

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

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

**FOR THE NINE MONTHS PERIOD ENDED  
30 SEPTEMBER 2015**

**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 30 September 2015, the related interim statement of income for three and nine months periods then ended and the interim statement of cash flows for the nine months period then ended. These interim financial statement 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

4 Muharram 1437H  
17 October 2015

Alkhobar

Saudi Arabian Fertilizers Company  
(Saudi Joint Stock Company)

INTERIM BALANCE SHEET (UN-AUDITED)

As at 30 September 2015

	2015 SR"000"	2014 SR"000"
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	621,624	900,484
Short term deposits	580,000	-
Trade accounts receivable	651,850	722,114
Prepayments and other receivables	136,008	129,483
Inventories	387,696	376,325
Home ownership receivables – current portion	14,023	10,539
<b>TOTAL CURRENT ASSETS</b>	<b>2,391,201</b>	<b>2,138,945</b>
<b>NON-CURRENT ASSETS</b>		
Investment in an associate	697,417	704,839
Available for sale investments	408,851	683,411
Property, plant and equipment	4,838,580	4,712,330
Intangible assets	94,091	135,466
Home ownership receivables	67,202	31,297
<b>TOTAL NON CURRENT ASSETS</b>	<b>6,106,141</b>	<b>6,267,343</b>
<b>TOTAL ASSETS</b>	<b>8,497,342</b>	<b>8,406,288</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable, accruals, other payables and provisions	337,685	308,613
Dividends payable	191,408	183,036
Zakat provision	67,220	57,654
<b>TOTAL CURRENT LIABILITIES</b>	<b>596,313</b>	<b>549,303</b>
<b>NON-CURRENT LIABILITY</b>		
Employees' terminal benefits and saving plans	582,125	543,181
<b>TOTAL LIABILITIES</b>	<b>1,178,438</b>	<b>1,092,484</b>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital	4,166,667	3,333,333
Statutory reserve	1,666,667	1,666,667
General reserve	45,105	45,105
Retained earnings	1,126,519	1,680,193
Unrealised gain from available for sale investments	313,946	588,506
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>7,318,904</b>	<b>7,313,804</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>8,497,342</b>	<b>8,406,288</b>

Designated Member  
Abdulaziz H. Al-Habdan



General Manager  
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  
(Saudi Joint Stock Company)

INTERIM STATEMENT OF INCOME (UN-AUDITED)

For the three and nine months periods ended 30 September 2015

	<i>For the three months period ended 30 September</i>		<i>For the nine months period ended 30 September</i>	
	<i>2015 SR"000"</i>	<i>2014 SR"000"</i>	<i>2015 SR"000"</i>	<i>2014 SR"000"</i>
Sales	887,432	1,248,619	2,733,595	3,362,743
Cost of sales	<u>(339,263)</u>	<u>(358,266)</u>	<u>(1,042,817)</u>	<u>(1,050,353)</u>
<b>GROSS PROFIT</b>	<b>548,169</b>	<b>890,353</b>	<b>1,690,778</b>	<b>2,312,390</b>
General and administration expenses	<u>(16,310)</u>	<u>(24,753)</u>	<u>(53,228)</u>	<u>(70,828)</u>
<b>INCOME FROM MAIN OPERATIONS</b>	<b>531,859</b>	<b>865,600</b>	<b>1,637,550</b>	<b>2,241,562</b>
Other income, net	<u>21,572</u>	<u>(4,258)</u>	<u>82,298</u>	<u>26,238</u>
<b>INCOME BEFORE SHARE IN RESULTS OF AN ASSOCIATE AND ZAKAT</b>	<b>553,431</b>	<b>861,342</b>	<b>1,719,848</b>	<b>2,267,800</b>
Share in results of an associate	<u>29,218</u>	<u>67,033</u>	<u>81,536</u>	<u>177,064</u>
<b>INCOME BEFORE ZAKAT</b>	<b>582,649</b>	<b>928,375</b>	<b>1,801,384</b>	<b>2,444,864</b>
Zakat	<u>(16,500)</u>	<u>(15,000)</u>	<u>(49,500)</u>	<u>(50,000)</u>
<b>NET INCOME FOR THE PERIOD</b>	<b><u>566,149</u></b>	<b><u>913,375</u></b>	<b><u>1,751,884</u></b>	<b><u>2,394,864</u></b>
Earnings per share (from main operations)	<u>1.28</u>	<u>2.08</u>	<u>3.93</u>	<u>5.38</u>
Earnings per share (from net income)	<u>1.36</u>	<u>2.19</u>	<u>4.20</u>	<u>5.75</u>
Weighted average number of shares outstanding (in thousands)	<u>416,667</u>	<u>416,667</u>	<u>416,667</u>	<u>416,667</u>

**Designated Member**  
**Abdulaziz H. Al-Habdan**



**General Manager**  
**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**  
**(Saudi Joint Stock Company)**

**INTERIM STATEMENT OF CASH FLOWS (UN-AUDITED)**

nine months period ended 30 September 2015

	<i>Nine months period ended 30</i>	
	<i>September</i>	
	<i>2015</i>	<i>2014</i>
	<i>SR"000"</i>	<i>SR"000"</i>
<b>OPERATING ACTIVITIES</b>		
Income before zakat	1,801,384	2,444,864
Adjustments for:		
Depreciation and amortization	262,183	242,515
Dividends income from available for sale investments	(9,490)	(14,236)
Share in results of an associate	(81,536)	(177,064)
Gain on sale of property, plant equipment	(25)	-
Write off of intangible assets	-	20,061
Financial income	(6,056)	(8,966)
	<u>1,966,460</u>	<u>2,507,174</u>
Changes in operating assets and liabilities		
Receivables	(43,868)	24,351
Inventories	(818)	(34,051)
Payables	<u>90,765</u>	<u>(90,399)</u>
Cash from operations	<u>2,012,539</u>	<u>2,407,075</u>
Employees' terminal benefits and saving plans, net	29,337	39,713
Employees' home ownership program	10,592	7,788
Zakat paid	<u>(69,934)</u>	<u>(125,260)</u>
Net cash from operating activities	<u>1,982,534</u>	<u>2,329,316</u>
<b>INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(291,243)	(584,513)
Dividends received	134,490	314,236
Proceeds from sale of property, plant and equipment	320	-
Financial income received	6,056	8,966
Intangible assets	(34,965)	(1,215)
Short term investments, net	<u>(580,000)</u>	<u>-</u>
Net cash used in investing activities	<u>(765,342)</u>	<u>(262,526)</u>
<b>FINANCING ACTIVITIES</b>		
Dividends paid	(2,234,262)	(3,305,974)
Remuneration paid to Board of Directors	<u>(1,400)</u>	<u>-</u>
Net cash used in financing activities	<u>(2,235,662)</u>	<u>(3,305,974)</u>
<b>DECREASE IN CASH AND CASH EQUIVALENTS</b>	<u>(1,018,470)</u>	<u>(1,239,184)</u>
Cash and cash equivalents at the beginning of the period	<u>1,640,094</u>	<u>2,139,668</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<u>621,624</u>	<u>900,484</u>
<b>Non cash transaction:</b>		
Transfer of capital work in progress to employees home ownership program	<u>50,595</u>	<u>12,942</u>
<b>Designated Member</b>	<b>General Manager</b>	<b>Finance Director</b>
<b>Abdulaziz H. Al-Habdan</b>	<b>Ahmed M. Al Jabr</b>	<b>Abdullah A. Al Ghamdi</b>
		

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

# Saudi Arabian Fertilizers Company (Saudi Joint Stock Company)

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## NOTES TO THE INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

At 30 September 2015

### 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 in its bylaws. 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"), 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.

#### 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 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 30 September 2015

**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 basis 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)**

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS  
(UN-AUDITED)-continued At 30 September 2015**

**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 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.

**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.

**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.



NOTES TO THE INTERIM FINANCIAL STATEMENTS  
(UN-AUDITED)-continued At 30 September 2015

**2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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 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.

**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.

**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 416,666,666 shares (2014: 333,333,333 shares) of SR 10 each.

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 is through the capitalization of SR 833,333,330 from the retained earnings. The eligibility for the bonus shares was determined to the shareholders registered in the companies' register with Tadawul at the closing of exchange on the Extraordinary General Assembly date. The Extraordinary General Assembly approved the increase in share capital through bonus shares on 17 Jumada' II 1436H (corresponding to 6 April 2015). The shares have been issued accordingly and legal formalities in this respect have also been completed.

The earning per share of the comparative period has been adjusted to reflect the increase in share capital as mandated by the relevant accounting standard.

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

**NOTES TO THE INTERIM FINANCIAL STATEMENTS (UN-AUDITED)-continued**  
At 30 September 2015

**4 DIVIDENDS**

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

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 has been approved by the Extraordinary General Assembly in their meeting held on 17 Jumada' II 1436H corresponding to 6 April 2015 and has been paid accordingly.

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 dividends have been paid during the comparative period.

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.

**5 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 September 2015 amounted to SR 1,745 million in relation to this project (2014: SR 1,524.8 million). The construction of the plant has been completed during the quarter and it has started its commercial production on 14 July 2015.

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 2015 amounted to SR 37.3 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 2015 amounted to SR 56.6 million in relation to this project.

Moreover, the directors approved future capital expenditure in relation to other projects with an amount of SR 327 million (2014: SR 323.9 million).

**6 CONTINGENCY**

During the second quarter of 2015, the Department of Zakat and Income Tax (the "DZIT") has raised zakat assessments for the years from 2010 to 2013 claiming additional zakat liability of SR 202 million. The Company's management has not accepted the assessments and filed an appeal with the DZIT. The Company's management believe that the additional liability assessed by the DZIT has no ground and therefore is in the process of requesting the DZIT to correct the basis used and issue revised assessments.