

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

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

**FOR THE THREE MONTHS PERIOD AND YEAR ENDED
31 DECEMBER 2014**

**LIMITED REVIEW REPORT TO THE SHAREHOLDERS
OF SAUDI ARABIAN FERTILIZERS COMPANY
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 31 December 2014 and the related interim statement of income for three months period and year then ended and the interim statement of cash flows for the year 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 statement 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 statement 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



21 Rabi' I 1436H
12 January 2015

Alkhobar

Saudi Arabian Fertilizers Company
(Saudi Joint Stock Company)

INTERIM BALANCE SHEET (UN-AUDITED)

As at 31 December 2014

| | 2014 SR"000" | 2013 SR"000" (audited) |
|---|------------------|------------------------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | 1,640,094 | 2,139,668 |
| Trade accounts receivable | 599,382 | 656,060 |
| Prepayments and other receivables | 144,608 | 219,888 |
| Inventories | 386,878 | 342,274 |
| Home ownership receivables – current portion | 10,486 | 10,193 |
| TOTAL CURRENT ASSETS | 2,781,448 | 3,368,083 |
| NON-CURRENT ASSETS | | |
| Investment in an associate | 740,881 | 827,775 |
| Available for sale investments | 452,127 | 699,924 |
| Property, plant and equipment | 4,792,451 | 4,320,496 |
| Intangible assets | 127,085 | 217,090 |
| Home ownership receivables | 30,736 | 26,489 |
| TOTAL NON CURRENT ASSETS | 6,143,280 | 6,091,774 |
| TOTAL ASSETS | 8,924,728 | 9,459,857 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| CURRENT LIABILITIES | | |
| Accounts payable, accruals, other payables and provisions | 246,921 | 399,012 |
| Dividends payable | 175,670 | 155,677 |
| Zakat provision | 87,654 | 132,914 |
| TOTAL CURRENT LIABILITIES | 510,245 | 687,603 |
| NON-CURRENT LIABILITY | | |
| Employee's terminal benefits and saving plans | 552,788 | 503,468 |
| TOTAL LIABILITIES | 1,063,033 | 1,191,071 |
| SHAREHOLDERS' EQUITY | | |
| Share capital | 3,333,333 | 3,333,333 |
| Statutory reserve | 1,666,667 | 1,666,667 |
| General reserve | 45,105 | 45,105 |
| Retained earnings | 2,459,368 | 618,662 |
| Proposed dividend | - | 2,000,000 |
| Unrealised gain from available for sale investments | 357,222 | 605,019 |
| TOTAL SHAREHOLDERS' EQUITY | 7,861,695 | 8,268,786 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | 8,924,728 | 9,459,857 |

Designated Member

Abdulaziz Habdan Al-Habdan



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
(Saudi Joint Stock Company)

INTERIM STATEMENT OF INCOME (UN-AUDITED)

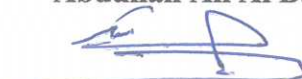
For the three months period and year ended 31 December 2014

| | <i>For the three months period ended 31 December</i> | | <i>For the year ended 31 December</i> | |
|---|--|-------------------------|---|---------------------------------------|
| | <i>2014 SR"000"</i> | <i>2013 SR"000"</i> | <i>2014 SR"000"</i> | <i>2013 SR"000" (audited)</i> |
| Sales | 1,093,387 | 1,007,883 | 4,456,130 | 4,240,398 |
| Cost of sales | (351,852) | (329,414) | (1,402,205) | (1,361,783) |
| GROSS PROFIT | 741,535 | 678,469 | 3,053,925 | 2,878,615 |
| General and administration expenses | (26,605) | (20,142) | (97,433) | (81,140) |
| INCOME FROM MAIN OPERATIONS | 714,930 | 658,327 | 2,956,492 | 2,797,475 |
| Other income, net | 58,204 | 67,706 | 84,442 | 111,407 |
| INCOME BEFORE SHARE IN RESULTS OF AN ASSOCIATE AND ZAKAT | 773,134 | 726,033 | 3,040,934 | 2,908,882 |
| Share in results of an associate | 36,042 | 98,425 | 213,106 | 364,054 |
| INCOME BEFORE ZAKAT | 809,176 | 824,458 | 3,254,040 | 3,272,936 |
| Zakat | (30,000) | (22,459) | (80,000) | (112,459) |
| NET INCOME FOR THE PERIOD | 779,176 | 801,999 | 3,174,040 | 3,160,477 |
| Earnings per share (from main operations) | 2.14 | 1.97 | 8.87 | 8.39 |
| Earnings per share (from net income) | 2.34 | 2.41 | 9.52 | 9.48 |
| Weighted average number of shares outstanding (in thousands) | 333,333 | 333,333 | 333,333 | 333,333 |

Designated Member
Abdulaziz Habdan Al-Habdan



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
(Saudi Joint Stock Company)

INTERIM STATEMENT OF CASH FLOWS (UN-AUDITED)

Year ended 31 December 2014

| | 2014 SR"000" | 2013 SR"000" (audited) |
|--|--------------------|------------------------------|
| OPERATING ACTIVITIES | | |
| Income before zakat | 3,254,040 | 3,272,936 |
| Adjustments for: | | |
| Depreciation and amortization | 368,235 | 373,936 |
| Share in results of an associate | (213,106) | (364,054) |
| Gain on sale of property, plant and equipment | (450) | (436) |
| Impairment of available for sale investments | - | 14,651 |
| Write off of intangible assets | 1,330 | - |
| Dividend income | (28,472) | (28,472) |
| Financial income | (10,144) | (28,347) |
| Financial charges | - | 3,436 |
| | 3,371,433 | 3,243,650 |
| Changes in operating assets and liabilities | | |
| Receivables | 56,678 | 290,111 |
| Prepayments and other receivables | 89,516 | (94,768) |
| Inventories | (44,604) | (85,183) |
| Payables | (152,092) | 272 |
| Cash from operations | 3,320,931 | 3,354,082 |
| Employees' terminal benefits and saving plans, net | 49,320 | 21,896 |
| Employees' home ownership program, net | 11,609 | 8,824 |
| Zakat paid | (125,260) | (103,571) |
| Financial charges paid | - | (3,436) |
| Net cash from operating activities | 3,256,600 | 3,277,795 |
| INVESTING ACTIVITIES | | |
| Purchase of property, plant and equipment | (765,995) | (925,120) |
| Proceeds from disposal of property, plant and equipment | 19,750 | 885 |
| Intangible assets | (20,969) | (176,074) |
| Dividends received from associate and available for sale investment | 314,236 | 350,000 |
| Financial income received | 10,144 | 33,198 |
| Net cash used in investing activities | (442,834) | (717,111) |
| FINANCING ACTIVITIES | | |
| Dividends paid | (3,313,340) | (3,975,041) |
| Repayment of term loans | - | (40,000) |
| Net cash used in financing activities | (3,313,340) | (4,015,041) |
| DECREASE IN CASH AND CASH EQUIVALENTS | (499,574) | (1,454,357) |
| Cash and cash equivalents at the beginning of the year | 2,139,668 | 3,594,025 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR | 1,640,094 | 2,139,668 |
| Non cash transactions: | | |
| Transfer of capital work in progress to employees home ownership program | 12,942 | - |
| Dividend receivable from available for sale investment | 14,236 | 28,472 |
| Transfer of spares to property, plant and equipment | - | 166,075 |
| Addition to available for sale investment through a related party | - | 14,651 |

Designated Member
Abdulaziz Habdan Al-Habdan

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 (Saudi Joint Stock Company)

NOTES TO THE INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

At 31 December 2014

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.

On 13 Rabi'I 1436H corresponding to 4 January 2015, the Board of Directors recommended to the Extraordinary General Assembly to increase the Company's share capital by 25% from 333,333,333 shares (amounting to SR 3,333,333,330) to 416,666,666 shares (amounting to SR 4,166,666,660) by way of issue of bonus shares (1 share for every 4 shares), accordingly the increase in share capital will be through the capitalization of SR 833,333,330 from the retained earnings. The eligibility for the bonus shares will be to the shareholders registered in the companies' register with Tadawul at the closing of exchange on the Extraordinary General Assembly date that will be determined later. This share capital increase is subject to approval of the Extraordinary General Assembly and the relevant authorities.

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 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 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 net realisable 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. |

NOTES TO THE INTERIM FINANCIAL STATEMENTS (UN-AUDITED)-continued
At 31 December 2014

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. Unrealised 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 those 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 and construction work in progress are 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.

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 unamortised 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.

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
(Saudi Joint Stock Company)

NOTES TO THE INTERIM FINANCIAL STATEMENTS (UN-AUDITED)-continued
At 31 December 2014

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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 interim 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.

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 accordance with Saudi Arabian fiscal regulations. The provision is charged to the statement of income. Additional amounts, if any, that may become due on the finalization of an assessment are accounted for in the year in which the assessment is finalized..

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.

Statutory reserve

In accordance with Saudi Arabian Regulations for Companies, the Company must set aside 10% of net income each year until it has built up a reserve equal to one half of the capital. This having been achieved, the Company has resolved to discontinue such transfers. The reserve is not available for distribution.

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

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.

Saudi Arabian Fertilizers Company
(Saudi Joint Stock Company)

NOTES TO THE INTERIM FINANCIAL STATEMENTS (UN-AUDITED)-continued
At 31 December 2014

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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.

Foreign currency translation

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.

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.

Substantial portion of the Company's sales are made to one customer and 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.

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.

3 DIVIDENDS

On 13 Rabi' I 1436H corresponding to 4 January 2015, the Board of Directors proposed to distribute cash dividends amounting SR 3 per share (SR 1,000 million in total) and 25% bonus shares (totaling to SR 833 million) for the second half of 2014. This is subject to the General Assembly approval in their next meeting.

On 24 Sha'aban 1435H corresponding to 22 June 2014, the Board of Directors proposed to distribute interim cash dividends for the first half of 2014 amounting to SR 4 per share (SR 1,333 million in total). The eligibility for the dividends receipt was for those shareholders registered in the Saudi Stock Exchange (Tadawul) register on 30 June 2014 and was paid on 14 July 2014.

On 13 Safar 1435H corresponding to 16 December 2013, the Board of Directors proposed to distribute cash dividends for second half of 2013 amounting to SR 6 per share (SR 2,000 million in total). This was approved by the General Assembly on their meeting held on 23 Jumada I 1435H correspondence to 24 March 2014 and has been paid, accordingly.

NOTES TO THE INTERIM FINANCIAL STATEMENTS (UN-AUDITED)-continued
At 31 December 2014

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 31 December 2014 amounted to SR 1,608 million in relation to this project (2013: SR 1,010 million).

Also the directors approved future capital expenditure in relation to other projects with an amount of SR 323.9 million (2013: SR 204.4 million).

5 COMPARATIVE FIGURES

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