

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

**CONSOLIDATED INTERIM FINANCIAL  
STATEMENTS AND AUDITOR'S REPORT  
(LIMITED REVIEW) FOR THE THREE  
MONTHS AND YEARENDED  
DECEMBER 31, 2013**

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

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**AUDITOR'S REPORT (LIMITED REVIEW)  
ON CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

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

**Scope of Review**

We have reviewed the consolidated interim balance sheet of NAMA Chemicals Company (Saudi Joint Stock Company) and Subsidiaries as of December 31, 2013 and the related consolidated interim statements of income for the three months and the year then ended and consolidated cash flows for the year then ended, and notes 1 to 11 which form an integral part of these consolidated interim financial statements as prepared by the Company and presented to us with all the necessary information and explanations. These consolidated interim financial statements are the responsibility of the Company's management.

We conducted our review in accordance with the standard of auditing applicable to interim financial reporting issued by the Saudi Organization for Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

**Review Results**

Based on our limited review, we are not aware of any material modifications that should be made to the accompanying consolidated interim financial statements for them to be in conformity with generally accepted accounting standards in the Kingdom of Saudi Arabia.

For Dr. Mohamed Al-Amri & Co.



Gihad M. Al-Amri  
Certified Public Accountant  
Registration No. 362



January 15, 2014 G  
Rabi 'I, 14, 1435 H

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

**CONSOLIDATED INTERIM BALANCE SHEET  
AS AT DECEMBER 31, 2013**

	Notes	2013 SR'000 (Un-audited)	2012 SR'000 (Audited)
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		305,868	104,819
Trade receivables		165,506	143,959
Inventories		133,117	119,448
Advances, prepayments and other receivables		10,944	12,677
<b>Total current assets</b>		<b>615,435</b>	<b>380,903</b>
<b>Non-current assets</b>			
Time deposits		92,900	92,900
Available for sale investments		213,250	148,269
Other non-current assets		9,388	10,000
Cost of projects under development	3	18,791	100,230
Property, plant and equipment		1,847,603	1,795,417
Intangible assets		36,506	31,473
<b>Total non-current assets</b>		<b>2,218,438</b>	<b>2,178,289</b>
<b>TOTAL ASSETS</b>		<b>2,833,873</b>	<b>2,559,192</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
<b>Current liabilities</b>			
Short term borrowings		62,920	42,402
Current portion of long term debts		178,483	55,000
Accounts payable		82,883	131,442
Accrued expenses and other payables		117,550	72,935
<b>Total current liabilities</b>		<b>441,836</b>	<b>301,779</b>
<b>Non-current liabilities</b>			
Long-term debts		970,007	854,702
End-of-service indemnities		26,414	22,913
Interest rate swap		6,319	11,289
<b>Total non-current liabilities</b>		<b>1,002,740</b>	<b>888,904</b>
<b>Stockholders' equity</b>			
Share capital	1	1,285,200	1,285,200
Revaluation surplus		150,750	85,769
Foreign currency translation adjustments		(430)	(461)
Accumulated losses		(46,223)	(1,999)
<b>Total stockholders' equity</b>		<b>1,389,297</b>	<b>1,368,509</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>		<b>2,833,873</b>	<b>2,559,192</b>

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

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

**CONSOLIDATED INTERIM STATEMENT OF INCOME  
FOR THE THREE MONTHS AND YEAR ENDED DECEMBER 31, 2013**

	From October 1 to December 31,		From January 1 to December 31	
	2013 SR'000 (Un-audited)	2012 SR'000 (Un-audited)	2013 SR'000 (Un-audited)	2012 SR'000 (Audited)
Sales	179,423	183,050	744,088	717,394
Cost of sales	(166,488)	(148,661)	(682,489)	(631,687)
<b>Gross profit</b>	<b>12,935</b>	<b>34,389</b>	<b>61,599</b>	<b>85,707</b>
Selling and marketing expenses	(18,246)	(15,469)	(67,760)	(57,586)
General and administrative expenses	(7,464)	(5,993)	(29,005)	(23,167)
<b>(Loss) profit from operations</b>	<b>(12,775)</b>	<b>12,927</b>	<b>(35,166)</b>	<b>4,954</b>
Financial expenses	(8,471)	(11,785)	(29,519)	(26,771)
Change in interest rate swap position	2,086	2,808	4,970	3,593
Investment income, net	302	(22)	1,134	507
Other income, net	2,209	2,526	18,785	6,521
<b>Net (loss) profit before zakat</b>	<b>(16,649)</b>	<b>6,454</b>	<b>(39,796)</b>	<b>(11,196)</b>
Zakat (note 5)	328	(3,265)	(4,428)	(12,049)
<b>NET (LOSS) PROFIT</b>	<b>(16,321)</b>	<b>3,189</b>	<b>(44,224)</b>	<b>(23,245)</b>
<b>Earnings (loss) per share – note 6</b>				
(Loss) per share from net (loss) (in SR)	(0.13)	0.02	(0.35)	(0.18)
(Loss) per share from continuing main operations (in SR)	(0.17)	(0.02)	(0.54)	(0.26)
Earnings per share from other operations (in SR)	0.04	0.04	0.19	0.08
Weighted average number of shares	<b>128,520,000</b>	128,520,000	<b>128,520,000</b>	128,520,000

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



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

**CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	2013 SR'000 (Un-audited)	2012 SR'000 (Audited)
<b>OPERATING ACTIVITIES</b>		
Net loss before zakat	(39,796)	(11,196)
Adjustments for:		
Depreciation	84,447	75,140
Amortization	5,558	1,454
Gain on disposal of property, plant and equipment	-	(72)
End-of-service indemnities	5,936	5,133
Change in interest rate swap position	(4,970)	(3,593)
<b>Changes in operating assets and liabilities:</b>		
Trade receivables	(21,547)	(7,299)
Inventories	(13,669)	(5,912)
Advances, prepayments and other receivables	1,733	11,773
Accounts payable, accrued expenses and other payables	(2,623)	48,229
<b>Cash-from operations</b>	<u>15,069</u>	<u>113,657</u>
End-of-service indemnities paid	(2,434)	(2,341)
Zakat paid	(5,749)	(5,505)
<b>Net cash from operating activities</b>	<u><b>6,886</b></u>	<u><b>105,811</b></u>
<b>INVESTING ACTIVITIES</b>		
Additions to property, plant and equipment	(41,358)	(156,909)
Proceeds from disposal of property, plant and equipment	612	74
Additions to cost of projects under development	(7,028)	(66,615)
Change in time deposits	-	50
Additions to intangible assets	(17,400)	(26,568)
<b>Net cash used in investing activities</b>	<u><b>(65,174)</b></u>	<u><b>(249,968)</b></u>
<b>FINANCING ACTIVITIES</b>		
Change in short term borrowings	20,518	(16,942)
Long term debts obtained	293,788	283,491
Repayment of long term debts	(55,000)	(140,139)
<b>Net cash from financing activities</b>	<u><b>259,306</b></u>	<u><b>126,410</b></u>
Net change in cash and cash equivalents	<b>201,018</b>	<b>(17,747)</b>
Foreign exchange differences on foreign operations	31	17
Cash and cash equivalents, January 1	<u>104,819</u>	<u>122,549</u>
<b>CASH AND CASH EQUIVALENTS, DECEMBER 31</b>	<u><b>305,868</b></u>	<u><b>104,819</b></u>
<u>Non cash transaction:</u>		
Project under development transferred to property, plant and equipment	<u>88,467</u>	<u>295,379</u>

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

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

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE THREE MONTHS AND YEAR ENDED DECEMBER 31, 2013**

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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 in 2012.

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-B.

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.

As of December 31, 2013, property, plant and equipment of SR 1,848 million (2012: SR 1,795 million) include costs of SR 413.1 million (2012: SR 376.5 million) incurred by the company on the expansion of Epoxy plant capacity from 60,000 metric tons to 120,000 metric tons. Borrowing cost capitalized during the period amounted to SR 6.4 million (2012: SR 6 million). Management of the Company believes that the capacity expansion has the ability to provide the entity with future economic benefits.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying interim consolidated financial statements have been prepared in accordance with the Standard for Interim Financial Information issued by the Saudi Organization for Certified Public Accountants in the Kingdom of Saudi Arabia. Significant accounting policies adopted by the Group are summarized as follows:

**Accounting estimates**

Preparing consolidated interim financial statements requires management to use assumptions and estimates which have an impact over the consolidated interim balance sheet and consolidated interim statement of income. The actual results may differ from these estimates.

**Accounting convention**

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

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

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)  
FOR THE THREE MONTHS AND YEAR ENDED DECEMBER 31, 2013**

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**Principles of consolidation**

The consolidated interim 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 interim statement of income. Dividends are recorded when received.

Investments in funds and marketable securities classified as available for sale are stated at market values. Changes in market values are credited or debited to 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 accruals basis.

**Expenses**

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

General and administrative expenses include 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.

**Cash and cash equivalents**

Cash and cash equivalents comprise cash, time deposits and highly liquid investments with original maturities of three months or less.

**Trade receivables**

Trade receivables 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 trade receivables.

**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, labour 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 interim statement of income 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 balance sheet. The gain or loss from the change in the fair value of the hedging instrument is recognized immediately in the consolidated interim statement of income. 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 interim statement of income.



**NAMA CHEMICALS COMPANY AND SUBSIDIARIES  
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**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)  
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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 stockholders' equity. Subsequently, the amount is included in the consolidated interim statement of income 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 adjust the 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 fees charged by lenders of loan are amortized over the terms of the loans.

Deferred charges principally represent pre-operating costs incurred, prior to commencement of commercial operations of the projects. These charges were 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 improvements on lease land	20 - 40
Plant and machinery	5 - 30
Vehicles	4
Furniture, fixtures and office equipment	5 - 10

Cost of assets disposed of and the related accumulated depreciation are removed from the interim financial statements and the resulting gain or loss is taken to the interim statement of income, at the time of disposal of assets.

**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 investment 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 non-current 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.

**NAMA CHEMICALS COMPANY AND SUBSIDIARIES  
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**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)  
FOR THE THREE MONTHS AND YEAR ENDED DECEMBER 31, 2013**

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If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognized as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior periods. A reversal of an impairment loss is recognized as income immediately.

**Foreign currency translation**

Transactions denominated in foreign currencies are translated into Saudi Riyals at exchange rates prevailing at the dates of such transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated into Saudi Riyals at exchange rates prevailing at the balance sheet date. Exchange gains or losses are credited or charged to the consolidated interim statement of income.

The Company's books of accounts are maintained in Saudi Riyals. Assets and liabilities of foreign subsidiary are re-translated in Saudi Riyals at the exchange rate in effect at the date of consolidated interim balance sheet. The components of foreign subsidiary's equity accounts, except retained earnings are translated at the exchange rates in effect at the dates when the related items originated. The elements of foreign subsidiary's income statement are translated using the weighted average exchange rate for the period. Adjustments resulting from the translation of foreign subsidiary's financial statements into Saudi Arabian Riyals are reported as a separate component of equity attributable to stockholders of the Company in the consolidated interim financial statements.

**Provision for obligation**

A provision is recognized in the consolidated interim balance sheet when the Group has a legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

**End-of-service indemnities**

End-of-service indemnities, required by Saudi Arabian labour law, are provided in the consolidated interim financial statements based on the employees' length of service.

**Zakat**

NAMA and its subsidiaries are subject to zakat in accordance with the regulations of the Department of Zakat and Income Tax ("DZIT"). The foreign subsidiary is subject to tax regulations in the country of incorporation. Zakat is recorded at the quarter end based on quarter end figures and any difference between the estimate and the actual is adjusted at the fourth quarter. Any difference between the estimate and final assessment is recorded when settled.

**Leasing**

Leases are classified as capital leases whenever the terms of the lease transfer substantially all of the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Rentals payable under operating leases are charged to income on a straight-line basis over the term of the operating lease.

