

**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 2017 (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 2017

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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 2017, 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 2017 that might have had a material effect on the business of the group or on its financial position.



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17 May 2017
Kuwait



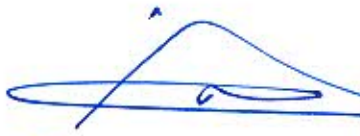
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Al Kout Industrial Projects Company K.P.S.C. and Its Subsidiaries

Interim condensed consolidated statement of financial position

(All amounts in Kuwaiti Dinars unless indicated otherwise)

	Notes	31 March 2017 (Unaudited)	31 December 2016 (Audited)	31 March 2016 (Unaudited)
ASSETS				
Non-current assets				
Property, plant and equipment		17,087,855	17,469,807	17,146,577
Investment in an associate	4	8,944,535	8,936,918	8,693,553
Available-for-sale financial asset		1,765,394	1,765,394	-
		<u>27,797,784</u>	<u>28,172,119</u>	<u>25,840,130</u>
Current assets				
Inventories		2,017,304	1,672,649	1,628,575
Trade and other receivables	5	7,545,356	6,796,943	5,636,170
Time deposit		-	-	500,000
Cash and cash equivalents	6	1,384,330	775,279	2,077,090
		<u>10,946,990</u>	<u>9,244,871</u>	<u>9,841,835</u>
Total assets		<u>38,744,774</u>	<u>37,416,990</u>	<u>35,681,965</u>
Equity and liabilities				
Equity				
Share capital	7	10,090,080	10,090,080	9,702,000
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		283,009	283,009	283,555
Foreign currency translation reserve		573,465	601,721	499,573
Fair value reserve		33,950	33,950	-
Retained earnings		12,136,210	10,374,672	10,394,944
Total equity		<u>33,451,551</u>	<u>31,718,269</u>	<u>31,214,909</u>
Liabilities				
Non-current liability				
Post-employment benefits		1,810,995	1,772,051	1,646,181
Current liability				
Trade and other payables	8	3,482,228	2,926,670	2,820,875
Short term loan		-	1,000,000	-
		<u>3,482,228</u>	<u>3,926,670</u>	<u>2,820,875</u>
Total liabilities		<u>5,293,223</u>	<u>5,698,721</u>	<u>4,467,056</u>
Total equity and liabilities		<u>38,744,774</u>	<u>37,416,990</u>	<u>35,681,965</u>


 Fahed Y. Al-Jouan
 Chairman



The accompanying notes set out on pages 8 to 13 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	
		2017 (Unaudited)	2016 (Unaudited)
Revenues		5,145,786	4,011,585
Sales of goods		(2,767,745)	(2,222,644)
Gross profit		2,378,041	1,788,941
Selling and distribution expenses		(189,726)	(154,341)
General and administrative expenses		(402,456)	(342,377)
Other income		51,556	279,378
Operating profit		1,837,415	1,571,601
Finance costs		(5,301)	(53)
Foreign currency exchange gain		24,404	37,576
Share of results of an associate		7,617	73,056
Profit before provisions for Kuwait Foundation for the Advancement of Sciences ("KFAS"), National Labour Support Tax ("NLST"), Zakat and Board of Directors' remuneration		1,864,135	1,682,180
KFAS		(18,565)	(16,091)
NLST		(47,577)	(42,526)
Zakat		(18,955)	(16,280)
Board of Directors' remuneration		(17,500)	(17,500)
Profit for the period		1,761,538	1,589,783
Earnings per share (basic and diluted) (fils)	9	17.46	15.76

The accompanying notes set out on pages 8 to 13 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	
	2017	2016
	(Unaudited)	(Unaudited)
Profit for the period	1,761,538	1,589,783
Other comprehensive loss		
<i>Items that may be reclassified subsequently to interim condensed consolidated statement of income</i>		
Foreign exchange translation adjustments	(28,256)	(32,495)
Other comprehensive loss for the period	(28,256)	(32,495)
Total comprehensive income for the period	1,733,282	1,557,288

The accompanying notes set out on pages 8 to 13 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 2016	9,702,000	5,186,422	5,148,415	283,555	532,068	-	8,805,161	29,657,621
Profit for the period	-	-	-	-	-	-	1,589,783	1,589,783
Other comprehensive loss for the period	-	-	-	-	(32,495)	-	-	(32,495)
Total comprehensive (loss) / income for the period	-	-	-	-	(32,495)	-	-	-
Balance at 31 March 2016 (Unaudited)	9,702,000	5,186,422	5,148,415	283,555	499,573	-	10,394,944	31,214,909
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)	-	-	-
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

The accompanying notes set out on pages 8 to 13 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	
		2017 (Unaudited)	2016 (Unaudited)
Cash flows from operating activities			
Profit for the period before taxes and Board of Directors' remuneration		1,864,135	1,682,180
Adjustments for:			
Depreciation		800,266	781,030
Gain on sale of property, plant and equipment		-	(3,450)
Share of results of an associate		(7,617)	(73,056)
Post-employment benefits		78,519	64,997
Finance costs		5,301	53
		<u>2,740,604</u>	<u>2,451,754</u>
Changes in working capital			
Inventories		(344,655)	2,266
Trade and other receivables		(748,413)	58,803
Trade and other payables		452,961	116,014
Cash generated from operations		<u>2,100,497</u>	<u>2,628,837</u>
KFAS paid		-	(44,830)
NLST paid		-	(85,159)
Post-employment benefits paid during the period		(39,575)	(46,148)
Net cash generated from operating activities		<u>2,060,922</u>	<u>2,452,700</u>
Cash flows from investing activities			
Purchase of property, plant and equipment		(449,643)	(1,242,925)
Proceeds from sale of property, plant and equipment		-	3,450
Net cash used in investing activities		<u>(449,643)</u>	<u>(1,239,475)</u>
Cash flows from financing activities			
Finance costs paid		(5,301)	(53)
Repayment of short term loan		(1,000,000)	-
Net cash used in financing activities		<u>(1,005,301)</u>	<u>(53)</u>
Effect of foreign currency translation		3,073	(2,528)
Net increase in cash and cash equivalents		<u>609,051</u>	<u>1,210,644</u>
Cash and cash equivalents at beginning of the period		775,279	866,446
Cash and cash equivalents at end of the period	6	<u>1,384,330</u>	<u>2,077,090</u>

The accompanying notes set out on pages 8 to 13 form an integral part of this interim condensed consolidated financial information.

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 2017 were authorized for issue in accordance with a resolution by the Board of Directors' of the Parent Company on 15 May 2017.

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 2016, 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 2017 are not necessarily indicative of the results that may be expected for the year ending 31 December 2017. The interim condensed consolidated financial information is presented in Kuwaiti Dinars (KD).

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 the interim condensed consolidated financial information are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2016, except for the adoption of the amendments and annual improvements to IFRSs, relevant to the Group which are effective for annual reporting period starting from 1 January 2017 and did not result in any material impact on the accounting policies, financial position or performance of the Group.

Basis of consolidation

This interim condensed consolidated financial information for the three month period ended 31 March 2017 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 2017	31 December 2016	31 March 2016		
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

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

3. JUDGMENTS AND ESTIMATES

The preparation of interim condensed consolidated financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim condensed consolidated financial information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2016.

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)

4. INVESTMENT IN AN ASSOCIATE

Name of associate	Principal activity	Place of incorporation	Ownership interest %		
			31 March 2017 (Unaudited)	31 December 2016 (Audited)	31 March 2016 (Unaudited)
Al Dorra Petroleum Services Company K.S.C. (Closed) (Al Dorra)	Petroleum services to oil and gas sector	Kuwait	37.99%	37.99%	37.99%

The carrying amount of the associate is as follows:

	Carrying amount		
	31 March 2017 (Unaudited)	31 December 2016 (Audited)	31 March 2016 (Unaudited)
Al Dorra Petroleum Services Company K.S.C. (Closed) (Al Dorra)	8,944,535	8,936,918	8,693,553

5. TRADE AND OTHER RECEIVABLES

	31 March 2017 (Unaudited)	31 December 2016 (Audited)	31 March 2016 (Unaudited)
Trade receivables	6,452,153	6,144,782	4,995,274
Prepayments	188,057	130,191	228,807
Advance to suppliers	742,008	354,561	265,443
Others	163,138	167,409	146,646
	<u>7,545,356</u>	<u>6,796,943</u>	<u>5,636,170</u>

6. CASH AND CASH EQUIVALENTS

	31 March 2017 (Unaudited)	31 December 2016 (Audited)	31 March 2016 (Unaudited)
Cash on hand	14,759	10,565	9,980
Cash at banks	1,369,571	764,714	1,767,063
Term deposits with original maturities of three months or less	-	-	300,000
Cash in portfolio	-	-	47
Cash and cash equivalents	<u>1,384,330</u>	<u>775,279</u>	<u>2,077,090</u>

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)

7. SHARE CAPITAL

	31 March 2017 (Unaudited)	31 December 2016 (Audited)	31 March 2016 (Unaudited)
Authorised, issued and fully paid: 100,900,800 shares of nominal value of 100 fils each paid in cash	10,090,080	10,090,080	9,702,000

8. TRADE AND OTHER PAYABLES

	31 March 2017 (Unaudited)	31 December 2016 (Audited)	31 March 2016 (Unaudited)
Trade payables	1,724,570	1,441,927	1,309,097
Advance from customers	99,697	71,863	103,909
Accrual expenses	1,147,553	987,571	984,368
TAX payable	510,408	425,309	423,501
	3,482,228	2,926,670	2,820,875

9. EARNINGS PER SHARE

Earnings per share are computed by dividing the profit for the period by the weighted average number of shares outstanding for the period:

	Three months ended 31 March	
	2017 (Unaudited)	2016 (Unaudited)
Profit for the period (KD)	1,761,538	1,589,783
Weighted average number of shares outstanding during the period (shares)	100,900,800	100,900,800
Earnings per share (basic and diluted) (fils)	17.46	15.76

10. RELATED PARTY TRANSACTIONS

Related parties represent shareholders that have representation in the Parent Company's Board of Directors and their close relatives, directors and key management personnel of the Parent Company, and entities controlled, jointly controlled or significantly influenced by such parties. All related party transactions are carried out on terms approved by Parent Company's management and at an arm's length term. Transactions with related parties included in the interim condensed consolidated statement of income are as follows:

	Three months ended 31 March	
	2017 (Unaudited)	2016 (Unaudited)
Key management compensation		
Salaries and other short-term benefits	108,999	78,128
Executive committee fees	15,000	15,000
Termination benefits	13,239	8,472
	137,238	101,600

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)

10. SEGMENT INFORMATION

The Board of Directors is the Group's chief operating decision maker. Management has determined the operating segments based on the information reviewed by the Board of Directors for the purposes of allocating resources and assessing performance. The management has grouped the Group's products and services into the following operating segments:

- Chlor Alkali
- Petrochemical products
- Logistics and Transport
- Investments.

a. Segment revenue and results

The following is an analysis of the Group's revenue and results by operating segments:

	Three months ended 31 March (Unaudited)			
	2017	2016	2017	2016
	Revenue		Results	
Chlor Alkali	4,502,664	3,781,394	2,319,134	1,779,051
Petrochemical products	458,004	176,438	31,139	11,377
Logistics and transport	185,118	53,753	27,768	(1,487)
Investments	-	-	7,617	73,056
	<u>5,145,786</u>	<u>4,011,585</u>	<u>2,385,658</u>	<u>1,861,997</u>
Other income			75,960	316,954
Unallocated expenses			(700,080)	(589,168)
Profit for the period			<u>1,761,538</u>	<u>1,589,783</u>

	Three months ended 31 March (Unaudited)			
	2017	2016	2017	2016
	Purchases of property, plant and equipment		Depreciation	
Chlor Alkali	274,937	1,076,685	(720,295)	(706,270)
Petrochemical products	-	-	(468)	(468)
Logistics and transport	174,706	166,240	(79,503)	(74,292)
	<u>449,643</u>	<u>1,242,925</u>	<u>(800,266)</u>	<u>(781,030)</u>

b. Segment assets and liabilities

	31 March 2017 (Unaudited)	31 December 2016 (Audited)	31 March 2016 (Unaudited)
Segment assets			
Chlor Alkali	26,081,215	24,343,633	25,006,838
Petrochemical products	227,901	819,281	323,135
Logistics and transport	1,725,729	1,551,764	1,658,439
Investments	10,709,929	10,702,312	8,693,553
Total consolidated segment assets	<u>38,744,774</u>	<u>37,416,990</u>	<u>35,681,965</u>
Segment liabilities			
Chlor Alkali	4,547,590	5,108,594	3,916,085
Petrochemical Products	478,853	321,598	295,499
Logistics and transport	266,780	268,529	255,472
Total consolidated segment liabilities	<u>5,293,223</u>	<u>5,698,721</u>	<u>4,467,056</u>

Notes to the interim condensed consolidated financial information

(All amounts in Kuwaiti Dinars unless indicated otherwise)

11. SEGMENT INFORMATION (Continued)

c. Geographical segments

The following is a geographical analysis based on location of the Group's revenue:

	Three months ended 31 March	
	2017 (Unaudited)	2016 (Unaudited)
Kuwait and Middle East	4,749,220	3,882,942
Europe and Africa	295,294	111,510
Asia	101,272	17,133
Total consolidated segment revenue	5,145,786	4,011,585

12. COMMITMENTS AND CONTINGENT LIABILITIES

	31 March 2017 (Unaudited)	31 December 2016 (Audited)	31 March 2016 (Unaudited)
Capital commitments			
For the acquisition of property, plant and equipment	340,135	539,007	1,610,767
Contingent liabilities			
Letters of guarantee	2,832,675	4,067,565	3,077,931
Letters of credit	239,827	398,225	98,720
	3,072,502	4,465,790	3,176,651

Operating lease commitments

The minimum operating lease commitments under non-cancellable operating leases are as follows:

	31 March 2017 (Unaudited)	31 December 2016 (Audited)	31 March 2016 (Unaudited)
Not later than one year	124,520	50,887	141,476
Later than one year but not later than five years	232,191	101,826	104,813

13. ANNUAL GENERAL ASSEMBLY MEETING

The Annual General Assembly meeting of shareholders held on 2 May 2017 approved the consolidated financial statements of the Group for the year ended 31 December 2016, and approved a cash dividend equivalent to 50% of the paid up share capital for the year ended 31 December 2016 (2015: 40%) to the shareholders of record as of the date of the Annual General Assembly.