

**AL KOUT INDUSTRIAL PROJECTS COMPANY K.P.S.C.
AND ITS SUBSIDIARIES**

**INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
AND INDEPENDENT AUDITORS' REVIEW REPORT**

FOR THE PERIOD FROM 1 JANUARY TO 31 MARCH 2018 (UNAUDITED)

AL KOUT INDUSTRIAL PROJECTS COMPANY K.P.S.C. AND ITS SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
AND INDEPENDENT AUDITORS' REVIEW REPORT (UNAUDITED)

For the period from 1 January to 31 March 2018

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Independent auditors' report on review of interim condensed consolidated financial information to the Board of Directors of Al Kout Industrial Projects Company K.P.S.C.

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Al Kout Industrial Projects Company K.P.S.C. ("the Parent Company") and its subsidiaries (together referred to as "the Group") as at 31 March 2018, and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the three month period then ended. The Parent Company's Management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on this interim condensed consolidated financial information 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." A review of interim condensed consolidated 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 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 interim condensed consolidated financial information is not prepared, in all material respects, in accordance with IAS 34, 'Interim financial reporting'.



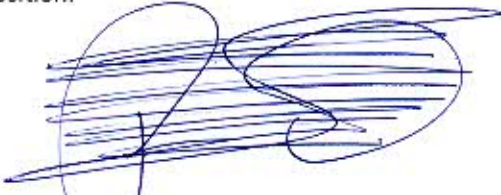
Independent auditors' report on review of interim condensed consolidated financial information to the Board of Directors of Al Kout Industrial Projects Company K.P.S.C. (Continued)

Report on Other Legal and Regulatory Requirements

Furthermore, based on our review, nothing has come to our attention indicating that the interim condensed consolidated financial information is not in agreement with the books of accounts of the Parent Company. We further report that, to the best of our knowledge and belief, we have not become aware of any violations of the Companies' Law No. 1 of 2016, its executive by laws, provision of Law No. 7 of 2010 concerning the Capital Markets Authority and its related regulations, nor of the parent company's articles and memorandum of association during the three month period ended 31 March 2018 that might have had a material effect on the business of the Group or on its consolidated financial position.



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Al Kout Industrial Projects Company K.P.S.C. and its Subsidiaries

Interim condensed consolidated statement of financial position

(All amounts in Kuwaiti Dinars unless indicated otherwise)

| | Notes | 31 March 2018 (Unaudited) | 31 December 2017 (Audited) | 31 March 2017 (Unaudited) |
|--|-------|---------------------------------|----------------------------------|---------------------------------|
| ASSETS | | | | |
| Non-current assets | | | | |
| Property, plant and equipment | | 15,256,034 | 15,520,718 | 17,087,855 |
| Investment in an associate | 5 | 6,752,303 | 9,432,875 | 8,944,535 |
| Goodwill | 6 | 4,937,402 | - | - |
| Available-for-sale financial asset | | - | 1,569,347 | 1,765,394 |
| Financial asset at fair value through profit or loss | | 1,419,015 | - | - |
| | | <u>28,364,754</u> | <u>26,522,940</u> | <u>27,797,784</u> |
| Current assets | | | | |
| Inventories | 7 | 2,427,279 | 1,494,505 | 2,017,304 |
| Trade and other receivables | 8 | 8,461,234 | 7,003,206 | 7,545,356 |
| Cash and cash equivalents | 9 | 3,687,311 | 2,608,676 | 1,384,330 |
| | | <u>14,575,824</u> | <u>11,106,387</u> | <u>10,946,990</u> |
| Total assets | | <u>42,940,578</u> | <u>37,629,327</u> | <u>38,744,774</u> |
| Liabilities and Equity | | | | |
| Liabilities | | | | |
| Non-current liability | | | | |
| Post-employment benefits | | 2,177,924 | 1,948,118 | 1,810,995 |
| Murabha facility | 12 | 5,000,000 | - | - |
| | | <u>7,177,924</u> | <u>1,948,118</u> | <u>1,810,995</u> |
| Current liability | | | | |
| Trade and other payables | 11 | 3,864,289 | 3,038,219 | 3,482,228 |
| Term loan | 12 | 35,000 | - | - |
| | | <u>3,899,289</u> | <u>3,038,219</u> | <u>3,482,228</u> |
| Total liabilities | | <u>11,077,213</u> | <u>4,986,337</u> | <u>5,293,223</u> |
| Equity | | | | |
| Share capital | 10 | 10,090,080 | 10,090,080 | 10,090,080 |
| Statutory reserve | | 5,186,422 | 5,186,422 | 5,186,422 |
| Voluntary reserve | | 5,148,415 | 5,148,415 | 5,148,415 |
| Share of an associate's reserves | | (2,685,115) | 304,072 | 283,009 |
| Foreign currency translation reserve | | 496,873 | 527,064 | 573,465 |
| Fair value reserve | | - | (162,097) | 33,950 |
| Retained earnings | | 13,626,690 | 11,549,034 | 12,136,210 |
| Total equity | | <u>31,863,365</u> | <u>32,642,990</u> | <u>33,451,551</u> |
| Total liabilities and equity | | <u>42,940,578</u> | <u>37,629,327</u> | <u>38,744,774</u> |

Fahed Y. Al-Jouan
Chairman



The accompanying notes set out on pages 8 to 20 form an integral part of this interim condensed consolidated financial information.

Al Kout Industrial Projects Company K.P.S.C. and its Subsidiaries

Interim condensed consolidated statement of income

(All amounts in Kuwaiti Dinars unless indicated otherwise)

| | Notes | Three months ended 31 March | |
|--|-------|--------------------------------|---------------------|
| | | 2018 (Unaudited) | 2017 (Unaudited) |
| Revenue | | 7,072,450 | 5,145,786 |
| Cost of sales of goods | 13 | (3,841,450) | (2,767,745) |
| Gross profit | | 3,231,000 | 2,378,041 |
| Selling and distribution expenses | 13 | (150,025) | (189,726) |
| General and administrative expenses | 13 | (714,751) | (402,456) |
| Other income | | 29,876 | 51,556 |
| Fair value losses on financial assets at fair value through profit or loss | | (150,332) | - |
| Operating profit | | 2,245,768 | 1,837,415 |
| Finance costs | | (42,154) | (5,301) |
| Foreign currency exchange (loss) / gain | | (28,226) | 24,404 |
| Share of results of an associate | | 48,772 | 7,617 |
| Profit before provisions for Kuwait Foundation for the Advancement of Sciences ("KFAS"), National Labour Support Tax ("NLST"), Zakat and Board of Directors' remuneration | | 2,224,160 | 1,864,135 |
| KFAS | | (21,754) | (18,565) |
| NLST | | (56,302) | (47,577) |
| Zakat | | (22,033) | (18,955) |
| Board of Directors' remuneration | | (21,875) | (17,500) |
| Profit for the period | | 2,102,196 | 1,761,538 |
| Earnings per share (basic and diluted) (fils) | 14 | 20.83 | 17.46 |

The accompanying notes set out on pages 8 to 20 form an integral part of this interim condensed consolidated financial information.

Al Kout Industrial Projects Company K.P.S.C. and its Subsidiaries

Interim condensed consolidated statement of comprehensive income

(All amounts in Kuwaiti Dinars unless indicated otherwise)

| | Three months ended | |
|--|---------------------------|--------------------|
| | 31 March | |
| | 2018 | 2017 |
| | (Unaudited) | (Unaudited) |
| Profit for the period | 2,102,196 | 1,761,538 |
| Other comprehensive loss | | |
| <i>Items that may be reclassified subsequently to interim condensed consolidated statement of income</i> | | |
| Share of an associate's reserves | 18,269 | - |
| Foreign exchange translation adjustments | (30,191) | (28,256) |
| Other comprehensive loss for the period | (11,922) | (28,256) |
| Total comprehensive income for the period | 2,090,274 | 1,733,282 |

The accompanying notes set out on pages 8 to 20 form an integral part of this interim condensed consolidated financial information.

Al Kout Industrial Projects Company K.P.S.C. and its Subsidiaries

Interim condensed consolidated statement of changes in equity
(All amounts in Kuwaiti Dinars unless indicated otherwise)

| | Share capital | Statutory reserve | Voluntary reserve | Share of an associate's reserves | Foreign currency translation reserve | Fair Value Reserve | Retained earnings | Total equity |
|---|---------------|-------------------|-------------------|----------------------------------|--------------------------------------|--------------------|-------------------|--------------|
| Balance at 1 January 2017 | 10,090,080 | 5,186,422 | 5,148,415 | 283,009 | 601,721 | 33,950 | 10,374,672 | 31,718,269 |
| Profit for the period | - | - | - | - | - | - | 1,761,538 | 1,761,538 |
| Other comprehensive loss for the period | - | - | - | - | (28,256) | - | - | (28,256) |
| Total comprehensive (loss) / income for the period | - | - | - | - | (28,256) | - | 1,761,538 | 1,733,282 |
| Balance at 31 March 2017 (Unaudited) | 10,090,080 | 5,186,422 | 5,148,415 | 283,009 | 573,465 | 33,950 | 12,136,210 | 33,451,551 |
| Balance at 1 January 2018 | 10,090,080 | 5,186,422 | 5,148,415 | 304,072 | 527,064 | (162,097) | 11,549,034 | 32,642,990 |
| Impact of adoption of IFRS 9 at 1 January 2018 (note 3) | - | - | - | (3,007,456) | - | 162,097 | (24,540) | (2,869,899) |
| Balance at 1 January 2018 | 10,090,080 | 5,186,422 | 5,148,415 | (2,703,384) | 527,064 | - | 11,524,494 | 29,773,091 |
| Profit for the period | - | - | - | - | - | - | 2,102,196 | 2,102,196 |
| Other comprehensive income / (loss) for the period | - | - | - | 18,269 | (30,191) | - | - | (11,922) |
| Total comprehensive income / (loss) for the period | - | - | - | 18,269 | (30,191) | - | 2,102,196 | 2,090,274 |
| Balance at 31 March 2018 (Unaudited) | 10,090,080 | 5,186,422 | 5,148,415 | (2,685,115) | 496,873 | - | 13,626,690 | 31,863,365 |

The accompanying notes set out on pages 8 to 20 form an integral part of this interim condensed consolidated financial information.

Al Kout Industrial Projects Company K.P.S.C. and its Subsidiaries

Interim condensed consolidated statement of cash flows
(All amounts in Kuwaiti Dinars unless indicated otherwise)

| | Notes | Three months ended 31 March | |
|---|-------|--------------------------------|---------------------|
| | | 2018 (Unaudited) | 2017 (Unaudited) |
| Cash flows from operating activities | | | |
| Profit for the period before KFAS, NLST, ZAKAT and Board of Directors' remuneration | | 2,224,160 | 1,864,135 |
| Adjustments for: | | | |
| Depreciation | | 778,203 | 800,266 |
| Loss on sale of property, plant and equipment | | 969 | - |
| Share of results of an associate | | (48,772) | (7,617) |
| Post-employment benefits | | 65,255 | 78,519 |
| Fair value loss on financial asset at fair value through profit or loss | | 150,332 | - |
| Finance costs | | 42,154 | 5,301 |
| | | <u>3,212,301</u> | <u>2,740,604</u> |
| Changes in working capital | | | |
| Inventories | | (172,620) | (344,655) |
| Trade and other receivables | | (236,289) | (748,413) |
| Trade and other payables | | (320,967) | 452,961 |
| | | <u>2,482,425</u> | <u>2,100,497</u> |
| Post-employment benefits paid during the period | | (37,353) | (39,575) |
| Net cash generated from operating activities | | <u>2,445,072</u> | <u>2,060,922</u> |
| Cash flows from investing activities | | | |
| Purchase of property, plant and equipment | | (414,891) | (449,643) |
| Proceeds from sale of property, plant and equipment | | 4,044 | - |
| Payment for acquisition of subsidiaries | 6 | (5,449,365) | - |
| Net cash used in investing activities | | <u>(5,860,212)</u> | <u>(449,643)</u> |
| Cash flows from financing activities | | | |
| Proceeds from borrowings | | 5,000,000 | - |
| Repayment of borrowings | | (467,837) | (1,000,000) |
| Finance costs paid | | (42,154) | (5,301) |
| Net cash generated from / (used in) financing activities | | <u>4,490,009</u> | <u>(1,005,301)</u> |
| Effect of foreign currency translation | | 3,766 | 3,073 |
| Net increase in cash and cash equivalents | | <u>1,078,635</u> | <u>609,051</u> |
| Cash and cash equivalents at beginning of the period | | 2,608,676 | 775,279 |
| Cash and cash equivalents at end of the period | 9 | <u>3,687,311</u> | <u>1,384,330</u> |

The accompanying notes set out on pages 8 to 20 form an integral part of this interim condensed consolidated financial information.

Al Kout Industrial Projects Company K.P.S.C. and Its Subsidiaries

Notes to the interim condensed consolidated financial information

(All amounts in Kuwaiti Dinars unless indicated otherwise)

1. GENERAL INFORMATION

Al Kout Industrial Projects Company K.P.S.C. ("the Parent Company") is a public shareholding company incorporated under the laws of the State of Kuwait on 28 December 1993, and is listed on the Kuwait Stock Exchange.

The address of the Parent Company's registered office is P.O. Box, 10277, Shuaiba 65453, State of Kuwait.

The principal activities of the Group are as follows:

- Production of chlorine and salt, steel drums to fill soda solid and other petrochemical products (after approval of Public Authority for Industry).
- Transport Company's products inside and outside the State of Kuwait according to Company's objectives.
- Acquisition of industrial rights and related intellectual properties or any other industrial trademarks or drawings and any other rights thereto, and renting thereof to other companies whether inside or outside Kuwait.
- Acquisition of movables and properties necessary for the Parent Company to practice its activities pursuant to the limits prescribed by law.
- Investing surplus funds in portfolios managed by specialized financial companies.
- The Parent Company may have interests or participate in any suitable way with entities that engage in similar business activities or that may help the Parent Company achieve its objectives inside Kuwait and abroad. The Group may also purchase such entities or affiliate them.

The interim condensed consolidated financial information of the Parent Company for the three month period ended 31 March 2018 were authorized for issue in accordance with a resolution by the Board of Directors' of the Parent Company on 15 May 2018.

2. BASIS OF PREPARATION

This interim condensed consolidated financial information has been prepared in accordance with International Financial Reporting Standard 34, "Interim Financial Reporting (IAS 34)". It does not include all disclosures that would otherwise be required in a complete set of financial statements and should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2017, and any public announcements made by Group during the interim reporting period. In the opinion of management all adjustments consisting of normal recurring accruals considered necessary for a fair presentation have been included.

Operating results for the three month period ended 31 March 2018 are not necessarily indicative of the results that may be expected for the year ending 31 December 2018. The interim condensed consolidated financial information is presented in Kuwaiti Dinars (KD).

Al Kout Industrial Projects Company K.P.S.C. and Its Subsidiaries

Notes to the interim condensed consolidated financial information

(All amounts in Kuwaiti Dinars unless indicated otherwise)

2. BASIS OF PREPARATION (CONTINUED)

The accounting policies used in the preparation of this interim condensed consolidated financial information are consistent with those used in the most recent annual audited consolidated financial statements for the year ended 31 December 2017 except as mentioned below in note 3.2 arising from the adoption of IFRS 9.

A number of new or amended standards became applicable for the current reporting period and the Group had to change its accounting policies and make retrospective adjustments as a result of adopting the following standards:

- FRS 9 Financial Instruments, and
- IFRS 15 Revenue from Contracts with Customers.

The impact of the adoption of these standards and the new accounting policies are disclosed in note 3 below. The other standards did not have any impact on the Group's accounting policies and did not require retrospective adjustments.

Basis of consolidation

This interim condensed consolidated financial information for the three month period ended 31 March 2018 includes the Parent Company and its subsidiaries. The financial statements of the subsidiaries are consolidated on a line-by-line basis by adding together like items of assets, liabilities, income and expenses. Any intra-Group balances and transactions, and any realized gains arising from intra-Group transactions, are eliminated in preparing this interim condensed consolidated financial information.

Details of subsidiaries are as follows:

| Company's name | Ownership % | | | Country of incorporation | Principal activities |
|---|---------------|------------------|---------------|--------------------------|--------------------------------------|
| | 31 March 2018 | 31 December 2017 | 31 March 2017 | | |
| Al Kout Logistics and Transport Company W.L.L.* | 99.5 % | 99.5 % | 99.5 % | Kuwait | Transportation services |
| Al Kout Petrochemical Products Company W.L.L.* | 80 % | 80 % | 80 % | Kuwait | Blending of chemical products |
| Al Kout Industrial Projects Holding Company L.L.C. | 100 % | 100 % | 100 % | Bahrain | Investment activities |
| Safewater Chemicals L.L.C.* | 99 % | 99 % | 99 % | United Arab Emirates | Manufacture of Chlor Alkali products |
| United Materials General Trading Company W.L.L. and its Subsidiaries* | 99 % | - | - | Kuwait | Blending of chemical products |
| CISCO Trading Company W.L.L. | 100% | - | - | Kuwait | Blending of chemical products |
| Safwan Enviro-Chem Technologies Company W.L.L. | 100% | - | - | Kuwait | Blending of chemical products |

*The remaining ownership interest in the above subsidiaries is held within the Group.

