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- **Incremental increase in Q3 2007 net profits:** NSCSA reported its Q3 2007 results recording a net profit of SAR 112.6 mn, a 3% increase over Q3 2006 figures. Total reported 9M 2007 net profits of SAR 338 mn were 10% lower than SAR 377 mn for 9M 2006. This is mainly due to weaker global chartering rates. Implied earning per share for the 9M 2007 is estimated at SAR 1.23 per share vs. SAR 1.68 per share for 9M 2006. The drop in earning per share is due to the capital increase that took place in April this year.
- **Lower gross profit margins:** Although an additional VLCC (Layla) joined the fleet in August 2007, Q3 revenues from VLCCs as compared to Q2 2007 were 12.8% lower reflecting the poor chartering rates. This, in turn, dragged gross margins lower from 57% to almost 53% in Q3. Chemical tanker's operational income was 4% lower while operating costs were higher by 8%, lowering gross margins to 18% from 22% in the previous quarter. The net result yielded a lower gross profit of SAR 105 mn vs. SAR 145 mn in the previous quarter, a decrease of 28%.
- **QoQ slight increase in profits:** However, Q3 2007 recorded higher investment income from subsidiaries; income from selling one chemical tanker, and benefited from higher fuel subsidies that counter balanced the drop in gross profits yielding a slightly higher (4%) net profit for the quarter as compared to the preceding quarter.
- **NSCSA expected to meet our FY 2007 expectations:** In order for the company to meet our full year expectation of SAR 463 mn in profits, the company should achieve around SAR 125 mn in net during the last quarter implying 11% increase over reported Q3 results. We think chartering rates should increase towards the last quarter given the winter season. Also, the two chemical tankers (Rabigh and Sudair) that will be joining NSCSA's existing fleet in addition to the VLCC (Layla) will contribute to the full quarter rather than just one month of the 3rd quarter results. We also believe that gross margins will improve and the company will achieve our target expectations for FY 2007, and, hence, we will retain our forecasts and overall stance on the company at this time.

Current stock price (SAR)	17.5
52-week range (SAR)	15.75 – 43.4
Number of shares (000)	315,000
Free Float	71%
Market Cap (SAR '000)	5,512,500
Market Cap (USD '000)	1,473,733
Div. Yld 2006	4.14%

SAR '000	Q3 2006	Q1 2007	Q2 2007	Q3 2007	9M 2006	9M 2007
Revenues VLCC	193,908	179,252	205,739	179,354	542,502	564,345
Revenues chemicals	131,883	120,578	122,658	117,777	390,004	361,013
Revenues liner	106,758	102,215	123,305	133,889	347,138	359,409
Total revenues	432,549	402,045	451,702	431,019	1,279,644	1,284,767
VLCC gross profit	95,237	84,027	83,211	56,282	264,880	223,520
Chemicals gross profit	22,622	34,935	31,617	19,209	59,647	85,761
Liners gross profit	16,454	14,558	30,900	29,980	51,655	75,438
Total gross profit	134,313	133,520	145,728	105,470	376,182	384,719
Investment income	17,234	20,251	5,978	17,232	83,537	43,461
Other income	690	13,808	8,167	35,589	44,893	57,564
Bunker subsidy	9,979	8,839	6,989	14,335	32,208	30,162
Net income	109,278	117,378	107,986	112,571	376,914	337,935
Fixed assets	3,699,133	4,016,001	3,963,817	4,528,322		

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