



SAUDI BASIC INDUSTRIES CORPORATION (SABIC) AND ITS SUBSIDIARIES

(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS PERIODS ENDED 30 SEPTEMBER 2020 AND
INDEPENDENT AUDITOR'S REVIEW REPORT

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

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Saudi Basic Industries Corporation ("SABIC") and its subsidiaries (collectively with SABIC referred to as "the Group") as at 30 September 2020, and the related interim condensed consolidated statements of income and comprehensive income for the three and nine months periods ended 30 September 2020, and the related interim condensed consolidated statements of changes in equity and cash flows for the nine months period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34") that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

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

Conclusion

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

for Ernst & Young


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

Riyadh: 12 Rabi' al-awwal 1442H
(29 October 2020)



Interim condensed consolidated statement of financial position

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

	Notes	As at 30 September 2020	As at 31 December 2019 (Restated, Note 10)
ASSETS			
Non-current assets:			
Property, plant and equipment		133,799,901	136,416,155
Right-of-use assets		5,825,891	6,440,505
Intangible assets	3.1	20,283,528	20,491,548
Investments in associates and joint ventures	3.1, 4.1	39,289,408	38,765,203
Other non-current assets	3.2, 5	11,234,745	10,844,838
Total non-current assets		210,433,473	212,958,249
Current assets:			
Inventories		20,461,976	22,565,110
Trade receivables		16,019,660	16,746,049
Prepayments and other current assets		5,435,841	6,013,341
Short-term investments		6,292,071	5,558,554
Cash and bank balances		31,341,725	36,639,314
Total current assets		79,551,273	87,522,368
TOTAL ASSETS		289,984,746	300,480,617
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Parent		165,033,409	178,721,524
Non-controlling interests		26,562,484	28,091,139
Total equity		191,595,893	206,812,663
Non-current liabilities:			
Long-term debt and lease liabilities		39,016,227	36,128,330
Employee benefits		18,040,231	15,810,405
Other non-current liabilities	3.2, 6	5,600,214	4,185,997
Total non-current liabilities		62,656,672	56,124,732
Current liabilities:			
Short-term borrowings, current portion of long-term debt and lease liabilities		8,256,193	8,216,808
Trade payables and other current liabilities		27,475,988	29,326,414
Total current liabilities		35,732,181	37,543,222
Total liabilities		98,388,853	93,667,954
TOTAL EQUITY AND LIABILITIES		289,984,746	300,480,617


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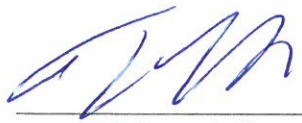

Authorised Board of Directors Member

The accompanying notes from 1 to 12 form an integral part of these interim condensed consolidated financial statements.

Interim condensed consolidated statement of income

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

	Notes	For the three months period ended 30 September		For the nine months period ended 30 September	
		2020	2019 (Restated, Note 10)	2020	2019 (Restated, Note 10)
Revenue		29,295,071	32,809,628	84,107,645	103,719,173
Cost of sales		(22,775,251)	(24,831,293)	(69,406,655)	(77,791,801)
Gross profit		6,519,820	7,978,335	14,700,990	25,927,372
General and administrative expenses		(2,485,918)	(2,419,890)	(7,554,123)	(7,283,465)
Selling and distribution expenses		(2,193,497)	(2,275,998)	(6,865,727)	(7,215,553)
		1,840,405	3,282,447	281,140	11,428,354
Share of results of integral joint ventures	3.1	263,066	505,416	502,461	1,535,451
Income from operations		2,103,471	3,787,863	783,601	12,963,805
Share of results of non-integral joint ventures and associates	3.1, 4.1	503,366	(1,419,193)	(166,792)	(1,376,586)
Finance cost, net	3.2	(209,239)	(398,797)	(867,238)	(887,625)
Other income, net		32,197	106,163	71,696	274,378
Income (loss) before zakat and income tax		2,429,795	2,076,036	(178,733)	10,973,972
Zakat expense		(497,190)	(629,161)	(1,494,715)	(1,927,190)
Income tax expense, net		(302,718)	(28,831)	119,550	(472,524)
Net income (loss) for the period		1,629,887	1,418,044	(1,553,898)	8,574,258
Attributable to:					
Equity holders of the Parent		1,088,531	737,039	(2,181,397)	6,089,603
Non-controlling interests		541,356	681,005	627,499	2,484,655
		1,629,887	1,418,044	(1,553,898)	8,574,258
Basic and diluted earnings per share (Saudi Riyals):					
Earnings per share from income from operations		0.70	1.26	0.26	4.32
Earnings per share from net income (loss) attributable to equity holders of the Parent		0.36	0.25	(0.73)	2.03


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Authorised Board of Directors Member

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Interim condensed consolidated statement of comprehensive income

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

	For the three months period ended 30 September		For the nine months period ended 30 September	
	2020	2019 (Restated, Note 10)	2020	2019 (Restated, Note 10)
Net income (loss) for the period	1,629,887	1,418,044	(1,553,898)	8,574,258
Other comprehensive income				
<i>Items that will not be reclassified to the consolidated statement of income (net of tax):</i>				
- Re-measurement loss on defined benefit plans and others	(169,336)	(1,473,986)	(1,493,324)	(2,593,033)
- Share of other comprehensive income of associates and joint ventures	4,783	(117,883)	(66,422)	(167,726)
- Net change on revaluation of investments in equity instruments at FVOCI	-	-	-	(20,579)
<i>Items that will be reclassified to the consolidated statement of income (net of tax):</i>				
- Exchange difference on translation of foreign operations and others	867,125	(830,642)	583,195	(906,029)
- Share of other comprehensive income of associates and joint ventures	391,392	(476,364)	340,432	(412,449)
Movement of other comprehensive income (loss)	1,093,964	(2,898,875)	(636,119)	(4,099,816)
Total comprehensive income (loss) for the period	2,723,851	(1,480,831)	(2,190,017)	4,474,442
Attributable to:				
Equity holders of the Parent	2,228,616	(1,983,887)	(2,588,115)	2,262,774
Non-controlling interests	495,235	503,056	398,098	2,211,668
	2,723,851	(1,480,831)	(2,190,017)	4,474,442



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The accompanying notes from 1 to 12 form an integral part of these interim condensed consolidated financial statements.

Interim condensed consolidated statement of changes in equity

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

	Attributable to the equity holders of the Parent						Non-controlling interests	Total equity
	Share capital	Statutory reserve	General reserve	Other reserves	Retained earnings	Total		
Balance as at 31 December 2018	30,000,000	15,000,000	110,889,032	(1,359,184)	18,554,532	173,084,380	48,352,095	221,436,475
Change in accounting treatment (Note 3.1)	-	-	-	-	10,715,269	10,715,269	(16,908,621)	(6,193,352)
Balance as at 1 January 2019 (Restated)	30,000,000	15,000,000	110,889,032	(1,359,184)	29,269,801	183,799,649	31,443,474	215,243,123
Net income	-	-	-	-	6,089,603	6,089,603	2,484,655	8,574,258
Other comprehensive loss	-	-	-	(3,826,829)	-	(3,826,829)	(272,987)	(4,099,816)
Total comprehensive (loss) income	-	-	-	(3,826,829)	6,089,603	2,262,774	2,211,668	4,474,442
Acquisition of non-controlling interests	-	-	-	15,154	5,535,402	5,550,556	(532,811)	5,017,745
Change in accounting treatment (Note 3.2)	-	-	-	-	(705,743)	(705,743)	1,013,728	307,985
Dividends and others	-	-	-	-	(13,200,000)	(13,200,000)	(3,898,440)	(17,098,440)
Balance as at 30 September 2019	30,000,000	15,000,000	110,889,032	(5,170,859)	26,989,063	177,707,236	30,237,619	207,944,855
Balance as at 31 December 2019	30,000,000	15,000,000	110,889,032	(3,265,084)	16,137,960	168,761,908	42,489,414	211,251,322
Change in accounting treatment (Note 3.1, 3.2)	-	-	-	-	9,959,616	9,959,616	(14,398,275)	(4,438,659)
Balance as at 1 January 2020 (Restated, Note 10)	30,000,000	15,000,000	110,889,032	(3,265,084)	26,097,576	178,721,524	28,091,139	206,812,663
Net (loss) income	-	-	-	-	(2,181,397)	(2,181,397)	627,499	(1,553,898)
Other comprehensive loss	-	-	-	(406,718)	-	(406,718)	(229,401)	(636,119)
Total comprehensive (loss) income	-	-	-	(406,718)	(2,181,397)	(2,588,115)	398,098	(2,190,017)
Dividends and others	-	-	-	-	(11,100,000)	(11,100,000)	(1,926,753)	(13,026,753)
Balance as at 30 September 2020	30,000,000	15,000,000	110,889,032	(3,671,802)	12,816,179	165,033,409	26,562,484	191,595,893



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Vice Chairman & CEO



Authorised Board of Directors Member

The accompanying notes from 1 to 12 form an integral part of these interim condensed consolidated financial statements.

Interim condensed consolidated statement of cash flows

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

	For the nine months period ended 30 September 2020	For the nine months period ended 30 September 2019 (Restated)
Operating activities:		
(Loss) income before zakat and income tax	(178,733)	10,973,972
<i>Adjustments to reconcile (loss) income before zakat and income tax to net cash inflow from operating activities:</i>		
- Depreciation, amortisation and impairment	12,734,378	10,872,340
- Finance costs	869,569	797,069
- Share of results of non-integral joint ventures and associates	166,792	1,376,586
- Provisions and other movements, net	472,956	(45,241)
Changes in operating assets and liabilities:		
(Increase) decrease in other non-current assets	(2,978,013)	1,752,191
Working capital changes	3,047,979	(1,403,842)
Increase in net employee benefits obligations	736,503	2,024,588
Other assets and liabilities changes	2,749,092	334,949
Cash from operations	17,620,523	26,682,612
Finance cost paid	(922,493)	(908,168)
Zakat and income tax paid	(2,561,798)	(3,160,206)
Net cash from operating activities	14,136,232	22,614,238
Investing activities:		
Purchase of tangible and intangible assets	(8,730,279)	(12,128,556)
Short-term investments, net	(1,091,869)	3,473,419
Investments in associates and joint ventures, net	(671,203)	841,777
Other assets movements	622,418	530,801
Net cash used in investing activities	(9,870,933)	(7,282,559)
Financing activities:		
Proceeds from debt	6,319,113	7,471,102
Proceeds against acquisition of non-controlling interests	1,687,500	1,125,000
Debt and lease repayments	(4,072,624)	(12,895,393)
Dividends to shareholders and non-controlling interests	(13,338,054)	(18,041,319)
Net cash used in financing activities	(9,404,065)	(22,340,610)
Net decrease in cash and cash equivalents	(5,138,766)	(7,008,931)
Cash and cash equivalents at the beginning of the period	35,292,318	36,915,581
Cash and cash equivalents at the end of the period	30,153,552	29,906,650
Cash and bank balances	31,341,725	30,473,368
Less: bank overdrafts	(1,188,173)	(566,718)
Cash and cash equivalents	30,153,552	29,906,650

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Vice Chairman & CEO

Authorised Board of Directors Member

The accompanying notes from 1 to 12 form an integral part of these interim condensed consolidated financial statements.

Notes to the interim condensed consolidated financial statements

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

1. Corporate information

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

On 16 June 2020, Saudi Arabian Oil Co. ("Saudi Aramco") acquired 70% ownership over SABIC through one of its subsidiary, "Aramco Chemicals Company" from the Government of the Kingdom of Saudi Arabia ("KSA") through the Public Investment Fund ("PIF"). The other 30% ownership is held by the private sector. The registered office is located at Qurtubah district, P.O. Box 5101, Riyadh 11422, KSA.

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

The interim condensed consolidated financial statements of the Group for the nine months period ended 30 September 2020 were authorised for issue in accordance with a resolution of the Board of Directors on 22 October 2020.

2. Basis of preparation

These interim condensed consolidated financial statements for the three and nine months periods ended 30 September 2020 have been prepared in accordance with International Accounting Standard 34 '*Interim Financial Reporting*' ("IAS 34") as endorsed in the KSA and other standards and pronouncements that are endorsed by the Saudi Organisation for Certified Public Accountants ("SOCPA").

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements and should therefore be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2019.

An interim period is considered as integral part of the whole fiscal year, however, the results of operations for the interim periods may not be a fair indication of the results of the full year operations.

3. Summary of significant accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in preparing the Group's annual consolidated financial statements for the year ended 31 December 2019, except for change in accounting treatment as elaborated in Note 3.1 and Note 3.2 amendments to International Financial Reporting Standards ("IFRS") that have to be mandatorily applied from 1 January 2020.

3.1. Change in accounting treatment for certain joint arrangements (Note 10)

During the period, in connection with the acquisition of 70% of SABIC by Saudi Aramco, SABIC has reappraised certain critical management judgments, which it has previously applied and disclosed in Note 3.2.2. of the consolidated financial statements for the year ended at 31 December 2019 relating to determination of whether control, joint control or significant influence is present with respect to investments in non-wholly owned subsidiaries and joint arrangements, respectively. To support the control presumption when the Group has equal or less than a majority of the voting or similar rights of an investee, the Group now places more weight on the legal and contractual ability to exercise power, including the potential substantive voting rights, if any. As a result of this reassessment, SABIC has concluded that four entities which were previously accounted as subsidiaries (KEMYA, YANPET, SHARQ and SAMAC) should now be accounted for as joint arrangements.

Notes to the interim condensed consolidated financial statements (continued)

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

3. Summary of significant accounting policies (continued)

3.1. Change in accounting treatment for certain joint arrangements (Note 10) (continued)

Further, SADAF and AR-RAZI that are subsidiaries at 30 September 2020 and consolidated line by line in these interim condensed consolidated financial statements have also been accounted as joint arrangements since their founding, based on the reappraised critical judgment, until SABIC acquired control in 2017 and 2018, respectively. The impact of step acquisition upon acquiring control by SABIC is recognised in the interim condensed consolidated statement of financial position and changes in equity.

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

Based on the contractual arrangement, management has assessed that, of the four entities noted above, KEMYA, YANPET and SHARQ meets the definition of a joint venture and SAMAC meets the definition of a joint operation, in accordance with IFRS 11 'Joint Arrangements'.

Reassessment of critical management judgment relating to determination of whether control, joint control or significant influence is present with respect to investments in non-wholly owned subsidiaries, joint arrangements or associates, respectively, has affected the total equity at 1 January 2019, as per below:

	Attributable to the equity holders of the Parent	Non-controlling interests	Total equity
Balance as at 31 December 2018	173,084,380	48,352,095	221,436,475
<i>Change in accounting treatment</i>			
- SHARQ	-	(8,470,937)	(8,470,937)
- YANPET	-	(3,366,385)	(3,366,385)
- KEMYA	-	(4,852,558)	(4,852,558)
- SAMAC (50%)	-	(849,230)	(849,230)
- SADAF	4,371,776	-	4,371,776
- AR-RAZI	6,343,493	630,489	6,973,982
	10,715,269	(16,908,621)	(6,193,352)
Balance as at 1 January 2019 (Restated)	183,799,649	31,443,474	215,243,123

The restatement, reflecting the changes, is set out in Note 10 to these interim condensed consolidated financial statements.

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

Notes to the interim condensed consolidated financial statements (continued)

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

3. Summary of significant accounting policies (continued)

3.2. Change in accounting treatment for forward contracts and options

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

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

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

This change in accounting policy has been applied retrospectively during the third quarter of 2020 with net increase of total equity with corresponding net decrease of other non-current liabilities amounted to SR 308 million. Subsequently, forward contract is accounted for under IFRS 9 Financial Instruments with the movements recognised through the consolidated statement of income.

The impact of above changes (Note 3.1 and 3.2) are:

	Balance as at 31 December 2019 (Audited)	Change in accounting treatment for certain joint arrangements (Note 3.1 and Note 10)	Change in accounting treatment for forward contracts (Note 3.2)	Balance as at 1 January 2020 (Restated)
Equity attributable to equity holders of the Parent	168,761,908	10,665,359	(705,743)	178,721,524
Non-controlling interests	42,489,414	(15,412,003)	1,013,728	28,091,139
Total equity	211,251,322	(4,746,644)	307,985	206,812,663
Non-current liabilities	61,667,193	(5,234,476)	(307,985)	56,124,732
Current liabilities	37,447,236	95,986	-	37,543,222
Total liabilities	99,114,429	(5,138,490)	(307,985)	93,667,954
Total equity and liabilities	310,365,751	(9,885,134)	-	300,480,617

In addition to the above, call and put options are now recognised in the financial statements as financial assets (SR 1,653 million) and financial liabilities (SR 1,592 million), instead of being disclosed as contingent assets (refer Note 38 of consolidated financial statements for the year ended 31 December 2019). This change represent change in accounting estimates with prospective effect due to changes in probabilities associated with exercise of option rights. The net impact of this change of estimate was amounted to SR 61 million recorded against the finance income and finance cost in the interim condensed consolidated statement of income for the period ended 30 September 2020.

Notes to the interim condensed consolidated financial statements (continued)

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

3. Summary of significant accounting policies (continued)

3.3. Amendments to IFRS

The following amendments to IFRS that have to be mandatorily applied as per 1 January 2020 by the Group, which are relevant to the Group:

3.3.1. Amendments to IFRS 3: Definition of a Business

The amendment to IFRS 3 '*Business Combinations*' clarifies the definition of a business as an integrated set of activities and assets that must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. However, a business can exist without including all of the inputs and processes needed to create outputs. These amendments have no impact on the interim condensed consolidated financial statements of the Group, but may affect future periods should the Group enter into any business combinations.

3.3.2. Amendments to IAS 1 and IAS 8: Definition of Material

The amendments to IAS 1 '*Presentation of Financial Statements*' and IAS 8 '*Accounting policies, Changes in Accounting Estimates and Errors*' provide a new definition of material. This definition states: "*information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.*" Materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

These amendments had no impact on the interim condensed consolidated financial statements. The Group has not early adopted any new standard, interpretation or amendment that have been issued but which are not yet effective.

4. Significant matters during the period

4.1. Investment in Clariant AG

On 3 March 2020, SABIC announced the purchase of approximately 21 million additional shares ("the Shares") representing 6.51% of outstanding shares in Clariant AG ("Clariant"), a global specialty chemicals company listed at the Swiss stock exchange ("SIX") in which SABIC held already a 24.99% investment. The Shares were retained in an escrow account, controlled by an independent third party, therefore outside the control of SABIC, pending regulatory approvals. Until the obtainment of such regulatory approvals, the transaction was not closed, hence SABIC did not have any legal or economic rights on the Shares and it was not registered as a shareholder of the Shares.

On 7 September 2020, SABIC received the last required clearance from the relevant regulatory authorities and the Shares were released from the escrow account and transferred to SABIC, which became the legal owner of the Shares and entitled to the related legal and economic benefits as of such date.

As of the purchase date (3 March 2020) and until regulatory clearance (7 September 2020), the Shares in the escrow account qualified as a prepayment as per IFRS 9 Financial Assets. In accordance with IAS 1 provision, and in order to give a fair and comprehensive presentation of the carrying amount, this prepayment was presented in aggregate with the previously held investment.

Consistently with the prior periods, management concluded not to have control over Clariant and, accordingly, the investment is accounted for as an associate applying the equity method.

The trading price of a Clariant share as at 30 September 2020 was CHF 18.16.

Notes to the interim condensed consolidated financial statements (continued)

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

4. Significant matters during the period (continued)

4.2. Restructuring of asset portfolio and impairment (reversal of impairment) of financial assets

In February 2020, SABIC has announced that it will suspend the production of ULTEM™ high heat polymers ("HHP") at its Cartagena (Spain) facility during the year as part of its global operation optimisation. The impact of this restructuring program is SR 713 million for the period ended 30 September 2020, which is included in cost of sales in the interim condensed consolidated income statement.

In June 2020, a SR 1.18 billion plant and equipment impairment charge was recorded. The impairment refers to positioning certain Petrochemical SBU assets in the European region driven by the Company's continuous efforts to strengthen synergies in its asset base and operating model and following ongoing changes in the market conditions and competitive environment.

In September 2020, SABIC has decided to record an impairment charge and the reversal of an impairment provision in certain financial assets, net positive impact was amounted to SR 683 million.

4.3. Issuance of bond

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

4.4. COVID-19 assessment

The outbreak of novel coronavirus ("COVID-19") since early 2020 and its spread across mainland China and then globally caused disruptions to businesses and economic activities including the KSA. The World Health Organisation qualified COVID-19 as a pandemic, with governments issuing strict regulations and guidance for its populations and companies. It necessitated the Group to re-assess its judgments and the key sources of estimation applied to the annual financial statements for the year ended 31 December 2019.

During the quarter ended 30 September 2020, management has assessed the overall impact on the Group's operations and business aspects, and considered factors like effects on supply chain, impact of decreased oil prices, operating rates of its plants and lost volume, additional cost in supply chain, margin squeeze, and product demand. Majority of the planned shutdowns and turnarounds, which drive some part of the fixed costs have been rescheduled. Based on this assessment, no significant adjustments were required in the interim condensed consolidated financial statements for the period ended 30 September 2020. However, in view of the ongoing uncertainty, any future change in the assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets and/or liabilities in future periods. As the situation is rapidly evolving with future uncertainties, management will continue to assess the impact based on prospective developments.

Notes to the interim condensed consolidated financial statements (continued)

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

5. Other non-current assets

	As at 30 September 2020	As at 31 December 2019 (Restated, Note 10)
Employee advances and loans	3,416,445	3,700,444
Long-term receivable from associates and joint ventures	1,375,062	1,439,878
Investments in debt instruments	1,039,392	1,345,592
Investments in equity instruments and funds	1,136,882	1,046,009
Receivables from JSMC	-	1,606,049
Deferred tax assets	1,085,123	711,609
Others*	3,181,841	995,257
	11,234,745	10,844,838

* Include financial assets against options. (Note 3.2)

6. Other non-current liabilities

	As at 30 September 2020	As at 31 December 2019 (Restated, Note 10)
Deferred tax liabilities	589,823	707,108
Long-term payables to associates and joint ventures	1,582,974	1,685,892
Obligation to acquire the remaining shares of certain subsidiaries*	2,297,618	705,743
Others	1,129,799	1,087,254
	5,600,214	4,185,997

* Include financial liabilities against options. (Note 3.2)

7. Fair value measurement

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

Valuation technique	Significant non-observable input	Range
Market approach	<ul style="list-style-type: none"> Equity value to EBITDA multiple Midpoint of Net Asset Value and Price to Book multiple 	7.9 to 13.1 0.76
Net Asset Value approach	Point estimate of distributable cash and cash equivalents and net assets	SR 46.1 to SR 49.9
Expected Returns approach	Equity value to Revenue multiple	0.73

At 30 September 2020, the fair values of Group's other financial assets and financial liabilities approximate the carrying value.

Notes to the interim condensed consolidated financial statements (continued)

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

8. Related party transactions and balances

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

	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties	Loans to related parties	Loans from related parties
	For the nine months period ended 30 September 2020		As at 30 September 2020		As at 30 September 2020	
Associates	97,093	2,420,472	36,421	357,313	35,135	-
Joint ventures and partners	8,081,708	11,448,439	1,275,674	2,980,097	702,226	107,812
Saudi Aramco and its subsidiaries [effective from 16 June]	1,426,411	4,595,460	578,823	3,413,870	-	-
	For the nine months period ended 30 September 2019 (Restated)		As at 31 December 2019 (Restated)		As at 31 December 2019 (Restated)	
Associates	116,621	2,806,950	31,454	149,469	35,135	-
Joint ventures and partners	9,664,064	14,974,155	1,329,168	3,297,949	615,142	107,812

Notes to the interim condensed consolidated financial statements (continued)

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

9. Segment information

For management purposes, the Group is organised into three Strategic Business Units ("SBUs") and Hadeed, a wholly owned manufacturing business, which based on its products are grouped in three reporting segments.

Based on a management decision and in line with changes in management reporting, the income, expenses, assets and liabilities relating to 'Corporate' segment, in prior years, has been allocated over the Petrochemicals & Specialties and Agri-nutrients SBUs and Hadeed according to an internally agreed consistent basis. All intercompany transactions within the reporting segments have been appropriately eliminated.

The segments' financial details are shown below:

	For the three months period ended 30 September 2020			
	Petro-chemicals & Specialties	Agri-nutrients	Hadeed	Consolidated
Revenue	25,548,329	1,566,913	2,179,829	29,295,071
Depreciation, amortisation and impairment	(3,220,572)	(141,819)	(199,715)	(3,562,106)
Income (loss) from operations	2,087,702	456,161	(440,392)	2,103,471
Share of results of non-integral joint ventures and associates	622,285	(118,919)	-	503,366
Finance cost, net				(209,239)
Other expenses, net				32,197
Income before zakat and income tax				2,429,795

	For the three months period ended 30 September 2019 (Restated 10)			
	Petro-chemicals & Specialties	Agri-nutrients	Hadeed	Consolidated
Revenue	28,825,179	1,679,270	2,305,179	32,809,628
Depreciation, amortisation and impairment	(3,358,961)	(200,504)	(281,738)	(3,841,203)
Income (loss) from operations	3,590,414	420,748	(223,299)	3,787,863
Share of results of non-integral joint ventures and associates	(1,374,262)	(44,931)	-	(1,419,193)
Finance cost, net				(398,797)
Other income, net				106,163
Income before zakat and income tax				2,076,036

Notes to the interim condensed consolidated financial statements (continued)

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

9. Segment information (continued)

	For the nine months period ended 30 September 2020			
	Petro-chemicals & Specialties	Agri-nutrients	Hadeed	Consolidated
Revenue	72,854,868	4,620,583	6,632,194	84,107,645
Depreciation, amortisation and impairment	(11,442,979)	(530,131)	(761,268)	(12,734,378)
Income (loss) from operations	831,049	1,188,832	(1,236,280)	783,601
Share of results of non-integral joint ventures and associates	187,250	(354,042)	-	(166,792)
Finance cost, net				(867,238)
Other income, net				71,696
Loss before zakat and income tax				(178,733)

	For the nine months period ended 30 September 2019 (Restated, Note 10)			
	Petro-chemicals & Specialties	Agri-nutrients	Hadeed	Consolidated
Revenue	90,306,062	5,291,407	8,121,704	103,719,173
Depreciation, amortisation and impairment	(9,437,569)	(592,719)	(842,052)	(10,872,340)
Income (loss) from operations	11,873,507	1,444,026	(353,728)	12,963,805
Share of results of non-integral joint ventures and associates	(1,349,584)	(27,002)	-	(1,376,586)
Finance cost, net				(887,625)
Other income, net				274,378
Income before zakat and income tax				10,973,972

	As at 30 September 2020			
	Petro-chemicals & Specialties	Agri-nutrients	Hadeed	Consolidated
Total assets	261,538,843	11,744,444	16,701,459	289,984,746
Total liabilities	91,253,080	2,301,515	4,834,258	98,388,853

	As at 31 December 2019 (Restated, Note 10)			
	Petro-chemicals & Specialties	Agri-nutrients	Hadeed	Consolidated
Total assets	271,113,349	11,674,577	17,692,691	300,480,617
Total liabilities	86,773,167	2,295,442	4,599,345	93,667,954

Notes to the interim condensed consolidated financial statements (continued)

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

9. Segment information (continued)

Geographical distribution of revenue

	For the three months period ended 30 September 2020		For the three months period ended 30 September 2019 (Restated, Note 10)	
KSA	4,724,461	16%	4,807,789	15%
China	5,942,460	20%	6,262,629	18%
Rest of Asia	7,148,696	25%	7,420,043	23%
Europe	6,559,724	23%	7,712,943	24%
Americas	2,752,748	9%	3,008,475	9%
Others	2,166,982	7%	3,597,749	11%
	29,295,071	100%	32,809,628	100%

	For the nine months period ended 30 September 2020		For the nine months period ended 30 September 2019 (Restated, Note 10)	
KSA	13,787,638	16%	15,715,443	15%
China	15,854,669	19%	18,597,496	18%
Rest of Asia	19,970,325	24%	23,737,768	23%
Europe	19,414,997	23%	24,985,358	24%
Americas	7,792,229	9%	9,466,404	9%
Others	7,287,787	9%	11,216,704	11%
	84,107,645	100%	103,719,173	100%

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

Geographical distribution of property, plant and equipment

	As at 30 September 2020		As at 31 December 2019 (Restated, Note 10)	
KSA	103,548,099	77%	106,460,091	78%
Europe	12,873,528	10%	14,217,886	10%
Americas	15,940,383	12%	14,244,967	11%
Asia	1,434,305	1%	1,488,871	1%
Others	3,586	-	4,340	-
	133,799,901	100%	136,416,155	100%

Notes to the interim condensed consolidated financial statements (continued)

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

10. Restatement due to change in accounting treatment

SABIC changed the accounting treatment of certain entities as elaborated in Note 3.1. In completion of the process for the acquisition of 70% of the shares of SABIC by Saudi Aramco, certain studies and analyses were accomplished to align the efforts of the two companies to achieve their strategic goals at the local and global levels. These studies and analyses included the alignment of significant accounting estimates, assumptions and judgments ("significant judgments") particularly in the control assessment of SABIC's investments in certain legal entities ("legal entities"), which SABIC holds 50% shareholding. Currently, the number of these legal entities is seven, and they are all located in the industrial cities of the Kingdom of Saudi Arabia.

In conformity with its previous critical judgments, SABIC had consolidated the financial statements of those legal entities in accordance with the IFRS as endorsed in KSA up to 31 March 2020. The consolidation of these legal entities' financial statements mainly depends on applying "critical judgments" besides applying the relevant standards, which in some cases are not compatible with the accounting judgments applied by Saudi Aramco. Being the "Parent Company" as of the date of acquiring SABIC, Saudi Aramco is required to prepare its consolidated financial statements using unified accounting policies and judgments for transactions and other events under similar circumstances. Accordingly, SABIC and Saudi Aramco have aligned the "critical judgments" applied in this regard, and to follow unified accounting policies and judgments applied by Saudi Aramco.

In line with these unified accounting policies and judgments, and based on a re-assessment of the control over these legal entities, the accounting treatment of the following four legal entities have changed:

1. Saudi Yanbu Petrochemical Company ("YANPET")
2. Al-Jubail Petrochemical Company ("KEMYA")
3. Eastern Petrochemical Company ("SHARQ")
4. Saudi Methacrylates Company ("SAMAC")

SABIC, as on the date of Saudi Aramco's acquisition during the second quarter of 2020, has ceased consolidating the financial statements of these four legal entities and considered them as "joint arrangements" and retrospectively recognised three of them ("YANPET", "KEMYA" and "SHARQ") as investment in "joint ventures", applying the equity method of accounting while recognizing SAMAC as investments in "joint operation" by recognising the related share of assets and liabilities, revenue and expenses.

Due to the change in critical judgments, SABIC reviewed other joint arrangements it held in the past and concluded that SADAF and AR-RAZI would have been similarly recognised. SABIC has applied acquisition accounting in accordance with IFRS 3 '*Business Combinations*' upon acquiring control.

In August 2017, SABIC increased its shareholding in SADAF from 50% to 100% as a result of exercising an option to purchase the remaining 50% of shares held by another investor and obtained control of SADAF at this date.

In November 2018, SABIC obtained control of AR-RAZI as a result of the expiry of the Joint Venture Agreement SABIC held with another investor, which gave SABIC the immediate right to purchase the remaining 50% of shares held by another investor. In addition, negotiations with the other investor resulted in the conclusion of a transaction in June 2019, which resulted in an increase of SABIC's shareholding in AR-RAZI to 75%. Considering this transaction is related to the acquisition of an additional ownership interest in a subsidiary without a change of control, accordingly, it has been accounted for as an equity transaction and excess consideration over the carrying amount of the non-controlling interests is recognised in equity attributable to the Parent amounting to SR 5,550 million.

At the time of acquiring control, as per the management's best estimates the acquisition accounting has resulted in the recognition of step up of property, plant and equipment of SR 2,980 million (SADAF representing SR 1,539 million and AR-RAZI representing SR 1,441 million) and goodwill amounting of SR 8,888 million (SADAF representing SR 5,702 million and AR-RAZI representing SR 3,186 million). The impacts of this retrospective control assessment are non-cash in nature.

The other change in accounting treatment is the change in accounting related to forward contracts for AR-RAZI as explained in Note 3.2.

Notes to the interim condensed consolidated financial statements (continued)

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

10. Restatement due to change in accounting treatment (continued)

The impact of all above adjustments are presented in the below table:

	As at 31 December 2019 (Restated)	Adjustments	As at 31 December 2019
ASSETS			
Non-current assets:			
Property, plant and equipment	136,416,155	(26,574,129)	162,990,284
Right of use assets	6,440,505	(625,460)	7,065,965
Intangible assets	20,491,548	8,113,935	12,377,613
Investments in associates and joint ventures	38,765,203	15,414,809	23,350,394
Other non-current assets	10,844,838	1,224,559	9,620,279
Total non-current assets	212,958,249	(2,446,286)	215,404,535
Current assets:			
Inventories	22,565,110	(3,848,470)	26,413,580
Trade receivables	16,746,049	(1,576,503)	18,322,552
Prepayments and other current assets	6,013,341	(340,414)	6,353,755
Short-term investments	5,558,554	-	5,558,554
Cash and bank balances	36,639,314	(1,673,461)	38,312,775
Total current assets	87,522,368	(7,438,848)	94,961,216
TOTAL ASSETS	300,480,617	(9,885,134)	310,365,751
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Parent	178,721,524	9,959,616	168,761,908
Non-controlling interests	28,091,139	(14,398,275)	42,489,414
Total equity	206,812,663	(4,438,659)	211,251,322
Non-current liabilities:			
Long-term debt and lease liabilities	36,128,330	(4,099,095)	40,227,425
Employee benefits	15,810,405	(2,238,443)	18,048,848
Other non-current liabilities	4,185,997	795,077	3,390,920
Total non-current liabilities	56,124,732	(5,542,461)	61,667,193
Current liabilities:			
Short-term borrowings, current portion of long-term debt and lease liabilities	8,216,808	(1,291,323)	9,508,131
Trade payables and other current liabilities	29,326,414	1,387,309	27,939,105
Total current liabilities	37,543,222	95,986	37,447,236
Total liabilities	93,667,954	(5,446,475)	99,114,429
TOTAL EQUITY AND LIABILITIES	300,480,617	(9,885,134)	310,365,751

Notes to the interim condensed consolidated financial statements (continued)

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

10. Restatement due to change in accounting treatment (continued)

	For the three months period ended 30 September 2019 (Restated)	Adjustments	For the three months period ended 30 September 2019
Revenue	32,809,628	(879,872)	33,689,500
Cost of sales	(24,831,293)	(774,903)	(24,056,390)
Gross profit	7,978,335	(1,654,775)	9,633,110
General and administrative expenses	(2,419,890)	199,505	(2,619,395)
Selling and distribution expenses	(2,275,998)	81,309	(2,357,307)
	3,282,447	(1,373,961)	4,656,408
Share of results of integral joint ventures	505,416	505,416	-
Income from operations	3,787,863	(868,545)	4,656,408
Share of results of non-integral joint ventures and associates	(1,419,193)	(296)	(1,418,897)
Finance cost, net	(398,797)	55,918	(454,715)
Other income (expenses), net	106,163	121,090	(14,927)
Income before zakat and income tax	2,076,036	(691,833)	2,767,869
Zakat expense	(629,161)	45,839	(675,000)
Income tax expense, net	(28,831)	226,627	(255,458)
Net income for the period	1,418,044	(419,367)	1,837,411
Attributable to:			
Equity holders of the Parent	737,039	(97,063)	834,102
Non-controlling interests	681,005	(322,304)	1,003,309
	1,418,044	(419,367)	1,837,411
Total comprehensive loss for the period	(1,480,831)	(312,023)	(1,168,808)
Attributable to:			
Equity holders of the Parent	(1,983,887)	(97,063)	(1,886,824)
Non-controlling interests	503,056	(214,960)	718,016
	(1,480,831)	(312,023)	(1,168,808)

Notes to the interim condensed consolidated financial statements (continued)

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

10. Restatement due to change in accounting treatment (continued)

	For the nine months period ended 30 September 2019 (Restated)	Adjustments	For the nine months period ended 30 September 2019
Revenue	103,719,173	(3,207,009)	106,926,182
Cost of sales	(77,791,801)	(1,790,373)	(76,001,428)
Gross profit	25,927,372	(4,997,382)	30,924,754
General and administrative expenses	(7,283,465)	557,730	(7,841,195)
Selling and distribution expenses	(7,215,553)	229,683	(7,445,236)
	11,428,354	(4,209,969)	15,638,323
Share of results of integral joint ventures	1,535,451	1,535,451	-
Income from operations	12,963,805	(2,674,518)	15,638,323
Share of results of non-integral joint ventures and associates	(1,376,586)	(297)	(1,376,289)
Finance cost, net	(887,625)	218,760	(1,106,385)
Other income (expenses), net	274,378	365,349	(90,971)
Income before zakat and income tax	10,973,972	(2,090,706)	13,064,678
Zakat expense	(1,927,190)	97,810	(2,025,000)
Income tax expense, net	(472,524)	451,594	(924,118)
Net income for the period	8,574,258	(1,541,302)	10,115,560
Attributable to:			
Equity holders of the Parent	6,089,603	(268,090)	6,357,693
Non-controlling interests	2,484,655	(1,273,212)	3,757,867
	8,574,258	(1,541,302)	10,115,560
Total comprehensive income for the period	4,474,442	(1,382,587)	5,857,029
Attributable to:			
Equity holders of the Parent	2,262,774	(268,090)	2,530,864
Non-controlling interests	2,211,668	(1,114,497)	3,326,165
	4,474,442	(1,382,587)	5,857,029

Notes to the interim condensed consolidated financial statements (continued)

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

11. Appropriations

The Annual General Assembly ("AGA"), in its meeting held on 28 Shabaan 1441H (corresponding to 21 April 2020), approved cash dividends of SR 13.2 billion (SR 4.4 per share), which includes the interim cash dividends amounting to SR 6.6 billion (SR 2.2 per share) for the first half of 2019, which has been recognised in equity in the consolidated financial statements for the year ended 31 December 2019. The remaining of the dividend declared of SR 6.6 billion has been recognised in the interim condensed consolidated financial statements for the period ending 30 September 2020.

The AGA also approved Board of Directors' remuneration of SR 1.8 million that is charged to general and administrative expenses.

On 24 Shawwal 1441H (corresponding to 16 June 2020), SABIC declared interim cash dividends for the first half of the year 2020 amounting to SR 4.5 billion (at SR 1.5 per share), which has been recognised in these interim condensed consolidated financial statements for the period ended 30 September 2020.

12. Subsequent events

In the opinion of management, there have been no further significant subsequent events since the period ended 30 September 2020, which would have a material impact on the financial position of the Group as reflected in these interim condensed consolidated financial statements.