

NAMA CHEMICALS COMPANY AND SUBSIDIARIES
(SAUDI JOINT STOCK COMPANY)

CONSOLIDATED INTERIM FINANCIAL STATEMENTS
AND AUDITORS' REPORT (LIMITED REVIEW)
FOR THE THREE MONTH AND NINE MONTH PERIODS
ENDED SEPTEMBER 30, 2009

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FOR THE THREE MONTH AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2009

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**AUDITORS' REPORT (LIMITED REVIEW)
ON CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

To the stockholders of
NAMA Chemicals Company
Al-Jubail, Saudi Arabia

Scope of Review

We have reviewed the consolidated interim balance sheet of NAMA Chemicals Company (Saudi Joint Stock Company) and Subsidiaries as of September 30, 2009 and the related consolidated interim statements of operations for the three month and nine month period then ended and consolidated cash flows for the nine months then ended, and notes 1 to 9 which form an integral part of these consolidated interim financial statements as prepared by the Company and presented to us with all the necessary information and explanations. These consolidated interim financial statements are the responsibility of the Company's management.

We conducted our review in accordance with the standard of auditing applicable to interim financial reporting issued by the Saudi Organization for Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Review Results

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

Deloitte & Touche
Bakr Abulkhair & Co.

Nasser M. Al-Sagga
License No. 322
21 Shawwal, 1430
October 10, 2009

NAMA CHEMICALS COMPANY AND SUBSIDIARIES
(SAUDI JOINT STOCK COMPANY)

CONSOLIDATED INTERIM BALANCE SHEET
AS AT SEPTEMBER 30, 2009

	Note	September30, 2009 SR 000 (Unaudited)	September30, 2008 SR 000 (Unaudited)
ASSETS			
Current assets			
Cash and cash equivalents		128,474	160,380
Time deposits		230,939	449,987
Accounts receivable		105,142	176,822
Inventories		54,550	83,531
Prepayments and other debt balances		32,688	27,964
Total current assets		551,793	898,684
Non-current assets			
Investment in development bonds and Islamic bonds		229,668	315,567
Available for sale investments	3	148,515	159,535
Cost of projects under development		1,235,299	1,004,636
Property, plant and equipment		266,527	243,550
Intangible assets		18,559	22,477
Total non-current assets		1,898,568	1,745,765
TOTAL ASSETS		2,450,361	2,644,449
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities			
Short term borrowings		16,270	105,663
Current portion of long term debt		109,819	48,794
Accounts payable		89,150	110,488
Accrued expenses and other payables		39,445	30,637
Total current liabilities		254,684	295,582
Non-current liabilities			
Long-term debt		583,403	691,739
End-of-service indemnities		11,956	10,166
Interest rate swap		15,293	-
Total non-current liabilities		610,652	701,905
Stockholders' equity			
Share capital	1	1,285,200	1,285,200
Share premium	1	258,586	258,586
Statutory reserve	4	14,796	14,796
Revaluation surplus (deficit), net	3	60,948	(9,502)
Foreign currency translation adjustments		(527)	(1,112)
Changes in cash flow hedge position		(15,293)	-
(Accumulated losses) retained earnings		(18,685)	98,994
Total stockholders' equity		1,585,025	1,646,962
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		2,450,361	2,644,449

The accompanying notes form an integral part of these consolidated interim financial statements.

NAMA CHEMICALS COMPANY AND SUBSIDIARIES
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CONSOLIDATED INTERIM STATEMENT OF OPERATIONS
FOR THE THREE MONTH AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2009

	From April 1 to September30		From January 1 to September30	
	2009 SR 000 (Unaudited)	2008 SR 000 (Unaudited)	2009 SR 000 (Unaudited)	2008 SR 000 (Unaudited)
Sales	100,214	174,377	300,192	510,006
Cost of sales	(83,003)	(148,225)	(297,592)	(439,945)
Gross profit	17,211	26,152	2,600	70,061
Selling and distribution expenses	(9,740)	(11,577)	(29,427)	(30,056)
General and administrative expenses	(3,408)	(3,734)	(12,130)	(11,898)
Profit from operations	4,063	10,841	(38,957)	28,107
Financial expenses	(1,029)	(1,887)	(4,236)	(5,712)
Investment income, net	4,501	2,997	18,350	4,978
Other income, net	2,529	(5,855)	3,946	(1,885)
Net income (loss) before zakat	10,064	6,096	(20,897)	25,488
Zakat (note 5)	(2,700)	-	(7,506)	(1,839)
NET INCOME (LOSS)	7,364	6,096	(28,403)	23,649
Earnings (loss) per share-note 6				
Earning (losses) per share from net income/(loss)	0.06	0.06	(0.22)	0.29
Earnings (loss) per share from continuing main operations	0.01	0.09	(0.39)	0.25
Earning (loss) per share from other operations	0.05	(0.03)	0.17	0.04
Weighted average number of shares	128,520,000	93,840,000	128,520,000	82,280,000

The accompanying notes form an integral part of these consolidated interim financial statements.

NAMA CHEMICALS COMPANY AND SUBSIDIARIES
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CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2009

	September30, 2009	September30, 2008
	SR 000	SR 000
	(Unaudited)	(Unaudited)
OPERATING ACTIVITIES		
Net (loss) income before zakat	(20,897)	25,488
Adjustments for:		
Depreciation	10,305	9,848
Amortization	2,078	78
End-of-service indemnities	2,134	2,797
Impairment of investments, net	-	5,000
Changes in operating assets and liabilities:		
Accounts receivable	2,354	(16,450)
Inventories	75,746	22,799
Prepayments and other debit balances	(4,582)	3,396
Accounts payable, accrued expenses and other payables	(35,073)	13,504
Cash from operations	32,065	66,460
End-of-service indemnities paid	(728)	(745)
Zakat paid	(220)	(82)
Net cash from operating activities	31,117	65,633
INVESTING ACTIVITIES		
Additions to property, plant and equipment	(22,626)	(9,592)
Additions to projects under development	(145,068)	(246,745)
Change in investments, net	-	(201,592)
Addition to time deposits	(230,939)	(449,987)
Proceeds from disposal of developments bonds and Islamic bonds	100,056	-
Net cash used in investing activities	(298,577)	(907,916)
FINANCING ACTIVITIES		
Change in short term borrowings	(42,476)	46,167
Drawdown of long term debt	19,300	115,000
Repayment of long term debt	(66,948)	(10,500)
Proceeds from issue of shares	-	771,626
Net cash (used in) from financing activities	(90,124)	922,293
Net change in cash and cash equivalents	(357,584)	80,010
Foreign exchange difference on foreign operations	(1,131)	(1,112)
Cash and cash equivalents, January 1	487,189	81,482
CASH AND CASH EQUIVALENTS, SEPTEMBER 30	128,474	160,380

The accompanying notes form an integral part of these consolidated interim financial statements.

NAMA CHEMICALS COMPANY AND SUBSIDIARIES
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NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTH AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2009

1. ORGANIZATION AND ACTIVITIES

NAMA Chemicals Company (“the Company”) (“NAMA”) is a Saudi Joint Stock Company registered in Al-Jubail Industrial City under the commercial registration number 2055007420.

During the second quarter of 2008, the CMA approved the issuance of the right shares for the total sum of SR 780 million. In September 2008 the Company completed allotment of 52,020,000 shares at a premium of SR 5 per share to the shareholders, thereby raising a sum of SR 780.3 million from the shareholders. The share capital of the Company was accordingly increased from SR 765 million to SR 1,285.2 million.

The subsidiaries of NAMA are as follows:

Jubail Chemical Industries Co. (“JANA”), a limited liability company owned 95% by NAMA and 5% by a subsidiary of NAMA.

Arabian Alkali Company (“SODA”), a limited liability company, with the Company’s shareholding is 90% and the remaining 10% are registered in the name of JANA.

During 2007, NAMA incorporated a new limited liability company called NAMA Industrial Investment Company which is owned 95% by NAMA and 5% by SODA under the commercial registration number 2055008134. The legal formalities associated with the registration of the subsidiary were also completed.

On July 30, 2008, NAMA acquired NAMA Europa GMBH, a newly established limited liability company incorporated in Switzerland. 99% of the shares of NAMA Europa are held by NAMA Industrial Investment Company and 1% by NAMA. The shareholding was notified in the commercial registry in Bern vide –CH-036.4.041.685-8.

During second quarter of 2009, the Board of Directors of NAMA resolved to increase the share capital of JANA by SR 150 million from SR 516 million to SR 666 million through converting the amount payable to NAMA into capital. The legal formalities associated with the increase in the share capital are in progress as on September 30, 2009.

The principal activities of NAMA and its subsidiaries (“the Group”), each of which operates under individual commercial registration, are to own, establish, operate and manage industrial projects in the petrochemical and chemical fields.

The Group incurs costs on projects under construction and development and subsequently establishes a separate company for each project that has its own commercial registration. Costs incurred by the Group are transferred to the separate company when it is established.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying interim condensed consolidated financial statements have been prepared in accordance with the Standard for Interim Financial Information issued by the Saudi Organization for Certified Public Accountants (“SOCPA”). Significant accounting policies adopted by the Company are summarized as follows:

Accounting estimates

Preparing consolidated interim financial statements requires management to use assumptions and estimates which have an impact over the consolidated balance sheet and consolidated statement of income. The actual results may differ from these estimates.

NAMA CHEMICALS COMPANY AND SUBSIDIARIES
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NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE THREE MONTH AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2009

Accounting convention

The financial statements are prepared under the historical cost convention, except for investment in securities which are stated at fair value.

Principles of consolidation

The consolidated interim financial statements include the accounts of NAMA and its subsidiaries which are owned above 50%. All significant inter-company balances and transactions have been eliminated upon consolidation.

Investments

Investments in financial instruments are classified according to Group's intent with respect to these securities.

Investments in companies whose shares are not readily marketable and in which NAMA owns less than 20% of the share capital are accounted for at cost. Impairment in value is recorded in the period in which the impairment is determined and charged to the income statement. Dividends are recorded when received.

Investments in investment funds classified as available for sale are stated at market value. Changes in market value are credited or debited to the revaluation surplus (deficit) included in stockholders' equity. The carrying amount of such investments is reduced to recognize any impairment in the value of the individual investments.

Investments in marketable securities classified as available for sale are stated at market value. Changes in market value are credited or debited to the revaluation surplus (deficit) account included in shareholders' equity.

Investments in Saudi Government Development Bonds ("SGDB") are stated at amortized cost, which approximates market value.

Revenue recognition

Sales are recognized upon delivery of goods to customers. Investment income, principally commissions on term deposits, SGDB and IB, is recognized on an accrual basis.

Expenses

Selling and distribution expenses principally comprise of costs incurred in the distribution and sale of the Group's products and services. All other expenses are classified as general and administrative expenses.

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

Accounts receivable

Accounts receivable are carried at their original amount less provision made for doubtful accounts. An allowance for doubtful accounts is established when there is significant doubt that the Group will be able to collect all amounts due according to the original terms of account receivable.

Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined, for finished goods, on a weighted average cost basis and includes cost of materials, labour and an appropriate proportion of direct overheads. All other inventories are valued on a weighted average cost basis.

Derivative financial instruments

Derivative financial instruments are initially recorded at cost and are re-measured to fair value at subsequent reporting dates. Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognized in the income statement as they arise.

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NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)
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A fair value hedge is a hedge of the exposure to changes in fair value of an asset or liability that is already recognized in the balance sheet. The gain or loss from the change in the fair value of the hedging instrument is recognized immediately in the statement of income. At the same time, the carrying amount of the hedged item is adjusted for the corresponding gain or loss since the inception of the hedge, which is also immediately recognized in the consolidated interim statement of income.

A cash flow hedge is a hedge of the exposure to variability in cash flows relating to a recognized asset or liability, an unrecognized firm commitment or a forecasted transaction. To the extent that the hedge is effective, the portion of the gain or loss on the hedging instrument is recognized initially directly in equity. Subsequently, the amount is included in the statement of income in the same period or periods during which the hedged item affects net profit or loss. For hedges of forecasted transactions, the gain or loss on the hedging instrument will adjust the recorded carrying amount of the acquired asset or liability.

Intangible assets

Intangible assets principally represent pre-operating costs, front-end fee and enterprise resource planning (ERP) solution program implementation costs. The pre-operating costs and ERP solution program implementation costs are amortized on the straight line method over 5 to 7 years from date of commencement of commercial operations of the consolidated subsidiary. The front-end fee charged by Saudi Industrial Development Fund ("SIDF") is amortized over the term of the loan.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation. Expenditure on maintenance and repairs is expensed, while expenditure for betterment is capitalized. Depreciation is provided over the estimated useful lives of the applicable assets using the straight line method. Leasehold improvements are amortized over the shorter of the estimated useful life or the remaining term of the lease. The estimated useful lives of the principal classes of assets are as follows:

	<u>Years</u>
Buildings and improvements on lease land	20 - 40
Plant and machinery	10 - 30
Furniture, fixtures and office equipment	4 - 10
Vehicles	4

Impairment

At each balance sheet date, the Group reviews the carrying amounts of their property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognized as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized as income immediately.

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NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)
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Foreign currency translation

Transactions denominated in foreign currencies are translated into Saudi Riyals at exchange rates prevailing at the dates of such transactions. Monetary assets and liabilities denominated in foreign currencies are translated into Saudi Riyals at exchange rates prevailing at the balance sheet date. Exchange gains or losses are credited or charged to the statement of income.

The Company's books of accounts are maintained in Saudi Arabian Riyals. Assets and liabilities of foreign subsidiary are translated in Saudi Arabian Riyals at the exchange rate in effect at the date of consolidated balance sheet. The components of foreign subsidiary's equity accounts, except retained earnings are translated at the exchange rates in effect at the dates of the related items originated. The elements of foreign subsidiary's income statement are translated using the weighted average exchange rate for the period. Adjustments resulting from the translation of foreign subsidiary's financial statements into Saudi Arabian Riyals are reported as a separate component of equity attributable to shareholders of the Company in the consolidated financial statements.

End-of-service indemnities

End-of-service indemnities, required by Saudi Arabian labour law, are provided in the financial statements based on the employees' length of service.

Leasing

Leases are classified as capital leases whenever the terms of the lease transfer substantially all of the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Rentals payable under operating leases are charged to income on a straight-line basis over the term of the operating lease.

Zakat

NAMA and its subsidiaries are subject to zakat in accordance with the regulations of the Department of Zakat and Income Tax ("DZIT") the foreign subsidiary is subject to tax regulations in the country of incorporation. Zakat is recorded at the quarter end based on quarter end figures and any difference between the estimate and the actual is adjusted at the fourth quarter. Any difference between the estimate and final assessment is recorded when settled.

Cash and cash equivalents

Cash and cash equivalents comprise cash, deemed deposit and highly liquid investments with original maturities of three months or less.

3. AVAILABLE FOR SALE INVESTMENTS

NAMA Board of Directors changed its intention with respect to mutual funds previously accounted for as investments held for trading securities and decided to account for these securities as available for sale investments with effect from April 1, 2006 as the intention of the Company is currently to hold these investments for long term purposes. An impairment loss arising on these investments amounting to SR 86.5 million (2007: SR 6 million) has been recorded in the statement of income for the year ended December 31, 2008. The unrealised gain in the amount of SR 14.8 million as of September 30, 2009 has been taken to the revaluation surplus account under the stockholders' equity.

Investment available for sale includes NAMA's share in the establishment of Yanbu National Petrochemicals Company (YANSAB) (Saudi Joint Stock Company) of 2,005,000 shares at a cost of SR 20.05 million. During the first quarter of the year 2006, YANSAB stocks have been listed in the stock market. Accordingly, investment has been revalued at the fair market value. The unrealised gain in the amount of SR 46.1 million as of September 30, 2009 has been taken to the revaluation surplus account under the stockholders' equity.

Available for sale investments also include investment in Ibn-Rushd, a closed joint stock company, amounting to SR 18.1 million (2008: SR 18.1 million).

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NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)
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4. STATUTORY RESERVE

In accordance with Regulations for Companies in Saudi Arabia, the Company has established a statutory reserve by appropriation of 10% of net income at the year end until the reserve equals 50% of the share capital. This reserve is not available for dividend distribution.

5. ZAKAT

The Company has filed its zakat returns for all the years up to 2008. Zakat assessments for the years from 2000 through 2008 are under review by the Department of Zakat and Income Tax (DZIT).

6. EARNINGS PER SHARE

Earnings per share from net income after zakat is computed by dividing net income for the period by the weighted average number of shares outstanding during the period.

Earnings per share from the continuing main operations is computed by dividing operating income less finance charges less zakat for the period by the weighted average number of shares outstanding during the period.

Earnings per share from other operations is computed by dividing the total investment income and other income over the weighted average number of shares outstanding during the period.

7. COMMITMENTS AND CONTINGENCIES

At September 30, 2009, the Group has outstanding letters of credit and guarantee of SR 62.73 million (2008: SR 58.43 million) issued in the normal course of business.

At September 30, the Group had the following capital commitments:

	2009	2008
	SR 000	SR 000
Commitments for the acquisition of property, plant and equipment	101,450	87,940

8. RESULTS OF INTERIM PERIOD

The results of the interim period are not audited and therefore it may not give an accurate indicator of the annual operating results.

9. COMPARATIVE FIGURES

Certain figures for 2008 have been reclassified to conform to the presentation in the current period.