

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

**INTERIM CONDENSED FINANCIAL**  
**STATEMENTS AND INDEPENDENT AUDITOR'S**  
**LIMITED REVIEW REPORT**  
**FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2020**

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

**INTERIM CONDENSED FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S LIMITED REVIEW REPORT  
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2020**

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## 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 March 31, 2020 and the related interim condensed statement of income and other comprehensive income, statement of changes in equity and statement of cash flows for the three-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  
5 Ramadan, 1441H  
April 28, 2020



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

**INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION**

**AS OF MARCH 31, 2020**

(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	March 31, 2020	December 31, 2019
(Unaudited )			
ASSETS			
Non-current assets			
Property, plant and equipment		5,790,695	5,897,990
Intangible assets		61,834	63,701
Right-of-use assets		123,358	123,781
Investment in an associate		765,448	744,176
Financial assets at fair value through other comprehensive income	8	394,805	530,519
Other non-current assets		125,618	134,377
Total non-current assets		7,261,758	7,494,544
Current assets			
Inventories		496,856	434,019
Trade and other receivables	7	563,103	630,421
Prepayments and other current assets		153,330	199,815
Cash and cash equivalents		1,277,787	753,743
Short term investments		60,000	150,000
Total current assets		2,551,076	2,167,998
TOTAL ASSETS		9,812,834	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		1,899,873	2,221,373
Fair value reserve of financial assets at fair value through other comprehensive income		222,537	358,251
Total equity		7,539,077	7,996,291
Non-current liabilities			
Employees' benefits obligations	4	891,009	879,217
Lease liabilities		105,307	105,649
Total non-current liabilities		996,316	984,866

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

**INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION (CONTINUED)**  
**AS OF MARCH 31, 2020**

(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	March 31, 2020	December 31, 2019
		(Unaudited)	
<b>Current liabilities</b>			
Lease liabilities		14,714	13,878
Trade payables	7	56,095	186,703
Accrued and other current liabilities		397,804	304,098
Dividends payable	11	761,839	137,412
Zakat provision	5	46,989	39,294
<b>Total current liabilities</b>		<b>1,277,441</b>	<b>681,385</b>
<b>Total liabilities</b>		<b>2,273,757</b>	<b>1,666,251</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>9,812,834</b>	<b>9,662,542</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 PERIOD ENDED MARCH 31, 2020**  
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	March 31, 2020	March 31, 2019
Sales	7	728,369	718,679
Cost of sales		(360,426)	(340,385)
<b>Gross profit</b>		<b>367,943</b>	<b>378,294</b>
Selling and distribution expenses		(29,264)	(24,699)
General and administration expenses		(60,381)	(57,972)
<b>Operating profit</b>		<b>278,298</b>	<b>295,623</b>
Other expenses		(4,451)	(5,651)
Other income		21,829	16,891
Share of results of an associate		21,272	41,978
Finance cost		(5,753)	(6,371)
<b>Income before Zakat</b>		<b>311,195</b>	<b>342,470</b>
Zakat	5	(7,695)	(7,000)
<b>Net income for the period</b>		<b>303,500</b>	<b>335,470</b>
<b>Other comprehensive (loss) income for the period</b>			
<i>Other comprehensive (loss) income not to be reclassified to income in subsequent periods :</i>			
Net (loss) gain on financial assets at fair value through other comprehensive income		(135,714)	99,650
Re-measurement loss on defined benefit plans	4	-	(18,674)
<b>Other comprehensive (loss) income for the period</b>		<b>(135,714)</b>	<b>80,976</b>
<b>Total comprehensive income for the period</b>		<b>167,786</b>	<b>416,446</b>
<b>Earnings per share (Saudi Riyals)</b>			
Basic and diluted earnings per share	6	0.73	0.81



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

**INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY  
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2020**

(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	-	-	335,470	-	335,470
Other comprehensive income for the period	-	-	(18,674)	99,650	80,976
Total comprehensive income for the period	-	-	316,796	99,650	416,446
Balance as at March 31, 2019 (Unaudited)	4,166,667	1,250,000	2,372,952	532,876	8,322,495
Net income for the remainder of the year	-	-	1,138,449	-	1,138,449
Other comprehensive loss for the remainder of the year	-	-	(40,028)	(174,625)	(214,653)
Total comprehensive income for the remainder of the year	-	-	1,098,421	(174,625)	923,796
Dividends (note 11)	-	-	(1,250,000)	-	(1,250,000)
Balance as at December 31, 2019	4,166,667	1,250,000	2,221,373	358,251	7,996,291

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

**INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY (CONTINUED)**

**FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2020**

(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, 2020	4,166,667	1,250,000	2,221,373	358,251	7,996,291
Net income for the period	-	-	303,500	-	303,500
Other comprehensive loss for the period	-	-	-	(135,714)	(135,714)
Total comprehensive income for the period	-	-	303,500	(135,714)	167,786
Dividends (note 11)	-	-	(625,000)	-	(625,000)
<b>Balance as at March 31, 2020 (Unaudited)</b>	<b>4,166,667</b>	<b>1,250,000</b>	<b>1,899,873</b>	<b>222,537</b>	<b>7,539,077</b>



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**Finance and Planning Director**

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

**INTERIM CONDENSED STATEMENT OF CASH FLOWS (Unaudited)**  
**FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2020**  
 (All amounts in Saudi Riyals thousands unless otherwise stated)

	<b>March 31, 2020</b>	March 31, 2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Income before Zakat	<b>311,195</b>	342,470
<b><u>Adjustments for:</u></b>		
Share of results of an associate	<b>(21,272)</b>	(41,978)
Interest income from time deposits	<b>(4,688)</b>	(7,842)
Finance cost	<b>5,753</b>	6,371
Depreciation of property, plant and equipment	<b>137,970</b>	129,053
Amortization of intangible assets	<b>1,867</b>	1,607
Depreciation of right-of-use assets	<b>5,265</b>	4,441
Non-cash post-employment benefits expense	<b>16,060</b>	13,063
Operating cash flows before movement in working capital	<b>452,150</b>	447,185
<b><u>Movement in working capital:</u></b>		
Inventories	<b>(62,837)</b>	28,755
Trade and other receivables	<b>68,579</b>	143,635
Prepayments and other current assets	<b>46,485</b>	(32,547)
Trade payables	<b>(130,608)</b>	(122,140)
Accrued and other current liabilities	<b>97,079</b>	(43,680)
Cash generated from operations	<b>470,848</b>	421,208
Finance cost paid	<b>(760)</b>	(199)
Employees' benefits paid	<b>(13,895)</b>	(9,519)
<b>Net cash flows from operating activities</b>	<b>456,193</b>	411,490
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	<b>4,688</b>	7,842
Dividends received from an associate	<b>-</b>	18,750
Purchases of property, plant and equipment	<b>(30,675)</b>	(215,730)
Net movement in other non-current assets	<b>8,759</b>	8,438
Short term investments	<b>90,000</b>	67,000
<b>Net cash flows from (used in) investing activities</b>	<b>72,772</b>	(113,700)

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

**INTERIM CONDENSED STATEMENT OF CASH FLOWS (Unaudited) (CONTINUED)**  
**FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2020**  
 (All amounts in Saudi Riyals thousands unless otherwise stated)

	<b>March 31, 2020</b>	<b>March 31, 2019</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividends paid	(573)	(1,814)
Lease liabilities paid	(4,348)	(14,384)
<b>Net cash flows used in financing activities</b>	<b>(4,921)</b>	<b>(16,198)</b>
Net change in cash and cash equivalents	524,044	281,592
<b>Cash and cash equivalents at the beginning of the period</b>	<b>753,743</b>	<b>692,694</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>1,277,787</b>	<b>974,286</b>


**Supplemental non-cash transactions:**

Recognition of right-of-use assets	4,842	125,846
Property, plant and equipment transferred to right-of-use assets	-	8,868
Post-employment benefits expense charged to a related party	1,261	3,036
Property, plant and equipment transferred to assets held for sale	-	697
Dividends declared by an associate but not received	-	56,250



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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 THREE-MONTH PERIOD ENDED MARCH 31, 2020**

(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 three-month period ended March 31, 2020 were authorised for issue on April 28, 2020.

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

**2. BASIS OF PREPARATION**

**Statement of compliance**

These interim condensed financial statements for the three-month period ended March 31, 2020 have been prepared in accordance with IAS 34 "Interim Financial Reporting" as endorsed in the Kingdom of Saudi Arabia.

These 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 for the year ended December 31, 2019.

**Basis of measurement**

These interim condensed financial statements are prepared under the historical cost convention, except for the measurement at fair value of certain 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 when 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, 2019.

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

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2020**  
(All amounts in Saudi Riyals thousands unless otherwise stated)

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

**New and revised standards adopted but do not have any impact**

The following new and revised IFRSs, which became effective for annual periods beginning on or after January 1, 2020, have been adopted in these interim condensed financial statements. The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

**New and revised IFRSs**

*Definition of Material - Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors*

The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

*Definition of a Business – Amendments to IFRS 3 Business Combinations*

The amendments clarify that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. IASB also clarify that a business can exist without including all of the inputs and processes needed to create outputs. That is, the inputs and processes applied to those inputs must have 'the ability to contribute to the creation of outputs' rather than 'the ability to create outputs'.

*Amendments to References to the Conceptual Framework in IFRS Standards*

Amendments to References to the Conceptual Framework in IFRS Standards related IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32 to update those pronouncements with regard to references to and quotes from the framework or to indicate where they refer to a different version of the Conceptual Framework.

*IFRS 7 Financial Instruments: Disclosures and IFRS 9 - Financial Instruments*

Amendments regarding pre-replacement issues in the context of the IBOR reform.

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

**New and revised IFRSs**

**Effective for  
annual periods  
beginning on or after**

*IFRS 17 Insurance Contracts*

IFRS 17 requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 Insurance Contracts as at January 1, 2022.

January 1, 2022

*Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures*

Amendments relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture.

Effective date deferred indefinitely. Adoption is still permitted.

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

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2020**

(All amounts in Saudi Riyals thousands unless otherwise stated)

**4. EMPLOYEES' BENEFITS OBLIGATIONS**

	<b>March 31, 2020</b>	<b>December 31, 2019</b>
	<b>(Unaudited)</b>	
Defined benefit obligations (DBO)	<b>848,794</b>	840,375
Defined contribution plan	<b>42,215</b>	38,842
	<b>891,009</b>	879,217

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

	<b>March 31, 2020</b>	<b>December 31, 2019</b>
	<b>(Unaudited)</b>	
Defined benefit obligations at beginning of the period	<b>840,375</b>	699,005
Transfer of benefit obligations from a related party	-	30,395
Current service cost	<b>16,060</b>	51,617
Interest cost	<b>6,254</b>	29,375
Payments during the period	<b>(13,895)</b>	(28,719)
Re-measurement losses on defined benefit plans	-	58,702
Defined benefit obligations at end of the period	<b>848,794</b>	840,375

**5. ZAKAT**

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

	<b>March 31, 2020</b>	<b>December 31, 2019</b>
	<b>(Unaudited)</b>	
At beginning of the period	<b>39,294</b>	68,248
Provided during the period	<b>7,695</b>	37,902
Reversal during the period	-	(37,000)
Paid during the period	-	(29,856)
	<b>46,989</b>	39,294

**SAUDI ARABIAN FERTILIZERS COMPANY (SAFCO)**  
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**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2020**

(All amounts in Saudi Riyals thousands unless otherwise stated)

**5. ZAKAT (CONTINUED)**

The Company submitted its Zakat returns up to 2018 and obtained the required Zakat certificates and official receipts. Zakat assessments have been finalized and settled with the GAZT up to year 2017. Zakat assessment for the year 2018 is still under review by the GAZT.

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.

**6. EARNINGS PER SHARE**

	<b>March 31, 2020</b>	<b>March 31, 2019</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Operating profit for the period	<b>278,298</b>	295,623
Net income attributable to equity holders of the Company (SR '000)	<b>303,500</b>	335,470
Weighted average number of ordinary shares ('000)	<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>0.67</b>	0.71
Basic and diluted earnings per share from net income attributable to equity holders of the Company (Saudi Riyals)	<b>0.73</b>	0.81

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 THREE-MONTH PERIOD ENDED MARCH 31, 2020**

(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>
SABIC	Shareholder (parent company)
Ibn Al Baytar	Associate
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 three-month period ended March 31, 2020 and 2019, as well as balances with related parties as at March 31, 2020 and December 31, 2019:

	Sales to related parties	Purchases from related parties	Advance payments	Technology and innovation charged	Shared services charged	Management and services charges to an associate	Other services	Amounts due from related parties	Amounts due to related parties
<b>March 31, 2020 (Unaudited)</b>									
SABIC	723,510	113,055	91,497	10,853	9,563	-	13,512	472,236	36,272
Ibn Al Baytar	3,282	146	-	-	-	29,872	16,724	30,641	11,344
Albayroni	1,577	254	-	-	-	51,272	4,194	57,075	4,760
SABIC affiliates	-	13,799	-	-	-	-	272	1,432	298
<b>March 31, 2019 (Unaudited)</b>									
SABIC	714,868	138,104	85,133	10,592	10,542	-	85,538	561,843	93,525
Ibn Al Baytar	2,842	3,357	-	-	-	29,977	12,036	35,742	12,712
Albayroni	969	260	-	-	-	49,915	-	29,538	17,114
SABIC affiliates	-	2,924	-	-	-	-	-	1,587	14,317



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**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2020**  
(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 has an Operations and Maintenance Agreement with an affiliate of SABIC in order to integrate the administrative, operational and maintenance activities of both companies. SAFCO is supervising and managing the activities of the affiliate in accordance with agreement terms. This agreement has no impact on the legal structure of either company.

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 March 31, 2020 and December 31, 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 March 31, 2020 and December 31, 2019, 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 through other comprehensive income at each statement of financial position 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)**  
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**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)**  
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 (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.

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:

		<b>March 31, 2020 (Unaudited)</b>			
	<b>Carrying amount</b>	<b>Fair value</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Financial assets measured at fair value	<b>394,805</b>	<b>394,805</b>	<b>394,805</b>	-	-
		<b>December 31, 2019</b>			
	<b>Carrying amount</b>	<b>Fair value</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Financial assets measured at fair value	<b>530,519</b>	<b>530,519</b>	<b>530,519</b>	-	-

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

Fair value of financial assets at fair value through other comprehensive income is derived from quoted market prices in active markets.

**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.

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**10. COMMITMENTS AND CONTINGENCIES**

**Capital commitments**

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

**Letter of guarantee**

The Company issued bank guarantees of amounting to SR 2.6 million (December 31, 2019: SR 5.5 million) in favor of Customs authorities.

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

On 18 Rabi II, 1441H (corresponding to December 15, 2019), the Board of Directors proposed to distribute an interim cash dividend amounting to SR 1.5 per share (SR 625 million in total) for the second half of 2019. The proposed dividends were approved on 5 Sha'ban 1441H (corresponding to March 29, 2020) in annual general meeting and will be available for distribution to shareholders on 19 Sha'ban 1441H (corresponding to April 12, 2020).

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 Board of Directors proposed 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).

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

**12. OTHER INFORMATION**

In 2018, the management signed a non-binding Memorandum of Understanding with Saudi Basic Industries Corporation ("SABIC") for the purchase of the 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 1441 H (corresponding to December 25, 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 the way of an increase in 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 consideration will be paid for by issuing 59,368,738 ordinary new shares in SAFCO to SABIC valued at SR 77.35 per share. SABIC's ownership in SAFCO post this transaction will increase from 42.99% to 50.1%.

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**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)**  
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**12. OTHER INFORMATION (CONTINUED)**

Subsequent to the period ended March 31, 2020, on 12 Sha'ban 1441H (corresponding to April 5, 2020), the General Authority for Competition has approved the transaction. However, the transactions is conditional upon the approval of the official authorities and the Extra Ordinary General Assembly meeting of SAFCO to increase the share capital for the purpose of acquiring SABIC Agri-Nutrients Investment Company.

**13. CORONA VIRUS PANDEMIC (COVID-19)**

The Company is carefully monitoring the COVID-19 pandemic and the effect it is having on the Agri-Nutrients market, the Company's employees and its financial performance. Measures have been implemented to enable the Company to continue operating on a business as usual basis, including remote working where possible, whilst taking all the necessary precautions to safeguard the well-being of its employees in the context of the ongoing pandemic.

In the current uncertain economic environment, it is too early to predict the impact of the pandemic on the economy in general or on the financial performance of the Company. The Agri-Nutrients market has so far been immune to the economic pressures created by the coronavirus. However, it is possible that market prices of Agri-Nutrients will experience a declining trend as compared to the first quarter and as a result, the performance of the Company might be affected.

The Company is confident that it has in place robust policies, operational expertise and financial resources and cushions to enable it to meet the challenges in the current environment.

Management will continue to monitor the current pandemic and the resulting economic conditions and to take all necessary measures to safeguard the Company and its staff.

**14. SUBSEQUENT EVENTS**

In the opinion of management, there have been no significant subsequent events since the period ended March 31, 2020 that would have a material impact on the financial position of the Company as reflected in these interim condensed financial statements.