

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

**CONSOLIDATED INTERIM FINANCIAL
STATEMENTS AND AUDITOR'S REPORT
(LIMITED REVIEW) FOR THE THREE
MONTHS AND YEAR ENDED
DECEMBER 31, 2014**

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

**CONSOLIDATED INTERIM FINANCIAL STATEMENTS AND AUDITOR'S REPORT
(LIMITED REVIEW)
FOR THE THREE MONTHS AND YEAR ENDED DECEMBER 31, 2014**

INDEX	PAGE
Auditor's report (limited review)	2
Consolidated interim balance sheet	3
Consolidated interim statement of income	4
Consolidated interim statement of cash flows	5
Notes to the consolidated interim financial statements	6-12

**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, 2014 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 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 in the Kingdom of Saudi Arabia.

For Dr. Mohamed Al-Amri & Co.

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

January 12, 2015 G
Rabi '1, 21, 1436 H

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

**CONSOLIDATED INTERIM BALANCE SHEET
AS AT DECEMBER 31, 2014**

	Notes	2014 SR'000 (Un-audited)	2013 SR'000 (Audited)
ASSETS			
Current assets			
Cash and cash equivalents		247,071	305,768
Time deposits		78,900	-
Trade receivables		152,057	165,506
Inventories		73,012	133,117
Advances, prepayments and other receivables		15,300	10,944
Total current assets		566,340	615,335
Non-current assets			
Time deposits		-	92,900
Available for sale investments		163,952	213,250
Other non-current assets		8,877	9,388
Cost of projects under development	3	89,708	18,791
Property, plant and equipment		1,739,185	1,847,603
Intangible assets		38,995	36,506
Total non-current assets		2,040,717	2,218,438
TOTAL ASSETS		2,607,057	2,833,773
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities			
Short term borrowings		78,582	62,920
Current portion of long term debts		120,979	178,483
Accounts payable		85,104	82,883
Accrued expenses and other payables		101,929	117,550
Total current liabilities		386,594	441,836
Non-current liabilities			
Long-term debts		958,600	970,007
End-of-service indemnities		31,637	26,414
Interest rate swap		2,977	6,319
Total non-current liabilities		993,214	1,002,740
Stockholders' equity			
Share capital	1	1,285,200	1,285,200
Statutory reserve	4	-	-
Change in fair value of available for sale investments		101,452	150,750
Foreign currency translation adjustments		(603)	(430)
Accumulated losses		(158,800)	(46,323)
Total stockholders' equity		1,227,249	1,389,197
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		2,607,057	2,833,773

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, 2014**

	From October 1 to December 31,		From January 1 to December 31	
	2014 SR'000 (Un-audited)	2013 SR'000 (Un-audited)	2014 SR'000 (Un-audited)	2013 SR'000 (Audited)
Sales	178,884	179,423	675,389	744,088
Cost of sales	(193,867)	(166,488)	(691,988)	(682,489)
Gross (loss) profit	(14,983)	12,935	(16,599)	61,599
Selling and marketing expenses	(16,874)	(18,246)	(55,838)	(67,760)
General and administrative expenses	(7,288)	(7,464)	(29,967)	(29,005)
Loss from operations	(39,145)	(12,775)	(102,404)	(35,166)
Financial expenses	(10,029)	(8,471)	(35,454)	(29,519)
Change in interest rate swap position	1,550	2,086	3,342	4,970
Investment income, net	301	302	1,201	1,034
Other income, net	4,700	2,209	27,338	18,785
Net loss before zakat	(42,623)	(16,649)	(105,977)	(39,896)
Zakat (note 5)	(3,265)	328	(6,500)	(4,428)
NET LOSS	(45,888)	(16,321)	(112,477)	(44,324)
Loss per share – note 6				
Loss per share from net loss (in SR)	(0.36)	(0.13)	(0.87)	(0.35)
Loss per share from continuing main operations (in SR)	(0.41)	(0.17)	(1.12)	(0.54)
Earnings per share from other operations (in SR)	0.05	0.04	0.25	0.19
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 YEAR ENDED DECEMBER 31, 2014**

	2014	2013
	SR'000	SR'000
	(Un-audited)	(Audited)
OPERATING ACTIVITIES		
Net loss before zakat	(105,977)	(39,896)
Adjustments for:		
Depreciation	97,133	84,447
Amortization	7,274	5,558
End-of-service indemnities	7,653	5,936
Change in interest rate swap position	(3,342)	(4,970)
Changes in operating assets and liabilities:		
Trade receivables	13,449	(21,547)
Inventories	65,215	(13,669)
Advances, prepayments and other receivables	(4,356)	1,733
Accounts payable, accrued expenses and other payables	(15,477)	(2,622)
Cash-from operations	61,572	14,970
End-of-service indemnities paid	(2,431)	(2,435)
Zakat paid	(4,424)	(5,749)
Net cash from operating activities	54,717	6,786
INVESTING ACTIVITIES		
Additions to property, plant and equipment	(5,086)	(41,428)
Additions to cost of projects under development	(69,417)	(6,958)
Change in other non-current assets	511	612
Change in time deposits more than three months maturity	14,000	-
Additions to intangible assets	-	(17,400)
Net cash used in investing activities	(59,992)	(65,174)
FINANCING ACTIVITIES		
Change in short term borrowings	15,662	20,518
Long term debts obtained	60,000	293,788
Repayment of long term debts	(128,911)	(55,000)
Cash (used in) from financing activities	(53,249)	259,306
Net change in cash and cash equivalents	(58,524)	200,918
Foreign exchange differences on foreign operations	(173)	31
Cash and cash equivalents, January 1	305,768	104,819
CASH AND CASH EQUIVALENTS, DECEMBER 31	247,071	305,768
Non cash transaction:		
Project under development transferred to property, plant and equipment	-	88,467
CWIP transferred to deferred expenses/capital spares	14,872	-

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, 2014**

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, 2014, property, plant and equipment of SR 1,739 million (2013: SR 1,848 million) include costs of SR 377.1 million (2013: SR 413.1 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 1.4 million (2013: SR 6.4 million).

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, 2014**

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
(SAUDI JOINT STOCK COMPANY)**

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE THREE MONTHS AND YEAR ENDED DECEMBER 31, 2014**

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 consolidated 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
(SAUDI JOINT STOCK COMPANY)**

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE THREE MONTHS AND YEAR ENDED DECEMBER 31, 2014**

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.

**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, 2014**

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 December 31, 2014 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 amounted to SR 2.10 million (2013: nil).

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.

In 2012 the stockholders and subsequently the directors resolved to offset the accumulated losses of SR 273.38 million against statutory reserve. As the Company has loss in the current period/year 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 2013 as these are still under review by the Department of Zakat and Income Tax (DZIT), except for subsidiaries JANA and SODA for which the final zakat assessments for the years from 2003 to 2013 and from 2008 to 2013 respectively are under review by the DZIT.

6. (LOSS) EARNINGS PER SHARE

(Loss) earnings 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 periods.

(Loss) earnings per share from the continuing main operations is 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 periods.

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 periods.

**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, 2014**

7. SEGMENTAL ANALYSIS

a) As of December 31, analysis of sales, operating income and net assets by activities:

	Sales		Operating (loss) income		Net assets	
	For the year ended December 31, 2014, SR 000	For the year ended December 31, 2013, SR 000	For the year ended December 31, 2014, SR 000	For the year ended December 31, 2013, SR 000	As of December 31, 2014, SR 000	As of December 31, 2013, SR 000
	Un-audited	Audited	Un-audited	Audited	Un-audited	Audited
Epoxy resin products	594,506	739,061	(67,551)	(27,155)	324,573	408,515
Chlor Alkali products	208,000	220,314	(23,896)	315	132,092	173,372
Others	-	-	(10,957)	(8,326)	1,254,953	1,401,941
Total	802,506	959,375	(102,404)	(35,166)	1,711,618	1,983,828
Inter-company eliminations	(127,117)	(215,287)	-	-	(484,369)	(594,631)
Net	675,389	744,088	(102,404)	(35,166)	1,227,249	1,389,197

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

b) As of December 31, analysis of sales and operating income by geographical location:

	Sales		Operating loss	
	For the year ended December 31, 2014, SR 000	For the year ended December 31, 2013, SR 000	For the year ended December 31, 2014, SR 000	For the year ended December 31, 2013, SR 000
	Un-audited	Audited	Un-audited	Audited
Export sales	558,028	708,393	(66,050)	(26,537)
Local sales	244,478	250,982	(25,397)	(303)
Others	-	-	(10,957)	(8,326)
Total	802,506	959,375	(102,404)	(35,166)
Inter-company Eliminations	(127,117)	(215,287)	-	-
Net	675,389	744,088	(102,404)	(35,166)

**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, 2014**

8. COMMITMENTS AND CONTINGENCIES

As of December 31, 2014, the Group has outstanding letters of credit and letters of guarantee of SR 51.57 million (2013: SR 40.41 million) issued in the normal course of business.

As of December 31, the Group had the following capital commitments:

	2014 SR'000 (Un-audited)	2013 SR'000 (Audited)
Commitments for the acquisition/construction of property, plant and equipment	<u>119,930</u>	<u>38,200</u>

9. RESULTS OF INTERIM PERIOD

The results of the interim periods are not audited and therefore it may not give an accurate indicator of the annual operating results.

10. COMPARATIVE FIGURES

Certain figures for 2013 have been reclassified to conform to the presentation in current period.
