

JORDAN PHOSPHATE MINES COMPANY

PUBLIC SHAREHOLDING COMPANY

**UNAUDITED INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

30 JUNE 2017



Building a better
working world

Ernst & Young Jordan
P.O.Box 1140
Amman 11118
Jordan

Tel : 00 962 6580 0777/00 962 6552 6111
Fax: 00 962 6553 8300
www.ey.com/me

**REPORT ON REVIEW OF
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
TO THE BOARD OF DIRECTORS OF JORDAN PHOSPHATE MINES Co. P.L.C
AMMAN - JORDAN**

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Jordan Phosphate Mines Company_Public Shareholding Company ("the Company") and its subsidiaries ("the Group") as at 30 June 2017, comprising of the interim consolidated statement of financial position as at 30 June 2017 and the related interim consolidated statements of income, comprehensive income, changes in equity and cash flows for the six month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard (IAS 34) (Interim Financial Reporting). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements 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 financial information consists of making inquiries, primarily of persons responsible for the 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 statements are not prepared, in all material respects, in accordance with IAS 34.

Amman – Jordan
29 July 2017

JORDAN PHOSPHATE MINES COMPANY
INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2017
(In Thousands of Jordanian Dinars)

	Notes	30 June 2017 (Unaudited)	31 December 2016 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		235,362	247,197
Projects in progress		31,259	30,126
Investments in associates and joint ventures		275,344	273,466
Intangible assets		158,765	162,945
Deferred tax assets		6,063	6,537
Employees' housing loans		4,902	5,481
Financial assets at fair value through other comprehensive income		452	452
Loans receivable		6,781	6,781
Long term accounts receivable		5,076	5,076
Other current assets		1,287	975
Production and development stripping cost		27,024	30,060
Advance payments on investments		-	5,000
		<u>752,315</u>	<u>774,096</u>
Current assets			
Inventory, spare parts and supplies		179,354	199,894
Accounts receivable		155,048	123,683
Other current assets		31,054	24,695
Loans receivable		2,751	-
Financial assets at fair value through profit and loss		197	182
Cash on hand and at banks		24,610	13,745
		<u>393,014</u>	<u>362,199</u>
TOTAL ASSETS		<u>1,145,329</u>	<u>1,136,295</u>
EQUITY AND LIABILITIES			
Equity			
Paid-in-capital		82,500	82,500
Statutory reserve		75,000	75,000
Voluntary reserve		75,000	75,000
Special reserve		75,000	75,000
Fair value reserve		(227)	(227)
Retained earnings		386,588	411,076
Equity attributable to Company's shareholders		<u>693,861</u>	<u>718,349</u>
Non – controlling interests		6,716	6,495
Total Equity		<u>700,577</u>	<u>724,844</u>
Non-current liabilities			
Long-term loans	10	81,208	83,912
Compensation and end-of-service indemnity provision		9,471	11,338
Assets deferral provision		14,161	13,775
		<u>104,840</u>	<u>109,025</u>
Current liabilities			
Accounts payable		110,855	79,215
Accrued expenses		59,938	54,425
Other current liabilities		19,851	26,988
Due to banks	6	104,506	101,512
Employees incentives and retirees grants provision		744	1,058
Current portion of long-term loans	10	42,948	38,708
Income tax provision		1,070	520
		<u>339,912</u>	<u>302,426</u>
Total Liabilities		<u>444,752</u>	<u>411,451</u>
TOTAL EQUITY AND LIABILITIES		<u>1,145,329</u>	<u>1,136,295</u>

The attached notes from 1 to 10 form part of these interim condensed consolidated financial statements

JORDAN PHOSPHATE MINES COMPANY
INTERIM CONSOLIDATED INCOME STATEMENT
FOR THE THREE MONTHS AND SIX MONTHS ENDED 30 JUNE 2017
(In Thousands of Jordanian Dinars)

	For the three months ended 30 June		For the six months ended 30 June	
Note	2017	2016	2017	2016
	Unaudited			
Net sales	147,520	159,869	294,004	279,588
Cost of sales	(118,922)	(138,212)	(245,910)	(237,977)
Gross profit	28,598	21,657	48,094	41,611
Selling and marketing expenses	(2,273)	(1,798)	(4,684)	(4,440)
New phosphate port terminal expenses	(2,854)	(3,194)	(5,840)	(6,208)
Aqaba port fees	(1,259)	(996)	(2,524)	(1,722)
Transportation fees	(15,033)	(12,308)	(28,338)	(23,300)
Administrative expenses	(6,443)	(6,497)	(12,830)	(12,499)
Russiefa Mine expenses	(419)	(483)	(887)	(998)
Mining fees	(5,214)	(5,492)	(9,809)	(10,415)
Other provisions	(68)	(60)	(165)	(849)
Other income (expenses), net	2,099	(5,682)	4,440	(5,815)
Foreign exchange differences	178	217	383	427
Provision for doubtful debts	-	-	(270)	-
Loss from operations	(2,688)	(14,636)	(12,430)	(24,208)
Finance costs	(2,392)	(2,660)	(5,455)	(5,421)
Finance income	164	416	231	681
Share of loss of associates and joint ventures	(697)	(1,703)	(2,858)	(3,644)
Gain (Loss) from revaluation of financial assets at fair value through profit or loss	1	-	15	(15)
Impairment of goodwill	(1,000)	-	(1,000)	-
Loss for the period before income tax	(6,612)	(18,583)	(21,497)	(32,607)
Income tax expense	(2,223)	(1,090)	(2,770)	(3,288)
Loss for the period	(8,835)	(19,673)	(24,267)	(35,895)
Loss attributable to:				
Equity holders of the parent	(8,902)	(19,409)	(24,488)	(35,172)
Non-controlling interest	67	(264)	221	(723)
Loss for the period	(8,835)	(19,673)	(24,267)	(35,895)
	<u>JD/Fils</u>	<u>JD/Fils</u>	<u>JD/Fils</u>	<u>JD/Fils</u>
Basic and diluted earnings per share attributable to equity holders of the Parent	(0/108)	(0/259)	(0/297)	(0/469)

The attached notes from 1 to 10 form part of these interim condensed consolidated financial statements

JORDAN PHOSPHATE MINES COMPANY
INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS AND SIX MONTHS ENDED 30 JUNE 2017
(In Thousands of Jordanian Dinars)

	For the three months ended 30 June		For the six months ended 30 June	
	2017	2016	2017	2016
	Unaudited			
Loss for the period	(8,835)	(19,673)	(24,267)	(35,895)
Add: Other comprehensive income items not to be reclassified to profit or loss in subsequent periods				
Changes in fair value of financial assets at fair value through other comprehensive income	-	(47)	-	(51)
Total comprehensive income for the period	<u>(8,835)</u>	<u>(19,720)</u>	<u>(24,267)</u>	<u>(35,946)</u>
Total comprehensive income attributable to:				
Equity holders of the parent	(8,902)	(19,456)	(24,488)	(35,223)
Non – controlling interests	<u>67</u>	<u>(264)</u>	<u>221</u>	<u>(723)</u>
Total comprehensive income for the period	<u>(8,835)</u>	<u>(19,720)</u>	<u>(24,267)</u>	<u>(35,946)</u>

The attached notes from 1 to 10 form part of these interim condensed consolidated financial statements

JORDAN PHOSPHATE MINES COMPANY
INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2017
(In Thousands of Jordanian Dinars)

	Paid in capital	Reserves			Retained earnings			Non – controlling interest	Total
		Statutory	Voluntary	Special	Fair value reserve	Unrealized Gain*	Realized Gain**		
For the six months ended 30 June 2017 -									
At 1 January 2017	82,500	75,000	75,000	75,000	(227)	26,179	384,897	6,495	724,844
Total comprehensive income for the period	-	-	-	-	-	-	(24,488)	221	(24,267)
At 30 June 2017 (Unaudited)	82,500	75,000	75,000	75,000	(227)	26,179	360,409	6,716	700,577
For the six months ended 30 June 2016 -									
At 1 January 2016	75,000	75,000	75,000	75,000	(152)	26,179	481,218	10,973	818,218
Total comprehensive income for the period	-	-	-	-	(51)	-	(35,172)	(723)	(35,946)
At 30 June 2016 (Unaudited)	75,000	75,000	75,000	75,000	(203)	26,179	446,046	10,250	782,272

* An amount of JD 26,179 thousand is restricted which represents the unrealized gain from the revaluation of the investment and acquisition of Indo-Jordan Chemical Company and Nippon Jordan Fertilizer Company during the years 2010 and 2011.

** Included in retained earnings an amount of JD 6,063 thousand which represents deferred tax assets. An amount of JD 227 thousand from the retained earnings is restricted against the negative balance of fair value reserve for financial assets at fair value through other comprehensive income as of 30 June 2017.

The attached notes from 1 to 10 form part of these interim condensed consolidated financial statements

JORDAN PHOSPHATE MINES COMPANY
INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2017
(In Thousands of Jordanian Dinars)

		For the six months ended 30 June	
	Notes	2017	2016
		Unaudited	
<u>Operating Activities</u>			
Loss for the period before income tax		(21,497)	(32,607)
Adjustments for -			
Depreciation		14,903	12,145
Amortization of new phosphate port terminal		3,179	3,179
Other non-cash items		33,566	37,457
Working capital adjustments:			
Accounts receivable		(31,635)	(10,195)
Other current assets		(4,767)	(8,180)
Employees' housing loans		451	915
Inventory, spare parts and supplies		20,540	(2,965)
Production stripping cost		(2,834)	(6,276)
Accounts payable		31,640	6,592
Accrued expenses		(2,079)	(578)
Other current liabilities		(4,188)	613
Employees' compensation and end-of-service indemnity paid		(12,722)	(9,969)
Mining fees paid		(3,000)	(16,000)
Early retirement obligations paid		-	(53)
Income tax paid		(3,648)	(7,089)
Withholding tax paid		(87)	(244)
Net cash flows from (used in) operating activities		17,822	(33,255)
<u>Investing Activities</u>			
Property and equipment and payments on projects in progress – net	4	(4,202)	(3,816)
Interest received		231	680
Loans receivable		(2,751)	(1,938)
Dividends from associate companies		7,820	-
Investments in associates and joint ventures		(7,500)	(12,000)
Net cash flows used in investing activities		(6,402)	(17,074)
<u>Financing Activities</u>			
Proceeds from loans		14,585	38,573
Repayments of loans		(13,049)	(15,809)
Interest paid		(5,085)	(4,124)
Net cash flows (used in) from financing activities		(3,549)	18,640
Net increase (decrease) in cash and cash equivalents		7,871	(31,689)
Cash and cash equivalents at 1 January		(87,767)	(28,505)
Cash and cash equivalents at 30 June	6	(79,896)	(60,194)

The attached notes from 1 to 10 form part of these interim condensed consolidated financial statements

1. Corporate Information

Jordan Phosphate Mines Company was established in 1949, and became a public shareholding company in 1953. The Company's objectives are to mine and market phosphate rock, produce fertilizers and invest in the establishment of related industries. The head office of the Company is located in Amman. The fertilizers production unit is located in the Industrial Complex in Aqaba. The phosphate rock is extracted, to a large extent, from the mines of Al-Abyad, Al-Hasa, Shidiya and to a lesser extent from Al-Russiefah Mine. In respect of the mining rights granted to the Company, it is subject to annual mining rights fees of JD 500 / squared Kilometer or any part of squared Kilometer per mined area payable to the Natural Resources Authority. The Company produces chemical fertilizers and related by-products through its subsidiaries (Note 3).

The head office of the Company is located in Shmeisani, Amman - Jordan.

2. Basis of Preparation and Accounting Policies

The interim condensed consolidated financial statements for the six months period ended 30 June 2017 have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting*.

The interim condensed consolidated financial statements do not contain all information and disclosures required for the annual financial statements prepared in accordance with International Financial Reporting Standards, and should be read in conjunction with the Group's annual report as of 31 December 2016. In addition, the results for the six months period ended 30 June 2017 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2017.

Changes in Accounting Policies

The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the financial statements for the year ended 31 December 2016, except for the Group implemented the following amendments:

Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative

Limited amendments which require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). However, the adoption of these amendments have no impact on the Company's interim condensed financial statements.

Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Un-recognised Losses

Limited amendments to clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference and some other limited amendments, the adoption of these amendments have no impact on the Company's interim condensed financial statements.

3. Basis of Consolidation

The consolidated financial statements comprise the financial statements of Jordan Phosphate Mines Company "JPMC" and the following subsidiaries as of 30 June 2017:

- Indo-Jordan Chemicals Company Limited, "Indo-Jordan" (fully owned 100% subsidiary, registered in Jordan in the Free Zone Corporation)
- Ro'ya for Transportation Company (fully owned 100% subsidiary, registered in Jordan)
- Nippon Jordan Fertilizer Company Limited "Nippon" (owned 70% subsidiary, registered in Jordan in the Free Zone Corporation)

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has all of the following:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

When the Group owns less than a majority of the voting rights in an investee, in this case, the Group considers all factors and circumstances to determine whether it has control over the investee, which include the following:

- Contractual agreements with shareholders that have voting rights in the investee
- Rights resulting from other contractual arrangements
- The Group's current and future voting rights in the investee

The Group reassesses its control over the investee when circumstances and factors exist that lead to the change in one or more of the three factors listed above.

Subsidiaries are fully consolidated from the date of acquisition being the date on which the Group gains control, and continues to do so until the date when such control ceases. The subsidiaries revenues and expenses are consolidated in the consolidated statement of comprehensive income from the date the Group gains control over the subsidiaries until that control ceases.

Profits, losses, and all other comprehensive income items are attributed to the shareholders' equity of the parent company, and to non-controlling interest, even if this leads to a deficit balance. If need arises, the subsidiaries' financial statements are adjusted accordingly to comply with the Group's accounting policies. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interest
- Derecognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in the statement of profit or loss and other comprehensive income
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

Investors with significant influence on the Group:

Kamil Holding Limited, Governmental Contributions Management Co, the Jordanian Social Security Corporation and Government of Kuwait own 37%, 25.7% and 16.5 % and 9.3% of the Company's issued shares, respectively.

4. Property, Plant and Equipment and Projects in Progress

During the six month period ended 30 June 2017, the Group acquired property, plant and equipment and additions on projects in progress with a cost of JD 4,202 thousand (30 June 2016: JD 3,816 thousand).

The estimated cost to complete the projects in progress as of 30 June 2017 is approximately JD 2,000 thousand and is estimated to be completed during 2017.

5. Income Tax

The provision for the period ended at 30 June 2017 and 2016 has been calculated in accordance with the Income Tax Law No. (34) of 2014 and in accordance with the Aqaba Special Economic Authority Law (32) of 2000 for the Fertilizers Unit.

Income tax expense presented in the interim consolidated statement of income represents the following:

	30 June 2017 Unaudited	30 June 2016 Unaudited
Income tax for the period	2,296	3,317
Amount released from deferred tax assets	556	155
Deferred tax assets	(82)	(184)
	<u>2,770</u>	<u>3,288</u>

Phosphate Unit-

The Company submitted its tax returns for the Phosphate Unit for the years 2016, 2015, 2014, 2013 and 2012. The Income and Sales Tax Department has reviewed the records of the Phosphate Unit for the years 2015, 2013 and 2012. The Company reached a final settlement with the income tax department for the Phosphate Unit up to 2013 while no final settlement was reached for the year 2012 up to the date of the interim condensed consolidated financial statements. The Income and sales tax department claimed an additional tax fees amounted to JD 300 thousands, the Company raised a lawsuit to reach a final settlement.

The Company reached a final settlement with the income tax department for the Phosphate Unit up to 2011. The income tax return for the year 2014 was accepted by the Income and Sales Tax Department within the selected sampling basis. The income and sales tax department has not reviewed records For the year 2016 up to the date of the interim condensed consolidated financial statements

Fertilizers Unit-

The Company submitted its tax returns for the Fertilizers Unit for the years 2016, 2015, 2014 and 2013. The Income and Sales Tax Department / Aqaba Special Economic Zone Authority has reviewed the records of the Fertilizers Unit for the year 2012 and final settlement has been reached for the fertilizers unit. The income and sales tax department has not reviewed the records for the year 2016, 2015, 2014 and 2013 up to the date of the interim condensed consolidated financial statements.

JORDAN PHOSPHATE MINES COMPANY
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
30 JUNE 2017
(In Thousands of Jordanian Dinars)

6. Cash and Cash Equivalents

	For the six months ended 30 June	
	2017	2016
	Unaudited	
Cash at banks	24,588	22,493
Cash on hand	22	68
	24,610	22,561
Due to banks*	(91,938)	(78,896)
Borrowing against export letters of credit**	(12,568)	(3,859)
	(79,896)	(60,194)

* This balance represents the utilized amount of overdraft facilities granted by local banks which have exceeded the ceiling of JD 34,500 thousand for the JD accounts, and USD 71,500 thousand for the USD accounts as of 30 June 2017. Average interest rates for the period on those overdrafts facilities ranged between 6.25% and 8.5% for the JD accounts, and LIBOR plus 1% to 2.75% with a maximum of 4.75% for the USD accounts.

** The Group had an agreement with local banks to liquidate some export letters of credit received by the Company amounting to USD 17,752 thousand as of 30 June 2017 (30 June 2016: USD 5,451 thousand).

7. Segment Information

The operating segments are presented with a basis that the Group's risks and rewards are materially affected by different products for each segment. These segments are organized and managed separately according to the nature of the products and service provided. Each segment represents a separate unit which is measured according to the reports used by the chief operating decision maker of the Group.

The Phosphate Unit extracts mines and sells phosphate in the local and international markets as well as to the subsidiaries and associated companies.

The Fertilizer Unit purchases the phosphate from the Phosphate Unit and uses it in the production of Fertilizers and Phosphoric Acid and Aluminum Fluoride to be sold to the local and international markets as well as to the associated companies.

Indo-Jordan (Subsidiary) produces Phosphoric Acid and other chemicals by-products to be sold to the local and international markets as well as to the associated companies.

Nippon (Subsidiary) produces fertilizers and other chemical by-products to be sold to the local and international markets as well as to the associated companies.

JORDAN PHOSPHATE MINES COMPANY
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
30 JUNE 2017
(In Thousands of Jordanian Dinars)

The raw material trading unit purchases raw materials and explosives and uses them in mining and fertilizers production as well as selling them in the local and international market and to the associated companies.

Following is a summary of the financial data by business segment:

For the six-month ended 30 June 2017 (Unaudited)	Phosphate Unit	Fertilizers Unit	Indo- Jordan	Nippon	Trading in Raw Materials	Eliminations	Others	Total
Revenues								
External sales	184,167	39,980	28,060	37,753	4,044	-	-	294,004
Inter-segment sales	30,553	18,885	2,744	844	-	(53,026)	-	-
Total Sales	214,720	58,865	30,804	38,597	4,044	(53,026)	-	294,004
Cost of sales	(120,998)	(53,242)	(33,327)	(34,795)	(3,548)	-	-	(245,910)
Gross profit (loss)	93,722	5,623	(2,523)	3,802	496	(53,026)	-	48,094
Segment results -								
Profit (loss) before tax, finance costs, interest income and exchange difference	5,526	(14,294)	(9,372)	1,024	496	-	(36)	(16,658)
Finance (costs) income and exchange difference	(4,790)	(28)	(122)	99	-	-	-	(4,841)
Profit (loss) before tax	736	(14,322)	(9,494)	1,123	496	-	(36)	(21,497)
Profit (loss) for the period	(1,863)	(14,322)	(9,494)	1,123	496	-	(207)	(24,267)
Share of loss of associates and joint ventures	(2,858)	-	-	-	-	-	-	(2,858)
Non-controlling interests	221	-	-	-	-	-	-	221
Other segment information-								
Capital expenditures	555	3,289	261	97	-	-	-	4,202
Depreciation	5,073	5,044	4,197	511	-	-	78	14,903

For the six-month ended 30 June 2016 (Unaudited)	Phosphate Unit	Fertilizers Unit	Indo- Jordan	Nippon	Trading in Raw Materials	Eliminations	Others	Total
Revenues								
External sales	202,049	48,399	14,368	11,056	3,716	-	-	279,588
Inter-segment sales	25,386	7,474	2,663	-	-	(35,523)	-	-
Total Sales	227,435	55,873	17,031	11,056	3,716	(35,523)	-	279,588
Cost of sales	(129,515)	(71,762)	(20,592)	(13,003)	(3,105)	-	-	(237,977)
Gross profit (loss)	97,920	(15,889)	(3,561)	(1,947)	611	(35,523)	-	41,611
Segment results -								
Profit before tax, finance costs, interest income and exchange difference	10,617	(27,367)	(8,655)	(3,470)	611	-	(30)	(28,294)
Finance (costs) income and exchange difference	(4,404)	(102)	48	145	-	-	-	(4,313)
Profit (loss) before tax	6,213	(27,469)	(8,607)	(3,325)	611	-	(30)	(32,607)
Profit (loss) for the period	3,094	(27,469)	(8,607)	(3,325)	611	-	(199)	(35,895)
Share of profit of associates and joint ventures	(3,644)	-	-	-	-	-	-	(3,644)
Non-controlling interests	(723)	-	-	-	-	-	-	(723)
Other segment information-								
Capital expenditures	1,634	1,930	252	-	-	-	-	3,816
Depreciation	3,514	4,066	4,255	231	-	-	79	12,145

JORDAN PHOSPHATE MINES COMPANY
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
30 JUNE 2017
(In Thousands of Jordanian Dinars)

	Phosphate Unit	Fertilizers Unit	Indo- Jordan	Nippon	Others	Total
<u>Assets and Liabilities as</u>						
<u>at 30 June 2017 (Unaudited)-</u>						
Assets	545,917	213,458	78,767	29,389	2,454	869,985
Liabilities	393,984	38,873	7,568	2,372	1,955	444,752
Investments in associates and joint ventures	275,344	-	-	-	-	275,344

	Phosphate Unit	Fertilizers Unit	Indo- Jordan	Nippon	Others	Total
<u>Assets and Liabilities as</u>						
<u>at 31 December 2016 (Audited)</u>						
Assets	532,011	213,142	87,273	29,303	1,100	862,829
Liabilities	371,399	28,236	7,842	2,638	1,336	411,451
Investments in associates and joint ventures	273,466	-	-	-	-	273,466

Geographical segments

The following table presents sales by geographical segments:

For the six-month ended 30 June 2017	Phosphate Unit	Fertilizers Unit	Indo- Jordan	Nippon	Raw Materials	Total
Asia	130,783	39,485	25,970	14,524	-	210,762
Europe	5,522	-	-	17,180	-	22,702
Africa	-	370	55	6,012	-	6,437
Associates / joint ventures in Jordan	47,862	-	-	-	-	47,862
Others	-	125	2,035	37	4,044	6,241
	<u>184,167</u>	<u>39,980</u>	<u>28,060</u>	<u>37,753</u>	<u>4,044</u>	<u>294,004</u>

**For the six-month ended 30
June 2016**

Asia	147,059	47,848	11,543	7,652	-	214,102
Europe	11,260	-	-	3,269	-	14,529
Africa	-	88	-	81	-	169
Associates / joint ventures in Jordan	43,730	-	1,809	-	-	45,539
Others	-	463	1,016	54	3,716	5,249
	<u>202,049</u>	<u>48,399</u>	<u>14,368</u>	<u>11,056</u>	<u>3,716</u>	<u>279,588</u>

8. Commitments and Contingences

Guarantees and LC's

As of 30 June 2017, the outstanding letters of credit and letters of guarantee amounted to JD 22,052 thousand and JD 2,795 thousand respectively (2016: JD 26,790 thousand and JD 2,723 thousand respectively).

The Group has guaranteed 27,38% (Group's share of investment) of the syndicated loans and credit facilities granted to Jordan Abyad Fertilizers and Chemicals Company and managed by Jordan Ahli Bank, amounting to JD 13,758 thousand as of 30 June 2017. On 6 November 2016 Jordan Ahli Bank debited JD 7,639 thousand to the company's account which represent the company's share of the syndical loans installments the credit facilities and the accrual interest on Jordan Abyad Fertilizers and Chemicals Company, the company does not have any accounts at Al-Ahli Bank as of 30 June 2017.

The Group has guaranteed 50% (Group's share of investment) of Jordan Industrial Ports Company exported guarantees' to Aqaba Development Corporation, amounting to JD 2,600 thousands as of 30 June 2017.

Operating Leases

During 2008, the Group had renewed the agreement with Aqaba Development Company by entering into an operating lease agreement for an area of 3,043 thousand square meters for a period of forty nine years with an annual lease of JD 570 thousand. starting of 2016 the leased area was decreased to become 3,022 square meters with the same terms with an annual lease of JD 567 thousand.

Litigation Against the Group

The Group is a defendant in a number of lawsuits in the ordinary course of business of JD 2,161 thousand. The management believes that these lawsuits will not result in material obligation on the Group.

During 1999, the Group withdrew the cash received under letters of guarantee that were issued by the German KHD Company in favor of the Group due to KHD's noncompliance with the terms and conditions of the contract agreement. KHD is the prime contractor of the Company's beneficiation and flotation plant project in the Shidiya.

During January 2000, KHD initiated a lawsuit in a Jordanian court against the Group's withdrawal of the amount of the letters of guarantee and during February 2000, the Group filed a counter suit. Further, during March 2000, KHD started an arbitration procedure to be heard by the International Chamber of Commerce. The Jordanian Supreme Court had decided that KHD had waived its right to arbitration in the International Chamber of Commerce and, accordingly, Jordanian Courts are the relevant legal jurisdiction to hear the lawsuit. The case is still pending.

During October 2004, KHD filed a lawsuit against the Group, claiming amounts under the contract signed between the two parties in respect of the beneficiation and flotation plant project at Shidiya mine.

The total amount of claims relating to lawsuits relating to KHD is JD 12,564 thousand. The Group filed a counter-claim that has reached JD 27,659 thousand representing the cost incurred by the Group in fixing the errors made by KHD during the construction of the project.

9. Related Parties Transactions

Related parties represent balances with associated companies and joint ventures, major shareholders, directors and key management of the Group and the companies controlled or significantly influenced by those parties.

Investments in associates and joint ventures and the related ownership percentages are as follows:

Company	Ownership %
Manajim for Mining Development Company	46
Arkan for Contracting Construction and Mining Company	46
Jordan Abyad for Fertilizers and Chemicals Company (JAFCCO)	27,38
Jordan India Fertilizer Company (JIFCO)	48
Industrial Ports Company	50
Indonesian Project–Petro Jordan Abadi Company	50
PT Kaltim Jordan Abadi Company	40

The Group entered into transactions with the associates, joint ventures and the Hashemite Kingdom of Jordan government in its normal course of business, pricing policies and terms of these transactions are approved by the Group's management.

Following is a summary of related party transactions during the period:

	Related party			Total	
	Associated Companies and Joint Ventures	Government of Jordan	Others*	30 June 2017	31 December 2016
				Unaudited	Audited
Consolidated statement of financial position items:					
Accounts receivable	98,541	-	25,740	124,281	99,324
Accounts payable	63,577	2,059	78	65,714	50,025
Loans receivable	6,781	-	2,751	9,532	6,781
Accrued expenses	-	22,267	-	22,267	20,191
Off balance sheet items:					
Guaranteed loans	16,358	-	-	16,308	16,688

JORDAN PHOSPHATE MINES COMPANY
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
30 JUNE 2017
(In Thousands of Jordanian Dinars)

	Related party			Total	
	Associated Companies and Joint Ventures	Government of Jordan	Others*	30 June 2017	30 June 2016
				Unaudited	
Consolidated statement of income items:					
Sales	47,862	-	71,660	119,522	112,826
Purchases	86,665	-	1,878	88,543	76,254
Mining fees	-	10,736	-	10,736	11,371
Port fees	-	2,524	-	2,524	1,722
Other income	11,007	-	129	11,136	9,089
Land lease	-	2,059	-	2,059	2,200

- * Others include balances and transactions with Jordan Phosphate Mines Company partners in associates and joint ventures.

Compensation of the key management personnel (salaries, wages and other benefits) is as follows:

	For the six months ended 30 June	
	2017	2016
	Unaudited	
	532	534
Salaries and benefits		

The nature of the main transactions with related parties were as follows:

- The Group is liable to pay mining fees to the Government of Jordan at rates determined by the government from time to time.
- The Group has an operating land lease with the Government of Jordan / Aqaba Special Economic Zone Authority.
- The Company has an operating lease with the Government of Jordan / Aqaba Special Economic Zone Authority for the land on which the New Phosphate Port is built.

10. Loans

The loan agreement with the International Finance Corporation stipulates that the Group do not enter into any agreement or arrangement to lease any property or equipment of any kind, except the land lease and only to the extent the aggregate lease payments do not exceed the equivalent of USD 10,000 thousands (equivalent to JD 7,080 thousands) in any Financial Year. Furthermore, the agreement stipulates that the Group does not enter into any derivative Transaction or assume the obligations of any party to any derivative Transaction. The agreement also stipulates that the JPMC should maintain a debt service ratio of not less than 1.5 times, a current ratio of not less than 1.5 times and liabilities to net equity ratio not more than 2 times.

The Group did not comply with the covenants of the International Finance Corporation loan agreement, when current assets to current liabilities ratio has reached 1.16 as of 30 June 2017, noting that the Group has received a waiver letter from the IFC on March 17 2016, where the current assets to current liabilities ratio was adjusted to be 1.2 instead of 1.5 for 18 months period starting from 1 January 2016 till 30 June 2017. Also, the Group didn't comply with the debt service coverage ratio which is 1.5 times. As a result of noncompliance with the debt service coverage ratio, the group has reclassified an amount of JD 5.8 thousands from long-term loan to short-term loan.

The loan agreement with Arab Bank stipulates that the Group do not obtain another loan of more than USD 50 Million from other banks without the acceptance of Arab Bank. The agreement also stipulates that JPMC should maintain debt service ratio not less than 1.25 times, a current ratio of not less than 1.2 times and liabilities to net equity ratio not more than 1.5 times, and the Group should not mortgage its share in Industrial Ports Company for any party without taking permission of the Bank, and not to distribute any dividends if there was installments due and the dividends should not exceed 75% of the Company's capital. The Group did not comply with debt service coverage ratio which is 1.25 times and current assets to current liabilities ratio which is 1.2 times. The Group has received a waiver letter for noncompliance with debt service coverage ratio in 16 March 2017 for a year starting 1 January 2017. Also the group has received a waiver letter for noncompliance with current ratio in 30 April 2017 for one year.