

**ARAB POTASH COMPANY
(PUBLIC SHAREHOLDING COMPANY)**

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
(UNAUDITED)**

31 MARCH 2020

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(UNAUDITED)**

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	<u>PAGE</u>
REPORT ON THE REVIEW OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS	1
INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION	2 - 3
INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME	4
INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	5
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY	6
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS	7 - 8
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS	9 - 23



**REPORT ON THE REVIEW OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
TO THE CHAIRMAN AND MEMBERS OF THE BOARD OF DIRECTORS OF ARAB POTASH COMPANY
(PUBLIC SHAREHOLDING COMPANY)**

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Arab Potash Company - Public Shareholding Company ("the Company") and its subsidiaries (together the "Group") as at 31 March 2020, and the related interim condensed consolidated statement of income, the interim condensed consolidated comprehensive income, the interim condensed consolidated statement of changes in shareholders' equity and the interim condensed consolidated statement of cash flows and other explanatory notes for the three months then ended. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard (IAS) 34 (Interim Financial Reporting). Our responsibility is to express a conclusion on these interim condensed consolidated 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". A review of Interim financial statements consists of making inquiries, primarily of persons responsible for the 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, 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 consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 (Interim financial reporting).

For and on behalf of PricewaterhouseCoopers "Jordan" L.L.C.


Hazem sababa
License No (802)



Amman – Jordan
7 July 2020

ARAB POTASH COMPANY - PUBLIC SHAREHOLDING COMPANY
INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)
AS AT 31 MARCH 2020

	Notes	31 March 2020 JD "000" (Unaudited)	31 December 2019 JD "000" (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	4	207,986	214,869
Projects in progress	6	116,965	105,467
Rights of use	5	19,219	19,571
Right of use of leased asset		5,680	5,858
Investment in associates		3,478	3,789
Investment in joint ventures		190,803	188,438
Financial assets at amortized cost	7	20,876	20,903
Employees' housing loans		15,097	15,560
Other non-current assets		34,178	33,293
Financial assets at fair value through other comprehensive income		585	585
Deferred tax assets		21,198	20,906
		<u>636,065</u>	<u>629,239</u>
Current assets			
Inventories		34,145	30,078
Spare parts and supplies		43,731	44,746
Employees' housing loans		2,770	2,796
Accounts receivable		120,788	102,747
Other current assets		48,509	38,832
Cash on hand and bank balances	10	220,461	240,135
		<u>470,404</u>	<u>459,334</u>
TOTAL ASSETS		<u>1,106,469</u>	<u>1,088,573</u>
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Paid in share capital		83,318	83,318
Statutory reserve	8	50,464	50,464
Voluntary reserve		80,699	80,699
Fair value reserve		(72)	(72)
Re-measurement of post-employment benefit obligations		(13,314)	(13,314)
Retained earnings		716,063	690,606
NET SHAREHOLDERS' EQUITY		<u>917,158</u>	<u>891,701</u>

The attached notes from 1 to 17 are part of these interim condensed consolidated financial statements

ARAB POTASH COMPANY - PUBLIC SHAREHOLDING COMPANY
INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)
(CONTINUED)
AS AT 31 MARCH 2020

	<u>Notes</u>	<u>31 March 2020</u> JD "000" (Unaudited)	<u>31 December 2019</u> JD "000" (Audited)
Liabilities			
Non-current liabilities			
Long-term loan		10,229	11,690
Obligations against capital projects	5	4,855	5,664
Lease liabilities	14	4,230	4,349
Death and compensation fund obligations		49,858	48,812
Other non-current liabilities		7,476	7,454
		<u>76,648</u>	<u>77,969</u>
Current liabilities			
Bank overdraft		4,000	10,499
Current portion of long term loan		5,845	5,845
Obligations against capital projects	5	3,236	3,236
Lease liabilities	14	998	760
Death and compensation fund obligations		6,993	6,993
Potash mining fees due to the government of the Hashemite Kingdom of Jordan		2,944	-
Trade payables		24,283	12,625
Income tax provision	12	8,087	33,756
Other current liabilities		56,277	45,189
		<u>112,663</u>	<u>118,903</u>
TOTAL LIABILITIES		<u>189,311</u>	<u>196,872</u>
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		<u>1,106,469</u>	<u>1,088,573</u>

General Manager

Executive Vice President of financial and support services

The attached notes from 1 to 17 are part of these interim condensed consolidated financial statements

ARAB POTASH COMPANY - PUBLIC SHAREHOLDING COMPANY
INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)
FOR THE THREE MONTHS ENDED 31 MARCH 2020

	Notes	For the three months ended	
		31 March	
		2020	2019
		JD "000"	JD "000"
		(Unaudited)	(Unaudited)
Sales	11	105,792	128,364
Cost of sales		(64,964)	(74,641)
Gross profit		40,828	53,723
Administrative expenses		(3,411)	(3,545)
Selling and distribution expenses		(5,511)	(5,297)
Corporate social responsibility expenses		(10,144)	(3,658)
Net foreign currency exchange differences		(75)	(307)
Potash mining fees	1	(2,991)	(5,767)
Operating profit		18,696	35,149
Interest income		2,804	2,957
Finance costs and bank charges		(1,507)	(2,758)
Other income (expense), net		172	(75)
Profit before the group's share of profit from associates and joint ventures and income taxes		20,165	35,273
Group's share of profit from associates and joint ventures	9	12,161	14,808
Profit before income tax		32,326	50,081
Income tax expense	12	(6,869)	(11,580)
Profit for the period		25,457	38,501
Earnings per share		JD / Fils	JD / Fils
Basic and diluted earnings per share for the period	15	0/306	0/462

The attached notes from 1 to 17 are part of these interim condensed consolidated financial statements

ARAB POTASH COMPANY - PUBLIC SHAREHOLDING COMPANY
INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE THREE MONTHS ENDED 31 MARCH 2020

	For the three months ended 31 March	
	2020	2019
	JD "000" (Unaudited)	JD "000" (Unaudited)
Profit for the period	25,457	38,501
Add: other comprehensive income		
<i>Items that will not be reclassified to profit or loss:</i>		
Actuarial gains from re-measurement of post-employment benefit obligations	-	767
Total comprehensive income for the period	<u>25,457</u>	<u>39,268</u>

The attached notes from 1 to 17 are part of these interim condensed consolidated financial statements

ARAB POTASH COMPANY - PUBLIC SHAREHOLDING COMPANY
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)
FOR THE THREE MONTHS ENDED 31 MARCH 2020

	Paid in share capital JD "000"	Statutory reserve JD "000"	Voluntary reserve JD "000"	Fair value reserve JD "000"	Re-measurement of post-employment benefit obligations JD "000"	Retained earnings JD "000"	Total equity JD "000"
For the three months ended 31 March 2020 (unaudited)							
Balance at 1 January 2020	83,318	50,464	80,699	(72)	(13,314)	690,606	891,701
Profit for the period	-	-	-	-	-	25,457	25,457
Balance at 31 March 2020	83,318	50,464	80,699	(72)	(13,314)	716,063	917,158
For the three months ended 31 March 2019 (unaudited)							
Balance at 1 January 2019	83,318	50,464	80,699	(89)	(8,190)	638,892	845,094
Profit for the period	-	-	-	-	-	38,501	38,501
Other comprehensive income for the period	-	-	-	-	767	-	767
Total other comprehensive income for the period	-	-	-	-	767	38,501	39,268
Balance at 31 March 2019	83,318	50,464	80,699	(89)	(7,423)	677,393	884,362

The attached notes from 1 to 17 are part of these interim condensed consolidated financial statements

ARAB POTASH COMPANY - PUBLIC SHAREHOLDING COMPANY
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE THREE MONTHS ENDED 31 MARCH 2020

	Notes	For the three months ended	
		31 March	
		2020	2019
		JD "000"	JD "000"
		(Unaudited)	(Unaudited)
OPERATING ACTIVITIES			
Profit for the period before income tax		32,326	50,081
Adjustments for			
Depreciation		9,407	14,483
Depreciation on right of use of leased asset		178	58
Amortisation		1,479	436
Interest income		(2,804)	(2,957)
Finance costs		1,507	2,758
Share of profit from associates and joint ventures and its amendments	9	(12,161)	(14,808)
End of service indemnity provision		48	143
Potash mining fees		2,991	5,767
Provision for slow moving spare parts and inventory		250	(250)
Provision for employees' unpaid leaves		(52)	352
Employee's legal cases compensation provision		(156)	221
Death and compensation provision		1,746	1,840
Working capital changes:			
Inventories		(4,067)	(3,912)
Spare parts		765	(216)
Accounts receivable		(18,041)	15,621
Other current assets		(11,709)	840
Trade payables		11,658	(3,731)
Other current liabilities		11,270	(24)
Net cash flows generated from operating activities before income tax, mining fees and death and compensation fund obligations paid			
		24,635	66,702
Income tax paid		(32,830)	(6,007)
Mining fees paid		-	(886)
Death and compensation fund obligations paid		(700)	(2,527)
Net cash flows (used in) generated from operating activities			
		(8,895)	57,282
INVESTING ACTIVITIES			
Purchases of property, plant and equipment	4	(2,001)	(949)
Projects in progress	6	(12,021)	(9,946)
Dividends received from associates and joint ventures		10,107	-
Investment in associates and joint ventures		-	(5,001)

The attached notes from 1 to 17 are part of these interim condensed consolidated financial statements

ARAB POTASH COMPANY - PUBLIC SHAREHOLDING COMPANY
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED) (CONTINUED)
FOR THE THREE MONTHS ENDED 31 MARCH 2020

	Notes	For the three months ended	
		31 March	
		2020	2019
		JD "000"	JD "000"
		(Unaudited)	(Unaudited)
Granted employees' housing loans		(270)	(147)
Proceeds from Employees housing loans		759	934
Short-term bank deposits		60,685	(19,738)
Interest received		2,804	2,957
Net cash flows generated from (used in) investing activities		60,063	(31,890)
FINANCING ACTIVITIES			
Repayment of loan		(1,461)	(1,228)
Payments for obligations against capital projects		(809)	(809)
Interest paid		(1,388)	(2,571)
Net cash flows used in financing activities		(3,658)	(4,608)
Net change in cash and cash equivalents		47,510	20,784
Cash and cash equivalents at 1 January		8,942	36,588
Cash and cash equivalents at 31 March	10	56,452	57,372
NON-CASH TRANSACTIONS			
Offset amount of income tax payable against sales tax receivable		-	(4,932)
Transfers from projects in progress to property, plant and equipment	6	523	3,574
Right of use of leased asset		-	3,742
Lease liabilities		-	3,742

The attached notes 1 to 17 form part of these interim condensed consolidated financial statements

ARAB POTASH COMPANY PUBLIC SHAREHOLDING COMPANY
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
31 MARCH 2020

(1) GENERAL

Arab Potash Company "APC", the "Company", is a public shareholding company that was founded and registered on 7 July 1956 in Amman – Jordan. During 1958, the Company was granted a concession from the Government of the Hashemite Kingdom of Jordan to exploit the minerals and salts of the Dead Sea brine. The concession expires after 100 years from the grant date, after which, the Company's factories and installations become the property of the Government of the Hashemite Kingdom of Jordan. Based on the agreement, the Company will not be responsible for any decommissioning costs. The concession agreement was amended during 2003 in accordance with the Temporary Law Number (55) of 2003, whereby amendments included the annual rent fees for lands within the concession area, the concession area borders, and the exclusive rights given to the Company. On 11 May 2010 the Government of Jordan and APC agreed to amend the lease fee of the concession land in Ghour Al Safi site to JD 1.5 million per annum; and the lease fee shall be increased annually in accordance with the Consumer Price Index to become JD 1,836 thousand as at 31 March 2020.

Under the terms of the concession, the Government of the Hashemite Kingdom of Jordan is entitled to a royalty of JD 8 for each ton of potassium chloride, ("Potash") exported by the Company. On 12 February 2008 the Council of Ministers resolved to increase the royalty fees to JD 15 for each ton mined, effective 17 March 2008. On 5 August 2008 the Council of Ministers resolved to increase the royalty fees to JD 125 for each ton mined, effective 16 September 2008 with maximum royalty payable limited to 25% of the Company's net profit after tax for the year excluding the Company's share in the results of its subsidiaries and associates.

The authorized and paid in share capital is JD 83,317,500 distributed into 83,317,500 shares with a par value of JD 1 per share, that are all listed in Amman stock exchange market- Jordan.

The Company and its subsidiaries (the "Group") produce and market Potash, Salt, Potassium Nitrates, Di-Calcium Phosphate, mixed salts and mud in the international market.

The registered address of the Company is P. O. Box 1470 Amman 11118, the Hashemite Kingdom of Jordan.

The consolidated financial statements were authorized for issue by the audit committee on 6 July 2020.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2-1 Basis of Preparation

The interim condensed consolidated financial statements for the three months ended 31 March 2020 have been prepared in accordance with International Accounting Standard 34 (Interim Financial Reporting).

The interim condensed consolidated financial statements are presented in Jordanian Dinars, which is the functional currency of the Group.

The interim condensed consolidated financial statements do not contain all information and disclosures required for full financial statements prepared in accordance with International Financial Reporting Standards, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2019. In addition, results for the three-month period ended 31 March 2020 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2020.

2-2 Basis of Consolidation

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, expenses and Income of a subsidiary acquired or disposed of during the year are included in the income statement from the date the Group gains control until the date the Group ceases to control the subsidiary.

The interim condensed consolidated financial statements comprise the financial statements of Arab Potash Company and its subsidiaries:

	<u>Paid in capital</u> (Thousands of shares)	<u>Percentage of Ownership</u> %
Arab Fertilizers and Chemicals Industries (KEMAPCO)	29,000	100
Numeira Mixed Salts and Mud Company	800	100
Jordan Dead Sea Industries (JODICO)	100	100

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

ARAB POTASH COMPANY PUBLIC SHAREHOLDING COMPANY
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
31 MARCH 2020

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interests
- Derecognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss.

Shareholders with significant influence over the Group

The authorized and paid-in capital of the company is JD 83,317,500 divided into 83,317,500 shares with a par value of JD 1 per share.

The following table shows the shareholders with significant impact on the Group:

	<u>Number of shares</u>	<u>Ownership %</u>
Man Jia Industrial Development Limited	23,294,614	28
Management of Government Contributions Company	21,782,437	26.1
Arab Mining Company	16,655,651	20

2-3 Changes in Accounting Policies

(a) New and amended standards and interpretations issued and adopted by the group in the financial year beginning on 1 January 2020:

- **Amendments to IFRS (3)** - This amendment revises the business definition. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations.
- **Amendments to IAS 1 and IAS 8** - These amendments to IAS 1, "Presentation of financial statements", and IAS 8, "Accounting policies and changes in accounting estimates and errors", and consequential amendments to other IFRSs:
 - i. use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting;
 - ii. clarify the explanation of the definition of material; and
 - iii. incorporate some of the guidance in IAS 1 about immaterial information.
- **Amendment to IFRS (9), IAS (39) and IFRS (7), 'Interest rate benchmark reform'** – Interest rate benchmark reform - These amendments provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement. Given the pervasive nature of hedges involving IBOR based contracts, the reliefs will affect companies in all industries.
- **Amendments to Conceptual framework** – The IASB has issued a revised Conceptual Framework which will be used in standard-setting decisions with immediate effect. Key changes include:
 - increasing the prominence of stewardship in the objective of financial reporting
 - reinstating prudence as a component of neutrality
 - defining a reporting entity, which may be a legal entity, or a portion of an entity
 - revising the definitions of an asset and a liability
 - removing the probability threshold for recognition and adding guidance on derecognition
 - adding guidance on different measurement basis, and
 - stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the consolidated financial statements.

(b) New and amended standards and interpretations issued and not yet in effect:

The Group has not yet applied the following new standards, amendments and interpretations that have been issued but are not yet effective:

New standards, amendments and interpretations:

• **IFRS 17, 'Insurance contracts'** - On 18 May 2017, the IASB finished its long-standing project to develop an accounting standard on insurance contracts and published IFRS 17, 'Insurance Contracts'. IFRS 17 replaces IFRS 4, which currently permits a wide variety of practices. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.

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

1 January 2023

The standard applies to annual periods beginning on or after 1 January 2023, with earlier application permitted if IFRS 15, 'Revenue from contracts with customers' and IFRS 9, 'Financial instruments' are also applied.

IFRS 17 requires a current measurement model, where estimates are remeasured in each reporting period. The measurement is based on the building blocks of discounted, probability-weighted cash flows, a risk adjustment and a contractual service margin ("CSM") representing the unearned profit of the contract. A simplified premium allocation approach is permitted for the liability for the remaining coverage if it provides a measurement that is not materially different from the general model or if the coverage period is one year or less. However, claims incurred will need to be measured based on the building blocks of discounted, risk-adjusted, probability weighted cash flows.

• **Amendments to IAS 1, Presentation of financial statements' on classification of liabilities** - These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability.

1 January 2022

There are no other standards that are not yet effective and that would be expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

(3) KEY ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of condensed interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from the estimates.

In preparing these condensed interim financial statements, significant judgments made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the Group's audited consolidated financial statements as at and for the year ended 31 December 2019.

(4) PROPERTY, PLANT AND EQUIPMENT

During the three months ended 31 March 2020, the Group has acquired property, plant and equipment with a cost of JD 2,001 thousand (31 March 2019: JD 949 thousand).

In addition, the Group has transferred an amount of JD 523 thousand from projects in progress to property, plant and equipment during the three months ended 31 March 2020 (31 March 2019: JD 3,574 Thousands).

(5) RIGHTS OF USE AND OBLIGATIONS AGAINST CAPITAL PROJECTS

A- Right of use of natural gas pipeline

On 19 February 2014, Arab Potash Company signed an agreement stating the construction of Gas pipelines, to provide the Company with natural gas as a source of energy. This agreement resulted in an obligation against capital projects of JD 15,583 thousands with an annual interest rate of LIBOR 6 months plus 5% marginal fixed interest rate. This commitment will be settled over a period of 60 monthly payments starting 31 October 2017.

Amortization is calculated on a straight-line basis to allocate the cost over the entire term of the access right's contract of 15 years.

B- Right of use of electricity from "NEPCO" Company

Arab Potash Company has signed an agreement with National Electrical Power Company (NEPCO) during 2017 as a contingent option to be able to use the electricity as an alternative source of power in case of any malfunctions in the currently used gas turbine. The agreement requires NEPCO to keep its generators stand-by and ready for immediate use by Arab Potash Company for 20 years for one-time payment of JD 7,420 thousand that was paid during December 2018 and will be amortised over the contract period.

ARAB POTASH COMPANY PUBLIC SHAREHOLDING COMPANY
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
31 MARCH 2020

(6) PROJECTS IN PROGRESS

Projects in progress are shown at cost and include the cost of construction, equipment and direct expenses. Projects in progress that are to be used by the Group are not depreciated until they are ready for intended use and they are transferred to property, plant and equipment.

During the three months ended 31 March 2020, the Group has initiated new/ additional projects in progress at a cost of JD 12,021 thousands (31 March 2019: JD 9,946 thousands).

During the three months ended 31 March 2020, an amount of JD 523 thousands was transferred from projects in progress to property, plant and equipment (31 March 2019: JD 3,574 thousands).

(7) FINANCIAL ASSETS AT AMORTIZED COST

	31 March 2020	31 December 2019
	JD "000" (Unaudited)	JD "000" (Audited)
Unquoted financial assets – governmental bonds*	<u>20,876</u>	<u>20,903</u>

* This item represents governmental bonds that mature on 29 January 2026 and bearing annual interest rate of 6.125% and payable every six months.

(8) STATUTORY RESERVE

The accumulated amounts in this account of JD 50,464 thousands represent 10% the Group's net income before income tax which were deducted during the previous years according to the Companies Law. The Group has the option to cease such appropriations when the balance of this reserve reaches 25% of the Group's authorized capital. The Group decided in 2005 to cease appropriations to the statutory reserve. The statutory reserve is not available for distribution to equity shareholders.

(9) SHARE OF PROFIT (LOSSES) FROM ASSOCIATES AND JOINT VENTURES

This item represents the Group's share from gain of investments in associates and any adjustment:

	For the three months ended 31 March	
	2020	2019
	JD "000" (Unaudited)	JD "000" (Unaudited)
Jordan Bromine Company*	12,280	15,073
Nippon Jordan Fertilizer Company	(300)	-
Jordan Industrial Ports Company	181	(265)
	<u>12,161</u>	<u>14,808</u>

* The joint venture agreement signed between the Company and Albemarle Holding stipulates that the Company's share in Jordan Bromine profit and loss is 30% until 2012 and 40% of revenue starting from 2013, and the group's share in finance cost, interest revenue and other income and expenses is 50%.

ARAB POTASH COMPANY PUBLIC SHAREHOLDING COMPANY
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
31 MARCH 2020

(10) CASH ON HAND AND BANK BALANCES

	31 March 2020	31 December 2019
	JD'000 (Unaudited)	JD'000 (Audited)
Cash on hand	194	132
Cash at banks	27,955	19,309
Short term deposits*	32,303	-
Cash and cash equivalents	60,452	19,441
Short term deposits with original maturities of more than 3 months**	161,303	222,166
Expected credit loss as per IFRS 9	(1,294)	(1,472)
Net Cash on hand and at banks balances	220,461	240,135

Reconciliation to cash flow statement

The above figures reconcile to the amount of cash shown in the statement of cash flows at the end of the financial period as follows:

	31 March 2020	31 March 2019
	JD "000" (Unaudited)	JD "000" (Unaudited)
Cash on hand	194	92
Cash at banks	27,955	30,829
Short term deposits*	32,303	29,992
	60,452	60,913
Bank overdraft	(4,000)	(3,541)
Cash and cash equivalent	56,452	57,372

* This item represents deposits in Jordanian Dinars at local banks with an interest rate of 5.39% (2019: 5.21%) and mature within one to three months from the date of the deposit.

** This item represents deposits in Jordanian Dinars at local banks with an interest rate of 5.39% (31 December 2019: 5.21%) and mature within a period more than three to twelve months from the date of the deposit.

(11) SEGMENT INFORMATION

A business segment is a group of assets and processes that jointly engage in the rendering of products or services subject to risks and rewards that are different from those of other business segments and which are measured according to reports used by the Group's chief executive officer and chief decision maker.

A geographical segment is associated with the provision of products or services in a specific economic environment that is subject to risks and rewards that differ from those of business segments in economic environments.

The Group is comprised of the following operating segments:

- Producing potash and salt through Arab Potash Company.
- Producing potassium nitrate and di-calcium phosphate through Arab Fertilizers and Chemicals Industries (KEMPACO).
- Producing mixed salts and mud through Numeira Mixed Salts and Mud Company.

ARAB POTASH COMPANY PUBLIC SHAREHOLDING COMPANY
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
31 MARCH 2020

The following is a breakdown of the segment information for the above operating segments:

	Three months ended 31 March 2020					
	(Unaudited)					
	Arab Potash Co. JD "000"	KEMAPCO JD "000"	Numeira Co. JD "000"	Total JD "000"	Eliminations JD "000"	Total JD "000"
Sales to external customers	89,066	16,233	493	105,792	-	105,792
Inter-company sales	5,271	-	172	5,443	(5,443)	-
Total sales	94,337	16,233	665	111,235	(5,443)	105,792
Segment gross profit	35,741	4,399	265	40,405	423	40,828
Results						
Share of profits of associates and joint ventures	12,161	-	-	12,161	-	12,161
Depreciation and amortization	10,461	733	25	11,219	(155)	11,064
Capital expenditures:						
Property and equipment and projects in progress	13,769	252	1	14,022	-	14,022
As at 31 March 2020						
(Unaudited)						
Arab Potash Co. JD "000"	KEMAPCO JD "000"	Numeira Co. JD "000"	Total JD "000"	Eliminations JD "000"	Total JD "000"	
Total Assets	1,020,492	97,667	2,513	1,120,672	(14,203)	1,106,469
Total Liabilities	174,471	18,821	4,163	197,455	(8,144)	189,311
Investments in associates and joint ventures	194,281	-	-	194,281	-	194,281

ARAB POTASH COMPANY PUBLIC SHAREHOLDING COMPANY
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
 31 MARCH 2020

Three months ended 31 March 2019

	(Unaudited)					
Arab Potash Co.	KEMAPCO	Numeira Co.	Total	Eliminations	Total	
JD "000"	JD "000"	JD "000"	JD "000"	JD "000"	JD "000"	
Sales to external customers	116,462	11,790	112	128,364	-	128,364
Inter-company sales	6,401	-	368	6,769	(6,769)	-
Total sales	122,863	11,790	480	135,133	(6,769)	128,364
Segment gross profit	50,022	4,274	124	54,420	(697)	53,723
Results						
Share of profits of associates and joint ventures	14,808	-	-	14,808	-	14,808
Depreciation and amortization	14,361	619	199	15,179	(202)	14,977
Capital expenditures:						
Property and equipment and projects in progress	9,840	1,055	-	10,895	-	10,895

As at 31 December 2019

	(Audited)					
Arab Potash Co.	KEMAPCO	Numeira Co.	Total	Eliminations	Total	
JD "000"	JD "000"	JD "000"	JD "000"	JD "000"	JD "000"	
Total Assets	1,005,502	95,819	2,017	1,103,338	(14,765)	1,088,573
Total Liabilities	182,611	19,753	3,822	206,186	(9,314)	196,872
Investments in associates and joint ventures	192,227	-	-	192,227	-	192,227

ARAB POTASH COMPANY PUBLIC SHAREHOLDING COMPANY
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
 31 MARCH 2020

INDUSTRY SEGMENT AND GEOGRAPHICAL ALLOCATION

Following is a summary of sales by the Group based on customers' geographical location for the three-months ended 31 March 2020 and 2019:

	For the three months ended 31 March 2020 (unaudited)			For the three months ended 31 March 2019 (unaudited)				
	Arab			Arab				
	Potash Co. JD "000"	KEMAPCO JD "000"	Numeira Co. JD "000"	Total JD "000"	Potash Co. JD "000"	KEMAPCO JD "000"	Numeira Co. JD "000"	Total JD "000"
China & India	30,462	970	-	31,432	63,038	376	-	63,414
Far East	32,225	445	-	32,670	25,121	609	-	25,730
Middle East	7,632	1,750	418	9,800	5,777	6,534	-	12,311
Africa	5,365	2,355	-	7,720	-	1,088	-	1,088
Europe	5,598	9,031	75	14,704	7,958	2,085	112	10,155
America & Australia	7,784	1,359	-	9,143	14,568	754	-	15,322
Canada	-	323	-	323	-	344	-	344
Total	89,066	16,233	493	105,792	116,462	11,790	112	128,364

ARAB POTASH COMPANY PUBLIC SHAREHOLDING COMPANY
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
31 MARCH 2020

(12) INCOME TAX

The provision for the period ended 31 March 2020 and 2019, have been calculated in accordance with the income tax law No, (38) of the year 2018.

- **Arab Potash Company**

The Income and Sales Tax Department has reviewed the Company's records for the years 2015 and 2016 and has issued the final tax clearance for those years. As for the year of 2017, 2018 and 2019, the tax return has been submitted and not been audited by the Income and Sales Tax Department up to the date of these interim condensed consolidated financial statements.

Due from Sales Tax Department

Other receivables include a balance of JD 6.3 million as at 31 March 2020 (31 December 2019: JD 6 million) representing the general sales tax authorities paid by the Company over the past years and mainly on the expansion project which was completed in 2010. These amounts are refundable under the provisions of the General Sales Tax Law. The Company reached an agreement with the Income and Sales Tax Department stating that the Company is allowed to deduct the amount owed to the Company on sales tax from the amount owed by the Company from the income tax, and the Company has deducted an amount of JD 4,932 thousand during the period ending March 31, 2019.

- **Numeira Mixed Salts and Mud Company**

Tax returns have been submitted up to 2018 and 2019, and the valuation has not been completed as at the date of these interim condensed consolidated financial statements.

- **Arab Fertilizers and Chemicals Industries (KEMAPCO)**

According to the management, Arab Fertilizers and Chemicals Industries (KEMAPCO - Subsidiary) is a company that is exempted from income and social services taxes for a period of 12 years starting from the assessment year following the beginning of production (April 2003). Excluded from this exemption is the profit of commercial storage projects for goods that are put into local consumption. The Income and Sales Tax Department ("the Department") has inspected the Company's records for the years 2010, 2011, 2012 and 2013 and issued its initial decision to claim the Company to pay income tax resulting from differences in interpreting the decision of exemptions. The Company recorded an income tax provision for this claim. In the opinion of the Management and the legal counsel, additional tax provisions are sufficient to meet the impact of obligations in this regard.

(13) LITIGATION

There are a number of individual claims filed against Arab Potash Company by a number of employees, most of which are related to health insurance indemnities resulting from the health deficit. The Company estimates the total amount of these compensations at about JD 3,131 thousand as at the date of the interim condensed consolidated financial statements (31 December 2019: JD 4,255), which have been provided for.

ARAB POTASH COMPANY PUBLIC SHAREHOLDING COMPANY
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
31 MARCH 2020

(14) LEASE LIABILITIES

The Group recognized the right to use assets against lease commitments under the long-term lease signed between Kemapco (a subsidiary of Arab Potash Company) and Aqaba Development Company (ADC).

The two parties signed long-term land lease contracts for the site where Kemapco performs all its operations in Aqaba. The contract effective start date was 1st of January 2008 and the contract's duration is 20 years. The Company has an option to extend the contract for an additional 29 years, however the option's validity is neither obligatory nor certain. The annual rent installments amount to JD 505 thousand paid at the beginning of each year; and a 9% interest rate implicit in the lease contract is used as the rate for discounting being the finance liability for delays in payment.

An additional area of land was agreed and signed between Kemapco and ADC during the year ended 31 December 2019. The contract was signed in August of 2019 and was added to the right of use of leased asset and the lease liability recorded as the beginning of August 2019. The agreement follows the same terms and conditions as the original contract; the duration of the contract and the interest rate used is the same as the original contract. The annual rent payment amount to JD 173 thousand paid at the beginning of each year for 9 years.

The below schedules show the recognition of the lease liabilities:

	31 March 2020 JD "000" (Unaudited)	31 December 2019 JD "000" (Audited)
Beginning balance	5,109	4,725
Add: interest expense for the period	119	384
Ending balance	<u>5,228</u>	<u>5,109</u>

The lease liabilities have been divided as follows:

	31 March 2020 JD "000" (Unaudited)	31 December 2019 JD "000" (Audited)
Current lease liabilities	998	760
Non-current lease liabilities	4,230	4,349
	<u>5,228</u>	<u>5,109</u>

ARAB POTASH COMPANY PUBLIC SHAREHOLDING COMPANY
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
31 MARCH 2020

(15) EARNINGS PER SHARE

	<u>For the three months period</u>	
	<u>31 March 2020</u>	<u>31 March 2019</u>
	<u>JD "000"</u>	<u>JD "000"</u>
	<u>(Unaudited)</u>	<u>(Unaudited)</u>
Profit for the year	<u>25,457</u>	<u>38,501</u>
Weighted average number of shares	<u>83,318</u>	<u>83,318</u>
	<u>JD / Fils</u>	<u>JD / Fils</u>
Basic and diluted, earnings per share (JD / Fils)	<u>0/306</u>	<u>0/462</u>

Basic earnings per share for the Group equals to the diluted earnings per share, whereas, the Group has not issued any diluting financial instruments that can affect the basic earnings per share.

(16) COVID-19 IMPACT ON GROUP'S OPERATIONS

The existence of novel coronavirus (Covid-19) was confirmed in early 2020 and has spread across mainland China and beyond, which was classified as a pandemic by the World Health Organization in March 2020, due to its global outbreak, and this has led to a state of uncertainty of the negative effects on the overall economy that lead to disturbances in business and economic activity. Financial and monetary authorities, both domestic and international, have announced various financial and incentive measures around the world to counter potential negative impacts.

This situation has impacted the results of the group; where the closure of borders decreased the sales generated from foreign customers.

Business Continuity Planning

The Group closely monitors the situation and takes the right measures to ensure the safety and security of the group's employees and to ensure the continuity of production and sales. Work arrangements were tested in line with government directives during the curfew.

The Group's management collects and analyzes the best possible information to assess these potential risks in order to establish appropriate response measures and reduce as much as possible these risks and ensure the Group's ability to continue. Some of these measures include production management and running operations with minimal human resources and remote working to ensure the continuity of operations in the upcoming months.

Liquidity management

Management has set a set of necessary measures to ensure the liquidity for running the business without any interruption; by balancing suppliers payments against cash receipts, in addition to the availability of sufficient cash balances at banks as well as credit facility limits.

Impact on expected credit losses

The Group reviewed the potential impact of the COVID-19 outbreak on inputs and assumptions for measuring expected credit losses in light of available information. In general, the status of COVID-19 remains variable and rapidly evolving at this point, making it difficult to show the effects of this in the Group's estimate of expected credit losses reliably.

The Group has considered the potential effects of the current economic fluctuations when determining the reported amounts of the Group's financial and non-financial assets, and it represents the best management assessment based on observable information. However, the markets remain volatile and the amounts recorded remain sensitive to market volatility.

(17) SUBSEQUENT EVENTS

Subsequent to the date of the interim condensed consolidated statement of financial position, the General Assembly resolved in its ordinary meeting held on 15 June 2020 to distribute an amount of JD 83,318 thousands (equivalent to 100% of the Company's capital) as cash dividends to the shareholders.