

**THE NATIONAL SHIPPING COMPANY OF SAUDI ARABIA**  
(A Saudi Joint Stock Company)

**INTERIM CONSOLIDATED BALANCE SHEET (UNAUDITED)**

As of September 30, 2007  
(Thousands of Saudi Riyals)

<b>ASSETS</b>	<b>Notes</b>	<b>2007</b>	<b>2006</b>
<b>Current assets:</b>			
Cash in hand and at banks	(3)	<b>204,581</b>	193,279
Investments in government's development bonds and short-term deposits	(3)	<b>888,505</b>	127,979
Trade receivable and other debit balances, net		<b>131,324</b>	138,137
Prepaid expenses		<b>61,560</b>	42,206
Agents' receivables current accounts		<b>21,060</b>	12,867
Inventories		<b>66,903</b>	45,261
Investment in Available For Sale securities and others		<b>132,872</b>	81,535
Accrued bunker subsidy, net		<b>22,803</b>	15,706
<b>Total current assets</b>		<b>1,529,608</b>	656,970
<b>Non-current assets:</b>			
Investment in government bonds		<b>604</b>	10,604
Investments in affiliates and others	(4)	<b>215,283</b>	215,917
Deferred charges, net		<b>121,993</b>	79,982
Fixed assets, net		<b>4,528,322</b>	3,699,133
Goodwill	(4A)	<b>119,177</b>	119,177
Ships under construction	(5)	<b>1,070,845</b>	1,239,205
<b>Total non-current assets</b>		<b>6,056,224</b>	5,364,018
<b>Total assets</b>		<b>7,585,832</b>	6,020,988
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities:</b>			
Accounts payable and other credit balances		<b>302,939</b>	271,564
Current portion of long-term loans		<b>682,140</b>	301,279
Short-term loans		---	449,796
Unclaimed dividends		<b>19,436</b>	15,503
Agents' payables current accounts		<b>9,097</b>	10,343
Provision for zakat and tax	(6)	<b>143,899</b>	138,638
Incomplete voyages		<b>11,712</b>	8,772
<b>Total current liabilities</b>		<b>1,169,223</b>	1,195,895
<b>Non-current liabilities:</b>			
Long-term loans		<b>1,664,181</b>	1,693,515
Tax obligation provision	(6)	<b>10,000</b>	16,000
End of service benefits provision		<b>26,091</b>	22,034
<b>Total non-current liabilities</b>		<b>1,700,272</b>	1,731,549
<b>Total liabilities</b>		<b>2,869,495</b>	2,927,444
<b>Equity:</b>			
<b>Shareholders' equity</b>			
Paid-up capital	(7)	<b>3,150,000</b>	2,250,000
Share premium	(7)	<b>524,426</b>	---
Statutory reserve		<b>157,363</b>	117,110
Retained earnings		<b>741,255</b>	603,990
Unrealized loss from investments in Available For Sale securities		<b>(13,826)</b>	(25,875)
<b>Total shareholders' equity</b>		<b>4,559,218</b>	2,945,225
Minority interest		<b>157,119</b>	148,319
<b>Total equity</b>		<b>4,716,337</b>	3,093,544
<b>Total liabilities and equity</b>		<b>7,585,832</b>	6,020,988

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

**THE NATIONAL SHIPPING COMPANY OF SAUDI ARABIA**  
(A Saudi Joint Stock Company)

**INTERIM CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)**

For the three-month and nine-month periods ended September 30, 2007

(Thousand of Saudi Riyals)

	<u>Notes</u>	<u>For the three months ended September 30</u>		<u>For the nine months ended September 30</u>	
		<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Operating revenues	(8)	<b>431,019</b>	432,549	<b>1,284,767</b>	1,279,644
Operating expenses	(8)	<b>(325,549)</b>	(298,236)	<b>(900,048)</b>	(903,462)
<b>Gross operating income</b>	(8)	<b>105,470</b>	134,313	<b>384,719</b>	376,182
General and administrative expenses		<b>(21,268)</b>	(20,314)	<b>(58,269)</b>	(57,686)
<b>Operating income</b>		<b>84,202</b>	113,999	<b>326,450</b>	318,496
Company's share in profits of affiliates	(4)	<b>17,232</b>	17,234	<b>43,461</b>	83,537
Other income, net	(9)	<b>35,589</b>	690	<b>57,564</b>	44,893
Finance charges		<b>(33,291)</b>	(27,273)	<b>(96,703)</b>	(77,525)
<b>Profit before bunker subsidy, zakat, tax and minority interest</b>		<b>103,732</b>	104,650	<b>330,772</b>	369,401
Bunker subsidy		<b>14,335</b>	9,979	<b>30,162</b>	32,208
<b>Profit before zakat, tax and minority interest</b>		<b>118,067</b>	114,629	<b>360,934</b>	401,609
Zakat provision		<b>(3,571)</b>	(3,180)	<b>(10,256)</b>	(10,814)
Tax provision		<b>(1,621)</b>	(1,619)	<b>(4,885)</b>	(4,483)
<b>Profit before Minority Interest</b>		<b>112,875</b>	109,830	<b>345,793</b>	386,312
Minority interest in consolidated subsidiaries' net profit		<b>(304)</b>	(552)	<b>(7,858)</b>	(9,398)
<b>Net profit for the period</b>		<b>112,571</b>	109,278	<b>337,935</b>	376,914
<b>Earnings per share (SR)</b>	(7)	<b>0,36</b>	<b>0,49</b>	<b>1,23</b>	<b>1,68</b>

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

**THE NATIONAL SHIPPING COMPANY OF SAUDI ARABIA**  
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**INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)**

For the nine-month period ended September 30, 2007

(Thousand of Saudi Riyals)

	<u>Note</u>	<u>2007</u>	<u>2006</u>
<b>Cash flows from operating activities:</b>			
Net profit for the period		337,935	376,914
<b>Adjustments to reconcile net profit to net cash provided by operating activities:</b>			
Depreciation		159,710	147,590
Amortization of deferred charges		35,699	26,972
Company's share in profits of affiliates		(43,461)	(83,537)
Gains from sale of fixed assets		(34,664)	(29,865)
Minority interests in consolidated subsidiaries' net profit		7,858	9,398
Provision for zakat and tax		15,141	15,297
End of service benefits provision		3,479	1,135
<b>Changes in operating assets and liabilities:</b>			
Trade receivables and other debit balances, net		5,769	5,635
Prepaid expenses		(23,566)	(10,732)
Agents' receivables current accounts		(14,479)	4,752
Inventories		(24,693)	(12,675)
Accrued bunker subsidy, net		(30)	(172)
Accounts payable and other credit balances		38,832	87,406
Agents' payables current account		8,475	3,342
Zakat and tax paid		(18,367)	(30,957)
Incomplete voyages		(121)	(15,701)
<b>Net cash provided by operating activities</b>		<u>453,517</u>	<u>494,802</u>
<b>Cash flows from investing activities:</b>			
Investments in government's development bonds and short-term deposits		38,941	3,230
Investment in Available For Sale securities		(51,007)	(7,785)
Investments in affiliates		10,281	(36,860)
Deferred charges		(52,653)	(63,755)
Dividends received from affiliates		---	18,046
Purchases of fixed assets		(628,582)	(525,728)
Proceeds from sale of fixed assets		41,628	55,612
Ships under construction		(115,087)	(787,752)
<b>Net cash used in investing activities</b>		<u>(756,479)</u>	<u>(1,344,992)</u>
<b>Cash flows from financing activities:</b>			
Net movement in loans		(25,529)	779,781
Increase in paid-up capital		900,000	710
Share premium		524,426	---
Dividends paid		(220,641)	(3,476)
Minority interest in dividends		---	(3,000)
<b>Net cash provided by financing activities</b>		<u>1,178,256</u>	<u>774,015</u>
Net change in cash and cash equivalents during the period		875,294	(76,175)
<b>Cash and cash equivalents at beginning of the period</b>		<u>163,137</u>	<u>291,352</u>
<b>Cash and cash equivalents at end of the period</b>	(3)	<u>1,038,431</u>	<u>215,177</u>
<b>Non-cash items:</b>			
Increase in share capital		---	<u>250,000</u>

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

**THE NATIONAL SHIPPING COMPANY OF SAUDI ARABIA**  
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**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

For the three-month and nine-month periods ended September 30, 2007

(Thousand of Saudi Riyals)

**1. ORGANIZATION AND OPERATIONS**

The National Shipping Company of Saudi Arabia, a Saudi joint stock company (“the Company”), was established by Royal Decree No, M/5 dated 12/02/1398H, corresponding to 21/01/1978, and registered under Commercial Registration No, 1010026026 dated 01/12/1399H, corresponding to 22/10/1979, issued in Riyadh.

The Company is primarily engaged in purchasing, chartering and operating vessels for the transportation of cargo and passengers and other activities related to sea shipping industry. The Company has operations through three distinct segments which are very large crude carriers (VLCCs), chemical transportation, and goods transportation (liners).

The Company owns eleven Very Large Crude Carriers (VLCCs), three of which are chartered to Vela International Marine Limited, a subsidiary of Saudi Aramco, two are chartered to Euronav Company, one chartered to Hanjin (Korean Company) and the other five are operated in spot market. The Company owns four Roll-On Roll-Out (RoRo) vessels operating on liner trade between North America, Europe, the Middle East and Indian subcontinent.

The National Chemical Carriers Company Ltd “Subsidiary” owns thirteen chemical tankers out of which six are operated under a pooling agreement with Odjil Sachems AS (the pool Manager), six are chartered to Saudi Company for Basic Industries “SABIC”, and one tanker is chartered out to NSCSA.

The accompanying interim consolidated financial statements include the activities of the Company and its subsidiaries, in which the Company owns more than 50% of owners’ equity and/or has control over those subsidiaries. The Company established and/or invested in the following subsidiaries and affiliates:

<u>Name</u>	<u>Activity</u>	<u>Location</u>	<u>Date of incorporation</u>	<u>Ownership % 2007</u>	<u>Ownership % 2006</u>
<b><u>Consolidated Subsidiaries:</u></b>					
National Shipping Company of Saudi Arabia (America)	Company’s ships agent	USA	1991	<b>100 %</b>	100 %
Mideast Ship Management Company Ltd,	Ships Management	Dubai	1996	<b>100 %</b>	100 %
National Chemical Carriers Company Ltd, (NCC)	Petrochemicals transportation	Riyadh	1990	<b>80 %</b>	80 %
<b><u>Non-consolidated Affiliates:</u></b>					
Arab Chemical Carriers Company Ltd, (Note 9)	Petrochemicals transportation	Riyadh	1986	---	50 %
Petredec Company Ltd,	Liquefied Petroleum Gas transportation	Bermuda	1980	<b>30.3 %</b>	30.3 %

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**2. SIGNIFICANT ACCOUNTING POLICIES**

**a) *Accounting convention***

The interim consolidated financial statements are prepared in accordance with the standard of Interim Financial Reports issued by the Saudi Organization for Certified Public Accountants (SOCPA) and under the historical cost convention, except for the investments in affiliated companies and the Available for Sale investments. The Company applies the accrual basis of accounting in recognizing revenues and expenses and on the assumption of the going concern concept.

Significant accounting policies applied by the Company in the preparation of the interim consolidated financial statements are in conformity with those described in the Company's annual financial statements for the year ended December 31 2006.

**b) *Period of financial statements***

According to the by-laws of the Company, the fiscal year of the Company starts on the 1<sup>st</sup> of January and ends on December 31<sup>st</sup> of each Gregorian year. The interim consolidated financial statements are prepared on integration basis of financial periods, where each interim consolidated financial period is considered as complementary to the fiscal year as a whole. Accordingly, each period revenues, gains, expenses and losses are recognized during that period. All adjustments which management feels they are necessary and significant to reflect fair financial position and results of the Company's operations have been prepared, The results of operations may not give an accurate indication for actual annual operations results.

**c) *Interim consolidated financial statements***

The interim consolidated financial statements include the interim financial statements of the parent company and its subsidiaries in which it owns more than 50% of equity and/or has controlling interest. Intercompany transactions and balances were eliminated for the purpose of preparing the interim consolidated financial statements.

**d) *Use of estimates***

The preparation of interim financial statements in accordance with generally accepted accounting principles requires the use of estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues and expenses during the reported period. Although these estimates are based on management's best knowledge of current event and actions, actual results ultimately may differ from those estimates.

**e) *Cash and cash equivalents***

For the purpose of preparing the interim consolidated statement of cash flows, cash and cash equivalents represent cash in hand, bank balances, short-term deposits, and investments that can be liquidated to cash and maturing within three months or less from the date of acquisition.

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*f) Investments*

**1- Investments in affiliates and other:**

Investment in affiliates in which the Company owns equity interest ranging between 20% and 50% are accounted for using the equity method, Due to the timing difference between Petredec Company Ltd, fiscal year and the Company's fiscal year, the Company's share in Petredec Company Ltd, profits or losses are recognized in the Company's books according to the latest financial statements prepared by Petredec Company Ltd. The gap period between the latest financial statements prepared by Petredec Company Ltd, and the date of the Company's financial statements is two months.

Investments in other companies where the Company owns equity interest of less than 20% are accounted for using the cost method.

**2- Investments in government's development bonds:**

Investments in Saudi Government Development Bonds are held to maturity and are stated at adjusted cost by premium or discount, In case of a permanent decline in value, unrealized losses are charged to the interim consolidated statement of income,

**3- Investments in Available For Sale securities:**

Investments in Available For Sale securities represent investment in mutual funds units and investment portfolios managed by local banks, which were classified as Available For Sale investments. Unrealized gains or losses are recognized under shareholders' equity whereas the realized gains or losses from the redemptions of units are charged to the interim consolidated income statement for the period. If there is permanent decline in the value of these investments or objective evidence for impairment, the unrealized loss will be transferred to the interim consolidated statement of income.

*g) Inventories*

Inventories represent vessels supplies, Costs of spare parts and other operating supplies on board of the vessels are charged to operating expenses upon purchase. Fuel and lubricants on board of the vessels are shown as inventories at the balance sheet date, and its cost is determined using First in First out (FIFO) method which is considered more appropriate to the Company's operations. The differences between the weighted average method and FIFO method are not significant.

*h) Intangible assets, Net:*

1- Deferred charges:

Deferred dry-docking charges are amortized over a period of either two or five years from the date of completion of dry-docking depending on the type of vessel. Where a vessel undergoes another dry-docking operation during the specified amortization period, any unamortized balance of deferred charges related to the previous dry-docking of the vessel will be amortized in the interim consolidated statements of income in the period in which the new dry-docking operation occurred.

2- Goodwill:

Goodwill paid on the purchase of investment, representing the excess of the purchasing price over the value of purchased net assets, is re-evaluated at the end of each fiscal year and shown in the financial statement at cost after adjustment for any deterioration in its value, if any.

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***i) Fixed assets, net***

Fixed assets are recorded at actual cost and depreciated using the straight-line method as follows:

1. RoRo vessels are depreciated over a period of twenty years, while VLCCs are depreciated over a period of twenty-five years. Used vessels are depreciated based on their estimated remaining useful life, after taking into consideration 10% of the vessels' cost as residual value.
2. Other fixed assets items are depreciated using depreciation rates appropriate to these assets estimated useful lives.

***j) Impairment of assets***

An assessment is made on an annual basis or where there is an indication that an objective evidence exists that tangible or intangible assets may be impaired. If such evidence exists, the estimated recoverable amount of those assets is estimated to determine the impairment loss for the deterioration in value, if any.

If the estimated recoverable assets value is lower than the book value, the book value will be reduced to the recoverable amount and the difference will be charged to the interim consolidated income statement.

***k) End of service benefits***

Employees' end of service benefits are provided for on the basis of the accumulated services period in accordance with the by-laws of the Company and in conformity with the Saudi Labor Law. End of service benefits in respect of subsidiaries outside the Kingdom of Saudi Arabia are provided for based on the applicable regulations applied in these subsidiaries.

***l) Revenue recognition***

The Company adopted the completed voyage policy to determine the revenues and expenses for the period for the voyages. A voyage is considered to be a "Completed Voyage" when a vessel has sailed from the last discharging port of a voyage. Freight revenues, direct and indirect operating expenses associated with incomplete voyages are deferred until completion of voyage. Incomplete voyages are shown at net amount in the interim consolidated balance sheet under "Incomplete Voyages".

Revenues from chartering and other associated activities are recorded when services are rendered and are recorded in conformity with contract period, voyages durations, and agreed upon services. Other income is recorded when earned.

***m) Bunker subsidy***

Bunker subsidy is computed on bunker quantities purchased and recorded in the interim consolidated statement of income. Provisions are made against any amounts that might not be collectable.

***n) Expenses***

Direct and indirect operating costs are classified as operating expenses and all other expenses are classified as general and administrative expenses.

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*o) Borrowing costs*

Borrowing costs incurred to finance the construction of vessels are capitalized until these vessels are ready for use and operation.

*p) Foreign currency transactions*

Foreign currencies transactions are translated into Saudi Riyals at exchange rates prevailing at transaction date. Monetary assets and liabilities in foreign currencies at balance sheet date are translated into Saudi Riyals at the exchange rates prevailing at that date. Gains and losses resulting from fluctuation of exchange rates are recognized in the interim consolidated income statement.

Assets and liabilities of the consolidated subsidiaries denominated in foreign currencies have been translated into Saudi Riyals at exchange rates prevailing at the interim consolidated balance sheet date. Revenues and expenses of the consolidated subsidiaries denominated in foreign currencies have been translated in Saudi Riyals at average exchange rates during the period. Exchange differences arising from such translations, if material, are included in a separate line item under shareholders' equity.

*q) Zakat and income tax*

Provision for Zakat is computed in accordance with Saudi Zakat standard and charged to interim consolidated statement of income based on the Zakat base for each individual company. Provision is made for withholding tax on payments made to non-resident parties and is charged to the interim consolidated statement of income. For subsidiaries outside the Kingdom of Saudi Arabia, provisions for tax are computed in accordance with the regulations applicable in the respective countries.

*r) Hedging reserve:*

The Company uses commission rate swaps and commission rate caps to hedge its long-term loans against fluctuations in market commission rates. Changes in the fair market value of the commission rate swaps are recorded in the hedging reserve which is included in shareholders' equity; also, the hedging reserve is adjusted based on the periodical valuation of commission rate swaps.

**3. CASH IN HAND AND AT BANKS**

Cash in hand and at banks and short-term deposits include SR 5.64 million as of September 30, 2007 (2006: SR 5.83 million) that are subject to bank restrictions for letter of guarantees issued for the Department of Zakat and Income Tax (DZIT) and other parties.

The comparative for 2006 include SR 2.03 million which represents the value of government bonds that were classified as non-current assets.

Cash in hand and at banks at September 30, 2007 also include SR 49 million (2006: SR 49.9 million) restricted for repayment of current portion of loans maturing within 180 days from the date of the financial statements.

For the purpose of preparing the cash flow statement, cash and cash equivalent at September 30 comprises the following:

	<b>2007</b>	2006
Cash in hand and at banks	<u>155,620</u>	143,429
Short-term deposits and government development bonds	<u>882,811</u>	71,748
	<u>1,038,431</u>	<u>215,177</u>

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**4. INVESTMENTS IN AFFILIATES AND OTHERS**

**a) Petredec Company Ltd.:**

Petredec Company Ltd, was incorporated on February 20, 1980 under the laws of Bermuda, Petredec Company Ltd, is specialized in Liquefied Petroleum Gas (LPG) trading and shipping. The registered office of the company is located in Bermuda and the company also has offices in Monaco, Singapore and Bahamas. The Company has signed an agreement on February 22, 2005 to acquire 30.3% of the share capital of Petredec Company Ltd, for a total amount of US\$ 50 million (equivalent to SR 187.5 million).

Difference between net investment value and purchasing price was considered as goodwill,

Petredec fiscal year starts on September 1 and ends on August 31 of each Gregorian year. The Company's share in Petredec net profits achieved SR 37 million up to July 31, 2007, (July 31, 2006: SR 82.4 million) and it was recorded in the interim consolidated income statement.

**b) The Arabian United Float Glass Company**

The Company signed a contract for establishing the Arabian United Float Glass Company as a founding member. An investment of SR 20 million will be made for the ownership of 2,000,000 shares representing 10% of the share capital. The Company has paid SR 11.2 million until September 30, 2007, The new company is still under formation.

**5. SHIPS UNDER CONSTRUCTION**

The balance appearing under this item represents all payments made in connection with ship construction contracts of new VLCCs, and payments made by NCC (a subsidiary) under signed contracts for constructing new chemical tankers. The Company's capital commitments to shipyards for constructing new VLCCs amounted to SR 1.89 billion, (2006: SR 2.32 billion) and SR 3.24 billion (2006: SR 2.03 billion) for constructing chemical tankers.

**6. THE COMPANY'S ZAKAT AND TAX STATUS**

The Company submitted the Zakat returns for all fiscal years up to 2006 and paid the Zakat due according to these returns. The Company finalized its Zakat status with the DZIT up to 1988 and its tax status up to 1995.

As for the years 1989 to 2000, the Company has received the DZIT's assessments that include an additional claims amounting to SR 87 million. The Company objected and appealed the DZIT treatment of some items in the returns and submitted a bank guarantee covering some of these claims. Assessments for years 2001 to 2006 were not yet received from DZIT.

NCC submitted the Zakat returns for all fiscal years up to 2006 and paid the Zakat due according to these returns and received the assessments form DZIT for the years 1991 to 1996 that include an additional claims amounting to SR 47 millions out of which NCC paid SR 16 millions, NCC filed appeals against some items in these assessments and their treatments. The appeals are still pending with the concerned committees and no decisions regarding these appeals were reached as of the date of these interim consolidated financial statements.

NCC, has not received any Zakat or tax assessment from DZIT for the years 1997 up to 2006 up to the date of these interim consolidated financial statements.

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The Company and its subsidiaries established sufficient provisions to meet abovementioned DZIT claims in case they were forced to pay these claims. However, the appeals are still review by the concerned committees.

**7. PAID-UP CAPITAL AND EARNINGS PER SHARE**

In accordance with the Extraordinary General Assembly meeting held on November 25, 2006, the authorized capital of the Company has increased from SR 2,250 billion (225 million shares) to SR 3.150 billion (315 million shares). After obtaining the required approval from the official concerned parties, the Company issued right shares to the registered shareholders at the end of the day of the Extraordinary General Assembly meeting. Accordingly 90 million shares with nominal value of SR 10 and premium of SR 6 per share were issued. The underwriting was made in April 2007 and it was fully covered.

The General Assembly in its meeting held on April 15, 2007 decided to distribute dividends to the shareholders in the amount of SR 1 for each share held representing 10% of share capital.

Earning per share is calculated based on the weighted average number of shares outstanding during the period.

**8. SEGMENT INFORMATION**

A) The following schedule illustrates the allocation of the Company's activities according to the operational segments for the nine-month period ended September 30:

<u>2007</u>	Operating revenues	Operating expenses	Gross operating profits
Very Large Crude Carriers	564,345	(340,825)	223,520
Petrochemical carriers	361,013	(275,252)	85,761
Liner service	359,409	(283,971)	75,438
	<u>1,284,767</u>	<u>(900,048)</u>	<u>384,719</u>
<u>2006</u>			
Very Large Crude Carriers	542,502	(277,622)	264,880
Petrochemical carriers	347,138	(295,483)	51,655
Liner service	390,004	(330,357)	59,647
	<u>1,279,644</u>	<u>(903,462)</u>	<u>376,182</u>

B) The following schedule illustrates the allocation of the Company's assets and liabilities according to the operational segments as of September 30:

<u>2007</u>	Very Large Crude Carriers	Petrochemical Carriers	Liner Service	Shared Assets and Liabilities*	Total
Assets	4,139,400	1,776,907	273,483	1,396,042	7,585,832
Liabilities	1,564,606	990,615	132,284	181,990	2,869,495
<u>2006</u>					
Assets	3,695,828	1,519,002	246,763	559,395	6,020,988
Liabilities	1,863,716	753,938	87,370	222,420	2,927,444

\* Shared assets and liabilities represent amounts which can not be allocated to a specific segment such as cash, deposits, governmental development bonds, unclaimed dividends and others.

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(Thousand of Saudi Riyals)

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**9. OTHER INCOME, NET**

Other income, net for the period ended September 30, 2007 includes gain generated from the sale of the Company's investment in Arabian Chemical Carriers Ltd, in the amount of SR 14.9 million and gain generated from the sale of NSCSA chemical tanker "Uqba Ibn Nafi" of SR 34.6 million which were recorded in the accompanying interim consolidated statement of income.

**10. CONTINGENCIES AND CAPITAL COMMITMENTS**

The Company has issued bank letters of guarantee of SR 56.7 million which include two letters of guarantee in the amount of SR 12 million and SR 41.6 million respectively in favor of the DZIT for taxes and its related penalties imposed by the Appeal Committee as explained in Note 6. These letters of guarantee were issued against deposited cash and short-term deposits with a bank in the total amount of SR 5.64 million.

The Company has some law suites under review as part of the Company's ordinary operations. Although these law suites have not yet been finalized, the management does not expect any significant negative effect on the Company's operations results or on its financial position.

The Company also has future capital commitments for the construction of very large crude carriers and ships as indicated in Note 5.

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