CONSOLIDATED INTERIM FINANCIAL STATEMENTS AND AUDITOR'S REPORT (LIMITED REVIEW) FOR THE THREE MONTHS ENDED MARCH 31, 2016

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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 March 31, 2016 and the related consolidated interim statements of income and consolidated cash flows for the three months then ended and notes from 1 to 13 which form an integral part of these consolidated interim financial statements. These consolidated interim financial statements are the responsibility of the Company's management and have been prepared by them and presented to us with all the necessary information and explanations.

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.

Observation

The Group has posted gross losses in consolidated interim financial statements and in previous two years (2015 and 2014). These results are indicative of impairment in property, plant and equipment. As explained in note 4 to the consolidated interim financial statements, the Group is conducting an impairment review to determine the extent of impairment across assets, if any. At present the amount of impairment, has not been quantified and no adjustment has been made in these consolidated interim financial statements.

Review Results

Based on our limited review, with the exception of the matter described in the preceding paragraph, 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

Dammam & Co.

April 14, 2016 G Rajab 7, 1437 H

CONSOLIDATED INTERIM BALANCE SHEET AS AT MARCH 31, 2016

			
	Notes	2016 SR'000	2015 SR'000
ASSETS		(Un-audited)	(Un-audited)
Current assets			
Cash and cash equivalents		111,772	120.020
Time deposits		94,450	132,038 156,900
Trade receivables		98,814	124,493
Inventories		65,839	69,242
Advances, prepayments and other receivables		25,085	22,667
Total current assets		395,960	505,340
Non-current assets			
Time deposits		79.000	
Available for sale investments		78,900	-
Other non-current assets		96,956	156,543
Cost of projects under development		8,185	8,185
Property, plant and equipment	3 4	175,222	102,461
Intangible assets	4	1,625,746	1,721,205
Total non-current assets		30,141	37,224
Total dall call assets	.*	2,015,150	2,025,618
TOTAL ASSETS		2,411,110	2,530,958
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities			
Short term borrowings			
Current portion of long term debts	5	86,094	64,609
Accounts payable	6	343,579	173,479
Interest rate swap		64,775	63,016
Accrued expenses and other payables		868	3,118
Total current liabilities		80,868	100,845
2 out our one madifies		576,184	405,067
Non-current liabilities			
Long-term debts		711,750	005.250
End-of-service indemnities		37,290	905,250 32,052
Total non-current liabilities	· .	749,040	937,302
Stockholders' equity		•	
Share capital			
Statutory reserve	1	1,285,200	1,285,200
Revaluation surplus	7	-	_
Foreign currency translation adjustments		58,281	94,043
Accumulated losses		(638)	(701)
Total stockholders' equity	_	(256,957)	(189,953)
· · · · · · · · · · · · · · · · · · ·		1,085,886	1,188,589
TOTAL LIABILITIES AND STOCKHOLDERS'			
EQUITY		2,411,110	2,530,958

The accompanying notes from 1 to 13 form an integral part of these consolidated interim financial statements.

CONSOLIDATED INTERIM STATEMENT OF INCOME FOR THE THREE MONTHS ENDED MARCH 31, 2016

	2016 SR'000 (Un-audited)	2015 SR'000 (Un-audited)
Sales	107,721	126,998
Cost of sales	(114,669)	=
Gross loss	(6,948)	(133,451) (6,453)
Calling and marketing	(0,2.10)	(0,433)
Selling and marketing expenses	(10,373)	(8,025)
General and administrative expenses	(8,444)	(7,385)
Loss from operations	(25,765)	(21,863)
Financial expenses	(7.420)	(7.00.1)
Change in interest rate swap position	(7,430)	(7,024)
Investment income, net	(19) 427	(141)
Other income (expenses), net	10,472	324
Net loss before zakat	(22,315)	(835) (29,539)
Zakat (note 8)	(1,332)	(1,614)
NET LOSS	(23,647)	(31,153)
(Loss) earnings per share – note 9		
(Loss) per share from net (loss) (in SR)	•	
() For single hom not (loss) (iii SK)	(0.18)	(0.24)
(Loss) per share from continuing main operations (in SR)	(0.26)	(0.23)
Earnings (loss) per share from other operations (in SR)	0.08	(0.01)
Weighted average number of shares	128,520,000	128,520,000

The accompanying notes from 1 to 13 form an integral part of these consolidated interim financial statements.

CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS FOR THE THREE MONTHS ENDED MARCH 31, 2016

	2016 SR'000	2015 SR'000
OPERATING ACTIVITIES	(Un-audited)	(Un-audited)
Net loss before zakat	(22,315)	(29,539)
Adjustments for:	(22,313)	(29,339)
Depreciation	24,557	24,887
Amortization	1,771	1,771
End-of-service indemnities	1,785	1,771
Loss on disposal of property, plant and equipment	1,785	355
Change in interest rate swap position	19	141
Changes in operating assets and liabilities:		
Trade receivables	302	27,564
Inventories	11,971	(1,948)
Advances, prepayments and other receivables	(11,125)	(7,367)
Accounts payable, accrued expenses and other payables	3,232	(24,786)
Cash-from operations	10,197	(7,768)
End-of-service indemnities paid	(355)	(7,708)
Net cash from (used in) operating activities	9,842	(8,507)
	2,042	(0,307)
INVESTING ACTIVITIES		
Additions to property, plant and equipment	(540)	(173)
Additions to cost of projects under development	(11,766)	(14,124)
Change in other non-current assets	-	692
Change in time deposits more than three months	(13,200)	-
Net cash used in investing activities	(25,506)	(13,605)
		(10,000)
FINANCING ACTIVITIES		•
Change in short term borrowings	14,035	(13,973)
Long term debts obtained	- 1,000	5,000
Repayment of long term debts	(5,850)	(5,850)
Net cash from (used in) financing activities	8,185	(14,823)
Net change in cash and cash equivalents	(7,479)	(36,935)
Foreign exchange differences on foreign operations	26	(98)
Cash and cash equivalents, January 1	119,225	
	117,423	169,071
CASH AND CASH EQUIVALENTS, MARCH 31,	111,772	132,038
Non-cash transactions:		
Capital Spares transferred to PPE	_	5,719
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The accompanying notes from 1 to 13 form an integral part of these consolidated interim financial statements.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2016

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.

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.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued) FOR THE THREE MONTHS ENDED MARCH 31, 2016

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.

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.

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.

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.

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.

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.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued) FOR THE THREE MONTHS ENDED MARCH 31, 2016

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

Cost of assets disposed of and the related accumulated depreciation are removed from the consolidated 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.

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.

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.

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.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued) FOR THE THREE MONTHS ENDED MARCH 31, 2016

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.

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.

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 consolidated interim 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.

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.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued) FOR THE THREE MONTHS ENDED MARCH 31, 2016

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 March 31, 2016 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 quarter is SAR 1.05 million (2015: SR 0.97 million).

4. PROPERTY, PLANT AND EQUIPMENT

The Group is undergoing a review of the carrying amounts of its property, plant and equipment to determine whether such assets have suffered an impairment loss as there are significant indications of such impairment. The review is still in progress at reporting date and is expected to be completed before the issue of consolidated interim financial statements for the second quarter. The results of the impairment will be included in the consolidated interim financial statements of the Group, if any.

5. SHORT TERM BORROWINGS

The Group has obtained short term working capital facilities with local banks. Commission is charged at commercial rates. The short term loans are secured by promissory notes.

6. CURRENT PORTION OF LONG TERM LOANS

The Group subsidiary Al-Jubail Chemical Industries Co. ("JANA") has not complied with the covenant requirements of maintaining certain financial ratios of its loan agreements. However, the management of the Group is sure that the lenders will not demand immediate repayment of the loans as they have communicated with the respective lenders and obtained written waivers accordingly, the management has classified loans as current and non-current in accordance with the original loan repayment schedules.

7. 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 Group has loss in the current and prior period, no allocation has been made to the statutory reserve.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued) FOR THE THREE MONTHS ENDED MARCH 31, 2016

8. 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 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 2014 and from 2008 to 2014 respectively are under review by the DZIT.

9. (LOSS) EARNINGS PER SHARE

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

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

Earnings (loss) 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.

10. SEGMENTAL ANALYSIS

a) As of March 31, analysis of sales, operating loss and net assets by activities:

	Sales For the three For the three		Operating loss		Net assets	
	months ended March 31, 2016, SR 000	months	months ended March 31, 2016, SR 000	months ended March 31, 2015, SR 000	As of March 31, 2016, SR 000	As of March 31, 2015, SR 000
	(Un-audited)	(Un-audited)	(Un-audited)	(Un-audited)	(Un-audited)	(Un-audited)
Epoxy resin products	70,075	98,100	(12,022)	(7,839)	254,498	307,105
Chlor Alkali products	41,974	37,908	(10,996)	(11,930)	61,095	115,442
Others	_		(2,747)	(2,094)	1,135,638	1,220,804
Total Inter-company	112,049	136,008	(25,765)	(21,863)	1,451,231	1,643,351
Eliminations	(4,328)	(9,010)	<u>-</u>	<u>-</u>	(365,345)	(454,762)
Net	107,721	126,998	(25,765)	(21,863)	1,085,886	1,188,589

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

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued) FOR THE THREE MONTHS ENDED MARCH 31, 2016

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

	Sales		Operating loss	
	For the three months ended March 31, 2016, SR 000	For the three months ended March 31, 2015, SR 000	For the three months ended March 31, 2016, SR 000	For the three months ended March 31, 2015, SR 000
*	(Un-audited)	(Un-audited)	(Un-audited)	(Un-audited)
Local sales Export sales Others	46,483 65,566	63,088 72,920	(14,014) (9,004) (2,747)	(10,990) (8,780) (2,093)
Total Inter-company Eliminations	112,049 (4,328)	136,008 (9,010)	(25,765)	(21,863)
Net	107,721	126,998	(25,765)	(21,863)

11. COMMITMENTS AND CONTINGENCIES

As of March 31, 2016, the Group has outstanding letters of credit and letters of guarantee of SR 31.76 million (2015: SR 26.55 million) issued in the normal course of business.

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

	2016 SR'000	2015 SR'000
	(Un-audited)	(Un-audited)
Commitments for the acquisition/construction of		•
property, plant and equipment	35,040	107,570

12. RESULTS OF INTERIM PERIOD

The Company has made all necessary adjustments which are important to present fairly in all material respects the interim financial position and interim results of operations. The interim financial results may not be considered an indicative of the actual results for the whole year

13. COMPARATIVE FIGURES

Certain figures for the first quarter of 2015 have been reclassified to conform to the presentation in current period.