NAMA CHEMICALS COMPANY AND SUBSIDIARIES
(SAUDI JOINT STOCK COMPANY)

CONSOLIDATED INTERIM FINANCIAL STATEMENTS AND AUDITORS' REPORT (LIMITED REVIEW) FOR THE THREE MONTH AND YEAR ENDED DECEMBER 31, 2010

NAMA CHEMICALS COMPANY AND SUBSIDIARIES
(SAUDI JOINT STOCK COMPANY)

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FOR THE THREE MONTH AND YEAR ENDED DECEMBER 31, 2010

INDEX	PAGE

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

To the stockholders
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 December 31, 2010 and the related consolidated interim statements of income for the three month and year then ended and consolidated cash flows for the year 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 principles.

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NAMA CHEMICALS COMPANY AND SUBSIDIARIES
(SAUDI JOINT STOCK COMPANY)

CONSOLIDATED INTERIM BALANCE SHEET
AS OF DECEMBER 31, 2010

	Note	2010 SR 000 (Un-audited)	2009 SR 000 (Audited)
ASSETS			
Current assets			
Cash and cash equivalents		**219,770**	23,456
Time deposits		**62,062**	301,493
Trade receivable		**158,484**	91,604
Inventories		**85,256**	76,102
Prepayments and other debt balances		**34,337**	34,641
Total current assets		**559,909**	527,296
Non-current assets			
Investment in development bonds and Islamic bonds		-	157,126
Available for sale investments		**182,340**	146,211
Cost of projects under development	3	**336,071**	1,253,383
Property, plant and equipment		**1,291,423**	294,008
Intangible assets		**78,435**	17,866
Total non-current assets		**1,888,269**	1,868,594
TOTAL ASSETS		**2,448,178**	2,395,890
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities			
Short term borrowings		**64,126**	40,005
Current portion of long term debts		**118,391**	94,093
Accounts payable		**78,153**	70,885
Accrued expenses and other payables		**49,132**	33,778
Total current liabilities		**309,802**	238,761
Non-current liabilities			
Long term debts		**477,459**	567,850
End-of-service indemnities		**16,658**	12,451
Interest rate swap		**14,313**	11,616
Total non-current liabilities		**508,430**	591,917
Stockholders' equity			
Share capital	1	**1,285,200**	1,285,200
Share premium		**258,586**	258,586
Statutory reserve	1,4	**14,796**	14,796
Revaluation surplus		**94,773**	58,644
Foreign currency translation adjustments		**(3,498)**	(324)
Changes in cash flow hedge position		**(14,313)**	(11,616)
Accumulated losses		**(5,598)**	(40,074)
Total stockholders' equity		**1,629,946**	1,565,212
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		**2,448,178**	2,395,890

The accompanying notes from 1 to 9 form an integral part of these consolidated interim financial statements.

NAMA CHEMICALS COMPANY AND SUBSIDIARIES
(SAUDI JOINT STOCK COMPANY)

CONSOLIDATED INTERIM STATEMENT OF INCOME
FOR THE THREE MONTH AND YEAR ENDED DECEMBER 31, 2010

	From October 1 to December 31		From January 1 to December 31	
	2010	2009	**2010**	2009
	SR 000	SR 000	**SR 000**	SR 000
	(Un-audited)	(Un-audited)	**(Un-audited)**	(Audited)
Sales	**181,521**	97,466	**628,245**	397,658
Cost of sales	**(151,275)**	(88,373)	**(516,144)**	(385,965)
Gross profit	**30,246**	9,093	**112,101**	11,693
Selling and marketing expenses	**(15,643)**	(10,120)	**(48,939)**	(39,547)
General and administrative expenses	**(7,748)**	(4,511)	**(20,064)**	(16,641)
Profit (loss) from operations	**6,855**	(5,538)	**43,098**	(44,495)
Financial expenses	**(1,263)**	(1,075)	**(5,351)**	(5,311)
Investment income, net	**377**	1,417	**3,157**	19,767
Write-off of cost of projects under development	**-**	(15,309)	**-**	(15,309)
Other income, net	**6,184**	1,598	**3,419**	5,544
Net income (loss) before zakat	**12,153**	(18,907)	**44,323**	(39,804)
Zakat (note 5)	**(3,126)**	(2,482)	**(9,847)**	(9,988)
NET INCOME (LOSS)	**9,027**	(21,389)	**34,476**	(49,792)
Earnings (loss) per share-note 6				
Earnings (loss) per share from net income (in SR)	**0.07**	(0.17)	**0.27**	(0.39)
Earnings (loss) per share from continuing main operations (in SR)	**0.02**	(0.19)	**0.22**	(0.58)
Earnings per share from other operations (in SR)	**0.05**	0.02	**0.05**	0.19
Weighted average number of shares	**128,520,000**	128,520,000	**128,520,000**	128,520,000

The accompanying notes from 1 to 9 form an integral part of these consolidated interim financial statements.

NAMA CHEMICALS COMPANY AND SUBSIDIARIES
(SAUDI JOINT STOCK COMPANY)

CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2010

	2010 SR 000 (Un-audited)	2009 SR 000 (Audited)
OPERATING ACTIVITIES		
Net income (loss) before zakat	44,323	(39,804)
Adjustments for:		
Depreciation	14,202	13,764
Amortization	574	2,775
Gain on disposal of property, plant and equipment	(210)	(45)
End-of-service indemnities	5,132	2,696
Write-off of cost of project under development	-	15,309
Changes in operating assets and liabilities:		
Trade receivable	(66,880)	16,689
Inventories	(9,154)	58,413
Prepayments and other debit balances	304	(5,370)
Accounts payable, accrued expenses and other payables	20,063	(61,487)
Cash from operations	8,354	2,940
End-of-service indemnities paid	(925)	(795)
Zakat paid	(7,288)	(220)
Net cash from operating activities	141	1,925
INVESTING ACTIVITIES		
Additions to property, plant and equipment	(42,389)	(53,566)
Proceeds from disposal of property, plant and equipment	286	45
Additions to cost of projects under development	(113,086)	(184,642)
Change in time deposits	239,431	144,651
Change in development bonds and Islamic bonds	157,126	172,598
Additions to intangible assets	(49)	(4)
Net cash from investing activities	241,319	79,082
FINANCING ACTIVITIES		
Change in short term borrowings	24,121	(18,741)
Drawdown of long term debts	72,725	25,909
Repayment of long term debts	(138,818)	(104,836)
Net cash used in financing activities	(41,972)	(97,668)
Net change in cash and cash equivalents	199,488	(16,661)
Foreign exchange difference on foreign operations	(3,174)	(928)
Cash and cash equivalents, January 1	23,456	41,045
CASH AND CASH EQUIVALENTS, DECEMBER 31	219,770	23,456
Non-cash transactions:		
Project under construction transferred to property, plant and equipment	969,304	-
Project under construction transferred to intangible assets	61,094	-

The accompanying notes from 1 to 9 form an integral part of these consolidated interim financial statements.

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 stockholders, thereby raising a sum of SR 780.3 million from the stockholders. The share capital of the Company was accordingly increased from SR 765 million to SR 1,285.2 million. Share premium of SR 258.59 million was transferred to statutory reserve in compliance with the Regulations for Companies.

The subsidiaries of NAMA are as follows:

Jubail Chemical Industries Co. ("JANA"), a limited liability company, a subsidiary 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.

NAMA Industrial Investment Company which is owned 95% by NAMA and 5% by SODA under the commercial registration number 2055008134.

NAMA Europa GMBH, a 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.

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 interim balance sheet and consolidated interim statement of income. 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 and investment funds 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 income. 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 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 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 accruals basis.

Expenses
Selling and marketing expenses principally comprise of costs incurred in the sale and distribution 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.

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

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 income 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 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 consolidated interim 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.

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:

	Years
Buildings and improvements on lease land	20 - 40
Plant and machinery	5 - 30
Vehicles	4
Furniture, fixtures and office equipment	5 - 10

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.

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 (or 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 (or 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 (or cash-generating unit) in prior periods. A reversal of an impairment loss is recognized as income immediately.

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.

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 consolidated interim balance sheet date. Exchange gains or losses are credited or charged to the consolidated interim 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 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.

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 its 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.

Provisions for obligations
A provision is recognized in the unconsolidated balance sheet when the Company has a legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

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.

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 income on a straight-line basis over the term of the operating lease.

3. COST OF PROJECTS UNDER DEVELOPMENT

On December 31, 2010, the Company has started commercial operation of its Chlor Alkali Plant and Epichlorohydrin Plant and the entire cost related to these projects has accordingly been transferred to property, plant and equipment and intangible assets. The balance of cost of projects under construction mainly comprised the Calcium Chloride plant, which is currently estimated at approximately US$ 61.9 million. 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 in the near future.

Construction related costs as of December 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 year amounted to SR 21.2 million (2009: SR 26.6 million).

4. 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 statutory reserve until such reserve equals 50% of its share capital. This reserve is not available for dividend distributions.

5. ZAKAT

The Company has submitted its zakat returns to the DZIT for the years from 2000 to 2009. These returns are still under review by the DZIT.

6. EARNINGS (LOSS) 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 (loss) 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. GENERAL

SODA has an accumulated deficit of SR 30.24 million as of December 31, 2010 which is in excess of 50% of the Company's share capital of SR 50 million. The ability of the subsidiary to continue as a going concern is dependent upon continuing support from the stockholders and profitable future operations.

8. COMMITMENTS AND CONTINGENCIES

As of December 31, 2010, the Group has outstanding letters of credit and guarantee of SR 75.20 million (2009: SR 137.38 million) issued in the normal course of business.

As of December 31, the Group had the following capital commitments:

	2010	2009
	SR 000	SR 000
	(Un-audited)	(Audited)
Commitments for the acquisition of property, plant and equipment	**155,030**	73,113

9. 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.