

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

INTERIM FINANCIAL STATEMENTS AND
AUDITORS' LIMITED REVIEW REPORT

FOR THE PERIOD ENDED
30 JUNE 2013

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

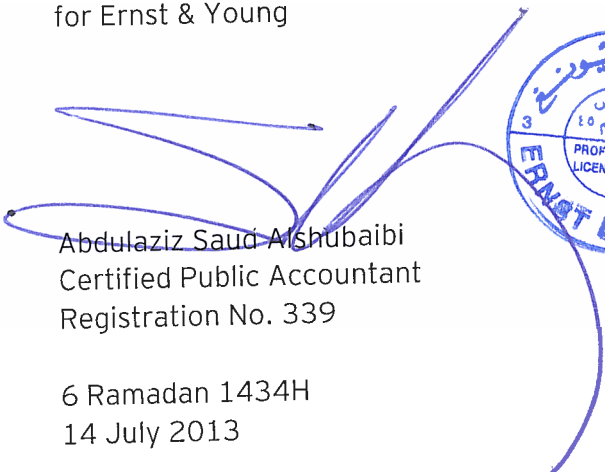
Scope of limited review:

We have reviewed the accompanying interim balance sheet of Saudi Arabian Fertilizers Company (SAFCO) - (the "Company"), a Saudi Joint Stock Company as at 30 June 2013 and the related interim statements of income for three months and six months then ended and the interim statement of cash flows for the six 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

6 Ramadan 1434H
14 July 2013

Alkhobar

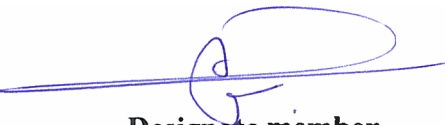


Saudi Arabian Fertilizers Company (SAFCO)
(Saudi Joint Stock Company)

INTERIM BALANCE SHEET (UN-AUDITED)

As at 30 June 2013

	2013 SR"000"	2012 SR"000"
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	3,166,081	3,573,820
Trade accounts receivable	622,205	534,947
Prepayments and other receivables	159,471	86,594
Inventories	394,089	365,320
Home ownership receivables – current portion	11,382	13,765
TOTAL CURRENT ASSETS	4,353,228	4,574,446
NON-CURRENT ASSETS		
Investment in an associate	659,056	572,342
Available for sale investments	526,723	417,582
Property, plant and equipment	3,841,050	3,284,281
Intangible assets	216,089	175,064
Home ownership receivables	28,527	39,174
TOTAL NON CURRENT ASSETS	5,271,445	4,488,443
TOTAL ASSETS	9,624,673	9,062,889
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable, other payables and provisions	499,769	379,271
Current portion of term loan	-	120,000
Zakat provision	80,455	65,491
TOTAL CURRENT LIABILITIES	580,224	564,762
NON-CURRENT LIABILITY		
Employee's terminal benefits and saving plans	484,875	467,537
TOTAL LIABILITIES	1,065,099	1,032,299
SHAREHOLDERS' EQUITY		
Share capital	3,333,333	2,500,000
Statutory reserve	1,666,667	1,250,000
General reserve	45,105	45,105
Retained earnings	3,082,651	3,912,808
Unrealized gain from available for sale investments	431,818	322,677
TOTAL SHAREHOLDERS' EQUITY	8,559,574	8,030,590
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	9,624,673	9,062,889



Designate member
Ibrahim Mohammed Al Saif



General Manager
Abdullah Ali Al Bakr



Finance Director
Abdullah Ahmed Al Ghamdi

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

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

INTERIM STATEMENT OF INCOME (UN-AUDITED)

For the three and six months periods ended 30 June 2013

		<i>For the quarter ended 30 June</i>		<i>For the period from the beginning of the year to 30 June</i>	
	Note	2013 SR"000"	2012 SR"000"	2013 SR"000"	2012 SR"000"
Sales		982,881	1,115,960	2,160,636	2,177,457
Cost of sales		(330,954)	(372,210)	(655,885)	(680,109)
GROSS PROFIT		651,927	743,750	1,504,751	1,497,348
General and administration expenses		(18,793)	(17,809)	(41,421)	(36,390)
INCOME FROM MAIN OPERATIONS		633,134	725,941	1,463,330	1,460,958
Other income, net		9,858	53,681	25,801	86,977
INCOME BEFORE SHARE IN RESULTS OF AN ASSOCIATE		642,992	779,622	1,489,131	1,547,935
Share in results of an associate		79,883	28,305	195,335	70,903
INCOME BEFORE ZAKAT		722,875	807,927	1,684,466	1,618,838
Zakat		(30,000)	(24,000)	(60,000)	(48,000)
NET INCOME FOR THE PERIOD		692,875	783,927	1,624,466	1,570,838
 Earnings per share (from net income)	1	 2.08	 2.35	 4.87	 4.71
Earnings per share (from main operations)	1	1.90	2.18	4.39	4.38
Weighted average number of shares outstanding (in thousands)	1	333,333	333,333	333,333	333,333



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

Period ended 30 June 2013

	<i>Period from the beginning of the year to 30 June</i>	
	<i>2013</i>	<i>2012</i>
	<i>SR"000"</i>	<i>SR"000"</i>
OPERATING ACTIVITIES		
Income before zakat	1,684,466	1,618,838
Adjustments for:		
Depreciation and amortization	171,159	163,101
Share in results of an associate	(195,335)	(70,903)
Loss from disposal of property, plant and equipment	-	31
Net financial income	(18,111)	(11,600)
	<u>1,642,179</u>	<u>1,699,467</u>
Changes in operating assets and liabilities		
Account receivable	280,645	437,014
Inventories	29,077	6,782
Account payable	(29,689)	36,290
Cash from operations	<u>1,922,212</u>	<u>2,179,553</u>
Employees' terminal benefits and saving plan, net	3,303	(47,605)
Employees' home ownership program	5,597	17,687
Zakat paid	(103,571)	(99,247)
Net cash from operating activities	<u>1,827,541</u>	<u>2,050,388</u>
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(467,820)	(265,004)
Dividends received	350,000	400,000
Net financial income received	18,111	11,600
Intangible assets, net	(115,776)	(112,814)
Net cash (used in)/from investing activities	<u>(215,485)</u>	<u>33,782</u>
FINANCING ACTIVITIES		
Dividends paid	(2,000,000)	(1,750,000)
Term loan, net	(40,000)	(40,000)
Net cash used in financing activities	<u>(2,040,000)</u>	<u>(1,790,000)</u>
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	<u>(427,944)</u>	<u>294,170</u>
Cash and cash equivalents at the beginning of the period	<u>3,594,025</u>	<u>3,279,650</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u><u>3,166,081</u></u>	<u><u>3,573,820</u></u>



Designate member

Ibrahim Mohammed Al Saif



General Manager

Abdullah Ali Al Bakr



Finance Director

Abdullah Ahmed Al Ghamdi

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

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

NOTES TO THE INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

At 30 June 2013

1 ACTIVITIES

Saudi Arabian Fertilizers Company ("SAFCO" or the "Company") is a Saudi Joint Stock Company incorporated under Royal Decree Number M/13 dated 11 Jumada I 1385H, which also included its by laws. The Company was initially registered in the city of Dammam with Commercial Registration number 2050001841 dated 1 Dhu 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") and 3.87% equity interest in Arabian Industrial Fibers Company ("Ibn Rushd") and 1.69% equity interest in Yanbu National Petrochemicals Company ("Yansab").

On 21 Muharram 1434H corresponding to 5 December 2012 and based on the Extraordinary General Assembly resolution, the Company has increased its capital from SR 2,500 million to SR 3,333 million by a transfer from retained earnings to the share capital by issuing one bonus share for every three shares to the shareholders registered in the stock exchange as of 5 December 2012. Accordingly, the share capital of the Company after the increase is SR 3,333 million divided into 333 million shares with a par value of SR 10 each. Consequently, the earning per share has been adjusted for the comparative period as required by the relevant accounting standards.

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 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 financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates are considered reasonable and appropriate in the Company's given circumstances.

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.

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 market 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.
Production in progress and finished products	- cost of direct materials and labour plus attributable overheads based on a normal level of activity.

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

NOTES TO THE INTERIM FINANCIAL STATEMENTS (UN-AUDITED)-continued
At 30 June 2013

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Available for sale investments

After initial recognition, investments purchased neither with the intention of being held to maturity nor for trading purposes are classified as available for sale investments and are measured at fair value. Unrealized gains and losses are reported as a separate component of shareholders' equity until the investment is derecognized or the investment is determined to be impaired. On derecognition or impairment the cumulative gain or loss previously reported in shareholders' equity is included in the interim statement of income for the period.

Revenues from available for sales investments are recognized when dividends are declared.

Investment in an associate

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

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value. Freehold land 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.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

Improvements on assets are amortized on a straight-line basis over the shorter of the useful life of the improvement or the related assets.

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

Capital spare parts

Capital spare-parts which considered essential to ensure continuous plant operation, are classified under 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

Planned turnaround costs are deferred and amortized over the period until the date of next planned turnaround. Should unexpected turnaround occur prior to the previously envisaged date of planned turnaround, then the previously unamortized deferred costs are immediately expensed and the new turnaround costs are deferred and amortized over the period likely to benefit from such costs.

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

Employees' home ownership program

The Company has a Home Ownership Program that offers eligible Saudi employees home ownership 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 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 balance sheet date are classified under current assets.

Costs incurred in connection with the construction of employees' housing units, such as administrative costs, infrastructure and financing costs are capitalized with the related assets. Such costs are amortized over a maximum period of five years.

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

NOTES TO THE INTERIM FINANCIAL STATEMENTS (UN-AUDITED)-continued
At 30 June 2013

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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. 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 under shareholders equity.

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. Adjustments are recorded as they become known to the Company.

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 balance sheet date. All differences are taken to the interim statement of income.

Expenses

Expenses related to executive management are classified as general and administration expenses. All other costs other than financial charges are considered as production cost.

Technology and innovation cost

Technology and innovation cost are expensed when incurred.

Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction for a long period or production of a qualifying asset, are capitalized as part of the cost of that asset.

Capitalization of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use are completed.

Earnings per share

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

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

NOTES TO THE INTERIM FINANCIAL STATEMENTS (UN-AUDITED)-continued
At 30 June 2013

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

As substantial portion of the Company's sales are made to one customer and due to the cessation of the production of Melamine and Sulphuric Acid, substantially all of the Company's operations are related to one operating segment which is fertilizers including the production of Urea and Ammonia. 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.

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 DIVIDENDS

On 21 Muharram 1434H corresponding 5 December 2012, the board of directors proposed to distribute cash dividends to the shareholders for the second half of 2012 amounting to SR 6 per share. This was approved by the General Assembly on their meeting held on 20 Jumada I 1434H correspondence to 1 April 2013.

Subsequent to period end, the board of directors recommended the distribution of cash dividends to the shareholders on account of the first half of the year 2013 amounting to SR 2,000 million (SR 6 per share). The eligibility for the dividends shall be for shareholders registered in the register of the security depository center (Tadawal) on 15 July 2013.

4 CAPITAL COMMITMENTS

The Board of directors approved in their meeting held on 11 Muharram 1433H corresponding to 6 December 2011 the capital expansion project for the new plant (SAFCO V) at the Company's complex in Jubail Industrial City for the manufacturing of Urea at an estimated cost of SR 2,000 million, with an annual capacity of 1.1 million metric tons. Total expenditures incurred up till 30 June 2013 amounted to SR 632.55 million in relation to this project (2012: SR 166.32 million).

Also the directors approved future capital expenditure in relation to other projects with an amount of SR 149.2 million (2012: SR 188.84 million).

5 COMPARATIVE FIGURES

Certain of the prior period figures have been reclassified to conform with the presentation in the current period.