

NAMA CHEMICALS COMPANY AND SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)

UNAUDITED INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS AND AUDITORS' REPORT
FOR THE THREE MONTH AND NINE MONTH PERIODS
ENDED SEPTEMBER 30, 2008

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REVIEW REPORT ON THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The Shareholders
NAMA Chemicals Company
Al-Jubail, Saudi Arabia

We have reviewed the accompanying interim consolidated balance sheet of NAMA Chemicals Company and its Subsidiaries (the Company) as at September 30, 2008 and the related interim consolidated statement of income for the three-month and nine-month periods ended September 30, 2008 and interim consolidated statement of cash flows for the nine-month period then ended and the attached condensed notes 1 to 10 which form an integral part of these interim condensed consolidated financial statements. These interim condensed consolidated financial statements are the responsibility of the Company's management and have been prepared by them and submitted to us together with all the information and explanations which are required.

We conducted our review in accordance with auditing standard on interim financial reporting issued by the Saudi Organization for Certified Public Accountants. A review is limited primarily to analytical procedures applied to financial data and making inquiries of Company personnel responsible for financial and accounting matters. It is substantially less in scope than an audit 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.

The interim condensed consolidated financial statements for the periods ended September 30, 2007 and March 31, 2008 were reviewed by other auditors whose review reports dated October 10, 2007 (corresponding to Ramadan 28, 1428H) and April 14, 2008 (corresponding to Rabi II 8, 1429H) did not identify any material modification to be made to their reviewed financial statements.

Based on our review, we are not aware of any material modifications that should be made to the accompanying interim condensed consolidated financial statements as of September 30, 2008 and for the three and nine month periods then ended for them to be in conformity with accounting standards generally accepted in the Kingdom of Saudi Arabia appropriate to the circumstances of the Company and its subsidiaries.

Without qualifying our conclusion, we refer to Note 4, which explains that at September 30, 2008, the Company had certain available for sale investments with unrealized loss of SR 57.5 million. This amount has been reduced from the carrying value of these available for sale investments and the revaluation (deficit) surplus account under the stockholders' equity. Management is evaluating the extent to which these available for sale investments may have been permanently impaired and if so will reflect such impairment through income statement once determined.

For KPMG Al Fozan & Al Sadhan

Tareq Abdulrahman Al Sadhan
License Number 352

Al Khobar, 25 October 2008
Corresponding to: 26 Shawwal 1429H

NAMA CHEMICALS COMPANY AND SUBSIDIARIES
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INTERIM CONSOLIDATED BALANCE SHEET
AS AT SEPTEMBER 30, 2008

	Note	2008 SR '000 (Unaudited)	2007 SR '000 (Unaudited)
ASSETS			
Current assets			
Cash and cash equivalents		610,367	64,019
Accounts receivable		176,822	125,383
Inventories		83,531	47,141
Prepayments and other current assets		27,964	35,241
Total current assets		898,684	271,784
Non-current assets			
Investment in development bonds and Islamic bonds		315,567	114,728
Investments in a company		18,136	18,136
Available for sale investments	4	141,399	143,081
Cost of projects under development		1,026,636	735,710
Property, plant and equipment		243,550	243,017
Intangible assets		477	575
Total non-current assets		1,745,765	1,255,247
TOTAL ASSETS		2,644,449	1,527,031
LIABILITIES AND EQUITY			
Current liabilities			
Short-term borrowings		105,663	49,230
Current portion of long-term debt		48,794	22,000
Accounts payable		110,488	68,590
Accrued expenses and other payables		30,637	19,927
Total current liabilities		295,582	159,747
Non-current liabilities			
Long-term debt		691,739	521,833
Employees' end-of-service indemnities		10,166	7,035
Total non-current liabilities		701,905	528,868
Stockholders' equity			
Share capital	1	1,285,200	765,000
Share premium	1	258,586	7,160
Statutory reserve	5	14,796	11,387
Revaluation deficit, net	4	(9,502)	(12,819)
Foreign currency translation adjustments		(1,112)	-
Retained earnings		98,994	67,688
Total stockholders' equity		1,646,962	838,416
TOTAL LIABILITIES AND EQUITY		2,644,449	1,527,031

The accompanying notes (1) to (10) form an integral part of these interim condensed consolidated financial statements.

NAMA CHEMICALS COMPANY AND SUBSIDIARIES
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INTERIM CONSOLIDATED STATEMENT OF INCOME
FOR THE THREE MONTH AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2008

	From July 1 to September 30		From January 1 to September 30	
	2008	2007	2008	2007
	SR000	SR 000	SR 000	SR 000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Sales	174,377	116,109	510,006	360,406
Cost of sales	(148,225)	(102,993)	(439,945)	(307,808)
Gross profit	26,152	13,116	70,061	52,598
Selling and distribution expenses	(11,577)	(5,001)	(30,056)	(16,799)
General and administrative expenses	(3,734)	(2,939)	(11,898)	(9,601)
Profit from operations	10,841	5,176	28,107	26,198
Financial expenses	(1,887)	(2,116)	(5,712)	(5,382)
Investment income, net	2,997	3,018	4,978	6,692
Other expenses, net	(5,855)	(1,625)	(1,885)	(4,187)
Net income before Zakat	6,096	4,453	25,488	23,321
Zakat	-	(683)	(1,839)	(2,167)
NET INCOME	6,096	3,770	23,649	21,154
Earnings per share for the period	SR 0.06	SR 0.05	SR 0.29	SR 0.28

The accompanying notes (1) to (10) form an integral part of these interim condensed consolidated financial statements.

NAMA CHEMICALS COMPANY AND SUBSIDIARIES
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INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2008

	2008	2007
	SR 000	SR 000
	(Unaudited)	(Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income before Zakat	25,488	23,321
Adjustments for:		
Depreciation	9,848	9,604
Amortization	78	82
Employees' end-of-service indemnities	2,797	2,267
Gain on disposal of property, plant and equipment	-	(97)
Impairment of investments, net	5,000	6,000
Changes in operating assets and liabilities:		
Accounts receivable	(16,450)	645
Inventories	22,799	5,845
Prepayments and other debit balances	3,396	(8,271)
Accounts payable, accrued expenses and other payables	13,504	19,834
Cash provided by operating activities	66,460	59,230
Employees' end-of-service indemnities paid	(745)	(214)
Zakat paid	(82)	-
Net cash provided by operating activities	65,633	59,016
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property, plant and equipment	(9,592)	(11,858)
Additions to projects under development	(246,745)	(411,388)
Net change in investments	(201,592)	40
Proceeds from disposal of property, plant and equipment	-	125
Additions to intangible assets	-	(657)
Net cash used in investing activities	(457,929)	(423,738)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net change in short-term borrowings	46,167	80,079
Drawdown of long-term debt	115,000	270,000
Repayment of long-term debt	(10,500)	(10,500)
Proceeds from issue of shares	771,626	-
Change in minority interest	-	(5,164)
Net cash provided by financing activities	922,293	334,415
Net change in cash and cash equivalents	529,997	(30,307)
Exchange difference on foreign operations	(1,112)	-
Cash and cash equivalents at beginning of period	81,482	94,326
CASH AND CASH EQUIVALENTS AT END OF PERIOD	610,367	64,019

The accompanying notes (1) to (10) form an integral part of these interim condensed consolidated financial statements.

NAMA CHEMICALS COMPANY AND SUBSIDIARIES
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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
FOR THE THREE MONTH AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2008

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.

On April 16, 2006, a merger agreement was signed between NAMA and Jubail Chemical Industries Co. ("JANA"), a closed joint stock company owned 51% by NAMA, for the purpose of acquiring the remaining shares of JANA (49% remaining ownership) with effect from June 1, 2006. The agreement was ratified by the shareholders of JANA and NAMA in their extraordinary general meetings on May 29, 2006 and June 14, 2006 respectively. As per the agreement, 3 million additional shares have been issued by NAMA in consideration for the remaining share in JANA.

The Capital Markets Authority ("CMA") approved the increase in NAMA's share capital from SR 650 million to SR 680 million, for the purpose of acquiring the remaining shares in JANA. In its extraordinary meeting held on 18 Rabi Awal (April 16, 2006), the general assembly has approved the acquisition of JANA and its merger with NAMA with the effective date being June 1, 2006 through increasing the Company's capital by SR 30 million by issuing additional 3 million shares of SR 10 par value for each. The fair market value of the shares issued amounted to SR 122.2 million based on the valuation performed by independent financial advisors and approximated the fair value of net assets of JANA which were acquired by NAMA. The Company's capital after the acquisition amounted to SR 680 million divided into 68 million shares of SR 10 each.

The premium arising from the difference between the fair value and the par value of the shares issued amounting to SR 92.2 million was allocated to share premium account in the stockholders' equity section.

The legal formalities associated with the acquisition of the 49% share in JANA were completed on 26 Sha'ban, 1427 (corresponding to September 19, 2006) and revised commercial registration certificate was issued for the effect of JANA as a branch of NAMA.

During December 2006, JANA was converted into a limited liability company by transferring 5% share to a subsidiary and the remaining 95% shares are still owned by the Company.

On April 17, 2007, CMA approved the Board of Directors' decision to increase the share capital of the Company from SR 680 million to SR 765 million by issuing 8.5 million bonus shares of SR 10 each amounting to SR 85 million (one share for every eight shares held by the existing stockholders). The increase was made via transfer of SR 85 million from the share premium account. The legal formalities associated with the increase in the share capital and the issuance of bonus shares were completed during 2007.

On May 5, 2007, the Board of Directors of NAMA resolved to increase the share capital of JANA by SR 161 million from SR 265 million to SR 426 million through converting the amount payable to NAMA into capital. The legal formalities associated with the increase in the share capital and the issuance of additional shares was completed during the year.

Arabian Alkali Company ("SODA"), a limited liability company, is the subsidiary of the Company where Company's shareholding was initially 75%. On February 21, 2007 NAMA and the minority shareholders of SODA signed an agreement, for the purpose of acquiring the remaining shares of SODA (25% remaining ownership). As per the agreement, the 25% stake was to be split whereby 15% shares were registered in the name of NAMA and the remaining 10% was registered in the name of JANA. The legal formalities associated with the transfer of ownership were completed during 2007.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED) (Continued)
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During the first quarter of 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 during the year. The share capital of this new subsidiary is SR 1,000,000 divided into 1,000 shares of SR 1,000 each.

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 Chemicals Company. The shareholding was notified in the commercial registry in Bern vide –CH-036.4.041.685-8

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 780.300 million from the shareholders. The share capital of the company was accordingly increased to SR 1,285.2 million.

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. RESULTS OF INTERIM PERIOD

The results of operations presented in these interim condensed consolidated financial statements for the period may not be a fair indicator of the results of operations for the full year.

3. 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”). The accounting policies adopted by the company for the preparation of these interim condensed consolidated financial statements are consistent with those used for the preparation of annual consolidated financial statements and are summarized as follows:

Basis of preparation

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

The accompanying interim condensed consolidated financial statements are prepared in Saudi Arabian Riyals (SR) which is the functional currency. All financial information mentioned in SR has been rounded to nearest thousand. These interim condensed consolidated financial statements should be read in conjunction with the annual audited consolidated financial statements of the Company for the year ended December 31, 2007.

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are revised in any future period affected.

NAMA CHEMICALS COMPANY AND SUBSIDIARIES
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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED) (Continued)
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Basis of consolidation

These interim condensed consolidated financial statements include the interim condensed consolidated financial statements of the Company and its subsidiaries as set forth below.

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the interim condensed consolidated financial statements from the date the control commences until the date the control ceases.

All intra-group balances and financial transactions resulting from transactions between the Company and the subsidiaries and those arising between the subsidiaries are eliminated in preparing these interim condensed consolidated financial statements. Also, any unrealized gains and losses arising from intra-group transactions are eliminated on consolidation.

The following summarizes the name, percentage of ownership, direct or indirect, and the location of the incorporation of the subsidiaries:

Subsidiary	Effective ownership %	Country of incorporation
Jubail Chemical Industries Co. ("JANA")	100%	Kingdom of Saudi Arabia
Arabian Alkali Company ("SODA")	100%	Kingdom of Saudi Arabia
NAMA Industrial Investment company	100%	Kingdom of Saudi Arabia
NAMA Europa GMBH	100%	Switzerland

Investments

Investments in financial instruments are classified according to the Company'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 shares and 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) 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 trading are stated at market value. Changes in market value are credited or debited to the statement of income.

Investment 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 INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED) (Continued)
FOR THE THREE MONTHS AND NINE MONTHS ENDED SEPTEMBER 30, 2008

Expenses

Selling and distribution expenses principally comprise of costs incurred in the distribution and sale of the 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 Company will not be able to collect all amounts due according to the original terms of the agreement.

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.

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

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 interim condensed 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 interim condensed consolidated financial statements.

NAMA CHEMICALS COMPANY AND SUBSIDIARIES
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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED) (Continued)
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Employees' end-of-service indemnities

Employees' end of service benefits are calculated and accrued in accordance with the Saudi Arabian Labour Regulations.

Cash and cash equivalents

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

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"). Zakat is recorded at the quarter end based on quarter end results 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.

Impairment of assets

Property, plant and equipment and other non-current assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. An impairment loss, if any, is recognized for the amount by which the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

4. 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. The unrealized loss for the period from April 1, 2006 to September 30, 2008 of SR 57.5 million (net of impairment loss of SR 6 million and SR 5 million recorded for the year ended December 31, 2007 and period ended September 30, 2008 respectively, classified under other expenses) arising on these investments is included in the revaluation (deficit) surplus account in stockholders' equity. Management is evaluating the extent to which these investments may have been permanently impaired, if any and will reflect such impairment through income statement once determined.

Investment available for sale also 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 47.92 million as of September 30, 2008 has been taken to the revaluation (deficit) surplus account under the stockholders' equity.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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5. 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.

6. ZAKAT

NAMA has yet to receive the final zakat assessments for the years from 2000 through 2007 as they are still under study by the DZIT.

7. EARNINGS PER SHARE

Earnings per share are computed by dividing the net income for the period by the weighted average number of shares outstanding during the period.

8. GENERAL

As at September 30, 2008 the current liabilities (SR 39.5 million) of SODA exceeded its current assets (SR 29.8 million) by SR 9.7 million. The ability of the Subsidiary to continue as a going concern is dependent upon continuing support from the shareholders and profitable future operations.

9. COMMITMENTS AND CONTINGENCIES

At September 30, 2008, the Company and its subsidiaries have outstanding letters of credit and guarantee of SR 58.43 million (2007: SR 80.08 million) issued in the normal course of business.

At September 30 the Group had the following capital commitments:

	2008	2007
	SR 000	SR 000
Commitments for the acquisition of property, plant and equipment	87,940	133,840

10. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the presentation of consolidated interim financial statements for the nine months ended September 30, 2008.