

CHEMISTRY THAT MATTERS™



SAUDI BASIC INDUSTRIES CORPORATION (SABIC)

(A SAUDI JOINT STOCK COMPANY)

ANNUAL CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023 AND
INDEPENDENT AUDITOR'S REPORT



CONTENTS

Independent auditor's report	3	15. Financial assets and financial Liabilities	60	37. Capital management	103
Consolidated statement of financial position	9	16. Inventories	64	38. Commitments and contingencies	103
Consolidated statement of income	10	17. Trade receivables	64	39. Appropriations	104
Consolidated statement of comprehensive income	11	18. Cash and cash equivalents	66	40. Subsequent events	104
Consolidated statement of changes in equity	12	19. Share capital	67	41. Subsidiaries and investments in associates and joint arrangements	105
Consolidated statement of cash flows	13	20. Reserves	68		
Notes to the consolidated financial statements	15	21. Non-controlling interests	69		
1. Corporate information	15	22. Debt	72		
2. Basis of preparation	15	23. Employee benefits	74		
3. Significant accounting estimates, assumptions and judgements	17	24. Provisions	83		
4. Changes in accounting policies	21	25. Other liabilities	84		
5. IFRS issued but not yet effective	21	26. Trade payables	85		
6. Material Accounting Policy Information	22	27. Revenue	85		
7. Property, plant and equipment	37	28. Expenses	85		
8. Right-of-use assets	40	29. Other operating income and expenses	86		
9. Intangible assets	42	30. Finance income and cost	87		
10. Investments in associates and joint ventures	45	31. Zakat and income tax	88		
11. Investments in debt instruments and short-term investments	57	32. Basic and diluted earnings per share	92		
12. Investments in equity instruments	58	33. Related party transactions and balances	92		
13. Derivative financial instruments	58	34. Discontinued operation	94		
14. Other assets and receivables	59	35. Segment information	96		
		36. Financial risk management	98		



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

(A Saudi Joint Stock Company)

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Saudi Basic Industries Corporation ("SABIC" or the "Company") and its subsidiaries (together the "Group") as at 31 December 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2023;
- the consolidated statement of income for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



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

Independence

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

Our audit approach

Overview

Key audit matter	• Impairment assessment of property, plant and equipment
------------------	----------------------------------------------------------

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

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Independent auditor’s report to the shareholders of Saudi Basic Industries Corporation (SABIC) (continued)

Key audit matter	How our audit addressed the Key audit matter
<p><i>Impairment assessment of property, plant and equipment</i></p> <p>As at 31 December 2023, the consolidated statement of financial position includes property, plant and equipment amounting to Saudi Riyals (SR) 115.1 billion. At each reporting date, management assesses whether there is any indication that its Cash-Generating Units (CGUs) of property, plant and equipment may be impaired.</p> <p>If indicators are identified, management estimates the recoverable amounts for the relevant CGUs. At 31 December 2023, management identified impairment indicators relating to certain CGUs and carried out an exercise to calculate the recoverable amounts of these CGUs.</p> <p>The recoverable amounts were determined based on value-in-use calculations derived using discounted cash flow models. The models were based on the most recent financial plans and included 5-year projection periods with terminal value projections thereafter.</p> <p>Based on the exercise, an impairment loss of SR 941 million was recorded relating to certain Polymers CGU in the Petrochemical segment for the year ended 31 December 2023.</p> <p>We considered this to be a key audit matter for property, plant and equipment CGUs where impairment indicators were identified given the significant judgement and estimates involved in determining recoverable amounts and the uncertainty inherent in the underlying forecasts and assumptions. The key inputs and assumptions in determining the recoverable amounts included the cash flows projections, terminal values, and discount rates.</p> <p><i>Refer to Note 3.1.1, Note 6.9 and Note 7 to the consolidated financial statements for further information.</i></p>	<p>Our procedures included the following:</p> <ul style="list-style-type: none">• We considered the appropriateness of management’s determination of CGUs, based on the requirements of International Accounting Standard (“IAS”) 36 ‘Impairment of Assets’, that is endorsed in the Kingdom of Saudi Arabia.• We considered the reasonableness of management’s assessments of impairment indicators considering our knowledge of internal and external factors.• With input from internal valuation experts, where considered necessary, we performed the following procedures on management’s value-in-use calculations, as deemed appropriate:<ul style="list-style-type: none">- Assessed the reasonableness of the assumptions used in the cash flow projections;- Assessed the reasonableness of the approach and inputs used to determine the terminal values;- Evaluated the reasonableness of the discount rates used by cross-checking the underlying assumptions against observable market data;- Tested the mathematical accuracy and logical integrity of the value-in-use calculations; and- Tested management’s sensitivity analyses that considered the impact of changes in assumptions on the outcome of the impairment assessments.• We considered the appropriateness of the related accounting policies and disclosures in the consolidated financial statements.



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

Other information

Management is responsible for the other information. The other information comprises the Integrated Annual Report but does not include the consolidated financial statements and our auditor's report thereon, which 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 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 Integrated Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, and the applicable requirements of the Regulations for Companies and the Company's By-laws, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, i.e. the Board of Directors, are responsible for overseeing the Group's financial reporting process.



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

Auditor's responsibilities for the audit of the consolidated financial statements

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

As part of an audit in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.



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

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

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

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

PricewaterhouseCoopers

Bader I. Benmohareb
License No. 471
29 February 2024



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

All amounts in thousands of Saudi Riyals unless otherwise stated

As at 31 December	Note	2023	2022
Assets			
Non-current assets			
Property, plant and equipment	7	115,122,579	126,797,000
Right-of-use assets	8	5,578,572	6,306,719
Intangible assets	9	19,763,009	20,012,764
Investments in associates and joint ventures	10	41,237,301	41,686,763
Investments in debt instruments	11	332,458	448,265
Investments in equity instruments	12	236,485	235,419
Deferred tax assets	31	1,749,286	781,596
Derivative financial instruments	13	3,745,176	2,687,250
Other assets and receivables	14	6,011,266	7,332,661
Total non-current assets		193,776,132	206,288,437
Current assets			
Inventories	16	18,332,223	28,224,642
Trade receivables	17	19,295,374	23,923,727
Other assets and receivables	14	5,295,155	5,930,721
Short-term investments	11	9,842,617	8,678,959
Cash and cash equivalents	18	32,414,996	40,059,331
		85,180,365	106,817,380
Assets held for sale	34	15,423,954	–
Total current assets		100,604,319	106,817,380
Total assets		294,380,451	313,105,817

As at 31 December	Note	2023	2022
Equity and liabilities			
Equity			
Share capital	19	30,000,000	30,000,000
Statutory reserve	20	–	15,000,000
General reserve	20	110,889,032	110,889,032
Other reserves	20	(1,576,557)	(1,931,155)
Retained earnings		28,116,139	32,088,421
Equity attributable to equity holders of the Parent		167,428,614	186,046,298
Non-controlling interests	21	27,853,926	31,570,961
Total equity		195,282,540	217,617,259
Non-current liabilities			
Debt	22	23,255,179	21,543,556
Lease liabilities	22	4,622,459	5,469,463
Employee benefits	23	12,894,392	14,074,900
Deferred tax liabilities	31	814,942	903,549
Derivative financial instruments	13	2,011,144	2,928,610
Provisions	24	1,090,489	861,398
Other liabilities	25	1,608,940	1,513,405
Total non-current liabilities		46,297,545	47,294,881
Current liabilities			
Short-term borrowings	22	2,414,233	915,839
Current portion of debt	22	2,301,534	5,979,853
Current portion of lease liabilities	22	903,362	904,614
Trade payables	26	20,087,016	22,537,990
Provisions*	24	1,175,962	82,032
Other liabilities*	25	18,198,349	14,782,282
Income tax payable	31	604,302	830,304
Zakat payable	31	1,414,718	2,160,763
		47,099,476	48,193,677
Liabilities directly associated with assets held for sale	34	5,700,890	–
Total current liabilities		52,800,366	48,193,677
Total liabilities		99,097,911	95,488,558
Total equity and liabilities		294,380,451	313,105,817





EVP Corporate Finance CEO Chairman of the Board of Directors

*Refer respective note regarding the comparatives

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

CONSOLIDATED STATEMENT OF INCOME

All amounts in thousands of Saudi Riyals unless otherwise stated

For the years ended 31 December	Note	2023	2022
Revenue	27	141,537,187	183,076,594
Cost of sales	28	(119,463,105)	(141,754,850)
Gross profit		22,074,082	41,321,744
General and administrative expenses	28	(9,119,995)	(8,741,422)
Research and development expenses	28	(1,893,085)	(1,855,959)
Selling and distribution expenses	28	(7,751,912)	(10,699,090)
Results from integral joint ventures	10	931,459	1,722,383
Other operating income	29	1,237,303	1,430,690
Other operating expenses	29	(1,757,459)	(270,473)
Income from operations		3,720,393	22,907,873
Results from associates and non-integral joint ventures	10	(208,457)	2,683,994
Finance income*	30	3,626,328	1,408,320
Finance cost*	30	(2,614,650)	(1,887,806)
Income before zakat and income tax		4,523,614	25,112,381
Zakat expense	31	(1,269,160)	(1,830,246)
Income tax benefit (expense)	31	438,208	(533,170)
Net income from continuing operations		3,692,662	22,748,965
Net (loss) income from discontinued operation	34	(4,076,939)	743,858
Net (loss) income		(384,277)	23,492,823

For the years ended 31 December	Note	2023	2022
Net income from continuing operations			
Attributable to:			
• Equity holders of the Parent		1,304,657	15,785,864
• Non-controlling interests		2,388,005	6,963,101
		3,692,662	22,748,965
Net (loss) income			
Attributable to:			
• Equity holders of the Parent		(2,772,282)	16,529,722
• Non-controlling interests		2,388,005	6,963,101
		(384,277)	23,492,823
Basic and diluted earnings per share from net (loss) income attributable to equity holders of the Parent (Saudi Riyals)			
	32		
• Net income from continuing operations		0.43	5.26
• Net (loss) income		(0.92)	5.51

*Refer respective note regarding the comparatives

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

All amounts in thousands of Saudi Riyals unless otherwise stated

For the years ended 31 December	Note	2023	2022
Net (loss) income		(384,277)	23,492,823
Other comprehensive income			
<i>Items that will not be reclassified subsequently to the consolidated statement of income</i>			
• Re-measurement (loss) gain on defined benefit plans	23	(555,672)	4,517,015
• Share of other comprehensive income of associates and joint ventures	10, 20	128,501	188,662
• Net change on revaluation of investments in equity instruments classified as fair value through other comprehensive income	20	(2,384)	3,617
• Tax benefit (expense)	31	5,925	(157,261)
		(423,630)	4,552,033
<i>Items that will be reclassified subsequently to the consolidated statement of income</i>			
• Exchange difference on translation	20	538,423	(1,668,537)
• Share of other comprehensive income (loss) of associates and joint ventures	10, 20	329,008	(610,495)
		867,431	(2,279,032)
Net movement of other comprehensive income		443,801	2,273,001
Total comprehensive income		59,524	25,765,824

For the years ended 31 December	2023	2022
Total comprehensive (loss) income		
Attributable to:		
• Equity holders of the Parent	(2,417,684)	18,225,929
• Non-controlling interests	2,477,208	7,539,895
	59,524	25,765,824
Total comprehensive (loss) income attributable to equity holders of the Parent		
• Continuing operations	1,799,263	16,695,685
• Discontinued operation	(4,216,947)	1,530,244
	(2,417,684)	18,225,929

 EVP Corporate Finance
  CEO
  Chairman of the Board of Directors

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

All amounts in thousands of Saudi Riyals unless otherwise stated

	Note	Attributable to the equity holders of the Parent					Non-controlling interests	Total equity
		Share capital	Statutory reserve	General reserve	Other reserves	Retained earnings		
Balance as at 1 January 2022		30,000,000	15,000,000	110,889,032	(3,542,781)	27,794,542	180,140,793	211,833,298
Net income		-	-	-	-	16,529,722	16,529,722	23,492,823
Other comprehensive income		-	-	-	1,696,207	-	1,696,207	2,273,001
Total comprehensive income		-	-	-	1,696,207	16,529,722	18,225,929	25,765,824
Changes in shareholdings of subsidiaries	21	-	-	-	-	(4,924)	(4,924)	(229,884)
Derecognition of options	13	-	-	-	-	1,184,500	1,184,500	-
Derecognition of investments through OCI	12, 20	-	-	-	(84,581)	84,581	-	-
Dividends and others	39	-	-	-	-	(13,500,000)	(13,500,000)	(19,751,979)
Balance as at 31 December 2022		30,000,000	15,000,000	110,889,032	(1,931,155)	32,088,421	186,046,298	217,617,259
Balance as at 1 January 2023		30,000,000	15,000,000	110,889,032	(1,931,155)	32,088,421	186,046,298	217,617,259
Net (loss) income		-	-	-	-	(2,772,282)	(2,772,282)	(384,277)
Other comprehensive income		-	-	-	354,598	-	354,598	443,801
Total comprehensive income (loss)		-	-	-	354,598	(2,772,282)	(2,417,684)	59,524
Transfer of statutory reserve	20	-	(15,000,000)	-	-	15,000,000	-	-
Dividends and others	39	-	-	-	-	(16,200,000)	(16,200,000)	(22,394,243)
Balance as at 31 December 2023		30,000,000	-	110,889,032	(1,576,557)	28,116,139	167,428,614	195,282,540



EVP Corporate Finance



CEO



Chairman of the Board of Directors

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

CONSOLIDATED STATEMENT OF CASH FLOWS

All amounts in thousands of Saudi Riyals unless otherwise stated

For the years ended 31 December	Note	2023	2022
Operating activities			
Income (loss) before zakat and income tax			
• from continuing operations		4,523,614	25,112,381
• from discontinued operation	34	(3,961,642)	875,795
Adjustment to reconcile income before zakat and income tax to net cash from operating activities:			
• Depreciation of property, plant and equipment	7	12,414,684	12,128,112
• Depreciation of right-of-use assets	8	1,348,817	1,526,642
• Amortisation of intangible assets and other assets		450,874	502,934
• Impairments and write-offs of property, plant and equipment	7	1,844,422	532,968
• Fair value re-measurement on assets held for sale	34	2,931,042	–
• Results of associates and non-integral joint ventures	10	208,457	(2,683,443)
• Results of integral joint ventures	10	(931,459)	(1,722,383)
• Loss on disposals of property, plant and equipment		41,059	73,069
• Finance income*	30	(3,644,535)	(1,409,077)
• Finance costs*	30	2,785,876	1,983,404
Change in operating assets and liabilities:			
Decrease in other non-current assets and receivables		488,482	1,338,342
Decrease in inventories		5,988,176	396,636
Decrease in trade receivables		1,863,250	2,406,377
Decrease in other current assets and receivables		47,093	132,991
Increase (decrease) in other non-current liabilities		334,951	(818,557)
Increase (decrease) in provisions		1,323,021	(9,246)
Decrease in trade payables		(1,921,939)	(3,611,135)
Increase in employee benefits		526,145	544,315
Decrease in other current liabilities		(750,824)	(342,582)
		25,909,564	36,957,543

* Refer respective note regarding the comparatives.

For the years ended 31 December	Note	2023	2022
Dividend received from integral joint ventures	10	1,787,474	2,537,993
Interest received		1,738,327	653,075
Interest paid		(1,989,138)	(973,904)
Zakat and income tax paid	31	(2,993,307)	(3,364,576)
Net cash from operating activities		24,452,920	35,810,131

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated

For the years ended 31 December	Note	2023	2022
Investing activities			
Purchase of property, plant and equipment		(10,456,518)	(10,111,785)
Purchase of investments in equity instruments	12	(29,770)	(32,670)
Proceeds on the maturity of investments in debt		286,978	214,940
Additions of intangible assets	9	(36,757)	(111,897)
Proceeds from sale of property, plant and equipment		81,168	28,176
Capital contribution and acquisition in associates and joint ventures	10	(1,467,340)	(748,785)
Consideration paid for step acquisition	10	–	(401,625)
Dividend received from associates and non-integral joint ventures	10	1,136,841	1,292,788
Proceeds from sale and divestiture of equity investments	10, 12	101,621	828,735
Short-term investments, net		(1,380,968)	(3,524,910)
Net cash used in investing activities		(11,764,745)	(12,567,033)

For the years ended 31 December	Note	2023	2022
Financing activities			
Proceeds from debt	18	9,000,000	3,945,868
Repayment of debt	18	(9,706,174)	(7,715,165)
Lease payments	18	(1,480,851)	(1,846,934)
Changes in shareholdings of subsidiaries	21	–	(229,881)
Dividends paid to shareholders	18	(11,400,961)	(13,468,495)
Dividends paid to non-controlling interests	18	(5,316,568)	(6,103,341)
Net cash used in financing activities		(18,904,554)	(25,417,948)
Decrease in cash and cash equivalents		(6,216,379)	(2,174,850)
Net foreign exchange loss on cash and cash equivalents		(27,381)	(92,061)
Cash and cash equivalents at the beginning of the year	18	40,039,135	42,306,046
Cash and cash equivalents at the end of the year	18	33,795,375	40,039,135
Cash and cash equivalents	18	32,414,996	40,059,331
Cash and cash equivalents (included in assets held for sale)	34	1,383,646	–
Less: Short-term borrowings (bank overdrafts)		(3,267)	(20,196)
Cash and cash equivalents at the end of the year		33,795,375	40,039,135
Cash flows of discontinued operation	34		





EVP Corporate Finance CEO Chairman of the Board of Directors

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

All amounts in thousands of Saudi Riyals unless otherwise stated

1. CORPORATE INFORMATION

Saudi Basic Industries Corporation (“SABIC” or “the Parent”) is a Saudi Joint Stock Company established pursuant to Royal Decree Number M/66 dated 13 Ramadan 1396H (corresponding to 6 September 1976) registered in Riyadh under commercial registration No. 1010010813 dated 14 Muharram 1397H (corresponding to 4 January 1977). The registered office is located at Qurtubah district, P.O. Box 5101, Riyadh 11422, Kingdom of Saudi Arabia (“KSA”).

Saudi Arabian Oil Company (“Saudi Aramco”) owns 70% of SABIC through one of its subsidiaries, “Aramco Chemicals Company”. The Saudi Arabian Government is largest shareholder by 90.19% direct shareholding in Saudi Aramco. The remaining 30% of SABIC shares are held by the private sector.

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

The consolidated financial statements of the Group for the year ended 31 December 2023 were authorised for issue in accordance with a resolution of the Board of Directors on 27 February 2024.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and its interpretations as endorsed in KSA and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants (“SOCPA”) (collectively referred to as “IFRS as endorsed in KSA”).

The Group has prepared these consolidated financial statements on the basis that it will continue to operate as a going concern.

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at measurement date, regardless whether that price is directly observable or estimated using another technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability, if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for leasing transactions that are within the scope of IFRS 16 ‘Leases’, and measurements that have some similarities to fair value but are not, such as net realizable value in IAS 2 ‘Inventories’, value in use in IAS 36 ‘Impairment of Assets’ or net present value for employee benefits in IAS 19 ‘Employee Benefits’.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated

2. BASIS OF PREPARATION (CONTINUED)

2.1 BASIS OF CONSOLIDATION

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

Consolidation of a subsidiary begins when SABIC obtains control over the subsidiary and ceases when SABIC loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed during the period are included in the consolidated financial statements from the date SABIC gains control until the date SABIC ceases to control the subsidiary. Refer Note 3.2.3 for judgements applied by SABIC to assess control. SABIC re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to the elements of control.

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

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

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

2.2 FOREIGN CURRENCIES

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

TRANSACTIONS AND BALANCES

Transactions in foreign currencies are initially recognised by the Group's entities at their respective functional currencies' spot rates at transaction date. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised in the consolidated statement of income.

Non-monetary items that are measured at historical cost in a foreign currency are recognised using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are recognised using the exchange rates at the date when the fair value is applied. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item. Foreign exchange gains and losses that relate to debt/borrowings, cash and cash equivalents and short-term investments are presented in the consolidated statement of income within finance income or finance costs. All other foreign exchange gains and losses are presented in the consolidated statement of income within other operating income or expenses.

GROUP'S COMPANIES

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated

2. BASIS OF PREPARATION (CONTINUED)

2.2 FOREIGN CURRENCIES (CONTINUED)

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

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

	2023		2022	
	Spot rates at 31 December	Average rates	Spot rates at 31 December	Average rates
– USD	3.75	3.75	3.75	3.75
– Euro	4.14	4.06	4.01	3.95
– GBP	4.77	4.66	4.54	4.64
– CNY	0.53	0.53	0.54	0.56

3. SIGNIFICANT ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

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

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

Other disclosures relating to the Group's exposure to risks and uncertainties include:

- capital management, financial instrument risk management and policies (refer Notes 37 and 36); and
- sensitivity analysis disclosures (refer Note 36).

3.1 ESTIMATES AND ASSUMPTIONS

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

3.1.1 IMPAIRMENT OF NON-FINANCIAL ASSETS (REFER NOTE 7)

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 approved budget and business plan for the next five years and do not include restructuring activities or significant future investments that will enhance the performance of the CGU being tested or other initiatives that the Group is not yet committed to. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated

3. SIGNIFICANT ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (CONTINUED)

3.1 ESTIMATES AND ASSUMPTIONS (CONTINUED)

3.1.2 INCREMENTAL BORROWING RATE FOR LEASE AGREEMENTS (REFER NOTES 8 AND 22)

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

3.1.3 MEASUREMENT OF FINANCIAL INSTRUMENTS (REFER NOTES 11, 12, 13, 15 AND 17)

The Group is required to make judgements about the basis to determine the fair value of its investments in equity instruments or financial derivatives, in reference to similar kind of investments being sold in the market. The selection of the investments or derivatives to determine the basis

requires judgement by management to recognise investments in equity instruments and financial derivatives. For fair value determination, these investments qualify as Level 2 or 3 (refer Note 2).

3.1.4 PROVISIONS (REFER NOTE 24)

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

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

Provisions for onerous contracts involve management's best estimate for the amount/measurement of unavoidable costs.

3.1.5 DEFINED EMPLOYEE BENEFIT PLANS (REFER NOTE 23)

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

Defined benefit obligations are discounted at a rate set by reference to relevant market yields at the end of the reporting period on high quality corporate or government bonds, if there is no deep market in such high quality corporate bonds. Significant judgement is required when setting the criteria for bonds to be included in the population from which the yield curve is derived. The most significant criteria considered for the selection of bonds include the size of the bonds, quality of the corporate bonds and the identification of outliers which are excluded, if any.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated

3. SIGNIFICANT ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (CONTINUED)

3.1 ESTIMATES AND ASSUMPTIONS (CONTINUED)

3.1.6 ACCOUNTING FOR INCOME TAX (REFER NOTE 31)

As part of the process of preparing consolidated financial statements, the Group estimates income tax in each of the jurisdictions it operates. This process involves estimating current and deferred tax expenses. Temporary differences result in deferred tax assets and liabilities, which are included in the consolidated statement of financial position. Deferred tax assets and liabilities are carried at nominal value.

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

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

3.1.7 INVESTMENTS IN EQUITY INSTRUMENTS (REFER NOTES 12 AND 13)

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

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

FINANCIAL DERIVATIVES ON EQUITY INSTRUMENTS

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

Due to the nature of these derivatives, the fair values of financial assets and financial liabilities recognised in the consolidated statement of financial position cannot be measured based on quoted prices in active markets. Therefore, their fair value is measured using valuation techniques. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing

fair values. Judgements include considerations of inputs such as liquidity risk, credit risk, volatility and dividend yield. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments (refer Note 15).

EQUITY INVESTMENTS MEASURED AT FAIR VALUE LESS COSTS OF DISPOSAL

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated

3. SIGNIFICANT ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (CONTINUED)

3.2 CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING STANDARDS

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

3.2.1 PRINCIPAL VS AGENT CONSIDERATION FOR THE SALE OF GOODS

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

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

3.2.2 PRINCIPAL VS AGENT CONSIDERATION FOR LOGISTICS SERVICES

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

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

3.2.3 DETERMINATION OF CONTROL, JOINT CONTROL AND SIGNIFICANT INFLUENCE

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

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

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

3.2.4 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated

3. SIGNIFICANT ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (CONTINUED)

3.2 CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING STANDARDS (CONTINUED)

3.2.4 DETERMINING THE LEASE TERM OF CONTRACTS WITH RENEWAL AND TERMINATIONS OPTIONS (CONTINUED)

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

4. CHANGES IN ACCOUNTING POLICIES

The amendments to IFRS, which are relevant to the Group and that have been applied on 1 January 2023 by the Group are described below:

4.1 IAS 8 'DEFINITION OF ACCOUNTING ESTIMATES'

Amendments to IAS 8 '*Definition of accounting estimates*' clarifies the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. The amendments also clarify how measurement techniques and inputs to develop accounting estimates should be used.

4.2 AMENDMENTS TO IAS 1 AND IFRS PRACTICE STATEMENT 2

The IASB amended IAS 1 '*Presentation of Financial Statements*' which requires entities to disclose their material rather than their significant accounting policies. The amendments define what is material accounting policy information and explain how to identify when accounting policy information is material.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023. The Group has applied the amendments in the current period and these amendments have no material impact on these consolidated financial statements.

4.3 IAS 12 'INCOME TAXES, INTERNATIONAL TAX REFORM – PILLAR TWO MODEL RULES'

Amendments to IAS 12 '*Income Taxes, International Tax Reform – Pillar Two Model Rules*' was issued on 23 May 2023 and is to be applied from 1 January 2023. This amendment introduced an exception to the accounting treatment of deferred taxes. An entity will not recognize and will not disclose information about deferred tax assets and liabilities related to the Pillar Two taxes, established under an OECD Inclusive Framework. Multinational groups with consolidated revenues over EUR 750 million will be required to top-up their income taxes in each jurisdiction to a minimum effective tax rate of 15%. The exception for deferred taxes has been applied since issuance of the IAS 12 amendments on 23 May 2023. The remaining disclosure requirements are applicable for annual reporting periods beginning on or after 1 January 2024.

5. IFRS ISSUED BUT NOT YET EFFECTIVE

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

AMENDMENTS TO IAS 1: CLASSIFICATION OF LIABILITIES AS CURRENT OR NON-CURRENT

The amendments published in 2020 and 2022 respectively, clarify that the classification of liabilities as current or non-current is based solely on a company's right to defer settlement for at least 12 months at the reporting date. The right needs to exist at the reporting date and must have substance. Only covenants with which a company must comply on or before the reporting date may affect this right. Covenants to be complied with after the reporting date do not affect the classification of a liability as current or non-current at the reporting date.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024. The amendment will not affect the Group's classification of current and non-current liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated

6. MATERIAL ACCOUNTING POLICY INFORMATION

The material accounting policies adopted by the Group in preparing these consolidated financial statements are applied consistently and are elaborated below including amendments to IFRS as elaborated in Note 4 that have to be applied from 1 January 2023 onwards.

6.1 BUSINESS COMBINATIONS AND GOODWILL

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

When the Group acquires a business, it assesses the financial assets acquired and financial liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. Any contingent

consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument is measured at fair value with the changes in fair value recognised in the consolidated statement of income or OCI.

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

After initial recognition, goodwill is measured at cost less any accumulated impairment losses, if applicable. For the purpose of impairment testing, goodwill acquired in a business combination is, from acquisition date, allocated to each of the Group's CGUs that are expected to benefit from synergies of 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated

6. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

6.2 INVESTMENTS IN ASSOCIATES AND JOINT ARRANGEMENTS

INVESTMENTS IN ASSOCIATES

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

INVESTMENTS IN JOINT ARRANGEMENTS

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

- *Joint operations*

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

- *Joint ventures*

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

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

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

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

services. All other joint ventures are classified as non-integral joint ventures. Share of results of non-integral joint ventures is recognised separately as results from non-integral joint ventures.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated

6. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

6.2 INVESTMENTS IN ASSOCIATES AND JOINT ARRANGEMENTS (CONTINUED)

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

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

6.3 CURRENT VERSUS NON-CURRENT CLASSIFICATION

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

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

All other assets are classified as non-current.

A liability is current when:

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

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

The Group classifies all other liabilities as non-current.

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

6.4 ZAKAT AND TAX

ZAKAT

Zakat is levied based on adjusted income subject to zakat and the zakat base in accordance with the Regulations of the Zakat, Tax and Customs Authority ("ZATCA") in KSA. The zakat provision is charged to the consolidated statement of income. Differences, if any, resulting from the final assessments are adjusted in the period of their finalisation.

CURRENT INCOME TAX

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated

6. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

6.4 ZAKAT AND TAX (CONTINUED)

UNCERTAIN ZAKAT AND TAX POSITIONS

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

DEFERRED TAX

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

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

6.5 PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

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

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

6.6 RIGHT-OF-USE ASSETS

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated

6. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

6.7 LEASES

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

GROUP AS LESSEE

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

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

SHORT-TERM AND LOW VALUE ASSETS' LEASES

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

VARIABLE LEASE PAYMENTS

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

EXTENSION AND TERMINATION OPTIONS

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

GROUP AS A LESSOR

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

6.8 INTANGIBLE ASSETS

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated

6. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

6.8 INTANGIBLE ASSETS (CONTINUED)

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

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

Amortisation of the intangible asset begins when development is complete and the asset is available for its intended use. It is amortised over the period of expected future benefits. The amortisation or impairment losses on intangible assets are recognised in the consolidated statement of income in the expense category that is consistent with the function the intangible asset serves. During the period of development, the asset is tested for impairment annually.

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

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

6.9 IMPAIRMENT OF NON-CURRENT ASSETS

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

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

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

Impairment losses of continuing operations are recognised in the consolidated statement of income in those expense categories consistent with the function of the impaired asset.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated

6. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

6.10 FINANCIAL ASSETS

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

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

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

Loans 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.

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

INITIAL MEASUREMENT

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

SUBSEQUENT MEASUREMENT

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

- Financial assets at amortised cost (Debt Instruments)

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated

6. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

6.10 FINANCIAL ASSETS (CONTINUED)

- 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.

IMPAIRMENT

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

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

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

6.11 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated

6. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

6.11 FINANCIAL LIABILITIES (CONTINUED)

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

SUBSEQUENT MEASUREMENT

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

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

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

TRADE AND OTHER PAYABLES

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

FINANCIAL GUARANTEE CONTRACTS

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

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

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.

6.12 OPTIONS AND FORWARD CONTRACTS ON (OWN) EQUITY INSTRUMENTS

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

PUT AND CALL OPTIONS

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated

6. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

6.12 OPTIONS AND FORWARD CONTRACTS ON (OWN) EQUITY INSTRUMENTS (CONTINUED)

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

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

FORWARD SHARE PURCHASE CONTRACTS

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

6.13 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.

6.14 INVENTORIES

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

6.15 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash at banks and fixed term 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. Fixed term deposits with an original maturity of greater than three months but less than twelve-months, are included as part of short-term investments.

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

6.16 CASH DIVIDEND PAID TO EQUITY HOLDERS OF THE PARENT

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

6.17 PROVISIONS

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated

6. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

6.17 PROVISIONS (CONTINUED)

ENVIRONMENTAL AND REMEDIATION COSTS

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

ONEROUS CONTRACTS

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost meeting its obligation under the contract. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

ASSET DEMOLISHING AND SITE RESTORATION COSTS

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

6.18 EMPLOYEE BENEFITS

LONG-TERM EMPLOYEE BENEFITS OBLIGATIONS

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

contribution and defined benefit plans, and post-employment medical and life insurance plans for eligible employees and their dependents.

DEFINED CONTRIBUTION PLANS

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

DEFINED BENEFIT PLANS

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

END OF SERVICE BENEFITS AND PENSION PLANS

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated

6. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

6.18 EMPLOYEE BENEFITS (CONTINUED)

When the fair value of plan assets exceeds the DBO, the Group assesses whether asset ceiling should be applied; if not, the net balance will be presented as other non-current financial assets

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

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

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

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

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

EMPLOYEE SAVING PLAN

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

EMPLOYEE HOME OWNERSHIP PROGRAM ("HOP")

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated

6. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

6.18 EMPLOYEE BENEFITS (CONTINUED)

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 initially at fair value and subsequently 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 receivables from employees.

6.19 REVENUE RECOGNITION

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

For certain revenue contracts, an intermediary is used to provide the goods and services. The Group assesses whether it is an agent or principal in these arrangements. The Group acts as a principal when it controls the specified

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

SALES REVENUE

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

RIGHTS OF RETURN

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

ALLOCATION OF PERFORMANCE OBLIGATIONS

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

PROVISIONAL PRICING

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

VARIABLE PRICING – VOLUME REBATES

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated

6. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

6.19 REVENUE RECOGNITION (CONTINUED)

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

RENDERING OF SERVICES

LOGISTIC SERVICES

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

RENTAL INCOME

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

6.20 RESEARCH AND DEVELOPMENT EXPENSES

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

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

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

6.21 FINANCE INCOME

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

6.22 FINANCE COST

Finance expense is recognised for interest portion paid to the lender of all financial instruments measured at amortised cost. Finance expense is also recognised for the time value of money considered while discounting the liability to its present value. The finance expense is recognised using the EIR for liabilities measured at amortised cost. EIR is the rate that discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial liability. Typical financial instruments include bonds, conventional notes, murabaha, etc. Additionally, the finance expense also includes time value of money for all the lease liabilities recognised. For the purpose of consolidated statement of cash flows, finance cost paid is presented as part of the operating activities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated

6. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

6.23 DISPOSAL GROUPS HELD FOR SALE AND DISCONTINUED OPERATIONS

A discontinued operation is a component of the entity that has been classified as held for sale and that represents a separate major line of business and is part of a single co-ordinated plan to dispose of such a line of business. Group of non-current assets under such discontinued operation, referred as disposal group is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. Such disposal group is measured at the lower of the carrying amount and fair value less costs to sell.

An impairment loss is recognised for any initial or subsequent write-down of the disposal group to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of the disposal group, but not in excess of any cumulative impairment loss previously recognised. Non-current assets that are part of a disposal group are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

The assets of a disposal group classified as held for sale are presented separately from the other assets in consolidated statement of financial position. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the consolidated statement of financial position. The results of discontinued operations are presented separately in the consolidated statement of income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated

7. PROPERTY, PLANT AND EQUIPMENT

	For the year ended 31 December 2023					
	Land and buildings	Plant and equipment (i)	Furniture and fixtures	Vehicles	Assets under construction	Total
Cost:						
As at the beginning of the year	31,900,190	270,377,143	1,153,531	726,232	13,670,959	317,828,055
Additions	267,259	3,576,231	1,377	2,826	6,649,878	10,497,571
Transfers (ii)	277,561	5,420,012	12,252	49,849	(5,329,901)	429,773
Disposals and retirements	(228,598)	(2,514,369)	(69,824)	(47,523)	(82,216)	(2,942,530)
Reclassified to assets held for sale	(3,867,922)	(21,404,347)	(49,814)	(69,270)	(741,366)	(26,132,719)
Foreign currency translation adjustment	147,255	1,137,299	1,351	369	117,328	1,403,602
As at the end of the year	28,495,745	256,591,969	1,048,873	662,483	14,284,682	301,083,752
Accumulated depreciation and impairment:						
As at the beginning of the year	(16,076,318)	(172,978,841)	(806,122)	(457,270)	(712,504)	(191,031,055)
Charge for the year	(877,081)	(11,416,095)	(68,120)	(53,388)	–	(12,414,684)
Transfers (ii)	935	(841,823)	(1,441)	(46,135)	–	(888,464)
Impairment and write-offs	(104,692)	(1,361,955)	–	–	(377,775)	(1,844,422)
Disposals and retirements	228,319	2,484,186	65,162	47,523	–	2,825,190
Reclassified to assets held for sale	2,362,805	15,836,860	49,758	57,167	–	18,306,590
Foreign currency translation adjustment	(104,830)	(798,057)	(1,041)	(362)	(10,038)	(914,328)
As at the end of the year	(14,570,862)	(169,075,725)	(761,804)	(452,465)	(1,100,317)	(185,961,173)
Net book value:						
As at 31 December 2023	13,924,883	87,516,244	287,069	210,018	13,184,365	115,122,579
As at 1 January 2023	15,823,872	97,398,302	347,409	268,962	12,958,455	126,797,000

(i) Property, plant and equipment includes assets leased to related and third parties amounting to SR 1,598 million during the year ended 31 December 2023 (2022: SR 1,726 million).

(ii) Transfers represent the capitalisation of assets under construction, transfers to intangible assets and transfers of HOP related assets to "Other assets and receivables" within non-current assets and are non-cash in nature. In addition, it includes reclassification of certain assets classes between cost and accumulated depreciation. This change has no impact on the total reported carrying values or depreciation expense.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated

7. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

(i) Refers to the consolidation of Scientific Design group of companies, as result of acquisition of additional shares (refer Note 10.4).

(ii) Transfers represent the capitalisation of assets under construction, transfers to intangible assets and transfers of HOP related assets to “Other assets and receivables” within non-current assets and are non-cash in nature.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated

7. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

ALLOCATION OF DEPRECIATION CHARGE

For the years ended 31 December	2023	2022
Cost of sales	11,039,638	10,473,641
General and administrative expenses	452,161	380,044
Research and development expenses	186,177	186,084
Selling and distribution expenses	39,364	40,731
	11,717,340	11,080,500
Reclassified to discontinued operation	697,344	1,047,612
	12,414,684	12,128,112

LAND AND BUILDING

Land and buildings include an amount of SR 2,122 million as at 31 December 2023 (2022: SR 2,109 million) representing the cost of freehold land.

ASSETS UNDER CONSTRUCTION

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

CAPITALISED BORROWING COSTS

The borrowing cost capitalised during the year ended 31 December 2023 amounted to SR 18 million (2022: SR 26 million), out of which SR nil (2022: SR 5 million) related to non-conventional facilities. The Group uses the capitalisation rate of 4.5% (2022: 4.5%) 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 25,739 million (2022: SR 23,304 million).

IMPAIRMENT AND WRITE-OFFS OF PLANT AND EQUIPMENT

During the year ended 31 December 2023, impairment losses and write-offs of SR 1,844 million mainly relating to plant and equipment and assets under construction were recognised.

The impairment mainly relates to certain Polymers assets in the Petrochemical segment in the European and Americas region for SR 941 million. The value in use of the respective cash generating unit has been calculated based on a post-tax Weighted Average Cost of Capital ("WACC") rate applied is 8.5%, pre-tax is 10.2% (2022: 9.4%) and a growth rate of 2.4%.

During the year ended 31 December 2023, one production line in the Cartagena industrial complex was permanently suspended, leading to an impairment loss of SR 328 million.

Impairment tests carried out on other Petrochemical cash generating units did not result in further impairment losses.

During the year ended 31 December 2023, a write-off of SR 377 million was recorded related to discontinued initiatives.

Impairment losses and write-offs were recognised within cost of sales and the respective functional expenses in the consolidated statement of income, as a result of the changed global market conditions which affected the profitability of the related cash generating unit.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated

8. RIGHT-OF-USE ASSETS

	For the year ended 31 December 2023				
	Land and buildings (i)	Plant and equipment	Storage and tanks	Vessels and vehicles	Total
Cost:					
As at the beginning of the year	4,128,298	2,621,724	1,060,069	3,031,244	10,841,335
Additions (ii)	411,913	81,025	153,925	478,449	1,125,312
Re-measurement (ii)	81,913	–	–	–	81,913
Disposals and retirements (ii)	(389,985)	(66,573)	(21,151)	(611,539)	(1,089,248)
Reclassified to assets held for sale	(531,043)	(346,890)	–	(14,752)	(892,685)
Foreign currency translation adjustment	18,661	10,634	29,938	31,304	90,537
As at the end of the year	3,719,757	2,299,920	1,222,781	2,914,706	10,157,164
Accumulated depreciation and impairment:					
As at the beginning of the year	(1,089,803)	(1,256,174)	(597,100)	(1,591,539)	(4,534,616)
Charge for the year	(340,070)	(194,655)	(207,056)	(607,036)	(1,348,817)
Disposals and retirements	297,225	66,315	21,006	607,688	992,234
Reclassified to assets held for sale	137,218	211,148	–	11,371	359,737
Foreign currency translation adjustment	(6,601)	(6,163)	(18,979)	(15,387)	(47,130)
As at the end of the year	(1,002,031)	(1,179,529)	(802,129)	(1,594,903)	(4,578,592)
Net book value:					
As at 31 December 2023	2,717,726	1,120,391	420,652	1,319,803	5,578,572
As at 1 January 2023	3,038,495	1,365,550	462,969	1,439,705	6,306,719

(i) The land on which plant and related facilities of certain subsidiaries in KSA are constructed are leased from the Royal Commission for Jubail and Yanbu. The Group has similar kind of arrangements and terms for some of its major sites in Europe.

(ii) Additions, re-measurement and disposals and retirements are non-cash in nature.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated

8. RIGHT-OF-USE ASSETS (CONTINUED)

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

(i) The land on which plant and related facilities of certain subsidiaries in KSA are constructed are leased from the Royal Commission for Jubail and Yanbu. The Group has similar kind of arrangements and terms for some of its major sites in Europe.

(ii) Additions, re-measurement and disposals and retirements are non-cash in nature.

(iii) Refers to the consolidation of Scientific Design group of companies, as result of acquisition of additional shares (refer Note 10.4).

(iv) The land lease contracts with the Royal Commission for Jubail and Yanbu was revised, and for the computation of the lease liabilities the lease terms applied have been extended to reflect SABIC's reasonable expectations of the period during which the underlying asset will be used. As a consequence of this change in assessment, the leasing term for certain land lease contracts have been extended to 99 years.

ALLOCATION OF DEPRECIATION CHARGE

For the years ended 31 December	2023	2022
Cost of sales	629,081	672,125
General and administrative expenses	233,390	312,586
Research and development expenses	20,979	24,168
Selling and distribution expenses	408,416	394,996
	1,291,866	1,403,875
Reclassified to discontinued operation	56,951	122,767
	1,348,817	1,526,642

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated

9. INTANGIBLE ASSETS

	For the year ended 31 December 2023					
	Goodwill (i)	Software and IT development	Licenses	Others	Intangibles under development	Total
Cost:						
As at the beginning of the year	17,713,384	1,919,537	9,248,575	423,328	158,764	29,463,588
Additions	–	113	14,860	–	21,784	36,757
Transfers (ii)	–	857	3,152	(13,226)	–	(9,217)
Disposals and retirements	–	(28,445)	(13,883)	–	–	(42,328)
Reclassified to assets held for sale	–	–	(166,613)	–	–	(166,613)
Foreign currency translation adjustment	223,821	10,959	30,961	(265)	–	265,476
As at the end of the year	17,937,205	1,903,021	9,117,052	409,837	180,548	29,547,663
Accumulated amortisation and impairment:						
As at the beginning of the year	–	(1,780,253)	(7,613,709)	(27,994)	(28,868)	(9,450,824)
Charge for the year	–	(24,287)	(404,956)	(63,991)	–	(493,234)
Disposals and retirements	–	28,424	11,450	9,135	–	49,009
Reclassified to assets held for sale	–	–	146,048	–	–	146,048
Foreign currency translation adjustment	–	(10,393)	(25,114)	(146)	–	(35,653)
As at the end of the year	–	(1,786,509)	(7,886,281)	(82,996)	(28,868)	(9,784,654)
Net book value:						
As at 31 December 2023	17,937,205	116,512	1,230,771	326,841	151,680	19,763,009
As at 1 January 2023	17,713,384	139,284	1,634,866	395,334	129,896	20,012,764

(i) This includes goodwill amounting to SR 8,888 million as a result of exercising option to purchase the remaining shares held by another investor in some of the SABIC subsidiaries, out of which SR 3,186 million related to Saudi Petrochemical Company ("SADAF") and SR 5,702 million related to Saudi Methanol Company ("AR-RAZI"). Effective 1 October 2019, SADAF merged with Arabian Petrochemical Company ("PETROKEMYA").

(ii) Includes transfers within intangible assets, transfers from property, plant and equipment and transfers from/to other assets, which are non-cash in nature.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated

9. INTANGIBLE ASSETS (CONTINUED)

For the year ended 31 December 2022

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

(i) This includes goodwill amounting to SR 8,888 million as a result of exercising option to purchase the remaining shares held by another investor in some of the SABIC subsidiaries, out of which SR 3,186 million related to Saudi Petrochemical Company ("SADAF") and SR 5,702 million related to Saudi Methanol Company ("AR-RAZI"). Effective 1 October 2019, SADAF merged with Arabian Petrochemical Company ("PETROKEMYA").

(ii) Refers to the consolidation of Scientific Design group of companies, as result of acquisition of additional shares (refer Note 10.4).

(iii) Includes transfers within intangible assets, transfers from property, plant and equipment and transfers from/to other assets and receivables, which are non-cash in nature.

ALLOCATION OF AMORTISATION CHARGE

For the years ended 31 December	2023	2022
Cost of sales	93,138	64,355
General and administrative expenses	375,963	368,599
Research and development expenses	12,232	21,261
Selling and distribution expenses	2,563	2,861
	483,896	457,076
Reclassified to discontinued operation	9,338	27,490
	493,234	484,566

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated

9. INTANGIBLE ASSETS (CONTINUED)

GOODWILL

Goodwill has been allocated to the Group's operating segments that represent its CGUs at which the goodwill is managed. For goodwill impairment testing, these CGUs are Petrochemicals and Specialties. The goodwill allocated to Petrochemicals amounts to SR 15,229 million (2022: SR 15,039 million) and for Specialties CGU amounts to SR 2,708 million (2022: SR 2,674 million).

The post-tax WACC rate applied at Group's level is 9.2% for Petrochemicals (2022: 9.5%) and for Specialties 8.75% (2022: 9.6%). The pre-tax WACC rate is 11.3% (2022: 11.9%) for Petrochemicals and 10.5% (2022: 11.5%) for Specialties.

The WACC is calculated based on long-term moving monthly average assumptions that reflect market assessments of the risk specific to each CGU. Segment specific risk is incorporated by applying average beta factors. The beta factors are evaluated annually based on publicly available market data of SABIC's peers. The average effective zakat rate is assumed to be 3% (2022: 3%) for MEA region and the average effective tax rate is assumed to be 24%-26% (2022: 23%-25%) for rest of the world. The cash flow projections are derived from the respective business plans covering a period of 5 years. Cash flow projections beyond the five-year business plan are extrapolated taking into account an assumed growth rate of 2.4% (2022: 2.9%) for Petrochemicals and 2.4% (2022: 3%) for Specialties.

No impairment loss was recognised for 2023 and 2022 respectively.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated

10. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

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

Associates	Ownership %	Place of business/ country of incorporation	Nature of activities	31 December 2023	31 December 2022
Clariant AG ("CLARIANT")	31.50	Switzerland	Specialty Chemical	7,520,449	8,076,945
Ma'aden Phosphate Company ("MPC")	30.00	KSA	Agri-Nutrients	3,763,486	3,883,110
Aluminium Bahrain BSC ("ALBA")	20.62	Bahrain	Aluminium	3,664,441	3,738,418
Ma'aden Wa'ad Al Shamal Phosphate Company ("MWSPC")	15.00	KSA	Agri-Nutrients	2,205,971	2,091,643
Power and Water Utilities Company for Jubail and Yanbu ("MARAFIQ") (refer Note 10.3)	17.50	KSA	Utilities	1,414,926	1,455,221
Gulf Petrochemical Industries Company ("GPIC") (ii)	33.33	Bahrain	Agri-Nutrients, Petrochemicals	985,413	869,901
National Chemical Carrier Company ("NCC")	20.00	KSA	Transportation	562,704	379,455
Saudi Arabian Industrial Investment Company ("DUSSUR")	25.00	KSA	Investments	540,996	593,715
ARG mbH & Co KG ("ARG") entities	25.00	Germany	Transportation	171,117	154,895
Nusaned Fund I, Nusaned Fund II	50.00, 60.00	KSA	Equity Investments	38,701	34,168
German Pipeline Development Company GMBH ("GPDC")	39.00	Germany	Transportation	33,141	32,138
Gulf Aluminium Rolling Mill Company ("GARMCO") (iii)	14.90	Bahrain	Aluminium	9	-
Mallinda, Inc. ("MALLINDA")	26.20	USA	Ventures	-	912
				20,901,354	21,310,521

(i) Critical judgements are considered in determination of the classification of these investments as associates based on underlying agreements and constitutive documents. (refer Note 3.2.3)

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

(iii) Investment in Gulf Aluminium Rolling Mill Company ("GARMCO") has been reduced from 30.4% to 14.9% during 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated

10. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (CONTINUED)

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

Joint ventures	Ownership %	Place of business/ country of incorporation	Nature of activities	31 December 2023	31 December 2022
Al-Jubail Petrochemical Company ("KEMYA")	50.00	KSA	Petrochemicals	5,854,859	6,158,686
Eastern Petrochemical Company ("SHARQ")	50.00	KSA	Petrochemicals	4,830,729	5,370,901
Sinopec Sabic Tianjin Petrochemical Company ("SSTPC")	50.00	China	Petrochemicals	3,238,476	3,721,375
Saudi Yanbu Petrochemical Company ("YANPET")	50.00	KSA	Petrochemicals	2,953,068	3,002,952
ETG Inputs Holdco Limited ("EIHL") (refer Note 10.2) (ii)	49.00	KSA	Agri-Nutrients	1,266,222	–
Sabic SK Nexlene Company Pte. Ltd. ("SSNC")	50.00	Singapore	Petrochemicals	849,623	730,076
SABIC Fujian Petrochemicals Co., Ltd. ("FUJIAN")	51.00	China	Petrochemicals	477,628	326,418
Cosmar Company ("COSMAR")	50.00	USA	Petrochemicals	444,516	460,552
Utility Support Group B.V. ("USG")	50.00	Netherlands	Utilities	299,213	272,700
SABIC Plastic Energy Advanced Recycling BV ("SPEAR")	50.00	Netherlands	Petrochemicals	94,962	97,438
Saudi Pallet Manufacturing Company ("SPMC")	38.00	KSA	Logistics	20,158	25,334
Isotopes Company ("IHC")	13.44	KSA	Machinery Equipment	6,493	2,934
Mauritania Saudi Mining & Steel Company S.A. ("TAKAMUL") (iii)	45.00	Mauritania	Mining (Metal)	–	173,142
Advanced Energy Storage System Investment Company ("AESSIC") (iv)	48.72	KSA	Renewable Energy	–	33,734
				20,335,947	20,376,242
				41,237,301	41,686,763

- (i) Critical judgements are considered in determination of the classification of these investments as joint venture based on underlying agreements and constitutive documents. (refer Note 3.2.3)
- (ii) SABIC has made investment of SR 1,208 million in EIHL during the year ended 31 December 2023. EIHL is owned 49.00% by SABIC Agri-Nutrients Company (known as "SABIC AN") and SABIC's effective share is 24.55%.
- (iii) On 3 September 2023, the group announced signing an agreement with the Public Investment Fund (PIF) to acquire all SABIC shares in the Saudi Iron and Steel Company (HADEED). As a result, investment in Takamul, has been reclassified to assets held for sale (refer Note 34).
- (iv) AESSIC is under liquidation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated

10. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (CONTINUED)

The movement of investments in associates is as follows:

	CLARIANT	MPC	ALBA	MWSPC	MARAFIQ	GPIC	DUSSUR	NCC	ARG	NUSANED FUNDS	GPDC	MALLINDA	GARMCO	Total
As at 1 January 2023	8,076,945	3,883,110	3,738,418	2,091,643	1,455,221	869,901	593,715	379,455	154,895	34,168	32,138	912	–	21,310,521
Capital contribution	–	–	–	–	–	–	–	–	–	7,697	–	–	37	7,734
Share of results (i)	(619,805)	330,376	215,203	170,578	55,955	109,789	(52,719)	183,249	33,981	(3,164)	–	–	(1)	423,442
Impairment (refer Note 10.1)	(367,500)	–	–	–	–	–	–	–	–	–	–	(912)	–	(368,412)
Movements in OCI	612,559	–	(1,282)	–	–	5,723	–	–	5,208	–	1,003	–	(27)	623,184
Dividends received	(181,750)	(450,000)	(287,898)	(56,250)	(96,250)	–	–	–	(17,036)	–	–	–	–	(1,089,184)
Others	–	–	–	–	–	–	–	–	(5,931)	–	–	–	–	(5,931)
As at 31 December 2023	7,520,449	3,763,486	3,664,441	2,205,971	1,414,926	985,413	540,996	562,704	171,117	38,701	33,141	–	9	20,901,354

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated

10. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (CONTINUED)

The movement of investments in joint ventures is as follows:

	KEMYA	SHARQ	SSTPC	YANPET	SSNC	COSMAR	FUJIAN	USG	TAKAMUL	SPEAR	AESSC	SPMC	IHC	EIHL	Total
As at 1 January 2023	6,158,686	5,370,901	3,721,375	3,002,952	730,076	460,552	326,418	272,700	173,142	97,438	33,734	25,334	2,934	–	20,376,242
Capital contributions (i)	–	–	–	–	–	67,112	180,760	–	–	–	–	–	4,050	–	251,922
Acquisitions (i)	–	–	–	–	–	–	–	–	–	–	–	–	–	1,207,684	1,207,684
Share of results (ii) (iii)	705,606	(340,579)	(375,508)	566,432	168,068	(83,148)	(14,319)	27,680	–	(5,397)	(4,016)	(5,176)	(491)	58,538	697,690
Impairment	–	–	–	–	–	–	–	–	–	–	(29,718)	–	–	–	(29,718)
Movements in OCI	(15,097)	(17,779)	(107,391)	(11,067)	(11,021)	–	(15,231)	8,990	–	2,921	–	–	–	–	(165,675)
Dividends received (iv)	(1,008,684)	(181,814)	–	(596,976)	(37,500)	–	–	(10,157)	–	–	–	–	–	–	(1,835,131)
Others	14,348	–	–	(8,273)	–	–	–	–	–	–	–	–	–	–	6,075
Reclassified to assets held for sale	–	–	–	–	–	–	–	–	(173,142)	–	–	–	–	–	(173,142)
As at 31 December 2023	5,854,859	4,830,729	3,238,476	2,953,068	849,623	444,516	477,628	299,213	–	94,962	–	20,158	6,493	1,266,222	20,335,947

(i) The total capital contributions and acquisitions in associates and joint ventures is amounting to SR 1,467 million (2022: SR 749 million).

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

(iii) Share of results includes the share of results of integral joint ventures related to SHARQ, YANPET and KEMYA amounting to SR 931 million (2022: SR 1,722 million) and this has been presented in the consolidated statement of income before income from operations.

(iv) Dividends received from the integral joint ventures is amounting to SR 1,787 million (2022: SR 2,538 million) and from the non-integral associates and joint ventures is SR 1,137 million (2022: SR 1,293 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated

10. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (CONTINUED)

The movement of investments in associate is as follows:

	CLARIANT	MPC	ALBA	MWSPC	MARAFIQ	GPIC	DUSSUR	NCC	ARG	NUSANED FUNDS	GPDC	MALLINDA	GARMCO	Total
As at 1 January 2022	10,164,125	2,647,616	2,641,823	1,566,499	1,920,918	769,087	310,676	320,563	127,261	34,557	41,151	912	36	20,545,224
Capital contribution	–	–	–	–	–	–	325,000	–	–	412	–	–	–	325,412
Share of results	33,157	1,461,782	853,335	525,420	231,050	408,314	(40,301)	58,892	28,089	(976)	(6,675)	–	–	3,552,087
(Increase)/reversal of impairment (refer Notes 10.1, 10.6)	(1,589,607)	–	441,208	–	–	–	–	–	–	–	–	–	–	(1,148,399)
Gain on divesture of investment (refer Note 10.3)	–	–	–	–	220,971	–	–	–	–	–	–	–	–	220,971
Movements in OCI	(367,337)	(1,288)	49,402	(276)	–	–	(1,660)	–	(11,722)	–	(2,338)	–	(36)	(335,255)
Dividends received	(163,393)	(225,000)	(247,350)	–	(92,129)	(307,500)	–	–	–	–	–	–	–	(1,035,372)
Others (i)	–	–	–	–	(825,589)	–	–	–	11,267	175	–	–	–	(814,147)
As at 31 December 2022	8,076,945	3,883,110	3,738,418	2,091,643	1,455,221	869,901	593,715	379,455	154,895	34,168	32,138	912	–	21,310,521

(i) Others include the divesture of investments in Marafiq (refer Note 10.3).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated

10. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (CONTINUED)

The movement of investments in joint venture is as follows:

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

(i) During the year ended 31 December 2022, SABIC acquired the remaining 50% shares of SD, which has been reclassified as a subsidiary (refer Note 10.4).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated

10. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (CONTINUED)

10.1 INVESTMENT IN CLARIANT A.G. ("CLARIANT")

SABIC owns 31.50% of the shares in CLARIANT, a global specialty chemicals company listed at the Swiss stock exchange ("SIX"). The investment is accounted for as an associate using the equity method in these consolidated financial statements. As at 31 December 2023, SABIC assessed the carrying value of investment in CLARIANT for impairment on the basis of CLARIANT's share price, other publicly available information and the implied premium included is in line with market average in the chemicals industry.

During the year ended 31 December 2023, the share price of CLARIANT has declined from CHF 14.65 as at 31 December 2022 to CHF 12.42 as at 31 December 2023, mainly due to the global general economic pressure along with the Russian-Ukrainian conflict.

In the fourth quarter of 2023, CLARIANT declared impairment losses and other provision for the closure of certain manufacturing assets which had negatively impacted the SABIC share in results for SR 281 million (2022: SR 232 million). Furthermore, the reduction in the share price triggered an additional impairment provision of SR 368 million during the year ended 31 December 2023 (2022: SR 1,590 million), which has been recognised and presented within 'share of results of non-integral joint ventures and associates' in the consolidated statement of income and consolidated statement of cash flows.

As at 31 December 2023, the carrying amount of investment in CLARIANT is SR 7,520 million (2022: SR 8,077 million), which also represents its recoverable amount.

10.2 ACQUISITION OF INVESTMENT

On 19 Ramadan 1444H (corresponding to 10 April 2023), SABIC Agri-Nutrients Investment Company ("SANIC"), a subsidiary of SABIC Agri-Nutrients Company has completed the acquisition procedure of 49% shareholding in ETG Inputs Holdco Limited ("EIHL") by virtue of receipt of regulatory approvals in compliance with the terms and conditions of acquisition agreement. During the year ended 31 December 2023, SANIC has finalised the transaction for the total amount of consideration of SR 1,208 million at the completion date. The investment is recognised as a joint venture investment under equity method of accounting. As at 31 December 2023, the provisional price exercise to determine the fair values of the net identifiable assets attributable to the acquisition of the joint venture is still not completed.

10.3 DIVESTITURE OF INVESTMENT IN MARAFIQ

On 26 October 2022, Marafiq has offered 73,094,500 ordinary shares to the public, representing 29.24% of Marafiq's share capital at SR 46 per share. As a result of this transaction, SABIC's investment in Marafiq has reduced by 18,273,625 shares, equivalent to 7.31% of total share capital against cash consideration of SR 825 million and has recognised a gain on sale of this divestiture of investment amounting to SR 221 million in the consolidated statement of income.

As at 31 December 2022, SABIC holds 43,750,000 shares of investment in Marafiq equivalent to 17.50% of Marafiq's total share capital.

10.4 ACQUISITION OF SCIENTIFIC DESIGN GROUP OF COMPANIES

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated

10. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (CONTINUED)

10.4 ACQUISITION OF SCIENTIFIC DESIGN GROUP OF COMPANIES (CONTINUED)

The impact of the transaction is summarised as follows:

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

10.5 ADDITIONAL CAPITAL CONTRIBUTION IN DUSSUR

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

10.6 IMPAIRMENT ASSESSMENT OF EQUITY INVESTMENTS

As at 31 December 2023, the carrying amount of investment in ALBA is SR 3,664 million (2022: SR 3,738 million) which also represents its recoverable amount.

The increase of demand for aluminium and a positive business outlook driven by additional production capacities at Aluminium Bahrain BSC (“ALBA”) have had a positive effect on its share price in the year ended 31 December 2022. Consequently, the impairment loss in respect of investment in ALBA of SR 441 million was reversed during the year then ended.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated

10. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (CONTINUED)

10.7 SUMMARISED FINANCIAL INFORMATION OF ASSOCIATES

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

As at 31 December 2023	MPC	MARAFIQ (i)	ALBA	MWSPC (ii)	Clariant (iii)
Current assets					
Cash and cash equivalents	1,817,047	1,136,890	589,192	1,191,334	1,189,003
Others	4,848,374	2,044,709	5,739,170	4,431,352	8,068,532
Total current assets	6,665,421	3,181,599	6,328,362	5,622,686	9,257,535
Non-current assets	12,085,018	19,939,237	18,902,020	23,968,252	14,430,740
Current liabilities					
Financial liabilities (excluding trade and other payables)	1,429,187	837,678	2,022,196	617,924	2,569,915
Others	573,459	1,449,494	1,652,301	2,817,527	3,496,086
Total current liabilities	2,002,646	2,287,172	3,674,497	3,435,451	6,066,001
Non-current liabilities	4,551,267	12,667,803	3,877,432	14,571,835	6,992,171
Net assets	12,196,526	8,165,861	17,678,453	11,583,652	10,630,103
Reconciliation:					
Group's share	30.00%	17.50%	20.62%	15.00%	31.50%
Group's share in associate	3,658,958	1,429,026	3,645,297	1,737,548	3,348,482
Intangible/goodwill	–	–	–	468,423	8,094,449
Impairment	–	–	–	–	(2,860,755)
Estimated year end result/dividends paid	104,528	(14,100)	19,144	–	(1,061,727)
Carrying amount	3,763,486	1,414,926	3,664,441	2,205,971	7,520,449

For the year ended 31 December 2023	MPC	MARAFIQ (i)	ALBA	MWSPC (ii)	Clariant (iii)
Revenue	6,770,362	4,766,019	15,254,537	7,313,593	9,528,711
Depreciation and amortisation	(1,142,455)	(875,374)	(1,322,847)	(1,081,192)	(500,633)
Interest income	134,748	81,425	–	162,439	54,235
Interest expense	(265,225)	(401,476)	(614,862)	(995,751)	(187,737)
Zakat and Income tax expense	(121,166)	(37,464)	(1,650)	(320,333)	(166,878)
Net income for the year	761,627	454,157	1,166,142	1,259,410	959,546
Reconciliation:					
Group's share	30.00%	17.50%	20.62%	15.00%	31.50%
Group's share in associate	228,488	79,477	240,458	188,912	302,257
Share in earnings (iv)	330,376	55,955	215,203	170,578	(619,805)

- (i) The information provided for MARAFIQ is as at 30 September 2023 and for the 9 months ended 30 September 2023, being the last financial period publically available.
- (ii) The Group's investment in MWSPC includes additional contribution made to one of the shareholders in relation to mineral rights.
- (iii) The information provided for CLARIANT is as at 30 June 2023 and for the 6 months ended 30 June 2023, being the last financial period publically available.
- (iv) Carrying amount of the investments and Group's share in associates are based on estimated results and include inter-group profit elimination, zakat, income tax and other adjustments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated

10. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (CONTINUED)

10.7 SUMMARISED FINANCIAL INFORMATION OF ASSOCIATES (CONTINUED)

As at 31 December 2022	MPC	MARAFIQ (i)	ALBA	MWSPC (ii)	Clariant (iii)
Current assets					
Cash and cash equivalents	327,897	414,706	6,190,216	1,273,976	1,436,160
Others	5,931,951	3,509,650	931,910	6,225,978	9,951,120
Total current assets	6,259,848	3,924,356	7,122,126	7,499,954	11,387,280
Non-current assets	12,326,920	20,476,326	18,930,632	24,166,185	16,377,120
Current liabilities					
Financial liabilities (excluding trade and other payables)	61,760	787,657	1,235,503	658,846	2,378,640
Others	1,531,869	1,563,706	1,586,349	2,754,862	6,597,360
Total current liabilities	1,593,629	2,351,363	2,821,852	3,413,708	8,976,000
Non-current liabilities	4,049,438	13,969,844	5,089,248	17,557,517	6,931,920
Net assets	12,943,701	8,079,475	18,141,658	10,694,914	11,856,480
Reconciliation:					
Group's share	30.00%	17.50%	20.62%	15.00%	31.50%
Group's share in associate	3,883,110	1,413,908	3,740,810	1,604,237	3,734,791
Intangible/goodwill	–	–	–	487,406	7,377,198
Estimated year end result/ dividends paid	–	41,313	–	–	(541,789)
Impairment	–	–	–	–	(2,493,255)
Others	–	–	(2,392)	–	–
Carrying amount	3,883,110	1,455,221	3,738,418	2,091,643	8,076,945

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

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

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

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

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

* including estimate at year end.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated

10. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (CONTINUED)

10.8 SUMMARISED FINANCIAL INFORMATION OF MATERIAL JOINT VENTURES

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

As at 31 December 2023	SSTPC	SHARQ	YANPET	KEMYA	EIHL (i)
Current assets					
Cash and cash equivalents	1,575,967	479,829	830,702	501,988	309,862
Others	1,301,016	3,045,505	3,420,111	3,947,653	2,749,113
Total current assets	2,876,983	3,525,334	4,250,813	4,449,641	3,058,975
Non-current assets	9,936,994	10,244,932	4,556,050	10,021,270	317,227
Current liabilities					
Financial liabilities (excluding trade and other payables)	900,801	3,574	8,118	5,130	989,365
Others	2,365,346	1,613,895	1,548,241	1,864,248	823,851
Total current liabilities	3,266,147	1,617,469	1,556,359	1,869,378	1,813,216
Non-current liabilities	3,050,437	2,583,208	1,190,981	1,355,224	80,454
Net assets	6,497,393	9,569,589	6,059,523	11,246,309	1,482,532
Reconciliation:					
Group's share	50.00%	50.00%	50.00%	50.00%	49.00%
Group's share in joint venture	3,248,697	4,784,795	3,029,762	5,623,155	726,441
Carrying amount	3,238,476	4,830,729	2,953,068	5,854,859	1,266,222

For the year ended 31 December 2023	SSTPC	SHARQ	YANPET	KEMYA	EIHL (i)
Revenue	9,818,820	7,489,422	5,594,163	8,973,967	3,628,072
Depreciation and amortisation	(695,339)	(1,391,437)	(557,719)	(791,555)	–
Interest income	60,163	1,309	27,154	12,620	6,359
Interest expense	(108,463)	(43,956)	(64,575)	(60,657)	(74,159)
Net income before income tax and zakat (ii)	(971,162)	(630,430)	1,217,431	1,541,126	163,315
Zakat and income tax benefit/ (expense)	224,432	31,438	(175,843)	(138,043)	25,227
Net (loss) income for the year	(746,730)	(598,992)	1,041,588	1,403,083	188,542
Other comprehensive income (loss)	–	(32,002)	(19,919)	(27,175)	(58,531)
Total comprehensive income	(746,730)	(630,994)	1,021,669	1,375,908	130,011
Reconciliation:					
Group's share	50.00%	50.00%	50.00%	50.00%	49.00%
Group's share of earnings in joint venture	(373,365)	(299,496)	520,794	701,542	92,386
Share of earnings (ii)	(375,508)	(340,579)	566,432	705,606	58,538

(i) For EIHL, the excess consideration pertains to difference between the book value of the share of net assets and the consideration paid by the Group to acquire the investment.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated

10. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (CONTINUED)

10.8 SUMMARISED FINANCIAL INFORMATION OF MATERIAL JOINT VENTURES (CONTINUED)

As at 31 December 2022	SSTPC	SHARQ	YANPET	KEMYA
Current assets				
Cash and cash equivalents	2,455,438	269,983	395,529	687,736
Others	1,399,935	3,977,301	4,418,663	4,164,383
Total current assets	3,855,373	4,247,284	4,814,192	4,852,119
Non-current assets	10,881,993	10,662,052	4,784,094	10,531,715
Current liabilities				
Financial liabilities (excluding trade and other payables)	899,038	9,958	34,065	562,857
Others	2,549,120	1,723,169	2,189,409	1,854,561
Total current liabilities	3,448,158	1,733,127	2,223,474	2,417,418
Non-current liabilities	3,829,741	2,568,813	1,139,982	1,247,728
Net assets	7,459,467	10,607,396	6,234,830	11,718,688
Reconciliation:				
Group's share	50.00%	50.00%	50.00%	50.00%
Group's share in joint venture	3,729,734	5,303,698	3,117,415	5,859,344
Carrying amount	3,721,375	5,370,901	3,002,952	6,158,686

For the year ended 31 December 2022	SSTPC	SHARQ	YANPET	KEMYA
Revenue	9,792,924	9,653,626	6,993,238	10,156,667
Depreciation and amortisation	(542,084)	(1,378,489)	(483,459)	(818,951)
Interest income	–	5,329	7,496	2,192
Interest expense	(62,148)	(24,296)	(40,575)	(58,062)
Net income before income tax and zakat (i)	(915,167)	(255,412)	1,347,083	2,552,743
Zakat and income tax expense	–	(10,676)	(175,981)	(324,121)
Net income for the year	(915,167)	(266,088)	1,171,102	2,228,622
Other comprehensive income	–	222,319	270,806	184,994
Total comprehensive income	(915,167)	(43,769)	1,441,908	2,413,616
Reconciliation:				
Group's share	50.00%	50.00%	50.00%	50.00%
Group's share of earnings in joint venture	(457,584)	(133,044)	585,551	1,114,311
Share of earnings (i)	(453,389)	(132,076)	634,090	1,220,369

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated

10. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (CONTINUED)

10.9 FINANCIAL PERFORMANCE OF INVESTMENTS IN INDIVIDUALLY IMMATERIAL ASSOCIATES AND JOINT VENTURES

For the years ended 31 December	2023		2022	
	Individually immaterial associates	Individually immaterial joint ventures	Individually immaterial associates	Individually immaterial joint ventures
Net income	1,161,456	96,465	1,457,889	414,123
Other comprehensive income (loss)	40,486	(28,085)	(88,566)	717
Total comprehensive income	1,201,942	68,380	1,369,323	414,840

10.10 MARKET VALUE OF LISTED ASSOCIATES

The market value of the Group's investment in ALBA, CLARIANT and MARAFIQ based on its trading price at 31 December 2023 is SR 3,312 million, SR 5,782 million and SR 2,835 million respectively (2022: SR 3,165 million, SR 6,217 million and SR 2,052 million respectively).

11. INVESTMENTS IN DEBT INSTRUMENTS AND SHORT-TERM INVESTMENTS

	Remaining Maturity	Interest rate	31 December 2023	31 December 2022
Non-current				
Fixed rate long-term debt instruments	19 years	5.06%	187,429	187,429
Floating rate long-term debt instruments	14 years	SAIBOR variable rate plus margin	145,029	260,836
Total non-conventional non-current portion of investments in debt instruments			332,458	448,265
Total non-current debt instruments			332,458	448,265
Current				
Fixed rate long-term debt instruments	Less than 12 months	5.06%	471	296,730
Floating rate long-term debt instruments	Less than 12 months	SAIBOR variable rate plus margin	54,062	23,380
Murabaha (including fixed time deposits)	Greater than 3 months and less than 12 months	Fixed rate	9,012,670	8,305,838
Total non-conventional short-term Investments			9,067,203	8,625,948
Conventional fixed term deposits			615,188	–
Certificates of deposits			160,226	53,011
Total conventional short-term investments			775,414	53,011
Total short-term investments			9,842,617	8,678,959

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated

11. INVESTMENTS IN DEBT INSTRUMENTS AND SHORT-TERM INVESTMENTS (CONTINUED)

LONG-TERM DEBT CURRENCY EXPOSURE

	2023	2022
SR	196,084	384,145
USD	190,907	384,230
	386,991	768,375

12. INVESTMENTS IN EQUITY INSTRUMENTS

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

	2023	2022
Unlisted securities		
Equity securities measured at FVOCI	232,794	231,129
Listed securities		
Investment in equity fund measured at FVIS	3,691	4,290
	236,485	235,419

During the years ended 31 December 2023 and 2022, no investment was reclassified from 'investment in equity instruments' to 'investment in associates and joint ventures' (refer Note 10). During the years ended 31 December 2023 and 2022, investment in equity instruments amounting to SR 4 million each was reclassified from unlisted securities to listed securities. The amount is not used as a part of normal business operations.

Movement in the equity instruments measured at fair value for the years ended 31 December 2023 and 2022 is as follows:

	2023	2022
As at 1 January	235,419	292,452
Additions	29,770	32,670
Foreign currency translation difference	329	(11,291)
Sale of equity instrument	(23,659)	(79,469)
Change in fair value	(2,384)	3,617
Transfer from debt instruments	3,691	4,290
Transfer to other assets	(6,681)	(6,850)
As at 31 December	236,485	235,419

13. DERIVATIVE FINANCIAL INSTRUMENTS

	2023	2022
As at 31 December		
Financial assets – option rights	3,745,176	2,687,250
	3,745,176	2,687,250
Financial liabilities – options and forward contracts	1,438,875	2,373,750
Obligations to acquire the remaining shares of certain subsidiaries	572,269	554,860
	2,011,144	2,928,610

Based on the novation agreement of the joint venture agreement among SABIC, SANIC (a 100% subsidiary of SABIC AN) and Taiwan Fertilizer Company ("TFC", a joint venture partner of Al Bayroni) in the course of 2022, the option right on TFC's share in Al Bayroni were transferred from SABIC to SANIC. Due to the nature of this derivative financial instrument, the expiration and acquisition are recognised through the statement of changes in equity.

As SABIC owns 50.1% interest in SABIC AN, the difference of 49.9% of SABIC's ownership of Al Bayroni's option rights were offset through NCI and recognised in consolidated statement of changes in equity at the amount of SR 1,185 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated

14. OTHER ASSETS AND RECEIVABLES

As at 31 December	2023	2022
Non-current:		
Employee advances and receivables (i)	3,399,222	4,773,554
Receivables from related parties (ii)	1,467,811	1,425,621
Loan receivables from related parties (refer Note 33) (iii)	649,326	579,143
Finance lease receivables (refer Note 38)	202,490	217,594
Receivables against dilution of investment	101,845	125,275
Miscellaneous (vii)	190,572	211,474
	6,011,266	7,332,661
Current:		
Tax receivable	1,681,945	2,042,161
Prepaid expenses	1,754,700	1,688,794
Employee advances and receivables (i)	569,433	372,647
Trade advances	97,068	353,718
Receivables from related parties (ii)	836,789	329,526
License fee receivable from related parties (iv)	–	154,687
Recoverable from suppliers (v)	–	154,046
Finance income receivable (vi)	–	120,596
Current portion of loan receivable from related parties	13,934	58,715
Miscellaneous (vii)	341,286	655,831
	5,295,155	5,930,721

- (i) Employee advances and receivables represent receivables from employees mainly related to Housing Ownership Program (“HOP”) and employee home loans.
- (ii) Receivables from related parties represent receivables against the operations and production advances.
- (iii) Loans receivable from certain associates and joint ventures are at normal market rates.
- (iv) License fee receivable relates to the amount receivable from a joint venture, against the usage of intellectual property and technology licenses.
- (v) Recoverable from suppliers related to rebate receivables against raw material purchases.
- (vi) Finance income receivable is presented as part of short term investments and cash and cash equivalents (refer Notes 11 and 18).
- (vii) Miscellaneous include advances to contractors and insurance claims.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated

15. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

As at 31 December 2023									
	Notes	Total	Financial assets /liabilities at amortised cost	Financial assets/ liabilities at FVIS	Financial assets at FVOCI	Fair value	Level I	Level II	Level III
Financial assets									
Investments in debt instruments:									
– Fixed	11	187,900	187,900	–	–	176,719	–	176,719	–
– Floating	11	199,091	199,091	–	–	199,091	–	199,091	–
Investment in equity instruments	12	236,485	–	3,691	232,794	236,485	3,691	35,555	197,239
Trade receivables (i)	17	19,295,374	19,295,374	–	–	N/A	–	–	–
Short-term investments:									
– Fixed term deposits	11	9,627,858	9,627,858	–	–	N/A	–	–	–
– Certificates of deposits	11	160,226	–	160,226	–	160,226	–	160,226	–
Cash and cash equivalents:									
– Cash and bank balances	18	11,474,217	11,474,217	–	–	N/A	–	–	–
– Fixed term deposits	18	20,940,779	20,940,779	–	–	N/A	–	–	–
Derivatives financial instruments	13	3,745,176	–	3,745,176	–	3,745,176	–	–	3,745,176
Other financial assets (ii)		3,816,759	3,816,759	–	–	N/A	–	–	–
		69,683,865	65,541,978	3,909,093	232,794	4,517,697	3,691	571,591	3,942,415
Financial liabilities									
Debt	22	27,970,946	27,970,946	–	–	26,979,194	6,640,257	20,338,937	–
Lease liabilities	22	5,525,821	5,525,821	–	–	N/A	–	–	–
Trade payables	26	20,087,016	20,087,016	–	–	N/A	–	–	–
Derivatives financial instruments	13	1,438,875	–	1,438,875	–	1,438,875	–	–	1,438,875
Obligations to acquire the remaining shares of certain subsidiaries	13	572,269	–	572,269	–	572,269	–	–	572,269
Other financial liabilities (ii)		7,645,800	7,645,800	–	–	N/A	–	–	–
		63,240,727	61,229,583	2,011,144	–	28,990,338	6,640,257	20,338,937	2,011,144

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

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

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

N/A = not applicable

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated

15. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

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

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

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

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

N/A = not applicable

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated

15. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

The Group's exposure to various risks associated with the financial instruments is discussed in Note 36. The maximum exposure to credit risk at the end of the reporting year is the carrying amount of each class of financial assets mentioned above.

During the year ended 31 December 2023, the fair value of loans and borrowings, other than bonds which are publicly traded, are reassessed from Level 1 to Level 2 (refer Note 22).

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

- Fair value of the quoted bonds is the respective market price at the reporting date. The fair value of unquoted debt instruments, loans from banks and other financial liabilities as well as other non-current financial liabilities is estimated by discounting future cash flows using market rates for debt instruments with similar terms, credit risk and maturities.
- When there are no quoted prices in the market to determine the fair value of equity instruments, the Group makes certain assumptions in valuation for model inputs, including information derived from comparable transactions. The probabilities of the various estimates within a range can be reasonably assessed in the Group's estimate of fair value for these unquoted equity investments. Fair values of quoted equity investments are derived from quoted prices in active markets, when a proxy is required.

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

Description	Valuation technique	Significant non-observable input	Range	
			2023	2022
Derivative financial instruments	Market approach	Put options and forward contracts:		
		– Equity value to EBITDA multiple	5.4	3.8
		Call option valuation:		
		– Implied volatility	25% to 30%	25% to 30%
		– Assumed dividend yield	8.5% to 14.2%	8.5% to 14.2%
		– Risk free rate	3.9% to 4.3%	4.1% to 4.3%

A change in the assumptions underlying the valuation of the options of +/- 10% would reflect in a change in the value of the call option up to approximately +/- SR 654 million and approximately +/- SR 206 million in the value of the put/call options.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated

15. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

The following table presents the changes in level 3 items for the years ended 31 December 2023 and 31 December 2022:

	Unlisted equity instruments	Derivatives financial assets	Derivatives financial liabilities	Obligations to acquire the remaining shares of certain subsidiaries	Investments in debt instruments – fixed
As at 1 January 2022	195,154	2,389,875	(2,643,750)	(657,077)	103,263
Additions	28,740	–	–	–	–
Sale of equity instrument	(3,161)	–	–	–	(103,263)
Net movement in unrealised fair value gain (loss)	(12,544)	297,375	270,000	102,217	–
Net movement in unrealised foreign currency translation	(5,554)	–	–	–	–
Net movement in realised fair value loss	1,732	–	–	–	–
Net transfers from financial assets	(6,850)	–	–	–	–
As at 31 December 2022	197,517	2,687,250	(2,373,750)	(554,860)	–
Additions	29,770	–	–	–	–
Sale of equity instrument	(5,599)	–	–	–	–
Net movement in unrealised fair value (loss) gain	(21,725)	1,057,926	934,875	(17,409)	–
Net movement in unrealised foreign currency translation	329	–	–	–	–
Net movement in realised fair value gain	(3,053)	–	–	–	–
As at 31 December 2023	197,239	3,745,176	(1,438,875)	(572,269)	–

There were no other transfers between the levels of the fair value hierarchy during the year ended 31 December 2023, however, there were certain transfers from Level 2 to Level 1 for certain equity investments during the year ended 31 December 2022. This was done based on availability of certain facts and circumstances. There were no changes made to any of the valuation techniques applied as at 31 December 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated

16. INVENTORIES

As at 31 December	2023	2022
Finished goods	12,085,716	16,425,618
Spare parts	3,841,443	4,494,439
Raw materials	2,931,752	5,641,131
Goods in transit	1,134,260	2,039,205
Work in process	–	1,464,837
	19,993,171	30,065,230
Less: Provision for slow moving and obsolete items	(1,660,948)	(1,840,588)
	18,332,223	28,224,642

Work in process amounting to SR 1,465 million as at 31 December 2022 was related to Hadeed.

During the year ended 31 December 2023, net write-downs of finished goods amounted to SR 613 million was reversed (2022: net write-downs of SR 935 million) which is recognised in cost of sales.

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

	2023	2022
As at 1 January	1,840,588	2,044,430
Charge (release) for the year, net	41,972	(203,842)
Reclassified to assets held for sale	(221,612)	–
As at 31 December	1,660,948	1,840,588

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

17. TRADE RECEIVABLES

As at 31 December	2023	2022
Trade receivables	15,573,135	21,172,686
Due from related parties (refer Note 33)	3,920,479	2,936,981
	19,493,614	24,109,667
Less: allowance for expected credit losses	(198,240)	(185,940)
	19,295,374	23,923,727

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated

17. TRADE RECEIVABLES (CONTINUED)

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

	Total	Current	Less than 60 days	60-90 days	91-180 days	181-365 days	More than one year
31 December 2023							
Expected credit loss rate	1.02%	0.07%	0.58%	3.48%	18.28%	75.33%	95.30%
Gross carrying amount	19,493,614	18,612,715	623,425	3,048	62,827	61,948	129,651
Expected credit loss	198,240	12,767	3,597	106	11,482	46,665	123,623
	Total	Current	Less than 60 days	60-90 days	91-180 days	181-365 days	More than one year
31 December 2022							
Expected credit loss rate	0.77%	0.05%	3.63%	7.86%	18.82%	17.91%	99.18%
Gross carrying amount	24,109,667	21,741,834	2,092,496	106,583	37,126	56,872	74,756
Expected credit loss	185,940	10,208	76,038	8,375	6,987	10,188	74,144

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

	2023	2022
As at 1 January	185,940	180,084
Charge for the year	26,317	25,170
Reversals during the year	(13,593)	(19,314)
Reclassified to assets held for sale	(424)	–
As at 31 December	198,240	185,940

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated

18. CASH AND CASH EQUIVALENTS

Cash and cash equivalents can be broken down as follows:

As at 31 December	2023	2022
Cash in hand	1,277	1,304
Call account	2	2
Murabaha call accounts	461,112	599,129
Non-conventional current accounts	7,714,636	10,853,646
Conventional current accounts	3,297,190	3,463,946
	11,472,940	14,916,723
Conventional fixed term deposits	112,500	3,506,250
Murabaha fixed term deposits	20,828,279	21,635,054
	20,940,779	25,141,304
	32,414,996	40,059,331
Conventional cash and cash equivalents	3,409,693	6,970,196
Non-conventional cash and cash equivalents	29,005,303	33,089,135
	32,414,996	40,059,331

At 31 December 2023, the Group has funds amounting to SR 977 million (31 December 2022: SR 949 million) that are held in separate bank accounts, within the Kingdom of Saudi Arabia and cannot be used as part of normal business operations.

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

As at 31 December	2023	2022
SR	14,252,806	20,133,198
USD	16,010,074	15,672,879
Others	2,152,116	4,253,254
	32,414,996	40,059,331

CASH FLOWS RELATED DISCLOSURES

Cash and cash equivalents can be broken down as follows:

As at 31 December	2023	2022
Cash and cash equivalents	32,414,996	40,059,331
Less: Short-term borrowings (bank overdrafts, refer Note 22)	(3,267)	(20,196)
	32,411,729	40,039,135

Bank overdrafts are used in the normal business operations of the Group and represent cash balances that cannot be legally off-set. The cash and cash equivalent include accrued interest of SR 91 million, these were reported within 'other assets and receivables' last year. (2022: SR 121 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated

18. CASH AND CASH EQUIVALENTS (CONTINUED)

CASH FLOWS RELATED DISCLOSURES (CONTINUED)

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

	As at 1 January 2023	Cash inflows	Cash outflows	Other non-cash movements	As at 31 December 2023
Debt (i)	28,419,052	9,000,000	(9,706,174)	254,801	27,967,679
Lease (ii)	6,374,077	–	(1,736,563)	888,307	5,525,821
Dividends to shareholders (iii)	1,134,421	–	(11,400,961)	16,200,000	5,933,460
Dividends to non-controlling interests (iv)	192,200	–	(5,316,568)	6,194,243	1,069,875
	36,119,750	9,000,000	(28,160,266)	23,537,351	40,496,835

	As at 1 January 2022	Cash inflows	Cash outflows	Other non-cash movements	As at 31 December 2022
Debt (i)	32,126,578	3,945,868	(7,715,165)	61,771	28,419,052
Lease (ii)	6,419,345	–	(1,846,934)	1,801,666	6,374,077
Dividends to shareholders	1,084,889	–	(13,468,495)	13,518,027	1,134,421
Dividends to non-controlling interests	61,589	–	(6,103,341)	6,233,952	192,200
Acquisition of non-controlling interests	–	–	(229,881)	229,881	–
	39,692,401	3,945,868	(29,363,816)	21,845,297	36,119,750

(i) Other non-cash movements mainly refer to interest attributable to debt.

(ii) Other non-cash movements mainly refer to additions to leases, interest expenses, foreign exchange differences and lease liabilities reclassified to liabilities directly associated with assets held for sale.

(iii) Other non-cash movements mainly refer to appropriation for dividends from retained earnings.

(iv) Other non-cash movements mainly refer to appropriation for NCI dividends.

19. SHARE CAPITAL

As at 31 December	2023	2022
Authorised shares:		
Ordinary shares of SR 10 each ('000)	3,000,000	3,000,000
Ordinary shares issued and fully paid of SR 10 each ('000)	3,000,000	3,000,000
Issued and paid capital	30,000,000	30,000,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated

20. RESERVES

STATUTORY RESERVE

The General Assembly in its extraordinary meeting held on 4 Thul-Hijjah 1444H (corresponding to 22 June 2023) approved the amendment in article 42 – ‘Dividend Distribution’ of SABIC bylaws to transfer the statutory reserve balance of SR 15,000 million to retained earnings.

GENERAL RESERVE

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

OTHER RESERVES

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

	Equity instruments	Foreign currency translation	Actuarial gain (loss)	Cash flow hedge	Total
As at 1 January 2023	46,935	(4,630,029)	2,621,190	30,749	(1,931,155)
Exchange difference on translation	–	538,423	–	–	538,423
Re-measurement gain on defined benefit plans, net of tax	–	–	(638,950)	–	(638,950)
Net change on revaluation of investments in equity instruments classified as FVOCI	(2,384)	–	–	–	(2,384)
Share of other comprehensive income (loss) of associates and joint ventures	–	340,792	128,501	(11,784)	457,509
Other comprehensive income (loss) for the year	(2,384)	879,215	(510,449)	(11,784)	354,598
As at 31 December 2023	44,551	(3,750,814)	2,110,741	18,965	(1,576,557)

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated

21. NON-CONTROLLING INTERESTS

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

31 December 2023	YANSAB	AR-RAZI	IBN RUSHD	SABIC AN	KAYAN	GAS	UNITED	IBN ZAHR
Current assets	5,393,903	1,005,623	1,154,946	13,702,986	4,555,474	721,440	2,502,415	3,423,299
Current liabilities	1,859,645	564,965	1,321,896	3,711,174	6,321,565	381,383	1,472,012	1,748,262
Current net assets (liabilities)	3,534,258	440,658	(166,950)	9,991,812	(1,766,091)	340,057	1,030,403	1,675,037
Non-current assets	9,387,983	2,864,151	1,005,267	11,600,543	22,125,320	4,674,060	6,933,676	3,948,685
Non-current liabilities	1,021,438	756,270	3,097,381	2,793,047	7,075,153	1,096,665	1,902,513	806,264
Non-current net assets (liabilities)	8,366,545	2,107,881	(2,092,114)	8,807,496	15,050,167	3,577,395	5,031,163	3,142,421
Net assets (liabilities)	11,900,803	2,548,539	(2,259,064)	18,799,308	13,284,076	3,917,452	6,061,566	4,817,458
Accumulated non-controlling interests (i)	5,683,789	738,700	(1,233,315)	9,712,115	8,237,524	999,494	1,515,370	963,930
31 December 2022	YANSAB	AR-RAZI	IBN RUSHD	SABIC AN	KAYAN	GAS	UNITED	IBN ZAHR
Current assets	6,958,810	1,061,879	1,711,182	16,747,682	4,421,102	672,763	2,344,335	3,640,673
Current liabilities	1,649,008	588,648	1,501,146	2,448,908	4,303,851	373,198	1,163,667	2,004,891
Current net assets (liabilities)	5,309,802	473,231	210,036	14,298,774	117,251	299,565	1,180,668	1,635,782
Non-current assets	9,720,781	2,903,335	1,075,961	10,309,003	23,852,135	5,053,276	7,148,059	4,011,493
Non-current liabilities	979,730	760,984	3,130,196	3,637,800	8,492,100	1,161,290	1,979,869	782,526
Non-current net assets (liabilities)	8,741,051	2,142,351	(2,054,235)	6,671,203	15,360,035	3,891,986	5,168,190	3,228,967
Net assets (liabilities)	14,050,853	2,615,582	(1,844,199)	20,969,977	15,477,286	4,191,551	6,348,858	4,864,749
Accumulated non-controlling interests (i)	6,726,525	763,006	(1,019,118)	10,847,529	9,656,667	1,075,123	1,583,313	973,024

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated

21. NON-CONTROLLING INTERESTS (CONTINUED)

SUMMARISED STATEMENT OF COMPREHENSIVE INCOME:

For the year ended 31 December 2023	YANSAB	AR-RAZI	IBN RUSHD	SABIC AN	KAYAN	GAS	UNITED	IBN ZAHR
Revenue	4,532,731	3,723,391	1,860,558	11,033,429	8,170,642	1,523,625	4,825,711	9,128,549
Net (loss) income for the year	(485,144)	1,791,394	(394,909)	3,864,110	(2,136,474)	285,886	285,373	2,081,832
Other comprehensive income (loss)	22,594	(22,811)	(19,955)	(81,422)	(56,736)	(19,985)	(22,665)	(35,808)
Total comprehensive (loss) income	(462,550)	1,768,583	(414,864)	3,782,688	(2,193,210)	265,901	262,708	2,046,024
Net income (loss) attributable to non-controlling interests (i)	(244,890)	357,944	(203,894)	2,477,375	(1,382,264)	72,942	75,224	396,061
Dividends to non-controlling interests	808,673	508,125	–	3,847,968	–	139,017	137,500	446,250

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated

21. NON-CONTROLLING INTERESTS (CONTINUED)

SUMMARISED STATEMENT OF CASH FLOWS:

For the year ended 31 December 2023	YANSAB	AR-RAZI	IBN RUSHD	SABIC AN	KAYAN	GAS	UNITED	IBN ZAHR
Cash flow from (used in) operating activities	971,622	2,221,893	(209,521)	5,679,990	884,517	851,820	1,395,128	2,341,061
Cash flow from (used in) investing activities	520,807	(302,772)	(12,529)	(4,527,961)	(787,645)	(154,415)	(478,450)	(389,616)
Cash (used in) from financing activities	(1,274,782)	(1,888,351)	(9,533)	(5,528,113)	42,902	(583,887)	(731,275)	(2,123,171)
Net increase (decrease) in cash and cash equivalents	217,647	30,770	(231,583)	(4,376,084)	139,774	113,518	185,403	(171,726)

For the year ended 31 December 2022	YANSAB	AR-RAZI	IBN RUSHD	SABIC AN	KAYAN	GAS	UNITED	IBN ZAHR
Cash flow from operating activities	1,872,729	3,401,074	66,473	11,605,931	3,180,406	733,804	961,331	3,482,980
Cash flow used in investing activities	(261,267)	(328,608)	(1,618)	(4,287,579)	(354,465)	(208,979)	(443,438)	(439,607)
Cash flow (used in) from financing activities	(1,708,323)	(3,229,605)	531,776	(3,995,011)	(3,371,874)	(697,763)	(559,533)	(2,886,268)
Net (decrease) increase in cash and cash equivalents	(96,861)	(157,139)	596,631	3,323,341	(545,933)	(172,938)	(41,640)	157,105

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

CHANGES IN SHAREHOLDINGS OF SUBSIDIARIES

ACQUISITION OF 4% ADDITIONAL SHAREHOLDING IN NATIONAL INDUSTRIAL GASES COMPANY:

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

ACQUISITION OF 49% SHAREHOLDING IN MT. VERNON PHENOL PLANT PARTNERSHIP:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated

22. DEBT

Total debt can be broken down as follows:

As at 31 December	Interest rate	2023	2022
Non-current portion of debt			
Bonds	2.15% to 4.50%	7,458,700	7,451,384
Related party loans and borrowings	USD SOFR plus margin	3,746,812	–
Commercial loans	USD SOFR & SAIBOR variable rates plus margin	225,898	404,255
Conventional Loans		11,431,410	7,855,639
Murabaha	USD SOFR & SAIBOR variable rates plus margin	11,395,566	13,060,394
Saudi Industrial Development Fund	Commission fee	428,203	627,523
Non-Conventional loans		11,823,769	13,687,917
Total non-current portion of debt		23,255,179	21,543,556
Current			
Short-term borrowings			
Murabaha	USD SOFR & SAIBOR variable rates plus margin	2,410,966	895,643
Conventional short-term bank borrowings (bank overdraft)		3,267	20,196
Total short-term borrowings		2,414,233	915,839
Current portion of debt			
Commercial loans	USD SOFR & SAIBOR variable rates plus margin	201,953	186,458
Bonds	4%	66,669	3,747,192
Related party loans and borrowings	USD SOFR plus margin	31,279	–
Conventional loans		299,901	3,933,650
Murabaha	USD SOFR & SAIBOR variable rates plus margin	1,790,746	1,817,870
Saudi Industrial Development Fund	Commission fee	210,887	228,333
Non-conventional loans		2,001,633	2,046,203
Total current portion of debt		2,301,534	5,979,853
Total debt		27,970,946	28,439,248

BONDS

The following bonds were outstanding as at 31 December 2023:

- In October 2018, the Group through its subsidiary, SABIC Capital II BV, issued a 10 year USD 1,000 million, unsecured bond with a coupon rate of 4.5%. 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, the Group, through its subsidiary, SABIC Capital I BV, issued a 10-year and 30-year USD 500 million bond each, equivalent to total SR 3,750 million. These bonds are unsecured and carry coupon rates of 2.15% and 3.00% for those maturing in 10 and 30 years, respectively. The bonds are issued in accordance with Regulation S offering requirements under the U.S. Securities Act of 1933, as amended. Both bonds are listed on the Irish Stock Exchange (Euronext Dublin) and the 30-year bond is dual listed in Taipei Exchange in Taiwan. The proceeds were used for general purpose and refinancing maturing debt.

RELATED PARTY BORROWING

In November 2023, the Group entered into a three-year revolving credit facility (RCF) with Aramco Overseas Company (AOC). The facility, valued at SR 3,750 million, carries a floating interest rate based on the prevailing market interest rates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated

22. DEBT (CONTINUED)

The movement in debt can be broken down as follows:

	As at 1 January 2023	Borrowings	Repayments	Others*	As at 31 December 2023
Short-term	20,196	–	(17,649)	720	3,267
Murabaha	15,773,907	1,500,000	(1,817,855)	141,226	15,597,278
Bonds	11,198,576	–	(3,750,000)	76,793	7,525,369
Saudi Industrial Development Fund	855,856	–	(184,213)	(32,553)	639,090
Related party	–	3,750,000	–	28,091	3,778,091
Other	590,713	3,750,000	(3,936,457)	23,595	427,851
	28,439,248	9,000,000	(9,706,174)	237,872	27,970,946

* Others include accrued interest of SR 240 million, amortization and other adjustments

	As at 1 January 2022	Borrowings	Repayments	Others*	As at 31 December 2022
Short-term	13,347	6,849	–	–	20,196
Murabaha	14,678,403	3,873,612	(2,794,384)	16,276	15,773,907
Bonds	11,187,276	–	–	11,300	11,198,576
Saudi Industrial Development Fund	1,316,709	65,407	(551,930)	25,670	855,856
Public Investment Fund	299,357	–	(300,094)	737	–
Other	4,644,834	–	(4,068,757)	14,636	590,713
	32,139,926	3,945,868	(7,715,165)	68,619	28,439,248

* Others include amortization and other adjustments.

(i) As at 31 December 2022, accrued interest of SR 212 million was reported within Other Payables.

MURABAHA

Similar to commercial loans, the Group has previously borrowed from various financial institutions in order to mainly finance its growth projects and acquisitions, which are repayable either in bullet or instalments at varying profit rates in conformity with the applicable borrowing agreements.

DEBT REPAYABLE TO SAUDI INDUSTRIAL DEVELOPMENT FUND (SIDF)

The SIDF term loans are generally repayable in semi-annual instalments and finance charges on these loans are at various rates. SIDF is a Saudi Arabian government's financial institution.

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

COMMERCIAL LOANS

The Group has previously borrowed from various financial institutions in order to mainly finance its growth projects and acquisitions, which are repayable either in bullet or instalments at varying interest rates in conformity with the applicable loan agreements.

DEBT MOVEMENTS

During the year ended 31 December 2023, the Group refinanced the maturing five year 4.0% bond through the use of related party borrowings. Similarly, the Group has repaid maturing bank borrowings through the use of short-term RCFs and through cash generated from operations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated

22. DEBT (CONTINUED)

AGGREGATE REPAYMENT SCHEDULE OF DEBT

	2023	2022
Within 1 year	4,715,767	6,895,691
1 – 2 years	1,963,550	2,038,193
2 – 5 years	13,840,694	7,889,899
Thereafter	7,450,935	11,615,465
Total	27,970,946	28,439,248

UNDRAWN BORROWING FACILITIES

During the year ended 31 December 2023, SABIC group has entered into SR 4,294 million (2022: SR 3,110 million) of committed working capital facilities. The total value of undrawn committed facilities is SR 10,466 million (2022: SR 12,011 million), of which SR 10,090 million (2022: SR 11,636 million) are in the form of revolving credit facilities.

NON-CONVENTIONAL BORROWING COST CAPITALISED DURING THE YEAR

As at 31 December	2023	2022
Murabaha loans and SIDF	–	25,738
Borrowing cost capitalised from non-conventional loans	–	25,738

USD LIBOR CONVERSION TO SOFR

During the year ended 31 December 2023, all USD LIBOR loans and borrowings have transitioned to SOFR.

LEASE LIABILITIES

Lease liabilities can be broken down as follows:

As at 31 December	2023	2022
Non-current		
Lease liabilities	4,622,459	5,469,463
Current		
Lease liabilities	903,362	904,614
	5,525,821	6,374,077

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

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

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

For the years ended 31 December	2023	2022
Depreciation expense of right-of-use assets (refer Note 8)	1,291,866	1,403,875
Interest expense on lease liabilities (refer Note 30)	256,120	217,327
Expense related to short-term leases	19,205	28,236
Expense related to leases of low-value assets	11,930	17,552
Variable lease payments	8,589	24,960

The Group had total cash outflows for leases of SR 1,736 million during the year ended 31 December 2023 (2022: SR 1,846 million). The Group also had non-cash additions to right-of-use assets and lease liabilities of SR 1,125 million in 2023 (2022: SR 820 million). The future cash flows relating to lease receivables are disclosed in Note 38.

The maturity of the lease obligation and debt are further elaborated in liquidity risk (refer Note 36).

23. EMPLOYEE BENEFITS

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

As at 31 December	2023	2022
Defined benefit obligations		
End of service benefits	10,613,240	11,570,963
Defined benefits pension schemes	1,287,037	1,353,638
Post-retirement medical benefits	881,699	936,044
	12,781,976	13,860,645
Other long-term employee benefits and termination benefits		
Long-term service awards	63,990	78,628
Early retirement plans	48,426	66,263
Other long-term benefits	–	69,364
	112,416	214,255
	12,894,392	14,074,900

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated

23. EMPLOYEE BENEFITS (CONTINUED)

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

DEFINED BENEFITS OBLIGATION

The Group provides end of service and pension benefits to its employees taking into consideration the local labour laws, employment market and tax laws of the countries where the companies are located. Outside KSA, the Group limits the risks of changing financial market conditions and demographic developments by offering a defined contribution scheme to most employees.

END OF SERVICE BENEFITS

End of service benefits are mandatory for all KSA based employees under the Saudi Labour Law and the Group's employment policies. End of service benefit is based on employees' compensation and accumulated period of

service and is payable upon termination, resignation or retirement, the Group provides End of Service benefits in excess of the statutory requirement. The Defined Benefit Obligation ("DBO") in respect of employees' end of service benefits is calculated by estimating the future benefit payment that employees have earned in return for their service. An appropriate discount rate is then applied to determine the present value of the Group's obligation. This is an unfunded plan.

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

DEFINED BENEFIT PENSION PLANS

The Group has a number of defined benefit pension plans outside KSA. The most significant plans are located in the United States of America ("USA") and in the United Kingdom ("UK"). These plans are funded pension plans. Other pension plans include plans in Germany, Austria, Japan, Taiwan, Canada and Belgium, most of which are also funded. The benefits provided by these pension plans are based primarily on years of service and employee compensation. The Canadian plan was settled in the year 2022.

The funding of the plans is consistent with local law and regulations in the countries of establishment. Generally, pension obligations are subject to a government regulation, including minimum funding requirements. Furthermore, the investment of assets is also regulated. This could result in fluctuating employer contributions, additional financing requirements and the assumption of obligations in favour of the pension fund to comply with these regulatory requirements.

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

UNITED STATES OF AMERICA

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated

23. EMPLOYEE BENEFITS (CONTINUED)

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 accrues pension benefits due to salary increases. Since the closure of service accrual, all employees have had the opportunity to participate in a defined contribution plan.

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

OTHER LONG-TERM EMPLOYEE BENEFITS

LONG-TERM SERVICE AWARDS

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

EARLY RETIREMENT PLANS

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

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

	2023	2022
As at 1 January	13,860,645	17,169,300
Current service cost	864,133	1,196,925
Finance cost, net	656,196	452,719
Actuarial changes arising due to:		
– financial assumptions	644,307	(6,210,190)
– demographic changes	(106,008)	23,791
– experience adjustments	334,916	458,123
– actual return on plan assets	(456,250)	1,368,522
	416,965	(4,359,754)
Benefits paid during the year	(579,643)	(637,742)
Employer contributions into pension plans	(243,438)	(178,207)
Foreign currency translation adjustment and others	512,582	217,404
Net defined benefit obligation	15,487,440	13,860,645
Reclassified to liabilities associated with assets held for sale	(2,766,676)	–
Reclassification net pension assets and asset ceiling	61,212	–
As at 31 December	12,781,976	13,860,645

NET BENEFIT EXPENSE

For the years ended 31 December	2023	2022
Current service cost and past service cost	756,603	1,055,912
Reclassified to discontinued operation	107,530	141,013
Net service and past service cost	864,133	1,196,925

FINANCE COST ON BENEFIT OBLIGATION

For the years ended 31 December	2023	2022
Net benefit expense	567,207	368,096
Reclassified to discontinued operation	88,989	84,623
Net benefit expense	656,196	452,719

RE-MEASUREMENT LOSS (GAIN) ON DEFINED BENEFIT PLANS

For the years ended 31 December	2023	2022
Re-measurement loss (gain) on defined benefit plans	555,672	(4,517,015)
Tax (benefit) expense	(5,925)	157,261
	549,747	(4,359,754)
Less: Re-measurement loss on defined benefit plans related to discontinued operation	(139,132)	–
	410,615	(4,359,754)
Add: Re-measurement loss on defined benefit plans related to discontinued operation till August 2023	6,350	–
	416,965	(4,359,754)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated

23. EMPLOYEE BENEFITS (CONTINUED)

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

	End of service	Post-retirement medical	Total
As at 1 January 2023	11,570,963	936,044	12,507,007
Current service cost	784,031	67,656	851,687
Finance cost	553,778	44,532	598,310
Actuarial changes arising due to:			
– financial assumptions	223,146	57,178	280,324
– demographic adjustments	–	(30,207)	(30,207)
– experience adjustments	299,480	54,892	354,372
	522,626	81,863	604,489
Benefits paid during the year	(492,383)	(87,061)	(579,444)
Others	229,694	49,873	279,567
Reclassification to discontinued operation	(2,555,469)	(211,208)	(2,766,677)
As at 31 December 2023	10,613,240	881,699	11,494,939

	End of service	Post-retirement medical	Total
As at 1 January 2022	13,786,331	1,126,564	14,912,895
Current service cost	1,086,746	91,976	1,178,722
Finance cost	381,521	30,221	411,742
Actuarial changes arising due to:			
– financial assumptions	(3,664,945)	(290,189)	(3,955,134)
– demographic adjustments	–	(592)	(592)
– experience adjustments	280,774	46,726	327,500
	(3,384,171)	(244,055)	(3,628,226)
Benefits paid during the year	(363,280)	(97,521)	(460,801)
Others	63,816	28,859	92,675
As at 31 December 2022	11,570,963	936,044	12,507,007

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated

23. EMPLOYEE BENEFITS (CONTINUED)

Following table represents the components of the DBO outside KSA at 31 December 2023:

	USA	UK	Others	Total
As at 1 January 2023	2,154,746	1,795,324	307,840	4,257,910
Current service costs	1,316	–	11,130	12,446
Finance costs	107,326	90,529	20,909	218,764
Benefits paid during the year	(173,558)	(76,121)	(23,837)	(273,516)
Settlements paid	–	–	(200)	(200)
Actuarial changes arising due to:				
– financial assumptions	53,939	23,428	286,616	363,983
– demographic changes	(8,750)	(67,051)	–	(75,801)
– experience adjustments	38,894	(63,784)	5,434	(19,456)
	84,083	(107,407)	292,050	268,726
Foreign currency and others	–	92,401	13,955	106,356
Defined benefit obligation	2,173,913	1,794,726	621,847	4,590,486
Reclassification to other non-current financial assets (i)	(1,570,773)	–	–	(1,570,773)
Asset ceiling for plan assets (i)	–	(32,833)	–	(32,833)
As at 31 December 2023	603,140	1,761,893	621,847	2,986,880

(i) USA funded plans and an UK plan were overfunded at year-end. For the USA plans, the Company is eligible for a refund if the funds would be liquidated. Therefore, the net pension asset is reclassified to other non-current financial assets. For the UK plan, the Company does not have the right for any refund upon any liquidation of the fund.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated

23. EMPLOYEE BENEFITS (CONTINUED)

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

	USA	UK	Others	Total
Plan assets as at 1 January 2023	1,597,448	1,601,293	(294,469)	2,904,272
Interest income	78,083	81,781	1,012	160,876
Employer's contribution	117,436	98,530	27,472	243,438
Return on plan assets (excluding interest income)	121,775	14,612	319,863	456,250
Benefits paid during the year	(173,558)	(76,121)	(23,837)	(273,516)
Administrative expenses	(4,413)	–	(880)	(5,293)
Foreign currency and others	–	(122,283)	916	(121,367)
	1,736,771	1,597,812	30,077	3,364,660
Reclassification to other non-current financial assets (i)	(1,620,399)	–	–	(1,620,399)
Asset ceiling for plan assets (i)	–	(44,418)	–	(44,418)
Plan assets as at 31 December 2023	116,372	1,553,394	30,077	1,699,843
Net defined benefit obligation as at 31 December 2023	486,768	208,499	591,770	1,287,037

(i) USA funded plans and an UK plan were overfunded at year-end. For the USA plans, the Company is eligible for a refund if the funds would be liquidated. Therefore, the net pension asset is reclassified to other non-current financial assets. For the UK plan, the Company does not have the right for any refund upon any liquidation of the fund.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated

23. EMPLOYEE BENEFITS (CONTINUED)

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

	USA	UK	Others	Total
As at 1 January 2022	3,315,634	3,073,038	751,098	7,139,770
Current service costs	2,154	–	16,049	18,203
Finance costs	85,718	50,192	13,026	148,936
Benefits paid during the year	(304,078)	(110,422)	(25,752)	(440,252)
Settlements paid	–	–	(217,601)	(217,601)
Actuarial changes arising due to:				
– financial assumptions	(980,199)	(1,023,203)	(251,654)	(2,255,056)
– demographic changes	5,139	19,068	177	24,384
– experience adjustments	30,378	82,728	17,517	130,623
	(944,682)	(921,407)	(233,960)	(2,100,049)
Loss on settlement	–	–	58,706	58,706
Foreign currency and others	–	(296,077)	(53,726)	(349,803)
As at 31 December 2022	2,154,746	1,795,324	307,840	4,257,910

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

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

For the years ended 31 December	2023	2022
Net benefit expense		
Current service cost and past service cost	864,133	1,196,925
Finance cost on benefit obligation	656,196	452,719
Net benefit expense	1,520,329	1,649,644

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated

23. EMPLOYEE BENEFITS (CONTINUED)

EMPLOYEE PENSION PLAN ASSETS:

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

For the year ended 31 December 2023	USA	UK	Others
Quoted and unquoted			
Equity	15.00%	9.17%	–
Debt securities	84.50%	11.38%	–
– Government debtors	–	11.38%	–
– Other debtors	84.50%	–	–
Investment funds and insurance companies	–	40.67%	94.60%
Other investments	–	9.12%	5.40%
Cash and cash equivalents	0.50%	29.66%	–
Total	100.00%	100.00%	100.00%

For the year ended 31 December 2022	USA	UK	Others
Quoted and unquoted			
Equity	39.70%	10.05%	–
Debt securities	59.80%	1.12%	–
– Government debtors	–	1.12%	–
– Other debtors	59.80%	–	–
Investment funds and insurance companies	–	52.29%	92.09%
Other investments	–	29.06%	7.91%
Cash and cash equivalents	0.50%	7.48%	–
Total	100.00%	100.00%	100.00%

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

For the year ended 31 December 2023	KSA	USA	UK
Discount rate	5.00%	4.78%	4.80%
Average salary increase	4.50% - 6.00%	–	3.51%
Pension in payment increase	N/A	N/A	2.90%
Inflation rate (health care cost)	9% in 2023 decreasing to 5% in 2027+	N/A	N/A
Duration of benefits plan	11 years	12 years	14 years

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

N/A = not applicable

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated

23. EMPLOYEE BENEFITS (CONTINUED)

SENSITIVITY ANALYSIS

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

For the year ended 31 December 2023	KSA	USA	UK	Others
Increase				
Discount rate (25 bps)	(310,464)	(69,045)	(60,502)	(20,431)
Salary (25 bps)	285,703	–	9,167	6,052
Pension (25 bps)	–	–	58,902	14,036
Health care costs (25 bps)	36,511	–	–	–
Decrease				
Discount rate (25 bps)	323,478	72,626	63,395	21,623
Salary (25 bps)	(275,888)	–	(8,888)	(5,875)
Pension (25 bps)	–	–	(48,184)	(13,382)
Health care costs (25 bps)	(34,849)	–	–	–

For the year ended 31 December 2022	KSA	USA	UK	Others
Increase				
Discount rate (25 bps)	(372,395)	(63,942)	(55,291)	(20,634)
Salary (25 bps)	368,817	–	9,077	2,237
Pension (25 bps)	N/A	–	68,866	8,983
Health care costs (25 bps)	46,630	–	–	–
Decrease				
Discount rate (25 bps)	372,438	67,157	57,806	15,751
Salary (25 bps)	(370,737)	–	(8,803)	(7,996)
Pension (25 bps)	N/A	–	(65,471)	(14,339)
Health care costs (25 bps)	(44,469)	N/A	N/A	N/A

N/A = not applicable

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated

23. EMPLOYEE BENEFITS (CONTINUED)

Expected total benefit payments can be broken down as follows:

	31 December 2023	
	KSA	Outside KSA
Within 1 year	588,947	238,991
1 – 2 years	546,412	239,563
2 – 3 years	560,452	230,759
3 – 4 years	619,207	228,921
4 – 5 years	742,859	226,759
Next 5 years	4,856,489	1,102,582
Total	7,914,366	2,267,575

Expected total benefit payments can be broken down as follows:

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

24. PROVISIONS

	31 December 2023	31 December 2022
Non-current:		
Demolition and site restoration (i)	529,485	345,698
Restructuring (ii)	172,250	158,593
Litigation claims (iii)	166,014	124,413
Environmental obligations (iv)	86,676	84,614
Miscellaneous (v)	136,064	148,080
	1,090,489	861,398
Current: (vi)		
Restructuring (ii)	184,395	–
Demolition and site restoration (i)	39,994	35,189
Environmental obligations (iv)	3,642	1,652
Miscellaneous (v)	947,931	45,191
	1,175,962	82,032
	2,266,451	943,430

- (i) Demolition and site restoration provision represents the provision for cost of dismantling and site restoration of certain manufacturing sites of the Group subsidiaries. The Group recognises a provision when an obligation arise as a consequence of a legal or constructive obligation.
- (ii) Restructuring provisions represent mainly onerous contracts, decommissioning and severance costs relating to specific restructuring projects.
- (iii) Provision for litigation obligations represents pending legal claims. Management do not believe that any currently pending or threatened litigation, either individually or in the aggregate, is likely to have a significant adverse effect on its financial position or results of operations. It also include provisions for damage claims, warranties and similar obligations.
- (iv) Environmental obligation represents the expected costs of environmental remediation and rehabilitating contaminated sites across the different manufacturing sites.
- (v) Miscellaneous provisions relate to various risks and commitments including constructive obligations arising from a construction project using the best estimate of the expenditure required to cover the present obligation, which is expected to be settled in the next twelve months.
- (vi) As at 31 December 2023, the current portion of provisions has been disclosed separately in the consolidated statement of financial position under 'current liabilities' which was presented as part of 'other current liabilities' in the prior year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated

24. PROVISIONS (CONTINUED)

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

	Demolition and site restoration	Restructuring	Litigation claims	Environmental obligations	Miscellaneous	Total
As at 1 January 2022	248,528	172,141	129,214	88,788	362,419	1,001,090
Additions	151,560	–	12,040	2,030	2,933	168,563
Utilization	(23,976)	(4,345)	(14)	(5,490)	(129,795)	(163,620)
Reversals	–	–	(2,512)	(1,116)	(32,740)	(36,368)
Others	4,775	(9,203)	(14,315)	2,054	(9,546)	(26,235)
As at 31 December 2022	380,887	158,593	124,413	86,266	193,271	943,430
Additions	217,120	191,700	51,844	10,396	1,092,852	1,563,912
Utilization	(29,950)	(19,417)	–	(8,368)	(113,642)	(171,377)
Reversals	(598)	23,507	(22,771)	(241)	(75,001)	(75,104)
Others	2,020	2,262	12,528	2,265	(13,485)	5,590
As at 31 December 2023	569,479	356,645	166,014	90,318	1,083,995	2,266,451

25. OTHER LIABILITIES

As at 31 December	2023	2022
Non-current:		
Payable to related parties (i)	1,298,543	1,312,435
Contract liability (iii)	153,609	169,341
Miscellaneous	156,788	31,629
	1,608,940	1,513,405
Current:		
Dividends payable (refer Note 18)	7,003,335	1,326,621
Accrued liabilities	6,568,645	6,677,299
Employees related liabilities	1,948,654	2,538,094
Employee saving plan	1,895,808	2,022,371
Sales and other tax payables	402,867	1,047,967
Payable to related parties (i)	126,587	268,417
Trade advances	97,068	353,719
Interest payable (ii)	–	212,305
Incentives payables to customers	–	165,058
Miscellaneous (iv)	155,385	170,431
	18,198,349	14,782,282

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

(ii) Interest payable is presented as part of current portion of debt.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated

26. TRADE PAYABLES

Trade payables can be broken down as follows:

As at 31 December	2023	2022
Trade accounts payable	7,805,597	10,253,243
Due to related parties (refer Note 33)	12,281,419	12,284,747
	20,087,016	22,537,990

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 36.

27. REVENUE

Revenue can be broken down as follows:

For the years ended 31 December	2023	2022
Sales of goods	136,932,514	177,362,912
Logistic services	4,049,776	5,204,865
Rental income	554,897	508,817
	141,537,187	183,076,594

No significant revenue that has been recognised in 2023 from performance obligations satisfied in previous years. All unfulfilled remaining performance obligations as at 31 December 2023 are expected to be satisfied in the next year.

Revenue from Logistic services is recognized over-time and revenue from sales of goods is recognised at-a-point in time.

Refer Note 35 for the segment and geographical distribution of revenue.

28. EXPENSES

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

28.1 COST OF SALES

Cost of sales can be broken down as follows:

For the years ended 31 December	2023	2022
Changes in inventories of finished products, raw materials and consumables used	82,759,188	101,815,924
Depreciation and amortisation (i)	11,597,090	11,229,800
Utilities (ii)	8,538,609	12,305,717
Employee related costs	7,029,409	6,706,713
Logistic service related costs	4,049,776	5,204,865
Repairs and maintenance (ii)	4,035,618	3,958,863
Impairments and write-offs of plant and equipment (refer Note 7)	1,453,415	532,968
	119,463,105	141,754,850

(i) Depreciation and amortisation includes the amortisation charge of certain other assets.

(ii) Comparatives of these expenses have been presented separately in order to conform to current year presentation.

28.2 GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses can be broken down as follows:

For the years ended 31 December	2023	2022
Employee related expenses	5,021,052	4,743,656
Admin and corporate support service	2,234,261	2,305,951
Depreciation and amortisation	1,183,392	1,061,229
Maintenance	459,399	401,203
Miscellaneous	221,891	229,383
	9,119,995	8,741,422

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated

28. EXPENSES (CONTINUED)

28.3 RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses can be broken down as follows:

For the years ended 31 December	2023	2022
Employee related expenses	1,214,755	1,148,851
Depreciation and amortisation	219,394	231,513
Administrative support	240,937	230,395
Maintenance	211,976	174,915
Miscellaneous	6,023	70,285
	1,893,085	1,855,959

With the fiscal year 2022, SABIC has commenced presenting R&D expenses separately in the consolidated statement of income. Depreciation and amortization charged to R&D cost centres are included in the presentation.

28.4 SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses can be broken down as follows:

For the years ended 31 December	2023	2022
Transportation and shipping	5,063,250	7,867,703
Employee related expenses	1,543,877	1,510,154
Marketing related expenses	693,919	883,956
Depreciation and amortisation	450,866	437,277
	7,751,912	10,699,090

29. OTHER OPERATING INCOME AND EXPENSES

Other operating income can be broken down as follows:

For the years ended 31 December	2023	2022
Services rendered to integral JVs	916,479	718,452
Foreign currency exchange differences	–	382,058
Insurance claims	2,740	95,084
Miscellaneous	318,084	235,096
	1,237,303	1,430,690

Other operating expenses can be broken down as follows:

For the years ended 31 December	2023	2022
Demolition, restructuring and miscellaneous provisions	1,147,007	–
Impairment of non-operating assets (refer Note 7)	391,007	–
Donations	79,460	104,757
Foreign currency exchange expenses	40,070	–
Loss on disposal of plant and equipment	37,363	54,659
Miscellaneous	62,552	111,057
	1,757,459	270,473

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated

30. FINANCE INCOME AND COST

Finance income and finance cost can be broken down by conventional and non-conventional as follows:

For the years ended 31 December	2023	2022
Finance income		
– Conventional call account	6,119	3,130
– Conventional time deposits	42,802	281,027
– Conventional current account	–	–
– Interest income from loans and borrowings – related party	50,668	22,866
– Derivatives financial instruments (i)	1,975,392	669,592
– Others	160,231	53,589
Total conventional finance income	2,235,212	1,030,204
– Current Murabaha (including fixed time deposits)	1,358,402	349,688
– SUKUK	31,913	28,428
– Others	801	–
Total non-conventional finance income	1,391,116	378,116
Total finance income	3,626,328	1,408,320

(i) Gain from derivative financial instruments amounting to SR 669 million for the year ended 31 December 2022, which was previously presented under 'Finance cost', has been reclassified to 'Finance income' and accordingly, the comparatives of finance income and finance cost have increased by the same amount.

For the years ended 31 December	2023	2022
Finance cost		
– Conventional loans	88,963	47,549
– Bonds/notes	381,563	415,313
– Lease liabilities	256,120	217,327
– Net interest on employee benefits	567,207	368,096
– Net foreign currency exchange differences for borrowings	68,762	277,430
– Others	172,019	(5,165)
Total conventional finance cost	1,534,634	1,320,550
– SIDF	24,167	33,756
– Murabaha	1,049,481	518,301
– Others	6,368	15,199
Total non-conventional finance cost	1,080,016	567,256
Total finance cost	2,614,650	1,887,806
Conventional financial result	700,578	(290,346)
Non-conventional financial result	311,100	(189,140)
Financial result	1,011,678	(479,486)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated

31. ZAKAT AND INCOME TAX

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

	Zakat	Income Tax	Total
As at 1 January 2023	2,160,763	742,662	2,903,425
Provided during the year	1,355,054	583,933	1,938,987
Paid during the year, net	(1,881,753)	(1,111,554)	(2,993,307)
Other movements (foreign currency translations and reclassification)	(1,515)	2,305	790
Reclassified to liabilities directly associated with assets held for sale	(217,831)	–	(217,831)
As at 31 December 2023	1,414,718	217,346	1,632,064

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

As at 31 December 2023	Zakat	Income Tax	Total
Receivables	–	386,956	386,956
Payables	1,414,718	604,302	2,019,020
Net payables	1,414,718	217,346	1,632,064

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

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

As at 31 December 2022	Zakat	Income Tax	Total
Receivables	–	87,642	87,642
Payables	2,160,763	830,304	2,991,067
Net payables	2,160,763	742,662	2,903,425

31.1 ZAKAT

Zakat returns of SABIC and wholly owned subsidiaries are submitted to the ZATCA based on separate financial statements prepared for zakat purposes only. Other non-wholly owned subsidiaries file their zakat returns separately. SABIC has filed its zakat returns with ZATCA, received the zakat certificates, settled the zakat dues up to the year ended 31 December 2021. SABIC cleared its zakat assessments with ZATCA up to the year ended 31 December 2018, and the years 2019 through 2020 are under review by the ZATCA.

Reconciliation of zakat expense due to reclassification of Hadeed to discontinued operation is as follows:

For the years ended 31 December	2023	2022
Current zakat expense		
Current year	1,355,054	1,962,183
Reclassified to discontinued operation	(85,894)	(131,937)
	1,269,160	1,830,246

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated

31. ZAKAT AND INCOME TAX (CONTINUED)

31.2 INCOME TAX

The major components of income tax in the consolidated statement of income can be broken down as follows:

For the years ended 31 December	2023	2022
Current income tax		
Current year	506,633	932,032
Adjustments in respect of current income tax of previous year	77,300	(117,478)
Deferred income tax		
Origination and reversals of temporary differences	(1,022,141)	(281,384)
Income tax (benefit) expense	(438,208)	533,170

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

For the years ended 31 December	2023	2022
Tax (benefit) expense on re-measurement of defined benefit plans	(5,925)	157,261
Deferred income tax (benefit) expense recognised in other comprehensive income	(5,925)	157,261

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

For the years ended 31 December	2023	2022
Income before zakat and income tax from continuing operations	4,523,614	25,112,381
Exclude: income subject to Zakat	(12,814,111)	(28,206,700)
Income (loss) subject to income tax	(8,290,497)	(3,094,319)
Domestic income tax rate (KSA)	20%	20%
Income tax at domestic tax rate	(1,658,099)	(618,864)
Tax effects of:		
– Current year tax benefits not recognised	1,550,749	1,599,189
– Deviating rates	(444,959)	(312,373)
– Tax rate changes	(407)	1,914
– Foreign currency losses	113,165	(225,252)
– Tax-exempt results on associates and joint ventures	184,784	214,300
– Non-tax deductible expenses	64,435	52,174
– Prior year adjustments and other tax-exempt items	136,725	(249,472)
– Tax charge due to other liabilities	(485,267)	(76,404)
– Deferred income tax on outside basis differences	(35,283)	(1,744)
– State, local and other income taxes	135,949	149,702
Income tax (benefit) expense	(438,208)	533,170
Zakat expense	1,269,160	1,830,246
Total income tax and zakat expense from continuing operations	830,952	2,363,416

The net loss from discontinued operation in the consolidated statement of income includes a Zakat expense of SR 115,297 (2022: SR 131,937).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated

31. ZAKAT AND INCOME TAX (CONTINUED)

31.2 INCOME TAX (CONTINUED)

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

The effective tax and zakat rate is 18% (2022: 10%).

The effective tax benefit is negatively impacted mainly by current year tax benefits not recognised for losses in Luxembourg and the United States of America. Other negative impacts included taxable foreign currency exchange gains in the Netherlands, tax exempt results on associates and joint ventures, true-ups to prior year tax returns and local income and withholding taxes.

Favourable impact to the effective tax benefit included deviating local statutory tax rates on current year losses and reserve releases for uncertain tax positions.

Reserve releases for uncertain zakat positions in several jurisdictions have contributed to the income tax benefit and reduced zakat expense in the current year. Management's re-assessment of tax and zakat positions resulted from legislation changes, discussions with local tax authorities and other relevant facts and circumstances.

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

As at 31 December	2023	2022
Deferred income tax assets	1,749,286	781,596
Deferred income tax liabilities	(814,942)	(903,549)
	934,344	(121,953)

Components of deferred income tax are as follows:

	Consolidated statement of financial position		Consolidated statement of income	
	2023	2022	2023	2022
– Property, plant and equipment and intangible assets	(1,969,906)	(2,026,798)	(60,922)	220,261
– Right-of-use assets	(754,507)	(817,790)	(71,124)	(39,551)
– Inventories	(4,499)	(3,271)	1,228	(6,690)
– Outside basis differences	(256,101)	(290,527)	(35,283)	(1,744)
– Others	(55,718)	(11,642)	44,076	(67,444)
Deferred income tax liabilities	(3,040,731)	(3,150,028)		
Set-off with deferred income tax assets	2,225,789	2,246,479		
Net deferred income tax liabilities	(814,942)	(903,549)		
– Tax loss carry forward	12,338,316	9,669,070	(2,643,746)	(1,447,365)
– Property, plant and equipment and intangible assets	124,924	125,937	1,013	(75,601)
– Employee benefits	262,695	276,618	14,753	(2,774)
– Lease liabilities	763,977	846,766	94,465	(4,077)
– Deferred charges	376,782	346,048	(31,098)	(24,501)
– Provisions on receivables and inventories	131,320	94,561	(37,076)	149,854
– Interest carry forward	2,138,328	1,977,765	(120,932)	(858,127)
– Tax credits	330,290	312,497	(13,692)	(183,242)
– Others	519,020	331,499	(177,272)	148,100
Deferred income tax assets	16,985,652	13,980,761		
Unrecognised deferred income tax assets	(13,010,577)	(10,952,686)	2,013,469	1,911,517
Set-off with deferred income tax liabilities	(2,225,789)	(2,246,479)		
Net deferred income tax assets	1,749,286	781,596		
Deferred income tax benefit			(1,022,141)	(281,384)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated

31. ZAKAT AND INCOME TAX (CONTINUED)

31.2 INCOME TAX (CONTINUED)

The Group has not recognised SR 13,011 million (2022: SR 10,953 million) of deferred income tax assets, largely related to tax losses carry forward in various jurisdictions, as no sufficient evidence exists to support the Group’s ability to realise such assets. The ultimate realisation of deferred income tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considered the scheduled reversal of deferred income tax liabilities, projected future taxable income and tax planning strategies in making this assessment.

Based on profitability forecasts for future years, the Group has recognised deferred income tax assets related to its tax losses carry forward in Saudi Arabia of SR 8 million (2022: SR 10 million), in the Netherlands of SR 1,143 million (2022: SR 440 million), in Spain of SR 139 million (2022: SR 138 million) and in the United States of America of SR 425 million (2022: SR 425 million).

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

As at 31 December	2023	2022	Expiration ranges
Saudi Arabia	39,510	48,659	Indefinite
Netherlands	4,911,802	1,704,815	Indefinite
United States of America	1,817,320	1,817,320	2027 – Indefinite
Spain	555,869	551,341	Indefinite
Others	624,892	394,229	Various
Total	7,949,393	4,516,364	

In addition, the Group has unrecognised tax losses carry forward available of SR 42,699 million (2022: SR 32,252 million), mainly in Luxembourg, Netherlands and the United States of America and which can be applied against future taxable income. In certain jurisdictions, these tax losses are pending completion of tax filings and/or acceptance of tax filings by tax authorities.

The Group has recognised a deferred income tax liability of SR 256 million (2022: SR 291 million) for withholding taxes that would be payable on the distribution of unremitted earnings of its subsidiaries, joint ventures and associates.

GLOBAL MINIMUM TAX

SABIC, being part of the Saudi Aramco Group, is in scope of OECD Pillar Two model rules and has performed an assessment of its exposure to Pillar Two income taxes. An assessment of the potential exposure to Pillar Two income taxes has been made for the jurisdictions where Pillar Two legislation has been enacted or substantively enacted as at the reporting date, and where this legislation will be effective for financial year beginning 1 January 2024. The estimation of the Pillar Two income tax exposure is based on historical country-by-country reporting and financial data for the constituent entities.

Based on this assessment, for most of the jurisdictions in which SABIC and the Saudi Aramco Group operate, SABIC and the Saudi Aramco Group are expected to qualify for the transitional CBCR safe harbour relief. However, there are a limited number of jurisdictions where the transitional CBCR safe harbour relief does not apply. SABIC does not expect a material exposure to Pillar Two income taxes in those jurisdictions based on the facts and information available as at the reporting date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated

32. BASIC AND DILUTED EARNINGS PER SHARE

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

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

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

For the years ended 31 December	2023	2022
Net (loss) income attributable to equity holders of the Parent (SR '000)	(2,772,282)	16,529,722
Weighted average number of ordinary shares ('000)	3,000,000	3,000,000
Earnings per share from net (loss) income attributable to equity holders of the Parent (SR)	(0.92)	5.51
Net income from continuing operations attributable to equity holders of the Parent (SR '000)	1,304,657	15,785,864
Weighted average number of ordinary shares ('000)	3,000,000	3,000,000
Earnings per share from net income from continuing operations attributable to equity holders of the Parent (SR)	0.43	5.26

There are no instruments that have diluted the weighted average number of ordinary shares.
Interests in subsidiaries are set out in Note 41.

33. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties are legal entities or individuals that can exercise influence on SABIC and its subsidiaries and entities over which SABIC can exercise control or joint control, or a significant influence. These primarily include joint ventures and associates, and Saudi Aramco (being Parent), its subsidiaries, joint ventures and associates.

As part of its normal course of business, SABIC and its subsidiaries and integrated joint ventures enters into various related party contracts and transactions. These principally include sales and purchases, providing and receiving services, and give and receive loans.

The following tables show the volume of business with related parties:

	For the year ended 31 December 2023		As at 31 December 2023	
	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
Associates	100,123	5,356,852	22,052	525,347
Joint ventures	7,222,654	15,962,367	4,368,145	5,506,494
Saudi Aramco	13,191	19,178,341	4,543	3,856,450
Saudi Aramco's subsidiaries, joint ventures and associates	13,932,075	24,380,410	1,823,502	3,496,446
As at 31 December 2023	Associates	Joint ventures	Entities (FVOCI equity accounted)	Total
Loans to related parties	32,739	625,795	48,749	707,283

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated

33. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

	For the year ended 31 December 2022		As at 31 December 2022	
	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
Associates	164,823	6,131,785	38,555	515,963
Joint ventures	8,027,896	20,039,831	3,237,839	5,662,217
Saudi Aramco	3,363	26,039,131	1,987	3,797,877
Saudi Aramco's subsidiaries, joint ventures and associates	15,064,006	25,660,433	1,560,188	3,540,790

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

(i) In 2023, SABIC obtained a loan from Saudi Aramco amounting to SR 3,750 million (refer Note 22).

(ii) Loans to related parties includes an amount of SR 44 million (2022: SR 9 million) related to a loan from Hadeed to TAKAMUL, which is part of liabilities directly associated with assets held for sale.

TERMS AND CONDITIONS OF TRANSACTIONS WITH RELATED PARTIES

The sales to and purchases from related parties are made at agreed terms and conditions. Outstanding balances are unsecured, interest free and settled in cash. There have been no guarantees provided or received for any related party receivables or payables. For the years ended 31 December 2023 and 2022, the Group has not recognised any impairment of receivables relating to amounts owed by related parties. This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.

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

For the years ended 31 December	2023	2022
Purchases of goods and services	3,012,601	2,844,795
Sales of goods and services	14,298	17,683

As at 31 December	2023	2022
Due to entities controlled by the Saudi government	321,812	348,752
Due from entities controlled by the Saudi government	6,837	8,246

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 years ended 31 December	2023	2022
Short-term employee benefits	44,731	36,586
Post-employment benefits	10,243	592
Other long-term benefits	33,603	25,675
Total	88,577	62,853

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated

34. DISCONTINUED OPERATION

On 3 September 2023, the Group announced signing an agreement with the ‘Public Investment Fund’ (“PIF”) to acquire all SABIC shares in the ‘Saudi Iron and Steel Company’ (“HADEED”).

Following the signing of the agreement, Hadeed has been presented as ‘discontinued operation’ under IFRS 5 ‘Non-current Assets Held for Sale and Discontinued Operations’. The assets and liabilities of the disposal group are therefore classified and presented separately as ‘held for sale’ in these consolidated financial statements. These are measured at lower of their carrying amount and fair value less costs to sell (based on the agreement) and depreciation is ceased on relevant assets from the date of their classification as ‘held for sale’.

As a consequence of the re-measurement of the assets and liabilities at fair value, a loss of SR 2,931 million was recognized.

The transaction is subject to customary conditions and regulatory approvals and the closing is expected to be in the course of 2024.

34.1 FINANCIAL PERFORMANCE AND CASH FLOW INFORMATION

The financial performance presented below refers to the discontinued operation for the years ended 31 December 2023 and 31 December 2022.

For the years ended 31 December	2023	2022
Revenue	13,053,749	15,390,169
Depreciation and amortisation	(763,633)	(1,197,869)
Cost of sales and other expenses, net	(13,167,150)	(13,221,113)
Finance income and expenses	(153,019)	(94,841)
Results from non-integral joint ventures and associates	(547)	(551)
(Loss) income before zakat	(1,030,600)	875,795
Zakat expense	(115,297)	(131,937)
(Loss) income after zakat	(1,145,897)	743,858
Fair value re-measurement on assets held for sale	(2,931,042)	–
(Loss) income from discontinued operation	(4,076,939)	743,858
Items that will not be reclassified to the statement of income	(140,008)	786,386
Total comprehensive (loss) income from discontinued operation	(4,216,947)	1,530,244

The cash flow information presented below refers to the discontinued operation for the years ended 31 December 2023 and 31 December 2022.

For the years ended 31 December	2023	2022
Net cash inflow from operating activities	926,710	1,338,419
Net cash used in investing activities	(596,704)	(584,309)
Net cash used in financing activities	(289,409)	(217,408)
Net increase in cash and cash equivalents	40,597	536,702

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated

34. DISCONTINUED OPERATION (CONTINUED)

34.1 FINANCIAL PERFORMANCE AND CASH FLOW INFORMATION (CONTINUED)

Loss before zakat and income tax from discontinued operations, as presented in the consolidated statement of cash flows amounting to SR 3,962 million including the fair value re-measurement on assets held for sale.

34.2 ASSETS AND LIABILITIES OF DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

The carrying amounts of assets and liabilities of disposal group classified as held for sale as at 31 December 2023 were:

	As at 31 December 2023
Assets held for sale	
Property, plant and equipment, right-of-use assets and intangible assets	5,334,816
Inventories	3,904,243
Trade receivables	2,765,103
Other non-current and current assets	2,036,146
Cash and cash equivalents	1,383,646
Total assets	15,423,954
Liabilities directly associated with assets held for sale	
Employee benefits	2,957,098
Other current and non-current liabilities	2,214,757
Trade payables	529,035
Total liabilities	5,700,890
Net assets	9,723,064

The fair value re-measurement has been entirely allocated to 'Property, plant and equipment, right-of-use assets and intangible assets'.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated

35. SEGMENT INFORMATION

For management purposes, the Group is organised into four operating segments.

The **Petrochemicals** segment consists of Chemicals and Polymer products.

- Chemicals products are produced from hydrocarbon feedstock including Methane, Ethane, Propane, Butane, and light Naphtha, with a wide range of products including Olefins, Methanol, Aromatics, Glycols, Carbon Dioxide, Methyl Tert-Butyl Ether (MTBE) and other Chemicals.
- Polymer products include Polyethylene (PE) and Polypropylene (PP), Polycarbonate (PC), and other Polymers products
 - The PE range includes: Linear Low Density Polyethylene (LLDPE), Low Density Polyethylene (LDPE), and High Density Polyethylene (HDPE).
 - The PP range includes Homo, Random and Impact Polypropylene and Polypropylene Compounds Homopolymer, Random and impact copolymer as well as specialty automotive grades.
 - Other key products include Polyvinyl Chloride (PVC), Polyethylene Terephthalate (PET), Polystyrene (PS), and Acrylonitrile Butadiene Styrene (ABS).

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

At 31 December 2023 the Specialties segment does not meet the individual reporting requirements of IFRS 8 '*Operating Segments*'. The Specialties amounts therefore are included as part of the Petrochemicals' reporting segment.

The **Agri-Nutrients** segment consists of range of fertiliser products; including Urea, Ammonia, Phosphate, as well as compound fertilisers.

Hadeed wholly-owned manufacturing business is concerned with production of steel products; long products and flat products.

Hadeed is reported as 'discontinued operation' in these consolidated financial statements (refer Note 34).

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated

35. SEGMENT INFORMATION (CONTINUED)

The segments' financial details are shown below:

	For the year ended 31 December 2023		
	Petrochemicals & Specialties	Agri-nutrients	Continuing operations
Revenue	131,257,832	10,279,355	141,537,187
Depreciation and amortisation	(12,574,482)	(876,260)	(13,450,742)
Impairments and write-offs	(1,844,422)	–	(1,844,422)
Income from operations	198,078	3,522,315	3,720,393
Share of results of non-integral joint ventures and associates	(819,201)	610,744	(208,457)
Finance income			3,626,328
Finance cost			(2,614,650)
Income before zakat and income tax			4,523,614

	For the year ended 31 December 2022		
	Petrochemicals & Specialties	Agri-nutrients	Continuing operations
Revenue	164,845,987	18,230,607	183,076,594
Depreciation and amortisation	(12,120,416)	(839,403)	(12,959,819)
Impairments and write-offs	(532,968)	–	(532,968)
Income from operations	12,447,111	10,460,762	22,907,873
Share of results of non-integral joint ventures and associates	288,478	2,395,516	2,683,994
Finance income*			1,408,320
Finance cost*			(1,887,806)
Income before zakat and income tax			25,112,381

*Refer Note 30 for comparatives.

As at December 2023	Petrochemicals & Specialties	Agri-nutrients	Continuing operations
Total assets	260,315,379	18,641,118	278,956,497
Capital expenditure	8,967,834	899,570	9,867,404
Investment in associates and joint ventures	33,016,209	8,221,092	41,237,301
Total liabilities	89,772,173	3,624,848	93,397,021

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated

35. SEGMENT INFORMATION (CONTINUED) GEOGRAPHICAL DISTRIBUTION OF REVENUE

	For the year ended 31 December 2023	%	For the year ended 31 December 2022	%
KSA	19,807,715	14	27,142,647	15
China	27,192,924	19	33,290,282	18
Rest of Asia	31,156,327	22	32,260,656	17
Europe	29,532,746	21	42,422,513	23
Americas	14,720,382	10	19,387,810	11
Africa	7,656,434	5	11,979,503	7
Others	11,470,659	9	16,593,183	9
	141,537,187	100	183,076,594	100

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

GEOGRAPHICAL DISTRIBUTION FOR NON-CURRENT ASSETS EXCLUDING FINANCIAL ASSETS AND DEFERRED TAX ASSETS

As at 31 December	2023	%	2022	%
KSA	99,600,827	69	112,506,034	71
Europe	18,711,114	13	18,939,974	12
Americas	22,608,242	16	23,517,746	15
Asia	2,902,078	2	2,913,423	2
Africa	41,121	–	12,860	–
	143,863,382	100	157,890,037	100

36. FINANCIAL RISK MANAGEMENT OVERVIEW

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

- Credit risk
- Liquidity risk
- Market risk

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.

36.1 CREDIT RISK

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated

36. FINANCIAL RISK MANAGEMENT (CONTINUED)

36.1 CREDIT RISK (CONTINUED)

For the year ended 31 December 2023											Carry value in the statement of financial position
	AA+	AA	AA-	A+	A	A-	BBB+	BBB	BBB-	Other	
Bank balances and fixed term deposits	-	-	65,780	7,074,108	20,836,251	4,308,173	1,951	-	-	127,456	32,413,719
Investments in equity instruments	-	3,691	-	-	-	-	-	-	-	232,794	236,485
Investments in debt instruments	-	-	-	-	241,961	-	-	-	-	145,030	386,991
Short-term investments (i)	-	-	-	614,906	5,460,670	3,552,282	-	-	-	160,226	9,788,084
	-	3,691	65,780	7,689,014	26,538,882	7,860,455	1,951	-	-	665,506	42,825,279

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

(i) Excludes investments in debt instruments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated

36. FINANCIAL RISK MANAGEMENT (CONTINUED)

36.1 CREDIT RISK (CONTINUED)

TRADE RECEIVABLES

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the customer demographics, including default risk of the industry and country in which customer operates, as these factors may have an influence on credit risk. Due to the global activities and diversified customer structure of the Group, there is no significant concentration of credit default risk.

The Group takes credit risk on trades with recognised, credit worthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. Credit quality of the customer is assessed based on an extensive internal credit rating scorecard by taking into account the payment behaviour, company legal structure, financial and non-financial profile and external data where available. Credit limits are established accordingly and frequently monitored in accordance with the established policy. Payment terms are generally agreed upon individually with customers and, as a rule, are within 30-120 days. The Group considers additional measures to mitigate credit risk when deemed appropriate by means of letter of credits, credit insurance, bank guarantees or parent company guarantees.

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

36.2 LIQUIDITY RISK

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities, as they fall due. Liquidity risk mainly relates to trade and other payables, borrowings, leases liabilities, and financial instruments. SABIC's approach to managing liquidity risk is to maintain sufficient cash and cash equivalents and short-term investments, and through ensuring the availability of adequate banking facilities (refer Note 22).

At the group level liquidity risk is managed through, setting an appropriate liquidity framework, monitoring cash flow forecasts to ensure overall liquidity is available, maintaining a sufficient portfolio of assets that can be easily liquidated and through the use of a global cash pooling mechanisms.

The Group invests surplus funds in current accounts, fixed term deposits, money market deposits and marketable securities. The Group prioritizes security and liquidity over yield.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated

36. FINANCIAL RISK MANAGEMENT (CONTINUED)

36.2 LIQUIDITY RISK (CONTINUED)

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

	31 December 2023				
	Within 1 year	Between 1-2 years	Between 2-5 years	More than 5 years	Total
Debt (excludes lease liabilities)	2,077,080	1,972,559	14,248,707	10,035,898	28,334,244
Short-term borrowings	2,414,233	–	–	–	2,414,233
Interest on loans and borrowings (i)	1,474,001	1,247,628	1,385,860	1,156,602	5,264,091
Trade payables	20,087,016	–	–	–	20,087,016
Lease liabilities	1,083,698	896,887	1,547,773	7,162,544	10,690,902
Dividend payable	7,003,335	–	–	–	7,003,335
Other liabilities	6,907	–	–	–	6,907
Obligations to acquire the remaining shares of certain subsidiaries	–	–	–	572,269	572,269
Financial liabilities – derivatives financial instruments	–	–	–	1,438,875	1,438,875
	34,146,270	4,117,074	17,182,340	20,366,188	75,811,872

	31 December 2022				
	Within 1 year	Between 1-2 years	Between 2-5 years	More than 5 years	Total
Debt (excludes lease liabilities)	5,853,133	2,050,829	7,406,654	11,653,069	26,963,685
Short-term borrowings	915,839	–	–	–	915,839
Interest on loans and borrowings (i)	1,359,467	1,054,697	2,207,826	2,218,362	6,840,352
Trade payables	22,537,990	–	–	–	22,537,990
Lease liabilities	1,294,311	1,859,280	1,310,371	10,174,648	14,638,610
Other liabilities	409,331	–	–	–	409,331
Obligations to acquire the remaining shares of certain subsidiaries	–	–	–	554,860	554,860
Financial liabilities – derivatives financial instruments	–	–	–	2,373,750	2,373,750
Guarantees (refer Note 38.2)	231,869	–	–	–	231,869
	32,601,940	4,964,806	10,924,851	26,974,689	75,466,286

(i) Excludes interest on lease.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated

36. FINANCIAL RISK MANAGEMENT (CONTINUED)

36.3 MARKET RISK

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

The Group has derivatives, and also incurs financial liabilities, in order to manage market risks. All such transactions are carried out within the guidelines set by the Risk Management Committee.

EQUITY PRICE RISK

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

CURRENCY EXCHANGE RATE RISK

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

INTEREST RATE RISK

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates. The Group manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings. To lower volatility and increase predictability of interest expenses, the Group may enter into simple financial derivatives such as interest rate swaps. During the years ended 2023 and 2022, the Group had no interest rate swaps outstanding.

Debt interest rate classification between fixed and variable rate borrowings is disclosed under Note 22. The total value of variable rate borrowings were 19,803 million (2022: SR 16,470 million) and the total value of fixed rate borrowings were SR 8,164 million (2022: SR 12,139 million).

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

	31 December 2023	
	Gains (losses) through income and equity	
	+100 bps	-100 bps
1M SAIBOR	(2,222)	2,222
3M SAIBOR	31	(31)
6M SAIBOR	(3,603)	3,603
6M SOFR	(5,142)	5,142

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated

37. CAPITAL MANAGEMENT

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

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Group manages its capital structure and makes adjustments to it, in light of change in economic conditions.

The Board of Directors monitors the return on capital, which the Group defines as result from operating activities divided by total shareholders' equity, and non-controlling interests. There were no changes in the Group's approach to capital management during the year. The Board of Directors also monitors the level of dividends to ordinary shareholders and capital management. Neither the Group nor any of its subsidiaries are subject to externally imposed capital requirements.

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

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

	31 December 2023	31 December 2022
Gross debt	33,496,767	34,813,325
Less: Cash and cash equivalents	(32,414,996)	(40,059,331)
Less: Short-term fixed term deposits	(9,842,617)	(8,678,959)
Net debt	(8,760,846)	(13,924,965)
Total equity	195,282,540	217,617,259
Net debt to equity ratio	(4)%	(6)%

37.1 COMPLIANCE WITH COVENANTS

The Group is subject to certain covenants related primarily to its borrowings. Non-compliance with such covenants may result in negative consequences including growth in the cost of borrowings and declaration of default. The Group was in compliance with covenants at 31 December 2023 and 31 December 2022.

38. COMMITMENTS AND CONTINGENCIES

38.1 COMMITMENTS

At 31 December 2023, the Group had commitments of SR 9,238 million (31 December 2022: SR 10,799 million) relating to capital expenditures including Hadeed.

SABIC has an equity contribution commitment towards its 15% interest in MWSPC. As at 31 December 2023, the outstanding commitment toward this investment amounts to SR 74 million

(31 December 2022: SR 74 million). Pursuant to the terms of agreements with the other shareholders and external lenders, SABIC has agreed to contribute additional funds to the project, under certain circumstances and to the extent required, in the event of project cost over-runs.

NUSANED has equity contribution commitments towards its 50% interest in NUSANED Fund I and 60% interest in NUSANED Fund II. As of at 31 December 2023, the outstanding commitments toward these investments amounts to SR 13.6 million and SR 446 million respectively (31 December 2022: SR 13.6 million and SR 450 million respectively).

38.2 GUARANTEES

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

The Group has provided a financial guarantee on behalf of an associated company, during the year ended 31 December 2023, the associated company defaulted and the Group settled the outstanding obligation of SR 45 million. There were no other events that took place during the years ended 31 December 2023 and 31 December 2022 that have triggered the use of these financial guarantees. There are no outstanding financial guarantees as at 31 December 2023 (31 December 2022: SR 225 million). These amounts together with the associated interest exposure have been included as a part of the liquidity note (refer Note 36.2).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated

38. COMMITMENTS AND CONTINGENCIES (CONTINUED)

38.3. CONTINGENT LIABILITIES

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

The Group's bankers have issued, on its behalf, bank guarantees amounting to SR 1,263 million (31 December 2022: SR 1,167 million) in the normal course of business, including Hadeed.

38.4 LEASES

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.

Minimum lease payment receivables on leases are as follows:

As at 31 December	2023	2022
Within 1 year	38,177	39,648
1 – 2 years	36,276	38,177
2 – 3 years	35,497	36,276
3 – 4 years	32,894	35,497
4 – 5 years	31,907	32,894
More than 5 years	196,173	228,080
	370,924	410,572

39. APPROPRIATIONS

On 11 Ramadan 1444H (corresponding to 2 April 2023), SABIC distributed cash dividends amounting to SR 6,000 million (at SR 2.00 per share) for the second half of financial year 2022, resulting in a full year cash dividend distribution of SR 12,750 million (at SR 4.25 per share), which was ratified by the General Assembly ("GA") in its meeting held on 4 Dhu Al-Hijjah 1444H (corresponding to 22 June 2023).

On 17 Rabi' al-Awwal 1445H (corresponding to 2 October 2023), SABIC distributed interim cash dividends amounting to SR 5,400 million (at SR 1.80 per share) for the first half of the year 2023.

On 28 Jumada Al-Ula 1445H (corresponding to 12 December 2023), SABIC declared cash interim dividends amounting to SR 4,800 million (at SR 1.60 per share) for the second half of year 2023, which were recorded in these consolidated financial statements.

The total interim dividends for the year 2023 are amounting to SR 10,200 million (at SR 3.40 per share).

Both interim dividends were recorded in these consolidated financial statements. In total, the interim dividends during the year 2023 are translating into a multiple of 7.82 of the net income from continuing operations attributable to equity holders of the Parent.

40. SUBSEQUENT EVENTS

On 9 Rajab 1445H (corresponding to 21 January 2024), SABIC decided to move forward with developing a world scale Petrochemical complex located in Fujian (China) in partnership with 'Fujian Fuhua Gulei Petrochemical Co., Ltd.', the joint venture partner. SABIC will have 51% ownership in the joint venture 'SABIC Fujian Petrochemicals Co., Ltd.' ("FUJIAN"). The estimated cost of the project is approximately USD 6,400 million, and the construction of the project is expected to begin during the first half of the year 2024.

In the opinion of management, there have been no further significant subsequent events, other than those disclosed in these consolidated financial statements, since the year ended 31 December 2023, which would have a material impact on the financial position of the Group as reflected in these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated

41. SUBSIDIARIES AND INVESTMENTS IN ASSOCIATES AND JOINT ARRANGEMENTS

SUBSIDIARIES OF THE GROUP ARE SET OUT BELOW:

	Country of incorporation	Country of operation	Principal business activity (ii)	% Shareholding (direct and indirect) at 31 December 2023	% Shareholding (direct an indirect) at 31 December 2022	Share capital at 31 December 2023	Conventional financial assets at 31 December 2023	Conventional financial liabilities at 31 December 2023	Interest income from conventional financial assets for the year ended 31 December 2023
Subsidiaries (i)									
SABIC International Holdings B.V. and its subsidiaries	Netherlands	Netherlands	Petrochemicals	100.00	100.00	37,852,564	61,779	32,241,923	-
SABIC Investment and Local Content Development Company ("NUSANED") and its subsidiaries	KSA	KSA	Investment	100.00	100.00	379,731	-	-	-
SABIC Industrial Investments Company ("SIIC") and its subsidiaries	KSA	KSA	Investments	100.00	100.00	300,000	6,813	589,342	-
SABIC Capital B.V. and its subsidiaries	Netherlands	Netherlands	Financing	100.00	100.00	87	-	208,852	-
SABIC Agri-Nutrients Company ("SABIC AN") and its subsidiaries (iii)	KSA	KSA	Agri-Nutrients	50.10	50.10	4,760,354	-	92,776	907
Arabian Petrochemical Company ("PETROKEMYA")	KSA	KSA	Petrochemicals	100.00	100.00	1,955,540	-	623,546	344
Saudi Iron and Steel Company ("HADEED") (iv)	KSA	KSA	Metals	100.00	100.00	1,070,000	-	2,003,867	15,892
SABIC Luxembourg S.à r.l.	Luxembourg	Luxembourg	Petrochemicals	100.00	100.00	34,388	75,080	11,983,979	-
National Global Business Services Company (v)	KSA	KSA	Shared Service	100.00	100.00	100	-	-	-
Saudi European Petrochemical Company ("IBN ZAHR")	KSA	KSA	Petrochemicals	80.00	80.00	1,025,666	-	135,740	-
Jubail United Petrochemical Company ("UNITED")	KSA	KSA	Petrochemicals	75.00	75.00	2,495,620	530	104,701	-
Saudi Methanol Company ("AR-RAZI")	KSA	KSA	Petrochemicals	75.00	75.00	259,000	-	325,427	-
National Industrial Gases Company ("GAS")	KSA	KSA	Utilities	74.00	74.00	248,000	99,817	114,107	14,381
Yanbu National Petrochemical Company ("YANSAB") (iii)	KSA	KSA	Petrochemicals	52.08	52.08	5,625,000	-	112,627	46

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated

41. SUBSIDIARIES AND INVESTMENTS IN ASSOCIATES AND JOINT ARRANGEMENTS (CONTINUED)

SUBSIDIARIES OF THE GROUP ARE SET OUT BELOW (CONTINUED)

	Country of incorporation	Country of operation	Principal business activity (ii)	% Shareholding (direct and indirect) at 31 December 2023	% Shareholding (direct and indirect) at 31 December 2022	Share capital at 31 December 2023	Conventional financial assets at 31 December 2023	Conventional financial liabilities at 31 December 2023	Interest income from conventional financial assets for the year ended 31 December 2023
Subsidiaries (i)									
National Methanol Company ("IBN-SINA")	KSA	KSA	Petrochemicals	50.00	50.00	558,000	–	90,001	–
Arabian Industrial Fibers Company ("IBN RUSHD")	KSA	KSA	Petrochemicals	48.37	48.37	2,000,000	–	613,050	–
Saudi Kayan Petrochemical Company ("SAUDI KAYAN") (iii)	KSA	KSA	Petrochemicals	35.00	35.00	15,000,000	–	2,676,037	–

- Notes:
- (i) Critical judgements are considered in determination of the control over entities based on underlying agreements and constitutive documents. (refer Note 3.2.3)
 - (ii) The principal activities of majority of the Group's subsidiaries are manufacturing, marketing and distribution of petrochemicals, specialties and related products except for SABIC AN, AL BAYRONI and IBN AL-BAYTAR that are involved in agri-nutrients business; and HADEED is involved in metal business.
 - (iii) YANSAB, SABIC AN, and SAUDI KAYAN are publicly traded companies and listed on the Saudi Exchange (Tadawul).
 - (iv) On 3 September 2023, the group announced signing an agreement with the Public Investment Fund (PIF) to acquire all SABIC shares in the Saudi Iron and Steel Company (HADEED) (refer Note 34)
 - (v) National Global Business Services Company has been established in 2023.

SUBSIDIARIES OF SABIC CAPITAL B.V.

	Country of incorporation	Country of operation	Principal business activity	% Shareholding (direct and indirect) at 31 December 2023	% Shareholding (direct and indirect) at 31 December 2022	Share capital at 31 December 2023	Conventional financial assets at 31 December 2023	Conventional financial liabilities at 31 December 2023	Interest income from conventional financial assets for the year ended 31 December 2023
Subsidiaries									
SABIC Capital I B.V.	Netherlands	Netherlands	Financing	100.00	100.00	87	443,166	31,573,038	77,574
SABIC Capital II B.V.	Netherlands	Netherlands	Financing	100.00	100.00	87	343,682	4,163,897	28,938

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated

41. SUBSIDIARIES AND INVESTMENTS IN ASSOCIATES AND JOINT ARRANGEMENTS (CONTINUED)

SUBSIDIARIES OF SABIC INTERNATIONAL HOLDINGS B.V.

	Country of incorporation	Country of operation	Principal business activity	% Shareholding (direct and indirect) at 31 December 2023	% Shareholding (direct and indirect) at 31 December 2022	Share capital at 31 December 2023	Conventional financial assets at 31 December 2023	Conventional financial liabilities at 31 December 2023	Interest income from conventional financial assets for the year ended 31 December 2023
Subsidiaries									
SABIC US Holdings LP	USA	USA	Petrochemicals	100.00	100.00	13,967,985	1,326,292	–	–
SABIC Innovative Plastics US LLC (i)	USA	USA	Petrochemicals	100.00	100.00	9,766,152	295,594	11,314,554	–
SABIC Innovative Plastics Mt. Vernon, LLC	USA	USA	Petrochemicals	100.00	100.00	7,685,716	559,130	24,581	–
SABIC Innovative Plastics Espana ScpA (i)	Spain	Spain	Petrochemicals	100.00	100.00	2,603,643	995,939	1,894,366	–
SABIC UK Petrochemicals Ltd.	UK	UK	Petrochemicals	100.00	100.00	2,576,265	167,801	1,027,653	12
SABIC Innovative Plastics Holding Singapore Pte. Ltd.	Singapore	Singapore	Petrochemicals	100.00	100.00	1,902,551	108,850	–	–
SHPP Singapore Pte. Ltd.	Singapore	Singapore	Specialties	100.00	100.00	1,827,525	592,813	23,109	–
SABIC Tees Holdings Ltd.	UK	UK	Petrochemicals	100.00	100.00	1,245,003	371	1,489,785	–
SABIC Europe B.V.	Netherlands	Netherlands	Petrochemicals	100.00	100.00	747,092	574,210	261,986	–
SABIC Innovative Plastics B.V.	Netherlands	Netherlands	Petrochemicals	100.00	100.00	648,567	6,598	2,992,031	2
SHPP (Shanghai) Co., Ltd.	China	China	Specialties	100.00	100.00	432,713	135,474	7,448	1,298
SABIC Innovative Plastics (China) Co., Ltd.	China	China	Petrochemicals	100.00	100.00	392,226	189,383	10,650	612
Exatec, LLC	USA	USA	Petrochemicals	100.00	100.00	380,614	12,331	–	–
SABIC Innovative Plastics South America – Indústria e Comércio de Plásticos Ltda.	Brazil	Brazil	Petrochemicals	100.00	100.00	318,816	85,017	88,613	5,220
SABIC Innovative Plastics Hong Kong Ltd.	Hong Kong	Hong Kong	Petrochemicals	100.00	100.00	279,709	55,401	–	–
SHPP Japan LLC	Japan	Japan	Specialties	100.00	100.00	276,755	114,831	5,233	–
SABIC Innovative Plastics (SEA) Pte. Ltd.	Singapore	Singapore	Petrochemicals	100.00	100.00	271,032	50,647	164	–
SABIC R&T Pvt Ltd.	India	India	Petrochemicals	100.00	100.00	259,653	85,435	161	–
SABIC Ventures US Holdings LLC	USA	USA	Petrochemicals	100.00	100.00	231,046	127,353	–	3,507
SABIC Belgium NV	Belgium	Belgium	Petrochemicals	100.00	100.00	210,064	–	67,611	–
SHPP Canada, Inc.	Canada	Canada	Specialties	100.00	100.00	209,100	32,857	84	1,419
SABIC Petrochemicals B.V.	Netherlands	Netherlands	Petrochemicals	100.00	100.00	192,086	22,792	3,605,441	2,980
SABIC (China) Research & Development Co. Ltd.	China	China	Petrochemicals	100.00	100.00	170,589	29,958	121	187

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated

41. SUBSIDIARIES AND INVESTMENTS IN ASSOCIATES AND JOINT ARRANGEMENTS (CONTINUED)

SUBSIDIARIES OF SABIC INTERNATIONAL HOLDINGS B.V. (CONTINUED)

	Country of incorporation	Country of operation	Principal business activity	% Shareholding (direct and indirect) at 31 December 2023	% Shareholding (direct and indirect) at 31 December 2022	Share capital at 31 December 2023	Conventional financial assets at 31 December 2023	Conventional financial liabilities at 31 December 2023	Interest income from conventional financial assets for the year ended 31 December 2023
Subsidiaries									
SABIC Global Ltd.	UK	UK	Petrochemicals	100.00	100.00	166,298	156,946	–	–
SABIC Innovative Plastics GmbH & Co KG (Austria)	Austria	Austria	Petrochemicals	100.00	100.00	164,676	50,484	26,764	–
SABIC Innovative Plastics Chongqing Co., Ltd.	China	China	Petrochemicals	100.00	100.00	112,500	13,894	203,721	189
SABIC Australia Pty Ltd.	Australia	Australia	Petrochemicals	100.00	100.00	110,155	22,951	–	13
SABIC Taiwan Holding Ltd. (Hong Kong)	Hong Kong	Hong Kong	Petrochemicals	100.00	100.00	92,724	40,230	–	–
SABIC Korea Ltd.	Korea	Korea	Petrochemicals	100.00	100.00	86,659	31,448	3,417	75
SHPP Manufacturing UK Ltd	UK	UK	Specialties	100.00	100.00	80,052	18,890	1,703	–
SHPP Thailand Co. Ltd.	Thailand	Thailand	Specialties	100.00	100.00	70,904	49,665	66	5
SABIC Innovative Plastics Italy Srl	Italy	Italy	Petrochemicals	100.00	100.00	69,770	48,937	1,343	–
Scientific Design Co. Inc.	USA	USA	Specialties	100.00	100.00	69,163	1,395	10,424	470
SHPP Korea Ltd.	Korea	Korea	Specialties	100.00	100.00	63,634	27,912	546	383
SABIC US Projects LLC	USA	USA	Petrochemicals	100.00	100.00	56,250	1,210,905	812,520	–
SHPP South America-Comércio de Plásticos Ltda	Brazil	Brazil	Specialties	100.00	100.00	44,317	26,467	84	33
SABIC Innovative Plastics Mexico S de RL de CV	Mexico	Mexico	Petrochemicals	100.00	100.00	36,215	77,726	237,590	4,237
SABIC Innovative Plastics India Private Ltd.	India	India	Petrochemicals	100.00	100.00	34,372	21,642	813	6
SABIC Innovative Plastics Argentina SRL	Argentina	Argentina	Petrochemicals	100.00	100.00	33,460	17,826	–	815
SABIC (Thailand) Co. Ltd.	Thailand	Thailand	Petrochemicals	100.00	100.00	28,785	17,440	1,090	–
SABIC Innovative Plastics SIT Holding Ltd.	Hong Kong	Hong Kong	Petrochemicals	100.00	100.00	27,358	555	–	–
SABIC Innovative Plastics Ltd.	UK	UK	Petrochemicals	100.00	100.00	17,478	30,040	–	–
SABIC (Shanghai) Trading Co. Ltd.	China	China	Petrochemicals	100.00	100.00	16,912	539,856	–	1,253

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated

41. SUBSIDIARIES AND INVESTMENTS IN ASSOCIATES AND JOINT ARRANGEMENTS (CONTINUED)

SUBSIDIARIES OF SABIC INTERNATIONAL HOLDINGS B.V. (CONTINUED)

	Country of incorporation	Country of operation	Principal business activity	% Shareholding (direct and indirect) at 31 December 2023	% Shareholding (direct and indirect) at 31 December 2022	Share capital at 31 December 2023	Conventional financial assets at 31 December 2023	Conventional financial liabilities at 31 December 2023	Interest income from conventional financial assets for the year ended 31 December 2023
Subsidiaries									
High Performance Plastics Manufacturing Mexico S de RL de CV	Mexico	Mexico	Specialties	100.00	100.00	13,839	4,441	604	368
Petrochemical Pipeline Services B.V.	Netherlands	Netherlands	Petrochemicals	100.00	100.00	13,559	13,387	4,900	–
SHPP Hong Kong	Hong Kong	Hong Kong	Specialties	100.00	100.00	12,652	52,966	1,231	–
NV Pijpleiding Antwerpen-Limburg-Luik (PALL)	Belgium	Belgium	Support services	100.00	100.00	12,345	744	–	–
SHPP France S.A.S.	France	France	Specialties	100.00	100.00	9,834	3,063	110	–
SABIC Innovative Plastics Malaysia Sdn Bhd	Malaysia	Malaysia	Petrochemicals	100.00	100.00	8,548	10,341	82	422
SABIC Americas LLC	USA	USA	Petrochemicals, Agri-Nutrients	100.00	100.00	7,000	560,391	32,389	–
JVSS Holding Co Inc.	USA	USA	Specialties	100.00	100.00	6,000	7	–	–
SABIC Innovative Plastics France S.A.S.	France	France	Petrochemicals	100.00	100.00	4,527	78,206	878	–
SABIC Petrochemicals Japan LLC	Japan	Japan	Petrochemicals	100.00	100.00	3,631	19,123	56,644	–
SABIC India Pvt. Ltd.	India	India	Petrochemicals	100.00	100.00	3,346	52,718	1,172	77
SABIC Innovative Plastics Finland OY	Finland	Finland	Petrochemicals	100.00	100.00	3,024	12,184	90	–
SABIC High Performance Plastic (“SHPP”) Argentina SRL	Argentina	Argentina	Specialties	100.00	100.00	3,006	2,396	3	–
SABIC Nordic A/S	Denmark	Denmark	Petrochemicals	100.00	100.00	2,004	15,632	62	–
SABIC France S.A.S.	France	France	Petrochemicals	100.00	100.00	1,898	61,461	1,205	–
SABIC Vietnam Company Ltd.	Vietnam	Vietnam	Petrochemicals	100.00	100.00	1,875	2,858	822	–
SABIC Innovative Plastics Poland Sp. Z o.o.	Poland	Poland	Petrochemicals	100.00	100.00	1,817	38,617	563	–
Saudi Innovative Plastics Sweden AB	Sweden	Sweden	Petrochemicals	100.00	100.00	1,619	11,406	–	–
SABIC Innovative Plastics International Trading (Shanghai) Ltd.	China	China	Petrochemicals	100.00	100.00	1,162	7,600	25,282	195

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated

41. SUBSIDIARIES AND INVESTMENTS IN ASSOCIATES AND JOINT ARRANGEMENTS (CONTINUED)

SUBSIDIARIES OF SABIC INTERNATIONAL HOLDINGS B.V. (CONTINUED)

	Country of incorporation	Country of operation	Principal business activity	% Shareholding (direct and indirect) at 31 December 2023	% Shareholding (direct and indirect) at 31 December 2022	Share capital at 31 December 2023	Conventional financial assets at 31 December 2023	Conventional financial liabilities at 31 December 2023	Interest income from conventional financial assets for the year ended 31 December 2023
Subsidiaries									
SHPP Malaysia Sdn Bhd	Malaysia	Malaysia	Specialties	100.00	100.00	904	4,808	–	–
SABIC (China) Holding Co., Ltd	China	China	Petrochemicals	100.00	100.00	750	1,596,035	319,060	2,317
SABIC Italia Srl	Italy	Italy	Petrochemicals	100.00	100.00	514	90,327	3,634	–
SABIC Sales Europe B.V.	Netherlands	Netherlands	Petrochemicals	100.00	100.00	498	857,620	–	–
SABIC Innovative Plastics GmbH	Germany	Germany	Petrochemicals	100.00	100.00	478	226,323	1,155	–
SHPP Vietnam Co Ltd	Vietnam	Vietnam	Specialties	100.00	100.00	375	6,693	131	–
SABIC Marketing Ibérica S.A.	Spain	Spain	Petrochemicals	100.00	100.00	329	73,359	435	–
SABIC Innovative Plastics Holding Germany GmbH	Germany	Germany	Petrochemicals	100.00	100.00	254	–	107,036	89
SABIC Asia Pacific Pte Ltd (“SAPPL”)	Singapore	Singapore	Petrochemicals, Agri-Nutrients	100.00	100.00	226	1,786,249	1,202,802	278
SABIC Innovative Plastics Austria GmbH	Austria	Austria	Petrochemicals	100.00	100.00	178	14,561	–	–
SABIC Polyolefine GmbH	Germany	Germany	Petrochemicals	100.00	100.00	127	461,639	44,911	–
SABIC Deutschland GmbH	Germany	Germany	Petrochemicals	100.00	100.00	125	355,529	2,028	–
SABIC Holding Deutschland GmbH	Germany	Germany	Petrochemicals	100.00	100.00	125	50,872	682,853	342
SHPP Germany GmbH	Germany	Germany	Specialties	100.00	100.00	105	29,457	1,982	–
SABIC Licensing B.V.	Netherlands	Netherlands	License Company	100.00	100.00	99	124,159	–	–
SD Verwaltungs GmbH	Germany	Germany	Administrative Company	100.00	100.00	99	203	–	–
SABIC Ventures B.V.	Netherlands	Netherlands	Petrochemicals	100.00	100.00	98	311,206	–	–
SABIC Innovative Plastics Holding B.V.	Netherlands	Netherlands	Petrochemicals	100.00	100.00	92	378,030	–	–
SABIC Innovative Plastics GP B.V.	Netherlands	Netherlands	Petrochemicals	100.00	100.00	92	31,584	–	–
SABIC Global Technologies B.V.	Netherlands	Netherlands	Petrochemicals	100.00	100.00	92	513,376	446	–
SABIC Mining B.V.	Netherlands	Netherlands	Petrochemicals	100.00	100.00	91	185,997	–	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated

41. SUBSIDIARIES AND INVESTMENTS IN ASSOCIATES AND JOINT ARRANGEMENTS (CONTINUED)

SUBSIDIARIES OF SABIC INTERNATIONAL HOLDINGS B.V. (CONTINUED)

	Country of incorporation	Country of operation	Principal business activity	% Shareholding (direct and indirect) at 31 December 2023	% Shareholding (direct and indirect) at 31 December 2022	Share capital at 31 December 2023	Conventional financial assets at 31 December 2023	Conventional financial liabilities at 31 December 2023	Interest income from conventional financial assets for the year ended 31 December 2023
Subsidiaries									
SABIC Limburg B.V.	Netherlands	Netherlands	Petrochemicals	100.00	100.00	90	20,500	–	–
SABIC Greece M.E.P.E.	Greece	Greece	Petrochemicals	100.00	100.00	90	4,657	–	–
SABIC Innovative Plastics Denmark Aps	Denmark	Denmark	Petrochemicals	100.00	100.00	69	37,793	–	–
SABIC Innovative Plastics Kereskedelmi Kft.	Hungary	Hungary	Petrochemicals	100.00	100.00	66	23,622	–	–
SABIC Poland Sp. Z o.o.	Poland	Poland	Petrochemicals	100.00	100.00	63	13,462	1,337	–
SABIC Hungary Kft.	Hungary	Hungary	Petrochemicals	100.00	100.00	54	4,255	94	1
SHPP Italy Srl	Italy	Italy	Specialties	100.00	100.00	44	14,214	168	–
SHPP Sales Italy Srl	Italy	Italy	Specialties	100.00	100.00	44	–	4,821	–
SABIC Sales Italy Srl	Italy	Italy	Petrochemicals	100.00	100.00	41	10,253	657	–
SHPP Hungary Kft.	Hungary	Hungary	Specialties	100.00	100.00	37	1,154	–	–
SABIC Innovative Plastics Czech s.r.o.	Czech Republic	Czech Republic	Petrochemicals	100.00	100.00	37	8,594	208	–
SHPP Petrokimya Ticaret Ltd Sirketi	Turkey	Turkey	Specialties	100.00	100.00	34	873	–	–
BV Snij-Unie HiFi	Netherlands	Netherlands	Petrochemicals	100.00	100.00	23	26,371	429	–
High Performance Plastics India Pvt Ltd.	India	India	Specialties	100.00	100.00	19	28,794	29,126	–
SHPP Manufacturing Spain SL	Spain	Spain	Specialties	100.00	100.00	13	149	74	–
SHPP Marketing Plastics SL	Spain	Spain	Specialties	100.00	100.00	13	7,507	212	–
SABIC Sales Spain SL	Spain	Spain	Petrochemicals	100.00	100.00	12	13,890	343	–
SHPP Finland OY	Finland	Finland	Specialties	100.00	100.00	11	2,050	66	–
SHPP Poland Sp. Z o.o.	Poland	Poland	Specialties	100.00	100.00	5	801	236	–
SHPP Holding B.V.	Netherlands	Netherlands	Specialties	100.00	100.00	2	–	52,137	–
SHPP Czech s.r.o.	Czech Republic	Czech Republic	Specialties	100.00	100.00	2	914	209	–
SABIC Innovative Plastics Rus Z.o.o	Russia	Russia	Petrochemicals	100.00	100.00	1	3,876	372	–
SHPP Capital B.V.	Netherlands	Netherlands	Financing	100.00	100.00	1	3,381	–	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated

41. SUBSIDIARIES AND INVESTMENTS IN ASSOCIATES AND JOINT ARRANGEMENTS (CONTINUED)

SUBSIDIARIES OF SABIC INTERNATIONAL HOLDINGS B.V. (CONTINUED)

	Country of incorporation	Country of operation	Principal business activity	% Shareholding (direct and indirect) at 31 December 2023	% Shareholding (direct and indirect) at 31 December 2022	Share capital at 31 December 2023	Conventional financial assets at 31 December 2023	Conventional financial liabilities at 31 December 2023	Interest income from conventional financial assets for the year ended 31 December 2023
Subsidiaries									
LLC SABIC Eastern Europe	Russia	Russia	Petrochemicals	100.00	100.00	1	6,432	117	–
SHPP Russia OOO	Russia	Russia	Specialties	100.00	100.00	1	20	60	–
SHPP Sales B.V.	Netherlands	Netherlands	Specialties	100.00	100.00	1	5,421	–	–
SHPP Sales UK Ltd.	UK	UK	Specialties	100.00	100.00	1	902	–	–
SHPP Ventures B.V.	Netherlands	Netherlands	Specialties	100.00	100.00	1	200	–	–
SHPP B.V.	Netherlands	Netherlands	Specialties	100.00	100.00	1	1,084	523,592	–
SHPP Global Technologies B.V.	Netherlands	Netherlands	Specialties	100.00	100.00	1	7,051	–	–
SHPP Capital I B.V.	Netherlands	Netherlands	Financing	100.00	100.00	1	245,096	254,661	28,610
SHPP Capital II B.V.	Netherlands	Netherlands	Financing	100.00	100.00	1	119,584	125,725	9,064
SHPP US LLC	USA	USA	Specialties	100.00	100.00	1	119,795	481,597	–
SABIC Petrochemicals Canada, Inc.	Canada	Canada	Petrochemicals	100.00	100.00	1	47,015	40	977
SABIC Innovative Plastics Utilities B.V.	Netherlands	Netherlands	Petrochemicals	100.00	100.00	1	4,869	–	–
SABIC UK Ltd.	UK	UK	Petrochemicals	100.00	100.00	1	125,083	355	–
SABIC US Methanol LLC	USA	USA	Petrochemicals	100.00	100.00	1	1,052	–	–
SABIC UK Pension Trustee Ltd.	UK	UK	Petrochemicals	100.00	100.00	1	-	–	–
SABIC Petrochemicals Holding US, LLC	USA	USA	Petrochemicals	100.00	100.00	1	100,832	7	–
SABIC Canada, Inc. (ii)	Canada	Canada	Petrochemicals	100.00	–	1	–	–	–
F&S Holding BV	Netherlands	Netherlands	Petrochemicals	100.00	–	1	–	–	–
F&S BV	Netherlands	Netherlands	Petrochemicals	100.00	–	1	–	–	–
F&S Capital I BV	Netherlands	Netherlands	Petrochemicals	100.00	–	1	–	1	–
Forms & Sheets Spain, S.L.	Spain	Spain	Petrochemicals	100.00	–	12	12	–	–
F&S France SAS	France	France	Petrochemicals	100.00	–	1	–	–	–
F&S Germany GmbH	Germany	Germany	Petrochemicals	100.00	–	103	102	–	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated

41. SUBSIDIARIES AND INVESTMENTS IN ASSOCIATES AND JOINT ARRANGEMENTS (CONTINUED)

SUBSIDIARIES OF SABIC INTERNATIONAL HOLDINGS B.V. (CONTINUED)

	Country of incorporation	Country of operation	Principal business activity	% Shareholding (direct and indirect) at 31 December 2023	% Shareholding (direct and indirect) at 31 December 2022	Share capital at 31 December 2023	Conventional financial assets at 31 December 2023	Conventional financial liabilities at 31 December 2023	Interest income from conventional financial assets for the year ended 31 December 2023
Subsidiaries									
F&S US LLC	USA	USA	Petrochemicals	100.00	–	1	–	1	–
Films & Sheets South America Ltda.	Brazil	Brazil	Petrochemicals	100.00	–	3,631	77	–	–
F&S Japan LLC	Japan	Japan	Petrochemicals	100.00	–	1	–	–	–
F&S (SEA) Singapore Sales Pte Ltd	Singapore	Singapore	Petrochemicals	100.00	–	1	–	–	–
F&S Sales India Private Limited	India	India	Petrochemicals	100.00	–	5	1	–	–
F&S Malaysia Sdn. Bhd.	Malaysia	Malaysia	Petrochemicals	100.00	–	1	–	–	–
Films & Sheets Korea Ltd.	Korea	Korea	Petrochemicals	100.00	–	290	–	–	–
Film & Sheets Hong Kong Co. Ltd.	Hong Kong	Hong Kong	Petrochemicals	100.00	–	64	1	–	–
F&S China Co. Ltd.	China	China	Petrochemicals	100.00	–	48,750	364	–	–
SD Lizenzverwertungs GmbH & Co KG (iii)	Germany	Germany	License Company	100.00	100.00	–	–	–	–
SD Beteiligungs GmbH & Co KG (iii)	Germany	Germany	Specialties	100.00	100.00	–	–	–	–
SABIC Innovative Plastics GP BV, Sociedad en Comandita (i)	Spain	Spain	Petrochemicals	–	100.00	–	–	–	–
Mt. Vernon Phenol Plant Partnership (iv)	USA	USA	Petrochemicals	–	100.00	–	–	–	–
SABIC Innovative Plastics Management (Shanghai) Co., Ltd. (iv)	China	China	Petrochemicals	–	100.00	–	–	–	–
SABIC Americas Growth LLC (i)	USA	USA	Petrochemicals	–	100.00	–	–	–	–
SHPP Slovakia s.r.o. (iv)	Slovakia	Slovakia	Specialties	–	100.00	–	–	–	–

Notes:

(i) SABIC Innovative Plastics GP BV S.Com merged into SABIC Innovative Plastics Espana ScpA and SABIC Americas Growth LLC merged into SABIC Innovative Plastics US LLC.

(ii) SABIC Canada Inc. has been established in 2023.

(iii) SD Lizenzverwertungs GmbH & Co KG and SD Beteiligungs GmbH & Co KG are under liquidation.

(iv) Mt Vernon Phenol Plant Partnership, SABIC Innovative Plastics Management (Shanghai) Co., Ltd. and SHPP Slovakia s.r.o were liquidated during 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated

41. SUBSIDIARIES AND INVESTMENTS IN ASSOCIATES AND JOINT ARRANGEMENTS (CONTINUED)

SUBSIDIARIES OF SIIC

	Country of incorporation	Country of operation	Principal business activity	% Shareholding (direct and indirect) at 31 December 2023	% Shareholding (direct and indirect) at 31 December 2022	Share capital at 31 December 2023	Conventional financial assets at 31 December 2023	Conventional financial liabilities at 31 December 2023	Interest income from conventional financial assets for the year ended 31 December 2023
Subsidiaries									
SABCAP Insurance Limited	Guernsey	Guernsey	Insurance	100.00	100.00	187,500	235,226	–	–
SABIC Petrokemya Ticaret Limited	Turkey	Turkey	Petrochemicals	100.00	100.00	931	–	–	–
SABIC Pakistan (Pvt.) Ltd.	Pakistan	Pakistan	Petrochemicals	100.00	100.00	907	–	523	2,829
SABIC Kenya	Kenya	Kenya	Petrochemicals	100.00	100.00	883	–	1,255	24
SABIC Tunisia	Tunisia	Tunisia	Petrochemicals	100.00	100.00	763	1	–	74
SABIC Morocco	Morocco	Morocco	Petrochemicals	100.00	100.00	437	–	–	–
SABIC Africa for Trade & Marketing (“S.A.E.”) (i)	Egypt	Egypt	Petrochemicals	100.00	100.00	114	–	–	–
SABIC Middle East Offshore Company (“SABIC MIDDLE EAST”) (i)	Lebanon	Lebanon	Petrochemicals	100.00	100.00	75	4	–	–
SABIC Middle East Business Management LLC	Jordan	Jordon	Petrochemicals	100.00	100.00	74	2	878	–
SABIC Global Mobility (“GMC LLC”) (i)	UAE	UAE	Personnel and other support services	100.00	100.00	51	–	–	–
SABIC Global Mobility Company FZ LLC (“GMC”)	UAE	UAE	Personnel and other support services	100.00	100.00	–	–	–	–
SABIC South Africa Proprietary Ltd.	South Africa	South Africa	Petrochemicals	100.00	100.00	–	4	4,520	11
SABIC East Africa for Trade and Marketing LLC	Egypt	Egypt	Petrochemicals	99.99	99.99	47	–	4,042	–
International Shipping and Transportation Co. (“ISTC”)	KSA	KSA	Supply chain	99.00	99.00	40,000	–	336,345	–
SABIC Supply Chain Services Limited Company (“SSCS”)	KSA	KSA	Supply chain	99.00	99.00	500	–	171,203	–
SABIC Terminal Services (“SABTANK”)	KSA	KSA	Supply chain	90.00	90.00	30,000	5	10,783	–
Jubail Chemical Storage and Services Company (“CHEMTANK”)	KSA	KSA	Supply chain	58.00	58.00	582,813	–	59,079	–

Notes:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated

41. SUBSIDIARIES AND INVESTMENTS IN ASSOCIATES AND JOINT ARRANGEMENTS (CONTINUED)

SUBSIDIARIES AND INVESTMENTS IN ASSOCIATES AND JOINT ARRANGEMENTS OF SABIC AN (I)

	Country of incorporation	Country of operation	Principal business activity	% Shareholding (direct and indirect) at 31 December 2023	% Shareholding (direct and indirect) at 31 December 2022	Share capital at 31 December 2023	Conventional financial assets at 31 December 2023	Conventional financial liabilities at 31 December 2023	Interest income from conventional financial assets for the year ended 31 December 2023
Subsidiaries									
Al-Jubail Fertiliser Company ("AL BAYRONI")	KSA	KSA	Agri-Nutrients	50.00	50.00	671,500	-	54,279	-
National Chemical Fertiliser Company ("IBN AL-BAYTAR")	KSA	KSA	Agri-Nutrients	100.00	100.00	494,700	-	64,973	-
SABIC Agri-Nutrients Investment Company ("SANIC")	KSA	KSA	Agri-Nutrients	100.00	100.00	25	-	-	-
Associates									
Gulf Petrochemical Industries Company ("GPIC")	Bahrain	Bahrain	Agri-Nutrients, Petrochemicals	33.33	33.33	600,000	-	-	-
Joint Ventures									
ETG Inputs Holdco Limited ("EIHL") (Refer note 10.2)	UAE	UAE	Agri-Nutrients	49.00	-	229	-	-	-

Note:

(i) SABIC AN owns 100% (direct and indirect) in SANIC and IBN AL-BAYTAR, 50% in AL-BAYRONI, 33.33% in GPIC and 49% in EIHL.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated

41. SUBSIDIARIES AND INVESTMENTS IN ASSOCIATES AND JOINT ARRANGEMENTS (CONTINUED)

INVESTMENTS IN ASSOCIATES AND JOINT VENTURES OF NUSANED

	Country of incorporation	Country of operation	Principal business activity	% Shareholding (direct and indirect) at 31 December 2023	% Shareholding (direct and indirect) at 31 December 2022	Share capital at 31 December 2023	Conventional financial assets at 31 December 2023	Conventional financial liabilities at 31 December 2023	Interest income from conventional financial assets for the year ended 31 December 2023
Joint ventures (i)									
Advanced Energy Storage System Investment Company ("AESSIC") (ii)	KSA	KSA	Renewable Energy	48.72	48.72	-	-	-	-
Saudi Pallet Manufacturing Company ("SPMC") (iii)	KSA	KSA	Logistic	38.00	30.50	61,273	-	169,988	-
Isotopes Company ("IHC")	KSA	KSA	Machinery Equipment	13.44	13.44	23,354	-	1,700	-
Associates (i)									
Nusaned Fund I	KSA	KSA	Equity Investments	50.00	50.00	32,449	69,180	4,282	-
Nusaned Fund II	KSA	KSA	Equity Investments	60.00	60.00	3,872	2,984	217	-

Notes:

- (i) Critical judgements are considered in determination of the classification of these investments as associates and joint ventures based on underlying agreements and constitutive documents. (refer Note 3.2.3)
- (ii) AESSIC is a Limited Liability Company, and it was wholly owned by NUSANED located in Germany and is under liquidation.
- (iii) Nusaned Investment owns SPMC 26% (direct) and through Nusaned Fund I 24% (indirect).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated

41. SUBSIDIARIES AND INVESTMENTS IN ASSOCIATES AND JOINT ARRANGEMENTS (CONTINUED)

GROUP’S INVESTMENTS IN ASSOCIATES:

	Country of incorporation	Country of operation	Principal business activity	% Shareholding (direct and indirect) at 31 December 2023	% Shareholding (direct and indirect) at 31 December 2022	Share capital at 31 December 2023	Conventional financial assets at 31 December 2023	Conventional financial liabilities at 31 December 2023	Interest income from conventional financial assets for the year ended 31 December 2023
Associates (i)									
Clariant AG (“CLARIANT”)	Switzerland	Switzerland	Specialty chemical	31.50	31.50	3,226,383	1,377,242	12,054,373	57,932
Ma’aden Phosphate Company (“MPC”)	KSA	KSA	Agri-Nutrients	30.00	30.00	6,208,480	3,223,583	–	134,749
Bahrain Aluminium Company BSC (“ALBA”)	Bahrain	Bahrain	Aluminium	20.62	20.62	1,412,900	–	6,808,238	–
Power and Water Utilities Company for Jubail and Yanbu (“MARAFIQ”)	KSA	KSA	Utilities	17.50	17.50	11,500,000	–	–	–
Ma’aden Wa’ad Al Shamal Phosphate Company (“MWSPC”)	KSA	KSA	Agri-Nutrients	15.00	15.00	7,942,502	1,825,248	7,156,184	162,439
National Chemical Carrier Company (“NCC”)	KSA	KSA	Transportation	20.00	20.00	610,000	–	–	–
Saudi Arabian Industrial Investment Company (“DUSSUR”)	KSA	KSA	Investments	25.00	25.00	3,850,000	–	–	2,863
ARG mbH & Co KG (“ARG”) (ii)	Germany	Germany	Transportation	25.00	25.00	25,770	16,213	76,470	526
ARG Verwaltungs GmbH (ii)	Germany	Germany	Administrative company	25.00	25.00	74	857	–	2
German Pipeline Development Company GMBH (“GPDC”)	Germany	Germany	Transportation	39.00	39.00	103	172	1	–
Mallinda, Inc. (“MALLINDA”)	USA	USA	Ventures	26.20	26.20	–	–	–	–
Gulf Aluminium Rolling Mill Company (“GARMCO”) (iii)	Bahrain	Bahrain	Aluminium	14.90	30.40	551,823	490,807	765,013	4,249

- Notes:
- (i) Critical judgements are considered in determination of the classification of these investments as associates based on underlying agreements and constitutive documents. (refer Note 3.2.3)
 - (ii) ARG includes ARG Verwaltungs GmbH which is administrative and non-operating company based in Germany.
 - (iii) Investment in Gulf Aluminium Rolling Mill Company (“GARMCO”) has been reduced from 30.4% to 14.9% during 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated

41. SUBSIDIARIES AND INVESTMENTS IN ASSOCIATES AND JOINT ARRANGEMENTS (CONTINUED)

GROUP'S INVESTMENTS IN JOINT ARRANGEMENTS:

	Country of incorporation	Country of operation	Principal business activity	% Shareholding (direct and indirect at 31 December 2023)	% Shareholding (direct and indirect at 31 December 2022)	Share capital at 31 December 2023	Conventional financial assets at 31 December 2023	Conventional financial liabilities at 31 December 2023	Interest income from conventional financial assets for the year ended 31 December 2023
Joint ventures (i)									
Eastern Petrochemical Company ("SHARQ")	KSA	KSA	Petrochemicals	50.00	50.00	1,890,000	46	348,144	1,335
Saudi Yanbu Petrochemical Company ("YANPET")	KSA	KSA	Petrochemicals	50.00	50.00	4,596,000	90	216,979	27,154
Al-Jubail Petrochemical Company ("KEMYA")	KSA	KSA	Petrochemicals	50.00	50.00	2,149,200	–	169,040	12,620
SINOPEC/SABIC Tianjin Petrochemical Company Limited ("SSTPC")	China	China	Petrochemicals	50.00	50.00	5,558,039	1,571,009	3,620,169	59,619
SABIC SK Nexlene Company Pte. Ltd. ("SSNC")	Singapore	Singapore	Petrochemicals	50.00	50.00	1,125,038	482,171	937,505	12,225
Cosmar Company ("COSMAR")	USA	USA	Petrochemicals	50.00	50.00				
Utility Support Group ("USG") B.V. (ii)	Netherlands	Netherlands	Utilities	50.00	50.00	384,881	870,732	1,332,734	1,535
SABIC Plastic Energy Advanced Recycling BV ("SPEAR") (iii)	Netherlands	Netherlands	Petrochemicals	50.00	50.00	206,925	11,344	172,191	–
Mauritania Saudi Mining & Steel Company S.A. ("TAKAMUL") (iv)	Mauritania	Mauritania	Mining (Metal)	45.00	45.00	–	–	–	–
SABIC Fujian Petrochemicals Co., Ltd. ("FUJIAN")	China	China	Petrochemicals	51.00	51.00	967,235	260,723	5,925	6,676
Joint operations (v)									
Saudi Methacrylates Company ("SAMAC") (vi)	KSA	KSA	Petrochemicals	50.00	50.00	1,350,000	–	976,759	38
Gulf Coast Growth Venture LLC ("GCGV") (vii)	USA	USA	Petrochemicals	50.00	50.00	24,701,497	1,802,695	1,625,041	–
Saudi Acrylic Butanol Company ("SABUCO") (viii)	KSA	KSA	Petrochemicals	11.67	11.67	–	–	–	–
Geismar (ix)	USA	USA	Petrochemicals	11.50	11.50	–	–	–	–

Notes:

- (i) Critical judgements are considered in determination of the classification of these investments as joint ventures based on underlying agreements and constitutive documents. (refer Note 3.2.3).
- (ii) USG (Geleen, Netherlands), which is operated jointly with other stakeholders to produce utilities for a production site. USG has been reclassified from joint operations to joint venture in 2021.
- (iii) SPEAR is a joint venture and engaged in plastic recycling, located in Sittard-Geleen, Netherlands.
- (iv) On September 3, 2023, the group announced signing an agreement with the Public Investment Fund (PIF) to acquire all SABIC shares in the Saudi Iron and Steel Company (HADEED). As a result, investment in Takamul, has been reclassified to assets held for sale (refer Note 34).
- (v) The Group holds a joint control in each of these joint operations with the respective partners. The partners ensure the ongoing financing of the companies, either by the product and utility directly sold to the partners or sharing the costs. Refer Note 6.2 which explains the classification of these investments as joint operations based on underlying agreements and constitutive document.
- (vi) SAMAC is a Limited Liability Company, registered in KSA and involved in production and selling of Methyl Methacrylate ("MMA") and Poly Methyl Methacrylate ("PMMA").
- (vii) Gulf Coast Growth Venture LLC ("GCGV") is a joint venture established with Exxon Mobil (a foreign partner) for the production of petrochemicals products.
- (viii) SABUCO, a Saudi based mixed limited liability company, having principal activities comprise of Butanol plant in Jubail for production of N-Butanol and Iso-Butanol. SABUCO is owned 33.33% by SAUDI KAYAN and SABIC share is 11.67%. During the year 2021, this been classified as a joint operation based on reassessment of its control over this investment.
- (ix) Geismar, Louisiana, USA, is a cooperation with NOVA Chemicals to produce ethylene. The Group holds 11.5% share in this joint operation and controls it jointly with the partner.

SABIC Global Headquarters
PO Box 5101
Riyadh 11422
Saudi Arabia
T +966 (011) 225 8000
F +966 (011) 225 9000
E info@SABIC.com