

**NAMA CHEMICALS COMPANY AND SUBSIDIARIES**  
**(SAUDI JOINT STOCK COMPANY)**

**CONSOLIDATED FINANCIAL STATEMENTS AND**  
**AUDITORS' REPORT**  
**YEAR ENDED DECEMBER 31, 2012**

**NAMA CHEMICALS COMPANY AND SUBSIDIARIES**  
**(SAUDI JOINT STOCK COMPANY)**

**CONSOLIDATED FINANCIAL STATEMENTS AND AUDITORS' REPORT**  
**YEAR ENDED DECEMBER 31, 2012**

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## AUDITORS' REPORT

To the stockholders  
NAMA Chemicals Company  
Al-Jubail, Saudi Arabia

### Scope of Audit

We have audited the consolidated balance sheet of NAMA Chemicals Company ("the Company"), (a Saudi Joint Stock Company) and subsidiaries as of December 31, 2012 and the related consolidated statements of operations, stockholders' equity and cash flows for the year then ended, and notes 1 to 23 which form an integral part of these consolidated financial statements as prepared by the Company in accordance with Article 123 of the Regulations for Companies and presented to us with all the necessary information and explanations. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in the Kingdom of Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

### Unqualified Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company and its subsidiaries as of December 31, 2012 and the results of their operations and cash flows for the year then ended in conformity with generally accepted accounting standards in the Kingdom of Saudi Arabia appropriate to the nature of the Company and its subsidiaries, and comply with the relevant provisions of the Regulations for Companies and the articles of the Company as these relate to the preparation and presentation of these consolidated financial statements.

### Other Matters

Without qualifying our opinion, we draw attention to note 8 (iii) to the consolidated financial statements.

Deloitte & Touche  
Bakr Abulkhair & Co.

Waleed Moh'd Sobahi  
License No. 378  
17 Rabi I, 1434  
January 29, 2013



NAMA CHEMICALS COMPANY AND SUBSIDIARIES  
(SAUDI JOINT STOCK COMPANY)

CONSOLIDATED BALANCE SHEET  
AS OF DECEMBER 31, 2012

	Note	2012 SR 000	2011 SR 000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	3	104,819	122,549
Time deposits		-	50
Trade receivables		143,959	136,660
Inventories	4	119,448	113,536
Advances, prepayments and other receivables		12,677	24,450
<b>Total current assets</b>		<b>380,903</b>	<b>397,245</b>
<b>Non-current assets</b>			
Time deposits	11	92,900	92,900
Available for sale investments	5	148,269	138,717
Other non-current asset	6	10,000	10,000
Cost of projects under development	7	100,230	328,994
Property, plant and equipment	8	1,795,417	1,418,271
Intangible assets	9	31,473	6,359
<b>Total non-current assets</b>		<b>2,178,289</b>	<b>1,995,241</b>
<b>TOTAL ASSETS</b>		<b>2,559,192</b>	<b>2,392,486</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
<b>Current liabilities</b>			
Short term borrowings	10	42,402	59,344
Current portion of long term debts	11	55,000	23,350
Accounts payable		131,442	91,893
Accrued expenses and other payables		72,935	57,711
<b>Total current liabilities</b>		<b>301,779</b>	<b>232,298</b>
<b>Non-current liabilities</b>			
Long-term debts	11	854,702	743,000
End-of-service indemnities	12	22,913	20,121
Interest rate swap	11	11,289	14,882
<b>Total non-current liabilities</b>		<b>888,904</b>	<b>778,003</b>
<b>Stockholders' equity</b>			
Share capital	1	1,285,200	1,285,200
Statutory reserve	13	-	273,382
Revaluation surplus		85,769	76,217
Foreign currency translation adjustments		(461)	(478)
Accumulated losses		(1,999)	(252,136)
<b>Total stockholders' equity</b>		<b>1,368,509</b>	<b>1,382,185</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>		<b>2,559,192</b>	<b>2,392,486</b>

The accompanying notes form an integral part of these consolidated financial statements

**NAMA CHEMICALS COMPANY AND SUBSIDIARIES**  
**(SAUDI JOINT STOCK COMPANY)**

**CONSOLIDATED STATEMENT OF OPERATIONS**  
**YEAR ENDED DECEMBER 31, 2012**

	Note	2012 SR 000	2011 SR 000
Sales	19	717,394	727,534
Cost of sales		<u>(631,687)</u>	<u>(699,987)</u>
<b>Gross profit</b>		<b>85,707</b>	<b>27,547</b>
Selling and marketing expenses	15	(57,586)	(54,830)
General and administrative expenses	16	<u>(23,167)</u>	<u>(35,244)</u>
<b>Profit (loss) from operations</b>		<b>4,954</b>	<b>(62,527)</b>
Financial expenses	10,11	(26,771)	(19,008)
Investment income, net		507	11,369
Write-off of cost of projects under development		-	(6,016)
Write-off of property, plant and equipment		-	(2,060)
Impairment on projects under development and intangible assets	8(iii),9	-	(144,862)
Change in interest rate swap position	17	3,593	(14,882)
Other income, net		<u>6,521</u>	<u>405</u>
<b>Net loss before zakat</b>		<b>(11,196)</b>	<b>(237,581)</b>
Zakat	14	<u>(12,049)</u>	<u>(8,949)</u>
<b>NET LOSS</b>		<b><u>(23,245)</u></b>	<b><u>(246,530)</u></b>
<b>(LOSS) earnings per share</b>	21		
Loss per share from net loss (in SR)		<u>(0.18)</u>	<u>(1.92)</u>
Loss per share from continuing main operations (in SR)		<u>(0.26)</u>	<u>(1.83)</u>
Earnings (loss) per share from other operations (in SR)		<u>0.08</u>	<u>(0.09)</u>
Weighted average number of shares		<u>128,520,000</u>	<u>128,520,000</u>

The accompanying notes form an integral part of these consolidated financial statements



NAMA CHEMICALS COMPANY AND SUBSIDIARIES  
(SAUDI JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY  
YEAR ENDED DECEMBER 31, 2012

	Share capital	Statutory reserve	Revaluation surplus	Foreign currency translation adjustments	Changes in cash flow hedge position	Accumulated losses	Total
Note	SR 000	SR 000	SR 000	SR 000	SR 000	SR 000	SR 000
January 1, 2011	1,285,200	273,382	94,773	(3,498)	(14,313)	(5,606)	1,629,938
Net loss for 2011	-	-	-	-	-	(246,530)	(246,530)
Net changes in cash flow hedge position	-	-	-	-	14,313	-	14,313
Unrealized loss on investments	-	-	(18,556)	-	-	-	(18,556)
Foreign currency translation adjustments	-	-	-	3,020	-	-	3,020
December 31, 2011	1,285,200	273,382	76,217	(478)	-	(252,136)	1,382,185
Net loss for 2012	-	-	-	-	-	(23,245)	(23,245)
Absorption of accumulated loss from statutory reserve	13	(273,382)	-	-	-	273,382	-
Unrealized gain on investments	-	-	9,552	-	-	-	9,552
Foreign currency translation adjustments	-	-	-	17	-	-	17
December 31, 2012	1,285,200	-	85,769	(461)	-	(1,999)	1,368,509

The accompanying notes form an integral part of these consolidated financial statements

**NAMA CHEMICALS COMPANY AND SUBSIDIARIES**  
**(SAUDI JOINT STOCK COMPANY)**

**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2012**

	2012 SR 000	2011 SR 000
<b>OPERATING ACTIVITIES</b>		
Net loss before zakat	(11,196)	(237,581)
Adjustments for:		
Depreciation	75,140	64,432
Amortization	1,454	11,043
(Gain) loss on disposal of property, plant and equipment	(72)	980
End-of-service indemnities	5,133	6,162
Impairment on projects under development and intangible assets	-	144,862
Write-off of cost of projects under development	-	6,016
Write-off of property, plant and equipment	-	2,060
Change in interest rate swap position	(3,593)	14,882
Surplus realized on available for sale investments	-	(10,276)
Changes in operating assets and liabilities:		
Trade receivables	(7,299)	21,002
Inventories	(5,912)	(28,280)
Advances, prepayments and other receivables	11,773	(3,952)
Accounts payable, accrued expenses and other payables	48,229	24,765
Cash from operations	113,657	16,115
End-of-service indemnities paid	(2,341)	(2,699)
Zakat paid	(5,505)	(11,456)
<b>Net cash from operating activities</b>	<b>105,811</b>	<b>1,960</b>
<b>INVESTING ACTIVITIES</b>		
Additions to property, plant and equipment	(156,909)	(187,302)
Proceeds from disposal of property, plant and equipment	74	1,793
Additions to cost of projects under development	(66,615)	(81,443)
Proceeds from sale of investment	-	35,343
Change in time deposits	50	(26,737)
Additions to intangible assets	(26,568)	(5,477)
<b>Net cash used in investing activities</b>	<b>(249,968)</b>	<b>(263,823)</b>
<b>FINANCING ACTIVITIES</b>		
Change in short term borrowings	(16,942)	(4,782)
Drawdown of long term debts	283,491	451,675
Repayment of long term debts	(140,139)	(281,175)
<b>Net cash from financing activities</b>	<b>126,410</b>	<b>165,718</b>
<b>Net change in cash and cash equivalents</b>	<b>(17,747)</b>	<b>(96,145)</b>
Foreign currency exchange differences on foreign operations	17	3,020
Cash and cash equivalents, January 1	122,549	215,674
<b>CASH AND CASH EQUIVALENTS, DECEMBER 31</b>	<b>104,819</b>	<b>122,549</b>
<b>Non-cash transactions:</b>		
Project under construction transferred to property, plant and equipment	295,379	-

The accompanying notes form an integral part of these consolidated financial statements

**NAMA CHEMICALS COMPANY AND SUBSIDIARIES**  
(SAUDI JOINT STOCK COMPANY)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2012**

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**1. ORGANIZATION AND ACTIVITIES**

NAMA Chemicals Company ("the Company") ("NAMA") is a Saudi Joint Stock Company registered in Al-Jubail Industrial City under the commercial registration number 2055007420. The share capital of the Company amounts to SR 1,285.2 million divided into 128.52 million shares of SR 10 each.

The subsidiaries of NAMA are as follows:

Al-Jubail Chemical Industries Co. ("JANA"), a limited liability company, is owned 95% by NAMA and 5% by NAMA Industrial Investment Company, a subsidiary of NAMA. On February 25, 2012 the Board of Directors of NAMA resolved to increase the share capital of JANA by SR 109 million from SR 666 million to SR 775 million by way of transfer of loans payable to NAMA to share capital. The legal formalities associated with the increase in the share capital were completed during year.

Arabian Alkali Company ("SODA"), a limited liability company, is owned 90% by NAMA and remaining 10% by JANA.

NAMA Industrial Investment Company, a limited liability company, is owned 95% by NAMA and 5% by SODA.

NAMA Europa GMBH, a limited liability company incorporated in Switzerland, is owned 99% by NAMA Industrial Investment Company and 1% by NAMA. The shareholding was notified in the commercial registry in Bern vide - CH-036.4.041.685-8.

The principal activities of NAMA and its subsidiaries ("the Group"), each of which operates under individual commercial registration, are to own, establish, operate and manage industrial projects in the petrochemical and chemical fields.

The Group incurs costs on projects under construction and development and subsequently establishes a separate company for each project that has its own commercial registration. Costs incurred by the Group are transferred to the separate company when it is established.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying consolidated financial statements have been prepared in accordance with the generally accepted accounting standards in the Kingdom of Saudi Arabia issued by the Saudi Organization for Certified Public Accountants. The following is a summary of significant accounting policies applied by the Group:

**Accounting convention**

The consolidated financial statements are prepared under the historical cost convention, except for derivatives and investments in securities which are stated at fair value.

**Principle of consolidation**

The consolidated financial statements include the accounts of NAMA and its subsidiaries which are owned above 50% after eliminating significant inter-company balances and transactions between the Company and its subsidiaries.



**Investments**

Investments in financial instruments are classified according to Group's intent with respect to these securities.

Investments in companies whose shares are not readily marketable and in which NAMA owns less than 20% of the share capital are accounted for at cost. Impairment in value is recorded in the period in which the impairment is determined and charged to the consolidated statement of operations. Dividends are recorded when received.

Investments in investment funds and marketable securities classified as available for sale are stated at market value. Changes in market value are credited or debited to the revaluation surplus included in consolidated stockholders' equity. The carrying amount of such investments is reduced to recognize any impairment in the value of the individual investment.

**Revenue recognition**

Sales are recognized upon delivery of goods to customers. Investment income, principally commissions on time deposits, is recognized on an accruals basis.

**Expenses**

Selling and marketing expenses principally comprise of costs incurred in the sale and marketing of the Group's products and services. All other expenses are classified as general and administrative expenses.

General and administrative expenses include direct and indirect costs not specifically part of cost of sales as required under generally accepted accounting principles. Allocations between general and administrative expenses and cost of sales, when required, are made on a consistent basis.

**Accounts receivable**

Accounts receivable are carried at their original amount less provision made for doubtful accounts. An allowance for doubtful accounts is established when there is significant doubt that the Group will be able to collect all amounts due according to the original terms of accounts receivable.

**Inventories**

Inventories are stated at the lower of cost or net realizable value. Cost is determined, for finished goods, on a weighted average cost basis and includes cost of materials, labor and an appropriate proportion of direct overheads. All other inventories are valued on a weighted average cost basis.

**Derivative financial instruments**

Derivative financial instruments are initially recorded at cost and are re-measured to fair value at subsequent reporting dates. Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognized in the consolidated statement of operations as they arise.

A fair value hedge is a hedge of the exposure to changes in fair value of an asset or liability that is already recognized in the consolidated balance sheet. The gain or loss from the change in the fair value of the hedging instrument is recognized immediately in the consolidated statement of operations. At the same time, the carrying amount of the hedged item is adjusted for the corresponding gain or loss since the inception of the hedge, which is also immediately recognized in the consolidated statement of operations.

**NAMA CHEMICALS COMPANY AND SUBSIDIARIES**  
(SAUDI JOINT STOCK COMPANY)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED DECEMBER 31, 2012**

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A cash flow hedge is a hedge of the exposure to variability in cash flows relating to a recognized asset or liability, an unrecognized firm commitment or a forecasted transaction. To the extent that the hedge is effective, the portion of the gain or loss on the hedging instrument is recognized initially directly in equity. Subsequently, the amount is included in the consolidated statement of operations in the same period or periods during which the hedged item affects net profit or loss. For hedges of forecasted transactions, the gain or loss on the hedging instrument will be recognized as an adjustment to recorded carrying amount of the acquired asset or liability.

**Intangible assets**

Intangible assets principally represent pre-operating costs, deferred charges, front-end fee and enterprise resource planning (ERP) solution program implementation costs. The pre-operating costs and ERP solution program implementation costs are amortized on the straight-line method over 5 to 7 years from date of commencement of commercial operations of the consolidated subsidiary. The front-end fee charged by lenders of loans is amortized over the term of the loans.

Deferred charges principally represent pre-operating costs incurred, prior to commencement of commercial operations of the projects. These charges are reduced by the revenue generated by the sale of products manufactured during the commissioning stage. Deferred charges are amortized on the straight-line method over seven years from the dates of commencement of commercial operations of the projects.

**Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation. Expenditure on maintenance and repairs is expensed, while expenditure for betterment is capitalized. Depreciation is provided over the estimated useful lives of the applicable assets using the straight-line method. Leasehold improvements are amortized over the shorter of the estimated useful life or the remaining term of the lease.

The estimated useful lives of the principal classes of assets are as follows:

	<u>Years</u>
Buildings and leasehold improvements	20 - 40
Plant and machinery	5 - 30
Vehicles	4
Furniture, fixtures and office equipment	5 - 10

**Borrowing costs**

Borrowing costs directly attributable to cost of projects under development are added to the cost of the project until such time as the project is ready for its intended use. Investment income earned on temporary investments of specific borrowings pending their expenditure on the project under construction is deducted from the borrowing costs eligible for capitalization.

**Impairment**

As of each balance sheet date, the Group reviews the carrying amounts of their property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

