

**BASIC CHEMICAL INDUSTRIES COMPANY
AND SUBSIDIARIES
(A Saudi Joint Stock Company)**

INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND SIX-MONTH PERIODS
ENDED JUNE 30, 2013 AND INDEPENDENT
AUDITOR'S LIMITED REVIEW REPORT

BASIC CHEMICAL INDUSTRIES COMPANY AND SUBSIDIARIES
(A Saudi Joint Stock Company)
INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED JUNE 30, 2013

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LIMITED REVIEW REPORT

July 17, 2013

To the Shareholders of Basic Chemical Industries Company
(A Saudi Joint Stock Company)

Scope of review

We have reviewed the accompanying interim consolidated balance sheet of Basic Chemical Industries Company (the "Company") and its subsidiaries (collectively referred to as the "Group") as of June 30, 2013 and the interim consolidated income statement for the three-month and six-month periods ended June 30, 2013, and the interim consolidated statement of cash flows for the six-month period then ended and the related notes which form an integral part of these interim consolidated financial statements. These interim consolidated financial statements are the responsibility of the Group's management and have been prepared by them and submitted to us together with all the information and explanations which we required.

We conducted our limited review in accordance with the standard of Review of Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants. A limited review consists principally of applying analytical procedures to financial data and information and making inquiries of persons responsible for financial and accounting matters. The scope of such limited review is substantially less than an audit conducted in accordance with auditing standards generally accepted in Saudi Arabia, 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 conclusion

Based on our limited review, we are not aware of any material modifications that should be made to the accompanying interim consolidated financial statements for them to be in conformity with accounting standards generally accepted in Saudi Arabia.

PricewaterhouseCoopers

By: _____
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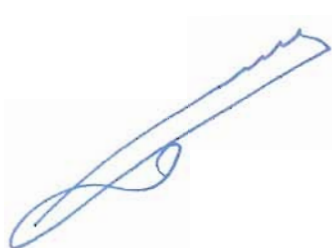
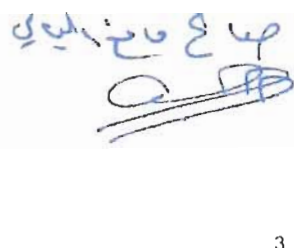
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BASIC CHEMICAL INDUSTRIES COMPANY AND SUBSIDIARIES
(A Saudi Joint Stock Company)
Interim consolidated balance sheet
 (All amounts in Saudi Riyals unless otherwise stated)

	Note	June 30, 2013 (Unaudited)	December 31, 2012 (Audited)	June 30, 2012 (Unaudited)
Assets				
Current assets				
Cash and cash equivalents		144,894,681	203,268,903	188,441,137
Accounts receivable		187,854,244	172,381,491	179,085,864
Inventories		114,076,441	125,140,555	117,426,226
Prepayments, advances and other receivables		35,772,660	13,264,871	18,368,985
		<u>482,598,026</u>	<u>514,055,820</u>	<u>503,322,212</u>
Non-current assets				
Property, plant and equipment		181,425,165	187,775,281	190,593,737
		<u>664,023,191</u>	<u>701,831,101</u>	<u>693,915,949</u>
Liabilities				
Current liabilities				
Accounts payable		44,007,755	54,824,065	45,865,533
Accrued and other liabilities		33,057,568	38,303,500	48,143,164
Zakat payable		4,371,579	12,012,546	2,236,274
		<u>81,436,902</u>	<u>105,140,111</u>	<u>96,244,971</u>
Non-current liabilities				
Employee termination benefits		23,123,567	20,870,920	20,013,987
		<u>104,560,469</u>	<u>126,011,031</u>	<u>116,258,958</u>
Equity				
Equity attributable to shareholders of the Company:				
Share capital		275,000,000	275,000,000	275,000,000
Statutory reserve		37,507,795	34,067,958	31,109,273
Retained earnings		142,399,059	152,690,550	126,062,382
Total shareholders' equity		<u>454,906,854</u>	<u>461,758,508</u>	<u>432,171,655</u>
Non-controlling interests		104,555,868	114,061,562	145,485,336
		<u>559,462,722</u>	<u>575,820,070</u>	<u>577,656,991</u>
Total liabilities and equity		<u>664,023,191</u>	<u>701,831,101</u>	<u>693,915,949</u>
Contingencies and commitments				

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The notes on pages from 6 to 10 form an integral part of these interim consolidated financial statements.



BASIC CHEMICAL INDUSTRIES COMPANY AND SUBSIDIARIES
(A Saudi Joint Stock Company)
Interim consolidated income statement
 (All amounts in Saudi Riyals unless otherwise stated)

Note	For the three-month periods ended June 30,		For the six-month periods ended June 30,	
	2013 (Unaudited)	2012 (Unaudited)	2013 (Unaudited)	2012 (Unaudited)
Sales	194,653,412	186,814,090	370,905,331	366,177,549
Cost of sales	(140,981,185)	(135,565,672)	(271,057,900)	(268,176,748)
Gross profit	53,672,227	51,248,418	99,847,431	98,000,801
Operating expenses				
Selling and distribution	(9,969,809)	(10,085,863)	(20,714,556)	(18,671,216)
General and administrative	(14,588,167)	(11,234,253)	(22,261,701)	(21,208,875)
Income from operations	29,114,251	29,928,302	56,871,174	58,120,710
Other income (expenses)				
Financial charges	-	-	-	(14,340)
Other (expenses) income	(1,368,050)	356,114	(1,054,937)	390,727
Income before zakat and non-controlling interest	27,746,201	30,284,416	55,816,237	58,497,097
Zakat	(2,957,278)	(2,493,662)	(4,357,278)	(3,893,662)
Income before non-controlling interests	24,788,923	27,790,754	51,458,959	54,603,435
Non-controlling interests	(6,629,670)	(10,502,158)	(17,060,594)	(19,739,487)
Net income for the period	18,159,253	17,288,596	34,398,365	34,863,948
Earnings per share (Saudi Riyals):				
• Operating income	1.06	1.09	2.07	2.11
• Net income for the period	0.66	0.63	1.25	1.27
Weighted average number of shares outstanding	2.17	27,500,000	27,500,000	27,500,000

The notes on pages from 6 to 10 form an integral part of these interim consolidated financial statements.

BASIC CHEMICAL INDUSTRIES COMPANY AND SUBSIDIARIES
(A Saudi Joint Stock Company)
Interim consolidated cash flow statement
(All amounts in Saudi Riyals unless otherwise stated)

	Six-month period ended	
	June 30,	
	2013	2012
	(Unaudited)	(Unaudited)
Cash flow from operating activities	34,398,365	34,863,948
Net income for the period		
<u>Adjustments for non-cash items</u>		
Depreciation and amortization	11,147,323	10,879,203
Gain on disposal of property, plant and equipment	(230,795)	(124,125)
Income applicable to non-controlling interests	17,060,594	19,739,487
<u>Changes in working capital</u>		
Accounts receivable	(15,472,753)	(23,152,622)
Prepayments and other receivables	(22,507,789)	(7,983,776)
Inventories	11,064,114	13,410,305
Accounts payable	(10,816,310)	(18,988,587)
Accrued and other liabilities	(5,245,951)	9,617,343
Zakat payable	(7,640,967)	(7,491,115)
Employee termination benefits	2,252,647	2,360,926
Net cash generated from operating activities	<u>14,008,478</u>	<u>33,130,987</u>
Cash flow from investing activities		
Purchase of property, plant and equipment	(4,911,901)	(4,674,840)
Proceeds from disposal of property, plant and equipment	345,489	203,700
Net cash utilized in investing activities	<u>(4,566,412)</u>	<u>(4,471,140)</u>
Cash flow from financing activities		
Repayment of short-term borrowings	-	(5,000,000)
Dividends paid	(41,250,000)	(27,500,000)
Changes in non-controlling interests	(26,566,288)	(3,825,000)
Net cash utilized in financing activities	<u>(67,816,288)</u>	<u>(36,325,000)</u>
Net change in cash and cash equivalents	(58,374,222)	(7,665,163)
Cash and cash equivalents at beginning of period	<u>203,268,903</u>	<u>196,106,290</u>
Cash and cash equivalents at end of period	<u>144,894,681</u>	<u>188,441,127</u>

The notes on pages from 6 to 10 form an integral part of these interim consolidated financial statements.

صالح بن محمد بن عبد العزيز

BASIC CHEMICAL INDUSTRIES COMPANY AND SUBSIDIARIES
(A Saudi Joint Stock Company)
Notes to the interim consolidated financial statements
For the three-month and six-month periods ended June 30, 2013 (Unaudited)
(All amounts in Saudi riyals unless otherwise stated)

1 General information

Basic Chemical Industries Company (the "Company") and its subsidiaries (collectively the "Group") consist of the Company and its various Saudi Arabian subsidiaries. The Company is principally involved in manufacturing of hydrochloric acid, caustic soda, chlorine gas, sodium hypochlorite and other chemicals associated with concrete treatment chemicals, detergents, adhesive materials and calcium chloride and management and maintenance of projects and factories.

The Company is a Saudi Joint Stock Company and is registered in the Kingdom of Saudi Arabia, operating under Commercial Registration ("CR") No. 2050002795 issued in Dammam on 28 Dhul Al Hijjah 1392 H (February 2, 1973). The registered address of the Company is P.O. Box 1053, Dammam 31431, Kingdom of Saudi Arabia.

The accompanying interim consolidated financial statements include the accounts of the Company and its subsidiaries as mentioned below:

	Effective ownership at	
	June 30,	
	2013	2012
Basic Chemicals National Company Limited ("BCNC")	100%	100%
Chemical Marketing and Distribution Company Limited ("CMDC")	100%	100%
Saudi Water Treatment Company Limited ("SWTC")	100%	100%
Huntsman APC ("HAPC")	49%	49%
National Adhesives Company Limited ("NAL")	47%	47%

HAPC and NAL are consolidated as they are controlled and managed by the Company.

The Company's subsidiaries are engaged in the manufacturing of chemicals for gas and oil treatment, chemicals for road treatment, anticking chemicals for detergents, textiles and mines, hot-melt and cold-melt adhesive materials and to produce and sell polyol chemical systems and other chemicals as well as to purchase, formulate, process, export, import, market, distribute and act as agent for the sale of above products.

The accompanying interim consolidated financial statements include all adjustments comprising mainly of normal recurring accruals considered necessary by the Group's management to present a fair statement of the financial position, results of operations and cash flows. The interim results of the operations for the three-month period and six-month periods ended June 30, 2013 may not represent a proper indication for the annual results of operations. These interim consolidated financial statements and notes should be read in conjunction with the annual audited consolidated financial statements and the related notes for the year ended December 31, 2012.

The accompanying interim consolidated financial statements were approved by the Company's management on July 17, 2013.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these interim consolidated financial statements are set out below. These policies have been consistently applied to all periods presented.

2.1 Basis of preparation

The accompanying interim consolidated financial statements have been prepared under the historical cost convention on the accrual basis of accounting, and in compliance with the Standard of Accounting for Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants. Significant accounting policies adopted by the Group for preparing such interim consolidated financial statements are consistent with the accounting policies described in the 2012 annual audited consolidated financial statements of the Group.

BASIC CHEMICAL INDUSTRIES COMPANY AND SUBSIDIARIES

(A Saudi Joint Stock Company)

Notes to the interim consolidated financial statements

For the three-month and six-month periods ended June 30, 2013 (Unaudited)

(All amounts in Saudi riyals unless otherwise stated)

2.2 Critical accounting estimates and judgments

The preparation of interim consolidated financial statements in conformity with generally accepted accounting principles requires the use of certain critical estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenues and expenses during the reporting period. Although these estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management makes estimates and assumptions concerning the future which will, by definition, seldom equal the related actual results.

2.3 Foreign currency translations

(a) Reporting currency

These interim consolidated financial statements are presented in Saudi Riyals, which is the reporting currency of the Group.

(b) Transactions and balances

Foreign currency transactions are translated into Saudi Riyals using exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the interim consolidated income statement.

2.4 Cash and cash equivalents

Cash and cash equivalents include cash in hand and with banks and other short-term highly liquid investments with maturities of three months or less from the purchase date.

2.5 Accounts receivable

Accounts receivable are carried at original invoice amount less provision for doubtful debts. A provision against doubtful debts is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Such provisions are charged to the income statement and reported under "General and administrative expenses". When an account receivable is uncollectible, it is written-off against the provision for doubtful debts. Any subsequent recoveries of amounts previously written-off are credited against "General and administrative expenses" in the income statement.

2.6 Inventories

Inventories are carried at the lower of cost or net realizable value. Cost is determined using the weighted average method. The cost of finished products include the cost of raw materials, labor and production overheads.

2.7 Investments

(a) Subsidiaries

Subsidiaries are entities over which the Group has the power to govern the financial and operating policies to obtain economic benefit generally accompanying a shareholding of more than one half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill.

Inter-company transactions, balances and unrealized gains and losses on transactions between group companies are eliminated. Unrealized losses are also eliminated.

BASIC CHEMICAL INDUSTRIES COMPANY AND SUBSIDIARIES

(A Saudi Joint Stock Company)

Notes to the interim consolidated financial statements

For the three-month and six-month periods ended June 30, 2013 (Unaudited)

(All amounts in Saudi riyals unless otherwise stated)

2.8 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation, except capital work in progress which is stated at cost. Depreciation is charged to the income statement, using the straight-line method, to allocate the costs of the related assets to their residual values over the following estimated useful lives:

	Number of years
• Buildings and leasehold improvements	25
• Plant and machinery	15
• Furniture, fixtures and office equipment	3 - 5
• Motor vehicles	4 - 7

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in the income statement.

Maintenance and normal repairs which do not materially extend the estimated useful life of an asset are charged to the income statement as and when incurred. Major renewals and improvements, if any, are capitalized and the assets so replaced are retired.

Property, plants and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount which is the higher of an asset's fair value less cost to sell and value in use. For the purpose of assessing impairment, assets are grouped at lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-current assets other than intangible assets that suffered impairment are reviewed for possible reversal of impairment at each reporting date. 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 the increased carrying amount should not exceed the carrying amount that would have been determined, had no impairment loss been recognized for the assets or cash-generating unit in prior years. A reversal of an impairment loss is recognized as income immediately in the income statement. Impairment losses recognized on intangible assets are not reversible.

2.9 Borrowings

Borrowings are recognized at the proceeds received, net of transaction costs incurred. Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalized as part of those assets. Other borrowing costs are charged to the income statement.

2.10 Accounts payable and accruals

Liabilities are recognized for amounts to be paid for goods and services received, whether or not billed to the Group.

2.11 Zakat and tax

The Company is subject to zakat in accordance with the regulations of the Department of Zakat and Income Tax (the "DZIT"). Foreign shareholders in the consolidated Saudi Arabian subsidiaries are subject to income tax, Income tax provisions related to the foreign shareholders in such subsidiaries are charged to the non-controlling interests.

Provision for zakat for the Company and zakat related to the Company's ownership in the Saudi Arabian subsidiaries is charged to the income statement. Additional amounts payable, if any, at the finalization of assessments are accounted for when such amounts are determined.

The Company and its subsidiaries withhold tax on certain transactions with non-resident parties, including dividend payments to foreign shareholders of the Saudi Arabian subsidiaries, in the Kingdom of Saudi Arabia as required under Saudi Arabian Income Tax Law.

BASIC CHEMICAL INDUSTRIES COMPANY AND SUBSIDIARIES
(A Saudi Joint Stock Company)
Notes to the interim consolidated financial statements
For the three-month and six-month periods ended June 30, 2013 (Unaudited)
(All amounts in Saudi riyals unless otherwise stated)

2.12 Employee termination benefits

Employee termination benefits required by Saudi Labor and Workman Law are accrued by the Group and charged to the income statement. The liability is calculated at the current value of the vested benefits to which the employee is entitled, should the employee leave at the balance sheet date. Termination payments are based on employees' final salaries and allowances and their cumulative years of service, as stated in the labor law of Saudi Arabia.

2.13 Revenues

Revenues are recognized upon delivery of the products or on performance of services. Revenues are shown net of certain expenses and after eliminating sales within the Group.

2.14 Selling, distribution and general and administrative expenses

Selling, distribution and general and administrative expenses include direct and indirect costs not specifically part of production costs as required under generally accepted accounting principles. Allocations between selling and distribution, and general and administrative expenses and production costs, when required, are made on a consistent basis.

2.15 Dividends

Dividends are recorded in the financial statements in the period in which they are approved by shareholders of the Company.

2.16 Operating leases

Rental expenses under operating leases are charged to the income statement over the period of the respective lease. Rental income is recognized on the accrual basis in accordance with the terms of the contracts.

2.17 Earnings per share

Earnings per share for the three-month period and six-month periods ended June 30, 2013 and 2012 has been computed by dividing the operating income and net income for each period by weighted average number of shares outstanding during such periods.

2.18 Segment reporting

(a) Business segment

A business segment is group of assets, operations or entities:

- (i) engaged in revenue producing activities;
- (ii) results of its operations are continuously analyzed by management in order to make decisions related to resource allocation and performance assessment; and
- (iii) financial information is separately available.

(b) Geographical segment

A geographical segment is group of assets, operations or entities engaged in revenue producing activities within a particular economic environment that are subject to risks and returns different from those operating in other economic environments.

2.19 Statutory reserve

In accordance with the Regulations for Companies in the Kingdom of Saudi Arabia, the Company is required to transfer 10% of their net income to a statutory reserve until such reserve equals 50% of share capital. Allocation for the statutory reserve is made for the interim period considering the net income for such period which is adjusted at the year-end considering the net income for the year. This reserve currently is not available for distribution to the shareholders of the Company.

BASIC CHEMICAL INDUSTRIES COMPANY AND SUBSIDIARIES**(A Saudi Joint Stock Company)****Notes to the interim consolidated financial statements****For the three-month and six-month periods ended June 30, 2013 (Unaudited)**

(All amounts in Saudi riyals unless otherwise stated)

2.20 Reclassification

Certain amounts in the comparative 2012 interim consolidated financial statements have been reclassified to conform to 2013 presentation.

3 Segment information

The Group operates principally in the following major business segments:

- (i) Manufacturing, selling and trading of various types of chemicals;
- (ii) Manufacturing and selling of adhesive and other materials.

Selected financial information for the six-month periods ended June 30, 2013 and 2012, summarized by the above business segments, was as follows:

	Chemicals	Adhesive and other materials	Total
2013			
Revenue	204,858,576	166,046,755	370,905,331
Net income	22,147,150	12,251,215	34,398,365
Total assets	426,333,226	237,689,965	664,023,191
	Chemicals	Adhesive and other materials	Total
2012			
Revenue	190,140,909	176,036,640	366,177,549
Net income	16,063,185	18,800,763	34,863,948
Total assets	394,887,631	299,028,318	693,915,949

The Group's operations are principally conducted in Saudi Arabia.

4 Dividends

The shareholders of the Company approved dividends of Saudi Riyals 1.5 per share, amounting to Saudi Riyals 41.25 million during the six-months period ended June 30, 2013 which were fully paid during the period.

5 Contingencies and commitments

- (i) The Group was contingently liable as of June 30, 2013 for bank guarantees and performance bonds issued in the normal course of the business amounting Saudi Riyals 8.2 million (2012: Saudi Riyals 7.0 million).
- (ii) The capital expenditure contracted by the Group but not yet incurred till June 30, 2013 was approximately Saudi Riyals 31.9 million (2012: Saudi Riyals 14.5 million).