

SABIC AGRI-NUTRIENTS COMPANY
(FORMERLY: SAUDI ARABIAN FERTILIZER COMPANY (SAFCO))
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD AND TWELVE-MONTH PERIOD
ENDED 31 DECEMBER 2020
AND INDEPENDENT AUDITOR'S REVIEW REPORT

SABIC AGRI-NUTRIENTS COMPANY (FORMERLY: SAUDI ARABIAN
FERTILIZER COMPANY (SAFCO))

(A Saudi Joint Stock Company)

Interim Condensed Financial Statements (unaudited) And Independent Auditor's Review
Report

For the three-month and twelve-month period ended 31 December 2020

Table of content	Page
Independent auditor's 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
Interim condensed statement of cash flows	6 - 7
Notes to the interim condensed financial statements	8-15



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**INDEPENDENT AUDITOR'S REVIEW REPORT ON
THE INTERIM CONDENSED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF
SABIC AGRI-NUTRIENTS COMPANY (FORMERLY: SAUDI ARABIAN FERTILISER COMPANY (SAFCO))
(A SAUDI JOINT STOCK COMPANY)**

Introduction

We have reviewed the accompanying interim condensed statement of financial position of SABIC Agri-Nutrients Company (the "Company") (formerly: Saudi Arabian Fertilizer Company (SAFCO)), a Saudi Joint Stock Company as at 31 December 2020, and the related interim condensed statement of income and other comprehensive income for the three-month and twelve-month period then ended and the related interim condensed statements of changes in equity and cash flows for the twelve-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



8 Jumada II 1442H
21 January 2021

Al Khobar

SABIC AGRI-NUTRIENTS COMPANY (FORMERLY: SAUDI ARABIAN
FERTILIZER COMPANY (SAFCO))

(A Saudi Joint Stock Company)

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	<i>Note</i>	2020 SR"000" (Unaudited)	2019 SR"000" (Audited)
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment		5,589,933	5,897,990
Right-of-use assets		127,773	123,781
Intangible assets		62,736	63,701
Investment in an associate		792,271	744,176
Financial assets at fair value through other comprehensive income	8	606,443	530,519
Other non-current assets		102,062	134,377
TOTAL NON-CURRENT ASSETS		7,281,218	7,494,544
CURRENT ASSETS			
Inventories		403,048	434,019
Trade receivables	7	475,318	630,421
Prepayments and other current assets		119,732	199,815
Short term investments - bank deposits		1,250,000	150,000
Cash and cash equivalents		465,461	753,743
TOTAL CURRENT ASSETS		2,713,559	2,167,998
TOTAL ASSETS		9,994,777	9,662,542
EQUITY AND LIABILITIES			
EQUITY			
Share capital		4,166,667	4,166,667
Statutory reserve		1,250,000	1,250,000
Retained earnings		2,309,767	2,221,373
Fair value reserve of financial assets at fair value through other comprehensive income		434,175	358,251
TOTAL EQUITY		8,160,609	7,996,291
NON-CURRENT LIABILITIES			
Lease liabilities		102,913	105,649
Employees' benefits	4	1,092,148	879,217
TOTAL NON-CURRENT LIABILITIES		1,195,061	984,866

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

SABIC AGRI-NUTRIENTS COMPANY (FORMERLY: SAUDI ARABIAN
FERTILIZER COMPANY (SAFCO))

(A Saudi Joint Stock Company)

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION (continued)

As at 31 December 2020

	Note	2020 SR"000" (Unaudited)	2019 SR"000" (Audited)
CURRENT LIABILITIES			
Current portion of lease liabilities		20,298	13,878
Trade payables	7	114,423	186,703
Accruals and other current liabilities		323,702	304,098
Dividends payable	11	117,936	137,412
Zakat provision	5	62,748	39,294
TOTAL CURRENT LIABILITIES		639,107	681,385
TOTAL LIABILITIES		1,834,168	1,666,251
TOTAL EQUITY AND LIABILITIES		9,994,777	9,662,542



Designated member
Abdulaziz H. Al-Habdan



Company's President
Ahmed M. Al-Jabr



Finance and Planning Director
Ali S. Al Dossary

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

SABIC AGRI-NUTRIENTS COMPANY (FORMERLY: SAUDI ARABIAN FERTILIZER COMPANY (SAFCO))
(A Saudi Joint Stock Company)

INTERIM CONDENSED STATEMENT OF INCOME AND OTHER COMPREHENSIVE INCOME

For the three-month and twelve-month period ended 31 December 2020

	Note	Three-month period ended 31 December		Twelve-month period ended 31 December	
		2020	2019	2020	2019
		SR"000"	SR"000"	SR"000"	SR"000"
		(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Sales	7	768,334	845,577	3,327,542	3,287,582
Cost of sales		(410,504)	(414,634)	(1,662,354)	(1,593,557)
GROSS PROFIT		357,830	430,943	1,665,188	1,694,025
Selling and distribution expenses		(26,825)	(2,862)	(119,801)	(89,435)
General and administrative expenses		(49,274)	(84,003)	(237,419)	(276,320)
OPERATING PROFIT		281,731	344,078	1,307,968	1,328,270
Share of results of an associate		(3,914)	24,191	48,095	126,535
Finance income		3,478	3,741	13,453	19,748
Other (expenses) income, net		(3,729)	(4,663)	12,788	26,973
Finance costs		(8,380)	(6,651)	(28,087)	(26,705)
INCOME BEFORE ZAKAT		269,186	360,696	1,354,217	1,474,821
Zakat expense	5	(35,621)	(16,902)	(59,816)	(902)
NET INCOME FOR THE PERIOD		233,565	343,794	1,294,401	1,473,919
OTHER COMPREHENSIVE (LOSS) INCOME					
<i>Other comprehensive (loss) income not to be reclassified to income in subsequent periods:</i>					
Net gain (loss) on financial assets at fair value through other comprehensive income	8	49,351	22,777	75,924	(74,975)
Remeasurement (losses) gains on defined benefits plans	4	(105,731)	44,116	(164,313)	(58,702)
OTHER COMPREHENSIVE (LOSS) INCOME FOR THE PERIOD		(56,380)	66,893	(88,389)	(133,677)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		177,185	410,687	1,206,012	1,340,242
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	0.56	0.83	3.11	3.54
Designated member		Company's President		Finance and Planning Director	
Abdulaziz H. Al-Habdan		Ahmed M. Al-Jabr		Ali S. Al Dossary	

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

SABIC AGRI-NUTRIENTS COMPANY (FORMERLY: SAUDI ARABIAN FERTILIZER COMPANY (SAFCO))
(A Saudi Joint Stock Company)

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY

For the twelve-month period ended 31 December 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 year	-	-	1,473,919	-	1,473,919
Other comprehensive loss for the year	-	-	(58,702)	(74,975)	(133,677)
Total comprehensive income for the year	-	-	1,415,217	(74,975)	1,340,242
Dividends (note 11)	-	-	(1,250,000)	-	(1,250,000)
As at 31 December 2019 (audited)	4,166,667	1,250,000	2,221,373	358,251	7,996,291
Net income for the year	-	-	1,294,401	-	1,294,401
Other comprehensive (loss) income for the year	-	-	(164,313)	75,924	(88,389)
Total comprehensive income for the year	-	-	1,130,088	75,924	1,206,012
Dividends (note 11)	-	-	(1,041,694)	-	(1,041,694)
Balance at 31 December 2020 (unaudited)	4,166,667	1,250,000	2,309,767	434,175	8,160,609



Designated member
Abdulaziz H. Al-Habdan



Company's President
Ahmed M. Al-Jabr



Finance and Planning Director
Ali S. Al Dossary

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

SABIC AGRI-NUTRIENTS COMPANY (FORMERLY: SAUDI ARABIAN
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(A Saudi Joint Stock Company)

INTERIM CONDENSED STATEMENT OF CASH FLOWS

For the twelve-month period ended 31 December 2020

	2020 SR"000" (Unaudited)	2019 SR"000" (Audited)
Cash flow from operating activities		
Income before zakat	1,354,217	1,474,821
<i>Adjustments to reconcile profit before zakat to net cash from operating activities:</i>		
Depreciation of property, plant and equipment	543,806	547,838
Depreciation of right-of-use assets	23,738	19,914
Amortisation of intangible assets	8,063	7,168
Employees' benefits charge	62,151	51,617
Share of results of an associate	(48,095)	(126,535)
Loss on disposal of property, plant and equipment	-	921
Finance income	(13,453)	(19,748)
Finance costs	28,087	26,705
	<u>1,958,514</u>	<u>1,982,701</u>
<i>Working capital adjustments:</i>		
Inventories	30,971	51,646
Trade receivables	165,191	(20,434)
Prepayments and other current assets	80,083	(76,638)
Trade payables	(76,770)	(54,320)
Accruals and other current liabilities	17,050	(37,566)
Cash from operations	<u>2,175,039</u>	<u>1,845,389</u>
Employees' benefits paid	(31,506)	(28,719)
Finance costs paid	(13,158)	(9,112)
Zakat paid	(36,362)	(29,856)
Net cash from operating activities	<u>2,094,013</u>	<u>1,777,702</u>
Investing activities		
Purchase of property, plant and equipment	(235,749)	(722,084)
Proceeds from disposal of property, plant and equipment	-	58
Purchases of intangible assets	(7,098)	(18,293)
Finance income received	13,453	19,748
Dividends received from an associate	-	75,000
Net movement in other non-current assets	32,315	36,047
Short term investments - bank deposits	(1,100,000)	200,000
Net cash used in investing activities	<u>(1,297,079)</u>	<u>(409,524)</u>
Financing activities		
Payment of lease liabilities	(24,046)	(18,534)
Dividends paid	(1,061,170)	(1,288,595)
Net cash used in financing activities	<u>(1,085,216)</u>	<u>(1,307,129)</u>
(Decrease) increase in cash and cash equivalents	<u>(288,282)</u>	<u>61,049</u>
Cash and cash equivalents at the beginning of the period	<u>753,743</u>	<u>692,694</u>
Cash and cash equivalents at the end of the period	<u><u>465,461</u></u>	<u><u>753,743</u></u>

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

SABIC AGRI-NUTRIENTS COMPANY (FORMERLY: SAUDI ARABIAN
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(A Saudi Joint Stock Company)

INTERIM CONDENSED STATEMENT OF CASH FLOWS (continued)

For the twelve-month period ended 31 December 2020

	2020 SR"000" (Unaudited)	2019 SR"000" (Audited)
Significant non-cash transactions:		
Recognition of right-of-use assets due to adoption of IFRS 16	-	134,826
Property, plant and equipment transferred to intangible assets	-	727
Finance costs on lease liabilities	7,154	7,409
Property, plant and equipment transferred to right-of-use assets	-	8,868
Additions to right-of-use assets and lease liabilities	27,730	-
Other employment benefits charged to related party	1,213	-
Post-employees' benefits charged to a related party	8,875	11,783
Transfer of employee benefits (to) from related parties	(4,490)	30,395



Designated member
Abdulaziz H. Al-Habdan



Company's President
Ahmed M. Al-Jabr



Finance and Planning Director
Ali S. Al Dossary

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

SABIC AGRI-NUTRIENTS COMPANY (FORMERLY: SAUDI ARABIAN FERTILIZER COMPANY (SAFCO))

(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

At 31 December 2020

1 CORPORATE INFORMATION

SABIC Agri-Nutrients Company (the "Company") (formerly: Saudi Arabian Fertilizer Company (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 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.

During the period, the shareholders in the extraordinary general assembly meeting dated 3 Rabi' II 1442H (corresponding to 18 November 2020) have resolved to change the Company's name from Saudi Arabian Fertilizer Company (SAFCO) to SABIC Agri-Nutrients Company.

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.

The Company 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 8 Jumada II 1442H (corresponding to 21 January 2021).

2 BASIS OF PREPARATION

The interim condensed financial statements of the Company for the period ended 31 December 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.

SABIC AGRI-NUTRIENTS COMPANY (FORMERLY: SAUDI ARABIAN
FERTILIZER COMPANY (SAFCO))

(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
(continued)

At 31 December 2020

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.

4 EMPLOYEES' BENEFITS

	<i>2020</i> <i>(Unaudited)</i> <i>SR"000"</i>	<i>2019</i> <i>(Audited)</i> <i>SR"000"</i>
Defined benefit obligations (DBO)	1,055,860	840,375
Defined contribution plan	36,288	38,842
	<u>1,092,148</u>	<u>879,217</u>

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

	<i>2020</i> <i>(Unaudited)</i> <i>SR"000"</i>	<i>2019</i> <i>(Audited)</i> <i>SR"000"</i>
At the beginning of the period	840,375	699,005
Current service cost	62,151	51,617
Interest cost	25,017	29,375
Paid during the period	(31,506)	(28,719)
Transfer of benefit obligations (to) / from related parties	(4,490)	30,395
Re-measurement losses on defined benefit plans	164,313	58,702
At end of the period	<u>1,055,860</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>2020</i> <i>(Unaudited)</i> <i>SR"000"</i>	<i>2019</i> <i>(Audited)</i> <i>SR"000"</i>
At the beginning of the period	39,294	68,248
Provided during the period	59,816	37,902
Reversed during the period	-	(37,000)
Paid during the period	(36,362)	(29,856)
At end of the period	<u>62,748</u>	<u>39,294</u>

SABIC AGRI-NUTRIENTS COMPANY (FORMERLY: SAUDI ARABIAN FERTILIZER COMPANY (SAFCO))

(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
(continued)

At 31 December 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.

During the period, the Company has received Zakat assessment for the year 2018 with additional Zakat liability amounting to SR 18.3 million for which the Company has recognised additional provision amounting to SR 8.3 million and shall appeal for the remaining portion. Management believes that the result will be in favour of the Company.

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 31 December</i>		<i>Twelve-month period ended 31 December</i>	
	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
Income from operations for the period (SR '000)	281,731	344,078	1,307,968	1,328,270
Net income attributable to equity holders of the Company (SR '000)	233,565	343,794	1,294,401	1,473,919
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	0.68	0.83	3.14	3.19
Basic and diluted earnings per share from net income attributable to equity holders of the Company	0.56	0.83	3.11	3.54

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

SABIC AGRI-NUTRIENTS COMPANY (FORMERLY: SAUDI ARABIAN FERTILIZER COMPANY (SAFCO))
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (continued)

At 31 December 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 twelve month period ended 31 December 2020 and 2019, as well as balances with related parties as at 31 December 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 accrued /payable to related parties
	<i>SR"000"</i>	<i>SR"000"</i>	<i>SR"000"</i>	<i>SR"000"</i>	<i>SR"000"</i>	<i>SR"000"</i>	<i>SR"000"</i>	<i>SR"000"</i>	<i>SR"000"</i>
2020									
SABIC	3,310,122	615,559	46,527	49,573	39,889	-	68,441	383,270	88,647
Ibn Al-Baytar	11,421	3,457	-	-	-	170,864	70,084	52,549	9,286
Al-Bayroni	5,999	1,165	-	-	-	201,393	1,158	35,378	10,565
Saudi Aramco	-	53,753	-	-	-	-	-	-	60,226
SABIC affiliates	-	58,824	-	-	-	-	2,357	2,535	3,635
2019									
SABIC	3,266,158	832,289	105,222	48,973	39,209	-	128,437	561,843	93,525
Ibn Al-Baytar	12,399	15,851	-	-	-	124,955	89,921	35,742	12,712
Al-Bayroni	9,025	1,094	-	-	-	187,070	60,729	29,538	17,114
SABIC affiliates	-	5,084	-	-	-	-	53,621	1,587	14,317

SABIC AGRI-NUTRIENTS COMPANY (FORMERLY: SAUDI ARABIAN FERTILIZER COMPANY (SAFCO))

(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (continued)

At 31 December 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 the Company 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 the Company.
- 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 31 December 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 31 December 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 thorough 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.

SABIC AGRI-NUTRIENTS COMPANY (FORMERLY: SAUDI ARABIAN FERTILIZER COMPANY (SAFCO))

(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
(continued)

At 31 December 2020

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:

		31 December 2020 (Unaudited)			
	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	606,443	606,443	606,443	-	-
		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 parent company. 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 (2019: SR 359.9 million).

Letter of guarantee

The Company issued bank guarantees of amounting to SR 6.8 million (2019: SR 5.5 million) in favour of Customs authorities.

SABIC AGRI-NUTRIENTS COMPANY (FORMERLY: SAUDI ARABIAN FERTILIZER COMPANY (SAFCO))

(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (continued)

At 31 December 2020

11 APPROPRIATION OF NET INCOME AND DIVIDENDS DISTRIBUTIONS

On 29 Rabia II 1442H (corresponding to 14 December 2020), the Board of Directors recommended to distribute an interim cash dividend amounting to SR 1.0 per share (SR 476 million in total) for the second half of 2020. The proposed dividends are subject to approval and have not be included as liability in these interim condensed financial statements.

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 118 million (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 would 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 would be SR 4,592 million and the considerations would be paid for by issuing 59,368,738 ordinary new shares in SABIC Agri-Nutrients Company to SABIC valued at SR 77.35 per share. SABIC's ownership in the Company post transaction would increase from 42.99% to 50.1%.

On 12 Sha'ban 1441H (corresponding to 5 April 2020), the General Authority for Competition sent the Company a no objection notice of the acquisition transaction.

On 18 Safar 1442H (corresponding to October 5, 2020), the Capital Market Authority approved the Company's request for increase in share capital from SR 4,166,666,660 to SR 4,760,354,040 through the issuance of 59,368,738 additional shares to SABIC.

SABIC AGRI-NUTRIENTS COMPANY (FORMERLY: SAUDI ARABIAN
FERTILIZER COMPANY (SAFCO))

(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
(continued)

At 31 December 2020

12 OTHER INFORMATION (continued)

On 3 Jumada' I 1442H (corresponding to 18 December 2020), the Extraordinary General Assembly approved the increase in share capital of the Company. Subsequent to the period ended 31 December 2020, on 19 Jumada' I 1442H (corresponding to 3 January 2021) the share capital of the Company has been increased and ownership of the shares of SABIC Agri-Nutrients Investment Company transferred to the Company.

13 SIGNIFICANT MATTERS DURING THE PERIOD

The outbreak of novel coronavirus ("COVID-19") since early 2020 and its spread across mainland China and then globally caused disruptions to businesses and economic activities including the KSA. The World Health Organisation qualified COVID-19 as a pandemic, with governments issuing strict regulations and guidance for its populations and companies. It necessitated the Company to re-assess its judgments and the key sources of estimation applied to the annual financial statements for the year ended 31 December 2020.

During the period ended 31 December 2020, management has assessed the overall impact on the Company's operations and business aspects, and considered factors like effects on supply chain, impact of decreased oil prices, operating rates of its plants and lost volume, additional cost in supply chain, margin squeeze, and product demand. Majority of the planned shutdowns and turnarounds, which drive some part of the fixed costs have been rescheduled. Based on this assessment, no significant adjustments were required in the financial statements for the period ended 31 December 2020. However, in view of the ongoing uncertainty, any future change in the assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets and/or liabilities in 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 period ended 31 December 2020.