

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

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

FOR THE THREE MONTHS PERIOD ENDED
31 MARCH 2016

**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" or the "Company"), a Saudi Joint Stock Company as at 31 March 2016 and the related interim statements of income, cash flows, and changes in shareholders' equity for the three 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



10 Rajab1437H
17 April 2016

Alkhobar

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

INTERIM BALANCE SHEET (UN-AUDITED)

As at 31 March 2016

	Note	2016 SR"000"	2015 SR"000"
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		1,711,457	2,200,549
Accounts receivable		587,252	665,278
Prepayments and other receivables		165,936	255,257
Inventories		483,555	381,236
Home ownership receivable – current portion		17,831	11,352
TOTAL CURRENT ASSETS		2,966,031	3,513,672
NON-CURRENT ASSETS			
Investment in an associate		640,143	636,612
Available for sale investments		370,035	400,689
Property, plant and equipment		5,185,124	4,880,853
Home ownership receivable		119,175	66,827
Employees' advances		12,929	10,817
Deferred costs		13,714	17,454
TOTAL NON CURRENT ASSETS		6,341,120	6,013,252
TOTAL ASSETS		9,307,151	9,526,924
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Accounts payable and accruals		503,096	289,285
Dividends payable		1,426,220	173,271
Zakat provision		79,640	104,154
TOTAL CURRENT LIABILITIES		2,008,956	566,710
NON-CURRENT LIABILITY			
Employee's terminal benefits and saving plan		603,697	559,981
TOTAL LIABILITIES		2,612,653	1,126,691
SHAREHOLDERS' EQUITY			
Share capital		4,166,667	3,333,333
Statutory reserve		1,879,710	1,666,667
General reserve		45,105	45,105
Retained earnings		327,886	1,216,010
Proposed increase in share capital		-	833,334
Proposed dividends	3	-	1,000,000
Unrealized gain from available for sale investments		275,130	305,784
TOTAL SHAREHOLDERS' EQUITY		6,694,498	8,400,233
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		9,307,151	9,526,924

Designated member
Abdulaziz H. Al-Habdan

Company's President
Ahmed M. Al-Jahr

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)

Period ended 31 March 2016

	<i>Period from the beginning of the year to 31 March</i>	
	<i>2016 SR "000"</i>	<i>2015 SR "000"</i>
Sales	691,230	962,418
Cost of sales	(419,972)	(359,306)
GROSS PROFIT	271,258	603,112
General and administration expenses	(15,209)	(20,261)
INCOME FROM MAIN OPERATIONS	256,049	582,851
Other income, net	7,722	2,893
INCOME BEFORE SHARE IN RESULTS OF AN ASSOCIATE AND ZAKAT	263,771	585,744
Share in results of an associate	31,094	20,731
INCOME BEFORE ZAKAT	294,865	606,475
Zakat	(9,000)	(16,500)
NET INCOME FOR THE PERIOD	285,865	589,975

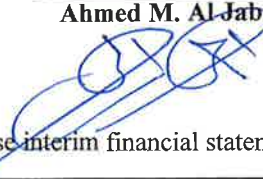
Earning per share (SR) :

Attributable to income from operations	0.61	1.40
Attributable to net income	0.69	1.42
Weighted average number of shares outstanding (in thousands)	416,667	416,667

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

Period ended 31 March 2016

	<i>Period from the beginning of the year to 31 March</i>	
	<i>2016</i>	<i>2015</i>
	<i>SR"000"</i>	<i>SR"000"</i>
OPERATING ACTIVITIES		
Income before zakat	294,865	606,475
Adjustments for:		
Depreciation and amortization	113,618	75,448
Share in results of an associate	(31,094)	(20,731)
Write-off of property, plant and equipment	8,295	-
Financial income, net	(7,751)	(2,126)
	<u>377,933</u>	<u>659,066</u>
Changes in operating assets and liabilities:		
Receivables	152,384	(51,545)
Inventories	(48,921)	5,642
Payables	(60,912)	42,365
	<u>420,484</u>	<u>655,528</u>
Cash from operations		
Employees' terminal benefits and saving plan, net	7,741	7,193
Employees' home ownership program, net	4,322	3,063
	<u>432,547</u>	<u>665,784</u>
INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(179,563)	(105,056)
Financial income received	7,751	2,126
	<u>(171,812)</u>	<u>(102,930)</u>
FINANCING ACTIVITY		
Dividends paid	(9,317)	(2,399)
	<u>(9,317)</u>	<u>(2,399)</u>
Net cash used in financing activity		
INCREASE IN CASH AND CASH EQUIVALENTS	251,418	560,455
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>1,711,457</u>	<u>2,200,549</u>
<u>Supplemental non cash transactions:</u>		
Dividends receivable from an associate	-	125,000
Transfer from property, plant and equipment to home ownership receivable	46,679	45,567
Dividends declared but not yet paid	<u>1,250,000</u>	<u>-</u>

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Saudi Arabian Fertilizers Company (SAFCO)
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INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (UN-AUDITED)

Period ended 31 March 2016

	Share capital SR"000"	Statutory reserve SR"000"	General reserve SR"000"	Retained earnings SR"000"	Proposed increase in share capital SR"000"	Proposed dividends SR"000"	Unrealised gain from sale investments SR"000"	Total SR"000"
Balance at 1 January 2015 (audited)	3,333,333	1,666,667	45,105	2,459,369	-	-	357,222	7,861,696
Net income for the period	-	-	-	589,975	-	-	-	589,975
Proposed increase in share capital	-	-	-	(833,334)	833,334	-	-	-
Proposed dividends	-	-	-	(1,000,000)	-	1,000,000	-	-
Movement during the period	-	-	-	-	-	-	(51,438)	(51,438)
Balance at 31 March 2015	3,333,333	1,666,667	45,105	1,216,010	833,334	1,000,000	305,784	8,400,233
Balance at 1 January 2016 (audited)	4,166,667	1,879,710	45,105	42,021	-	1,250,000	212,682	7,596,185
Net income for the period	-	-	-	285,865	-	-	-	285,865
Dividends declared	-	-	-	-	-	(1,250,000)	-	(1,250,000)
Movement during the period	-	-	-	-	-	-	62,448	62,448
Balance at 31 March 2016	4,166,667	1,879,710	45,105	327,886	-	-	275,130	6,694,498

Designated member

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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 31 MARCH 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.

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)
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NOTES TO THE INTERIM FINANCIAL STATEMENTS (UN-AUDITED)-continued
At 31 MARCH 2016

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

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 "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)
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NOTES TO THE INTERIM FINANCIAL STATEMENTS (UN-AUDITED)-continued
At 31 MARCH 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. 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 31 MARCH 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: 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 issuing 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.

4 DIVIDENDS

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) has been 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 have been 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) 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 during 2015.

Saudi Arabian Fertilizers Company (SAFCO)
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NOTES TO THE INTERIM FINANCIAL STATEMENTS (UN-AUDITED)-continued
At 31 MARCH 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 31 March 2016 amounted to SR 71.5 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 31 March 2016 amounted to SR 204.8 million in relation to this project.

Moreover, the directors approved future capital expenditure in relation to other projects with an amount of SR 626 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.