NAMA CHEMICALS COMPANY AND SUBSIDIARIES
(SAUDI JOINT STOCK COMPANY)

CONSOLIDATED INTERIM FINANCIAL STATEMENTS AND AUDITORS' REPORT (LIMITED REVIEW) FOR THE THREE MONTHS AND SIX MONTHS PERIODS ENDED JUNE 30, 2012

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AUDITORS' REPORT (LIMITED REVIEW) ON CONSOLIDATED INTERIM FINANCIAL STATEMENT

To the stockholders of
NAMA Chemicals Company
Al-Jubail, 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, 2012 and the related consolidated interim statements of income for the three months and six months periods then ended and consolidated cash flows for the six months then ended, and notes 1 to 9 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 principles.

Other Matters

We draw your attention to the note 7 to the consolidated interim financial statements.

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July 9, 2012

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NAMA CHEMICALS COMPANY AND SUBSIDIARIES
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CONSOLIDATED INTERIM BALANCE SHEET
AS OF JUNE 30, 2012

	Note	2012 SR 000 (Un-audited)	2011 SR 000 (Un-audited)
ASSETS			
Current assets			
Cash and cash equivalents		**171,856**	117,837
Time deposits		-	171,227
Trade receivables		**170,228**	194,150
Inventories		**56,660**	114,969
Advances, prepayments and other receivable		**26,229**	43,931
Total current assets		**424,973**	642,114
Non-current assets			
Time deposits		**92,900**	-
Available for sale investments		**140,094**	146,002
Cost of projects under development	3,7	**280,744**	385,544
Property, plant and equipment	7	**1,568,242**	1,358,166
Intangible assets		**28,232**	69,763
Total non-current assets		**2,110,212**	1,959,475
TOTAL ASSETS		**2,535,185**	2,601,589
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities			
Short term borrowings		**27,638**	34,120
Current portion of long term debts		**44,350**	27,935
Accounts payable		**112,133**	136,751
Accrued expenses and other payables		**70,396**	72,944
Total current liabilities		**254,517**	271,750
Non-current liabilities			
Long-term debts		**875,662**	662,350
End-of-service indemnities		**21,857**	18,457
Interest rate swap		**13,217**	15,012
Total non-current liabilities		**910,736**	695,819
Stockholders' equity			
Share capital	1	**1,285,200**	1,285,200
Statutory reserve	4	**273,382**	273,382
Change in fair value of available for sale investments		**77,594**	83,502
Foreign currency translation adjustments		**(471)**	67
Changes in cash flow hedge position		-	(15,012)
(Accumulated losses) retained earnings		**(265,773)**	6,881
Total stockholders' equity		**1,369,932**	1,634,020
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		**2,535,185**	2,601,589

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, 2012

	From April 1 to June 30		From January 1 to June 30	
	2012	2011	**2012**	2011
	SR 000	SR 000	**SR 000**	SR 000
	(Un-audited)	(Un-audited)	**(Un-audited)**	(Unaudited)
Sales	**182,178**	216,546	**387,577**	421,481
Cost of sales	**(164,246)**	(169,495)	**(344,704)**	(363,623)
Gross profit	**17,932**	47,051	**42,873**	57,858
Selling and marketing expenses	**(14,880)**	(15,928)	**(29,816)**	(28,449)
General and administrative expenses	**(5,938)**	(8,702)	**(11,745)**	(16,732)
(Loss) profit from operations	**(2,886)**	22,421	**1,312**	12,677
Financial expenses	**(5,435)**	(4,385)	**(10,778)**	(8,772)
Change interest rate swap position	**1,665**	-	**1,665**	-
Investment income, net	**85**	344	**323**	10,827
Other (expenses) income, net	**(176)**	1,748	**743**	3,483
Net (loss) income before zakat	**(6,747)**	20,128	**(6,735)**	18,215
Zakat (note 5)	**(2,437)**	(3,289)	**(6,902)**	(5,728)
NET (LOSS) INCOME	**(9,184)**	16,839	**(13,637)**	12,487
(Loss) earnings per share - note 6				
(Loss) earnings per share from net (loss) income (in SR)	**(0.07)**	0.13	**(0.10)**	0.10
(Loss) earnings per share from continuing main operations (in SR)	**(0.07)**	0.11	**(0.11)**	(0.01)
Earnings per share from other operations (in SR)	**-**	0.02	**0.01**	0.11
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, 2012

	2012 SR 000 (Un-audited)	2011 SR 000 (Un-audited)
OPERATING ACTIVITIES		
Net (loss) income before zakat	(6,735)	18,215
Adjustments for:		
Depreciation	34,630	32,136
Amortization	2,708	5,324
End-of-service indemnities	3,198	2,963
Surplus realized on available for sale investments	-	(10,276)
Change in interest rate swap position	(1,665)	-
Changes in operating assets and liabilities:		
Trade receivables	(33,568)	(36,488)
Inventories	56,876	(29,713)
Advances, prepayments and other receivables	8,221	(13,433)
Accounts payable, accrued expenses and other payables	30,003	80,194
Cash from operations	93,668	48,922
End-of-service indemnities paid	(1,462)	(1,164)
Zakat paid	(3,864)	(3,573)
Net cash from operating activities	88,342	44,185
INVESTING ACTIVITIES		
Additions to property, plant and equipment	(105,083)	(90,068)
Additions to cost of projects under development	(31,268)	(44,816)
Proceeds from sale of investment	-	35,343
Change in time deposits	50	(105,014)
Additions to intangible assets	(24,697)	(5,461)
Net cash used in investing activities	(160,998)	(210,016)
FINANCING ACTIVITIES		
Change in short term borrowings	(31,706)	(30,006)
Long term debts obtained	228,324	333,000
Repayment of long term debts	(74,662)	(238,565)
Net cash from financing activities	121,956	64,429
Net change in cash and cash equivalents	49,300	(101,402)
Foreign exchange differences on foreign operations	7	3,565
Cash and cash equivalents, January 1	122,549	215,674
CASH AND CASH EQUIVALENTS, JUNE 30	171,856	117,837

Non cash transaction:

Project under development transferred to property, plant and equipment	79,518	-

The accompanying notes form an integral part of these consolidated interim 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 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 is still in progress at the period end.

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying 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 operations. 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.

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 operations. Dividends are recorded when received.

Investments in investments funds and marketable securities classified as available for sale are stated at market value. Changes in market value 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 an 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 direct and indirect costs not specifically part of cost of sales as required under generally accepted accounting principles. Allocations between general and administrative expenses and cost of sales, when required, are made on a consistent basis.

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

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

Inventories
Inventories are stated at the lower of cost or net realizable value. Cost is determined, for finished goods, on a weighted average cost basis and includes cost of materials, 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 operations as they arise.

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

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 operations in the same period or periods during which the hedged item affects net profit or loss. For hedges of forecasted transactions, the gain or loss on the hedging instrument will 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:

	Years
Buildings and improvements on lease land	20 - 40
Plant and machinery	5 - 30
Vehicles	4
Furniture, fixtures and office equipment	5 - 10

Borrowing costs
Borrowing costs directly attributable to cost of projects under development are added to the cost of the project until such time as the project is ready for its intended use. Investment income earned on temporary 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.

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 operations.

The Company's books of accounts are maintained in Saudi Arabian Riyals. Assets and liabilities of foreign subsidiary are re-translated in Saudi Arabian 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.

3. COST OF PROJECTS UNDER DEVELOPMENT

The balance of cost of projects under development mainly comprised the Calcium Chloride Plant, expansion of Hassad project and head office building etc. The Group plans to operate these projects fully in the near future.

Construction related costs as of June 30, 2012 comprise 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, installation costs, licensing fees, professional fees and borrowing costs. Borrowing cost capitalized during the period amounted to SR 4.02 million (2011: SR 2.86 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.

The stockholders in their general assembly meeting dated April 9, 2012 resolved to use the statutory reserve to absorb the losses, however, the amount was not determined by the Board of Directors as of June 30, 2012.

5. ZAKAT

The Group has yet to receive the final zakat assessments for the years from 2000 through 2011 as these are still under study by the DZIT, except for a subsidiary (JANA) for which the final zakat assessments for the years from 2003 through 2011 are under study by the DZIT.

6. (LOSS) EARNINGS PER SHARE

(Loss) earnings per share from net (loss) income is computed by dividing net loss for the periods by the weighted average number of shares outstanding during the periods.

(Loss) earnings per share from the continuing main operations is computed by dividing operating (loss) income after finance charges and zakat for the periods by the weighted average number of shares outstanding during the periods.

Earnings per share from other operations are computed by dividing the total investment income and other income, net over the weighted average number of shares outstanding during the periods.

7. GENERAL

As of June 30, 2012, property, plant and equipment of SR 1,568 million (2011: SR 1,358 million) include costs of SR 994 million (2011: SR 959 million) incurred by the Company on the development and construction of Epicholorhydrin factory, Chlor-alkali plant ("Hassad project"). Similarly, cost of projects under development of SR 281 million include cost of SR 103 million incurred for Calcium Chloride plant which is expected to be capitalized pending the resolution of certain technical matters. The total cost of construction is currently estimated at approximately SR 113.1 million (US$ 30.16 million).

In last quarter of 2011, management hired a third party to undertake an impairment review of Hassad project. This impairment report was based on certain assumptions and outcome of future events. Based on the results of report, management recognized an impairment loss of SR 144.8 million. However, it is difficult at this stage to foresee under the existing circumstances whether or not the assumptions used in the impairment review will crystallize in future.

Management is confident of the viability of the Hassad project and believes that its assets have the ability to provide the Company with future economic benefits and the carrying value of these assets will accordingly be recovered through future cash flows and hence no further impairment is required.

Further, cost of projects under development of SR 281 million (2011: SR 386 million) also includes costs of SR 92 million (2011: SR 80 million) incurred on expansion of Hassad project which is temporarily on hold pending the completion of Hassad Project. The Company's management believes that the project has the ability to provide the entity with future economic benefits. Accordingly, realization of such costs is dependent upon successful commissioning, operations and future benefits of this project.

8. COMMITMENTS AND CONTINGENCIES

As of June 30, 2012, the Group has outstanding letters of credit and letters of guarantee of SR 48.80 million (2011: SR 57.68 million) issued in the normal course of business.

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

	2012	2011
	SR 000	SR 000
	(Un-audited)	(Un-audited)
Commitments for the acquisition/construction of property, plant and Equipment	**124,130**	175,190

9. RESULTS OF INTERIM PERIOD

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