NAMA CHEMICALS COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT ON REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE QUARTER ENDED MARCH 31, 2018

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INDEPENDENT AUDITORS' REPORT ON REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

To the shareholders
Nama Chemicals Company
Jubail Industrial City - Kingdom of Saudi Arabia.

Introduction

We have reviewed the accompanying condensed interim consolidated financial statements of Nama Chemicals Company (A Saudi Joint Stock Company) ("the Company") and its subsidiaries (collectively referred to as 'the Group) which comprises of interim consolidated statement of financial position as at March 31 2018, the related interim consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the quarter then ended, and a summary of significant accounting policies and selected notes from (1) to (11).

Management is responsible for the preparation and presentation of these condensed interim consolidated financial statements in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on this condensed interim consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" that are endorsed in the Kingdom of Saudi Arabia. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim consolidated financial statements for the quarter ended March 31, 2018 are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia.

Emphasis of matter

Without qualifying our conclusion, we draw attention to Note 1 to the condensed interim consolidated financial statements which indicates that, as at March 31,2018 , the Group's current liabilities exceeded its current assets by SR 561.7 million (December 31, 2017: SR 663 million) and accumulated losses reached to SR 27.2 million (December 31, 2017: SR 55.4 million). These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern. The continuity of the group as a going concern is dependent on the completion of the Group's plans as set forth in Note 1.

For Dr. Mohamed Al-Amri & Co.

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شركة مهنية رقم ٣٢٣/١١/٦٦
س.ت ٢٠٥٠١٠٥٨٢٢
Dammam
Certified Public Accountants
Dr. Mohamed Al-Amri & Co.

Gihad M. Al-Amri
Certified Public Accountant
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May 9, 2018-G
Sha'ban 23, 1439-H

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NAMA CHEMICALS COMPANY
(A SAUDI JOINT STOCK COMPANY)
INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2018
Expressed in Saudi Riyal '000

	Note	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
ASSETS			
Non- current assets			
Property, plant and equipment	5	**781,110**	794,198
Investment properties		**129,665**	130,547
Investments		**146,465**	117,974
Long term prepaid employees' benefits		**173,792**	175,269
Other non curmet assets		**2,911**	2,911
		1,233,943	1,220,899
Current assets			
Inventories		**53,725**	46,230
Trade receivables		**150,278**	117,799
Advances, prepayments and other receivables		**29,653**	16,594
Cash and cash equivalents		**28,613**	28,575
		262,269	209,198
TOTAL ASSETS		**1,496,212**	1,430,097
EQUITY AND LIABILITIES			
Equity			
Share capital		**235,200**	235,200
Other reserves		**125,801**	97,290
Accumulated losses		**(27,198)**	(55,362)
		333,803	277,128
Non-current liabilities			
Long term loans	6	**282,964**	225,811
Employees end of service benefits		**55,467**	54,878
		338,431	280,689
Current liabilities			
Trade payables		**98,457**	78,804
Short term loans	6	**58,068**	110,779
Long term loans - current portion	6	**586,886**	600,271
Accrued and other liabilities		**80,567**	82,426
		823,978	872,280
Total liabilities		**1,162,409**	1,152,969
TOTAL EQUITY AND LIABILITIES		**1,496,212**	1,430,097

The accompanying notes from 1 to 11 form an integral part of these condensed interim consolidated financial statements.

NAMA CHEMICALS COMPANY
(A SAUDI JOINT STOCK COMPANY)
INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE QUARTER ENDED MARCH 31, 2018
Expressed in Saudi Riyal '000

	March , 31 2018 (Unaudited)	March , 31 2017 (Unaudited)
Revenue	**181,841**	130,146
Cost of sales	**(129,427)**	(113,243)
Gross profit	**52,414**	16,903
Selling and distribution expenses	**(7,831)**	(8,399)
General and administrative expenses	**(7,892)**	(6,129)
Operating profit	**36,691**	2,375
Finance cost	**(7,298)**	(8,720)
Investment income, net	**17**	3,335
Other income, net	**506**	495
Profit / (loss) before zakat	**29,916**	(2,515)
Zakat	**(1,752)**	(1,332)
Profit / (loss) for the period	**28,164**	(3,847)
Other comprehensive income		
Items that may be subsequently reclassified to profit or loss:		
Change in fair value of equity investments at fair value through other comprehensive income	**28,491**	6,416
Exchange differences on translation of foreign operations	**20**	19
Total other comprehensive income	**28,511**	6,435
Total comprehensive income for the period	**56,675**	2,588
Earning / (loss) per share		
- Basic	**1.20**	(0.03)
- Diluted	**1.20**	(0.03)

The accompanying notes from 1 to 11 form an integral part of these condensed interim consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE QUARTER ENDED MARCH 31, 2018
Expressed in Saudi Riyal '000

	Share capital	Fair value reserve	Foreign currency translation reserve	Accumulated losses	Total equity
Balance at January 01, 2017 – (Audited)	1,285,200	88,455	(696)	(1,094,824)	278,135
Loss for the period	-	-	-	(3,847)	(3,847)
Other comprehensive income	-	6,416	19	-	6,435
Total comprehensive income for the period	-	6,416	19	(3,847)	2,588
Balance at March 31, 2017 (Unaudited)	**1,285,200**	**94,871**	**(677)**	**(1,098,671)**	**280,723**
Balance at January 01, 2018 – (Audited)	235,200	97,924	(634)	(55,362)	277,128
Profit for the period	-	-	-	28,164	28,164
Other comprehensive income	-	28,491	20	-	28,511
Total comprehensive income for the period	-	28,491	20	28,164	56,675
Balance at March 31,2018 (Unaudited)	**235,200**	**126,415**	**(614)**	**(27,198)**	**333,803**

The accompanying notes from 1 to 11 form an integral part of these condensed interim consolidated financial statements.

NAMA CHEMICALS COMPANY
(A SAUDI JOINT STOCK COMPANY)
INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE QUARTER ENDED MARCH 31, 2018
Expressed in Saudi Riyal '000

	March 31, 2018 (Unaudited)	March 31, 2017 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(loss) before zakat	**29,916**	(2,515)
Adjustments for non –cash items to reconcile profit before zakat to net cash flows		
Depreciation	**14,799**	15,090
Amortization of prepaid employees' benefits	**617**	-
Finance cost	**7,298**	8,720
Provision for employees' end of service benefits	**1,383**	1,552
	54,013	22,847
Working capital adjustments		
Inventories	**(7,495)**	9
Trade receivables	**(32,479)**	(10,137)
Advances, prepayments and other receivables	**(13,059)**	(9,910)
Trade and other payable	**19,653**	20,165
Accrued and other liabilities	**(5,283)**	(1,348)
Cash generated from operations	**15,350**	21,626
Finance cost paid	**(5,627)**	(6,453)
Employees' end of service benefits paid	**(794)**	(612)
Net cash generated from operating activities	**8,929**	14,561
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property, plant and equipment	**(829)**	(1,459)
Additions to cost of projects under development	**-**	(5,037)
Change in investments	**-**	4,992
Recovery of long term pre-paid employee benefits	**860**	-
Net cash generated from / (used in) investing activities	**31**	(1,504)
CASH FLOWS FROM FINANCING ACTIVITIES		
Changes in short term loans	**(52,711)**	(1,914)
Changes in long term loans	**43,769**	(22,426)
Net cash used in financing activities	**(8,942)**	(24,340)
Net change in cash and cash equivalents	**18**	(11,283)
Exchange differences on translation of foreign operations	**20**	19
Cash and cash equivalents at January 1,	**28,575**	47,558
Cash and cash equivalents at March 31,	**28,613**	36,294

The accompanying notes from 1 to 11 form an integral part of these condensed interim consolidated financial statements.

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 registered office of the Company is situated in Al- Jubail, Kingdom of Saudi Arabia. The share capital of the Company amounts to SR 235.2 million divided into 23.52 million shares of SR 10 each.

The subsidiaries of NAMA are as follows:

Al-Jubail Chemical Industries Company ("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-036.4.041.685-8.

NAMA Germany GMBH, a limited liability Company incorporated in Germany, is fully owned by NAMA Europa GMBH.

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.

The Board of Directors of NAMA has decided in the Extraordinary Assembly Meeting held on December 27, 2016, to reduce the Company's share capital from SR 1,285,200,000 to SR 235,200,000 at a reduction rate of 81.7% for the purpose of reconstruction of the share capital of the Company. As a result, total number of shares of the Company reduced from 128,520,000 to 23,520,000 by way of cancellation. The effective date for said capital reduction was May 11, 2017.

Due to weak financial fundamentals of one of the subsidiaries, JANA, as at March 31, 2017, the accumulated losses of the Group has reached to SR 27.2 million (December 31,2017: SR 55.4 million) and the Group's current liabilities exceeded its current assets by SR 561.7 million (December 31,2017: SR 663 million).As at March 31,2018,the Group's accumulated losses account for 11.6% (December 31,2017: 23.5%) of the share capital of the Company. Further, as mentioned in note 6, the Group has not complied with the covenant requirements of its loan agreements to maintain certain financial ratios. However, the shareholders of JANA has unanimously resolved the continuation of the Company as a going concern, together with providing it financial support to cover these losses as required by the Article 181 of the Regulation for Companies. Therefore, these condensed interim consolidated financial statements have been prepared on going concern basis.

Further, in order to improve the profitability and financial position, the Group has entered into a long term agreement with Huntsman Europe to supply its products for an initial period of 5 years which can be renewed for further periods. Huntsman is a global leader in Epoxy resin market and the Group is confident to significantly benefit from this association especially in Europe and America resulting in substantial increase in revenues in the future.

2. BASIS OF PREPARATION (continued)

The Group has adopted this standards with effect from January 01, 2018. There are no material impacts of adoption of the said IFRS on the Group's condensed interim consolidated financial statements. The new accounting policies have been disclosed in note 4.

IFRS 9 – 'Financial Instruments'

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement and impairment.

The Group has complied with the requirements of IFRS 9 in preparation of these condensed interim consolidated financial statements. The impacts of adopting IFRS 9 on the Group are as follows:

• Classification and measurement: IFRS 9 establishes a principles-based approach to determining whether a financial asset should be measured at amortized cost or fair value, based on the cash flow characteristics of the asset and the business model in which the asset is held. The group classified its investment in quoted equity securities under fair value through other comprehensive income (FVTOCI) category from available for sale investment category. Other than that, there is no material effect on these condensed interim consolidated financial statements due to this change.

• Impairment: based on the Group's assessment, the introduction of the "expected credit loss" model for the assessment of impairment of financial assets held at amortized cost is not expected to have a material impact on the Group's results, given the low exposure to counterparty default risk as a result of the credit risk management processes that are in place.

3. STANDARDS ISSUED BUT NOT YET EFFECTIVE

IFRS 16 Leases

The IASB has issued a new standard for the recognition of leases. This standard will replace:

- IAS 17 – 'Leases'
- IFRIC 4 – 'Whether an arrangement contains a lease'
- SIC 15 – 'Operating leases – Incentives'
- SIC-27 – 'Evaluating the substance of transactions involving the legal form of a lease'

Under IAS 17, lessees are required to make a distinction between a finance lease (on statement of financial position) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognize a lease liability reflecting future lease payments and a 'right-of-use asset' for all lease contracts apart from an optional exemption for certain short-term leases.

Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The mandatory date of adoption for the standard is January 1, 2019.

4. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the following due to the adoption of new standards as mentioned in note 2.4.

4. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (continued)

4.1 Financial assets

The Group determines the classification of its financial assets at initial recognition. The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

I. Classification

The financial assets are classified in the following measurement categories:

a) Those to be measured subsequently at fair value through profit or loss,
b) Those to be measured subsequently at fair value through other comprehensive income, and
c) Those to be measured at amortized cost.

For assets measured at fair value, gains and losses will either be recorded in the profit or loss or other comprehensive income.

II. Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are charged to profit or loss.

III. Impairment of financial assets

The Group applies expected credit loss (ECL) model for measurement and recognition of impairment loss on the financial assets and credit risk exposure that are debt instruments and are measured at amortized cost e.g., trade receivables.

Expected credit loss is the probability-weighted estimate of credit losses (i.e. present value of all cash shortfalls) over the expected life of the financial asset. A cash shortfall is the difference between the cash flows that are due in accordance with the contract and the cash flows that the Group expects to receive. The expected credit losses consider the amount and timing of payments and hence, a credit loss arises even if the Group expects to receive the payment in full but later than when contractually due. The expected credit loss method requires to assess credit risk, default and timing of collection since initial recognition.

This requires recognizing allowance for expected credit losses in the profit or loss even for receivables that are newly originated or acquired.

Impairment of financial assets is measured as either 12 month expected credit losses or life time expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. '12 month expected credit losses' represent the expected credit losses resulting from default events that are possible within 12 months after the reporting date. 'Lifetime expected credit losses' represent the expected credit losses that result from all possible default events over the expected life of the financial asset.

IV. De-recognition of financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the assets expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of the transferred financial asset, the Group continues to recognize the financial asset and also recognises a collateralized borrowing for the proceeds received.

Expressed in Saudi Riyal '000

5. PROPERTY, PLANT AND EQUIPMENT

The Group acquired assets in the quarter ended March 31, 2018 amounting to SR 0.8 million (quarter ended March 31, 2017: SR 1.5 million).

6. LOANS

Short term loans

JANA, one of the subsidiaries of the Group, obtained bank facilities from local banks for the short-term loans and letters of credits. These facilities bear interest at rate based on SIBOR plus a margin. These facilities are secured by a corporate guarantee from NAMA.

Long term loans

	March 31, 2018	December 31, 2017
Saudi indusrial development Fund ("SIDF")	**591,279**	591,279
Less:Current portion	**(488,579)**	(488,579)
Non current portion	**102,700**	102,700
Other loans from local banks	**278,571**	234,803
Less: current portion	**(98,307)**	(111,692)
Non current portion	**180,264**	123,111
Total long term loans	**282,964**	225,811

Loans from local banks

These loans have been obtained from two banks i.e. Jazira and Alawwal Bank to finance the expansion projects' costs of the Group as well as the employees' housing project.

The loan obtained from Jazira Bank is repayable in 57 equal monthly installments of SR 2.7 million each. It is subject to mark-up at SIBOR plus margin and is secured by promissory notes.

One of Alawwal Bank loans is repayable in 47 equal monthly installments of SR 0.75 million . It is subject to mark-up at SIBOR plus margin and is secured by promissory notes.

The second Alawwal Bank loan remaining balance is repayable in April 2018. It is subject to mark-up at SIBOR plus margin and is secured by promissory notes.

During quarter ended March 31, 2018, SR 50 million of working capital loans have been converted to a long term loan repayable in 47 equal installments of SR 1.06 million starting April 12, 2018.

JANA has not complied with the covenant requirements of maintaining certain financial ratios of its loan agreements because of incurring losses during the prior periods. However, the management has classified these loans as current liabilities and classified the SIDF loan as current and non-current in accordance with the original loan repayment schedule.

Expressed in Saudi Riyal '000

7. CONTINGENCIES AND COMMITMENTS

(a) The Group's outstanding contingencies and commitments were as follows:

	March 31, 2018	December 31,2017
Letters of credit	**22,490**	17,050
Letters of guarantee	**7,960**	9,420

The Group's operating lease commitments are as follows;

	March 31,2018	December 31,2017
Less than one year	**1,026**	1,060
More than one year but less than five years	**3,321**	3,552
More than five years	**10,356**	10,356
	14,703	14,968

8. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

The related parties consist of subsidiaries, affiliates and Board of Directors and key management personnel. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of the Group. The transactions are dealt with on mutually agreed terms and the terms and conditions on these transactions are approved by the Group's management.

Transactions with key management personnel are as follows:

	For the quarter ended March 31, 2018	For the quarter ended March 31, 2017
Directors' remuneration	**300**	289

Expressed in Saudi Riyal '000

9. SEGMENTAL INFORMATION

Consistent with the Group's internal reporting process, business segments have been approved by management in respect of the Group's activities. The Group's sales, net loss, assets and liabilities, by business segment, are as follows:

	Epoxy resin products	Chlor Alkali products	Inter-Group eliminations	Others	Total
For the period ended March 31,2018					
Revenue	125,208	55,772	(4,396)	5,257	181,841
Net Profit / (loss)	(934)	30,913	(2,321)	506	28,164
As of March 31,2018					
Total assets	597,588	607,245	-	291,379	1,496,212
Total liabilities	445,583	472,197	-	244,629	1,162,409

	Epoxy resin products	Chlor Alkali products	Inter-Group eliminations	Others	Total
For the period ended March 31, 2017					
Revenue	79,126	56,073	(10,228)	5,175	130,146
Net profit / (loss)	(16,796)	11,756	(4,779)	5,972	(3,847)
As of December 31, 2017					
Total assets	557,803	613,402	-	258,892	1,430,097
Total liabilities	423,433	467,057	-	262,478	1,152,968

Reconciliation of net loss of operating segments

	March 31,2018	March 31,2017
Segment profit / (loss)	30,485	932
Inter-segment profit elimination	(2,321)	(4,779)
Net profit / (loss)	28,164	(3,847)

10. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

March 31,2018	Carrying value	Fair value	Level 1	Level 2	Level 3	Total
Financial assets						
Investments – FVTOCI	146,465	146,465	146,465	-	-	146,465
December 31,2017						
Financial assets						
Investments – FVTOCI	117,974	117,974	117,974	-	-	117,974

11. APPROVAL OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

These condensed interim consolidated financial statements have been approved and authorized for issue by the Company's Board of Directors on May 9, 2018 G.