

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

INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2020
AND INDEPENDENT AUDITOR'S REVIEW REPORT

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

Interim Condensed Financial Statements (Un-Audited) And Independent Auditor's Review
Report

For The Nine-Month Period Ended 30 September 2020

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**INDEPENDENT AUDITOR'S REVIEW REPORT ON
THE INTERIM CONDENSED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF
SAUDI ARABIAN FERTILIZERS COMPANY (SAFCO)
(A SAUDI JOINT STOCK COMPANY)**

Introduction

We have reviewed the accompanying interim condensed statement of financial position of Saudi Arabian Fertilizers Company, a Saudi Joint Stock Company (SAFCO) ("the Company") as at 30 September 2020, and the related interim condensed statement of income and other comprehensive income for the three-month and nine-month periods then ended and the related interim condensed statements of changes in equity and cash flows for the nine-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of this interim condensed financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34") 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" endorsed in the Kingdom of Saudi Arabia. A review of interim 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 IAS 34 as endorsed in the Kingdom of Saudi Arabia.

for Ernst & Young

Marwan Saleh Al-Afaliq
Certified Public Accountant
Registration No. 422



3 Rabi' I 1442H
20 October 2020

Al Khobar

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

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION (UN-AUDITED)
(continued)

As at 30 September 2020

| | <i>Note</i> | 30 September 2020 <i>SR"000"</i> <i>(Un-audited)</i> | <i>31 December 2019</i> <i>SR"000"</i> <i>(Audited)</i> |
|----------------------------------------|-------------|-----------------------------------------------------------------------|-------------------------------------------------------------------|
| CURRENT LIABILITIES | | | |
| Current portion of lease liabilities | | 16,941 | 13,878 |
| Trade payables | 7 | 126,395 | 186,703 |
| Accruals and other current liabilities | | 338,166 | 304,098 |
| Dividends payable | 11 | 126,633 | 137,412 |
| Zakat provision | 5 | 27,127 | 39,294 |
| TOTAL CURRENT LIABILITIES | | 635,262 | 681,385 |
| TOTAL LIABILITIES | | 1,715,973 | 1,666,251 |
| TOTAL EQUITY AND LIABILITIES | | 9,699,397 | 9,662,542 |



Designated member
Abdulaziz H. Al-Habdan



Company's President
Ahmed M. Al-Jabr



Finance and Planning Director
Ali Al Dossary

The attached notes 1 to 14 form part of these interim condensed financial statements.

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

INTERIM CONDENSED STATEMENT OF INCOME AND OTHER COMPREHENSIVE
INCOME (UN-AUDITED)

For the three-month and nine-month periods ended 30 September 2020

| | Note | <i>Three-month period ended 30 September</i> | | <i>Nine-month period ended 30 September</i> | |
|--------------------------------------------------------------------------------------------------------------|------|--------------------------------------------------|---------------------------------------|-------------------------------------------------|---------------------------------------|
| | | 2020 | 2019 | 2020 | 2019 |
| | | <i>SR"000"</i> <i>(Un-audited)</i> | <i>SR"000"</i> <i>(Un-audited)</i> | <i>SR"000"</i> <i>(Un-audited)</i> | <i>SR"000"</i> <i>(Un-audited)</i> |
| Sales | 7 | 902,126 | 909,712 | 2,559,208 | 2,442,005 |
| Cost of sales | | (417,021) | (444,633) | (1,251,850) | (1,178,923) |
| GROSS PROFIT | | 485,105 | 465,079 | 1,307,358 | 1,263,082 |
| Selling and distribution expenses | | (32,546) | (31,515) | (92,976) | (86,573) |
| General and administrative expenses | | (64,573) | (69,900) | (188,145) | (192,317) |
| OPERATING PROFIT | | 387,986 | 363,664 | 1,026,237 | 984,192 |
| Share of results of an associate | | 17,538 | 26,144 | 52,009 | 102,344 |
| Finance income | | 1,834 | 2,611 | 9,975 | 16,007 |
| Other income (expenses), net | | 7,304 | (3,941) | 16,517 | 31,636 |
| Finance costs | | (8,129) | (6,265) | (19,707) | (20,054) |
| INCOME BEFORE ZAKAT | | 406,533 | 382,213 | 1,085,031 | 1,114,125 |
| Zakat (expense)/ reversal | 5 | (9,000) | 32,000 | (24,195) | 16,000 |
| NET INCOME FOR THE PERIOD | | 397,533 | 414,213 | 1,060,836 | 1,130,125 |
| OTHER COMPREHENSIVE INCOME (LOSS) | | | | | |
| <i>Other comprehensive income (loss) not to be reclassified to income in subsequent periods:</i> | | | | | |
| Net gain (loss) on financial assets at fair value through other comprehensive income | 8 | 71,178 | (96,803) | 26,573 | (97,752) |
| Remeasurement losses on defined benefits plans | 4 | (17,276) | (71,216) | (58,582) | (102,818) |
| OTHER COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD | | 53,902 | (168,019) | (32,009) | (200,570) |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | | 451,435 | 246,194 | 1,028,827 | 929,555 |
| Earnings per share (Saudi Riyals) | | | | | |
| Number of shares outstanding (in thousands) | 6 | 416,667 | 416,667 | 416,667 | 416,667 |
| Basic and diluted earnings per share from net income attributable to the equity holders of the Company | 6 | 0.95 | 0.99 | 2.55 | 2.71 |

Designated member

Abdulaziz H. Al-Habdan



Company's President

Ahmed M. Al-Jabr



Finance and Planning Director

Ali Al Dossary



The attached notes 1 to 14 form part of these interim condensed financial statements.

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

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)

For the nine-month period ended 30 September 2020

| | <i>Share capital</i> <i>SR"000"</i> | <i>Statutory</i> <i>reserve</i> <i>SR"000"</i> | <i>Retained</i> <i>earnings</i> <i>SR"000"</i> | <i>Fair value reserve of</i> <i>financial assets at fair</i> <i>value through other</i> <i>comprehensive income</i> <i>SR"000"</i> | <i>Total</i> <i>SR"000"</i> |
|---------------------------------------------------|----------------------------------------|------------------------------------------------------|------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------|
| As at 1 January 2019 (audited) | 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 for the period | - | - | 1,027,307 | (97,752) | 929,555 |
| Dividends (note 11) | - | - | (1,250,000) | - | (1,250,000) |
| As at 30 September 2019 (un-audited) | <u>4,166,667</u> | <u>1,250,000</u> | <u>1,833,463</u> | <u>335,474</u> | <u>7,585,604</u> |
| As at 1 January 2020 (audited) | 4,166,667 | 1,250,000 | 2,221,373 | 358,251 | 7,996,291 |
| Net income for the period | - | - | 1,060,836 | - | 1,060,836 |
| Other comprehensive (loss)/ income for the period | - | - | (58,582) | 26,573 | (32,009) |
| Total comprehensive income for the period | - | - | 1,002,254 | 26,573 | 1,028,827 |
| Dividends (note 11) | - | - | (1,041,694) | - | (1,041,694) |
| Balance at 30 September 2020 (un-audited) | <u>4,166,667</u> | <u>1,250,000</u> | <u>2,181,933</u> | <u>384,824</u> | <u>7,983,424</u> |

Designated member

Abdulaziz H. Al-Habdan



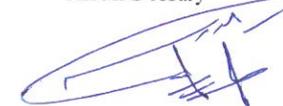
Company's President

Ahmed M. Al-Jabr



Finance and Planning Director

Ali Al Dossary



The attached notes 1 to 14 form part of these interim condensed financial statements.

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

INTERIM CONDENSED STATEMENT OF CASH FLOWS (UN-AUDITED)

For the nine-month period ended 30 September 2020

| | <i>Nine-month period ended</i> | |
|--------------------------------------------------------------------------------------------|--------------------------------|-----------------------|
| | <i>30 September</i> | |
| | <i>2020</i> | <i>2019</i> |
| | <i>SR"000"</i> | <i>SR"000"</i> |
| Cash flow from operating activities | | |
| Income before zakat | 1,085,031 | 1,114,125 |
| <i>Adjustments to reconcile profit before zakat to net cash from operating activities:</i> | | |
| Depreciation of property, plant and equipment | 410,498 | 398,831 |
| Depreciation of right-of-use assets | 16,589 | 14,688 |
| Amortisation of intangible assets | 5,622 | 5,275 |
| Employees' benefits charge | 46,613 | 38,666 |
| Share of results of an associate | (52,009) | (102,344) |
| Finance income | (9,975) | (16,007) |
| Finance costs | 19,707 | 20,054 |
| | <u>1,522,076</u> | <u>1,473,288</u> |
| <i>Working capital adjustments:</i> | | |
| Inventories | 18,913 | 60,974 |
| Trade receivables | 35,126 | (29,297) |
| Prepayments and other current assets | 37,648 | (790) |
| Trade payables | (60,308) | (118,070) |
| Accruals and other current liabilities | 31,442 | 16,723 |
| Cash from operations | <u>1,584,897</u> | <u>1,402,828</u> |
| Employees' benefits paid | (25,402) | (21,018) |
| Finance costs paid | (3,015) | (1,239) |
| Zakat paid | (36,362) | (29,856) |
| Net cash from operating activities | <u>1,520,118</u> | <u>1,350,715</u> |
| Investing activities | | |
| Purchase of property, plant and equipment | (104,069) | (650,144) |
| Purchases of intangible assets | - | (20,313) |
| Finance income received | 9,975 | 16,007 |
| Dividends received from an associate | - | 56,250 |
| Net movement in other non-current assets | 25,695 | 24,867 |
| Short term investments - bank deposits | (640,000) | 230,000 |
| Net cash used in investing activities | <u>(708,399)</u> | <u>(343,333)</u> |
| Financing activities | | |
| Payment of lease liabilities | (15,337) | (20,483) |
| Dividends paid | (1,052,473) | (1,251,791) |
| Net cash used in financing activities | <u>(1,067,810)</u> | <u>(1,272,274)</u> |
| Decrease in cash and cash equivalents | (256,091) | (264,892) |
| Cash and cash equivalents at the beginning of the period | 753,743 | 692,694 |
| Cash and cash equivalents at the end of the period | <u>497,652</u> | <u>427,802</u> |

The attached notes 1 to 14 form part of these interim condensed financial statements.

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

INTERIM CONDENSED STATEMENT OF CASH FLOWS (UN-AUDITED) (continued)

For the nine-month period ended 30 September 2020

| | <i>Nine-month period ended 30 September</i> | |
|-------------------------------------------------------------------|-------------------------------------------------|----------------|
| | <i>2020</i> | <i>2019</i> |
| | <i>SR"000"</i> | <i>SR"000"</i> |
| <u>Significant non-cash transactions:</u> | | |
| Recognition of right-of-use assets due to adoption of IFRS 16 | - | 131,571 |
| Property, plant and equipment transferred to intangible assets | - | 727 |
| Finance costs on lease liabilities | 5,299 | 5,577 |
| Property, plant and equipment transferred to right-of-use assets | - | 8,868 |
| Additions to right-of-use assets and lease liabilities | 13,016 | - |
| Post-employees' benefits charged to a related party | 7,370 | 8,756 |
| Transfer of property, plant and equipment to assets held for sale | - | 697 |
| Dividends declared by an associate but not received | - | 18,750 |

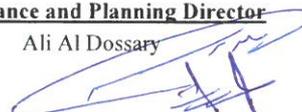
Designated member
Abdulaziz H. Al-Habdan



Company's President
Ahmed M. Al-Jabr



Finance and Planning Director
Ali Al Dossary



The attached notes 1 to 14 form part of these interim condensed financial statements.

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

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

At 30 September 2020

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 7 September 1965). The Company was initially registered in the city of Dammam with Commercial Registration number 2050001841 dated 1 Dhul 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 and then cancelled in 2013.

The Company's shares are owned 42.99% by Saudi Basic Industries Corporation ("SABIC"), 8.85% by the General Organization for Social Insurance, and the remaining shares are owned by general public shareholders.

The Company is engaged in the production, conversion and manufacturing, marketing and trade of fertilizers of all types 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").

These interim condensed financial statements have been approved on 3 Rabi' I 1442H (corresponding to 20 October 2020).

2 BASIS OF PREPARATION

The interim condensed financial statements of the Company for the nine-month period ended 30 September 2020 have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting ("IAS 34") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by the Saudi Organization for Certified Public Accountants ("SOCPA").

The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements for the year ended 31 December 2019.

2.1 Basis of measurement

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

2.2 Presentation and functional currency

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

2.3 New standards, interpretations and amendments adopted by the Company

The accounting policies adopted 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 31 December 2019, except for the adoption of new standards effective as of 1 January 2020. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments and interpretations apply for the first time in 2020, but do not have an impact on the interim condensed financial statements of the Company.

3 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company's interim condensed financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and accompanying disclosures, and the disclosure of contingent liabilities. The accounting estimates and assumptions used in the preparation of these interim condensed financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2019.

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UN-AUDITED) (continued)

At 30 September 2020

4 EMPLOYEES' BENEFITS

| | <i>30 September 2020 (Un-audited) SR"000"</i> | <i>31 December 2019 (Audited) SR"000"</i> |
|-----------------------------------|-----------------------------------------------------------|-------------------------------------------------------|
| Defined benefit obligations (DBO) | 938,931 | 840,375 |
| Defined contribution plan | 41,515 | 38,842 |
| | <u>980,446</u> | <u>879,217</u> |

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

| | <i>30 September 2020 (Un-audited) SR"000"</i> | <i>31 December 2019 (Audited) SR"000"</i> |
|------------------------------------------------------|-----------------------------------------------------------|-------------------------------------------------------|
| At the beginning of the period/ year | 840,375 | 699,005 |
| Transfer of benefit obligations from a related party | - | 30,395 |
| Current service cost | 46,613 | 51,617 |
| Interest cost | 18,763 | 29,375 |
| Paid during the period/year | (25,402) | (28,719) |
| Re-measurement losses on defined benefit plans | 58,582 | 58,702 |
| At end of the period/year | <u>938,931</u> | <u>840,375</u> |

5 ZAKAT

a) Zakat charge for the period

The charge for the interim period is calculated based on estimated zakat charge for the whole year.

b) The movement in the Company's zakat provision is as follows:

| | <i>30 September 2020 (Un-audited) SR"000"</i> | <i>31 December 2019 (Audited) SR"000"</i> |
|--------------------------------------|-----------------------------------------------------------|-------------------------------------------------------|
| At the beginning of the period/ year | 39,294 | 68,248 |
| Provided during the period/ year | 24,195 | 37,902 |
| Reversed during the period/year | - | (37,000) |
| Paid during the period/ year | (36,362) | (29,856) |
| At end of the period/year | <u>27,127</u> | <u>39,294</u> |

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UN-AUDITED) (continued)

At 30 September 2020

5 ZAKAT (continued)

c) Status of assessments

Zakat assessments have been agreed with the General Authority for Zakat and Tax ("GAZT") up to 2017. Zakat returns for 2018 and 2019 have been submitted to the GAZT. However, the returns are still under the GAZT's review.

In 2019, the Company received 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 2019. The excess provision amounting to SR 37 million was reversed during 2019.

Zakat has been computed based on the Company's understanding and interpretation of the zakat regulations enforced in the Kingdom of Saudi Arabia. The zakat regulations in the Kingdom of Saudi Arabia are subject to different interpretations. The zakat liability as computed by the Company could be different from zakat liability as assessed by the GAZT for years for which assessments have not yet been raised by the GAZT.

6 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net income for the period attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the period.

The following reflects the income and shares data used in the basic and diluted earnings per share computations:

| | <i>Three-month period ended 30 September</i> | | <i>Nine-month period ended 30 September</i> | |
|----------------------------------------------------------------------------------------------------------------|--------------------------------------------------|-------------|-------------------------------------------------|-------------|
| | <i>2020</i> | <i>2019</i> | <i>2020</i> | <i>2019</i> |
| Income from operations for the period (SR '000) | 387,986 | 363,664 | 1,026,237 | 984,192 |
| Net income attributable to equity holders of the Company (SR '000) | 397,533 | 414,213 | 1,060,836 | 1,130,125 |
| Weighted average number of ordinary shares ('000) | 416,667 | 416,667 | 416,667 | 416,667 |
| Basic and diluted earnings per share from income from operations attributable to equity holders of the Company | 0.93 | 0.87 | 2.46 | 2.36 |
| Basic and diluted earnings per share from net income attributable to equity holders of the Company | 0.95 | 0.99 | 2.55 | 2.71 |

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

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UN-AUDITED) (continued)

At 30 September 2020

7 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent the ultimate parent company, 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:

| Name of related party | Nature of relationship |
|---------------------------------------------------------|------------------------------|
| Saudi Arabian Oil Company ("Saudi Aramco") | Ultimate parent |
| Saudi Basic Industries Corporation ("SABIC") | Shareholder (parent company) |
| National Chemical Fertilizers Company ("Ibn Al Baytar") | Associate |
| Al Jubail Fertilizer Company ("Al Bayroni") | Affiliate |

The following table provides the total amount of transactions that have been entered into with related parties during the nine months ended 30 September 2020 and 2019, as well as balances with related parties as at 30 September 2020 and 31 December 2019:

| | Sales to related parties | Purchases from related parties | Advance payment | Technology and innovation charged | Shared services charged | Management and services charges to related parties | Other services | Amounts owed by related parties | Amounts owed to related parties |
|------------------|--------------------------|--------------------------------|-----------------|-----------------------------------|-------------------------|----------------------------------------------------|----------------|---------------------------------|---------------------------------|
| | SR"000" | SR"000" | SR"000" | SR"000" | SR"000" | SR"000" | SR"000" | SR"000" | SR"000" |
| 2020 | | | | | | | | | |
| SABIC | 2,545,993 | 393,412 | 79,846 | 38,141 | 28,689 | - | 30,473 | 558,393 | 104,854 |
| Ibn Al-Baytar | 8,556 | 2,508 | - | - | - | 112,259 | 34,932 | 27,406 | 11 |
| Al-Bayroni | 4,659 | 710 | - | - | - | 163,687 | 13,471 | 14,310 | 2,469 |
| Saudi Aramco | - | 131,144 | - | - | - | - | - | - | - |
| SABIC affiliates | - | 41,402 | - | - | - | - | 2,343 | 970 | 36 |
| 2019 | | | | | | | | | |
| SABIC | 2,432,086 | 639,187 | 70,952 | 36,428 | 33,176 | - | 146,346 | 561,843 | 93,525 |
| Ibn Al-Baytar | 7,299 | 12,938 | - | - | - | 87,266 | 61,808 | 35,742 | 12,712 |
| Al-Bayroni | 2,620 | 989 | - | - | - | 198,514 | 42,550 | 29,538 | 17,114 |
| SABIC affiliates | - | 3,116 | - | - | - | - | 39,241 | 1,587 | 14,317 |

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UN-AUDITED)
(continued)

At 30 September 2020

7 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

- Effective 16 June 2020, Saudi Arabian Oil Company ("Saudi Aramco") acquired 70% ownership over SABIC.
- The Company has a service level agreement with SABIC (Shared Services Organization – SSO) for the provision of accounting, human resources, information technology (ERP/SAP), engineering, procurement and related services.
- Advances to SABIC represent the amount paid by the Company according to shared service agreement to finance the purchase of the Company's materials and services.
- The Company's annual contribution to SABIC for technology and innovation is 1.5 % of total sales which is charged currently to the statement of income and other comprehensive income.
- Substantially, all 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 had entered into an Operation and Maintenance Agreement in 2018 with Al- Bayroni. This agreement covers miscellaneous costs such as cleaning and maintenance, employees' related costs, health and safety, quality control, production and engineering services, accounting and finance services, HR and IT services, warehousing services, total quality management services, administrative and custodial services. The costs for these above services are allocated as per the agreement.
- 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 at the period ended 30 September 2020 and the year ended 31 December 2019 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 30 September 2020, 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

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 Company measures financial assets at fair value through other comprehensive income at each statement of financial position 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)
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UN-AUDITED)
(continued)

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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

Set out below is a comparison, by class, of the carrying amounts and fair value of the Company's financial assets, other than those with carrying amounts that are reasonable approximations of fair values:

| | 30 September 2020 (Un-audited) | | | | |
|-------------------------------------------------------------------|---------------------------------------|-------------------|----------------|----------------|----------------|
| | Carrying amount | Fair Value | Level 1 | Level 2 | Level 3 |
| | <i>SR"000"</i> | <i>SR"000"</i> | <i>SR"000"</i> | <i>SR"000"</i> | <i>SR"000"</i> |
| Financial assets at fair value through other comprehensive income | 557,092 | 557,092 | 557,092 | - | - |
| | | | | | |
| | 31 December 2019 (Audited) | | | | |
| | Carrying amount | Fair Value | Level 1 | Level 2 | Level 3 |
| | <i>SR"000"</i> | <i>SR"000"</i> | <i>SR"000"</i> | <i>SR"000"</i> | <i>SR"000"</i> |
| Financial assets at fair value through other comprehensive income | 530,519 | 530,519 | 530,519 | - | - |

9 SEGMENT INFORMATION

All of the Company's operations are related to one operating segment which is fertilizers and it sell its products mainly to one customer, the majority shareholder. Accordingly, segmental analysis by operating and geographic segment has not been presented.

10 COMMITMENTS AND CONTINGENCIES

Capital commitments

The Board of Directors approved future capital expenditures amounting to SR 133 million (31 December 2019: SR 359.9 million).

Letter of guarantee

The Company issued bank guarantees of amounting to SR 3 million (December 31, 2019: SR 5.5 million) in favor of Customs authorities.

Saudi Arabian Fertilizers Company (SAFCO)
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11 APPROPRIATION OF NET INCOME AND DIVIDENDS DISTRIBUTIONS

On 21 Ramadan 1441H (corresponding to 14 May 2020), the Board of Directors approved to distribute an interim cash dividend amounting to SR 1.0 per share (SR 416 million in total) for the first half of 2020. Dividends were available for distribution to shareholders on 14 Dhu al-Qa'dah 1441H (corresponding to 5 July 2020).

On 18 Rabi' II 1441H (corresponding to 15 December 2019), the Board of Directors proposed to distribute cash dividends amounting SR 1.5 per share (SR 625 million in total) for the second half of 2019. This was approved by the General Assembly in their extraordinary meeting held on 5 Sha'ban 1441H (corresponding to 29 March 2020). Dividends were available for distribution to shareholders on 19 Sha'ban 1441H (corresponding to 12 April 2020).

On 14 Ramadan 1440H (corresponding to 19 May 2019), the Board of Directors approved to distribute interim cash dividends amounting 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 30 July 2019).

On 9 Rabi' II 1440H (corresponding to 16 December 2018), the Board of Directors proposed to distribute cash dividends amounting SR 1.5 per share (SR 625 million in total) for the second half of 2018. This was approved by the General Assembly meeting held on 2 Sha'ban 1440H (corresponding to 7 April 2019). Dividends were available for distribution to shareholders on 16 Sha'ban 1440H (corresponding to 21 April 2019).

Restricted cash amounting to SR 126.6 million (31 December 2019: SR 137 million) is maintained in separate bank accounts for unclaimed dividends and not available for general use of the Company.

12 OTHER INFORMATION

In 2018, the management signed a non-binding Memorandum of Understanding with SABIC for the purchase of share capital of SABIC Agri-Nutrients Investment Company, which will own 50% of the issued share capital of both the National Chemical Fertilizers Company ("Ibn Al Baytar") and Al Jubail Fertilizer Company ("Al Bayroni") and 33.33% of the issued share capital of Gulf Petrochemical Industries Company ("GPIC").

On 28 Rabi' II 1441H (corresponding to 25 December 2019), the management announced the signing of a binding Share Purchase Agreement ("SPA") with SABIC, pursuant to which the Company will acquire a 100% shareholding in SABIC Agri-Nutrients Investment Company by increasing its share capital and issuance of new shares to SABIC. The total value of shares in SABIC Agri-Nutrients Investment Company will be SR 4,592 million and the considerations will be paid for by issuing 59,368,739 ordinary new shares in SAFCO to SABIC valued at SR 77.35 per share. SABIC's ownership in SAFCO post transaction will increase from 42.99% to 50.1%.

On 12 Sha'ban 1441H (corresponding to 5 April 2020), the General Authority for Competition has sent the Company a no objection notice of the acquisition transaction. On 18 Safar 1442H (corresponding to October 5, 2020), the Capital Market Authority has approved the Company's request for increase in share capital from SR 4,166,666,660 to SR 4,760,354,050 through the issuance of 59,368,739 additional shares to SABIC. The execution is dependent upon the approval of the Extra Ordinary General Assembly meeting.

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13 SIGNIFICANT MATTERS DURING THE PERIOD

The outbreak of novel coronavirus (“COVID-19”) since early 2020, its spread across mainland China and then globally caused disruptions to businesses and economic activity globally including the Kingdom of Saudi Arabia and the declaration of this pandemic by the World Health Organization necessitated the Company’s management to revisit its significant judgments in applying the Company’s accounting policies and the methods of computation and the key sources of estimation applied to the annual financial statements for the year ended 31 December 2019. Whilst it is challenging now, to predict the full extent and duration of its business and economic impact, the Company’s management carried out an impact assessment on the overall operations and business aspects including factors like supply chain, travel restrictions, oil prices, product demand, etc. and concluded that, as of the issuance date of these interim condensed financial statements, in view of the current uncertainty, any future change in the assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future periods. As the situation is rapidly evolving with future uncertainties, management will continue to assess the impact based on prospective developments.

14 SUBSEQUENT EVENTS

There have been no events subsequent to the reporting date that would significantly affect the amounts reported in the condensed interim financial statements as at and for the nine-month period ended 30 September 2020.