

Saudi Arabian Fertilizers Company (SAFCO)
(A Saudi Joint Stock Company)

INTERIM FINANCIAL STATEMENTS (UN-AUDITED) AND
AUDITORS' LIMITED REVIEW REPORT

FOR THE THREE AND NINE MONTHS PERIODS ENDED
30 SEPTEMBER 2016

**LIMITED REVIEW REPORT TO THE SHAREHOLDERS
OF SAUDI ARABIAN FERTILIZERS COMPANY (SAFCO)
A SAUDI JOINT STOCK COMPANY**


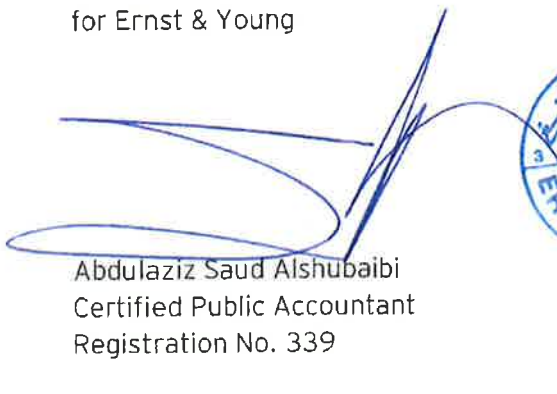
Scope of limited review:

We have reviewed the accompanying interim balance sheet of Saudi Arabian Fertilizers Company ("SAFCO" or the "Company"), a Saudi Joint Stock Company as at 30 September 2016 and the related interim statement of income for the three and nine months periods then ended and the interim statements of cash flows and changes in shareholders' equity for the nine months period then ended. These interim financial statements have been prepared by the Company and submitted to us together with the information and explanations which we required. We conducted our limited review in accordance with the Standard on Review of Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants (SOCPA). The limited review consists principally of applying analytical procedures to financial data and information and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with Generally Accepted Auditing Standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Conclusion of limited review:

Based on our limited review, we are not aware of any material modifications that should be made to the accompanying interim financial statements for them to be in conformity with accounting standards generally accepted in the Kingdom of Saudi Arabia.

for Ernst & Young



Abdulaziz Saud Alshubaibi
Certified Public Accountant
Registration No. 339

16 Muharram 1438H
17 October 2016

Alkhobar

Saudi Arabian Fertilizers Company (SAFCO)
(A Saudi Joint Stock Company)

INTERIM BALANCE SHEET (UN-AUDITED)

As at 30 September 2016

	Note	2016 SR"000"	2015 SR"000"
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		300,892	621,624
Short term deposits		-	580,000
Accounts receivable		352,259	651,850
Prepayments and other receivables		207,323	136,008
Inventories		486,727	387,696
Home ownership receivable – current portion		18,376	14,023
TOTAL CURRENT ASSETS		1,365,577	2,391,201
NON-CURRENT ASSETS			
Investment in an associate		680,112	697,417
Available for sale investments		410,085	408,851
Property, plant and equipment		5,395,636	4,910,955
Home ownership receivable		131,299	61,238
Employees' advances		12,386	12,096
Deferred costs		11,844	15,584
TOTAL NON-CURRENT ASSETS		6,641,362	6,106,141
TOTAL ASSETS		8,006,939	8,497,342
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Accounts payable and accruals		592,506	337,685
Dividends payable		183,521	191,408
Zakat provision		37,941	67,220
TOTAL CURRENT LIABILITIES		813,968	596,313
NON-CURRENT LIABILITY			
Employee's terminal benefits and saving plan		603,903	582,125
TOTAL LIABILITIES		1,417,871	1,178,438
SHAREHOLDERS' EQUITY			
Share capital	3	4,166,667	4,166,667
Statutory reserve		1,879,710	1,666,667
General reserve		45,105	45,105
Retained earnings		182,406	1,126,519
Unrealized gain from available for sale investments		315,180	313,946
TOTAL SHAREHOLDERS' EQUITY		6,589,068	7,318,904
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		8,006,939	8,497,342



Designated Member
Abdulaziz H. Al-Habdan



Company's President
Ahmed M. Al Jabr



Finance Director
Abdullah A. Al Ghamdi

The attached notes form an integral part of these interim financial statements.

Saudi Arabian Fertilizers Company (SAFCO)
(A Saudi Joint Stock Company)

INTERIM STATEMENT OF INCOME (UN-AUDITED)

For the three and nine months periods ended 30 September 2016

	<i>For the three months period ended 30 September</i>		<i>For the nine months period ended 30 September</i>	
	<i>2016 SR"000"</i>	<i>2015 SR"000"</i>	<i>2016 SR"000"</i>	<i>2015 SR"000"</i>
Sales	689,526	887,432	2,090,609	2,733,595
Cost of sales	(487,060)	(319,788)	(1,352,108)	(1,008,849)
GROSS PROFIT	202,466	567,644	738,501	1,724,746
General and administration expenses	(16,943)	(16,310)	(49,177)	(53,228)
INCOME FROM MAIN OPERATIONS	185,523	551,334	689,324	1,671,518
Other income, net	1,152	2,097	25,898	48,330
INCOME BEFORE SHARE IN RESULTS OF AN ASSOCIATE AND ZAKAT	186,675	553,431	715,222	1,719,848
Share in results of an associate	3,765	29,218	71,063	81,536
INCOME BEFORE ZAKAT	190,440	582,649	786,285	1,801,384
Zakat	(9,000)	(16,500)	(19,500)	(49,500)
NET INCOME FOR THE PERIOD	181,440	566,149	766,785	1,751,884

Earning per share (SR) :

Attributable to income from main operations	0.45	1.32	1.65	4.01
Attributable to net income	0.44	1.36	1.84	4.20
Weighted average number of shares outstanding (in thousands)	416,667	416,667	416,667	416,667



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Saudi Arabian Fertilizers Company (SAFCO)
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INTERIM STATEMENT OF CASH FLOWS (UN-AUDITED)

Nine months period ended 30 September 2016




	<i>Period from the beginning of the year to 30 September</i>	
	<i>2016</i>	<i>2015</i>
	<i>SR"000"</i>	<i>SR"000"</i>
OPERATING ACTIVITIES		
Income before zakat	786,285	1,801,384
Adjustments for:		
Depreciation and amortization	334,980	262,183
Gains on sale of property, plant and equipment	-	(25)
Share in results of an associate	(71,063)	(81,536)
Dividends income from available for sales investments	(14,236)	(9,490)
Financial income, net	(12,318)	(6,056)
	<u>1,023,648</u>	<u>1,966,460</u>
Changes in operating assets and liabilities:		
Receivables	346,533	(43,868)
Inventories	(52,093)	(818)
Payables	28,498	90,765
Cash from operations	<u>1,346,586</u>	<u>2,012,539</u>
Employees' terminal benefits and saving plan, net	7,947	29,337
Employees' home ownership program, net	16,357	10,592
Zakat paid	(52,199)	(69,934)
Net cash from operating activities	<u>1,318,691</u>	<u>1,982,534</u>
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(625,976)	(326,208)
Dividends received	14,236	134,490
Financial income received	12,318	6,056
Proceeds from disposal of property, plant and equipment	-	320
Short term deposits	-	(580,000)
Net cash used in investing activities	<u>(599,422)</u>	<u>(765,342)</u>
FINANCING ACTIVITY		
Dividends paid and directors' remuneration	(1,878,416)	(2,235,662)
Net cash used in financing activity	<u>(1,878,416)</u>	<u>(2,235,662)</u>
DECREASE IN CASH AND CASH EQUIVALENTS	<u>(1,159,147)</u>	<u>(1,018,470)</u>
Cash and cash equivalents at the beginning of the period	<u>1,460,039</u>	<u>1,640,094</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u><u>300,892</u></u>	<u><u>621,624</u></u>

The attached notes form an integral part of these interim financial statements.

Saudi Arabian Fertilizers Company (SAFCO)
(A Saudi Joint Stock Company)

INTERM STATEMENT OF CASH FLOWS (UN-AUDITED) - continued
Nine months period ended 30 September 2016

Supplemental non cash transactions:

	<i>Period from the beginning of the year to 30 September</i>	
	<i>2016</i>	<i>2015</i>
	<i>SR"000"</i>	<i>SR"000"</i>
Transfer from property, plant and equipment to home ownership receivable	<u>71,383</u>	<u>50,595</u>
 Designated Member <u>Abdulaziz H. Al-Habdan</u>	 Company's President <u>Ahmed M. Al Jabr</u>	 Finance Director <u>Abdullah A. Al Ghamdi</u>

The attached notes form an integral part of these interim financial statements.

Saudi Arabian Fertilizers Company (SAFCO)
(A Saudi Joint Stock Company)

INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (UN -AUDITED)

Nine months period ended 30 September 2016

	Share capital SR"000"	Statutory reserve SR"000"	General reserve SR"000"	Retained earnings SR"000"	Proposed dividends SR"000"	Unrealised gain from available for sale investments SR"000"	Total SR"000"
Balance at 31 December 2014 (audited)	3,333,333	1,666,667	45,105	2,459,369	-	357,222	7,861,696
Net income for the period	-	-	-	1,751,884	-	-	1,751,884
Increase in share capital	833,334	-	-	(833,334)	-	-	-
Dividends paid	-	-	-	(2,250,000)	-	-	(2,250,000)
Directors' remuneration	-	-	-	(1,400)	-	-	(1,400)
Movement during the period	-	-	-	-	-	(43,276)	(43,276)
Balance at 30 September 2015	4,166,667	1,666,667	45,105	1,126,519	-	313,946	7,318,904
Balance at 31 December 2015 (audited)	4,166,667	1,879,710	45,105	42,021	1,250,000	212,682	7,596,185
Net income for the period	-	-	-	766,785	-	-	766,785
Dividend paid	-	-	-	-	(1,250,000)	-	(1,250,000)
Interim dividends	-	-	-	(625,000)	-	-	(625,000)
Directors' remuneration	-	-	-	(1,400)	-	-	(1,400)
Movement during the period	-	-	-	-	-	102,498	102,498
Balance at 30 September 2016	4,166,667	1,879,710	45,105	182,406	-	315,180	6,589,068



Designated member

Abdulaziz H. Al-Habdan



Company's President

Ahmed M. Al Jabr



Finance Director

Abdullah A. Al Ghamdi

The attached notes form an integral part of these interim financial statements.

Saudi Arabian Fertilizers Company (SAFCO) (A Saudi Joint Stock Company)

NOTES TO THE INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

At 30 September 2016

1 ACTIVITIES

Saudi Arabian Fertilizers Company (the "Company" or "SAFCO") is a Saudi Joint Stock Company incorporated under Royal Decree Number M/13 dated 11 Jumada I 1385H (corresponding to 7 September 1965). The Company was initially registered in the city of Dammam with Commercial Registration number 2050001841 dated 1 Dhl al-Hijjah 1385H (corresponding to 24 March 1966), and later on the Company's head office was shifted to Jubail Industrial City with commercial registration number 2055002359 dated 29 Shawwal 1411H (corresponding to 14 May 1991). The previous commercial registration was converted to a branch.

The Company's present principal business activity is the manufacture and conversion of Urea and Ammonia.

SAFCO holds a 50% equity interest in National Chemical Fertilizers Company ("Ibn Al Baytar"), 3.87% equity interest in Arabian Industrial Fibers Company ("Ibn Rushd"), and 1.69% equity interest in Yanbu National Petrochemicals Company ("Yansab").

2 SIGNIFICANT ACCOUNTING POLICIES

These interim financial statements have been prepared in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia. The significant accounting policies adopted are as follows:

Accounting convention

These interim financial statements are prepared under the historical cost convention except for the measurement of available for sale investments at fair value.

Use of estimates

The preparation of interim financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the interim financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates are considered reasonable in the given circumstances of the Company.

Cash and cash equivalents

Cash and cash equivalents consist of bank balances, cash on hand, short term Murabahat that is readily convertible into known amounts of cash and have original maturities of three months or less.

Short term deposits

Short term deposits are deposits with financial institutions that are readily convertible into known amounts of cash and have a maturity of more than three months and less than one year.

Accounts receivable

Accounts receivable are stated at the original invoice amount less an allowance for any uncollectible amounts. An estimate for doubtful debt is made when the collection of the account receivable amount is considered doubtful. Bad debts are written off as incurred.

Inventories

Inventories are stated at the lower of cost and net realizable value, with due allowance for obsolete or slow moving items. Cost is determined as follows:

Raw materials, consumables and spare parts	- purchase cost on a weighted average basis
Finished products	- cost of direct materials and labour plus attributable overheads based on a normal level of activity.

Saudi Arabian Fertilizers Company (SAFCO)
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM FINANCIAL STATEMENTS (UN-AUDITED)-continued
At 30 September 2016

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment in an associate

Investment in companies where the Company effectively participates in the financial and operational decisions of those investee companies, normally when the company acquire share between 20% to 50%, are accounted for using the equity method.

Available for sale investments

These represent investments which are neither bought with the intention of being held to maturity nor for trading purposes. Such investments are stated at fair value. Changes in fair value are credited or charged to the statement of changes in shareholders' equity. Where there is an objective evidence that investments may be impaired, the estimated recoverable amount of those investments is determined and any impairment loss for the difference between the recoverable amount and the carrying amount is recognised in the statement of income.

Dividends from available for sales investments are recognized when dividends are declared and when the right to dividends distribution is established.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value. Construction work in progress is not depreciated. The cost of other property, plant and equipment is depreciated on a straight line basis over the estimated useful lives of the assets.

Turnaround costs related to major maintenance, which normally benefit more than one year are capitalised and are depreciated over the period until the date of the next planned turnaround. Should an unexpected turnaround occur prior to the previously envisaged date of planned turnaround, then the previously undepreciated costs are immediately expensed and the new turnaround costs are depreciated over the period likely to benefit from such costs.

Expenditures for repair and maintenance are charged to income. Improvement that increase the value or materially extend the life of the related assets are capitalized.

Capital spare-parts which are considered essential to ensure continuous plant operation, are classified under "property, plant and equipment" under the tangible assets, and are depreciated using the straight-line method in accordance with the applicable depreciation rates. The following two conditions must apply to all capitalized spare-parts:

- They are not readily available in the market, or unavailable.
- Their manufacturing requires an extended time to complete.

Deferred costs

Deferred costs represent the cost incurred for developing the infrastructure of land that will be used by the home ownership program (the "HOP") in the future. Deferred costs are classified under non-current assets and amortized over 5 years.

The amortization expenses are included under cost of sales in the interim statement of income.

Impairment of non-current assets

The Company reviews the carrying values of its non-current assets for impairment when events or circumstances indicate that carrying value may not be recoverable. If such indicators exist, the recoverable amount of the asset is estimated in order to determine the extent of impairment (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs.

The carrying value of the asset (or cash generating unit) is reduced to the recoverable value when the recoverable value is below the carrying value. Impairment loss is recognized as expense when incurred.

Where an impairment loss subsequently reverses, the carrying value of the asset is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. The reversal of impairment loss is recognized as income once identified.

Saudi Arabian Fertilizers Company (SAFCO)
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM FINANCIAL STATEMENTS (UN-AUDITED)-continued
At 30 September 2016

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Employees' home ownership program

The Company has a Home Ownership Program that offers eligible Saudi employees home ownership (the "HOP") opportunities. Unsold housing units constructed for eventual sale to eligible Saudi employees are included under property, plant and equipment and depreciated over 33 years. Upon signing the sale contract, the related cost and accumulated depreciation are derecognized and the loans receivable from the employees in respect of the purchase of the housing units are classified under long term assets and are recovered over a period not exceeding twenty years. Installments recoverable within twelve months period from the date of the balance sheet are classified under current assets.

Accounts payable and accruals

Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Zakat

Zakat is provided for in the interim financial statements based on the period share of the estimated zakat for the whole year and it charged to interim statement of income. Differences between the estimated zakat for the interim period and the zakat provision that is calculated based on the detailed calculation of the zakat base at year end are accounted for at that time.

Employees' terminal benefits

Provision is made for amounts payable under the Company's policies applicable to employees accumulated periods of service at the interim balance sheet date.

Employees' saving plan

The Company maintains an employees' saving plan for Saudi employees. The contributions from the participants are deposited in separate bank account and liability is established for these contributions. The Company's contribution under the saving plan is charged to the interim statement of income.

Dividends

Dividends are recognized 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.

Revenue recognition

In general, most of the Company's sales are made to SABIC (the "Marketer"). Upon delivery of products to the Marketer, sales are recorded at provisional selling prices net of selling, distribution and marketing expenses paid directly by the Marketer. These selling prices are later adjusted based upon actual selling prices received by the Marketer from third parties

Expenses

Expenses related to executive management are classified as general and administration expenses. All other costs are considered as cost of sales.

Technology and innovation cost

Technology and innovation cost are expensed when incurred.

Earnings per share

Basic earnings per share from net income are calculated by dividing the net income for the period by the weighted average number of shares outstanding at period end.

Basic earnings per share from main operations are calculated by dividing income from main operations for the period by the weighted average number of shares outstanding at period end.

Saudi Arabian Fertilizers Company (SAFCO)
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM FINANCIAL STATEMENTS (UN-AUDITED)-continued
At 30 September 2016

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency transactions

Transactions in foreign currencies are recorded in Saudi Riyals at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the interim balance sheet date. All differences are taken to the interim statement of income.

Segmental Analysis

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

Substantially all of the Company's operations are related to one operating segment which is fertilizers including the production of Urea and Ammonia in one location. Accordingly, segmental analysis by geographical and operating segment has not been presented.

Fair values

For investments traded in organised markets, fair value is determined by reference to quoted market bid prices.

For unquoted equity investments, fair value is determined by reference to the related value of a similar investments in case such value is not determinable the cost is considered the fair value.

Results of the interim period

The Company has made all necessary adjustments which are important in order to present fairly in all material respects the interim financial position and results of operations. The interim financial results may not be considered an accurate basis for the actual results for the whole year.

3 SHARE CAPITAL

Share capital is divided into 416,666,667 shares (2015: 416,666,667 shares) of SR 10 each.

4 DIVIDENDS

On 11 Ramadan 1437H (corresponding to 16 June 2016), the Board of Directors approved to distribute interim cash dividends amounting SR 1.5 per share (SR 625 million in total) for the first half of 2016. The dividends were paid during July 2016.

On 24 Safar 1437H (corresponding to 6 December 2015), the Board of Directors approved to distribute cash dividends amounting SR 3 per share (SR 1,250 million in total) for the second half of 2015. This has been approved by the General Assembly in their meeting held on 21 Jumada' II 1437H (corresponding to 30 March 2016) and were paid on 10 April 2016.

On 18 Ramadan 1436H (corresponding to 5 July 2015), the Board of Directors approved to distribute interim cash dividends amounting SR 3 per share (SR 1,250 million in total) for the first half of 2015. The dividends were paid during 2015.

On 13 Rabi' I 1436H (corresponding to 4 January 2015), the Board of Directors approved to distribute cash dividends amounting SR 3 per share (SR 1,000 million in total) for the second half of 2014 and 25% bonus shares (totaling to SR 833 million). This has been approved by the Extraordinary General Assembly in their meeting held on 17 Jumada' II 1436H corresponding to 6 April 2015 and were paid accordingly during 2015.

Saudi Arabian Fertilizers Company (SAFCO)
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NOTES TO THE INTERIM FINANCIAL STATEMENTS (UN-AUDITED)-continued
At 30 September 2016

5 CAPITAL COMMITMENTS

The Board of Directors approved in their meeting held on 17 Jumada II 1436H (corresponding to 6 April 2015) a capital project to supply and build up the new electricity station for SAFCO II and SAFCO III at the Company's complex in Jubail Industrial City at an estimated cost of SR 276.27 million. Total expenditure incurred up till 30 September 2016 amounted to SR 144 million in relation to this project.

The Board of Directors approved in their meeting held on 18 Ramadan 1436H (corresponding to 5 July 2015) a reliability project for SAFCO IV at the Company's complex in Jubail Industrial City with an estimated procurement and construction cost of SR 747 million. Total expenditure incurred up till 30 September 2016 amounted to SR 262 million in relation to this project.

Moreover, the directors approved future capital expenditure in relation to other projects with an amount of SR 319.43 million (2015: SR 327 million).

6 COMPARATIVE FIGURES

Certain of the prior period's amounts have been reclassified to conform to the presentation in the current period.