growth initiatives. As a result, the Group has entered into a bridge loan amounting to SR 11.25 billion on 26 January 2018, with an interest rate of LIBOR plus 30 bps which matures on 3 February 2019.

6.4 Fair value measurement

Derivative financial instruments, amounting to SR 28.60 million (as at 31 December 2017: SR 26.81 million) are valued at fair value and classified as Level 2 measurement.

Due to the adoption of IFRS 9, the measurement of the available-for-sale financial assets under IAS 39, changed from cost to FVOCI (note 4 and note 5). Since the valuation performed using a significant non-observable input, the fair value is classified as a level 3 measurement.

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

| <i>Valuation technique</i> | <i>Significant unobservable input</i> | <i>Range</i> |
|----------------------------|--|----------------------|
| Market approach | • Equity value to EBITDA multiple | 7.9 to 13.1 |
| | • Midpoint of Net Asset Value and Price to Book multiple | 0.76 |
| Net Asset Value approach | Point estimate of distributable cash and cash equivalents and net assets | USD 12.3 to USD 13.3 |
| Expected Returns approach | Equity value to Revenue multiple | 0.73 |

At 30 September 2018, the fair values of Group's other financial assets and financial liabilities approximate the carrying value.

6. Significant matters during the period (continued)

6.5 Related party transactions and balances

The significant related party transactions and balances are broken down as follows:

| | Sales to related parties | Purchases from related parties | Amounts owed by related parties | Amounts owed to related parties | Loans to related parties | Loans from related parties |
|-----------------------------|--|--------------------------------|---------------------------------|---------------------------------|--------------------------|----------------------------|
| | For the period ended 30 September 2018 | | As at 30 September 2018 | | As at 30 September 2018 | |
| Associates | 11,151 | 4,379,141 | 58,568 | 50,720 | 35,135 | - |
| Joint ventures and partners | 10,652,892 | 494,122 | 3,190,697 | 93,747 | 739,125 | 2,513,743 |
| | For the period ended 30 September 2017 | | As at 31 December 2017 | | As at 31 December 2017 | |
| Associates | 127,690 | 3,985,861 | 201,453 | 157,464 | 62,135 | - |
| Joint ventures and partners | 8,040,265 | 305,899 | 2,976,637 | 40,614 | 752,715 | 2,491,245 |

7 Segment information

For management purposes, the Group is organised into four segments which based on its products are grouped in three reporting segments. The performance of a segment is evaluated based on net income and is measured consistently. Intersegment revenue may generally be recorded either at values that approximate third-party selling prices or at prices mutually agreed by management of the segments. Transfer prices between operating segments are on an arm's length basis. The segments' financial details are shown below:

| | For the three months period ended 30 September 2018 | | | | | |
|---|---|------------------|-----------|------------|------------------------------|--------------|
| | Petro-chemicals/ Specialties | Agri - nutrients | Metals | Corporate | Eliminations/ adjustments | Consolidated |
| Sales | 55,092,352 | 1,699,896 | 2,526,604 | 26,902,714 | (42,509,634) | 43,711,932 |
| Depreciation, amortisation and impairment | (3,541,365) | (202,262) | (270,706) | (199,940) | - | (4,214,273) |
| Finance (cost) / income, net | (1,185,891) | (6,837) | (22,830) | 793,339 | 88,327 | (333,892) |
| Other income / (expenses), net | 263,518 | (20,208) | (10,515) | 31,105 | (329,580) | (65,680) |
| Share of results of associates and joint ventures | 254,845 | 43,804 | - | 72,323 | (43,804) | 327,168 |
| Zakat and income tax | (417,290) | (47,305) | (30,000) | (319,405) | - | (814,000) |
| Net income attributable to equity holders of the Parent | 7,453,351 | 669,125 | 10,062 | 6,245,398 | (8,280,042) | 6,097,894 |

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7 Segment information (continued)

| | For the three months period ended 30 September 2017 | | | | | |
|---|---|------------------|-----------|------------|------------------------------|--------------|
| | Petro-chemicals/ Specialties | Agri - nutrients | Metals | Corporate | Eliminations/ Adjustments | Consolidated |
| Sales | 48,770,971 | 1,150,652 | 2,376,325 | 22,248,453 | (35,867,653) | 38,678,748 |
| Depreciation, amortisation and impairment | (3,517,339) | (180,054) | (235,415) | (57,113) | - | (3,989,921) |
| Finance (cost) / income, net | (938,456) | (4,776) | (33,277) | 1,927,515 | (1,197,415) | (246,409) |
| Other income / (expenses), net | 281,615 | 7,187 | (108,834) | 234,251 | (404,918) | 9,301 |
| Share of results of associates and joint ventures | 321,341 | 23,027 | - | 63,137 | (23,047) | 384,458 |
| Zakat and income tax | (855,775) | (23,691) | (13,500) | (240,443) | - | (1,133,409) |
| Net income attributable to equity holders of the Parent | 7,878,943 | 273,772 | (164,025) | 7,566,232 | (9,767,375) | 5,787,547 |

| | For the nine months period ended 30 September 2018 | | | | | |
|---|--|------------------|-----------|-------------|------------------------------|--------------|
| | Petro-chemicals/ Specialties | Agri - nutrients | Metals | Corporate | Eliminations/ adjustments | Consolidated |
| Sales | 158,987,856 | 4,509,458 | 8,660,102 | 75,549,758 | (118,849,048) | 128,858,126 |
| Depreciation, amortisation and impairment | (9,919,232) | (583,343) | (757,764) | (288,386) | - | (11,548,725) |
| Finance (cost) / income, net | (3,358,899) | (19,940) | (81,611) | 2,418,483 | 155,319 | (886,648) |
| Other income / (expenses), net | 569,842 | (20,544) | (8,945) | 310,224 | (1,033,459) | (182,882) |
| Share of results of associates and joint ventures | 787,048 | 83,616 | - | 236,420 | (83,616) | 1,023,468 |
| Zakat and income tax | (1,564,615) | (73,755) | (90,000) | (1,231,630) | - | (2,960,000) |
| Net income attributable to equity holders of the Parent | 24,087,792 | 1,485,544 | 173,341 | 19,020,627 | (26,466,012) | 18,301,292 |

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7 Segment information (continued)

| | For the nine months period ended 30 September 2017 | | | | | |
|---|--|--------------------|-----------|-------------|------------------------------|--------------|
| | Petro- chemicals/ Specialties | Agri- nutrients | Metals | Corporate | Eliminations/ adjustments | Consolidated |
| Sales | 132,734,711 | 3,700,014 | 6,313,513 | 62,716,844 | (96,027,353) | 109,437,729 |
| Depreciation, amortisation and impairment | (10,150,325) | (531,686) | (724,276) | (198,463) | - | (11,604,750) |
| Finance (cost) / income, net | (2,982,385) | (7,842) | (92,846) | 4,460,901 | (2,099,186) | (721,358) |
| Other income / (expenses), net | 907,275 | 7,874 | (151,447) | 617,416 | (1,107,178) | 273,940 |
| Share of results of associates and joint ventures | 928,043 | 72,612 | - | 202,639 | (72,632) | 1,130,662 |
| Zakat and income tax | (1,754,109) | (44,731) | (61,000) | (1,273,569) | - | (3,133,409) |
| Net income attributable to equity holders of the Parent | 19,892,258 | 1,078,990 | (681,214) | 17,385,174 | (22,947,446) | 14,727,762 |

| | As at 30 September 2018 | | | | | |
|--|----------------------------------|---------------------|------------|-------------|------------------------------|--------------|
| | Petro- chemicals/ Specialties | Agri - nutrients | Metals | Corporate | Eliminations/ adjustments | Consolidated |
| Total assets | 282,356,559 | 13,480,585 | 18,967,623 | 226,100,143 | (206,606,247) | 334,298,663 |
| Investment in associates and joint ventures | 19,329,648 | 660,359 | - | 6,643,862 | (659,871) | 25,973,998 |
| Net additions (disposal) to non-current assets (i) | 6,515,817 | 505,389 | 358,553 | (828,775) | - | 6,550,984 |
| Total liabilities | 173,973,239 | 2,425,253 | 5,538,525 | 51,862,688 | (117,465,247) | 116,334,458 |

| | As at 31 December 2017 | | | | | |
|--|-------------------------------------|------------------|------------|-------------|------------------------------|--------------|
| | Petro- chemicals/ Specialties | Agri - nutrients | Metals | Corporate | Eliminations/ adjustments | Consolidated |
| Total assets | 262,321,789 | 12,968,454 | 19,338,137 | 220,337,241 | (192,510,199) | 322,455,422 |
| Investment in associates and joint ventures | 7,839,776 | 599,380 | - | 6,428,512 | (563,528) | 14,304,140 |
| Net additions (disposal) to non-current assets (i) | 9,302,765 | 493,839 | 286,188 | (576,409) | - | 9,506,383 |
| Total liabilities | 161,565,734 | 2,305,018 | 6,155,208 | 51,789,552 | (109,498,582) | 112,316,930 |

(i) Primarily includes property, plant and equipment.

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7 Segment information (continued)

Geographical distribution of sales

| | For the three months period ended 30 September 2018 | | For the three months period ended 30 September 2017 | |
|--------------|---|-------------|---|-------------|
| | | | | |
| KSA | 6,215,815 | 14% | 5,176,841 | 13% |
| China | 7,698,412 | 18% | 6,436,563 | 17% |
| Rest of Asia | 9,431,950 | 22% | 8,496,615 | 22% |
| Europe | 10,007,916 | 23% | 9,175,629 | 24% |
| Americas | 3,493,656 | 8% | 2,994,880 | 8% |
| Others | 6,864,183 | 15% | 6,398,220 | 16% |
| | 43,711,932 | 100% | 38,678,748 | 100% |

| | For the nine months period ended 30 September 2018 | | For the nine months period ended 30 September 2017 | |
|--------------|--|-------------|--|-------------|
| | | | | |
| KSA | 19,325,364 | 15% | 15,433,244 | 14% |
| China | 23,045,860 | 18% | 18,100,125 | 17% |
| Rest of Asia | 27,293,145 | 21% | 23,885,196 | 22% |
| Europe | 30,663,342 | 24% | 26,738,697 | 24% |
| Americas | 10,812,092 | 8% | 9,440,358 | 9% |
| Others | 17,718,323 | 14% | 15,840,109 | 14% |
| | 128,858,126 | 100% | 109,437,729 | 100% |

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

Geographical distribution of property, plant and equipment

| | As at 30 September 2018 | | As at 31 December 2017 | |
|----------|-------------------------|-------------|------------------------|-------------|
| | | | | |
| KSA | 139,095,572 | 85% | 143,163,921 | 86% |
| Europe | 14,028,098 | 9% | 15,086,965 | 9% |
| Americas | 8,757,911 | 5% | 7,383,489 | 4% |
| Asia | 1,567,906 | 1% | 1,718,893 | 1% |
| Others | 2,118 | - | 2,643 | - |
| | 163,451,605 | 100% | 167,355,911 | 100% |

8 Appropriations

The Annual General Assembly ("AGA"), in its meeting held on 1 Shabaan 1439H (corresponding to 17 April 2018), approved cash dividends of SR 12.6 billion (SR 4.2 per share) which includes the interim cash dividends amounting to SR 6 billion (SR 2 per share) for the first half of 2017. The AGA also approved Board of Directors' remuneration of SR 1.8 million that is charged to general and administrative expenses.

On 20 Ramadan 1439H (corresponding to 5 June 2018), SABIC declared interim cash dividends for the first half of the year 2018 amounting to SR 6.6 billion (at SR 2.2 per share).

The aforementioned appropriations have been reflected in these interim condensed consolidated financial statements for the period ended 30 September 2018, excluding interim dividend of SR 6 billion for the first half of 2017, which had already been accounted for in the consolidated financial statements for the year ended 31 December 2017.

9 Subsequent events

In October 2018, SABIC Capital II BV, a wholly owned entity by SABIC Luxemburg S.a.r.l., (which is a wholly owned subsidiary of SABIC), issued a 5 year and 10 year USD 1 billion bond each, equivalent to total SR 7.5 billion. These bonds are unsecured and carry coupon rates of 4% and 4.5% for those maturing in 5 and 10 years, respectively. The bonds are issued in accordance with Rule 144A/Reg S offering requirements under the U.S. Securities Act of 1933, as amended. The bonds are listed on the Irish Stock Exchange (Euronext Dublin) and the proceeds have been used for refinancing recently maturing debt.

In the opinion of management, there have been no further significant subsequent events since the period ended 30 September 2018 that would have a material impact on the financial position of the Group as reflected in these interim condensed consolidated financial statements.