

NAMA CHEMICALS COMPANY AND SUBSIDIARIES
(SAUDI JOINT STOCK COMPANY)

CONSOLIDATED INTERIM FINANCIAL STATEMENTS
AND AUDITORS' REPORT (LIMITED REVIEW)
FOR THE THREE MONTHS ENDED MARCH 31, 2010

NAMA CHEMICALS COMPANY AND SUBSIDIARIES
(SAUDI JOINT STOCK COMPANY)

CONSOLIDATED INTERIM FINANCIAL STATEMENTS AND AUDITORS' REPORT
FOR THE THREE MONTHS ENDED MARCH 31, 2010

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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 March 31, 2010 and the related consolidated interim statements of operations and cash flows for the three months then ended, and notes 1 to 11 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 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 principles.

Other Matters

We draw attention to note 4 to the consolidated interim financial statements which states that cost of projects under development primarily represents costs incurred by Jubail Chemical Industries Co. on the development and construction of Epichlorhydrin factory and the Chlor-alkali projects. These projects were originally planned to be operated fully at an earlier date, but are currently expected to be operated fully in 2010. Management of the Company believes that these projects have the ability to provide the entity with economic future benefits and expects to commence the commercial operations during 2010. Accordingly, realization of such assets is dependant upon successful commissioning of such projects and its future profitability.

Deloitte & Touche
Bakr Abulkhair & Co.

Nasser M. Al-Sagga
License No. 322
28 Rabi' II, 1431
April 13, 2010

NAMA CHEMICALS COMPANY AND SUBSIDIARIES
(SAUDI JOINT STOCK COMPANY)

CONSOLIDATED INTERIM BALANCE SHEET
AS OF MARCH 31, 2010

	Note	2010 SR 000 (Unaudited)	2009 SR 000 (Unaudited)
ASSETS			
Current assets			
Cash and cash equivalents		326,774	54,749
Time deposits		113,546	329,841
Trade receivable		132,907	97,970
Inventories		44,202	61,939
Prepayments and other debit balances		40,126	36,812
Total current assets		657,555	581,311
Non-current assets			
Investment in development bonds and Islamic bonds		-	372,126
Available for sale investments	3	165,468	104,228
Costs of projects under development	4	1,293,390	1,134,398
Property, plant and equipment		302,888	252,084
Intangible assets		17,735	20,500
Total non-current assets		1,779,481	1,883,336
TOTAL ASSETS		2,437,036	2,464,647
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities			
Short term borrowings		62,521	79,330
Current portion of long term debts		118,638	76,677
Accounts payable		60,800	39,646
Accrued expenses and other payables		46,697	44,270
Total current liabilities		288,656	239,923
Non-current liabilities			
Long term debts		540,028	661,115
End-of-service indemnities		12,782	11,108
Interest rate swap		14,749	19,366
Total non-current liabilities		567,559	691,589
Stockholders' equity			
Share capital	1	1,285,200	1,285,200
Share premium	1	258,586	258,586
Statutory reserve	5	14,796	14,796
Revaluation surplus	3	77,901	16,662
Foreign currency translation adjustments		(2,944)	(55)
Changes in cash flow hedge position		(14,749)	(19,366)
Accumulated losses		(37,969)	(22,688)
Total stockholders' equity		1,580,821	1,533,135
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		2,437,036	2,464,647

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

NAMA CHEMICALS COMPANY AND SUBSIDIARIES
(SAUDI JOINT STOCK COMPANY)

CONSOLIDATED INTERIM STATEMENT OF OPERATIONS
FOR THE THREE MONTHS ENDED MARCH 31, 2010

	2010	2009
	SR 000	SR 000
	(Unaudited)	(Unaudited)
Sales	129,976	101,892
Cost of sales	(114,712)	(120,931)
Gross profit (loss)	15,264	(19,039)
Selling and marketing expenses	(8,310)	(10,043)
General and administrative expenses	(3,673)	(4,711)
Profit (loss) from operations	3,281	(33,793)
Financial expenses	(1,240)	(1,687)
Investment income, net	1,084	8,373
Other income (expenses), net	412	(615)
Net income (loss) before zakat	3,537	(27,722)
Zakat (note 6)	(1,432)	(4,684)
NET INCOME (LOSS)	2,105	(32,406)
Earnings per share - note 7		
Earnings (loss) per share from net income (in SR)	0.016	(0.252)
Earning (loss) per share from continuing main operations (in SR)	0.005	(0.313)
Earning per share from other operations (in SR)	0.011	0.061
Weighted average number of shares	128,520,000	128,520,000

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NAMA CHEMICALS COMPANY AND SUBSIDIARIES
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CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2010

	2010	2009
	SR 000	SR 000
	(Unaudited)	(Unaudited)
OPERATING ACTIVITIES		
Net income (loss) before zakat	3,537	(27,722)
Adjustments for:		
Depreciation	3,504	3,437
Gain on disposal of property, plant and equipment	(87)	-
Amortization	144	144
End-of-service indemnities	550	582
Changes in operating assets and liabilities:		
Trade receivable	(41,303)	10,323
Inventories	31,900	72,576
Prepayments and other debit balances	(5,485)	(7,541)
Accounts payable, accrued expenses and other payables	1,402	(77,150)
Cash used in operations	(5,838)	(25,351)
End-of-service indemnities paid	(219)	(23)
Net cash used in operating activities	(6,057)	(25,374)
INVESTING ACTIVITIES		
Additions to property, plant and equipment	(12,384)	(1,315)
Proceeds from disposal of property, plant and equipment	87	-
Additions to cost of projects under development	(40,007)	(50,348)
Change in time deposits	187,947	116,303
Change in development bonds and Islamic bonds	157,126	(42,402)
Additions to the intangible assets	(13)	(7)
Net cash from investing activities	292,756	22,231
FINANCING ACTIVITIES		
Change in short term borrowings	22,516	20,584
Repayment of long term debts	(3,277)	(3,078)
Net cash from financing activities	19,239	17,506
Net change in cash and cash equivalents	305,938	14,363
Foreign exchange difference on foreign operations	(2,620)	(659)
Cash and cash equivalents, January 1	23,456	41,045
CASH AND CASH EQUIVALENTS, MARCH 31	326,774	54,749

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

NAMA CHEMICALS COMPANY AND SUBSIDIARIES
(SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2010

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 were also completed in first quarter of 2010.

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.

NAMA CHEMICALS COMPANY AND SUBSIDIARIES
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NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE THREE MONTHS ENDED MARCH 31, 2010

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 operations. The actual results may differ from these estimates.

Accounting convention

The consolidated interim 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% after eliminating significant inter-company balances and transactions between the Company and the subsidiaries for consolidation purposes.

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 consolidated interim statement of operations. Dividends are recorded when received.

Investments in investments funds 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 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 stockholders' equity.

Investments in Saudi Government Development Bonds ("SGDB") and Islamic Bonds ("IB") 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.

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NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE THREE MONTHS ENDED MARCH 31, 2010

Expenses

Selling and marketing 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 consolidated interim statement of operations as they arise.

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 consolidated interim statement of operations. 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 operations.

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 consolidated interim statement of operations 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.

NAMA CHEMICALS COMPANY AND SUBSIDIARIES
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NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE THREE MONTHS ENDED MARCH 31, 2010

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	5 - 30
Vehicles	4
Furniture, fixtures and office equipment	5 - 10

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 periods. A reversal of an impairment loss is recognized as income immediately.

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 consolidated interim statement of operations.

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 interim 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 stockholders of the Company in the consolidated interim financial statements.

End-of-service indemnities

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

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NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE THREE MONTHS ENDED MARCH 31, 2010

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 consolidated interim statement of operations on a straight-line basis over the term of the operating lease.

Borrowing costs

Borrowing costs directly attributable to cost of projects under development are added to the cost of the project until such time as the project is ready for its intended use. Investment income earned on temporary investment of specific borrowings pending their expenditure on the project under construction is deducted from the borrowing costs eligible for capitalization.

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, demand deposits 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 had been recorded in the statement of operations for the year ended December 31, 2008. The unrealised gain in the amount of SR 20.0 million as of March 31, 2010 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 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 57.9 million as of March 31, 2010 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 (2009: SR 18.1 million).

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NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)
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4. COST OF PROJECTS UNDER DEVELOPMENT

Cost of projects under construction and development primarily represent costs incurred by JANA for obtaining the development and construction technology of the Epichlorohydrin factory and the Chlor-alkali projects. The cost of the project is currently estimated at approximately US\$ 319.4 million (2009: US\$ 302.9 million).

These projects were originally planned to be operated fully at an earlier date, but are currently expected to be operated fully in 2010. Management of the Company believes that these projects have the ability to provide the entity with economic benefits in future and expects to commence the commercial operations during 2010.

Construction related costs at March 31, 2010 comprise construction costs under various agreements and directly attributable costs to bring the asset to the location and working condition necessary for it to be capable of operating in a manner intended by the management. Directly attributable costs include employee benefits, site preparation costs, installation costs, licensing fees, professional fees and borrowing costs. Borrowing cost capitalized during the period amounted to SR 5.9 million (2009: SR 6.7 million).

5. STATUTORY RESERVE

In accordance with its Articles of Association and the Regulations for Companies in the Kingdom of Saudi Arabia, NAMA allocates 10% of its net income each year to form a statutory reserve until such reserve equals 50% of its share capital. This reserve is not available for dividend distributions.

6. ZAKAT

The Company has yet to receive the final zakat assessments for the years from 2000 through 2008 as they are still under study by the DZIT.

7. EARNINGS PER SHARE

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

Earnings (loss) per share from the continuing main operations is computed by dividing operating income (loss) after finance charges and 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.

8. GENERAL

SODA has an accumulated deficit of SR 28.03 million at March 31, 2010 which is in excess of 50% of the Company's share capital of SR 50.00 million. The ability of the subsidiary to continue as a going concern is dependent upon continuing support from the stockholders and profitable future operations.

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NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)
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9. COMMITMENTS AND CONTINGENCIES

At March 31, 2010, the Group has outstanding letters of credit and guarantee of SR 165.84 million (2009: SR 119.03 million) issued in the normal course of business.

At March 31, the Group had the following capital commitments:

	2010	2009
	SR 000	SR 000
Commitments for the acquisition of property, plant and equipment	38,510	45,460

10. 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.

11. COMPARATIVE FIGURES

Certain figures for 2009 have been reclassified to conform to the presentation in the current period.