

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

**CONSOLIDATED INTERIM FINANCIAL
STATEMENTS AND AUDITOR'S REPORT
(LIMITED REVIEW) FOR THE THREE
MONTHS AND SIX MONTHS PERIODS
ENDED JUNE 30, 2015**

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

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(LIMITED REVIEW)
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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 June 30, 2015 and the related consolidated interim statements of income for the three months and six months periods then ended and consolidated statement of cash flows for the six months then ended, and notes 1 to 10 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.

For Dr. Mohamed Al-Amri & Co.


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



July 12, 2015 G
Ramadan 25, 1436 H

NAMA CHEMICALS COMPANY AND SUBSIDIARIES
(SAUDI JOINT STOCK COMPANY)

CONSOLIDATED INTERIM BALANCE SHEET AS AT JUNE 30, 2015

	Notes	2015 SR'000 (Un-audited)	2014 SR'000 (Un-audited)
ASSETS			
Current assets			
Cash and cash equivalents		128,172	324,168
Time deposits		156,900	-
Trade receivables		124,761	155,027
Inventories		96,575	109,826
Advances, prepayments and other receivables		19,842	15,261
Total current assets		526,250	604,282
Non-current assets			
Time deposits		-	39,000
Available for sale investments		163,177	214,315
Other non-current assets		8,185	8,882
Cost of projects under development	3	113,672	58,486
Property, plant and equipment		1,696,588	1,787,518
Intangible assets		35,453	43,187
Total non-current assets		2,017,075	2,151,388
TOTAL ASSETS		2,543,325	2,755,670
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities			
Short term borrowings		77,687	59,916
Current portion of long term debts		199,779	305,267
Accounts payable		62,221	95,826
Accrued expenses and other payables		86,017	109,451
Total current liabilities		425,704	570,460
Non-current liabilities			
Long-term debts		873,100	806,012
End-of-service indemnities		32,443	27,588
Interest rate swap		1,829	4,580
Total non-current liabilities		907,372	838,180
Stockholders' equity			
Share capital	1	1,285,200	1,285,200
Statutory reserve	4	-	-
Change in fair value of available for sale investments		109,179	151,815
Foreign currency translation adjustments		(627)	(430)
Accumulated losses		(183,503)	(89,555)
Total stockholders' equity		1,210,249	1,347,030
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		2,543,325	2,755,670

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 SIX MONTHS PERIODS ENDED JUNE 30, 2015

	From April 1 to June 30		From January 1 to June 30	
	2015 SR'000 (Un-audited)	2014 SR'000 (Un-audited)	2015 SR'000 (Un-audited)	2014 SR'000 (Un-audited)
Sales	114,624	153,318	241,622	331,857
Cost of sales	(105,566)	(157,735)	(239,017)	(332,069)
Gross profit (loss)	9,058	(4,417)	2,605	(212)
Selling and marketing expenses	(9,899)	(12,955)	(17,924)	(26,904)
General and administrative expenses	(8,171)	(8,174)	(15,556)	(15,094)
Loss from operations	(9,012)	(25,546)	(30,875)	(42,210)
Financial expenses	(8,537)	(9,784)	(15,561)	(17,469)
Change in interest rate swap position	1,289	1,801	1,148	1,739
Investment income, net	11,276	392	11,600	772
Other income, net	13,048	5,852	12,213	16,092
Net income (loss) before zakat	8,064	(27,285)	(21,475)	(41,076)
Zakat (note 5)	(1,614)	(1,078)	(3,228)	(2,157)
NET INCOME (LOSS)	6,450	(28,363)	(24,703)	(43,233)
Earnings (loss) per share – note 6				
Earnings (loss) per share from net income (loss) (in SR)	0.05	(0.22)	(0.19)	(0.34)
Loss per share from continuing main operations (in SR)	(0.15)	(0.28)	(0.39)	(0.48)
Earnings per share from other operations (in SR)	0.20	0.06	0.20	0.14
Weighted average number of shares	128,520,000	128,520,000	128,520,000	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 SIX MONTHS PERIOD ENDED JUNE 30, 2015**

	2015 SR'000 (Un-audited)	2014 SR'000 (Un-audited)
OPERATING ACTIVITIES		
Net loss before zakat	(21,475)	(41,076)
Adjustments for:		
Depreciation	49,523	46,806
Amortization	3,541	3,210
End-of-service benefits	3,327	2,898
Loss on disposal of property, plant and equipment	430	-
Surplus realized on available for sale investments	(10,955)	-
Change in interest rate swap position	(1,148)	(1,739)
Changes in operating assets and liabilities:		
Trade receivables	27,296	10,479
Inventories	(29,282)	28,401
Advances, prepayments and other receivables	(4,542)	(4,317)
Accounts payable, accrued expenses and other payables	(35,619)	7,111
Net cash (used in) from operations	(18,904)	51,773
End-of-service benefits paid	(2,521)	(1,724)
Zakat paid	(6,404)	(4,424)
Net cash (used in) from operating activities	(27,829)	45,625
INVESTING ACTIVITIES		
Additions to property, plant and equipment	(266)	(3,092)
Additions to cost of projects under development	(25,334)	(38,324)
Change in other non-current assets	692	506
Proceeds from sale of available for sale investments	19,457	-
Change in time deposits more than three months maturity	-	53,900
Net cash (used in) from investing activities	(5,451)	12,990
FINANCING ACTIVITIES		
Change in short term borrowings	(895)	(3,004)
Long term debts obtained	5,000	-
Repayment of long term debts	(11,700)	(37,211)
Net cash used in financing activities	(7,595)	(40,215)
Net change in cash and cash equivalents	(40,875)	18,400
Foreign exchange differences on foreign operations	(24)	-
Cash and cash equivalents, January 1	169,071	305,768
CASH AND CASH EQUIVALENTS, JUNE 30	128,172	324,168
Non cash transaction:		
Capital spares transferred to property, plant and equipment	5,719	-
CWIP transferred to deferred expenses / capital spares	-	15,001

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 SIX MONTHS PERIODS ENDED JUNE 30, 2015**

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.

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.

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. 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.

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.

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

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE THREE MONTHS AND SIX MONTHS PERIODS ENDED JUNE 30, 2015**

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 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, 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 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 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 statement of income.

**NAMA CHEMICALS COMPANY AND SUBSIDIARIES
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**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE THREE MONTHS AND SIX MONTHS PERIODS ENDED JUNE 30, 2015**

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 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 financial statements and the resulting gain or loss is taken to the 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 SIX MONTHS PERIODS ENDED JUNE 30, 2015**

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 benefits, 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.

**NAMA CHEMICALS COMPANY AND SUBSIDIARIES
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**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE THREE MONTHS AND SIX MONTHS PERIODS ENDED JUNE 30, 2015**

Segmental Reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (a business segment) or in providing products or services within a particular economic environment (a geographical segment), which is subject to risks and rewards that are different from those of the other segments. Because the Group carries out its activities in the Kingdom of Saudi Arabia and abroad reporting is provided by products and geographical segments.

3. COST OF PROJECTS UNDER DEVELOPMENT

The balance of cost of projects under development as of June 30, 2015 comprised the Employee Housing Project which included construction costs under various agreements and directly attributable costs to bring the asset to the location and working condition necessary for it to be capable of operating in a manner intended by the management. Directly attributable costs includes employee benefits, site preparation costs, and construction costs. Interest cost capitalized during the period is SAR 1.97 million (2014: 1.01 million).

4. STATUTORY RESERVE

In accordance with its Articles of Association and the Regulations for Companies in the Kingdom of Saudi Arabia, NAMA allocates 10% of its net income each year to form a statutory reserve until such reserve equals 50% of its share capital. This reserve is not available for dividend distributions.

As the Company has loss in the current and prior periods, no allocation has been made to the statutory reserve.

5. ZAKAT

The Group has yet to receive the final zakat assessments for the years 2000 to 2014 as these are still under review by the DZIT, except for subsidiaries JANA and SODA for which the final zakat assessments for the years from 2003 to 2014 and from 2008 to 2014 respectively are under review by the DZIT.

6. EARNINGS (LOSS) PER SHARE

Earnings (loss) per share from net income (loss) are computed by dividing net income (loss) for the periods with the weighted average number of shares outstanding during the period.

Earnings (loss) per share from the continuing main operations are computed by dividing income (loss) from operations after finance charges and zakat for the period with the weighted average number of shares outstanding during the period.

Earnings per share from other operations are computed by dividing the total investment income, change in interest rate swap position and other income net, with the weighted average number of shares outstanding during the period.

**NAMA CHEMICALS COMPANY AND SUBSIDIARIES
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**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE THREE MONTHS AND SIX MONTHS PERIODS ENDED JUNE 30, 2015**

7. SEGMENTAL ANALYSIS

a) As of June 30, analysis of sales, operating income and net assets by activities:

	Sales		Operating loss		Net assets	
	For the six months ended June 30, 2015, SR 000	For the six months ended June 30, 2014, SR 000	For the six months ended June 30, 2015, SR 000	For the six months ended June 30, 2014, SR 000	As of June 30, 2015, SR 000	As of June 30, 2014, SR 000
	Un-audited	Un-audited	Un-audited	Un-audited	Un-audited	Un-audited
Epoxy resin products	194,771	293,522	(7,099)	(29,448)	303,999	374,799
Chlor Alkali products	78,569	104,683	(18,946)	(7,937)	109,050	156,665
Others	-	-	(4,830)	(4,825)	1,246,826	1,367,352
Total	273,340	398,205	(30,875)	(42,210)	1,659,875	1,898,816
Inter-company eliminations	(31,718)	(66,348)	-	-	(449,626)	(551,786)
Net	241,622	331,857	(30,875)	(42,210)	1,210,249	1,347,030

Nama Chemicals Company and NAMA Industrial Investment Company have been grouped as part of "Others" as these are holding companies.

b) As of June 30, analysis of sales and operating income by geographical location:

	Sales		Operating loss	
	For the six months ended June 30, 2015, SR 000	For the six months ended June 30, 2014, SR 000	For the six months ended June 30, 2015, SR 000	For the six months ended June 30, 2014, SR 000
	Un-audited	Un-audited	Un-audited	Un-audited
Export sales	151,752	286,749	(15,057)	(24,064)
Local sales	121,588	111,456	(10,988)	(13,321)
Others	-	-	(4,830)	(4,825)
Total	273,340	398,205	(30,875)	(42,210)
Inter-company Eliminations	(31,718)	(66,348)	-	-
Net	241,622	331,857	(30,875)	(42,210)

**NAMA CHEMICALS COMPANY AND SUBSIDIARIES
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**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE THREE MONTHS AND SIX MONTHS PERIODS ENDED JUNE 30, 2015**

8. COMMITMENTS AND CONTINGENCIES

As of June 30, 2015, the Group has outstanding letters of credit and letters of guarantee of SR 28.68 million (2014: SR 37.02 million) issued in the normal course of business.

As of June 30, the Group had the following capital commitments:

	<u>2015</u> <u>SR'000</u> <u>(Un-audited)</u>	<u>2014</u> <u>SR'000</u> <u>(Un-audited)</u>
Commitments for the acquisition/construction of property, plant and equipment	<u>97,210</u>	<u>148,690</u>

9. RESULTS OF INTERIM PERIOD

The results of the interim period may not give an accurate indicator of the annual operating results.

10. COMPARATIVE FIGURES

Certain figures for 2014 have been reclassified to conform to the presentation in current period.
