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CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2015

SAUDI BASIC INDUSTRIES CORPORATION (SABIC)
AND ITS SUBSIDIARIES (A SAUDI JOINT STOCK COMPANY)

CHEMISTRY THAT MATTERS™

CONSOLIDATED FINANCIAL STATEMENTS

INDEX

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AUDITORS' REPORT TO THE SHAREHOLDERS OF SAUDI BASIC INDUSTRIES CORPORATION (SABIC) (Saudi Joint Stock Company)

Scope of audit

We have audited the accompanying consolidated balance sheet of Saudi Basic Industries Corporation ("SABIC") and its subsidiaries (the "Group") as at 31 December 2015 and the consolidated statements of income, cash flows and shareholders' equity for the year then ended. These consolidated financial statements are the responsibility of the Group's management and have been prepared by them in accordance with the provisions of Article 123 of the Regulations for Companies and submitted to us together with all the information and explanations which we required. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the Kingdom of Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable degree of assurance to enable us to express an opinion on the consolidated financial statements.

Unqualified opinion

In our opinion, the consolidated financial statements taken as a whole:

i) present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2015 and the results of its operations and its cash flows for the year then ended in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia.

ii) comply with the requirements of the Regulations for Companies and SABIC's by-laws in so far as they affect the preparation and presentation of the consolidated financial statements.

for Ernst & Young

Rashid S. AlRashoud
Certified Public Accountant
Registration No. 366

Riyadh: 13 Jumad Awal 1437H
(22 February 2016)

CONSOLIDATED BALANCE SHEET

As of December 31, 2015
(Saudi Riyals in '000)

ASSETS	NOTE	2015	2014
Current assets			
Cash and cash equivalents	4	38,649,323	33,626,216
Short-term investments	5	29,909,811	38,987,375
Accounts receivable	6	19,375,842	25,999,624
Inventories	7	24,635,449	31,674,920
Prepayments and other current assets	8	4,491,584	4,129,065
Total current assets		117,062,009	134,417,200
Non-current assets			
Investments	9	16,678,790	15,477,714
Property, plant and equipment	10	173,157,717	168,871,048
Intangible assets	11	16,546,018	17,757,309
Other non-current assets	12	4,774,620	3,517,808
Total non-current assets		211,157,145	205,623,879
TOTAL ASSETS		328,219,154	340,041,079

The accompanying notes 1 to 34 form an integral part of these consolidated financial statements.

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

CONSOLIDATED BALANCE SHEET (continued)

As of December 31, 2015
(Saudi Riyals in '000)

LIABILITIES AND EQUITY	NOTE	2015	2014
Current liabilities			
Current portion of long-term debt	13	13,306,056	13,906,668
Accounts payable	14	16,515,186	17,617,155
Accruals and other current liabilities	15	11,150,010	10,929,892
Zakat payable	16	1,633,473	2,201,651
Total current liabilities		42,604,725	44,655,366
Non-current liabilities			
Long-term debt	13	59,279,377	69,176,059
Other non-current liabilities	17	3,735,539	4,118,759
Employee benefits	18	12,742,327	11,865,168
Total non-current liabilities		75,757,243	85,159,986
TOTAL LIABILITIES		118,361,968	129,815,352
EQUITY			
Shareholders' equity			
Share capital	19	30,000,000	30,000,000
Statutory reserve	20	15,000,000	15,000,000
General reserve	20	110,889,032	104,076,056
Other reserves		(4,005,688)	(2,323,131)
Retained earnings		10,040,705	14,586,791
Total shareholders' equity		161,924,049	161,339,716
Non-controlling interests	21	47,933,137	48,886,011
TOTAL EQUITY		209,857,186	210,225,727
TOTAL LIABILITIES AND EQUITY		328,219,154	340,041,079
CONTINGENCIES AND COMMITMENTS	30, 31		

The accompanying notes 1 to 34 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF INCOME

For the year ended December 31, 2015
(Saudi Riyals in ’000)

	NOTE	2015	2014
Sales		148,085,741	188,988,645
Cost of sales		(105,057,981)	(137,511,488)
GROSS PROFIT		43,027,760	51,477,157
Selling, general and administrative expenses	22	(13,727,824)	(13,745,888)
Impairment of plant and equipment of a subsidiary	10	(780,615)	–
INCOME FROM MAIN OPERATIONS		28,519,321	37,731,269
Share in results of equity-accounted investees	9	1,192,026	920,494
Financial charges		(1,509,014)	(1,613,681)
Other income, net	23	1,311,475	1,608,012
INCOME BEFORE SHARE OF NON-CONTROLLING INTERESTS AND ZAKAT		29,513,808	38,646,094
Share of non-controlling interests	21	(8,645,118)	(13,198,980)
INCOME BEFORE ZAKAT		20,868,690	25,447,114
Zakat	16	(2,100,000)	(2,100,000)
NET INCOME		18,768,690	23,347,114
EARNINGS PER SHARE (Saudi Riyals):	24		
Attributable to income from main operations		9.51	12.58
Attributable to net income		6.26	7.78

The accompanying notes 1 to 34 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2015
(Saudi Riyals in ’000)

OPERATING ACTIVITIES	2015	2014
Income before Zakat	20,868,690	25,447,114
Adjustments for:		
Depreciation, amortization and impairment	15,712,692	14,761,578
Share in results of equity-accounted investees	(1,192,026)	(920,494)
Share of non-controlling interests	8,645,118	13,198,980
Changes in operating assets and liabilities:		
Accounts receivable	6,623,782	4,116,721
Inventories	7,039,471	767,032
Prepayments and other current assets	(362,519)	(63,249)
Accounts payable	(1,101,969)	(1,886,672)
Accruals and other current liabilities	(587,826)	(1,234,284)
Other non-current liabilities	(383,220)	609,330
Employee benefits	1,183,474	2,046,612
Zakat paid	(2,668,178)	(2,948,146)
NET CASH FROM OPERATING ACTIVITIES	53,777,489	53,894,522
INVESTING ACTIVITIES		
Short-term investments, net	9,077,564	(8,306,120)
Investments, net	(9,050)	(712,631)
Property, plant and equipment, net	(18,278,320)	(15,161,409)
Intangible assets, net	(342,170)	799,429
Other non-current assets, net	(3,306,637)	(2,169,807)
NET CASH USED IN INVESTING ACTIVITIES	(12,858,613)	(25,550,538)

The accompanying notes 1 to 34 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

For the year ended December 31, 2015
(Saudi Riyals in '000)

FINANCING ACTIVITIES	2015	2014
Short-term bank borrowings, net	358,201	(293,591)
Long-term debt, net	(10,152,200)	3,409,761
Non-controlling interests	(9,597,992)	(14,697,635)
Dividends paid	(16,503,778)	(18,502,401)
NET CASH USED IN FINANCING ACTIVITIES	(35,895,769)	(30,083,866)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	5,023,107	(1,739,882)
Cash and cash equivalents at beginning of the year	33,626,216	35,366,098
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	38,649,323	33,626,216

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

For the year ended December 31, 2015
(Saudi Riyals in '000)

	Note	Share capital	Statutory reserve	General reserve	Other reserve	Retained earnings	Total
Balance as of 31 December 2014		30,000,000	15,000,000	104,076,056	(2,323,131)	14,586,791	161,339,716
Annual dividends for 2014	29	–	–	–	–	(9,000,000)	(9,000,000)
Board of directors' remuneration	29	–	–	–	–	(1,800)	(1,800)
Transfer to general reserve	29	–	–	6,812,976	–	(6,812,976)	–
Interim dividends for 2015	29	–	–	–	–	(7,500,000)	(7,500,000)
Net income		–	–	–	–	18,768,690	18,768,690
Net change on currency translation of foreign operations		–	–	–	(1,898,163)	–	(1,898,163)
Re-measurement impact of employee benefits obligations		–	–	–	301,476	–	301,476
Net change on revaluation of available for sale investments and others		–	–	–	(85,870)	–	(85,870)
Balance as of 31 December 2015		30,000,000	15,000,000	110,889,032	(4,005,688)	10,040,705	161,924,049

The accompanying notes 1 to 34 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (continued)

For the year ended December 31, 2015
(Saudi Riyals in '000)

	Note	Share capital	Statutory reserve	General reserve	Other reserve	Retained earnings	Total
Balance as of 31 December 2013		30,000,000	15,000,000	93,799,473	(1,080,188)	19,278,383	156,997,668
Annual dividends for 2013		–	–	–	–	(9,000,000)	(9,000,000)
Board of directors' remuneration		–	–	–	–	(1,800)	(1,800)
Transfer to general reserve		–	–	10,276,583	–	(10,276,583)	–
Interim dividends for 2014		–	–	–	–	(7,500,000)	(7,500,000)
Net income		–	–	–	–	23,347,114	23,347,114
Net change on currency translation of foreign operations		–	–	–	(1,898,163)	–	(1,898,163)
Re-measurement impact of employee benefits obligations and settlement of pension plan, net		–	–	–	676,162	(1,260,323)	(584,161)
Net change on revaluation of available for sale investments and others		–	–	–	(22,456)	–	(22,456)
Balance as of 31 December 2014		30,000,000	15,000,000	104,076,056	(2,323,131)	14,586,791	161,339,716

The accompanying notes 1 to 34 form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2015

1. ORGANIZATION AND ACTIVITIES

Saudi Basic Industries Corporation ("SABIC") is a Saudi Joint Stock Company established pursuant to Royal Decree Number M/66 dated 13 Ramadan 1396H (corresponding to 6 September 1976) and registered in Riyadh under commercial registration No. 1010010813 dated 14 Muharram 1397H (corresponding to 4 January 1977). SABIC is 70% directly owned by the Public Investment Fund (the "PIF"), which is wholly owned by the Government of the Kingdom of Saudi Arabia.

SABIC and its subsidiaries (the "Group") are engaged in the manufacturing, marketing and distribution of chemical, agri-nutrient and metal products in global markets. The Group's head office is located in Riyadh, Kingdom of Saudi Arabia.

2. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia issued by the Saudi Organization for Certified Public Accountants ("SOCPA").

ACCOUNTING CONVENTION

The consolidated financial statements are prepared under the historical cost convention, except for the measurement at fair value of available for sale investments and derivative financial instruments, using the accrual basis of accounting and the going concern concept. For employee and other post-employment benefits related to foreign entities, actuarial present value calculations are used.

USE OF ESTIMATES, ASSUMPTIONS AND JUDGMENTS

The preparation of the consolidated financial statements in conformity with generally accepted accounting standards requires management to make estimates, assumptions and judgments that affect the reported amounts of revenues, expenses, assets and liabilities.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The actual results ultimately may differ from such estimates.

The significant accounting estimates and assumptions involving a higher degree of uncertainty include impairment of non-current assets and certain employee benefits related to foreign entities.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted by SABIC in preparing its consolidated financial statements are applied consistently.

BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Group, as adjusted for the elimination of significant inter-company balances and transactions.

A subsidiary is an entity in which SABIC has a direct or indirect equity investment of more than 50% and/or over which it exerts effective management control. The financial statements of the subsidiaries are prepared using accounting policies which are consistent with those of SABIC. The subsidiaries are consolidated from the date on which SABIC is able to exercise effective management control, and deconsolidated from the date SABIC loses its effective management control.

The non-controlling interests are calculated and presented as a separate line item in the consolidated balance sheet and the consolidated statement of income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended December 31, 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)
The subsidiaries consolidated in these consolidated financial statements are as follows:

	Direct and indirect shareholding %	
	2015	2014
SABIC Industrial Investments Company (SIIC) and its subsidiaries	100.00	100.00
SABIC Luxembourg S.a.r.l. (SLUX) and its subsidiaries	100.00	100.00
Arabian Petrochemical Company (Petrokemya) and its subsidiaries	100.00	100.00
Saudi Iron and Steel Company (Hadeed)	100.00	100.00
SABIC Sukuk Company (Sukuk)	100.00	100.00
SABIC Industrial Catalyst Company (Sabcat)	100.00	100.00
Saudi Arabia Carbon Fiber Company (SCFC)	100.00	100.00
Saudi European Petrochemical Company (Ibn Zahr)	80.00	80.00
Jubail United Petrochemical Company (United)	75.00	75.00
National Chemical Fertilizer Company (Ibn Al-Baytar)	71.50	71.50
National Industrial Gases Company (Gas)	70.00	70.00
Yanbu National Petrochemical Company (Yansab)	51.95	51.95
Saudi Methanol Company (Ar-Razi)	50.00	50.00
Al-Jubail Fertilizer Company (Al-Bayroni)	50.00	50.00
Saudi Yanbu Petrochemical Company (Yanpet)	50.00	50.00
National Methanol Company (Ibn Sina)	50.00	50.00
Saudi Petrochemical Company (Sadaf)	50.00	50.00
Eastern Petrochemical Company (Sharq)	50.00	50.00
Al-Jubail Petrochemical Company (Kemya)	50.00	50.00
Saudi Japanese Acrylonitrile Company (Shrouq)	50.00	50.00
Saudi Methacrylates Company (Samac)	50.00	50.00
Arabian Industrial Fibers Company (Ibn Rushd)	48.07	48.07
Saudi Arabian Fertilizer Company (Safco)	42.99	42.99
Saudi Kayan Petrochemical Company (Saudi Kayan)	35.00	35.00

All directly owned subsidiaries are incorporated in the Kingdom of Saudi Arabia except for SLUX which is incorporated in Luxembourg. Yansab, Safco, and Saudi Kayan are listed Saudi Joint Stock Companies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended December 31, 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

CASH AND CASH EQUIVALENTS
Cash and cash equivalents include cash on hand, bank balances, short-term deposits, demand deposits and highly liquid investments with original maturities of three months or less.

SHORT-TERM INVESTMENTS
Short-term deposits
Short-term deposits with original maturities of more than three months but less than twelve months are classified as short-term investments and included under current assets. Income from these deposits is recognised on accruals basis.

Held to maturity – current portion
Held to maturity investments are reclassified as short-term investments under current assets when their remaining maturities are less than twelve months.

ACCOUNTS RECEIVABLE
Accounts receivable are stated at the original invoice amount less any provision for doubtful debts. An estimate for doubtful debts is made when the collection of the receivable amount is considered doubtful. Bad debts are written off in the consolidated statement of income as incurred.

INVENTORIES
Inventories are stated at the lower of cost or net realizable value, and net of provision for slow moving items and obsolescence. Cost of raw materials, consumables, spare parts and finished goods is principally determined on weighted average cost basis. Inventories of work in progress and finished goods include cost of materials, labour and an appropriate proportion of direct overheads.

INVESTMENTS
Equity-accounted investees Associated companies
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.

JOINT-VENTURE
A joint venture is a contractual arrangement whereby an entity and other parties undertake an economic activity that is subject to joint control. The agreement requires unanimous agreement for financial and operating decisions among the parties involved.

In the consolidated financial statements, the investments in equity-accounted investees are initially recognised at cost and adjusted thereafter for the post-acquisition/incorporation change in the Group's share of net assets of such investees. The Group's share in the financial results of these investees is recognised in the consolidated statement of income. Significant changes in equity items of these investees are reported within other reserves under consolidated statement of changes in shareholders' equity.

AVAILABLE FOR SALE
This represents investments in financial assets neither acquired for trading purposes nor held to maturity. These are stated at fair value. Differences between fair value and cost, if material, are reported within other reserves under consolidated statement of changes in shareholders' equity. Any decline other than temporary in the value of these investments is charged to the consolidated statement of income.

Fair value is determined by reference to the market value if an open market exists, or by the use of other alternative valuation methods. Otherwise, cost is considered to be the fair value.

HELD TO MATURITY
This represents investments that are acquired with the intention and ability of being held to maturity, which are carried at cost (adjusted for any premium or discount), less any decline in value, which is other than temporary. Such investments are classified as non-current assets with the exception of investments maturing in the twelve months period from the date of consolidated balance sheet.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended December 31, 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

PROPERTY, PLANT, AND EQUIPMENT
Property, plant and equipment are stated at cost less accumulated depreciation and impairment, except for freehold land and construction work in progress which are stated at cost.

Items of property, plant and equipment are depreciated from the date they are available for use or in respect of self-constructed assets, from the date such assets are completed and ready for the intended use. Depreciation is provided over the estimated useful lives of the applicable assets using the straight-line method. Leasehold improvements are depreciated over the shorter of the estimated useful life or the remaining term of the lease. The capitalised leased assets are depreciated over the shorter of the estimated useful lives or the lease term. The estimated useful lives of the principal asset classes are as follows:

Buildings	33–40 years
Plant and equipment	20 years
Furniture, fixtures and vehicles	4–10 years

Expenditure on maintenance and repairs is expensed, while expenditure on improvements is capitalised. Financing costs related to qualifying assets are capitalised until they are ready for their intended use. Costs, which are directly attributable to turnarounds and major inspections and eligible for capitalisation, are recognised under property, plant and equipment. Such costs once capitalized are depreciated over the period to the occurrence of next such turnaround or major inspection.

LEASES
Leases are classified as capital leases whenever the terms of the lease transfer substantially all of the risks and rewards of ownership to the Group. All other leases are classified as operating leases.

Assets held under capital leases are recognised as assets of the Group at the lower of the present value of the minimum lease payments or the fair market value of the assets at the inception of the lease.

Finance costs, which represent the difference between the total lease commitments and the lower of the present value of the minimum lease payments or the fair market value of the assets at the inception of the lease, are charged to the consolidated statement of income over the term of the relevant lease in order to produce a constant periodic rate of return on the remaining balance of the obligations for each accounting period.

Rental payments under operating leases are charged to the consolidated statement of income on a straight-line basis over the term of the relevant operating leases.

INTANGIBLE ASSETS
Intangible assets acquired separately 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 accumulated amortization and impairment, if any.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite useful lives are amortized using the straight-line method over the estimated useful lives of relevant assets and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

The amortization periods for intangible assets with finite useful lives are as follows:

Trademarks	22 years
Customer lists	18 years
Patented and unpatented technologies	10 years
IT development costs and technology and innovation assets	3–15 years

Goodwill and other intangible assets with indefinite useful lives are tested for impairment annually or earlier when circumstances indicate that the carrying value may be impaired.

GOODWILL
The excess of consideration paid over the fair value of net assets acquired is recorded as goodwill. Goodwill is annually re-measured and reported in the consolidated financial statements at carrying value after adjustment for impairment, if any.

PRE-OPERATING COSTS, AND OTHER INTANGIBLE ASSETS
Costs incurred during the development of new projects, which are expected to provide benefits in future periods, are deferred and are amortized from the commencement of the commercial operations using a straight-line method over the shorter of the estimated period of economic benefits or seven years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended December 31, 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

IMPAIRMENT OF NON-CURRENT ASSETS

At each balance sheet date, the Group reviews the carrying amount of its tangible and intangible non-current assets to determine whether there is any indication that those assets have suffered an impairment loss. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. The recoverable amount is the higher of an asset's fair value less costs to sell or value-in-use. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the Cash Generating Unit (CGU) to which the asset belongs.

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. Impairment losses are charged to consolidated statement of income.

For assets other than goodwill, an assessment is made periodically as to whether there is any 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. This reversal is limited so that the carrying amount of the asset does not exceed the amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated statement of income.

ACCOUNTS PAYABLE AND ACCRUALS

Liabilities are recognised for amounts to be paid in the future for goods or services received at the balance sheet date.

PROVISIONS

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

DIVIDENDS

Final dividends are recognised as a liability at the time of their approval by the General Assembly. Interim dividends are recorded as and when approved by the Board of Directors.

ZAKAT AND INCOME TAX

Zakat is provided in accordance with the Regulations of the Department of Zakat and Income Tax (DZIT) in the Kingdom of Saudi Arabia and on accrual basis. The provision is charged to the consolidated statement of income. Differences, if any, resulting from the final assessments are adjusted in the year of their finalization. Foreign shareholders in subsidiaries are subject to income tax in the Kingdom of Saudi Arabia, which is included in non-controlling interests in the consolidated financial statements.

For subsidiaries outside the Kingdom of Saudi Arabia, provision for tax is computed in accordance with tax regulations of the respective countries. Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the relevant tax authorities.

DEFERRED INCOME TAX

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

Deferred income tax assets are recognised for deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized.

The carrying amount of deferred income tax assets is reviewed at each balance sheet 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 income tax asset to be utilized. Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended December 31, 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

LONG-TERM DEBT

Borrowings are recognised at cost, being the fair value of the proceeds received, net of transactions' costs. Financial charges are recorded in the consolidated statement of income.

EMPLOYEE BENEFITS

Employee end of service benefits are provided for in accordance with the requirements of the Saudi Arabian Labour Law and Group's policies. Employee early retirement plan costs are provided for in accordance with the Group's policies and are charged to the consolidated statement of income in the year the employee retires.

The Group has pension plans for its employees in overseas jurisdictions. The eligible employees participate in either defined contribution or defined benefit plans. The pension plans take into consideration the legal framework of labour and social security laws of the countries where the subsidiaries are incorporated.

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The net pension asset or liability recognised in the consolidated balance sheet in respect of defined benefit post-employment plans is the fair value of plan assets less the present value of the projected defined benefit obligation (DBO) at the balance sheet date. Recognised assets are limited to the present value of any reductions in future contributions or any future refunds. The projected defined benefit obligation is calculated annually by qualified actuaries using the projected unit credit method. Re-measurement amounts, if any, are recognised and reported within other reserves under consolidated statement of changes in shareholders' equity and comprises of actuarial gains and losses on the defined benefits obligation.

Pension costs for the year are calculated on a year-to-date basis using the actuarially determined pension cost rate at the end of the prior year, adjusted for significant market fluctuations and for significant one-off event, such as plan amendments, curtailments and settlements. In the absence of such significant market fluctuations and one-off event, the actuarial liabilities are rolled forward in the scheme based on the assumptions as at the beginning of the year.

If there are significant changes to the pension assumptions or arrangements during the year, consideration is given to obtaining an actuarial valuation of the scheme liabilities.

EMPLOYEE HOME-OWNERSHIP PROGRAM

Unsold housing units constructed for eventual sale to eligible employees are included under land and buildings and are depreciated over 33 years. Upon signing the sale contract with the eligible employees, the relevant housing units are classified under other non-current assets.

REVENUE RECOGNITION

Revenues represent the invoiced value of goods shipped and services rendered by the Group during the year, net of any trade and quantity discounts. Generally, sales are reported net of marketing and distribution expenses incurred in accordance with executed marketing and off-take agreements.

SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES

Production costs and direct expenses are classified as cost of sales. All other expenses, including selling and distribution expenses not deducted from sales, are classified as selling, general and administrative expenses.

TECHNOLOGY AND INNOVATION EXPENSES

Technology and innovation expenses are charged to the consolidated statement of income under selling, general and administrative expenses when incurred. Development expenses, which are expected to generate measurable economic benefits to the Group, are capitalized as intangibles and amortized over the period of their expected useful lives.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended December 31, 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

FOREIGN-CURRENCY TRANSLATION

Transactions in foreign currencies are translated into Saudi Riyals at the rates of exchange prevailing at the time of such transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the exchange rates prevailing at the balance sheet date. Gains and losses from settlement and translation of foreign currency transactions are included in the consolidated statement of income.

The financial statements of foreign entities are translated into Saudi Riyals using the exchange rate at each balance sheet date, for assets and liabilities, and the average exchange rates for revenues and expenses. Components of equity, other than retained earnings, are translated at the rates prevailing at the date of their occurrence. Translation adjustments, if material, are recorded in the consolidated statement of changes in shareholders' equity.

DERIVATIVE FINANCIAL INSTRUMENTS

The Group uses derivative financial instruments to hedge its exposure to certain portions of its interest rate risks arising from financing activities. The use of financial derivatives is governed by the Group's policies, which provide principles on the use of financial derivatives consistent with the Group's risk management strategy. The Group does not use derivative financial instruments for speculative purposes. Derivative financial instruments are initially measured at fair value on the contract date and are re-measured to fair value at subsequent reporting dates.

CURRENT VERSUS NON-CURRENT CLASSIFICATION

An asset or liability is classified as current when it is expected to be realized or paid within twelve months after the balance sheet date, except for derivatives designated as a hedge, which are classified consistent with the underlying hedged item.

FINANCIAL ASSETS AND LIABILITIES

A financial asset and liability is offset and the net amount is reported in the consolidated financial statements, when the Group has a legally enforceable right to offset the recognised amounts and intends either to settle on a net basis, or to realize the asset and liability simultaneously.

CONSOLIDATED STATEMENT OF CASH FLOWS

The Group uses the indirect method to prepare the consolidated statement of cash flows. Cash flows in foreign currencies are translated at average exchange rates.

SEGMENT REPORTING

A segment is a distinguishable component of the Group that is engaged either in providing products or services (a business segment) or in providing products or services within a particular economic environment, which is subject to risks and rewards that are different from those of other segments.

4. CASH AND CASH EQUIVALENTS

	2015	2014
Time deposits	29,981,723	26,152,508
Bank balances	8,667,600	7,473,708
TOTAL	38,649,323	33,626,216

Cash and cash equivalents as of 31 December 2015 include restricted cash balances amounting to SR 0.5 billion (31 December 2014: SR 0.4 billion), which represent employee savings plan deposits held in separate bank accounts, which are not available to the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended December 31, 2015
(Saudi Riyals in '000)

5. SHORT-TERM INVESTMENTS

The short-term investments mainly represent time deposits with banks of original maturities of more than three months and less than twelve months. These investments carry commission rates in line with the prevailing market rates.

6. ACCOUNTS RECEIVABLE

	Note	2015	2014
Trade accounts receivable		17,109,023	22,704,605
Amounts due from foreign partners of subsidiaries	27	2,466,970	3,542,116
		19,575,993	26,246,721
Less: Provision for doubtful debts		(200,151)	(247,097)
TOTAL		19,375,842	25,999,624

7. INVENTORIES

	2015	2014
Finished goods	11,174,763	15,454,259
Raw materials	6,725,743	7,681,522
Spare parts	6,163,984	6,550,526
Goods-in-transit	884,156	1,447,571
Work-in-process	847,524	1,727,769
	25,796,170	32,861,647
Less: Provision for slow-moving and obsolete items	(1,160,721)	(1,186,727)
TOTAL	24,635,449	31,674,920

8. PREPAYMENTS AND OTHER CURRENT ASSETS

	2015	2014
Prepaid expenses	1,691,070	1,565,027
Taxes receivable	311,461	317,784
Employee advances and receivables	311,603	224,273
Others	2,177,450	2,021,981
TOTAL	4,491,584	4,129,065

Others mainly include advances to contractors, dividend receivables, accrued income on time deposits, loans to certain equity-accounted investees amounting to SR 0.4 billion (31 December 2014: Nil) at normal market rates and miscellaneous items.

Others include advances to contractors, accrued income on time deposits and miscellaneous items.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended December 31, 2015
(Saudi Riyals in '000)

9. INVESTMENTS

	SHAREHOLDING %	SHAREHOLDING IN EQUITY 2015	2014
Associated companies			
Gulf Petrochemical Industries Co. (GPIC)	33.33	485,369	655,157
Gulf Aluminum Rolling Mills Co. (GARMCO)	30.40	124,677	164,993
Ma'aden Phosphate Co. (MPC)	30.00	2,372,873	2,432,557
Saudi Arabian Industrial Investment Company (SAIIC)	25.00	125,000	125,000
Power and Water Utilities Co. (MARAFIQ)	24.81	1,468,847	1,336,245
Aluminum Bahrain BSC. (ALBA)	20.62	1,943,334	1,883,161
National Chemical Carrier Co. (NCC)	20.00	294,912	266,142
Ma'aden Wa'ad Al Shamal Phosphate Co. (MWSPC)	15.00	1,364,394	859,037
Others		902,935	768,775
		9,082,341	8,491,067
Joint-venture			
SINOPEC/SABIC Tianjin Petrochemical Co. Ltd. (SSTPC)	50.00	3,221,555	2,893,904
SABIC SK Nexlene Company Pte. Ltd. (SSNC)	50.00	454,073	–
		12,757,969	11,384,971
Held to maturity (Sukuk and bonds)		3,377,847	3,228,097
Available for sale			
Investments in quoted and unquoted securities		542,974	864,646
		16,678,790	15,477,714

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended December 31, 2015
(Saudi Riyals in '000)

9. INVESTMENTS (continued)

Movement in equity-accounted investees is as follows:

	2015	2014
At the beginning of the year	11,384,971	9,232,362
Share in results of equity-accounted investees	1,192,026	920,494
Additions and adjustments	979,455	1,636,660
Dividends received	(798,483)	(404,545)
BALANCE AT END OF THE YEAR	12,757,969	11,384,971

ASSOCIATED COMPANIES

NCC, MARAFIQ, MWSP, MPC and SAIIC are incorporated in the Kingdom of Saudi Arabia. GPIC, GARMCO and ALBA are incorporated in the Kingdom of Bahrain. Others mainly include investments in associated companies held by subsidiaries of SLUX.

SAUDI ARABIAN INDUSTRIAL INVESTMENT COMPANY (SAIIC)

During 2014, SABIC made an initial capital contribution of SR 125 million on its investment in SAIIC representing 25% of its shareholding interests. The Saudi Arabian Public Investment Fund ("PIF"), the Saudi Arabian Oil Company ("Saudi Aramco") are 50% and 25% shareholders in SAIIC, respectively. SAIIC was established with a total share capital of SR 2 billion. SAIIC main objectives are development of industrialization in the Kingdom of Saudi Arabia, creation of a global competitive industry, promotion of economic diversification and improving the private industrial investment sector in the Kingdom of Saudi Arabia.

JOINT VENTURE

SABIC SK Nexlene Company Pte. Ltd. (SSNC) During 2015, SIIC (a wholly owned subsidiary of SABIC) and SK Global Chemical, Korean Petrochemical Company, established jointly SABIC SK Nexlene Company Pte. Ltd ("SSNC"), a joint venture. The objectives of SSNC are to acquire the Nexlene™ solution technology and the plants that manufacture a range of high-performance Ethylene/Alpha-Olefin copolymers products in Ulsan, Republic of South Korea. The total investment value is around US$ 640 million (SR 2.4 billion).

AVAILABLE FOR SALE

Investments in quoted and un-quoted securities represent equity interests in entities, in which the Group has no significant influence.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended December 31, 2015
(Saudi Riyals in '000)

10. PROPERTY, PLANT, AND EQUIPMENT

	Land and buildings	Plant and equipment	Furniture, fixtures and vehicles	Construction work in progress	Total 2015	Total 2014
Cost:						
At beginning of the year	30,432,282	236,700,352	3,976,293	32,655,479	303,764,406	294,865,359
Additions	217,204	3,722,385	610,463	16,486,869	21,036,921	16,342,300
Transfers/ disposals	773,206	11,387,276	929,696	(16,482,464)	(3,392,286)	(3,850,323)
Currency translation adjustment	(574,732)	(2,014,381)	(82,963)	(194,027)	(2,866,103)	(3,592,930)
AT END OF THE YEAR	30,847,960	249,795,632	5,433,489	32,465,857	318,542,938	303,764,406
Depreciation and impairment:						
At beginning of the year	12,461,070	119,470,777	2,961,511	–	134,893,358	127,576,376
Charge for the year	1,268,210	11,797,266	692,768	–	13,758,244	12,351,382
Impairment	–	780,615	–	–	780,615	–
Transfer/ Disposal	(172,849)	(1,902,680)	(419,425)	–	(2,494,954)	(2,955,401)
Currency translation adjustment	(207,789)	(1,290,393)	(53,860)	–	(1,552,042)	(2,078,999)
AT END OF THE YEAR	13,348,642	128,855,585	3,180,994	–	145,385,221	134,893,358
Net book amounts:						
At 31 December 2015	17,499,318	120,940,047	2,252,495	32,465,857	173,157,717	
At 31 December 2014	17,971,212	117,229,575	1,014,782	32,655,479		168,871,048

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended December 31, 2015
(Saudi Riyals in '000)

10. PROPERTY, PLANT, AND EQUIPMENT (continued)

Construction work in progress mainly represents the expansion of the existing plants and the new projects. The financial charges capitalized during the year ended 31 December 2015 amounted to SR 0.1 billion (31 December 2014: SR 0.2 billion).

As of 31 December 2015, land and buildings include an amount of SR 2.0 billion (31 December 2014: SR 1.9 billion) representing the cost of freehold land. The land, on which the plant and the related facilities of certain subsidiaries in the Kingdom of Saudi Arabia are constructed, are leased from the Royal Commission for Jubail and Yanbu under renewable lease agreements for a period up to 25-30 years.

Property, plant and equipment of certain subsidiaries in the Kingdom of Saudi Arabia are mortgaged to the Saudi Industrial Development Fund (SIDF) as security against the long term debt.

The impairment above represents the write-down of certain plant and equipment of Ibn Rushd (a subsidiary) to its recoverable amount due to oversupply in the market pushing profitability down.

This impairment is attributable to the following:

SABIC	375,241
Non-controlling interests	405,374
TOTAL	780,615

The recoverable amount of SR 7,980 million as at 31 December 2015 was based on "value-in-use" method and was determined at the level of cash generating unit ("CGU") as identified by Ibn Rushd's management and consists of the net operating assets of Ibn Rushd. In determining value in use for the CGU, the cash flows – determined using approved five-year business plan and budget – were discounted at a rate of 9.5% on a pre-zakat basis and were projected up to the year 2035 in line with the estimated useful life of the concerned plant and equipment. The estimated average growth rate used to extrapolate the cash flows beyond the five-year period was 0.4% and Ibn Rushd's management believes that such growth rate does not exceed the long-term average growth rate for the market in which it operates. The calculation of value-in-use is most sensitive to the following key assumptions used:

- Future performance improvements
- Discount rate applied to cash flows projections
- Sale prices and quantities

11. INTANGIBLE ASSETS

	2015	2014
Goodwill	11,977,291	12,524,220
Patents, trademarks, customer lists and other intangibles	3,559,786	4,013,791
Pre-operating costs	1,008,941	1,219,298
TOTAL	16,546,018	17,757,309

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended December 31, 2015
(Saudi Riyals in ’000)

GOODWILL

The movement in the Group’s reported goodwill as of 31 December is as follows:

	2015	2014
At beginning of the year	12,524,220	13,276,421
Currency translation adjustment	(546,929)	(752,201)
AT END OF THE YEAR	11,977,291	12,524,220

IMPAIRMENT ASSESSMENT

Based on the annual goodwill impairment test performed at the Group level during the year ended 31 December 2015, no impairment charge was recorded.

Goodwill’s recoverable amount has been determined based on ‘value-in-use’ calculations on the basis of discounted cash flows based on management approved projected cash flows for the relevant cash generating units for a five-year period. The cash flows beyond the five-year period are extrapolated using an estimated terminal growth rate. Management believes the growth rate used does not exceed the long-term average growth rate for the business. The discount rate used is pre-tax and reflects specific risks relevant to the business. The ‘value-in-use’ method shows that the recoverable amount calculation is most sensitive to changes in business performance, long-term and terminal growth rates, discount rate, working capital and capital expenditure assumptions in the terminal period.

12. OTHER NON-CURRENT ASSETS

	2015	2014
Home ownership receivables	1,502,829	997,973
Employee advances	502,188	441,308
Deferred taxes	662,303	419,590
Re-imbursement of tax payments	513,731	661,440
Pre-paid mining fees	112,500	112,500
Others	1,481,069	884,997
TOTAL	4,774,620	3,517,808

HOME OWNERSHIP RECEIVABLES

SABIC and certain subsidiaries have established employee home ownership programs that offer eligible employees the opportunity to buy residential units constructed by SABIC and certain subsidiaries. The cost of land and direct construction costs are repayable by the employee over a period of 20 years. The ownership of the housing units is transferred to the employee upon full payment of the amounts due

DEFERRED TAXES

Deferred taxes relate to the subsidiaries of SLUX operating in various tax jurisdictions outside the Kingdom of Saudi Arabia.

RE-IMBURSEMENT OF TAX PAYMENTS

Reimbursement of tax payments relates to the recovery of the tax payments from GE Company as a result of the purchase price agreement related to the acquisition of SABIC Innovative Plastics Holding B.V., a subsidiary of SLUX.

OTHERS

Others mainly include advances to contractors, loans to certain equity-accounted investees amounting to SR 0.9 billion (31 December 2014: SR 0.3 billion) at normal market rates and miscellaneous items.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended December 31, 2015
(Saudi Riyals in ’000)

13. LONG-TERM DEBT

	2015	2014
Term loans		
Commercial debt	49,007,609	54,098,237
Public Investment Fund (PIF)	4,441,219	5,321,438
Saudi Industrial Development Fund (SIDF)	2,790,683	3,322,243
TOTAL TERM LOANS	56,239,511	62,741,918
Bonds	6,823,781	10,918,875
Debt notes	10,000,000	10,000,000
TOTAL LONG-TERM DEBT	73,063,292	83,660,793
Less:		
Current portion of long-term debt	(13,306,056)	(13,906,668)
Transaction costs	(477,859)	(578,066)
TOTAL	59,279,377	69,176,059

TERM LOANS

The Group obtained term loans in order to finance its investments, which are repayable in conformity with the applicable loan agreements, at varying interest rates. Certain subsidiaries’ property, plant and equipment have been pledged against their respective loans.

The PIF and SIDF term loans are repayable in semi-annual instalments. PIF loans carry financing charges at varying rates and SIDF loans have an up front and annual administrative fees charged under their loans agreements.

BONDS

In November 2015, SABIC Capital I B.V., a subsidiary of SLUX, repaid a five year $1 billion bond.

The following bonds were outstanding as of 31 December 2015:

- On 3 October 2013, SABIC Capital II B.V., a subsidiary of SLUX, issued a five year $1 billion bond with a coupon of 2.625%. The proceeds were used to repay an external debt.
- On 20 November 2013, SABIC Capital I B.V. issued a seven year €750 million bond with a coupon of 2.75%. The proceeds were used to redeem an earlier Eurobond of € 750 million, upon its maturity on 28 November 2013. of SLUX, issued a five-year $1-billion bond with a coupon of 2.625%. The proceeds were used to repay external debt.
- SABIC has provided guarantees for bonds and certain term loans for certain subsidiaries which amounted to SR 29.2 billion as of 31 December 2015 (31 December 2014: SR 32.4 billion).

DEBT NOTES

On 29 December 2009, SABIC entered into an agreement with PIF for a private placement of unsecured Saudi Riyal debt notes amounting to SR 10 billion with multiple tranches. Such notes are fully drawn and have a bullet maturity after seven years of their respective issuance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended December 31, 2015
(Saudi Riyals in '000)

13. LONG-TERM DEBT (continued)

The aggregate repayment schedule of long-term debt is as follows:

	2015	2014
2015	–	13,906,668
2016	13,306,056	14,626,166
2017	15,919,862	12,750,858
2018	13,904,297	14,383,127
2019	3,530,920	5,254,268
Thereafter	26,402,157	22,739,706
TOTAL	73,063,292	83,660,793

14. ACCOUNTS PAYABLE

	Note	2015	2014
Trade accounts payable		16,475,376	17,581,494
Amounts due to foreign partners of subsidiaries	27	39,810	35,661
TOTAL		16,515,186	17,617,155

15. ACCRUALS AND OTHER CURRENT LIABILITIES

	Note	2015	2014
Accrued liabilities		4,231,078	5,858,523
Employees accruals		1,972,962	1,248,703
Dividends payable		1,139,394	1,143,172
Taxes payable		882,903	1,171,382
Contract retentions		425,710	308,770
Short-term bank borrowings		428,201	70,000
Capital leases – current portion	31	154,758	147,560
Others		1,915,004	981,782
TOTAL		11,150,010	10,929,892

Taxes payable include the taxes payable by the foreign partners and certain foreign entities. Others mainly include payable to Saudi Arabian Mining Company (Ma'aden), the parent company of MWSPC towards mining rights, accrued financial charges on borrowings and miscellaneous payables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended December 31, 2015
(Saudi Riyals in '000)

16. ZAKAT PAYABLE

The movement in the Group's zakat provisions is as follows:

	2015	2014
At the beginning of the year	2,201,651	3,049,797
Provided during the year	2,100,000	2,100,000
Paid during the year	(2,668,178)	(2,948,146)
AT END OF THE YEAR	1,633,473	2,201,651

Zakat returns of SABIC and its wholly owned subsidiaries are submitted to the Department of Zakat and Income Tax (DZIT) based on separate consolidated financial statements prepared for zakat purposes only. Other partially owned subsidiaries file their zakat returns separately.

SABIC has filed its zakat returns with the DZIT, received the zakat certificates, settled the zakat dues and cleared its zakat assessments with DZIT up to the year ended 31 December 2014.

17. OTHER NON-CURRENT LIABILITIES

	Note	2015	2014
Obligations under capital leases	31	1,080,223	1,356,812
Deferred tax		993,826	894,754
Others		1,661,490	1,867,193
TOTAL		3,735,539	4,118,759

Deferred tax represents the deferred taxes recorded in the foreign subsidiaries. Others mainly include tax payments payable on behalf of GE (reimbursable by GE, note 12), tax provisions related to foreign subsidiaries and other long-term payables.

18. EMPLOYEE BENEFITS

	2015	2014
End of service benefits	11,484,549	10,975,100
Employee savings plan	931,944	832,498
Early-retirement plan	325,834	57,570
TOTAL	12,742,327	11,865,168

19. SHARE CAPITAL

The share capital amounting to SR 30 billion is divided into three billion shares of SR 10 each as of 31 December 2015 and 2014.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended December 31, 2015
(Saudi Riyals in '000)

20. RESERVES

STATUTORY RESERVE

In accordance with the Saudi Arabian Regulations for Companies, SABIC must transfer 10% of its annual consolidated net income to the statutory reserve until it reaches 50% of the share capital, having this been achieved, SABIC decided to discontinue such transfer. The 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. The general reserve can be increased or decreased by a resolution of the shareholders and is available for distribution.

21. NON-CONTROLLING INTERESTS

Non-controlling interests which are principally related to the subsidiaries in the Kingdom of Saudi Arabia are shown in the consolidated balance sheet as part of equity. Share of non-controlling interests in the net results of subsidiaries is shown separately in the consolidated statement of income. The movement of non-controlling interests in the consolidated balance sheet was as follows:

	2015	2014
At the beginning of the year	48,886,011	50,384,666
Share of non-controlling interests during the year	8,645,118	13,198,980
Dividends paid and others	(9,597,992)	(14,697,635)
AT END OF THE YEAR	47,933,137	48,886,011

22. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

	2015	2014
Selling and distribution	5,329,117	5,989,771
Employee costs	3,434,768	3,090,104
General and administrative	2,350,309	2,508,071
Technology and innovation	2,257,268	1,892,180
Depreciation and amortization	356,362	265,762
TOTAL	13,727,824	13,745,888

23. OTHER INCOME

	2015	2014
Earnings on time deposits	654,499	525,562
Miscellaneous	656,976	1,082,450
TOTAL	1,311,475	1,608,012

Miscellaneous includes insurance claims, net results of disposals of property, plant and equipment, exchange rate differences and other items.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended December 31, 2015
(Saudi Riyals in '000)

24. EARNINGS PER SHARE

The earnings per share is calculated based on the weighted average number of outstanding shares at 31 December 2015 and 2014.

25. SEGMENT INFORMATION

The Group's operations consist of the following business segments:

- **The chemicals segment** includes chemicals, polymers and innovative plastic products.
- **The agri-nutrients segment** consists of fertilizer products.
- **The metals segment** consists of steel products.
- **The corporate segment** includes the corporate operations, technology and innovation centres, investment activities and SABIC Industrial Investments Company (SIIC).

	Chemicals	Agri-Nutrients	Metals	Corporate	Consolidation adjustments & eliminations	Total
Year ended 31 December 2015						
Sales	170,718,132	5,965,509	10,668,468	8,609,287	(47,875,655)	148,085,741
Gross profit	33,993,508	2,712,279	(738,343)	3,704,011	3,356,305	43,027,760
Net income	21,288,913	2,544,673	(1,457,645)	21,531,096	(25,138,347)	18,768,690
Total assets	230,068,629	13,797,172	21,032,990	227,972,503	(164,652,140)	328,219,154
Total liabilities	152,669,108	2,308,376	4,647,441	57,117,195	(98,380,152)	118,361,968
Year ended 31 December 2014						
Sales	216,916,933	7,247,615	13,506,993	12,086,170	(60,769,066)	188,988,645
Gross profit	39,901,289	4,153,633	1,983,169	4,542,165	896,901	51,477,157
Net income	27,654,455	4,169,170	1,354,093	23,880,214	(33,710,818)	23,347,114
Total assets	246,020,197	13,559,798	24,559,855	229,420,814	(173,519,585)	340,041,079
Total liabilities	161,309,303	1,770,095	5,916,661	61,731,464	(100,912,171)	129,815,352

The total net results of the above segments include share in the results of the subsidiaries and the associated companies. Also, the total assets balances in these segments include investment balances with respect to subsidiaries.

Substantial portion of the Group's operating assets are located in the Kingdom of Saudi Arabia. The principal markets for the Group's chemical products are Europe, USA, Middle East, and Asia Pacific. The principal markets for the Group's agri-nutrients segment are mainly in South East Asia, Australia, New Zealand, South America, Africa and Middle East. The metals segment sales are mainly in the Kingdom of Saudi Arabia and other Gulf Cooperative Council (GCC) Countries. The corporate activities are primarily based in the Kingdom of Saudi Arabia.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended December 31, 2015

26. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments principally include cash and cash equivalents, short-term investments, accounts and other receivables, derivative financial instruments, investments in securities, advances, short-term bank borrowings, accounts payable, accruals, long-term debt and other liabilities.

Credit Risk is the risk that one party will fail to discharge an obligation and will cause the other party to incur a financial loss. The Group has no significant concentration of credit risk. Cash is substantially placed with banks of sound credit ratings. Accounts receivable are carried net of provision for doubtful debts.

Commission Rate Risk is the risk that the value of financial instruments will fluctuate due to changes in the market commission rates. The Group has no significant commission bearing long-term assets, but has commission bearing liabilities at 31 December 2015. The Group manages its borrowings made at floating rates by using commission rate swaps (note 28), which have the economic effect of converting borrowings from floating rates to fixed rates. The commission rate swaps, when exercised, provide the Group with the right to agree with the counterparty to exchange, at specified intervals, the difference between fixed and the floating contract rates, calculated by reference to the agreed notional principal amounts.

Liquidity Risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from inability to sell a financial asset quickly at an amount close to its fair value. Liquidity risk is managed by monitoring, on a regular basis, that sufficient funds are available to meet any future commitments.

Currency Risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Group transactions are principally in Saudi Riyals, Euros and US Dollars. The Group monitors the fluctuations in currency exchange rates and manages its effect on the consolidated financial statements accordingly.

Fair Value Risk is the value for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction. As the consolidated financial statements are prepared under the historical cost convention, differences can arise between the book values and fair value estimates. Management believes that the fair values of the financial assets and liabilities are not materially different from their carrying values.

27. TRANSACTIONS WITH FOREIGN PARTNERS OF SUBSIDIARIES

In the ordinary course of business operations, certain subsidiaries of SABIC sell their products to their foreign partners in accordance with the marketing and off-take agreements. Sales to the aforementioned foreign partners during the year ended 31 December 2015 amounted to SR 10.5 billion (31 December 2014: SR 15.6 billion). Certain foreign partners also provide technology and innovation, and other services to certain SABIC affiliates in conformity with the executed agreements. Balances due from/to the foreign partners are shown in notes 6 and 14, respectively.

28. DERIVATIVE FINANCIAL INSTRUMENTS

The Group has executed derivative financial instruments including commission rate swaps. The remaining notional amount outstanding as of 31 December 2015 under such transactions was SR 3.9 billion (31 December 2014: SR 4.4 billion).

29. APPROPRIATION OF NET INCOME

The Annual General Assembly, in its meeting held on 23 Jumada Al-Thani 1436H (corresponding to 12 April 2015), approved the appropriation of the net income for the year ended 31 December 2014 as follows:

- Distribution of cash dividends of SR 16.5 billion (SR 5.5 per share), this includes the interim cash dividends amounting to SR 7.5 billion (SR 2.5 per share) for the first half of 2014;
- Payment of SR 1.8 million as Board of Directors' remuneration; and
- Transfer of the remaining balance to the general reserve.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended December 31, 2015
(Saudi Riyals in '000)

29. APPROPRIATION OF NET INCOME (continued)

On 9 Shawwal 1436H (corresponding to 25 July 2015), SABIC's Board of Directors approved to distribute interim cash dividends for the first half of 2015 amounting to SR 7.5 billion (SR 2.5 per share).

On 5 Rabi Awal 1437H (corresponding to 16 December 2015), the Board of Directors proposed a distribution of cash dividends for the second half of the year ended 31 December 2015 amounting to SR 9 billion (SR 3 per share). The proposed dividends are subject to the approval of the shareholders at their Annual General Assembly Meeting. The total proposed cash dividends for the year ended 31 December 2015 would amount to SR 16.5 billion (SR 5.5 per share).

30. CONTINGENCIES

The Group is involved in litigation matters in the ordinary course of business, which are being defended. While the ultimate results of these matters cannot be determined with certainty, the Group's management does not expect that they will have a material adverse effect on the consolidated financial statements of the Group.

As of 31 December 2015, the Group's bankers have issued, on its behalf, bank guarantees amounting to SR 2.3 billion (31 December 2014: SR 3.0 billion) in the normal course of business.

31. COMMITMENTS

The Group has capital expenditures commitments as of 31 December 2015 amounting to SR 9.8 billion (31 December 2014: SR 14.4 billion).

SABIC has an equity contribution commitment towards its 15% interest in MWSP. As of 31 December 2015, the outstanding commitment towards this investment amounts to SR 0.44 billion (31 December 2014: SR 0.95 billion). Pursuant to the terms of the agreements with the other shareholders of MWSP and its external lenders, SABIC has agreed to contribute additional funds to MWSP, under certain circumstances and to the extent required, in the event of cost over-runs.

SABIC also has an equity contribution commitment towards its 25% interest in Saudi Arabian Industrial Investments Company (SAIIC). As of 31 December 2015, the outstanding commitment towards this investment amounts to SR 0.38 billion (31 December 2014: SR 0.38 billion).

Operating lease commitments

Commitments under non-cancellable operating leases with initial terms of more than one year are as follows:

	2015	2014
2015	–	1,354,951
2016	1,310,205	1,276,344
2017	1,199,939	1,062,546
2018	925,282	811,020
2019	824,647	760,908
Thereafter	3,179,273	2,676,460
TOTAL	7,439,346	7,942,229

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended December 31, 2015
(Saudi Riyals in '000)

31. COMMITMENTS (continued)

Obligations under capital leases

Commitments under capital leases with initial terms of more than one year are as follows:

	Note	2015	2014
2015		–	226,178
2016		220,700	232,114
2017		183,520	195,293
2018		181,939	193,575
2019		181,759	202,283
Thereafter		1,024,911	1,165,534
Minimum lease payments		1,792,829	2,214,977
Less:			
Finance charges		(557,848)	(710,605)
Current portion	15	(154,758)	(147,560)
NON-CURRENT PORTION	17	1,080,223	1,356,812

32. SUBSEQUENT EVENTS

The management believe that there have been no significant subsequent events since the year ended 31 December 2015 that would have a material impact on the consolidated financial position of the Group as reflected in these consolidated financial statements.

33. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Board of Directors on 12 Jumad Awal 1437H corresponding to 21 February 2016.

34. COMPARATIVE FIGURES

Certain prior year figures have been re-classified to conform to the presentation in the current year.

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