

**SAUDI ARABIAN FERTILIZERS COMPANY (SAFCO)  
(SAUDI JOINT STOCK COMPANY)**

**INTERIM CONDENSED FINANCIAL  
STATEMENTS AND INDEPENDENT AUDITOR'S  
LIMITED REVIEW REPORT  
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2019**

**SAUDI ARABIAN FERTILIZERS COMPANY (SAFCO)  
(SAUDI JOINT STOCK COMPANY)**

**INTERIM CONDENSED FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S LIMITED REVIEW REPORT  
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2019**

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<b>INDEX</b>	<b>PAGE</b>
Independent auditor's limited review report	1
Interim condensed statement of financial position	2 - 3
Interim condensed statement of income and other comprehensive income	4
Interim condensed statement of changes in equity	5 - 6
Interim condensed statement of cash flows	7 - 8
Notes to the interim condensed financial statements	9 - 18

## INDEPENDENT AUDITOR'S LIMITED REVIEW REPORT ON INTERIM CONDENSED FINANCIAL STATEMENTS

To the Shareholders  
Saudi Arabian Fertilizers Company (SAFCO)  
Al-Jubail, Kingdom of Saudi Arabia

### Introduction

We have reviewed the accompanying interim condensed statement of financial position of Saudi Arabian Fertilizers Company, a Saudi Joint Stock Company ("the Company") as of September 30, 2019 and the related interim condensed statement of income and other comprehensive income, statement of changes in equity and statement of cash flows for the nine-month period then ended, and other explanatory notes. Management is responsible for the preparation and fair presentation of these interim condensed financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting" that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

### Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", as endorsed in the Kingdom of Saudi Arabia. A review of interim condensed financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, "Interim Financial Reporting" that is endorsed in the Kingdom of Saudi Arabia.

Deloitte and Touche & Co.  
Chartered Accountants



Abdul Rahman S. Al-Suwayegh  
License No. 461  
22 Safar, 1441H  
October 21, 2019



**SAUDI ARABIAN FERTILIZERS COMPANY (SAFCO)**  
**(SAUDI JOINT STOCK COMPANY)**

**INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION**  
**AS OF SEPTEMBER 30, 2019**

(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	September 30, 2019	December 31, 2018
<b>(Unaudited )</b>			
<b>ASSETS</b>			
<b>Non-current assets</b>			
Right-of-use assets	3	125,750	-
Property, plant and equipment		5,975,099	5,734,078
Intangible assets		67,615	51,849
Investment in an associate		719,985	692,641
Financial assets at fair value through other comprehensive income	8	507,742	605,494
Other non-current assets		145,557	170,424
<b>Total non-current assets</b>		<b>7,541,748</b>	<b>7,254,486</b>
<b>Current assets</b>			
Inventories		424,691	485,665
Trade and other receivables	7	636,257	598,204
Prepayments and other current assets		142,717	123,177
Cash and cash equivalents		427,802	692,694
Short term investments		120,000	350,000
		<b>1,751,467</b>	<b>2,249,740</b>
Non-current assets classified as held for sale		938	241
<b>Total current assets</b>		<b>1,752,405</b>	<b>2,249,981</b>
<b>TOTAL ASSETS</b>		<b>9,294,153</b>	<b>9,504,467</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital		4,166,667	4,166,667
Statutory reserve		1,250,000	1,250,000
Retained earnings	11	1,833,463	2,056,156
Fair value reserve of financial assets at fair value through other comprehensive income		335,474	433,226
<b>Total equity</b>		<b>7,585,604</b>	<b>7,906,049</b>
<b>Non-current liabilities</b>			
Obligations under leases		109,173	10,191
Employees' benefits obligations	4	879,767	732,963
<b>Total non-current liabilities</b>		<b>988,940</b>	<b>743,154</b>

**SAUDI ARABIAN FERTILIZERS COMPANY (SAFCO)**  
**(SAUDI JOINT STOCK COMPANY)**

**INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION (CONTINUED)**

**AS OF SEPTEMBER 30, 2019**

**(All amounts in Saudi Riyals thousands unless otherwise stated)**

	September 30, 2019	December 31, 2018
	Note	
	(Unaudited)	
<b>Current liabilities</b>		
Obligations under leases	12,558	452
Trade payables	7 122,953	241,023
Accrued and other current liabilities	387,490	369,534
Dividends payable	11 174,216	176,007
Zakat provision	5 22,392	68,248
<b>Total current liabilities</b>	<b>719,609</b>	<b>855,264</b>
<b>Total liabilities</b>	<b>1,708,549</b>	<b>1,598,418</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>9,294,153</b>	<b>9,504,467</b>

**Designated  
Member**

Abdulaziz H. Al-Habdan



**Company's  
President**

Ahmed M. Al-Jabr



**Finance and Planning  
Director**

Abdullah A. Al-Ghamdi



The accompanying notes form an integral part of these interim condensed financial statements

**SAUDI ARABIAN FERTILIZERS COMPANY (SAFCO)**  
**(SAUDI JOINT STOCK COMPANY)**

**INTERIM CONDENSED STATEMENT OF INCOME**  
**AND OTHER COMPREHENSIVE INCOME (Unaudited)**  
**FOR THE THREE-MONTH AND NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2019**  
**(All amounts in Saudi Riyals thousands unless otherwise stated)**

	Note	For the three-month period ended September 30,		For the nine-month period ended September 30,	
		2019	2018	2019	2018
Sales		909,712	1,008,657	2,442,005	2,769,732
Cost of sales		(444,633)	(424,116)	(1,178,923)	(1,327,634)
Gross profit		465,079	584,541	1,263,082	1,442,098
Selling and distribution expenses		(31,515)	(36,824)	(86,573)	(110,147)
General and administration expenses		(69,900)	(66,489)	(192,317)	(213,857)
Operating profit		363,664	481,228	984,192	1,118,094
Other expenses		(4,612)	(8,328)	(15,022)	(25,421)
Other income		3,282	21,186	62,665	40,196
Share of profit of an associate		26,144	43,805	102,344	83,616
Finance cost		(6,265)	(5,748)	(20,054)	(16,881)
Income before Zakat		382,213	532,143	1,114,125	1,199,604
Zakat	5	32,000	(9,900)	16,000	(29,700)
<b>NET INCOME FOR THE PERIOD</b>		<b>414,213</b>	<b>522,243</b>	<b>1,130,125</b>	<b>1,169,904</b>
Other comprehensive income for the period					
<i>Other comprehensive income not to be reclassified to income in subsequent period:</i>					
Net (loss) gain on financial assets at fair value through other comprehensive income		(96,803)	(34,166)	(97,752)	114,455
Re-measurement (loss) gain on defined benefits plans	4	(71,216)	(102)	(102,818)	17,436
Other comprehensive (loss) income for the period		(168,019)	(34,268)	(200,570)	131,891
Total comprehensive income for the period		246,194	487,975	929,555	1,301,795
Earnings per share (Saudi Riyals)					
Basic and diluted earnings per share	6	0.99	1.25	2.71	2.81

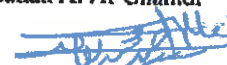
Designated  
Member  
Abdulaziz H. Al-Habdan



Company's  
President  
Ahmed M. Al-Jabri



Finance and Planning  
Director  
Abdullah A. Al-Ghamdi



The accompanying notes form an integral part of these interim condensed financial statements

**SAUDI ARABIAN FERTILIZERS COMPANY (SAFCO)**  
(SAUDI JOINT STOCK COMPANY)

**INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY  
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2019**  
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Share capital	Statutory reserve	Retained earnings	Fair value reserve of financial assets at fair value through other comprehensive income	Total
Balance as at January 1, 2018	4,166,667	1,250,000	1,057,805	386,153	6,860,625
Net income for the period	-	-	1,169,904	-	1,169,904
Other comprehensive income for the period	-	-	17,436	114,455	131,891
Total comprehensive income for the period	-	-	1,187,340	114,455	1,301,795
Dividends (note 11)	-	-	(833,334)	-	(833,334)
Balance as at September 30, 2018 (Unaudited)	4,166,667	1,250,000	1,411,811	500,608	7,329,086
Net income for the remainder of the year	-	-	568,534	-	568,534
Other comprehensive income (loss) for the remainder of the year	-	-	75,811	(67,382)	8,429
Total comprehensive income (loss) for the remainder of the year	-	-	644,345	(67,382)	576,963
Balance as at December 31, 2018	4,166,667	1,250,000	2,056,156	433,226	7,906,049

**SAUDI ARABIAN FERTILIZERS COMPANY (SAFCO)  
(SAUDI JOINT STOCK COMPANY)**

**INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY (CONTINUED)  
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2019  
(All amounts in Saudi Riyals thousands unless otherwise stated)**

	Share capital	Statutory reserve	Retained earnings	Fair value reserve of financial assets at fair value through other comprehensive income	Total
Balance as at January 1, 2019	4,166,667	1,250,000	2,056,156	433,226	7,906,049
Net income for the period	-	-	1,130,125	-	1,130,125
Other comprehensive loss for the period	-	-	(102,818)	(97,752)	(200,570)
Total comprehensive income (loss) for the period	-	-	1,027,307	(97,752)	929,555
Dividends (note 11)	-	-	(1,250,000)	-	(1,250,000)
Balance as at September 30, 2019 (Unaudited)	4,166,667	1,250,000	1,833,463	335,474	7,585,604

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



**Company's President**  
Ahmed M. Al-Jahr



**Finance and Planning Director**  
Abdullah A. Al-Ghamdi





**SAUDI ARABIAN FERTILIZERS COMPANY (SAFCO)**  
**(SAUDI JOINT STOCK COMPANY)**

**INTERIM CONDENSED STATEMENT OF CASH FLOWS (Unaudited)**  
**FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2019**  
 (All amounts in Saudi Riyals thousands unless otherwise stated)

	September 30, 2019	September 30, 2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Income before Zakat	1,114,125	1,199,604
<b><u>Adjustments for:</u></b>		
Share of profits of an associate	(102,344)	(83,616)
Interest income from time deposits	(16,007)	(4,917)
Finance cost	20,054	16,881
Depreciation of property, plant and equipment	398,831	376,440
Amortization of intangible assets	5,275	4,305
Amortization of right to use assets	14,688	-
Loss on disposal of property, plant and equipment	-	907
Non-cash post-employment benefits expense	38,666	51,437
Operating cash flows before movement in working capital	1,473,288	1,561,041
<b><u>Movement in working capital:</u></b>		
Inventories	60,974	(34,382)
Trade and other receivables	(29,297)	(80,264)
Prepayments and other current assets	(790)	45,088
Trade payables	(118,070)	(109,332)
Accrued and other current liabilities	16,723	193,194
<b>Cash generated from operations</b>	<b>1,402,828</b>	<b>1,575,345</b>
Finance cost paid	(1,239)	(3,384)
Employees' benefits paid	(21,018)	(124,770)
Zakat paid	(29,856)	(5,986)
<b>Net cash flows from operating activities</b>	<b>1,350,715</b>	<b>1,441,205</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	16,007	4,917
Dividends received from an associate	56,250	100,000
Proceeds from disposal of property, plant and equipment	-	1,334
Purchases of property, plant and equipment	(650,144)	(412,563)
Purchase of intangible assets	(20,313)	-
Net movement in other non-current assets	24,867	42,298
Short term investments	230,000	-
<b>Net cash flows used in investing activities</b>	<b>(343,333)</b>	<b>(264,014)</b>

**SAUDI ARABIAN FERTILIZERS COMPANY (SAFCO)**  
**(SAUDI JOINT STOCK COMPANY)**

**INTERIM CONDENSED STATEMENT OF CASH FLOWS (Unaudited) (CONTINUED)**  
**FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2019**  
**(All amounts in Saudi Riyals thousands unless otherwise stated)**

	September 30, 2019	September 30, 2018
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Movement in obligations under leases	(20,483)	(296)
Dividends paid	(1,251,791)	(830,509)
<b>Net cash flows used in financing activities</b>	<b>(1,272,274)</b>	<b>(830,805)</b>
Net change in cash and cash equivalents	(264,892)	346,386
Cash and cash equivalents at the beginning of the period	692,694	244,784
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>427,802</b>	<b>591,170</b>

**Non-cash items transactions:**

Transfer of defined benefit obligations from a related party	-	126,355
Transfer of other non-current assets from a related party	-	40,657
Employee benefits transferred from related parties	-	9,561
Recognition of right-of-use assets	131,571	-
Property, plant and equipment transferred to right-of-use assets	8,868	-
Property, plant and equipment transferred to intangible assets	727	-
Post-employment benefits expense charged to a related party	8,756	7,642
Transfer of property, plant and equipment to assets held for sale	697	-
Dividend declared by associate but not received	18,750	-

**Designated  
Member**

Abdulaziz H. Al-Habdan



**Company's  
President**

Ahmed M. Al-Jahr



**Finance and Planning  
Director**

Abdullah A. Al-Ghamdi



The accompanying notes form an integral part of these interim condensed financial statements

**SAUDI ARABIAN FERTILIZERS COMPANY (SAFCO)  
(SAUDI JOINT STOCK COMPANY)**

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS  
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2019**  
(All amounts in Saudi Riyals thousands unless otherwise stated)

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**1. CORPORATE INFORMATION**

Saudi Arabian Fertilizers Company is a Saudi Joint Stock Company (the "Company" or "SAFCO") incorporated under Royal Decree Number M/13 dated 11 Jumada' I 1385H (corresponding to September 7, 1965). The Company was initially registered in the city of Dammam with Commercial Registration number 2050001841 dated 1 Dhul-al-Hijjah 1385H (corresponding to March 24, 1966), and later on the Company's head office was moved to Al-Jubail Industrial City with commercial registration number 2055002359 dated 29 Shawwal 1411 H (corresponding to May 14, 1991). The previous commercial registration was initially converted to a branch. In 2013, the Board decided to cancel the branch's commercial registration.

The Company's principal activities are production and manufacturing of fertilizers mainly "Urea and Ammonia" and trading them inside and outside the Kingdom of Saudi Arabia.

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").

The interim condensed financial statements of SAFCO for the nine-month period ended September 30, 2019 were authorised for issue on October 21, 2019.

These interim condensed financial statements have been reviewed, not audited.

**2. BASIS OF PREPARATION**

**Statement of compliance**

These interim condensed financial statements for the nine month period ended September 30, 2019 have been prepared in accordance with IAS 34 "Interim Financial Reporting" as endorsed in the Kingdom of Saudi Arabia.

The interim condensed financial statements do not include all the information and disclosures required in annual financial statements, and should be read in conjunction with the Company's annual financial statement as at December 31, 2018.

**Basis of measurement**

These interim condensed financial statements are prepared under the historical cost convention, except for the measurement at fair value of financial assets, using the accruals basis of accounting. For employee and other post-employment benefits, actuarial present value calculations are used.

All values are rounded to the nearest thousand (SR "000"), except where otherwise indicated.

**3. SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies used in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended December 31, 2018 except for the adoption of new standards effective January 1, 2019:

**New and amended standards adopted by the Company:**

**Adoption of IFRS 16 Leases**

The Company has adopted IFRS 16 from its mandatory adoption date January 1, 2019 using the modified simplified transition approach as permitted under the specific transition provisions in the standard. As a result, comparatives for the 2018 financial year have not been restated.

**SAUDI ARABIAN FERTILIZERS COMPANY (SAFCO)**  
**(SAUDI JOINT STOCK COMPANY)**

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2019**  
 (All amounts in Saudi Riyals thousands unless otherwise stated)

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**New and amended standards adopted by the Company (continued)**

**Adoption of IFRS 16 Leases (continued)**

The Company has not used the practical expedient of applying IFRS 16 to only those contracts that were previously identified as leases under IAS 17 and IFRIC 4. In adopting IFRS 16, the Company has applied the following practical expedients:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- accounting for operating leases in accordance with IAS 17 as short-term leases with a remaining lease term of less than 12 months as at January 1, 2019;
- exclusion of initial direct costs for the measurement of right-of-use assets at the date of initial application;
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease; and
- the election, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

On adoption of IFRS 16, the Company has recognized lease liabilities and associated right-of-use assets in relation to contracts that have been concluded as leases under the principles of IFRS 16. The liabilities were measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate as of January 1, 2019, adjusted by the amount of prepayments relating to that lease recognized in the statement of financial position as at December 31, 2018. The associated right-of-use assets are measured at the amount equal to the lease liability.

	<b>January 1, 2019 SR</b>
<b>Operating lease commitments disclosed as of December 31, 2018</b>	<b>208,120</b>
Discounted using the lessee's incremental borrowing rate at the date of initial application	(89,195)
Add: finance lease liabilities recognized as at December 31, 2018	10,643
Less: short term leases recognized on a straight line basis as expense	(8,256)
Add: contracts reassessed as lease agreements	143
<b>Lease liability recognized as at January 1, 2019</b>	<b>121,455</b>

Lease liabilities include, if applicable, the net present value of:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable
- Variable lease payments that are based on an index or a rate
- Amounts expected to be payable by the lessee under residual value guarantees
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit to the lease or the Company's incremental borrowing rate.

**SAUDI ARABIAN FERTILIZERS COMPANY (SAFCO)**  
**(SAUDI JOINT STOCK COMPANY)**

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2019**  
*(All amounts in Saudi Riyals thousands unless otherwise stated)*

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**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**New and amended standards adopted by the Company (continued)**

**Adoption of IFRS 16 Leases (continued)**

Leases are recognized as right-of-use assets along with their corresponding liabilities at the date of which the leased assets are available for use by the Company. Each lease payment is allocated between the liability and finance cost. The finance cost is recognized in the interim condensed statement of income and other comprehensive income over the lease term. The right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Right-of-use assets are initially measured at cost comprising the following:

- The amount of the initial measurement of lease liability
- Any lease payments made at or before the commencement date less any lease incentives received
- Any initial direct costs, and
- Restoration costs; if applicable.

	January 1, 2019	September 30, 2019
	(Unaudited)	(Unaudited)
Land	36,868	36,018
Housing	74,274	71,216
Vehicles	12,623	9,523
Pipeline	-	8,198
Others	430	795
	<u>124,195</u>	<u>125,750</u>

The Company's leasing activities and how these are accounted for:

The Company leases various housing units, equipment, vehicles, land and other assets. Rental contracts are typically made for fixed periods from 1 to 5 years except for the land that is negotiated for 30 years and may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases were charged to interim condensed statement of income and other comprehensive income on a straight-line basis over the period of the lease.

*Short-term leases:*

Short-term leases are leases with a lease term of 12 months or less. Low-value assets are items that do not meet the Company's capitalization threshold and are considered to be insignificant for the statement of financial position for the Company as a whole. Payments for short-term leases and leases of low-value assets are recognized on a straight-line basis in the interim condensed statement of income and other comprehensive income.

**SAUDI ARABIAN FERTILIZERS COMPANY**  
**(SAUDI JOINT STOCK COMPANY)**

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2019**  
**(All amounts in Saudi Riyals thousands unless otherwise stated)**

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**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**New and amended standards adopted by the Company (continued)**

**Adoption of IFRS 16 Leases (continued)**

*Extension and termination options:*

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The Company assesses at lease commencement whether it is reasonably certain to exercise the extension options. The Company reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within control.

**Revised standards that do not have any impact on the Company's financial statements**

Effective for annual periods beginning on or after January 1, 2019

- Amendments to IFRS 9 *Prepayment Features with Negative Compensation*
- Amendments to IAS 28 *Investment in Associates and Joint Ventures*: Relating to long-term interests in associates and joint ventures.
- Annual Improvements to IFRSs 2015-2017 *Cycle Amendments to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs*
- Amendments to IAS 19 *Employee Benefits Plan Amendment, Curtailment or Settlement*
- IFRIC 23 *Uncertainty over Income Tax Treatments*

**New and revised standards and interpretations issued but not yet effective**

Effective for annual periods beginning after January 1, 2020

- Amendments regarding the definition of material
- Amendments to clarify the definition of a business
- IFRS 17: *Insurance Contracts*
- Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures (2011)* relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture.

**4. EMPLOYEES' BENEFITS OBLIGATIONS**

	September 30, 2019	December 31, 2018
	<b>(Unaudited)</b>	
Defined benefit obligations (DBO)	<b>841,465</b>	699,005
Defined contribution plan	<b>38,302</b>	33,958
	<b>879,767</b>	<b>732,963</b>

**SAUDI ARABIAN FERTILIZERS COMPANY  
(SAUDI JOINT STOCK COMPANY)**

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)  
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2019**  
(All amounts in Saudi Riyals thousands unless otherwise stated)

**4. EMPLOYEES' BENEFITS OBLIGATIONS (CONTINUED)**

The following table represents the movement of the defined benefits obligations:

	September 30, 2019	December 31, 2018
	<b>(Unaudited)</b>	
Defined benefit obligations at beginning of the period	<b>699,005</b>	662,964
Transfer of benefit obligations from a related party	-	181,353
Current service cost	<b>38,666</b>	60,456
Interest cost	<b>21,994</b>	22,684
Payments during the period	<b>(21,018)</b>	(135,205)
Re-measurement losses (gains) on defined benefit plans	<b>102,818</b>	(93,247)
Defined benefit obligations at end of the period	<b>841,465</b>	699,005

**5. ZAKAT**

The Zakat is based on the interim condensed financial statements of the Company. The movement in Zakat provision is as follows:

	September 30, 2019	December 31, 2018
	<b>(Unaudited)</b>	
At beginning of the period	<b>68,248</b>	21,674
Provided during the period	<b>21,000</b>	52,560
Reversal during the period	<b>(37,000)</b>	-
Paid during the period	<b>(29,856)</b>	(5,986)
	<b>22,392</b>	68,248

The Company submitted its Zakat returns up to the year ended December 31, 2018 and obtained the required Zakat certificates and official receipts.

During the period ended September 30, 2019, the Company has received the Zakat assessments for the years 2016 and 2017 with additional Zakat liability amounting to SR 43.58 million. The Company filed an objection with the GAZT against these assessments. GAZT approved the objections and issued revised Zakat assessments for the years 2016 and 2017 with Zakat liability amounting to SR 5.9 million and the same was paid by the Company during the period ended September 30, 2019. The excess provision of amounting SR 37 million reversed during the period.

**SAUDI ARABIAN FERTILIZERS COMPANY**  
**(SAUDI JOINT STOCK COMPANY)**

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2019**  
 (All amounts in Saudi Riyals thousands unless otherwise stated)

**6. EARNINGS PER SHARE**

	<b>For the three-month period ended September 30,</b>		<b>For the nine-month period ended September 30,</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Operating profit for the period (SR '000)	<b>363,664</b>	481,228	<b>984,192</b>	1,118,094
Net income attributable to equity holders of the Company (SR '000)	<b>414,213</b>	522,243	<b>1,130,125</b>	1,169,904
Weighted average number of ordinary shares ('000)	<b>416,667</b>	416,667	<b>416,667</b>	416,667
Basic and diluted earnings per share from operating profit attributable to equity holders of the Company (Saudi Riyals)	<b>0.87</b>	1.15	<b>2.36</b>	2.68
Basic and diluted earnings per share from net income attributable to equity holders of the Company (Saudi Riyals)	<b>0.99</b>	1.25	<b>2.71</b>	2.81

There has been no item of dilution affecting the weighted average number of ordinary shares.



**SAUDI ARABIAN FERTILIZERS COMPANY (SAFCO)  
(SAUDI JOINT STOCK COMPANY)**

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)  
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2019**  
(All amounts in Saudi Riyals thousands unless otherwise stated)

**7. RELATED PARTY TRANSACTIONS AND BALANCES**

Related parties represent parent company, associated companies, key personnel of the Company and entities controlled, jointly controlled or significantly influenced by such parties. Following is the list of the major related parties of the Company.

<b>Name of related party</b>	<b>Nature of relationship</b>
Saudi Basic Industries Corporation (SABIC)	Shareholder (parent company)
National Chemical Fertilizer Company (Ibn Al Baytar)	Associate
Al Jubail Fertilizer Company (Albayroni)	Affiliate

The parent company and ultimate controlling party of SAFCO are SABIC and the Government of the Kingdom of Saudi Arabia respectively.

The following table provides the total amount of transactions that have been entered into with related parties during the nine-month period ended September 30, 2019 and 2018, as well as balances with related parties as at September 30, 2019 and December 31, 2018:

	Sales to related parties	Purchases from related parties	Advance payments	Technology and innovation charged	Shared services charged	Management and services charges to related parties	Other services	Amounts due from related parties	Amounts due to related parties
<b>September 30, 2019</b>									
<b>(Unaudited)</b>									
SABIC	2,432,086	639,187	70,952	36,428	33,176	-	146,346	605,511	91,511
Ibn Al Baytar	7,299	12,938	-	-	-	87,266	61,808	28,086	7,515
Albayroni	2,620	989	-	-	-	198,514	42,550	659	7,367
SABIC affiliates	-	3,116	-	-	-	-	39,241	221	14,051
<b>September 30, 2018</b>									
<b>(Unaudited)</b>									
SABIC	2,761,037	434,790	54,953	41,415	32,183	-	156,308	506,117	64,276
Ibn Al Baytar	6,149	5,929	-	-	-	97,956	34,843	44,576	58,485
Albayroni	2,546	251	-	-	-	70,355	32,787	46,741	51,306
SABIC affiliates	-	454	-	-	-	-	41,485	404	615

**SAUDI ARABIAN FERTILIZERS COMPANY (SAFCO)**  
**(SAUDI JOINT STOCK COMPANY)**

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2019**  
**(All amounts in Saudi Riyals thousands unless otherwise stated)**

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**7. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)**

- The Company has a service level agreement with Saudi Basic Industries Corporation "SABIC" (Shared Services Organization - SSO) for the provision of accounting, human resources, information technology (ERP/SAP), engineering, procurement and related services.
- The Company's annual contribution to SABIC for technology and innovation is 1.5 % of total sales which is charged currently to the interim condensed statement of income and other comprehensive income.
- Substantially, most of the Company's sales are made to SABIC under marketing and off take agreements.
- The management and operational activities of SAFCO and Ibn Al Baytar were consolidated in 1994 and this has no impact on the legal structure of either company. All of the employees and their related balances were transferred to SAFCO.
- The Company entered into an Operations and Maintenance Agreement with an affiliate of SABIC in order to integrate the administrative, operational and maintenance activities of both companies. SAFCO will supervise and manage the activities of the affiliate in accordance with agreement terms. This agreement has no impact on the legal structure of either company. The agreement became effective on April 1, 2018.

Prices and terms of payments for the above transactions are approved by the management.

The sales to and purchases from related parties are made at terms equivalent to those that prevail in arm's length transactions. Outstanding balances of September 30, 2019 and December 31, 2018 are unsecured, interest free and settled in cash. There have been no guarantees provided or received for any related party receivables or payables. For the period ended September 30, 2019 and 2018, the Company has not recorded any impairment of receivables relating to amounts owed by related parties. This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.

**8. FAIR VALUE MEASUREMENT**

The Company measures financial assets at fair value thorough other comprehensive income at each balance sheet date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits from the asset's highest and best use or by selling it to another market participant that would utilize the asset in its highest and best use.

**SAUDI ARABIAN FERTILIZERS COMPANY (SAFCO)  
(SAUDI JOINT STOCK COMPANY)**

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)  
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2019**

(All amounts in Saudi Riyals thousands unless otherwise stated)

**8. FAIR VALUE MEASUREMENT (CONTINUED)**

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy. This is described, as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3, other than those with carrying amounts that are reasonable approximations of fair values:

	September 30, 2019 (Unaudited)				
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets measured at fair value	507,742	507,742	507,742	-	-
	December 31, 2018				
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets measured at fair value	605,494	605,494	605,494	-	-

Fair value of financial assets is derived from quoted market prices in active markets.

The management assessed that cash and cash equivalents, short-term investments, trade and other receivables, trade payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

**9. SEGMENT INFORMATION**

All of the Company's operations are related to one operating segment which is fertilizers and selling its products substantially to SABIC. Accordingly, segmental analysis by operating and geographic segment has not been presented.

**10. CAPITAL COMMITMENTS**

The Board of Directors approved in their meeting held on 6 Rabi Alawwal 1438H (corresponding to December 5, 2016) a reliability project for SAFCO III at the Company's complex in Al-Jubail Industrial City with an estimated procurement and construction cost of SR 461 million. Additional funds were approved by the Board of Directors amounting to SR 51 million in the meeting held on 14 Muharram 1439H (corresponding to October 4, 2017). Total expenditures incurred up till September 30, 2019 amounted to SR 448 (December 31, 2018: SR 396.1 million) in relation to this project. The project is mechanically completed in 2019.

**SAUDI ARABIAN FERTILIZERS COMPANY (SAFCO)  
(SAUDI JOINT STOCK COMPANY)**

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)  
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2019**  
(All amounts in Saudi Riyals thousands unless otherwise stated)

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**10. CAPITAL COMMITMENTS (CONTINUED)**

Moreover, the Board of Directors approved future capital expenditure in relation to other projects with amount of SR 359.9 (December 31, 2018: SR 339.23 million).

**11. APPROPRIATION OF NET INCOME AND DIVIDENDS DISTRIBUTIONS**

On 14 Ramadan 1440H (corresponding to May 19, 2019), the Board of Directors approved to distribute an interim cash dividend amounting to SR 1.5 per share (SR 625 million in total) for the first half of 2019. Dividends were available for distribution to shareholders on 27 Dhu al-Qa'dah 1440H (corresponding to July 30, 2019).

On 9 Rabi II 1440H (corresponding to December 16, 2018), the Company recommended to the Board of Directors to approve an interim cash dividend amounting to SR 1.5 per share (SR 625 million in total) for the second half of 2018. The proposed dividends were approved on 2 Sha'ban 1440H (corresponding to April 7, 2019) in annual general meeting and available for distribution to shareholders on 16 Sha'ban 1440H (corresponding to April 21, 2019).

On 25 Ramadan 1439H (corresponding to June 9, 2018), the Board of Directors approved to distribute an interim cash dividend amounting to SR 1 per share (SR 416.67 million in total) for the first half of 2018. Dividends were available for distribution to shareholders on 26 Dhu al-Qa'dah 1439H (corresponding to August 8, 2018).

**12. SUBSEQUENT EVENTS**

In the opinion of management, there have been no significant subsequent events since the period ended September 30, 2019 that would have a material impact on the financial position of the Company as reflected in these interim condensed financial statements.