

**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

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AND INDEPENDENT AUDITORS' REVIEW REPORT (UNAUDITED)**

For the period from 1 January to 31 March 2017

| Index | Pages |
|--|--------------|
| Independent auditors' report on review of interim condensed consolidated financial information | 1-2 |
| Interim condensed consolidated statement of financial position | 3 |
| Interim condensed consolidated statement of income | 4 |
| Interim condensed consolidated statement of comprehensive income | 5 |
| Interim condensed consolidated statement of changes in equity | 6 |
| Interim condensed consolidated statement of cash flows | 7 |
| Notes to the interim condensed consolidated financial information | 8-13 |



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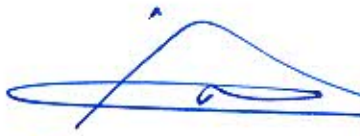
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Al Kout Industrial Projects Company K.P.S.C. and Its Subsidiaries

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) | - | - | (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) | - | - | (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)

| | 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 |
| | <u>2,100,497</u> | <u>2,628,837</u> |
| 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) |
| | <u>2,060,922</u> | <u>2,452,700</u> |
| 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 |
| | <u>(449,643)</u> | <u>(1,239,475)</u> |
| 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) | - |
| | <u>(1,005,301)</u> | <u>(53)</u> |
| Net cash used in financing activities | <u>(1,005,301)</u> | <u>(53)</u> |
| Effect of foreign currency translation | 3,073 | (2,528) |
| | <u>609,051</u> | <u>1,210,644</u> |
| 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 |
| | <u>1,384,330</u> | <u>2,077,090</u> |
| Cash and cash equivalents at end of the period | <u>1,384,330</u> | <u>2,077,090</u> |

6

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

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).

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 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> |

