SAUDI BASIC INDUSTRIES CORPORATION (SABIC)

(A SAUDI JOINT STOCK COMPANY)

ANNUAL CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021 AND
INDEPENDENT AUDITOR'S REPORT

CHEMISTRY THAT MATTERS™

Annual consolidated financial statements

For the year ended 31 December 2021

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Saudi Basic Industries Corporation ("SABIC") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with professional code of conduct and ethics endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming auditor's opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's Responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

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INDEPENDENT AUDITOR'S REPORT
To the Shareholders of Saudi Basic Industries Corporation (SABIC) (continued)
(A Saudi Arabian Joint Stock Company)

Key audit matters (continued)	
Assessing impairment of property, plant and equipment	***How our audit addressed the key audit matter***
As at 31 December 2021, the Group's consolidated statement of financial position includes property, plant and equipment amounting to SR 131 billion. Management has identified certain impairment indicators including strategic closure of certain plants. Accordingly, management has carried out an exercise to calculate recoverable amount of these assests. The assessment of the recoverable amount of these assets incorporates significant judgment by the management in respect of various factors such as future production levels, commodity prices, operating / capital costs and economic assumptions such as discount rates and terminal growth rates. Based on the assessment, the management has recognised an impairment loss relating to property, plant and equipment of SAR 0.7 billion for the year ended 31 December 2021. We identified the potential impairment of property, plant and equipment as a key audit matter because the assessment involves a significant degree of management judgement in determining the key assumptions such as projected revenue growth, earning before interest and tax, depreciation and amortisation (EBITDA) margins, discount rates and terminal growth rates. Refer to consolidated financial statements note 6.10 for the significant accounting policy relating to impairment of non-current assets, note 3.1.1 for the significant accounting estimates, assumptions and judgements relating to impairment of non-financial assets and note 7 for property, plant and equipment related disclosures.	We performed the following procedures, among others: • Reviewed management's procedures in identifying impairment indicators in respect of property, plant and equipment; • Evaluated the reasonableness of management's assumptions and estimates in determining the recoverable value of the Group's property, plant and equipment, including those relating to projected revenue growth, EBITDA margin, discount rate and terminal growth rate. This included involvement of internal specialists in evaluating these assumptions against external benchmarks and assessing management's assumptions based on our knowledge of the Group and its industry; • Validated the mathematical accuracy of impairment models and agreeing relevant data to the latest production plans and budgets; and • Assessed the adequacy of the Group's disclosures in respect of underlying assumptions and estimates used to determine carrying values and impairment losses of property, plant and equipment.

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INDEPENDENT AUDITOR'S REPORT

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

Key audit matter (continued)	
Investments in associates and joint ventures – classification and valuation	***How our audit addressed the key audit matter***
The investments in associated companies and joint ventures are accounted for under the equity method and considered for impairment in case any impairment indicators are identified. As at 31 December 2021, the carrying value of the investments in associates and joint ventures amounted to SAR 42 billion. The share of results of associates and joint ventures for the year ended 31 December 2021 amount to SAR 5.7 billion. The investments in associated companies and joint ventures are signficant to our audit due to share in net income, carrying value of the investments. Further, due to complexities of Group structure judgments are applied in assessing Group's control over these investments and in assessing imapirment. Refer to consolidated financial statements note 6.2 for the significant accounting policy relating to investments in associates and joint ventures, note 3.2.2 for the significant accounting estimates, assumptions and judgements relating to investments in associates and joint ventures and note 10 for investments in associates and joint ventures.	We performed the following procedures, among others: • Reviewed management's assessment of control over the investee i.e. whether is significant influence, joint control or control; • Reviewed equity accounting of investments in associates and joint ventures. Evaluated management's judgments and estimates applied in equity accounting; • Reviewed management's procedures in identifying impairment indicators in respect of investment in associates and joint ventures; • Where impairment indicators were identified, evaluated the reasonableness of management's assumptions and estimates in determining the recoverable amount of the investment in associate or joint venture; and • Assessed the adequacy of the Group's disclosures in the financial statements in respect of investments in associates and joint ventures.

Other information included in the Group's 2021 Annual Report

Other information consists of the information included in the Group's 2021 annual report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information in its annual report. The Group's 2021 annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

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INDEPENDENT AUDITOR'S REPORT

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

Other information included in the Group's 2021 Annual Report (continued)

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

When we read the Group's 2021 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 that are endorsed by the Saudi Organization for Chartered and Professional Accountants and the provisions of Companies' Law and SABIC's By-laws, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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INDEPENDENT AUDITOR'S REPORT

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

- 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.

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

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

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INDEPENDENT AUDITOR'S REPORT

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

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

for Ernst & Young Professional Services

Fahad M. Al-Toaimi
Certified Public Accountant
License No. 354

Riyadh: 5 Sha'ban 1443H
8 March 2022

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(مهنية ذات مسؤولية محدودة)
Ernst & Young Professional Services
(Professional LLC)

Consolidated statement of financial position

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

	Notes	As at 31 December 2021	As at 31 December 2020
Assets			
Non-current assets			
Property, plant and equipment	7	131,018,714	136,179,720
Right-of-use assets	8	6,357,560	5,623,854
Intangible assets	9	19,856,254	20,662,197
Investments in associates and joint ventures	10	42,187,623	40,578,670
Investments in debt instruments	11	750,555	1,019,942
Investments in equity instruments	12	292,452	781,494
Deferred tax assets	34	565,220	1,028,753
Derivatives financial instruments	13	2,389,875	1,863,375
Other non-current assets and receivables	14	7,622,444	6,337,893
Total non-current assets		211,040,697	214,075,898
Current assets			
Inventories	16	28,621,278	19,311,198
Trade receivables	17	26,330,104	16,927,713
Prepayments and other current assets	18	5,977,302	6,141,597
Short-term investments	19	5,066,554	5,855,928
Cash and bank balances	20	41,402,842	33,156,216
Total current assets		107,398,080	81,392,652
Total assets		318,438,777	295,468,550

The accompanying notes from 1 to 45 form an integral part of these consolidated financial statements.

Consolidated statement of financial position (continued)

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

	Notes	As at 31 December 2021	As at 31 December 2020
Equity and liabilities			
Equity			
Share capital	21	30,000,000	30,000,000
Statutory reserve	22	15,000,000	15,000,000
General reserve	22	110,889,032	110,889,032
Other reserves	22	(3,542,781)	(3,334,019)
Retained earnings		27,794,542	15,071,361
Equity attributable to equity holders of the Parent		180,140,793	167,626,374
Non-controlling interests	23	31,692,505	26,610,751
Total equity		211,833,298	194,237,125
Non-current liabilities			
Long-term debt	24	26,836,532	33,358,817
Lease liabilities	24	5,467,676	4,637,653
Employee benefits	25	18,313,670	19,655,985
Deferred tax liabilities	34	748,733	650,827
Derivatives financial instruments	13	3,300,827	2,685,672
Provisions and other non-current liabilities	26	2,533,016	2,749,561
Total non-current liabilities		57,200,454	63,738,515
Current liabilities			
Short-term borrowings	24	13,347	4,317,874
Current portion of long-term debt	24	5,290,046	2,589,306
Current portion of lease liabilities	24	951,669	1,082,385
Trade payables	27	26,149,125	17,501,240
Accruals and other current liabilities	28	13,422,828	9,097,389
Zakat and income tax payable	34	3,578,010	2,904,716
Total current liabilities		49,405,025	37,492,910
Total liabilities		106,605,479	101,231,425
Total equity and liabilities		318,438,777	295,468,550

EVP Corporate Finance | Vice Chairman & CEO | Chairman of the Board of Directors

The accompanying notes from 1 to 45 form an integral part of these consolidated financial statements.

Consolidated statement of income

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

	Notes	For the year ended 31 December 2021	For the year ended 31 December 2020
Revenue	29	174,883,126	116,949,287
Cost of sales	30	(123,795,706)	(94,311,132)
Gross profit		51,087,420	22,638,155
General and administrative expenses	30	(10,366,950)	(9,771,400)
Selling and distribution expenses	30	(10,753,056)	(9,301,800)
		29,967,414	3,564,955
Share of results of integral joint ventures	10	3,274,761	1,008,982
Income from operations		33,242,175	4,573,937
Share of results of non-integral joint ventures and associates	10	2,452,747	66,071
Finance income	31	292,446	569,106
Finance cost	32	(2,257,224)	(1,860,667)
		(1,964,778)	(1,291,561)
Other income (expenses), net	33	357,820	(71,190)
Income before zakat and income tax		34,087,964	3,277,257
Zakat expense	34	(1,960,393)	(1,682,560)
Income tax expense	34	(1,625,800)	(338,468)
Net income for the year		30,501,771	1,256,229
Attributable to:			
Equity holders of the Parent		23,066,002	66,825
Non-controlling interests		7,435,769	1,189,404
		30,501,771	1,256,229
Basic and diluted earnings per share (Saudi Riyals)			
Earnings per share from net income attributable to equity holders of the Parent	35	7.69	0.02

EVP Corporate Finance

Vice Chairman & CEO

Chairman of the Board of Directors

The accompanying notes from 1 to 45 form an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

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

	Notes	For the year ended 31 December 2021	For the year ended 31 December 2020
Net income for the year		30,501,771	1,256,229
Other comprehensive income			
Items that will not be reclassified subsequently to the consolidated statement of income:			
- Re-measurement gain (loss) on defined benefit plans	25	1,698,306	(3,032,011)
- Share of other comprehensive income (loss) of associates and joint ventures	10 & 22	259,406	(174,727)
- Net change on revaluation of investments in equity instruments classified as fair value through other comprehensive income	22	17,619	(175,796)
- Tax benefit	34	21,329	81,066
		1,996,660	(3,301,468)
Items that will be reclassified subsequently to the consolidated statement of income:			
- Exchange difference on translation	22	(1,687,218)	1,625,205
- Share of other comprehensive (loss) income of associates and joint ventures	10 & 22	(332,730)	1,133,351
		(2,019,948)	2,758,556
Net movement of other comprehensive loss for the year		(23,288)	(542,912)
Total comprehensive income for the year		30,478,483	713,317
Attributable to:			
Equity holders of the Parent		22,857,240	(2,110)
Non-controlling interests		7,621,243	715,427
		30,478,483	713,317

EVP Corporate Finance | Vice Chairman & CEO | Chairman of the Board of Directors

The accompanying notes from 1 to 45 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

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

	Attributable to the equity holders of the Parent							
	Share capital	Statutory reserve	General reserve	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
Balance as at 1 January 2020	30,000,000	15,000,000	110,889,032	(3,265,084)	26,097,576	178,721,524	28,091,139	206,812,663
Net income	-	-	-	-	66,825	66,825	1,189,404	1,256,229
Other comprehensive loss	-	-	-	(68,935)	-	(68,935)	(473,977)	(542,912)
Total comprehensive (loss) income	-	-	-	(68,935)	66,825	(2,110)	715,427	713,317
Acquisition of non-controlling interests (Note 23.1)	-	-	-	-	6,960	6,960	101,708	108,668
Dividends and others	-	-	-	-	(11,100,000)	(11,100,000)	(2,297,523)	(13,397,523)
Balance as at 31 December 2020	30,000,000	15,000,000	110,889,032	(3,334,019)	15,071,361	167,626,374	26,610,751	194,237,125
Balance as at 1 January 2021	30,000,000	15,000,000	110,889,032	(3,334,019)	15,071,361	167,626,374	26,610,751	194,237,125
Net income	-	-	-	-	23,066,002	23,066,002	7,435,769	30,501,771
Other comprehensive (loss) income	-	-	-	(208,762)	-	(208,762)	185,474	(23,288)
Total comprehensive (loss) income	-	-	-	(208,762)	23,066,002	22,857,240	7,621,243	30,478,483
Changes in shareholdings of subsidiaries (Note 23.2)	-	-	-	-	(1,016,196)	(1,016,196)	1,016,196	-
Derecognition of forward contract (Notes 13 and 23.2)	-	-	-	-	423,375	423,375	-	423,375
Dividends and others	-	-	-	-	(9,750,000)	(9,750,000)	(3,555,685)	(13,305,685)
Balance as at 31 December 2021	30,000,000	15,000,000	110,889,032	(3,542,781)	27,794,542	180,140,793	31,692,505	211,833,298

EVP Corporate Finance

Vice Chairman & CEO

Chairman of the Board of Directors

The accompanying notes from 1 to 45 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows

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

	Notes	For the year ended 31 December 2021	For the year ended 31 December 2020
Operating activities:			
Income before zakat and income tax		34,087,964	3,277,257
Adjustment to reconcile income before zakat and income tax to net cash from operating activities:			
- Depreciation of plant and equipment	*7*	11,855,297	11,998,448
- Depreciation of right-of-use assets	*8*	1,556,486	1,533,158
- Amortisation of intangible assets and other assets		652,761	676,233
- Impairments and write-offs of plant and equipment, right-of-use assets and intangible assets	*7,8,9*	841,237	1,723,810
- Share of results of non-integral joint ventures and associates	*10*	(2,452,747)	261,471
- Share of results of integral joint ventures and associates	*10*	(3,274,761)	(1,008,982)
- Impairment (net of reversals) of non-integral joint ventures and associates	*10*	-	(327,542)
- Provision for slow moving and obsolete inventories, net	*16*	(69,297)	552,982
- Provision for doubtful debts, net	*17*	(8,445)	(135,019)
- Fair value adjustment to financial instruments		(335,684)	(24,127)
- Loss on disposals of property, plant and equipment	*33*	148,947	191,582
- Finance costs	*32*	1,083,603	1,030,968
Changes in operating assets and liabilities:			
Decrease (increase) in other non-current assets and receivables		848,203	(3,511,681)
(Increase) decrease in inventories		(9,240,783)	2,700,930
Increase in trade receivables		(9,393,946)	(46,645)
(Increase) decrease in prepayments and other current assets		(1,523,205)	1,396,344
Increase in provisions and other non-current liabilities		294,667	3,951,720
Increase in trade payables		8,647,885	2,233,061
Increase in employee benefits		790,522	1,231,649
Increase (decrease) in accruals and other current liabilities		4,566,920	(2,973,780)
		39,075,624	24,731,837
Dividend received from integral joint ventures	*10*	3,363,026	1,188,080
Finance cost paid		(1,076,511)	(1,034,687)
Zakat and income tax paid	*34*	(2,133,371)	(2,739,313)
Net cash from operating activities		39,228,768	22,145,917

The accompanying notes from 1 to 45 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows (continued)

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

	Notes	For the year ended 31 December 2021	For the year ended 31 December 2020
Investing activities:			
Purchase of property, plant and equipment	7	(10,800,388)	(13,075,639)
Purchase of investments in equity instruments		(33,528)	(47,895)
Proceeds on the maturity of investments in debt and disposals of equity instruments		671,655	826,660
Purchase of intangible assets	9	(171,074)	(180,007)
Proceeds from sale of property, plant and equipment		28,855	117,805
Investments in associates and joint ventures	10	(147,123)	(2,067,378)
Dividend received from non-integral joint ventures and associates	10	829,285	1,275,428
Short-term investments, net		704,594	(812,626)
Net cash used in investing activities		(8,917,724)	(13,963,652)
Financing activities:			
Proceeds from debt		486,242	6,600,182
Repayment of debt		(4,470,071)	(7,330,653)
Lease payments		(2,015,281)	(1,681,271)
Dividends paid to shareholders		(9,909,554)	(11,210,182)
Dividends paid to non-controlling interests		(3,602,557)	(2,590,440)
Acquisition of non-controlling interests	23	1,687,500	1,687,500
Net cash used in financing activities	20	(17,823,721)	(14,524,864)
Increase (decrease) in cash and cash equivalents		12,487,323	(6,342,599)
Net foreign exchange loss on cash and cash equivalents		(36,297)	(11,250)
Cash and cash equivalents at the beginning of the year	20	28,938,469	35,292,318
Cash and cash equivalents at the end of the year	20	41,389,495	28,938,469

EVP Corporate Finance

Vice Chairman & CEO

Chairman of the Board of Directors

The accompanying notes from 1 to 45 form an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

For the year ended 31 December 2021
(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). The registered office is located at Qurtubah district, P.O. Box 5101, Riyadh 11422, Kingdom of Saudi Arabia ("KSA").

Saudi Arabian Oil Co. ("Saudi Aramco") owns 70% of SABIC through one of its subsidiaries, "Aramco Chemicals Company". The other 30% ownership is 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 2021 were authorised for issue in accordance with a resolution of the Board of Directors on 8 March 2022.

2. Basis of preparation and significant accounting policies

2.1 Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and its interpretations as 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").

Certain prior period's figures have been reclassified to conform to the current period's presentation (Refer Note 42).

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless whether that price is directly observable or estimated using another technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability, if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for leasing transactions that are within the scope of IFRS 16 '*Leases*', and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 *'Inventories'* or value in use in IAS 36 *'Impairment of Assets*' 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.

2. Basis of preparation and significant accounting policies (continued)

2.2 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 3.2.2 for judgments applied by SABIC to assess control. SABIC re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to the elements of control.

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

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

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

2.3 COVID-19 impact and response

The global economy is recovering faster than was expected at the beginning of the year, and the number of people vaccinated against COVID-19 is increasing. In addition, protective measures and contact restrictions are relaxed. Uncertainties remain, however, with the prospect of further COVID-19 outbreaks as a result of new variants, for instance.

In response to the spread of the COVID-19 in Gulf Cooperation Council ('GCC') and other regions where the Group operates and its resulting potential disruptions to the social and economic activities in those markets, management had proactively assessed its impacts on its operations and took a series of preventive measures, including the creation of on-going crisis management teams and processes, to ensure the health and safety of its employees, customers and the wider community as well as to ensure the continuity of supply of its products throughout its markets. Further, management has implemented active prevention programs at its sites and contingency plans in order to minimize the impact of risks related to COVID-19 and to safeguard the continuity of its business operations.

During 2021, COVID-19 has remained an evolving situation, which has led to increased risks concerning value creation and asset valuation, such as potential impairment of non-current assets, trade accounts receivable and inventories. The uncertainties in the global economy may adversely impact suppliers, customers, and other business partners, which may interrupt our supply chain, limit the ability to collect receivables and require other changes to operations. Management will continue to closely monitor the effects of the pandemic, including the impact on non-current assets, inventories, and trade receivables during 2022 and beyond.

Based on this assessment, no significant adjustments were required in the consolidated financial statements for the year ended 31 December 2021.

2. Basis of preparation and significant accounting policies (continued)

2.4 Foreign currencies

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

Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's subsidiaries at their respective functional currencies' spot rates at transaction date. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in the consolidated statement of income.

Non-monetary items that are measured on 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 determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item.

Group's companies

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

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

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

	31 December 2021		31 December 2020	
	Closing rates	Average rates	Closing rates	Average rates
- USD	3.75	3.75	3.75	3.75
- Euro	4.25	4.24	4.61	4.56
- GPB	5.06	4.99	5.11	5.04
- CNY	1.70	1.70	1.74	1.74

3. Significant accounting estimates, assumptions and judgments

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

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

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

- capital management, financial instrument risk management and policies (Note 39); and
- sensitivity analysis disclosures (Notes 25 and 39).

3.1 Estimates and assumptions

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

3.1.1 Impairment of non-financial assets

Impairment exists when the carrying value of an asset or Cash Generating Unit ("CGU") exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing the asset. The value in use is based on a Discounted Cash Flow ("DCF") model. The cash flows are derived from the budget and business plan for the next five years and do not include restructuring activities or other initiatives that the Group is not yet committed to or significant future investments that will enhance the performance of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future net cash-inflows and the growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount for SABIC's CGUs or individual assets are disclosed in Note 9.

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

3.1 Estimates and assumptions (continued)

3.1.2 Incremental borrowing rate for lease agreements (Notes 8 and 24.1)

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

3.1.3 Measurement of financial instruments (Notes 11, 12, 13, 15 and 17)

The Group is required to make judgments about:

- The regional and business related risk profiles of the Group's customers to assess the Expected Credit Losses ("ECL") on trade receivables.
- The basis to determine the fair value of its investments in equity instruments or 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 judgment by management to recognise investments in equity instruments. For fair value determination, these investments qualify as Level 2 or 3 (Note 2).

3.1.4 Provisions

By their nature, the measurement of provisions depend upon estimates and assessments whether the criteria for recognition have been met, including estimates of the probability of cash outflows. The Group's estimates related to provisions for environmental matters are based on the nature and seriousness of the contamination, as well as on the technology required for remediation. Provisions for litigation are based on an estimate of costs, taking into account legal advice and other information available.

3.1.5 Defined employee benefit plans (Note 25)

Post-employment defined benefits plans, end-of-service benefits plans, indemnity payments and other long-term employee related liabilities represent obligations that will be settled in the future and require actuarial valuations to determine these obligations. The Group is required to make assumptions regarding variables such as discount rates, rate of salary increase, longevity, employee turnover and future healthcare costs, if applicable. Changes in key assumptions can have a significant impact on the projected benefit obligations and employee defined benefit costs. The assumptions are reviewed 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. Significant judgment is required when setting the criteria for bonds to be included in the population from which the yield curve is derived. The most significant criteria considered for the selection of bonds include the size of the bonds, quality of the corporate bonds and the identification of outliers which are excluded, if any.

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

3.1.6 Accounting for income tax (Note 34)

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

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

3.1.7 Accounting for equity instruments

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

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

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

3.2 Critical judgments in applying accounting standards

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

3.2.1 Component parts of plant and equipment

The Group's plant and equipment are broken down into significant components and depreciated on a straight-line basis over their economic useful lives. Judgment is required in ascertaining the significant components of a larger asset. In defining the significance of a component, the Group considers quantitative materiality of the component part as well as qualitative factors such as difference in useful life as compared to related asset.

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

3.2 Critical judgments in applying accounting standards (continued)

3.2.2 Determination of control, joint control and significant influence

Subsidiaries are all investees over which the Group has control. Management considers that it controls an 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, in relation to the investees.

Generally, there is a presumption that having majority of voting rights results in control. To support this presumption and when the Group has equal or less than a majority of the voting or similar rights of an investee, the Group considers all other relevant facts and circumstances in assessing whether it has power over an investee, including any contractual and other such arrangements which may affect the activities which impact investees' return.

In certain cases where the Group owns less than 50% of voting rights, it may still be the single largest shareholder with presence on the governing body giving it power to direct relevant activities of the investees, whereby the other shareholders do not hold sufficient voting rights and power to overrule the Group's directions.

It is generally presumed that the Group has significant influence when the Group has 20% holding in an entity. Judgment 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.

3.2.3 Determining the lease term of contracts with renewal and terminations options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination clauses. The Group applies judgment in evaluating if it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in the circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate the contract.

4. Changes in accounting policies

The amendments to IFRS, which are relevant to the Group and that have been applied on 1 January 2021 by the Group are described below:

4.1 Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)

The amendment to IAS 16 '*Property, Plant and Equipment: Proceeds before Intended Use*', which prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by the management.

The Group has early adopted this amendment which is required to be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment. There is no impact on the Group in the financial year 2021, as no projects were commissioned where proceeds were deducted from the cost of property, plant and equipment.

4. Changes in accounting policies (continued)

4.2 Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate ('IBOR') is replaced with an alternative nearly risk-free interest rate ('RFR'). The amendments include the following practical expedients:

- a practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as *changes* to a floating interest rate, equivalent to a movement in a market rate of interest.
- permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued.
- provide temporary relief to entities from having to meet the separately identifiable requirement when a RFR instrument is designated as a hedge of a risk component.

These amendments have no impact on these consolidated financial statements of the Group, as the Group:

- does not have floating interest rate nominated loans or derivatives, except for the ones that are USD LIBOR based. The RFR for these will become available till mid-2023 and therefore, no reliable estimate can be made for the impact of the result of future negotiations. Refer to Note 24 and Note 39;
- applies its Incremental Borrowing Rates (IBR) to discount leases, which are not derived or IBOR based; and
- has no significant insurance contracts subject to any IBOR referred rate.

The Group intends to use the practical expedients in future periods if they become applicable.

5. IFRS issued but not yet effective

The IFRS standards and interpretations that are issued and relevant for the Group, but not yet effective, up to the date of issuance of the Group's consolidated financial statements are elaborated below. These standards will be adopted by the Group when they become effective.

5.1 Reference to the Conceptual Framework – Amendments to IFRS 3

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

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

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

5. IFRS issued but not yet effective (continued)

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

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

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

5.3 Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

The IASB has issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". 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. The amendments are effective for annual reporting periods beginning on or after 1 January 2022.

The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

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

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

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

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

5.5 Definition of Accounting Estimates - Amendments to IAS 8

The IASB has issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed. The amendments are not expected to have a material impact on the Group.

6. Summary of significant accounting polices

The significant accounting policies adopted by the Group in preparing these consolidated financial statements are applied consistently and are described below and amendments to IFRS as elaborated in Note 4 that have been applied from 1 January 2021:

6.1 Business combinations and goodwill

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

When the Group acquires a business, it assesses the financial assets acquired and financials liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument 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 the acquisition date, allocated to each of the Group's CGUs that are expected to have benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Where goodwill has been allocated to a CGU and part of the operation within that unit is disposed off, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the CGU retained.

6.2 Investments in associates and joint arrangements

Investments in associates

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

6. Summary of significant accounting polices (continued)

6.2 Investments in associates and joint arrangements (continued)

Investments in joint arrangements

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

- *Joint operations*

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

- *Joint ventures*

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

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 other 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 associates and non-integral joint ventures is reported separately in order to provide reliable and more relevant information.

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

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

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

6. Summary of significant accounting polices (continued)

6.2 Investments in associates and joint arrangements (continued)

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

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.

6. Summary of significant accounting polices (continued)

6.4 Zakat and tax (continued)

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 the plant and equipment and borrowing costs for long-term construction projects if the recognition criterion are met. When significant parts of plant and equipment are required to be replaced in intervals, the Group recognises and depreciates them separately based on its specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criterion are satisfied. All other repair and maintenance costs are recognised in the consolidated statement of income as incurred. The present value of the expected cost for the decommissioning of the asset after its use is included in the cost of the respective asset if the recognition 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, 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 40 years
Plant and equipment	4 to 50 years
Storage and tanks	20 to 30 years
Vessels and vehicles	4 to 25 years

6. Summary of significant accounting polices (continued)

6.7 Leases

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

Group as lessee

Leases are recognised as right-of-use assets along with their corresponding liabilities at the date of which the leased assets are available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is recognised in the consolidated statement of income over the lease term. The right of use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

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

Short-term and low value assets' leases

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

Variable lease payments

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

Extension and termination options

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

Group as a lessor

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

6.8 Borrowing costs

Borrowing costs consist of interest and other costs that the Group incurs in connection with the borrowing of funds. Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the costs of these assets, until such time as the asset is substantially ready for its intended use.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted for the borrowing costs eligible for capitalization. All other borrowing costs are expensed in the period they occur.

6. Summary of significant accounting polices (continued)

6.9 Intangible assets

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

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

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale;
- Its intention to complete and its ability and intention to use or sell the asset;
- How the asset will generate future economic benefits;
- The availability of resources to complete the asset; 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 use. It is amortised over the period of expected future benefit. Amortisation is recorded in the consolidated statement of income. During the period of development, the asset is tested for impairment annually.

Technology and innovation expense related to product development is recorded in the consolidated statement of income in other operating expense and expense related to process improvement is recorded in cost of sales.

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

Licenses	5 to 15 years
Trademarks	22 years
Customer lists	18 years
Others, including in-house developed software and technology and innovation assets	3 to 5 years

6. Summary of significant accounting polices (continued)

6.10 Impairment of non-current assets

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

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

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

Impairment losses of continuing operations, including impairment on working capital, if applicable, are recognised in the consolidated statement of income in those expense categories consistent with the function of the impaired asset.

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

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

6.11 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 as well as trade receivables, which are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interests, are measured at amortised cost.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are Solely Payments of Principal and Interest ("SPPI") on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

6. Summary of significant accounting polices (continued)

6.11 Financial assets (continued)

Initial measurement

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

Subsequent measurement

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

- *Financial assets at amortised cost (Debt Instruments)*

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

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

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

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

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

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

- *Financial assets at FVIS*

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

De-recognition

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

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement, and either:

  a) The Group has transferred substantially all the risks and rewards of the asset; or

  b) The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

6. Summary of significant accounting polices (continued)

6.11 Financial assets (continued)

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

6.12 Financial liabilities

Initial recognition and measurement

Financial liabilities are classified under either of the below two classes:

- Financial liabilities at FVIS; and
- Other financial liabilities measured at amortised cost using the EIR method.

The category of financial liability at FVIS has two sub-categories:

- *Designated:* A financial liability that is designated by the entity as a liability at FVIS upon initial recognition; and
- *Held for trading:* A financial liability classified as held for trading, such as an obligation for securities borrowed in a short sale, which have to be returned in the future. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships. Separated embedded derivatives are classified as held for trading.

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

Subsequent measurement

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

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

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

6. Summary of significant accounting polices (continued)

6.12 Financial liabilities (continued)

Trade and other payables

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

Financial guarantee contracts

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

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

De-recognition

A financial liability is de-recognised when the obligation under the liability is settled or discharged. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated statement of income.

6.13 Options and forward contracts on (own) equity instruments

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

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

6. Summary of significant accounting polices (continued)

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

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.

6.14 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.

6.15 Inventories

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

6.16 Cash and bank balances

Cash and bank balances comprise of cash at banks, on hand and time 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. Time 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 time deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management.

6.17 Cash dividend paid to equity holders of the Parent

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

6. Summary of significant accounting polices (continued)

6.18 Provisions

General

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

Environmental obligations

In accordance with the Group's environmental policy and applicable legal requirements, the Group recognises a provision for environmental clean-up cost when it is probable that a legal or constructive liability has materialised and the amount of cash outflow can be reasonably estimated.

Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost meeting its obligation under the contract.

De-commissioning liability

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

6.19 Employee benefits

Long-term employee benefit obligations

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

6. Summary of significant accounting polices (continued)

6.19 Employee benefits (continued)

Defined contribution plans

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

Within KSA, the Group offers a saving plan to encourage its Saudi employees to make savings in a manner that will warrant an increase in their income and contribute to securing their future according to the established plan. The saving contributions from the participants are deposited in a separate bank account other than the Group's normal operating bank accounts (but not in any separate legal entity). This cash is a restricted balance, and for the purpose of presentation in the financial statements, it is offset with the related liability under the savings plan and the net liability to employees is reported under the employee benefits liability.

Defined benefit plans

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

End of service benefits and pension plans

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

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

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

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

6. Summary of significant accounting polices (continued)

6.19 Employee benefits (continued)

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

When the 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 recorded as financial cost. Any changes in net liability due to actuarial valuations and changes in assumptions are taken as re-measurement in OCI.

Employee Home Ownership Program ("HOP")

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

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

Employee Home Loan Program ("HLP")

The Group provides interest free home loan to its eligible employees for purposes related to purchase or building of a house or apartment. The loan is repaid in monthly instalment by deduction of employee's pay.

HLP is recognised as a non-current financial asset at fair value and measured at amortised cost using the EIR method. The difference between the fair value and the actual amount of cash given to the employee is recognised as a "non-current prepaid employee benefit" and is amortised as an expense equally over the period of service. The same amount is also amortised as finance income against the receivable from employees.

6.20 Revenue recognition

Sales revenue

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

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

6. Summary of significant accounting polices (continued)

6.20 Revenue recognition (continued)

Sales revenue (continued)

Rights of return

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

Allocation of performance obligations

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

Variable pricing – preliminary pricing

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

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

All other updates to the preliminary price is recorded against revenue with the additional receivable amount recorded under a contract asset or contract liability. Such contract asset or liability is de-recognised against an accounts receivable at the point in time at which the actual final price is determined.

Variable pricing – volume rebates

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

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

Rendering of services

In certain instances, the Group provides logistic services for goods sold. This service is satisfied over the period of delivery. Services rendered to customers are invoiced according to work completed and recognised as revenue accordingly.

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 recorded using the EIR. EIR is the rate that discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2021
(All amounts in Saudi Riyals '000 unless otherwise stated)

7. Property, plant and equipment

	For the year ended 31 December 2021					
	Land and buildings	Plant and equipment	Furniture and fixtures	Vehicles	Assets under construction	Total
Cost:						
At the beginning of the year	29,348,658	251,989,918	920,451	448,866	30,041,270	312,749,163
Additions	23,513	1,940,196	4,485	368	8,831,826	10,800,388
Transfers (i)	289,648	7,709,809	(934)	278,764	(11,497,776)	(3,220,489)
Disposals	(315,153)	(4,786,443)	(10,560)	(13,122)	(98,849)	(5,224,127)
Currency translation	(457,378)	(1,950,971)	(7,748)	(1,389)	(126,040)	(2,543,526)
At the end of the year	28,889,288	254,902,509	905,694	713,487	27,150,431	312,561,409
Accumulated depreciation and impairment:						
At the beginning of the year	(15,264,612)	(159,626,469)	(766,399)	(384,383)	(527,580)	(176,569,443)
Charge for the year	(835,304)	(10,924,579)	(41,223)	(54,191)	-	(11,855,297)
Transfers (i)	5,643	892,204	16,082	-	19,321	933,250
Impairment (net of reversals of impairment)	-	(623,421)	-	-	(109,596)	(733,017)
Disposals	306,526	4,719,140	10,539	10,120	-	5,046,325
Currency translation	292,842	1,335,049	6,250	1,409	(63)	1,635,487
At the end of the year	(15,494,905)	(164,228,076)	(774,751)	(427,045)	(617,918)	(181,542,695)
Net book value:						
At 31 December 2021	13,394,383	90,674,433	130,943	286,442	26,532,513	131,018,714
At 1 January 2021	14,084,046	92,363,449	154,052	64,483	29,513,690	136,179,720

(i) Includes transfers within PPE, transfers from / to intangible assets and transfers from / to other assets, and reclassifications of Saudi Butanol Company ("SABUCO") and Utility Support Group B.V. ("USG") (Refer Note 10).

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2021
(All amounts in Saudi Riyals '000 unless otherwise stated)

7. Property, plant and equipment (continued)

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

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

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2021
(All amounts in Saudi Riyals '000 unless otherwise stated)

7. Property, plant and equipment (continued)

Allocation of depreciation charge for the year

	For the year ended 31 December 2021	For the year ended 31 December 2020
Cost of sales	**11,171,372**	11,389,515
General and administrative expenses	**634,282**	559,978
Selling and distribution expenses	**49,643**	48,955
	11,855,297	11,998,448

Land and building

Land and buildings include an amount of SR 1.85 billion as of 31 December 2021 (2020: SR 2.04 billion) representing the cost of freehold land.

Assets under construction

Assets under construction mainly represents the expansion of existing plants and new projects being executed by certain affiliates. The related capital commitments are reported in Note 41.

Capitalised borrowing costs

The borrowing cost capitalised during the year ended 31 December 2021 amounted to SR 0.04 billion (2020: SR 0.02 billion), out of which SR 0.04 billion (2020: SR 0.02 billion) entirely related to non-conventional facilities. The Group uses the capitalisation rate of 4% (2020: 4%) to determine the amount of borrowing costs eligible for capitalisation.

Pledged property, plant and equipment

Property, plant and equipment of certain subsidiaries in the KSA are pledged to the Saudi Industrial Development Fund ("SIDF") as security for its term loans amounting to SR 26.43 billion (2020: SR 28.01 billion).

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2021
(All amounts in Saudi Riyals '000 unless otherwise stated)

7. Property, plant and equipment (continued)

Impairment and write-offs of plant and equipment

During the year ended 31 December 2021, an impairment charge (net of reversals) of SR 0.73 billion relating to plant and equipment and certain assets under constructions was recorded. The impairment mainly relates to positioning certain Petrochemical SBU assets in the European region and is driven by the Group's continuous efforts to strengthen synergies in its asset base and operating model and following ongoing changes in the market conditions and competitive environment.

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

- SABIC suspended the production of ULTEM™ high heat polymers ("HHP") at its Cartagena (Spain) facility as part of its global operation optimisation. The impairment on these assets amounted to SR 0.54 billion, which was included in cost of sales in the consolidated statement of income.
- An impairment charge of SR 1.0 billion relating to UK cracker plant was recognised. The impairment relates to positioning certain Naphtha plant in the European region and is driven by the Group's continuous efforts to strengthen synergies in its asset base and operating model and following ongoing changes in the market conditions and competitive environment.
- SABIC decided to postpone certain projects and to re-assess their strategic positioning. Due to postponing these projects an impairment loss was recognised of SR 0.37 billion.
- Reversal of impairment was recognised in respect of Arabian Industrial Fibers Company ("IBN RUSHD") amounting to SR 0.11 billion due to final impact assessment of assets' closure.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2021
(All amounts in Saudi Riyals '000 unless otherwise stated)

8. Right-of-use assets

	For the year ended 31 December 2021				
	Land and buildings (i)	Plant and equipment	Storage and tanks	Vessels and Vehicles	Total
Cost:					
At the beginning of the year	3,910,118	1,639,406	1,122,294	2,715,792	9,387,610
Additions	380,767	1,144,461	243,675	1,046,979	2,815,882
Disposals and retirements	(648,733)	(149,889)	(243,813)	(235,066)	(1,277,501)
Currency translation adjustment	(52,352)	(16,811)	(68,203)	(90,097)	(227,463)
At the end of the year	3,589,800	2,617,167	1,053,953	3,437,608	10,698,528
Accumulated depreciation and impairment:					
At the beginning of the year	(1,040,942)	(1,050,660)	(419,939)	(1,252,215)	(3,763,756)
Charge for the year	(513,037)	(221,310)	(208,041)	(614,098)	(1,556,486)
Disposals and retirements	482,451	103,668	170,224	226,051	982,394
Impairment	(35,350)	-	(52,326)	-	(87,676)
Currency translation adjustment	12,710	12,203	23,485	36,158	84,556
At the end of the year	(1,094,168)	(1,156,099)	(486,597)	(1,604,104)	(4,340,968)
Net book value:					
At 31 December 2021	2,495,632	1,461,068	567,356	1,833,504	6,357,560
At 1 January 2021	2,869,176	588,746	702,355	1,463,577	5,623,854

(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 under renewable lease agreements for a period up to 30 years. The Group has similar kind of arrangements and terms for some of its major sites in Europe.

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

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2021
(All amounts in Saudi Riyals '000 unless otherwise stated)

8. Right-of-use assets (continued)

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

Allocation of depreciation charge for the year

	For the year ended 31 December 2021	For the year ended 31 December 2020
Cost of sales	**1,094,765**	1,135,442
General and administrative expenses	**359,118**	327,595
Selling and distribution expenses	**102,603**	70,121
	1,556,486	1,533,158

(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 under renewable lease agreements for a period up to 30 years. The Group has similar kind of arrangements and terms for some of its major sites in Europe.

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

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2021
(All amounts in Saudi Riyals '000 unless otherwise stated)

9. Intangible assets

	For the year ended 31 December 2021					
	Goodwill	Software and IT development	Licenses	Others (i)	Intangibles under development	Total
Cost:						
At the beginning of the year	18,011,388	2,012,989	9,077,511	9,004	212,924	29,323,816
Additions	-	-	133,036	12,548	25,490	171,074
Transfers (ii)	-	(4,482)	195,968	1,303	(42,719)	150,070
Disposals	-	(14,078)	(114,767)	-	-	(128,845)
Currency translation adjustment	(428,791)	(32,631)	(112,556)	(26)	-	(574,004)
At the end of the year	17,582,597	1,961,798	9,179,192	22,829	195,695	28,942,111
Accumulated amortisation and impairment:						
At the beginning of the year	-	(1,709,752)	(6,914,912)	(8,087)	(28,868)	(8,661,619)
Charge for the year	-	(136,553)	(465,608)	(133)	-	(602,294)
Transfers (ii)	-	12,330	(19,196)	-	-	(6,866)
Disposals	-	14,078	114,390	-	-	128,468
Impairment	-	-	(20,544)	-	-	(20,544)
Currency translation adjustment	-	8,936	68,148	(86)	-	76,998
At the end of the year	-	(1,810,961)	(7,237,722)	(8,306)	(28,868)	(9,085,857)
Net book value:						
At 31 December 2021	17,582,597	150,837	1,941,470	14,523	166,827	19,856,254
At 1 January 2021	18,011,388	303,237	2,162,599	917	184,056	20,662,197

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

(ii) Includes transfers within intangible assets, transfers from / to PPE and transfers from / to other assets and reclassifications of SABUCO and USG (Refer Note 10).

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2021
(All amounts in Saudi Riyals '000 unless otherwise stated)

9. Intangible assets (continued)

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

(i) This includes goodwill amounting to SR 8.89 billion (SADAF SR 3.19 billion and AR-RAZI SR 5.70 billion), as a result of exercising option to purchase the remaining shares held by another investor in these entities.

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

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

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2021
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9 Intangible assets (continued)

Allocation of amortisation charge for the year

	For the year ended 31 December 2021	For the year ended 31 December 2020
Cost of sales	57,606	45,835
General and administrative expenses	541,097	590,913
Selling and distribution expenses	3,591	4,011
	602,294	640,759

Goodwill

Goodwill has been allocated to the Group's SBUs that represent its CGUs at which the goodwill is managed. For goodwill impairment testing, these CGUs are Petrochemicals and Specialties. The goodwill allocated to Petrochemicals amounts to SR 14.85 billion (2020: SR 15.19 billion) and for Specialties CGU amounts to SR 2.73 billion (2020: SR 2.82 billion). The Weighted Average Cost of Capital ("WACC") rate applied at Group's level is 8.2% for Petrochemicals (2020: 8.2%) and for Specialties 8.0% (2020: 8.5%).

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% (2020: 3%) for MEA region and the average effective tax rate is assumed to be 26%-27% (2020: 24%-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 0.4%-2.0% (2020: 0.5%- 2.0%).

No impairment loss was recognised for 2021 and 2020 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)

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10 Investments in associates and joint ventures

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

Name of associates	Ownership %	Place of business / country of incorporation	Nature of activities	31 December 2021	31 December 2020
Clariant AG ("CLARIANT")	31.50	Switzerland	Specialty chemical	**10,164,125**	10,716,769
Ma'aden Phosphate Company ("MPC")	30.00	KSA	Agri-nutrients	**2,647,616**	2,118,811
Aluminium Bahrain BSC ("ALBA")	20.62	Bahrain	Aluminium	**2,641,823**	1,773,021
Power and Water Utilities Company for Jubail and Yanbu ("MARAFIQ")	24.81	KSA	Utilities	**1,920,918**	1,783,893
Ma'aden Wa'ad Al Shamal Phosphate Company ("MWSPC")	15.00	KSA	Agri-nutrients	**1,566,499**	1,442,741
Gulf Petrochemical Industries Company ("GPIC") (ii)	16.70	Bahrain	Agri-nutrients	**769,087**	679,348
National Chemical Carrier Company ("NCC")	20.00	KSA	Transportation	**320,563**	321,723
Saudi Arabian Industrial Investment Company ("DUSSUR")	25.00	KSA	Investments	**310,676**	338,653
Mauritania Saudi Mining & Steel Company S.A. ("TAKAMUL")	50.00	Mauritania	Mining	**176,846**	-
ARG mbH & Co KG ("ARG") entities (Refer Note 45)	25.00	Germany	Transportation	**127,261**	138,176
German Pipeline Development Company GMBH ("GPDC") (iii)	39.00	Germany	Transportation	**41,151**	-
Nusaned Fund	50.00	KSA	Investments	**34,557**	40,168
Saudi Pallet Manufacturing Company ("SPMC")	23.00	KSA	Manufacturing	**27,402**	-
Mallinda, Inc. ("MALLINDA") (iii)	26.20	USA	Manufacturing	**912**	-
Gulf Aluminium Rolling Mills Company ("GARMCO")	30.40	Bahrain	Aluminium	**36**	-
Saudi Butanol Company ("SABUCO") (iv)	11.67	KSA	Specialty chemical	**-**	349,963
				20,749,472	19,703,266

(i) The Group measured the above investments under the equity method of accounting.

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

(iii) GPDC and MALLINDA have been reclassified from equity instruments at FVOCI to associates.

(iv) SABUCO is owned 33.33% by SAUDI KAYAN and SABIC share is 11.67%. During the year 2021, this has been classified as a joint operation based on reassessment of its control over this investment.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2021
(All amounts in Saudi Riyals '000 unless otherwise stated)

10 Investments in associates and joint ventures (continued)

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

Name of joint ventures	Ownership %	Place of business / country of incorporation	Nature of activities	31 December 2021	31 December 2020
Eastern Petrochemical Company ("SHARQ")	50.00	KSA	Petrochemical	**6,183,732**	6,949,350
Al-Jubail Petrochemical Company ("KEMYA")	50.00	KSA	Petrochemical	**5,891,134**	5,171,296
Sinopec Sabic Tianjin Petrochemical Company ("SSTPC")	50.00	China	Petrochemical	**4,827,331**	4,718,942
Saudi Yanbu Petrochemical Company ("YANPET")	50.00	KSA	Petrochemical	**2,948,961**	2,893,738
Sabic SK Nexlene Company Pte. Ltd. ("SSNC")	50.00	Singapore	Petrochemical	**608,910**	553,478
Cosmar Company ("COSMAR")	50.00	USA	Specialty chemical	**461,624**	492,996
Utility Support Group B.V. ("USG") (i)	50.00	Netherlands	Utilities	**229,928**	-
Scientific Design ("SD") entities (Refer Note 45)	50.00	Germany	Catalysts	**150,228**	-
SABIC Plastic Energy Advanced Recycling BV ("SPEAR")	50.00	Netherlands	Recycling	**105,538**	57,633
Advance Energy Storage System Company ("AESSC")	43.00	KSA	Manufacturing	**30,765**	37,971
				21,438,151	20,875,404
				42,187,623	40,578,670

(i) USG has been reclassified from joint operations to a joint venture.

Notes to the consolidated financial statements (continued)

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10 Investments in associates and joint ventures (continued)

The movement of investments in associates is as follows:

	For the year ended 31 December 2021																
	GPIC	MPC	MARAFIQ	ALBA	NCC	MWSPC	DUSSUR	CLARIANT	NUSANED FUND	SPMC	SABUCO	ARG	GPDC	MALLINDA	GRAMCO	TAKAMUL	Total
Balance at the beginning of the year	679,348	2,118,811	1,783,893	1,773,021	321,723	1,442,741	338,653	10,716,769	40,168	-	349,963	138,176	-	-	-	-	19,703,266
Capital contribution	-	-	-	-	-	-	-	-	-	29,455	-	-	-	-	-	-	29,455
Share of results (i)	242,874	528,805	169,093	926,887	(1,160)	123,758	(27,977)	(64,317)	(1,075)	(2,053)	-	-	34,467	-	-	(3,203)	1,926,099
Movements in OCI	-	-	-	19,216	-	-	-	(190,179)	-	-	-	(10,915)	(1,639)	-	36	-	(183,481)
Dividends received	(118,125)	-	(32,068)	(77,301)	-	-	-	(298,148)	-	-	-	-	-	-	-	-	(525,642)
Others (ii)	(35,010)	-	-	-	-	-	-	-	(4,536)	-	(349,963)	-	8,323	912	-	180,049	(200,225)
Balance at the end of the year	769,087	2,647,616	1,920,918	2,641,823	320,563	1,566,499	310,676	10,164,125	34,557	27,402	-	127,261	41,151	912	36	176,846	20,749,472

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

(ii) Others include the reclassification of SABUCO as a joint operation from an associate and transfer of TAKAMUL investment related to pre-paid mining fees (Refer Note 14).

Notes to the consolidated financial statements (continued)

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

10 Investments in associates and joint ventures (continued)

The movement of investments in joint ventures is as follows:

	For the year ended 31 December 2021										
	SSTPC	SSNC	COSMAR	SHARQ	YANPET	KEMYA	AESSC	SPEAR	USG	SD	Total
Balance at the beginning of the year	4,718,942	553,478	492,996	6,949,350	2,893,738	5,171,296	37,971	57,633	-	-	20,875,404
Capital contribution (i)	-	-	62,379	-	-	-	-	55,289	-	-	117,668
Share of results (ii) (iii)	290,938	124,438	(93,751)	482,541	1,358,538	1,433,682	(5,305)	(629)	33,437	177,520	3,801,409
Movements in OCI	92,327	(69,006)	-	30,643	48,999	45,476	61	(6,755)	(10,288)	(3,681)	127,776
Dividends received (iv)	(274,876)	-	-	(1,272,570)	(1,360,064)	(730,392)	-	-	-	(28,767)	(3,666,669)
Others (v)	-	-	-	(6,232)	7,750	(28,928)	(1,962)	-	206,779	5,156	182,563
Balance at the end of the year	4,827,331	608,910	461,624	6,183,732	2,948,961	5,891,134	30,765	105,538	229,928	150,228	21,438,151

(i) Capital contribution (additional investments) refers to the additional investment in associates and joint ventures amounting to SR 0.15 billion (2020: SR 2.07 billion).

(ii) The Group's share of results in associates' net income recorded 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 is amounting to SR 3.27 billion (2020: 1.01 billion) and this has been presented in the consolidated statement of income before income from operations.

(iv) Dividends received from the associates and non-integral joint ventures is amounting to SR 0.83 billion (2020: SR 1.28 billion).

(v) Others include USG which has been reclassified from joint operations to a joint venture and SD which has been reclassified as joint venture from 'Investments in equity instruments'.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2021
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10 Investments in associates and joint ventures (continued)

The movement of investments in associate is as follows:

	For the year ended 31 December 2020											
	GPIC	MPC	MARAFIQ	ALBA	NCC	MWSPC	DUSSUR	CLARIANT	NUSANED Fund	SABUCO	ARG	Total
Balance at the beginning of the year	657,748	2,130,182	1,727,310	2,214,895	310,015	1,665,245	372,762	8,685,005	12,119	369,829	-	18,145,110
Capital contribution	-	-	-	-	-	-	-	1,906,968	28,855	-	-	1,935,823
Share of results (i)	(2,009)	(11,371)	88,104	20,010	11,692	(222,504)	(34,109)	(252,902)	(806)	15,066	-	(388,829)
(Impairment) reversal of impairment	-	-	-	(441,208)	-	-	-	768,750	-	-	-	327,542
	(2,009)	(11,371)	88,104	(421,198)	11,692	(222,504)	(34,109)	515,848	(806)	15,066	-	(61,287)
Movements in OCI	23,609	-	(6,247)	(17,763)	16	-	-	856,189	-	(15,552)	-	840,252
Dividends received	-	-	(25,274)	(2,913)	-	-	-	(1,247,241)	-	-	-	(1,275,428)
Others (ii)	-	-	-	-	-	-	-	-	-	(19,380)	138,176	118,796
Balance at the end of the year	679,348	2,118,811	1,783,893	1,773,021	321,723	1,442,741	338,653	10,716,769	40,168	349,963	138,176	19,703,266

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

(ii) Others includes the reclassification of ARG as an associates from 'investment in equity instruments' (Refer Note 12).

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2021
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10 Investments in associates and joint ventures (continued)

The movement of investments in joint venture is as follows:

	For the year ended 31 December 2020								
	SSTPC	SSNC	COSMAR	SHARQ	YANPET	KEMYA	AESSC	SPEAR	Total
Balance at the beginning of the year	4,212,360	495,189	497,736	7,243,399	3,108,561	5,062,848	-	-	20,620,093
Capital contribution	-	-	73,922	-	-	-	-	57,633	131,555
Share of results (i)	205,187	4,312	(78,662)	101,618	551,645	355,719	(3,479)	-	1,136,340
Movements in OCI	301,395	53,977	-	(78,076)	(93,411)	(65,513)	-	-	118,372
Dividends received	-	-	-	(350,000)	(648,174)	(189,906)	-	-	(1,188,080)
Others	-	-	-	32,409	(24,883)	8,148	41,450	-	57,124
Balance at the end of the year	4,718,942	553,478	492,996	6,949,350	2,893,738	5,171,296	37,971	57,633	20,875,404

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

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 the consolidated financial statements.

As at 31 December 2021, SABIC assessed the carrying value of investment in CLARIANT for impairment by comparing the higher of fair value less cost of disposal and value in use approach. This assessment was based on publicly available information on CLARIANT as at the assessment date and adjusted for market driven control premium. Based on this assessment no impairment or reversal of previously accumulated impairment charges was recognized in the consolidated financial statements.

On 14 February 2022, CLARIANT declared that publication of their financial results for the fourth quarter and year ended 31 December 2021 as well as the Integrated Report for 2021 would be delayed due to an investigation into accounting issues related to certain provisions and accruals. Furthermore, CLARIANT management announced postponement of the Annual General Meeting of Shareholders beyond the scheduled dates. Following the press release, the share price of CLARIANT declined from CHF 19.00 as at 31 December 2021 to CHF 15.07 as at 4 March 2022. SABIC considers the drop in share price as non-adjusting event subsequent to the balance sheet date.

Further, due to the delay in publication of CLARIANT's financial results for the year ended 31 December 2021, SABIC is not able to and has not disclosed the summary of the financial information for the year ended 31 December 2021 in the consolidated financial statements (refer note 10). SABIC has recognized share of income from CLARIANT for the year ended 31 December 2021 based on the latest published financial statements i.e. half-year ended 30 June 2021 and the management's best estimates.

10. Investments in associates and joint ventures (continued)

Summarised financial information of associates

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

	As at 31 December 2021			
	MPC	MARAFIQ	ALBA	MWSPC (i)
Current assets	4,350,651	4,043,964	7,108,497	3,845,043
Non-current assets	12,859,641	20,099,783	19,000,375	25,029,398
Current liabilities	2,852,987	2,852,268	4,093,058	3,069,920
Non-current liabilities	5,527,829	13,954,831	7,064,160	18,583,128
Net assets	8,829,476	7,336,648	14,951,654	7,221,393
Reconciliation:				
Group's share	30.00%	24.81%	20.62%	15.00%
Group's share in associate (ii)	2,647,616	1,920,918	3,083,031	1,083,209
Intangible / goodwill	-	-	-	483,290
Impairment provision	-	-	(441,208)	-
Carrying amount	2,647,616	1,920,918	2,641,823	1,566,499
Revenue	6,567,318	4,635,772	15,765,558	6,161,430
Net income for the year	1,769,025	422,625	4,495,086	918,461
Reconciliation:				
Group's share	30.00%	24.81%	20.62%	15.00%
Group's share in associate (ii)	528,805	169,093	926,887	123,758
Share in earnings	528,805	169,093	926,887	123,758

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

(ii) Carrying amount of the investments and group's share in associates include inter-group profit elimination, zakat, income tax and other adjustments.

(iii) Commitments, contingencies and guarantees amounting to SR 3.163 billion (2020: SR 1.47 billion).

10. Investments in associates and joint ventures (continued)

Summarised financial information of associates (continued)

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

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

(ii) Carrying amount of the investments and group's share in associates include inter-group profit elimination, zakat, income tax and other adjustments.

(iii) Commitments, contingencies and guarantees amounting to SR 1.47 billion (2019: SR 1.56 billion).

10. Investments in associates and joint ventures (continued)

Summarised financial information of material joint ventures

The tables below provide the summarised financial information of material joint 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 2021			
	SSTPC	SHARQ	YANPET	KEMYA
Cash and bank balances	2,837,657	663,220	554,983	88,549
Total current assets	4,861,033	5,494,560	4,990,216	4,312,337
Non-current assets	11,932,335	11,408,352	4,575,682	11,118,663
Current financial liabilities (excluding trade payables)	1,285,162	1,369,723	1,713,009	1,922,456
Total current liabilities	2,439,783	2,208,818	2,360,163	2,258,703
Total non-current liabilities	4,698,922	2,700,493	1,433,722	1,999,753
Net assets	9,654,663	11,993,601	5,772,013	11,172,544
Reconciliation:				
Group's share	50.00%	50.00%	50.00%	50.00%
Group's share in joint venture	4,827,331	6,183,732	2,948,961	5,891,134
Carrying amount	4,827,331	6,183,732	2,948,961	5,891,134

	For the year ended 31 December 2021			
Revenue	11,157,111	10,420,487	7,597,151	9,819,507
Depreciation and amortisation	682,399	1,378,561	463,130	874,283
Interest income	122,936	2,528	1,049	-
Interest expense	(52,666)	(36,035)	(37,661)	(69,807)
Net income before income tax and zakat (i)	832,849	2,064,612	2,872,002	3,005,912
Zakat, Income tax expense and others	(239,342)	(311,234)	(350,422)	(456,094)
Net income for the year	593,507	1,753,378	2,521,580	2,549,818
Other comprehensive income	-	68,841	98,001	63,875
Total comprehensive income	593,507	1,822,219	2,619,581	2,613,693
Reconciliation:				
Group's share	50.00%	50.00%	50.00%	50.00%
Group's share of earnings in joint venture (i)	290,938	482,541	1,358,538	1,433,682
Share of earnings	290,938	482,541	1,358,538	1,433,682

(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.

10. Investments in associates and joint ventures (continued)

Summarised financial information of material joint ventures (continued)

	As at 31 December 2020			
	SSTPC	SHARQ	YANPET	KEMYA
Cash and bank balances	3,024,126	453,539	542,816	203,513
Total current assets	4,556,900	5,303,788	4,248,531	3,428,311
Non-current assets	11,322,833	12,867,436	4,408,089	12,244,106
Current financial liabilities (excluding trade payables)	1,370,671	776,427	964,179	1,712,703
Total current liabilities	2,329,080	1,456,039	1,444,934	2,204,255
Total non-current liabilities	4,112,769	2,816,485	1,424,211	3,125,570
Net assets	9,437,884	13,898,700	5,787,475	10,342,592
Reconciliation:				
Group's share	50.00%	50.00%	50.00%	50.00%
Group's share in joint venture	4,718,942	6,949,350	2,893,738	5,171,296
Carrying amount	4,718,942	6,949,350	2,893,738	5,171,296

	For the year ended 31 December 2020			
Revenue	6,651,516	6,944,196	5,139,340	6,679,264
Depreciation and amortisation	621,874	1,362,588	561,639	909,089
Interest income	104,855	4,010	4,702	2,183
Interest expense	(75,761)	(32,869)	(44,927)	(134,666)
Net income before income tax and zakat (i)	547,013	382,416	1,157,007	786,846
Zakat, Income tax expense and others	(135,243)	(89,589)	(26,859)	(37,704)
Net income for the year	410,379	298,312	998,108	671,826
Other comprehensive income	602,790	(156,152)	(186,822)	(131,025)
Total comprehensive income	1,013,169	142,160	811,286	540,801
Reconciliation:				
Group's share	50.00%	50.00%	50.00%	50.00%
Group's share of earnings in joint venture (i)	205,187	101,618	551,645	355,719
Share of earnings	205,187	101,618	551,645	355,719

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

10. Investments in associates and joint ventures (continued)

Summarised financial information of individually immaterial associates and joint venture

	For the year ended 31 December 2021		For the year ended 31 December 2020	
	Individually immaterial associates	Individually immaterial joint ventures	Individually immaterial associates	Individually immaterial joint ventures
Net income (loss) for the year	747,980	376,386	(267,412)	(21,196)
Other Comprehensive (loss) Income	(555)	(141,259)	101,810	111,203
Total Comprehensive Income (loss)	747,425	235,127	(165,602)	90,007

Fair value of listed associates

The fair value of the Group's investment in ALBA and CLARIANT based on its trading price at 31 December 2021 is SR 2.33 billion and SR 8.16 billion (Note 10.1) respectively (2020: SR 1.45 billion and SR 8.38 billion).

11 Investments in debt instruments

	31 December 2021	31 December 2020
Debt instruments at amortised cost		
Current (in short-term investments – Note 19)		
Fixed rate instruments	132,729	149,959
Floating rate instrument	99,962	169,421
	232,691	319,380
Non-current		
Fixed rate instruments	484,159	585,915
Floating rate instrument	266,396	434,027
	750,555	1,019,942
	983,246	1,339,322

Currency exposure

	31 December 2021	31 December 2020
SR	300,179	955,093
USD	683,067	384,229
	983,246	1,339,322

12 Investments in equity instruments

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

	31 December 2021	31 December 2020
Unlisted securities		
Equity securities measured at fair value through OCI	292,452	464,974
Mutual fund units measured at fair value through profit or loss	-	316,520
	292,452	781,494

During the year 2021, SD, GPDC, TAKAMUL and MALLINDA have been reclassified from 'investment in equity instruments' to 'investment in associates and joint ventures' (Refer Note 10).

During the year 2020, ARG has been reclassified as an associate from 'investment in equity instruments' measured at fair value through OCI.

13 Derivatives financial instruments

	31 December 2021	31 December 2020
Financial assets - option rights	2,389,875	1,863,375
Financial liabilities – options and forward contracts	2,643,750	1,995,375
Obligations to acquire the remaining shares of certain subsidiaries	657,077	690,297
	3,300,827	2,685,672

Upon disposal of 17% of its interest in Jubail Chemicals Storage and Services Company ("Chemtank") (Note 23.2), SABIC entered into new joint venture agreement with the Joint Venture partner, which resulted in the expiration of the forward contract under the previous joint venture agreement. As a result, SABIC has derecognised financial liability relating to the forward contract amounting to SR 0.42 billion through equity in accordance with the accounting policy.

14 Other non-current assets and receivables

	31 December 2021	31 December 2020
Employee advances (i)	4,773,550	3,326,950
Receivables from related parties (ii)	2,077,931	2,237,956
Finance lease receivable	237,360	251,653
Pre-paid mining fee (iii)	-	112,500
Others (iv)	533,603	408,834
	7,622,444	6,337,893

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

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

(iii) The pre-paid mining fees has been reclassified as part of Investments in associates, as the related Project has entered into the next phase. (Note 10).

(iv) Others mainly include advances to contractors and miscellaneous items.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2021
(All amounts in Saudi Riyals '000 unless otherwise stated)

15 Financial assets and financial liabilities

		31 December 2021							
	Notes	Total	Financial assets / liabilities at amortised cost	Financial assets / liabilities at FVIS	Financial assets at FVOCI	Fair value (ii)	Level I	Level II	Level III
Financial assets									
Investments in debt instruments									
- Fixed	*11*	616,888	616,888	-	-	660,536	-	660,536	-
- Floating	*11*	366,358	366,358	-	-	409,389	-	409,389	-
Unquoted equity instruments	*12*	292,452	-	-	292,452	292,452	-	97,298	195,154
Trade receivables (ii)	*17*	26,330,104	26,330,104	-	-	N/A	-	-	-
Short-term investments									
- Time deposits	*19*	4,781,039	4,781,039	-	-	N/A	-	-	-
- Other short-term investments	*19*	52,824	-	52,824	-	52,824	-	52,824	-
Cash and bank balances									
- Cash and bank balances	*20*	10,571,188	10,571,188	-	-	N/A	-	-	-
- Time deposits	*20*	30,831,654	30,831,654	-	-	N/A	-	-	-
Derivatives financial instruments	*13*	2,389,875	-	2,389,875	-	2,389,875	-	-	2,389,875
Other financial assets (iii)		1,417,933	1,417,933	-	-	N/A	-	-	-
		77,650,315	74,915,164	2,442,699	292,452	3,805,076	-	1,220,047	2,585,029
Financial liabilities									
Debt	*24*	32,139,925	32,139,925	-	-	32,580,212	11,753,100	20,827,112	-
Lease liabilities	*24*	6,419,345	6,419,345	N/A	N/A	N/A	-	-	-
Trade payables	*27*	26,149,125	26,149,125	-	-	N/A	-	-	-
Derivatives financial instruments	*13*	2,643,750	-	2,643,750	-	2,643,750	-	-	2,643,750
Obligations to acquire the remaining shares of certain subsidiaries (iv)	*13*	657,077	-	657,077	-	657,077	-	-	657,077
Other financial liabilities (iii) (iv)		207,844	207,844	-	-	N/A	-	-	-
		68,217,066	64,916,239	3,300,827	-	35,881,039	11,753,100	20,827,112	3,300,827

(i) The Group assessed fair value of short-term investments, cash and bank balances, trade payables and other financial assets and liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.
(ii) The carrying value of trade receivables are shown net of expected credit losses which approximates the trade receivables fair value.
(iii) 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.
(iv) The movement during the year under Level III related to fair value re-measurements.

Notes to the consolidated financial statements (continued)

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15 Financial assets and financial liabilities (continued)

		31 December 2020							
	Notes	Total	Financial assets / liabilities at amortised cost	Financial assets / liabilities at FVIS	Financial assets at FVOCI	Fair value (ii)	Level I	Level II	Level III
Financial assets									
Investments in debt instruments									
- Fixed	*11*	735,874	735,874	-	-	806,829	-	806,829	-
- Floating	*11*	603,448	603,448	-	-	604,611	-	604,611	-
Unquoted equity instruments	*12*	781,494	-	324,164	457,330	781,515	-	482,251	299,264
Trade receivables	*17*	16,927,713	16,927,713	-	-	N/A	-	-	-
Short-term investments									
- Time deposits	*19*	5,483,903	5,483,903	-	-	N/A	-	-	-
- Other short-term investments	*19*	52,645	-	52,645	-	52,645	-	52,645	-
Cash and bank balances									
- Cash and bank balances	*20*	12,433,718	12,433,718	-	-	N/A	-	-	-
- Time deposits	*20*	20,722,498	20,722,498	-	-	N/A	-	-	-
Derivatives financial instruments	*13*	1,863,375	-	1,863,375	-	1,863,375	-		1,863,375
Other financial assets (iii)		1,407,074	1,407,074	-	-	N/A	-	-	-
		61,011,742	58,314,228	2,240,184	457,330	4,108,975	-	1,946,336	2,162,639
Financial liabilities									
Debt	*24*	40,265,997	40,265,997	-	-	41,194,293	12,248,025	28,946,268	-
Lease liabilities (i)	*24*	5,720,038	5,720,038	N/A	N/A	N/A	-	-	-
Trade payables	*27*	17,501,240	17,501,240	-	-	N/A	-	-	-
Derivatives financial instruments	*13*	1,995,375	-	1,995,375	-	1,995,375	-	-	1,995,375
Obligations to acquire the remaining shares of certain subsidiaries	*13*	690,297	-	690,297	-	690,297	-	-	690,297
Other financial liabilities (iii)		230,185	230,185	-	-	N/A	-	-	-
		66,403,132	63,717,460	2,685,672	-	43,879,965	12,248,025	28,946,268	2,685,672

(i) The Group assessed fair value of short-term investments, cash and bank balances, trade payables and other financial assets and liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments. Lease liabilities are recognised according to IFRS 16.

(ii) The carrying value of Trade Receivables are shown net of expected credit losses and the carry value approximates the trade receivables fair value.

(iii) 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.

15 Financial assets and financial liabilities (continued)

The Group's exposure to various risks associated with the financial instruments is discussed in Note 39. 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 2021, the fair value of loans and borrowings, other than bonds which are publicly traded, are reassessed from Level 1 to Level 2 (see Note 24).

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

- Fair value of the quoted bonds is based on price quotations at the reporting date. The fair value of unquoted debt instruments, loans from banks and other financial liabilities as well as other non-current financial liabilities is estimated by discounting future cash flows using rates for debt with similar terms, credit risk and maturities.
- For the fair value of equity instruments, the Group makes certain assumptions in valuation about the model inputs, including fair value derived based on comparable transactions. The probabilities of the various estimates within a range can be reasonably assessed used in the Group's estimate of fair value for these unquoted investments in equity instruments. Fair values of quoted investments in equity instruments are derived from quoted prices in active markets.

Description of valuation techniques used and key inputs for valuation of derivative financial instruments is as follows:

Valuation technique	Significant non-observable input	Range
Market approach	• Put options and forward contracts	
	- Equity value to EBITDA multiple	5.2 - 11
	• Call option valuation:	
	- Implied volatility	25% to 35%
	- Assumed dividend yield	8.7% to 12.9%
	- Risk free rate	1.5% to 2.1%

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 +/- USD 150m and approximately +/- USD 60m in the value of the put/call options.

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16 Inventories

	31 December 2021	31 December 2020
Finished goods	17,937,786	10,442,834
Spare parts	4,926,384	5,173,888
Raw materials	4,038,421	3,977,226
Goods in transit	2,200,441	1,362,067
Work in process	1,562,676	468,910
	30,665,708	21,424,925
Less: Provision for slow moving and obsolete items	(2,044,430)	(2,113,727)
	28,621,278	19,311,198

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

	For the year ended 31 December 2021	For the year ended 31 December 2020
Balance at 1 January	2,113,727	1,560,745
(Release) charge for the year, net	(69,297)	552,982
Balance at 31 December	2,044,430	2,113,727

During 2021, the inventory provision for slow moving and obsolete items was reversed amounting to SR 0.07 billion. The reversal is essentially due to consumption or utilisation of certain inventory items. During 2020, inventory provision for slow moving and obsolete items was recognised amounting to SR 0.55 billion.

The Group's exposure to commodity price risks is discussed in Note 39.

17 Trade receivables

	31 December 2021	31 December 2020
Trade receivables	24,143,250	15,370,019
Due from related parties	2,366,938	1,746,223
	26,510,188	17,116,242
Less: allowance for expected credit losses	(180,084)	(188,529)
	26,330,104	16,927,713

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

17 Trade receivables (continued)

As of 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 2021							
Expected credit loss rate	0.68%	0.08%	2.03%	33.83%	40.28%	55.23%	53.07%
Gross carrying amount	26,510,188	25,562,749	647,153	68,488	13,949	91,475	126,374
Expected credit loss	180,084	20,539	13,163	23,169	5,618	50,526	67,069
31 December 2020							
Expected credit loss rate	1.10%	0.05%	0.97%	25.02%	9.02%	43.99%	62.34%
Gross carrying amount	17,116,242	16,210,554	513,059	17,868	90,159	78,427	206,175
Expected credit loss	188,529	7,941	4,966	4,471	8,130	34,500	128,521

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

	For the year ended 31 December 2021	For the year ended 31 December 2020
Balance at 1 January	188,529	323,548
Charge for the year	7,003	5,558
Reversals during the year	(15,448)	(140,577)
Balance at 31 December	180,084	188,529

18 Prepayments and other current assets

	31 December 2021	31 December 2020
Receivable from Japan Saudi Arabia Methanol Company, Inc. ("JSMC") (i)	-	1,622,034
Prepaid expenses	1,619,461	1,127,128
Taxes and subsidies receivable	1,779,348	1,355,044
Trade advances (net)	796,881	508,733
Recoverable from suppliers	384,369	163,624
Current portion of loan receivable from related parties	375,901	240,535
Employee advances and receivables	48,467	72,273
Others	972,875	1,052,226
	5,977,302	6,141,597

(i) Receivable from JSMC represents the third instalment amounting to SR 1.69 billion (discounted at 4% per annum) related to the acquisition of additional shareholding.

19 Short-term investments

Short-term investments can be broken down as follows:

	31 December 2021	31 December 2020
Time deposits	4,781,039	5,483,903
Investments in debt instruments (Note 11)	232,691	319,380
Other investments	52,824	52,645
	5,066,554	5,855,928

Other short-term investments include certificate of deposits.

20 Cash and bank balances

Cash and bank balances can be broken down as follows:

	31 December 2021	31 December 2020
Cash in hand	653	563
Bank balances	10,570,535	12,433,155
Time deposits	30,831,654	20,722,498
	41,402,842	33,156,216

At 31 December 2021, the Group has funds amounting to SR 0.80 billion (31 December 2020: SR 0.64 billion) are held in separate bank accounts and are not used as part of normal business operations.

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

	31 December 2021	31 December 2020
SR	27,217,034	11,823,834
USD	12,713,518	19,340,694
Others	1,472,290	1,991,688
	41,402,842	33,156,216

20 Cash and bank balances (continued)

20.1 Cash flows related disclosures

Cash and cash equivalents can be broken down as follows:

	31 December 2021	31 December 2020
Cash and bank balances	41,402,842	33,156,216
Less: bank overdrafts (short-term borrowings - Note 24)	(13,347)	(4,217,747)
	41,389,495	28,938,469

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

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

	As at 1 January 2021	Movement during the year	Cash outflows	Foreign currency exchange and other non-cash	As at 31 December 2021
Debt	35,948,123	486,242	(4,470,071)	162,284	32,126,578
Lease	5,720,038	2,588,419	(2,015,281)	126,169	6,419,345
Dividends to shareholders	1,115,345	9,750,000	(9,909,554)	129,098	1,084,889
Dividends to non-controlling interests	191,308	3,555,685	(3,602,557)	(82,847)	61,589
Acquisition of non-controlling interests	-	(1,687,500)	1,687,500	-	-
	42,974,814	14,692,846	(18,309,963)	334,704	39,692,401

	As at 1 January 2020	Movement during the year	Cash outflows	Foreign currency exchange and other non-cash	As at 31 December 2020
Debt	36,542,837	6,600,182	(7,330,653)	135,757	35,948,123
Lease	6,448,224	862,740	(1,681,271)	90,345	5,720,038
Dividends to shareholders	1,225,527	11,100,000	(11,210,182)	-	1,115,345
Dividends to non-controlling interests	75,218	2,297,523	(2,590,440)	409,007	191,308
Acquisition of non-controlling interests	-	(1,687,500)	1,687,500	-	-
	44,291,806	19,172,945	(21,125,046)	635,109	42,974,814

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21 Share capital

	31 December 2021	31 December 2020
Authorised shares:		
Ordinary shares of SR 10 each	3,000,000	3,000,000
Ordinary shares issued and fully paid of SR 10 each	3,000,000	3,000,000
Issued and paid capital (SR '000)	30,000,000	30,000,000

22 Reserves

Statutory reserve

In accordance with Saudi Arabian Regulations for Companies, SABIC must set aside 10% of its net income in each year until it has built up a reserve equal to 30% of the share capital. As the reserve has reached the minimum amount, SABIC has resolved to discontinue such transfers. This reserve is not available for distribution.

General reserve

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

Other reserves

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

31 December 2021	Equity instruments	Foreign currency translation	Actuarial gain (loss)	Cash flow hedge	Total
At the beginning of the year	110,280	(258,250)	(3,143,999)	(42,050)	(3,334,019)
Exchange difference on translation	-	(1,687,218)	-	-	(1,687,218)
Re-measurement gain on defined benefit plans, net of tax	-	-	1,534,161	-	1,534,161
Net change on revaluation of investments in equity instruments classified as fair value through other comprehensive income	17,619	-	-	-	17,619
Share of other comprehensive income (loss) of associates and joint ventures	-	(352,430)	259,406	19,700	(73,324)
Other comprehensive income (loss) for the year	17,619	(2,039,648)	1,793,567	19,700	(208,762)
At the end of the year	127,899	(2,297,898)	(1,350,432)	(22,350)	(3,542,781)

22 Reserves (continued)

Other reserves (continued)

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

(i) Amount is net of tax and includes amounts recognised by the acquisition of non-controlling interests (Note 23).

Notes to the consolidated financial statements (continued)

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23 Non-controlling interests

Summarised statement of financial position

Set out below is summarised financial information for each subsidiary that has a non-controlling interest that are material to the Group. The amounts disclosed for each subsidiary are before inter-company eliminations:

	As at 31 December 2021						
	YANSAB	AR-RAZI	IBN RUSHD	SABIC AN (Note 23.2)	KAYAN	GAS	UNITED
Current assets	7,613,672	1,359,920	1,187,949	9,280,741	6,944,169	829,054	2,851,700
Current liabilities	1,785,379	554,555	3,776,053	1,455,027	3,943,113	369,878	1,151,691
Current net assets	5,828,293	805,365	(2,588,104)	7,825,714	3,001,056	459,176	1,700,009
Non-current assets	10,494,305	2,884,278	1,179,083	10,508,533	25,910,282	5,276,285	7,383,664
Non-current liabilities	1,280,207	850,928	277,090	1,306,987	12,442,066	1,184,838	2,208,653
Non-current net assets	9,214,098	2,033,350	901,993	9,201,546	13,468,216	4,091,447	5,175,011
Net assets (liabilities)	15,042,391	2,838,715	(1,686,111)	17,027,260	16,469,272	4,550,623	6,875,020
Accumulated non-controlling interests (i)	7,158,004	638,117	(938,071)	9,164,670	10,211,211	1,333,670	1,702,178

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

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2021
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23 Non-controlling interests (continued)

Summarised statement of financial position (continued)

	As at 31 December 2020						
	YANSAB	AR-RAZI	IBN RUSHD	SABIC AN (Note 23.2)	KAYAN	GAS	UNITED
Current assets	5,938,074	1,143,140	1,199,514	2,713,559	5,432,093	929,963	1,728,137
Current liabilities	1,339,390	518,059	1,162,294	639,107	3,311,711	192,446	618,925
Current net assets	4,598,684	625,081	37,220	2,074,452	2,120,382	737,517	1,109,212
Non-current assets	11,401,684	2,892,144	1,275,752	7,281,218	27,914,866	5,438,675	7,314,232
Non-current liabilities	1,014,911	916,690	3,361,787	1,195,061	16,026,382	1,172,217	1,845,318
Non-current net assets (liabilities)	10,386,773	1,975,454	(2,086,035)	6,086,157	11,888,484	4,266,458	5,468,914
Net assets (liabilities)	14,985,457	2,600,535	(2,048,815)	8,160,609	14,008,866	5,003,975	6,578,126
Accumulated non-controlling interests (i)	7,142,174	674,652	(1,131,360)	4,355,026	8,648,471	1,473,640	1,629,541

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

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23 Non-controlling interests (continued)

Summarised statement of comprehensive income

	For the year ended 31 December 2021						
	YANSAB	AR-RAZI	IBN RUSHD	SABIC AN (Note 23.2)	KAYAN	GAS	UNITED
Revenue	7,407,725	4,853,337	3,674,584	9,591,975	12,656,207	1,653,727	5,317,392
Net income for the year	1,531,299	3,002,258	356,439	5,639,566	2,390,616	438,421	1,429,315
Other comprehensive income (loss)	72,510	(35,923)	6,265	131,500	69,790	(34,300)	42,579
Total comprehensive income	1,603,809	2,966,335	362,704	5,771,066	2,460,406	404,121	1,471,894
Net income attributable to non-controlling interests (i)	741,223	617,795	184,058	2,986,947	1,517,374	129,777	358,175
Dividends to non-controlling interests	741,479	700,000	-	821,245	-	276,037	293,750

	For the year ended 31 December 2020						
Revenue	5,034,940	2,687,700	3,080,834	3,327,542	8,007,325	1,717,501	3,049,146
Net income (loss) for the year	677,574	896,527	(398,166)	1,294,401	(784,727)	573,175	616,012
Other comprehensive loss	(147,429)	(86,779)	(29,000)	(88,389)	(159,272)	(34,300)	(104,098)
Total comprehensive income (loss)	530,145	809,748	(427,166)	1,206,012	(943,999)	538,875	511,914
Net income (loss) attributable to non-controlling interests (i)	325,602	233,303	(261,004)	694,287	(510,073)	170,357	154,002
Dividends to non-controlling interests	810,911	416,986	-	577,638	-	208,404	200,000

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

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2021
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23 Non-controlling interests (continued)

Summarised statement of cash flows

	Year ended 31 December 2021						
	YANSAB	AR-RAZI	IBN RUSHD	SABIC AN	KAYAN	GAS	UNITED
Cash flow from operating activities	2,632,264	3,202,099	279,651	5,107,645	4,028,153	934,449	1,642,755
Cash flow (used in) from investing activities	(807,640)	(360,149)	(31,351)	317,437	198,170	(223,428)	(588,329)
Cash flow used in financing activities	(1,567,964)	(2,967,360)	(428,737)	(1,371,940)	(3,893,574)	(825,293)	(788,625)
Net increase (decrease) in cash and cash equivalents	256,660	(125,410)	(180,437)	4,053,142	332,749	(114,272)	265,801

	Year ended 31 December 2020						
	YANSAB	AR-RAZI	IBN RUSHD	SABIC AN	KAYAN	GAS	UNITED
Cash flow from operating activities	1,865,264	1,846,720	(103,911)	2,094,013	1,738,629	830,094	1,027,323
Cash from used in investing activities	(271,187)	(409,926)	(107,922)	(1,297,079)	(542,169)	(602,843)	(719,557)
Cash flow used in financing activities	(1,710,589)	(1,396,232)	(173,518)	(1,085,216)	(1,544,457)	(184,616)	(351,644)
Net (decrease) increase in cash and cash equivalents	(116,512)	40,562	(385,351)	(288,282)	(347,997)	42,635	(43,878)

23 Non-controlling interests (continued)

23.1 Acquisition of non-controlling interests

During 2020, SABIC and Albemarle Netherlands B.V., ("ALBEMARLE") a foreign shareholder in a subsidiary Saudi Organometallic Chemicals Company ("SOCC"), entered into an agreement, whereby SABIC through its 100% owned subsidiary, i.e. Arabian Petrochemical Company ("PETROKEMYA") has acquired all Albemarle's shares in SOCC. Along with the acquisition, the foreign investor has assigned a loan receivable of SR 0.11 billion from SOCC to PETROKEMYA without any consideration. Considering this transaction is related to the acquisition of an additional ownership interest in a subsidiary without a change of control, accordingly, it has been accounted for as an equity transaction and excess consideration over the carrying amount of the non-controlling interests is recognised in equity attributable to the Parent. The Group has elected to recognise this effect in the retained earnings. Effective from 1 February 2021, SOCC was merged with PETROKEMYA as a branch under merger transaction.

23.2 Changes in shareholding of subsidiaries

- On 4 January 2021 (corresponding to 20 Jamad'ul Awwal 1442H), SABIC Agri-Nutrients Company [known as "SABIC AN" (formally Saudi Arabian Fertilizer Company or "SAFCO")] acquired 100% of the issued share capital of SABIC Agri-Nutrients Investment Company ("SANIC") from SABIC. The total value of shares in SANIC is set at SR 4,808,867,778, the consideration paid for which 59,368,738 ordinary shares in SABIC AN were issued to SABIC valued at SR 81 per share thereby increasing the ownership by SABIC of SABIC AN from 42.99% to 50.10%. Under the terms of the transaction, the settlement of working capital and net debt at SANIC since the transaction reference date, amounted to SR 0.001 billion. This transaction has been recognised as a pooling of interest transaction and impact has been recognised in the retained earnings. The accounting impact of the transaction can be summarised as follows:

Fair value of consideration transferred to SABIC AN	4,808,868
Equity movement of SANIC till date of closing	56,823
Net consideration transferred to SABIC AN	4,865,691
Less: increase in net assets	(2,133,444)
Less: reversal of pooling of interest result	(1,765,442)
Net loss to the shareholders of Parent company	966,805

- On 2 November 2021, SABIC disposed 17% of its interest in one of its subsidiaries, Chemtank for consideration of SR 0.19 billion. As the disposal of shares does not result in change in control over Chemtank, the transaction is accounted for as equity transaction in these consolidated financial statements resulting in a decrease in retained earnings amounting to SR 0.05 billion. As at 31 December 2021, SABIC indirectly holds 58% shares in Chemtank (Refer Note 13).

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24 Debt

Total debt can be broken down as follows:

	Interest rate	31 December 2021	31 December 2020
Current			
Short-term bank borrowings	USD LIBOR variable rate	13,347	4,317,874
Current portion of long-term debt	SAIBOR and USD LIBOR	5,290,046	2,589,306
		5,303,393	6,907,180
Non-current			
Long-term debt	SAIBOR and USD LIBOR	15,649,257	22,182,834
USD bonds	2.15% to 4.5%	11,187,275	11,175,983
		26,836,532	33,358,817
		32,139,925	40,265,997

Short-term bank borrowings include bank overdraft and short-term loan.

Long-term debt

The Group obtained commercial loans from various financial institutions in order to finance its growth projects and acquisitions, which are repayable in instalments at varying interest rates in conformity with the applicable loan agreements. The Public Investment Fund ("PIF") and Saudi Industrial Development Fund ("SIDF") term loans are generally repayable in semi-annual instalments and financing charges on these loans are at various rates.

The borrowings include USD LIBOR debt maturing after mid-2023 amounting to USD 3.04 billion might be subject to IBOR reforms' impact (Refer to Note 4.2).

Bonds

The following bonds were outstanding as of 31 December 2021:

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

Notes to the consolidated financial statements (continued)

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24 Debt (continued)

The aggregate repayment schedule of debt is as follows:

	31 December 2021	31 December 2020
Within one year	**5,303,394**	6,907,155
1-2 years	**8,375,777**	7,257,098
2-5 years	**4,055,553**	11,505,421
Thereafter	**14,405,201**	14,596,323
Total	**32,139,925**	40,265,997

Included within the amounts due "within one year" is SR 2.88 billion of loans borrowed by SABIC Group subsidiaries, which have been refinanced in the post-balance sheet period, please refer to note 44.

Undrawn borrowing facilities

During the year, SABIC Group subsidiaries have entered into SR 1.03 billion of committed short-term working capital facilities. The total value of undrawn committed facilities is SR 9.14 billion (31 December 2020: SR 8.80 billion), of which SR 8.53 billion (2020 SR 7.50 billion) are in the form of revolving credit facilities.

24.1 Leases

Group as a lessee

Leases can be broken down as follows:

	Interest rate	31 December 2021	31 December 2020
Current			
Lease liabilities	5.50% IBR-average	**951,669**	1,082,385
Non-current			
Lease liabilities	5.18% IBR-average	**5,467,676**	4,637,653
		6,419,345	5,720,038

All addition to leases are recorded as right to 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 aggregate repayment schedule of leases is as follows:

	31 December 2021	31 December 2020
Within one year	**951,669**	1,082,385
1-2 years	**728,881**	893,229
2-5 years	**1,458,947**	1,980,031
Thereafter	**3,279,848**	1,764,393
Total	**6,419,345**	5,720,038

The maturity of the lease obligation and debt are further elaborated in liquidity risk (Note 39).

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25 Employee benefits

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

	31 December 2021	31 December 2020
Defined benefit obligations		
End of service benefits	**13,791,721**	13,948,233
Defined benefits pension schemes	**2,020,665**	2,897,785
Post-retirement medical benefits	**1,356,914**	1,579,593
	17,169,300	18,425,611
Other long-term employee benefits and termination benefits		
Long-term service awards	**152,110**	165,938
Early retirement plans	**56,363**	30,989
Saving plans	**935,897**	1,033,447
	1,144,370	1,230,374
	18,313,670	19,655,985

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 are closed for future service. This led to a reduction in risk with regard to future benefit levels.

Defined benefits obligation

The Group provides end of service and pension benefits to its employees taking into consideration the local labour laws, employment market and tax laws of the countries where the companies are located. Outside KSA, the Group limits the risks of changing financial market conditions and demographic developments by offering a defined contribution scheme to new-hires in most countries. The defined benefit plans in US and Canadian plan were closed for all future pension service accruals. The Canadian plan is expected to be settled in the course of 2022.

End of service benefits

End of service benefits are mandatory for all KSA based employees under the Saudi Arabian labour law and the Group's employment policies. End of service benefit is based on employees' compensation and accumulated period of service and is payable upon termination, resignation or retirement. The Defined Benefit Obligation ("DBO") in respect of employees' end of service benefits is calculated by estimating the future benefit payment that employees have earned in return for their service. An appropriate discount rate is then applied to determine the present value of the Group's obligation. This is an unfunded plan.

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

25 Employee benefits (continued)

Defined benefits obligation (continued)

Defined benefit pension plans

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

The funding of the plans is consistent with local law and regulations in the countries of establishment. Generally, pension obligations are subject to a government regulation, including minimum funding requirements. Furthermore, there are restrictions in qualitative and quantitative terms for the investment in different asset categories. This could result in fluctuating employer contributions, additional financing requirements and the assumption of obligations in favour of the pension fund to comply with these regulatory requirements.

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

United States of America

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

As of 1 January 2020, all accrual in the US plans are frozen. Going forward, employees participate in alternative defined contribution arrangements. The effect of this freeze in benefit accrual was recognised in the 2019 financial statements.

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

United Kingdom

In the UK, the Group maintained final salary pension plans that have been closed to further increases in benefits for future years of service. A part of the UK workforce still accrue pension benefits due to salary increases. Since the closure of service accrual, all employees have had the opportunity to participate in a defined contribution plan.

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

25 Employee benefits (continued)

Other long-term employee benefits

Long-term service awards

The Group offers a long-term service award to its employees in KSA and Europe, depending on years of service. This 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.

Saving plans

Saving plans are mainly related to KSA based employees.

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

	For the year ended 31 December 2021	For the year ended 31 December 2020
At the beginning of the year	18,425,611	14,714,306
Current service cost	1,266,678	988,600
Past service cost	12,806	-
Finance cost, net	413,203	428,201
Actuarial changes arising due to:		
- financial assumptions	(984,925)	1,976,502
- demographic changes	2,832	1,370,129
- experience adjustments	(431,370)	(63,754)
- actual return on plan assets	(306,172)	(331,932)
	(1,719,635)	2,950,945
Benefits paid during the year	(397,802)	(368,547)
Employer contributions into pension plans	(500,454)	(457,035)
Foreign currency translation adjustment and others	(331,107)	169,141
At the end of the year	17,169,300	18,425,611

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25 Employee benefits (continued)

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

	For the year ended 31 December 2021		
	End of service	Post-retirement medical	Total
At the beginning of the year	13,941,965	1,319,519	15,261,484
Current service cost	1,140,348	98,790	1,239,138
Finance cost	329,434	28,585	358,019
Actuarial changes arising due to:			
- financial assumptions	(761,557)	(42,364)	(803,921)
- experience adjustments	(389,133)	(20,837)	(409,970)
	(1,150,690)	(63,201)	(1,213,891)
Benefits paid during the year	(334,255)	(63,547)	(397,802)
Others	(140,471)	(193,582)	(334,053)
At the end of the year	13,786,331	1,126,564	14,912,895

	For the year ended 31 December 2020		
	End of service	Post-retirement medical	Total
At the beginning of the year	11,012,383	861,318	11,873,701
Current service cost	913,341	51,846	965,187
Finance cost	335,473	23,605	359,078
Actuarial changes arising due to:			
- financial assumptions	1,214,423	(116,428)	1,097,995
- demographic assumptions	826,706	529,420	1,356,126
- experience adjustments	(34,783)	(16,559)	(51,342)
	2,006,346	396,433	2,402,779
Benefits paid during the year	(316,827)	(51,720)	(368,547)
Others	(8,751)	38,037	29,286
At the end of the year	13,941,965	1,319,519	15,261,484

Notes to the consolidated financial statements (continued)

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25 Employee benefits (continued)

Following table represents the components of the DBO outside KSA at 31 December 2021:

	For the year ended 31 December 2021			
	USA	UK	Others	Total
At the beginning of the year	3,726,216	3,084,710	889,764	7,700,690
Current service costs	2,622	-	24,918	27,540
Past service costs	-	12,806	-	12,806
Finance costs	83,319	46,221	15,786	145,326
Benefits paid during the year	(288,312)	(124,499)	(34,587)	(447,398)
Actuarial changes arising due to:				
- financial assumptions	(205,559)	92,140	(67,585)	(181,004)
- demographic changes	11,758	(9,029)	103	2,832
- experience adjustments	(14,410)	-	(6,990)	(21,400)
	(208,211)	83,111	(74,472)	(199,572)
Foreign currency and others	-	(29,311)	(70,311)	(99,622)
At the end of the year	3,315,634	3,073,038	751,098	7,139,770

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

	For the year ended 31 December 2021			
	USA	UK	Others	Total
Plan assets as at start of the year	2,153,165	2,366,735	16,661	4,536,561
Interest income	47,254	35,823	7,065	90,142
Employers' contribution	406,855	64,442	29,157	500,454
Return on plan assets (excluding interest income)	98,521	232,707	(25,056)	306,172
Benefits paid during the year	(288,312)	(124,499)	(34,587)	(447,398)
Administrative expenses	(5,476)	-	(534)	(6,010)
Foreign currency and others	-	(50,345)	(1,064)	(51,409)
Plan assets at end of the year	2,412,007	2,524,863	(8,358)	4,928,512
Effect of asset ceiling/onerous liability	-	-	45,147	45,147
Defined benefit obligation, net	903,627	548,175	804,603	2,256,405

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2021
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25 Employee benefits (continued)

Following table represents the components of the DBO outside the KSA at 31 December 2020:

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

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

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

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2021
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25 Employee benefits (continued)

	For the year ended 31 December 2021	For the year ended 31 December 2020
Net benefit expense		
Current service cost and past service cost	1,279,484	988,600
Finance cost on benefit obligation	413,203	428,201
Net benefit expense	1,692,687	1,416,801

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 2021		
	USA	UK	Others
Quoted and unquoted			
Equity	66.44%	23.86%	-
Debt securities	32.82%	5.98%	97.81%
- Government debtors	-	*5.98%*	97.81%
- Other debtors	*32.82%*	-	-
Investment funds and insurance companies	-	47.67%	1.39%
Other investments	-	20.33%	0.80%
Cash and cash equivalents	0.74%	2.16%	-
Total	100%	100%	100%

	For the year ended 31 December 2020		
	USA	UK	Others
Quoted and unquoted			
Equity	46.66%	31.49%	-
Debt securities	36.90%	6.45%	91.43%
- Government debtors	-	*6.45%*	*91.43%*
- Other debtors	*36.90%*	-	-
Investment funds and insurance companies	-	43.82%	7.95%
Other investments	14.26%	13.77%	0.62%
Cash and cash equivalents	2.18%	4.47%	-
Total	100.00%	100.00%	100.00%

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25 Employee benefits (continued)

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

	31 December 2021		
	KSA	USA	UK
Discount rate	2.80%	2.69%	1.80%
Average salary increase	4.50% - 6.00%	-	3.71%
Pension in payment increase	N/A	N/A	3.25%
Inflation rate (health care cost)	9% in 2021 decreasing to 5% for 2025+	N/A	N/A

	31 December 2020		
	KSA	USA	UK
Discount rate	2.40%	2.32%	1.50%
Average salary increase	4.50% - 6.00%	-	3.26%
Pension in payment increase	N/A	N/A	2.80%
Inflation rate (health care cost)	9% in 2020 decreasing to 5% for 2025+	N/A	N/A

Sensitivity analysis

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

	31 December 2021			
	KSA	USA	UK	Others
Increase				
Discount rate (+25 bps)	(473,356)	(131,306)	(153,213)	(39,535)
Salary (+25 bps)	432,026	-	23,624	8,249
Pension (+25 bps)	N/A	-	130,157	21,769
Longevity (+1 year)	N/A	(48,928)	(110,791)	19,335
Health care costs (+25 bps)	50,353	-	-	N/A
Decrease				
Discount rate (-25 bps)	495,346	139,125	163,745	41,673
Salary (-25 bps)	(415,774)	-	(22,775)	(7,995)
Pension (-25 bps)	NA	-	(123,356)	(20,643)
Longevity (-1 year)	NA	47,931	112,831	(18,886)
Health care costs (-25 bps)	(47,865)	N/A	N/A	N/A

Notes to the consolidated financial statements (continued)

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25 Employee benefits (continued)

Sensitivity analysis (continued)

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

Expected total benefit payments can be broken down as follows:

	31 December 2021	
	KSA	Outside KSA
Within one year	511,605	293,932
1 – 2 years	478,339	291,775
2 – 3 years	539,980	290,280
3 – 4 years	651,551	287,484
4 – 5 years	697,908	272,876
Next 5 years	4,917,322	1,287,383
Total	7,796,705	2,723,730

	31 December 2020	
	KSA	Outside KSA
Within one year	451,112	314,946
1 – 2 years	463,421	306,259
2 – 3 years	494,027	303,421
3 – 4 years	562,582	302,441
4 – 5 years	651,117	300,478
Next 5 years	4,584,425	1,346,994
Total	7,206,684	2,874,539

Annual premiums paid to defined contribution schemes and recognised as an expense amounting to SR 0.51 billion (2020: SR 0.52 billion) and relate primarily to defined contribution pension schemes.

The expected employer contributions related to the defined benefit pension plans for 2021 amount to SR 0.10 billion (2020: SR 0.21 billion).

The weighted average duration of the defined benefit obligation is 11 years for KSA plans, 18 years for plans outside KSA (31 December 2020: 11 years for KSA plans, 18 years for plans outside KSA).

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2021
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26 Provisions and other non-current liabilities

Provisions and other non-current liabilities can be broken down as follows:

	31 December 2021	31 December 2020
Payable to related parties (i)	1,421,535	1,581,782
Provisions (ii)	870,644	891,838
Others	240,837	275,941
	2,533,016	2,749,561

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

(ii) Provisions mainly includes assets retirement obligation, environmental obligations and onerous contracts.

27 Trade payables

Trade payables can be broken down as follows:

	31 December 2021	31 December 2020
Trade accounts payable	14,246,228	9,406,533
Amounts due to related parties	11,902,897	8,094,707
	26,149,125	17,501,240

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 39.

28 Accruals and other current liabilities

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

	31 December 2021	31 December 2020
Accrued liabilities	6,131,914	3,882,026
Employees related liabilities	3,160,886	1,495,095
Sales and other tax payables	1,203,522	532,216
Dividends payable	1,146,478	1,306,653
Payable to related parties	275,204	647,195
Provisions (i)	130,446	261,826
Interest payable	125,835	118,744
Others	1,248,543	853,634
	13,422,828	9,097,389

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

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2021
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29 Revenue

Revenue can be broken down as follows:

	For the year ended 31 December 2021	For the year ended 31 December 2020
Sales of goods	171,081,721	113,280,706
Logistic services	3,345,901	3,157,977
Rendering of services	455,504	510,604
	174,883,126	116,949,287

There is no significant revenue that has been recognised in 2021 from performance obligations satisfied in previous years. All unfulfilled remaining performance obligations as at 31 December 2021 are expected to be satisfied in the following year.

Refer to Note 38 for the segment and geographical distribution of revenue.

30 Expenses

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

30.1 Cost of sales

	For the year ended 31 December 2021	For the year ended 31 December 2020
Changes in inventories of finished products, raw materials and consumables used	102,239,251	72,912,825
Depreciation and amortisation	12,182,230	12,497,301
Employee related costs	8,562,410	7,826,432
Impairments and write-offs of plant and equipment and intangible assets (Notes 7, 8 and 9)	811,815	1,074,574
	123,795,706	94,311,132

30.2 General and administrative expenses

	For the year ended 31 December 2021	For the year ended 31 December 2020
Employee related expenses	4,565,160	3,869,718
Administrative support	1,906,824	1,959,419
Depreciation, amortisation and impairment	1,705,432	1,941,078
Research and technology cost	1,597,964	1,414,513
Maintenance	447,358	450,612
Others	144,212	136,060
	10,366,950	9,771,400

Notes to the consolidated financial statements (continued)

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30 Expenses (continued)

30.3 Selling and distribution expenses

Selling and distribution expenses can be broken down as follows:

	For the year ended 31 December 2021	For the year ended 31 December 2020
Transportation and shipping	8,561,390	7,396,780
Employee related expenses	1,605,373	1,367,523
Marketing related expenses	430,456	414,410
Depreciation and amortisation	155,837	123,087
	10,753,056	9,301,800

31 Finance income

Finance income can be broken down as follows:

	For the year ended 31 December 2021	For the year ended 31 December 2020
Murabaha (including fixed term deposits)	114,377	267,350
Interest income	55,074	78,390
Others	122,995	223,366
	292,446	569,106

32 Finance cost

Finance cost can be broken down as follows:

	For the year ended 31 December 2021	For the year ended 31 December 2020
Interest expense on loans and borrowings	1,083,603	1,028,984
Derivatives financial instruments (Note 13)	511,211	123,118
Interest expenses related to defined benefit plans (Note 25)	413,203	428,201
Interest expense on lease liabilities (Note 41)	249,207	280,364
	2,257,224	1,860,667

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2021
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33 Other income (expenses), net

Other income (expenses), net can be broken down as follows:

	For the year ended 31 December 2021	For the year ended 31 December 2020
Insurance claims	201,092	60,286
Foreign currency exchange differences	52,042	(94,808)
Rental income	20,120	37,329
Loss on disposal of property, plant and equipment	(148,947)	(191,582)
Others	233,513	117,585
	357,820	(71,190)

34 Zakat and income tax

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

	For the year ended 31 December 2021		
	Zakat	Income Tax	Total
At the beginning of the year	1,946,094	958,622	2,904,716
Provided during the year	1,960,393	1,065,073	3,025,466
Paid during the year, net	(1,456,647)	(676,724)	(2,133,371)
Other movements (foreign currency translations and reclassification)	(243)	(218,558)	(218,801)
At the end of the year	2,449,597	1,128,413	3,578,010

	For the year ended 31 December 2020		
	Zakat	Income Tax	Total
At the beginning of the year	2,306,575	943,776	3,250,351
Provided during the year	1,682,560	550,511	2,233,071
Paid during the year, net	(2,040,725)	(698,588)	(2,739,313)
Other movements (foreign currency translations and reclassification)	(2,316)	162,923	160,607
At the end of the year	1,946,094	958,622	2,904,716

34.1 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 affiliates 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 2019. SABIC cleared its zakat assessments with ZATCA up to the year ended 31 December 2016, and the years 2017 through 2019 are under review by the ZATCA.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2021
(All amounts in Saudi Riyals '000 unless otherwise stated)

34 Zakat and income tax (continued)

34.2 Income Tax

The major components of income tax in the consolidated statement of income can be broken down as follows for the year ended 31 December:

	For the year ended 31 December 2021	For the year ended 31 December 2020
Current income tax		
Current year	1,073,397	606,700
Adjustments in respect of current income tax of previous year	(8,324)	(56,189)
Deferred income tax		
Origination and reversals of temporary differences	560,727	(212,043)
	1,625,800	338,468

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 year ended 31 December 2021	For the year ended 31 December 2020
Tax benefit on re-measurement of defined benefit plans	(21,329)	(81,066)
Deferred income tax benefit recorded in other comprehensive income	(21,329)	(81,066)

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2021
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34 Zakat and income tax (continued)

34.2 Income Tax (continued)

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 year ended 31 December 2021	For the year ended 31 December 2020
Income before zakat and income tax	34,087,964	3,277,257
Exclude: income subject to Zakat	(30,962,214)	(7,071,789)
Income (loss) subject to income tax	3,125,750	(3,794,532)
Domestic income tax rate (KSA)	20%	20%
Income tax at domestic tax rate	625,150	(758,906)
Tax effects of		
- Current year tax benefits not recognised	1,313,546	805,434
- Deviating rates	(13,868)	(79,264)
- Tax rate changes	11,915	(23,264)
- Foreign currency (losses) gains	(335,019)	515,772
- Tax-exempt results on associates and joint ventures	(21,433)	(181,346)
- Non-tax deductible expenses	48,184	59,860
- Prior year adjustments and other tax-exempt items	(29,746)	(121,025)
- Tax charge due to other liabilities	(98,085)	(15,457)
- Deferred income tax on outside basis differences	58,561	26,551
- State, local and other income taxes	66,595	110,113
Income tax expense	1,625,800	338,468
Zakat expense	1,960,393	1,682,560
Total income tax and zakat expense	3,586,193	2,021,028

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

The effective tax and zakat rate is 11% (2020: 62%).

The effective tax expense is negatively impacted by current year tax losses and deductible temporary differences in Luxembourg and the United States for which no tax benefits have been recognised. Deferred income tax expense for future withholding taxes on unremitted earnings ('outside basis differences'), in addition to the local income taxes and withholding taxes on income distributions have further contributed to the higher effective tax expense.

Favourable impact to the effective tax expense included tax deductible foreign currency exchange losses in the Netherlands as its tax return filing currency differs from the functional currency used for reporting purposes. In addition, true-ups to prior year tax returns, the filing of an application for the innovation box ruling in the Netherlands, re-measurements of deferred income taxes following substantively enacted tax rate changes in the Netherlands and the United Kingdom, as well as various reserve releases for uncertain tax positions have favourably impacted the effective tax expense.

Increased profitability of the Group and increases of various reserves for uncertain zakat positions have contributed to a higher zakat expense.

Notes to the consolidated financial statements (continued)

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34 Zakat and income tax (continued)

34.2 Income Tax (continued)

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

	As at 31 December 2021	As at 31 December 2020
Deferred income tax assets	565,220	1,028,753
Deferred income tax liabilities	(748,733)	(650,827)
	(183,513)	377,926

Components of deferred income tax are as follows:

	Consolidated statement of financial position		Consolidated statement of income	
	2021	2020	2021	2020
- Property, plant and equipment and intangible assets	(1,772,949)	(2,078,758)	(240,305)	(24,920)
- Right-of-use assets	(878,841)	(580,347)	341,822	27,131
- Inventories	(9,961)	(11,004)	(1,043)	(5,313)
- Outside basis differences	(305,052)	(246,301)	58,781	75,491
- Others	(79,086)	(590)	78,496	(28,651)
Deferred income tax liabilities	(3,045,889)	(2,917,000)		
Set-off with deferred income tax assets	2,297,156	2,266,173		
Net deferred income tax liabilities	(748,733)	(650,827)		
- Tax loss carry forward	8,256,194	8,082,379	(239,083)	(807,566)
- Property, plant and equipment and intangible assets	50,336	25,081	(25,255)	112,809
- Employee benefits	580,228	707,846	133,594	58,123
- Lease liabilities	868,316	609,878	(302,635)	(50,369)
- Deferred charges	321,122	308,563	(12,674)	(104,785)
- Provisions on receivables and inventories	244,532	216,246	(28,190)	(18,135)
- Interest carry forward	1,150,716	691,801	(480,945)	(366,904)
- Tax credits	136,755	150,524	1,710	19
- Others	419,373	243,106	(227,121)	26,861
Deferred income tax assets	12,027,572	11,035,424		
Unrecognised deferred income tax assets	(9,165,196)	(7,740,498)	1,503,575	894,166
Set-off with deferred income tax liabilities	(2,297,156)	(2,266,173)		
Net deferred income tax assets	565,220	1,028,753		
Deferred income tax expense (benefit)			560,727	(212,043)

The Group has not recognised SR 9.17 billion (2020: SR 7.74 billion) 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.

34 Zakat and income tax (continued)

34.2 Income Tax (continued)

Based on current profitability and forecasts for future years, the Group has recognised deferred income tax assets related to its tax losses carry forward in Saudi Arabia of SR 0.01 billion (2020: SR 0.01 billion), in the Netherlands of SR 0.13 billion (2020: SR 0.61 billion), in Spain of SR 0.15 billion (2020: SR 0.18 billion) and in the US of SR 0.40 billion (2020: SR 0.35 billion).

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

	As at 31 December 2021			
	Recognised tax loss carry forward	Unrecognised tax loss carry forward	Total tax loss carry forward	Expiration ranges
Saudi Arabia	49,117	-	49,117	Indefinite
Luxembourg	-	18,857,427	18,857,427	2034 – Indefinite
Netherlands	519,800	108,494	628,294	Indefinite
United States	1,688,734	11,781,728	13,470,462	2027 – Indefinite
Spain	615,789	-	615,789	Indefinite
Others	128,191	173,083	301,274	Various
Total	3,001,631	30,920,732	33,922,363	

The Group has tax losses carry forward available of SR 33.92 billion (2020: SR 33.25 billion), 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 0.31 billion (2020: SR 0.25 billion) for withholding taxes that would be payable on the distribution of unremitted earnings of its subsidiaries, joint ventures and associates.

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35 Basic and diluted earnings per share

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

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

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

	For the year ended 31 December 2021	For the year ended 31 December 2020
Income from operations (SR '000)	33,242,175	4,573,937
Net income attributable to equity holders of the Parent (SR '000)	23,066,002	66,825
Weighted average number of ordinary shares ('000)	3,000,000	3,000,000
Earnings per share from net income attributable to equity holders of the Parent (SR)	7.69	0.02

There are no instruments that have diluted the weighted average number of ordinary shares.

Notes to the consolidated financial statements (continued)

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36 Conventional and non-conventional financing and investments

The tables below outline the breakdown of Group's financing and investments into conventional and non-conventional:

	31 December 2021	31 December 2020
Cash and bank balances		
- Conventional call (excluding fixed term deposits)	2	34,754
- Conventional time deposits	6,373,516	4,671,082
Conventional cash and bank balances	6,373,518	4,705,836
- Murabaha (including fixed term deposits)	26,438,180	17,434,431
- Current accounts (excluding fixed term deposits)	8,591,144	11,015,949
Non-conventional cash and bank balances	35,029,324	28,450,380
Total cash and bank balances	41,402,842	33,156,216
Short-term investments and investments in debt instruments		
- Other investments	52,824	52,645
Conventional short-term and investments in debt instruments	52,824	52,645
- Murabaha (including fixed time deposits)	4,781,039	5,483,903
- SUKUK	985,002	1,019,942
- Murabaha structured deposits	-	319,380
Non-conventional short-term and investments in debt instruments	5,766,041	6,823,225
Total short-term investments and investments in debt instruments	5,818,865	6,875,870
Investments in equity instruments		
- Mutual funds	-	316,520
- Equity investments	292,452	464,974
Conventional investments in equity instruments	292,452	781,494
Total investments in equity instruments	292,452	781,494

Notes to the consolidated financial statements (continued)

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

	31 December 2021	31 December 2020
Short-term borrowings		
- Conventional short-term borrowings	13,347	4,317,874
Total short-term borrowings	13,347	4,317,874
Long and short-term debt		
- Conventional loans	4,347,917	4,766,658
- Bonds/notes	11,187,276	11,175,959
- Lease liabilities	6,419,345	5,720,038
Conventional long-term debt	21,954,538	21,662,655
- Murabaha	14,678,403	14,511,827
- SIDF	1,316,709	1,619,706
- Ijarah facilities and others	596,273	3,873,973
Non-conventional long-term debt	16,591,385	20,005,506
Total long-term debt	38,545,923	41,668,161
Total debt	38,559,270	45,986,035

	For the year ended 31 December 2021	For the year ended 31 December 2020
Borrowing cost capitalised during the year:		
- Murabaha loans and SIDF	36,899	21,570
Borrowing costs capitalised from non-conventional loans	36,899	21,570
Total borrowing cost capitalised during the year	36,899	21,570

Notes to the consolidated financial statements (continued)

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

	For the year ended 31 December 2021	For the year ended 31 December 2020
Finance income		
- Conventional call account	26	672
- Conventional time deposits	55,074	78,390
- Conventional structured deposits	9,267	27,938
- Others	79,015	131,937
Total conventional finance income	143,382	238,937
- Current Murabaha (including fixed term deposits)	114,377	267,350
- SUKUK	33,680	43,517
- Murabaha structured deposits	1,007	19,302
Total non-conventional finance income	149,064	330,169
Total finance income	292,446	569,106
Finance cost		
- Conventional loans	55,521	97,888
- Bonds/notes	415,313	428,614
- Lease liabilities	249,207	280,364
- Derivatives financial instruments	511,211	123,118
- Net interest on employee benefits	413,203	428,899
- Net foreign currency exchange differences	191,439	(69,842)
- Others	93,179	83,175
Conventional finance cost	1,929,073	1,372,216
- SIDF	45,565	47,904
- Murabaha	261,155	394,313
- Ijarah facilities and others	21,431	46,234
Non-conventional financial expenses	328,151	488,451
Total finance cost	2,257,224	1,860,667

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37 Related party transactions and balances

Interests in subsidiaries are set out in Note 45.

Related party transactions and balances can be broken down as follows:

	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
	For the year ended 31 December 2021		As at 31 December 2021	
Associates	243,105	4,933,985	31,971	473,585
Joint ventures and partners (i)	10,061,488	23,188,973	3,091,650	6,283,826
Saudi Aramco and its subsidiaries (ii)	9,715,340	35,453,360	1,002,110	7,952,932

(i) Amount owed by and owed to related parties include current and non-current receivables and payables including amounts, in relation to Joint Operation and Production Agreements ("JOPA") with certain joint ventures.

(ii) During the year ended 31 December 2021, SABIC and Saudi Aramco entered into a framework agreement, whereby, SABIC markets the petrochemical and polymers products of certain affiliates of Saudi Aramco. The purchase and sale transactions of these agreements are disclosed as related party transactions.

	As at 31 December 2021		
	Associates	Joint ventures	Total
Loans to related parties	43,407	609,375	652,782

	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
	For the year ended 31 December 2020		As at 31 December 2020	
Associates	123,696	3,521,250	23,006	286,056
Joint ventures	7,778,308	16,772,685	2,664,047	5,057,505
Saudi Aramco and its subsidiaries [effective from 16 June]	2,669,635	8,931,962	754,666	3,873,074

	As at 31 December 2020		
	Associates	Joint ventures	Total
Loans to related parties	94,355	684,375	778,730

37 Related party transactions and balances (continued)

Terms and conditions of transactions with related parties

The sales to and purchases from related parties are made at terms equivalent to those in normal commercial transactions. Outstanding balances are unsecured, interest free and settled in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2021 and 2020, the Group has not recorded any impairment of receivables relating to amounts owed by related parties. This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.

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

	For the year ended 31 December 2021	For the year ended 31 December 2020
Purchases of goods and services	**3,676,513**	3,118,056
Sales of goods and services	**12,916**	16,774

	As at 31 December 2021	As at 31 December 2020
Due to entities controlled by Saudi government	**278,301**	220,726
Due from entities controlled by Saudi government	**3,882**	10,174

Key management personnel compensation

In addition to remunerations to key management personnel, the Group also provides non-cash benefits to directors and executive officers, and contributes to a post-employment defined benefit plan on their behalf. Remuneration of key management can be shown as follows:

	For the year ended 31 December 2021	For the year ended 31 December 2020
Short-term employee benefits	**33,412**	31,171
Post-employment benefits	**531**	483
Other long-term benefits	**23,774**	22,403
Total	**57,717**	54,057

38 Segment information

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

The **Petrochemicals** SBU consists of chemicals and polymer products. Chemical products are produced from hydrocarbon feedstock including Methane, Ethane, Propane, Butane, and light Naphtha, with a wide range of products including Olefins, Methanol, Aromatics, Glycols, Carbon Dioxide, Methyl Tert-Butyl Ether (MTBE) and other chemicals. Polymer products include Polyethylene (PE) and Polypropylene (PP). The PE range includes: Linear Low Density Polyethylene (LLDPE), Low Density Polyethylene (LDPE), and High Density Polyethylene (HDPE). The PP product range includes Homopolymer, Random and impact copolymer as well as specialty automotive grades. Other key products include Polycarbonate (PC), Polyester, Polyvinylchloride (PVC), and Polystyrene.

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

As the Specialties SBU does not meet the individual reporting requirements of *IFRS 8 'Segment Reporting'* the SBU amounts are included as part of the Petrochemicals' reporting segment.

The **Agri-Nutrients** SBU consists of range of fertilisers products; including urea, ammonia, phosphate, as well as compound fertilisers.

Hadeed is concerned with production of steel products; long products (e.g. rebar) and flat products.

The Executive Management Committee, chaired by the Chief Executive Officer monitors the results of its segments for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on income statement and is measured consistently with profit or loss in the consolidated financial statements.

All intercompany transactions within the reporting segments have been appropriately eliminated.

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38 Segment information (continued)

The segments' financial details are shown below:

	For the year ended 31 December 2021			
	Petrochemicals & Specialties	Agri-nutrients	Hadeed	Consolidated
Revenue	149,879,769	12,192,877	12,810,480	174,883,126
Depreciation, amortisation and impairment	(12,813,111)	(956,427)	(1,136,242)	(14,905,780)
Income from operations	27,257,821	5,583,188	401,166	33,242,175
Share of results of non-integral joint ventures and associates	1,557,309	895,438	-	2,452,747
Finance income				292,446
Finance cost				(2,257,224)
Other income				357,820
Income before zakat and income tax				34,087,964

	For the year ended 31 December 2020			
	Petrochemicals & Specialties	Agri-nutrients	Hadeed	Consolidated
Revenue	100,637,849	6,790,184	9,521,254	116,949,287
Depreciation, amortisation and impairment	(13,626,285)	(829,723)	(1,148,099)	(15,604,107)
Income (loss) from operations	4,433,442	1,673,708	(1,533,213)	4,573,937
Share of results of non-integral joint ventures and associates	79,184	(13,113)	-	66,071
Finance income				569,106
Finance cost				(1,860,667)
Other expenses				(71,190)
Income before zakat and income tax				3,277,257

Notes to the consolidated financial statements (continued)

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38 Segment information (continued)

	As at 31 December 2021			
	Petrochemicals & Specialties	Agri-nutrients	Hadeed	Consolidated
Total assets	287,062,886	13,199,668	18,176,223	318,438,777
Total liabilities	97,922,202	2,192,580	6,490,697	106,605,479

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

Geographical distribution of revenue

	For the year ended 31 December 2021		For the year ended 31 December 2020	
		%		%
KSA	30,121,149	17	19,278,179	17
China	32,700,221	19	22,302,086	19
Rest of Asia	37,152,802	21	27,160,720	23
Europe	38,467,722	22	26,589,015	23
Americas	15,141,146	9	10,619,759	9
Others	21,300,086	12	10,999,528	9
	174,883,126	100	116,949,287	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 2021		As at 31 December 2020	
		%		%
KSA	115,759,070	71	119,736,085	72
Europe	19,669,569	12	22,090,907	13
Americas	23,711,526	15	21,245,323	13
Asia	2,849,245	2	2,695,053	2
Others	16,668	-	25,352	-
	162,006,078	100	165,792,720	100

39 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.

39.1 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. The total value of time deposits with a credit rating of BBB - or higher, as at 31 December 2021, is SR 35.61 billion (2020: SR 26.20 billion).

39 Financial risk management (continued)

39.1 Credit risk (continued)

Trade receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk, particularly in the currently deteriorating economic circumstances. Also, geographically there is no concentration of credit risk.

The Group trades only with recognised, credit worthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. Credit quality of the customer is assessed based on an extensive credit rating scorecard. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit limits are established for all customers using an internal and external rating criteria. Credit quality of the customer is assessed based on a credit rating scorecard. Outstanding customer receivables are regularly monitored.

In order to avoid excessive concentrations of risk, the Group's policies and procedures include specific guidelines to focus on the maintenance of a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

The Risk Management Committee has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, when available, and in some cases, bank references. Purchase limits are established for each customer, which represents the maximum open amount without requiring approval from the Risk Management Committee; these limits are reviewed quarterly. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis.

39.2 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities. SABIC's approach to managing liquidity risk is to maintain sufficient cash and cash equivalents and ensuring the availability of incremental funding through credit facilities (Refer Note 20).

Management also monitor its risk to a shortage of funds using forecasting models to model impacts of operational activities on overall liquidity availability. SABIC invests surplus cash in current accounts, time deposits, money market deposits and marketable securities, ensuring instruments with appropriate maturities or sufficient liquidity to meet forecasted cash flow requirements. SABIC Group prioritizes security and liquidity over yield.

Notes to the consolidated financial statements (continued)

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39 Financial risk management (continued)

39.2 Liquidity risk (continued)

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

	31 December 2021			
	Within 1 year	Between 1-5 years	More than 5 years	Total
Debt (excludes lease liabilities)	5,384,983	16,371,398	10,557,083	32,313,464
Short-term borrowings	13,347	-	-	13,347
Interest on loans and borrowings (i)	577,563	1,704,385	2,478,619	4,760,567
Trade payables	26,149,125	-	-	26,149,125
Lease liabilities	1,312,133	3,115,175	3,289,711	7,717,019
Other liabilities	207,844	-	-	207,844
Obligations to acquire the remaining shares of certain subsidiaries	-	-	657,077	657,077
Financial liabilities - derivatives financial instruments	-	-	2,643,750	2,643,750
	33,644,995	21,190,958	19,626,240	74,462,193

(i) Excludes interest on lease

	31 December 2020			
	Within 1 year	Between 1-5 years	More than 5 years	Total
Debt (excludes lease liabilities)	2,655,087	18,401,506	16,104,843	37,161,436
Short-term borrowings	4,317,874	-	-	4,317,874
Interest on loans and borrowings (i)	704,299	2,146,292	2,007,639	4,858,230
Trade payables	17,501,240	-	-	17,501,240
Lease liabilities	1,339,798	3,365,362	2,066,578	6,771,738
Other liabilities	230,185	-	-	230,185
Obligations to acquire the remaining shares of certain subsidiaries	-	-	690,297	690,297
Financial liabilities - derivatives financial instruments	-	-	1,995,375	1,995,375
	26,748,483	23,913,160	22,864,732	73,526,375

(i) Excludes interest on lease

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39 Financial risk management (continued)

39.3 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 securities price risk arises from investments held by the Group and classified as investments in equity instruments. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

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. When managing currency risk the Group assumes all capital expenditure is in USD and EUR exposures are reflected in the sales price, with an appropriate holding period. 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 2021 and 2020, the Group had no interest rate swaps outstanding.

Debt interest rate classification between fixed and variable is disclosure under Note 24. The total value of variable rate borrowings were SR 20.11 billion (2020 SR 25.17 billion) and the total value of fixed rate borrowings were SR 12.07 billion (2020 SR 12.09 billion).

Notes to the consolidated financial statements (continued)

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39 Financial risk management (continued)

Interest rate risk (continued)

The following table demonstrates the sensitivity of the Group to a reasonably possible change in interest rates, with all other variables held constant, of the Groups profit before tax (through the impact on floating rate borrowings) for the year ended 31 December:

	31 December 2021	
	Gains (losses) through income and equity	
	+100 bps	-100 bps
1M SAIBOR	(176)	176
3M SAIBOR	14	(14)
6M SAIBOR	(368)	368
6M LIBOR	(461)	461

	31 December 2020	
	Gains (losses) through income and equity	
	+100 bps	-100 bps
1M SAIBOR	(164)	164
3M SAIBOR	23	(23)
6M SAIBOR	(378)	378
6M LIBOR	(120)	120

40 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.

Notes to the consolidated financial statements (continued)

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40 Capital management (continued)

The Group's debt to equity ratio at the end of the reporting year was as follows:

	31 December 2021	31 December 2020
Total liabilities	106,605,479	101,231,425
Less: Cash and bank balances	(41,402,842)	(33,156,216)
Net debt	65,202,637	68,075,209
Total equity	211,833,298	194,237,125
Debt to equity ratio as of 31 December	31%	35%

The net debt to equity ratio has decreased from 35% to 31% following the due to repayment of Short term borrowings and Long Term Debt.

41. Commitments and contingencies

41.1 Commitments

At 31 December 2021, the Group had commitments of SR 6.08 billion (31 December 2020: SR 6.22 billion) relating to capital expenditures.

SABIC has an equity contribution commitment towards its 15% interest in MWSPC. As of 31 December 2021, the outstanding commitment toward this investment amounts to SR 0.07 billion (31 December 2020: SR 0.14 billion). Pursuant to the terms of agreements with the other shareholders and external lenders, SABIC has agreed to contribute additional funds to the project, under certain circumstances and to the extent required, in the event of project cost over-runs.

NUSANED has an equity contribution commitment towards its 50% interest in NUSANED Fund. As of 31 December 2021, the outstanding commitment toward this investment amounts to SR 0.01 billion.

The strategic growth project in the USA, Gulf Coast Growth Venture LLC ("GCGV") reached mechanical completion in July 2021. On 20 January 2022, the project has announced the successful start-up of the manufacturing facility.

41.2 Guarantees

SABIC has provided guarantees for bonds and certain term loans for certain subsidiaries which amounted to SR 16.2 billion as of 31 December 2021 (31 December 2020: SR 18.0 billion).

41.3 Contingent liabilities

The Group's bankers have issued, on its behalf, bank guarantees amounting to SR 1.96 billion (31 December 2020: SR 2.87 billion) in the normal course of business

Notes to the consolidated financial statements (continued)

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41. Commitments and contingencies (continued)

41.4 Leases

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

	For the year ended 31 December 2021	For the year ended 31 December 2020
Depreciation expense of right-of-use assets (Note 8)	**1,556,486**	1,533,158
Interest expense on lease liabilities (Note 32)	**249,207**	280,364
Expense related to short-term leases	**118,035**	6,791
Expense related to leases of low-value assets	**30,655**	74,762
Variable lease payments	**41,899**	39,243

The Group had total cash outflows for leases of SR 2.02 billion in 2021 (2020: SR 1.68 billion). The Group also had non-cash additions to right-of-use assets and lease liabilities of SR 2.82 billion in 2021 (2020: SR 0.61 billion). The future cash outflows relating to leases are disclosed in Note 39.

Group as a lessor

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.

Future minimum lease receivables under these contracts, together with the present value of the net minimum lease payments, are as follows:

	31 December 2021	
	Minimum lease receivable	Present value
Within one year	**40,844**	**15,411**
After one year but not more than five years	**174,057**	**80,060**
More than five years	**240,662**	**154,631**
Total minimum lease receivable	**455,563**	**250,102**
Less: amounts representing finance income	**(205,461)**	**-**
Present value of minimum lease receivable	**250,102**	**250,102**

	31 December 2020	
	Minimum lease receivable	Present value
Within one year	41,926	16,730
After one year but not more than five years	182,008	85,863
More than five years	273,641	165,511
Total minimum lease receivable	497,575	268,104
Less: amounts representing finance income	(229,471)	-
Present value of minimum lease receivable	268,104	268,104

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42 Reclassification in comparative numbers

During the year ended 31 December 2021, the Group has reclassified certain balances as listed below, which are considered by management a more accurate presentation and reflects the related nature. These reclassifications have no impact on previously reported net income, retained earnings or cash positions:

	As previously reported	Amount of reclassification	Reclassified amounts
Consolidated statement of financial position			
Derivatives financial instruments	-	1,863,375	1,863,375
Other non-current assets and receivables	8,201,268	(1,863,375)	6,337,893
Derivatives financial instruments	-	(2,685,672)	(2,685,672)
Provisions and other non-current liabilities	(5,435,233)	2,685,672	(2,749,561)
Consolidated statement of income			
Cost of sales	(94,077,889)	(233,243)	(94,311,132)
General and administrative expenses	(10,004,643)	233,243	(9,771,400)
Finance income	2,441,363	(1,872,257)	569,106
Finance cost	(3,732,924)	1,872,257	(1,860,667)
Consolidated statement of cash flows			
Increase in other non-current assets and receivables	(3,332,583)	(1,188,080)	(4,520,663)
Increase (decrease) in accruals and other current liabilities	3,073,907	(100,127)	2,973,780
Dividend received from integral joint ventures	-	1,188,080	1,188,080
Cash and cash equivalents at the beginning of the year	28,838,342	100,127	28,938,469

43 Appropriations

The Annual General Assembly ("AGA"), in its meeting held on 1 Ramadan 1442H (corresponding to 13 April 2021), approved cash dividends of SR 9 billion (at SR 3 per share) for the year 2020, which includes the interim cash dividends amounting to SR 4.5 billion (at SR 1.5 per share) for the first half of 2020, which has been recognised in equity. The remaining of the dividend declared of SR 4.5 billion has been recognised in the interim condensed consolidated financial statements for the period ended 30 June 2021, which was made available for distribution in May 2021.

On 12 Dhul Al Qidah 1442H (corresponding to 22 June 2021), SABIC declared interim cash dividends for the first half of the year 2021 amounting to SR 5.25 billion (at SR 1.75 per share), which has been recognised in these consolidated financial statements for the year ended 31 December 2021.

On 11 Jamad'ul Awwal 1443H (corresponding to 15 December 2021), the Board of Directors proposed a distribution of cash dividends for the second half of the year 2021 amounting to SR 6.75 billion (at SR 2.25 per share). The proposed dividends are subject to approval of the shareholders in the upcoming AGA in April 2022.

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44 Subsequent events

On 20 January 2022, loans of 'Arabian Industrial Fibers Company', a subsidiary of SABIC amounting to SR 2.88 billion have been refinanced for 10 years. As at 31 December 2021, these loans were recorded as current liabilities.

On 24 January 2022, SABIC AN, a subsidiary of SABIC has signed binding agreement to acquire 49% in the share capital of ETG Inputs Holdco Limited, the transaction is subject to obtaining the required regulatory approvals and other terms and conditions of acquisition agreement.

Early February 2022, SABIC and CLARIANT agreed on a sale/purchase agreement for SABIC to purchase 50% interest in specialties company Scientific Design, a 50/50 joint venture between SABIC and CLARIANT. The deal is subject to regulatory approval which is expected in mid-2022.

On 14 February 2022, CLARIANT declared that publication of their financial results for the fourth quarter and year ended 31 December 2021 as well as the Integrated Report for 2021 would be delayed due to an investigation into accounting issues related to certain provisions and accruals. Following the press release, the share price of CLARIANT declined from CHF 19.00 as at 31 December 2021 to CHF 16.46 as at 15.07 as at 4 March 2022. For additional details please refer to note 10.

In the opinion of management, there have been no further significant subsequent events since the period ended 31 December 2021, 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)

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45. Subsidiaries and investments in associates and joint arrangements

SABIC Group's subsidiaries are set out below:

	Country of incorporation	% Shareholding (direct and indirect) as at 31 December 2021	% Shareholding (direct and indirect) As at 31 December 2020
SABIC Luxembourg S.à r.l. ("SLUX") and its subsidiaries	Luxembourg	100.00	100.00
SABIC Industrial Investments Company ("SIIC") and its subsidiaries	KSA	100.00	100.00
SABIC Agri-Nutrients Company ("SABIC AN") and its subsidiaries	KSA	50.10	42.99
Arabian Petrochemical Company ("PETROKEMYA")	KSA	100.00	100.00
Saudi Iron and Steel Company ("HADEED")	KSA	100.00	100.00
Sabic Investment and Local Content Development Company ("NUSANED")	KSA	100.00	100.00
SABIC Supply Chain Services Limited Company ("SSCS")	KSA	100.00	100.00
Saudi European Petrochemical Company (IBN ZAHR)	KSA	80.00	80.00
Jubail United Petrochemical Company (UNITED)	KSA	75.00	75.00
Saudi Methanol Company ("AR-RAZI")	KSA	75.00	75.00
National Industrial Gases Company ("GAS")	KSA	70.00	70.00
Yanbu National Petrochemical Company ("YANSAB")	KSA	51.95	51.95
National Methanol Company ("IBN-SINA")	KSA	50.00	50.00
Arabian Industrial Fibers Company ("IBN RUSHD")	KSA	48.07	48.07
Saudi Kayan Petrochemical Company ("SAUDI KAYAN")	KSA	35.00	35.00
Saudi Speciality Chemicals Company ("SP. CHEM")	KSA	-	100.00
Saudi Organometallic Chemicals Company ("SOCC")	KSA	-	100.00

Notes:

- The country of incorporation is also their principal place of business.
- The principal activities of majority of the Group's subsidiaries are manufacturing, marketing and distribution of petrochemical, specialties and related products except for SABIC AN, AL BAYRONI and IBN AL-BAYTAR that are involved in agri-nutrients business; and HADEED is involved in metal business.
- YANSAB, SABIC AN, and SAUDI KAYAN are public companies and listed on the Saudi Stock Exchange (Tadawul).
- During 2021, SP.CHEM and SOCC have been merged with PETROKEMYA, the commercial registrations of the subsidiaries were converted as branches, and these were accounted as subsidiaries till 31 January 2021.

Notes to the consolidated financial statements (continued)

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45. Subsidiaries and investments in associates and joint arrangements (continued)

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

Subsidiaries	Country of incorporation	% Shareholding (direct and indirect) as at 31 December 2021	% Shareholding (direct and indirect) as at 31 December 2020
SABIC Innovative Plastics Argentina SRL	Argentina	100.00	100.00
SABIC High Performance Plastic ("SHPP") Argentina SRL	Argentina	100.00	100.00
SABIC Australia Pty Ltd.	Australia	100.00	100.00
SABIC Innovative Plastics Aus GmbH	Austria	100.00	100.00
SABIC Innovative Plastics GmbH & Co. KG	Austria	100.00	100.00
SABIC Innovative Plastics South America-Indústria e Comércio de Plásticos Ltda	Brazil	100.00	100.00
SHPP South America-Comércio de Plásticos Ltda	Brazil	100.00	100.00
NV Pijpleiding Antwerpen-Limburg-Luik (PALL)	Belgium	100.00	100.00
SABIC Belgium NV	Belgium	100.00	100.00
SHPP Canada, Inc.	Canada	100.00	100.00
SABIC Petrochemicals Canada, Inc.	Canada	100.00	100.00
SABIC Innovative Plastics (China) Co., Ltd.	China	100.00	100.00
SABIC Innovative Plastics (Chongqing) Co., Ltd.	China	100.00	100.00
SABIC Innovative Plastics International Trading (Shanghai) Ltd.	China	100.00	100.00
SABIC Innovative Plastics Management (Shanghai) Co., Ltd.	China	100.00	100.00
SHPP (Shanghai) Co., Ltd.	China	100.00	100.00
SABIC (Shanghai) Trading Co. Ltd.	China	100.00	100.00
SABIC (China) Research & Development Co. Ltd.	China	100.00	100.00
SABIC China Holding Co. Ltd.	China	100.00	100.00
SABIC Innovative Plastics Czech s.r.o.	Czech Republic	100.00	100.00
SHPP Czech s.r.o.	Czech Republic	100.00	100.00
SABIC Innovative Plastics Denmark Aps	Denmark	100.00	100.00
SABIC Nordic A/S	Denmark	100.00	100.00
SABIC Innovative Plastics Finland Oy	Finland	100.00	100.00
SHPP Finland Oy	Finland	100.00	100.00
SABIC France S.A.S.	France	100.00	100.00
SABIC Innovative Plastics France S.A.S.	France	100.00	100.00
SHPP France S.A.S.	France	100.00	100.00
SABIC Deutschland GmbH	Germany	100.00	100.00
SABIC Holding Deutschland GmbH	Germany	100.00	100.00
SABIC Innovative Plastics GmbH	Germany	100.00	100.00
SABIC Innovative Plastics Holding Germany GmbH	Germany	100.00	100.00
SABIC Polyolefine GmbH	Germany	100.00	100.00
SHPP Germany GmbH	Germany	100.00	100.00
SABIC Greece M.E.P.E.	Greece	100.00	100.00
SABIC Innovative Plastics Hong Kong Ltd.	Hong Kong	100.00	100.00
SABIC Innovative Plastics SIT Holding Ltd.	Hong Kong	100.00	100.00

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45. Subsidiaries and investments in associates and joint arrangements (continued)

SABIC Luxembourg S.à r.l. and its subsidiaries (continued)

Subsidiaries	Country of incorporation	% Shareholding (direct and indirect) as at 31 December 2021	% Shareholding (direct and indirect) As at 31 December 2020
SABIC Innovative Plastics Taiwan Holding Ltd.	Hong Kong	100.00	100.00
SHPP Hong Kong	Hong Kong	100.00	100.00
SABIC Hungary Kft.	Hungary	100.00	100.00
SABIC Innovative Plastics Kereskedelmi Kft.	Hungary	100.00	100.00
SHPP Hungary Kft.	Hungary	100.00	100.00
SABIC India Pvt Ltd.	India	100.00	100.00
SABIC Innovative Plastics India Private Ltd.	India	100.00	100.00
SABIC R&T Pvt Ltd.	India	100.00	100.00
High Performance Plastics India Pvt Ltd.	India	100.00	100.00
SABIC Innovative Plastics Italy Srl	Italy	100.00	100.00
SABIC Italia Srl	Italy	100.00	100.00
SABIC Sales Italy Srl	Italy	100.00	100.00
SHPP Italy Srl	Italy	100.00	100.00
SHPP Sales Italy Srl	Italy	100.00	100.00
SHPP Japan LLC	Japan	100.00	100.00
SABIC Petrochemicals Japan LLC	Japan	100.00	100.00
SABIC Korea Ltd.	Korea	100.00	100.00
SHPP Korea Ltd.	Korea	100.00	100.00
SABIC Innovative Plastics Malaysia Sdn Bhd	Malaysia	100.00	100.00
SHPP Malaysia Sdn Bhd	Malaysia	100.00	100.00
SABIC Innovative Plastics Mexico S de RL de CV	Mexico	100.00	100.00
High Performance Plastics Manufacturing Mexico S de RL de CV	Mexico	100.00	100.00
BV Snij-Unie HiFi	Netherlands	100.00	100.00
SABIC Capital B.V.	Netherlands	100.00	100.00
SABIC Capital I B.V.	Netherlands	100.00	100.00
SABIC Capital II B.V.	Netherlands	100.00	100.00
Petrochemical Pipeline Services B.V.	Netherlands	100.00	100.00
SABIC Europe B.V.	Netherlands	100.00	100.00
SABIC Global Technologies B.V.	Netherlands	100.00	100.00
SABIC International Holdings B.V.	Netherlands	100.00	100.00
SABIC Innovative Plastics B.V.	Netherlands	100.00	100.00
SABIC Innovative Plastics GP B.V.	Netherlands	100.00	100.00
SABIC Innovative Plastics Holding B.V.	Netherlands	100.00	100.00
SABIC Innovative Plastics Utilities B.V.	Netherlands	100.00	100.00
SABIC Licensing B.V.	Netherlands	100.00	100.00
SABIC Limburg B.V.	Netherlands	100.00	100.00
SABIC Sales Europe B.V.	Netherlands	100.00	100.00
SABIC Petrochemicals B.V.	Netherlands	100.00	100.00

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45. Subsidiaries and investments in associates and joint arrangements (continued)

SABIC Luxembourg S.à r.l. and its subsidiaries (continued)

Subsidiaries	Country of incorporation	% Shareholding (direct and indirect) as at 31 December 2021	% Shareholding (direct and indirect) As at 31 December 2020
SABIC Ventures B.V.	Netherlands	100.00	100.00
SABIC Mining B.V.	Netherlands	100.00	100.00
SHPP Holding B.V.	Netherlands	100.00	100.00
SHPP Global Technologies B.V.	Netherlands	100.00	100.00
SHPP Ventures B.V.	Netherlands	100.00	100.00
SHPP Capital B.V.	Netherlands	100.00	100.00
SHPP Capital I B.V.	Netherlands	100.00	100.00
SHPP Capital II B.V.	Netherlands	100.00	100.00
SHPP B.V.	Netherlands	100.00	100.00
SHPP Sales B.V.	Netherlands	100.00	100.00
SABIC Innovative Plastics Poland Sp. Z o.o.	Poland	100.00	100.00
SABIC Poland Sp. Z o.o.	Poland	100.00	100.00
SHPP Poland Sp. Z o.o.	Poland	100.00	100.00
LLC SABIC Eastern Europe	Russia	100.00	100.00
SABIC Innovative Plastics Rus OOO	Russia	100.00	100.00
SHPP Russia OOO	Russia	100.00	100.00
SABIC Innovative Plastics (SEA) Pte. Ltd.	Singapore	100.00	100.00
SABIC Innovative Plastics Holding Singapore Pte. Ltd.	Singapore	100.00	100.00
SHPP Singapore Pte. Ltd.	Singapore	100.00	100.00
SABIC Asia Pacific Pte Ltd	Singapore	100.00	100.00
SHPP Slovakia s.r.o.	Slovakia	100.00	100.00
SABIC Innovative Plastics Espana ScpA	Spain	100.00	100.00
SABIC Innovative Plastics GP BV, Sociedad en Comandita	Spain	100.00	100.00
SABIC Sales Spain SL	Spain	100.00	100.00
SABIC Marketing Ibérica S.A.	Spain	100.00	100.00
SHPP Manufacturing SL	Spain	100.00	100.00
SHPP Marketing Spain SL	Spain	100.00	100.00
Saudi Innovative Plastics Sweden AB	Sweden	100.00	100.00
SHPP Thailand Co. Ltd.	Thailand	100.00	100.00
SABIC Thailand Co. Ltd.	Thailand	100.00	100.00
SHPP Petrokimya Ticaret Ltd Sirketi	Turkey	100.00	100.00
SABIC Global Ltd.	UK	100.00	100.00
SABIC Tees Holdings Ltd.	UK	100.00	100.00
SHPP Manufacturing UK Ltd.	UK	100.00	100.00
SABIC Innovative Plastics Ltd.	UK	100.00	100.00
SABIC UK Ltd.	UK	100.00	100.00
SABIC UK Pension Trustee Ltd.	UK	100.00	100.00
SABIC UK Petrochemicals Ltd.	UK	100.00	100.00
SHPP Sales UK Ltd.	UK	100.00	100.00

45. Subsidiaries and investments in associates and joint arrangements (continued)

SABIC Luxembourg S.à r.l. and its subsidiaries (continued)

	Country of incorporation	% Shareholding (direct and indirect) as at 31 December 2021	% Shareholding (direct and indirect) As at 31 December 2020
Subsidiaries			
Exatec, LLC	US	**100.00**	100.00
Mt. Vernon Phenol Plant Partnership	US	**51.00**	51.00
SABIC Americas Inc.	US	**100.00**	100.00
SABIC US Holdings LP	US	**100.00**	100.00
SABIC Innovative Plastics Mt. Vernon, LLC	US	**100.00**	100.00
SABIC Innovative Plastics US LLC	US	**100.00**	100.00
SABIC Petrochemicals Holding US, Inc.	US	**100.00**	100.00
SABIC Ventures US Holdings LLC	US	**100.00**	100.00
SABIC US Projects LLC	US	**100.00**	100.00
SABIC Americas Growth LLC	US	**100.00**	100.00
SABIC US Methanol LLC	US	**100.00**	100.00
SHPP US LLC	US	**100.00**	100.00
SABIC Vietnam Ltd.	Vietnam	**100.00**	100.00
SHPP Vietnam Co Ltd	Vietnam	**100.00**	100.00

Note:

- The changes in the corporate structure of the Group during 2021 are related to the liquidation of SHPP Denmark Aps, SABIC Innovative Plastics Servicios Mexico S de RL de CV, High Performance Plastics Service Mexico S de RL de CV and SABIC Uruguay SA.

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45. Subsidiaries and investments in associates and joint arrangements (continued)

SIIC Group Subsidiaries

	Country of incorporation	% Shareholding (direct and indirect) as at 31 December 2021	% Shareholding (direct and indirect) as at 31 December 2020
SABCAP Insurance Limited ("SABCAP")	Guernsey	**100.00**	100.00
SABIC Petrokemya Ticaret Limited ("SABIC TURKEY")	Turkey	**100.00**	100.00
SABIC Middle East Offshore Company ("SABIC MIDDLE EAST") (i)	Lebanon	**100.00**	100.00
SABIC Middle East Business Management (ii)	Jordan	**100.00**	-
SABIC South Africa	South Africa	**100.00**	100.00
SABIC Africa for Trading & Marketing ("SABIC AFRICA")	Egypt	**100.00**	100.00
SABIC Morocco	Morocco	**100.00**	100.00
SABIC Global Mobility Company ("GMC")	UAE	**100.00**	100.00
SABIC Mobility Company ("GMC LLC")	UAE	**100.00**	100.00
SABIC Tunisia	Tunisia	**100.00**	100.00
SABIC Kenya	Kenya	**100.00**	100.00
SABIC (Pvt.) Pakistan	Pakistan	**100.00**	100.00
SABIC East Africa	Egypt	**99.99**	-
International Shipping and Transportation Co. ("ISTC")	KSA	**99.00**	99.00
SABIC Supply Chain Services Limited Company ("SSCS")	KSA	**99.00**	99.00
SABIC Terminal Services Company ("SABTANK")	KSA	**90.00**	90.00
Jubail Chemical Storage and Services Company ("CHEMTANK") (iii)	KSA	**58.00**	75.00

Note:

During the year 2021:

(i) SABIC MIDDLE EAST based in Lebanon and SABIC AFRICA based in Egypt are under liquidation.

(ii) SABIC Middle East Business Management and SABIC East Africa were established in Jordan and Egypt, respectively.

(iii) SABIC disposed 17% of its shares in Chemtank to Jubail Chemicals Storage & Services Company.

SABIC AN Group Subsidiaries

	Country of incorporation	% Shareholding (direct and indirect) as at 31 December 2021	% Shareholding (direct and indirect) as at 31 December 2020
Subsidiaries			
SABIC Agri-Nutrients Investment Company ("SANIC")	KSA	**100.00**	100.00
National Chemical Fertiliser Company ("IBN AL-BAYTAR")	KSA	**50.10**	71.50
Al-Jubail Fertiliser Company ("AL BAYRONI")	KSA	**25.05**	50.00

Notes:

- SABIC AN owns 100% (direct and indirect) in IBN AL-BAYTAR, 100% in SANIC, and 50% in AL-BAYRONI (Refer Note 23.2 for changes in shareholding of subsidiaries).

Notes to the consolidated financial statements (continued)

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45. Subsidiaries and investments in associates and joint arrangements (continued)

Below is the listing of the Group's investment in associates and joint arrangements. These are strategic investments for the Group.

	Country of incorporation	Principal activities	% Shareholding (direct and indirect) as at 31 December 2021	% Shareholding (direct and indirect) As at 31 December 2020
Associates				
Gulf Petrochemical Industries Company ("GPIC")	Bahrain	Agri-Nutrients, Petrochemical	16.70	33.33
Gulf Aluminium Rolling Mills Company ("GARMCO")	Bahrain	Aluminium	30.40	30.40
Ma'aden Phosphate Company ("MPC")	KSA	Agri-Nutrients	30.00	30.00
Power and Water Utilities Company for Jubail and Yanbu ("MARAFIQ")	KSA	Utilities	24.81	24.81
Aluminium Bahrain BSC ("ALBA")	Bahrain	Aluminium	20.62	20.62
National Chemical Carrier Company ("NCC")	KSA	Transportation	20.00	20.00
Ma'aden Wa'ad Al Shamal Phosphate Company ("MWSPC")	KSA	Agri-Nutrients	15.00	15.00
Saudi Arabian Industrial Investment Company ("DUSSUR")	KSA	Investments	25.00	25.00
Clariant AG ("CLARIANT")	Switzerland	Specialty chemical	31.50	31.50
Saudi Pallet Manufacturing Co. ("SPMC)	KSA	Manufacturing	23.00	-
German Pipeline Development Company GMBH ("GPDC")	Germany	Transportation	39.00	-
Mauritania Saudi Mining & Steel Company S.A. ("TAKAMUL")	Mauritius	Mining	50.00	-
Mallinda, Inc. ("MALLINDA")	USA	Ventures	26.20	-
ARG mbH & Co KG ("ARG")	Germany	Supply Chain	25.00	25.00
ARG Verwaltungs GmbH	Germany	Administrative company	25.00	25.00
Nusaned Fund	KSA	Investments	50.00	50.00
Joint Ventures				
Sinopec Sabic Tianjin Petrochemical Company ("SSTPC")	China	Petrochemical	50.00	50.00
SABIC SK Nexelene Company Pte. Ltd. ("SSNC")	Singapore	Petrochemical	50.00	50.00
Cosmar Company ("COSMAR")	USA	Specialty chemical	50.00	50.00
Saudi Yanbu Petrochemical Company ("YANPET")	KSA	Petrochemical	50.00	50.00
Al-Jubail Petrochemical Company ("KEMYA")	KSA	Petrochemical	50.00	50.00
Eastern Petrochemical Company ("SHARQ")	KSA	Petrochemical	50.00	50.00
SABIC Plastic Energy Advanced Recycling BV ("SPEAR")	Netherlands	Petrochemical	50.00	50.00
SD Lizenzverwertungs-GmbH & Co	Germany	License company	50.00	-
SD Beteiligungs-GmbH & Co KG	Germany	Investments	50.00	-
SD Verwaltungs-GmbH	Germany	Administrative company	50.00	-
Advance Energy Storage System Company ("AESSC")	KSA	Petrochemical	43.00	43.00
Utility Support Group ("USG") B.V.	Netherlands	Petrochemical	50.00	-

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45. Investment in associates and joint arrangements (continued)

	Country of incorporation	Principal activities	% Shareholding) (direct and indirect) as at 31 December 2021	% Shareholding (direct and indirect) as at 31 December 2020
Joint Operations				
Gulf Coast Growth Venture LLC ("GCGV")	USA	Petrochemical	**50.00**	50.00
Saudi Methacrylates Company ("SAMAC")	KSA	Petrochemical	**50.00**	50.00
Saudi Butanol Company ("SABUCO")	KSA	Petrochemical	**11.67**	11.67
Utility Support Group ("USG") B.V.	Netherlands	Petrochemical	**-**	50.00

Notes:

- The country of incorporation is also their principal place of business.
- During 2018, SABIC acquired 24.99% ownership in CLARIANT, a global specialty chemical company listed at the Swiss Stock Exchange and increase its investment by 6.51% in 2020. (Note 10.1)
- AESSC is a Limited Liability Company, and it was wholly owned by NUSANED. During 2020, the part of ownership has been transferred to the shareholder GEBR. SCHMID GMBH, located in Germany.
- SABIC PLASTIC ENERGY is a joint venture and engaged in plastic recycling, located in Sittard-Geleen, Netherlands.
- USG (Geleen, Netherlands), which is operated jointly with other stakeholders to produce utilities for a production site.
- GPIC is owned 33.33% by SABIC AN and SABIC share is 16.70%.
- GPDC and MALLINDA have been reclassified from equity instruments at FVOCI to associates.
- ARG includes ARG Verwaltungs GmbH which is administrative and non-operating company based in Germany.
- SD includes SD Beteiligungs-GmbH & Co KG (investment company), SD Verwaltungs-GmbH (administrative and non-operating company) and SD Lizenzverwertungs-GmbH & Co KG (license company all are based in Germany). SD group entities have been reclassified from Investments in equity instruments at FVOCI to joint venture.
- USG has been reclassified from join operations to joint venture.
- The Group participates in following Joint Operations:
    - 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.
    - The strategic growth project in the USA, Gulf Coast Growth Venture LLC ("GCGV") reached mechanical completion in July 2021. On 20 January 2022, the project has announced the successful start-up of the manufacturing facility.
    - SAMAC is a Limited Liability Company, registered in KSA and involved in production and selling of Methyl Methacrylate ("MMA") and Poly Methyl Methacrylate ("PMMA").

  The Group holds a 50% share in each of these joint operations and controls them jointly with the respective partners. The partners ensure the ongoing financing of the companies, either by the product and utility directly sold to the partners or sharing the costs.