

**ASTRA INDUSTRIAL GROUP COMPANY
(A Saudi Joint Stock Company)**

UNAUDITED INTERIM CONSOLIDATED FINANCIAL
STATEMENTS FOR THE THREE-MONTH PERIOD
ENDED MARCH 31, 2012 AND INDEPENDENT
ACCOUNTANTS' LIMITED REVIEW REPORT

ASTRA INDUSTRIAL GROUP COMPANY
(A Saudi Joint Stock Company)
INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2012

| | Page |
|--|-------------|
| Independent accountants' limited review report | 1 |
| Consolidated balance sheet | 2 |
| Consolidated income statement | 3 |
| Consolidated cash flow statement | 4 |
| Notes to the interim consolidated financial statements | 5 – 13 |

INDEPENDENT ACCOUNTANTS' LIMITED REVIEW REPORT

April 21, 2012

To the Shareholders of Astra Industrial Group Company
(A Saudi Joint Stock Company)

Scope of review

We have reviewed the accompanying consolidated balance sheet of Astra Industrial Group Company (A Saudi Joint Stock Company) (the "Company") and its subsidiaries (collectively referred to as the "Group") as of March 31, 2012 and the related consolidated statements of income and cash flows for the three-month period ended March 31, 2012, which were prepared by the Group and presented to us with all information and explanations which we required.

We conducted our limited review in accordance with the standard of review of interim financial reporting issued by the Saudi Organization for Certified Public Accountants. A limited review consists principally of applying analytical procedures to financial data and information and making inquiries of persons responsible for financial and accounting matters. The scope of such review is substantially less than an audit conducted in accordance with auditing standards generally accepted in Saudi Arabia, 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.

Conclusion

Based on our limited review, we are not aware of any material modifications that should be made to the accompanying interim consolidated financial statements for them to be in conformity with accounting principles generally accepted in Saudi Arabia appropriate to the circumstances of the Group.

PricewaterhouseCoopers



By: _____

Omar M. Al Sagga
License Number 369

ASTRA INDUSTRIAL GROUP COMPANY
(A Saudi Joint Stock Company)
Consolidated balance sheet
(All amounts in Saudi Riyals unless otherwise stated)

| | Notes | March 31, | |
|--|-------|-----------------------------|-----------------------------|
| | | 2012 | 2011 |
| | | (Unaudited) | (Unaudited) |
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | | 86,189,485 | 105,627,415 |
| Murabaha investments | | 459,106,759 | 514,597,775 |
| Accounts receivable, net | | 679,003,965 | 501,848,128 |
| Due from related parties | | 42,513,389 | 49,412,858 |
| Inventories, net | | 611,089,940 | 447,707,339 |
| Prepayments and other assets | | 117,417,023 | 73,460,676 |
| | | <u>1,995,320,561</u> | <u>1,692,654,191</u> |
| Non-current assets | | | |
| Investment in unconsolidated subsidiaries and associates | | 1,811,672 | 14,366,574 |
| Property and equipment, net | | 1,090,094,587 | 882,523,426 |
| Goodwill | | 44,054,811 | 34,868,562 |
| Intangible assets, net | | 4,009,692 | 1,122,792 |
| | | <u>1,139,970,762</u> | <u>932,881,354</u> |
| Total assets | | <u>3,135,291,323</u> | <u>2,625,535,545</u> |
| Liabilities | | | |
| Current liabilities | | | |
| Short-term loans | 3 | 609,808,261 | 231,856,324 |
| Notes payable | | 15,564,093 | 14,582,059 |
| Accounts payable | | 139,037,568 | 157,671,857 |
| Accrued and other liabilities | | 145,565,097 | 152,571,812 |
| Provision for zakat and income tax | | 39,163,249 | 57,504,330 |
| | | <u>949,138,268</u> | <u>614,186,382</u> |
| Non-current liabilities | | | |
| Due to related parties | | 230,607,933 | 165,456,249 |
| End of service benefits | | 62,411,068 | 50,487,015 |
| | | <u>293,019,001</u> | <u>215,943,264</u> |
| Total liabilities | | <u>1,242,157,269</u> | <u>830,129,646</u> |
| Equity | | | |
| Shareholders of the Company: | | | |
| Share capital | 4 | 741,176,470 | 741,176,470 |
| Statutory reserve | | 406,568,677 | 406,568,677 |
| Retained earnings | | 718,390,013 | 594,555,299 |
| Foreign currency translation reserve | | (8,612,183) | (4,174,535) |
| Changes in fair value of cash flow hedges | 5 | (3,138,075) | - |
| Total shareholders' equity | | <u>1,854,384,902</u> | <u>1,738,125,911</u> |
| Minority interest | | <u>38,749,152</u> | <u>57,279,988</u> |
| Total equity | | <u>1,893,134,054</u> | <u>1,795,405,899</u> |
| Total liabilities and equity | | <u>3,135,291,323</u> | <u>2,625,535,545</u> |
| Contingencies | 9 | | |

The notes on pages 5 to 13 form an integral part of these interim consolidated financial statements.

ASTRA INDUSTRIAL GROUP COMPANY
(A Saudi Joint Stock Company)
Consolidated income statement
(All amounts in Saudi Riyals unless otherwise stated)

| | Note | Three-month period ended March 31, | |
|---|------|---------------------------------------|---------------------|
| | | 2012 (Unaudited) | 2011 (Unaudited) |
| Sales | | 391,502,265 | 356,770,597 |
| Cost of sales | | (235,969,737) | (215,488,481) |
| Gross profit | | 155,532,528 | 141,282,116 |
| Operating expenses | | | |
| Selling and marketing | | (61,485,142) | (55,793,032) |
| General and administrative | | (37,967,491) | (30,196,517) |
| Research and development | | (2,681,406) | (4,327,258) |
| Income from operations | | 53,398,489 | 50,965,309 |
| Other income (expenses) | | | |
| Share in net income of unconsolidated subsidiaries and associates | | 1,587,965 | 1,298,432 |
| Financial charges | | (3,901,573) | (1,843,658) |
| Other, net | | 8,380,566 | 8,396,381 |
| Income from continuing operations before minority interest | | 59,465,447 | 58,816,464 |
| Minority interest | | 4,609,271 | 3,224,829 |
| Net income for the period | | 64,074,718 | 62,041,293 |
| Earnings per share: | | | |
| Income from operations | 6 | 0.72 | 0.69 |
| Net income for the period | | 0.86 | 0.84 |

The notes on pages 5 to 13 form an integral part of these interim consolidated financial statements.

ASTRA INDUSTRIAL GROUP COMPANY
(A Saudi Joint Stock Company)
Consolidated cash flow statement
(All amounts in Saudi Riyals unless otherwise stated)

| | Note | Three-month period ended March 31, | |
|--|------|---------------------------------------|----------------------|
| | | 2012 (Unaudited) | 2011 (Unaudited) |
| Cash flow from operating activities | | | |
| Net income for the period | | 64,074,718 | 62,041,293 |
| <u>Adjustments for non-cash items</u> | | | |
| Depreciation | | 10,897,259 | 7,650,978 |
| Amortization | | 78,395 | 294,323 |
| Share in net income of unconsolidated subsidiaries and associates | | (1,587,965) | (1,298,432) |
| Loss applicable to minority interest | | (4,609,271) | (3,224,829) |
| <u>Changes in working capital</u> | | | |
| Accounts receivable | | (99,830,110) | 2,450,469 |
| Due from related parties | | 332,288 | (5,974,269) |
| Inventories | | (58,809,047) | (31,898,811) |
| Prepayments and other current assets | | (28,403,659) | (6,345,830) |
| Accounts payable | | 35,490,965 | 60,738,054 |
| Accrued and other current liabilities | | (8,179,416) | 4,216,000 |
| Due to related parties | | (10,967,063) | (543,817) |
| End of service benefits | | 3,259,941 | (673,177) |
| Net cash (utilized in) generated from operating activities | | (98,252,965) | 87,431,952 |
| Cash flow from investing activities | | | |
| Murabaha investments | | - | 237,083,464 |
| Investment in unconsolidated subsidiaries and associates | | 2,625,363 | (3,972,946) |
| Purchases of property and equipment | | (30,679,721) | (17,031,620) |
| Proceeds from disposal of property and equipment, net | | 2,007,569 | - |
| Additions to intangible assets | | (1,010,932) | (505,397) |
| Net cash (utilized in) generated from investing activities | | (27,057,721) | 215,573,501 |
| Cash flow from financing activities | | | |
| Short-term loans | | 89,150,086 | (256,450,294) |
| Notes payable | | (8,359,512) | 5,986,973 |
| Murabaha loan | | - | (140,625,000) |
| Due to related parties | | 11,824,417 | 5,214,043 |
| Net cash generated from (utilized in) financing activities | | 92,614,991 | (385,874,278) |
| Net change in cash and cash equivalents | | (32,695,695) | (82,868,825) |
| Cash and cash equivalents at beginning of period | | 118,885,180 | 188,496,240 |
| Cash and cash equivalents at end of period | | 86,189,485 | 105,627,415 |
| Supplemental non-cash information: | | | |
| Provision for zakat and income tax charged to shareholders' equity | | 3,731,729 | 8,000,000 |
| Changes in fair value of cash flow hedge | 5 | 3,022,560 | - |

The notes on pages 5 to 13 form an integral part of these interim consolidated financial statements.

ASTRA INDUSTRIAL GROUP COMPANY
(A Saudi Joint Stock Company)
Notes to the interim consolidated financial statements (Unaudited)
For the three-month period ended March 31, 2012
(All amounts in Saudi Riyals unless otherwise stated)

1) General information

Astra Industrial Group Company (the "Company") is a Saudi Joint Stock Company registered in Riyadh, Kingdom of Saudi Arabia under commercial registration No. 1010069607 dated Muharram 9, 1409H (corresponding to August 22, 1988). The shares of Astra Industrial Group Company were listed on the Saudi Stock Market ("Tadawul") on Shabaan 17, 1429H (corresponding to August 18, 2008) through subscription of 30% of the Company's shares by the public.

Astra Industrial Group Company and its subsidiaries (collectively the "Group") consist of the Company and its various Saudi Arabian and foreign subsidiaries listed below. The Company's main objectives, as per its commercial registration, include establishment, management, operating and investment in industrial entities (subject to obtaining the Saudi Arabian General Investment Authority ("SAGIA") approval for each project to be established).

The accompanying interim consolidated financial statements include the accounts of the Company and its following subsidiaries, operating under individual commercial registrations:

| Name of Subsidiary | Country of incorporation | Effective ownership % at March 31, 2012 | |
|--|--------------------------|--|----------|
| | | Direct | Indirect |
| ➤ Tabuk Pharmaceutical Manufacturing Company ("TPMC"). This company has the following subsidiaries: | Saudi Arabia | 95 | 5 |
| - Tabuk Pharmaceutical Research Company | Jordan | 100 | - |
| - Tabuk Pharmaceutical Company Limited | Sudan | 100 | - |
| - Al Bareq Pharmaceutical Manufacturing Factory Company Limited* | Saudi Arabia | 95 | - |
| ➤ Astra Polymer Compounding Company Limited ("Polymer"). This company has the following fully owned subsidiary: | Saudi Arabia | 95 | 5 |
| - Constab Middle East Polimer A.S. ("CMEP") | Turkey | 100 | - |
| ➤ International Building Systems Factory Company Limited ("IBSF") | Saudi Arabia | 95 | 5 |
| ➤ Astra Industrial Complex Co. Ltd. for Fertilizer and Agrochemicals ("AstraChem"). This company has the following foreign subsidiaries: | Saudi Arabia | 95 | 5 |
| - AstraChem Saudia | Algeria | 100 | - |
| - AstraChem Morocco | Morocco | 100 | - |
| - Aggis International Limited | British Virgin Islands | 100 | - |
| - AstraChem Turkey | Turkey | 100 | - |
| - AstraChem Syria | Syria | 100 | - |
| - AstraChem Tashqand | Uzbekistan | 100 | - |
| - Astra Industrial Complex Co. Ltd. for Fertilizer and Agrochemicals, Jordan | Jordan | 50 | - |
| - Astra Nova, Turkey | Turkey | 67 | - |
| ➤ Al-Tanmiya Company for Steel Manufacturing. The company has the following fully owned subsidiary: | Jordan | 51 | - |
| - Al Inma'a Company | Iraq | 51 | - |
| ➤ Astra Energy LLC | Jordan | 76 | - |
| ➤ Astra Mining Company Limited | Saudi Arabia | 60 | - |

*The remaining 5% interest in this company is owned by Astra Industrial Group Company.

ASTRA INDUSTRIAL GROUP COMPANY
(A Saudi Joint Stock Company)
Notes to the interim consolidated financial statements (Unaudited)
For the three-month period ended March 31, 2012
(All amounts in Saudi Riyals unless otherwise stated)

The principal activities of the subsidiaries are as follows:

- Production, marketing and distribution of medicine and pharmaceutical products.
- Production of polymer compounds, plastic additives, color concentrates and other plastic products.
- Metal based construction of industrial buildings and building frames.
- Production of compounded fertilizers and agriculture pesticides and the wholesale and retail trading of fertilizers, forages and insecticides. Also, execution of agricultural contracting projects.
- Production of steel pallets and rebar and generation of the required power of such activity.
- Exploration of all ores and minerals in all regions of the Kingdom of Saudi Arabia except for those lands and marine areas beyond the scope of application of the mining investment law specified in Article No. 8 of the law.

These interim consolidated financial statements were approved by the Board of Directors on April 21, 2012.

2) Summary of significant accounting policies

The principal accounting policies applied in the preparation of these interim consolidated financial statements are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated.

2.1 Basis of preparation

The accompanying interim consolidated financial statements have been prepared under the historical cost convention on the accrual basis of accounting, as modified by the revaluation of derivatives financial instruments to fair value, and in compliance with accounting standards promulgated by Saudi Organization for Certified Public Accountants ("SOCPA"). These interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2011.

The significant accounting policies used for the preparation of these interim consolidated financial statements mentioned below are in conformity with the accounting policies described in the audited consolidated financial statements for the year ended December 31, 2011.

2.2 Period of the financial statements

The Company's financial year begins on January 1 and ends on December 31 of each Gregorian year. The interim consolidated financial statements have been prepared in accordance with SOCPA Standard of Interim Financial Reporting, on the basis of integrated periods, which views each interim period as an integral part of the financial year. Accordingly, revenues, gains, expenses and losses of the interim period are recognized during the period. The accompanying interim consolidated financial statements include all adjustments, comprising mainly of normal recurring accruals, considered necessary by the management to present fairly the statements of financial position, results of operations and cash flows.

The results of operations for the interim period may not represent a proper indication of the annual results of operations.

2.3 Critical accounting estimates and judgments

The preparation of interim consolidated financial statements in conformity with generally accepted accounting principles requires the use of certain critical estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenues and expenses during the reporting period. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

2.4 Investments

(a) Subsidiaries

Subsidiaries are entities over which the Group has the power to govern the financial and operating policies to obtain economic benefit generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

ASTRA INDUSTRIAL GROUP COMPANY
(A Saudi Joint Stock Company)
Notes to the interim consolidated financial statements (Unaudited)
For the three-month period ended March 31, 2012
(All amounts in Saudi Riyals unless otherwise stated)

Investments in subsidiaries which are not considered as material to the interim consolidated financial statements are accounted for using the equity method of accounting and are initially recognized at cost.

The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given or liabilities incurred or assumed at the date of acquisition, plus costs directly attributable to the acquisition. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. Goodwill is tested annually for impairment and carried at cost, net of impairment losses, if any.

Inter-company transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(b) Associates

Associates are entities over which the Group has significant influence, but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognized at cost.

The Group's share of its associates' post-acquisition income or losses is recognized in the consolidated income statement and its share of post-acquisition movements in reserves is recognized in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates.

2.5 Segment reporting

(a) Business segment

A business segment is group of assets, operations or entities:

- (i) Engaged in revenue producing activities;
- (ii) Results of its operations are continuously analyzed by management in order to make decisions related to resource allocation and performance assessment; and
- (iii) Financial information is separately available.

(b) Geographical segment

A geographical segment is group of assets, operations or entities engaged in revenue producing activities within a particular economic environment that are subject to risks and returns different from those operating in other economic environments.

2.6 Foreign currency translation

(a) Reporting currency

These interim consolidated financial statements are presented in Saudi Riyals ("SR") which is the reporting currency of the Company.

(b) Transactions and balances

Foreign currency transactions are translated into Saudi Riyals using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated income statement.

(c) Group companies

The results and financial position of foreign subsidiaries and associates having reporting currencies other than Saudi Riyals are translated into Saudi Riyals as follows:

ASTRA INDUSTRIAL GROUP COMPANY
(A Saudi Joint Stock Company)
Notes to the interim consolidated financial statements (Unaudited)
For the three-month period ended March 31, 2012
(All amounts in Saudi Riyals unless otherwise stated)

- (i) assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
- (ii) income and expenses for each income statement are translated at average exchange rates; and
- (iii) components of the equity accounts are translated at the exchange rates in effect at the dates the related items originated.

Cumulative adjustments resulting from the translations of the financial statements of foreign subsidiaries and associates into Saudi Riyals, if material, are reported as a separate component of equity.

Dividends received from an associate are translated at the exchange rate in effect at the transaction date and related currency translation differences are realized in the consolidated income statement.

When an investment in a foreign subsidiary and an associate is partially disposed off or sold, currency translation differences that were recorded in equity are recognized in consolidated income statement as part of gain or loss on disposal or sale.

2.7 Cash and cash equivalents

Cash and cash equivalents include cash in hand and with banks and other short-term highly liquid investments with maturities of three months or less from the purchase date.

2.8 Murabaha investments

Murabaha investments are short-term highly liquid investments with original maturities of three months or more, but not more than one year, from the purchase date. Commission income is recognized on an accrual basis using agreed commission rates.

2.9 Accounts receivable

Accounts receivable are carried at original invoice amount less provision for doubtful debts. A provision against doubtful debts is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Such provisions are charged to the consolidated income statement, and reported under "Selling and marketing expenses". When account receivable is uncollectible, it is written-off against the provision for doubtful debts. Any subsequent recoveries of amounts previously written-off are credited against "Selling and marketing expenses" in the consolidated income statement.

2.10 Accrued revenue

Accrued revenue represents revenue earned but not yet billed at period-end. Such amounts will be billed in the subsequent period. These balances are currently included under accounts receivable.

2.11 Inventories

Inventories are carried at the lower of cost or net realizable value. Cost is determined using the weighted average method. The cost of finished products include the cost of raw materials, labor and production overheads.

Net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

2.12 Property and equipment

Property and equipment are carried at cost less accumulated depreciation except projects under construction which is carried at cost. Land is not depreciated. Depreciation is charged to the consolidated income statement, using the straight-line method to allocate the costs of the related assets over the following estimated useful lives:

| | Number of Years |
|--|------------------------|
| Buildings | 10 - 33 |
| Leasehold improvements | 4 - 10 |
| Machinery and equipment | 5 - 12.5 |
| Furniture, fixtures and office equipment | 3 - 10 |
| Vehicles | 4 |

ASTRA INDUSTRIAL GROUP COMPANY
(A Saudi Joint Stock Company)
Notes to the interim consolidated financial statements (Unaudited)
For the three-month period ended March 31, 2012
(All amounts in Saudi Riyals unless otherwise stated)

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in the consolidated income statement.

Maintenance and normal repairs which do not materially extend the estimated useful life of an asset are charged to the consolidated income statement, as and when incurred. Major renewals and improvements, if any, are capitalized and the assets so replaced are retired.

2.13 Impairment of non-current assets

Non-current assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount which is the higher of an asset's fair value less cost to sell and value in use. For the purpose of assessing impairment, assets are grouped at lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-current assets other than intangible assets that suffered impairment are reviewed for possible reversal of impairment at each reporting date. 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 the increased carrying amount should not exceed the carrying amount that would have been determined, had no impairment loss been recognized for the assets or cash-generating unit in prior years. A reversal of an impairment loss is recognized as income immediately in the consolidated income statement. Impairment losses recognized on intangible assets are not reversible.

2.14 Intangible assets

Intangible assets, apart from goodwill, represent registration and license fees and are amortized on a straight-line method over a period of 5 years.

2.15 Borrowings

Borrowings are recognized at the proceeds received, net of transaction costs incurred, if any. Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalized as part of those assets. Other borrowing costs are charged to the consolidated income statement.

2.16 End of service benefits

End of service benefits required by Saudi Labor and Workman Law are accrued by the Group and charged to the consolidated income statement. The liability is calculated; at the current value of the vested benefits to which the employee is entitled, should the employee leave at the balance sheet date. Termination payments are based on employees' final salaries and allowances and their cumulative years of service, as stated in the laws of Saudi Arabia.

The foreign subsidiaries provide currently for employee termination and other benefits as required under the laws of their respective countries of domicile. There are no funded or unfunded benefit plans established by the foreign subsidiaries.

2.17 Accounts payable and accruals

Liabilities are recognized for amounts to be paid for goods and services received, whether or not billed to the Group.

2.18 Zakat and taxes

In accordance with the regulations of the Department of Zakat and Income Tax ("DZIT"), the Group is subject to zakat attributable to the Saudi shareholders and to income taxes attributable to the foreign shareholders. Provisions for zakat and income taxes are charged to the equity accounts of the Saudi and the foreign shareholders, respectively. Additional amounts payable, if any, at the finalization of final assessments are accounted for when such amounts are determined. For subsidiaries outside the Kingdom of Saudi Arabia, provision for income tax is computed in accordance with tax regulations as applicable in the respective countries, if required, and charged to the consolidated income statement.

Deferred income taxes are recognized on all major temporary differences between financial income and taxable income during the period in which such differences arise, and are adjusted when related temporary differences are reversed. Deferred income tax assets on carry forward losses are recognized to the extent that it is probable that future taxable income will be available against which such carry-forward tax losses can be utilized. Deferred income taxes are determined using tax rates which have been enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred

ASTRA INDUSTRIAL GROUP COMPANY
(A Saudi Joint Stock Company)
Notes to the interim consolidated financial statements (Unaudited)
For the three-month period ended March 31, 2012
(All amounts in Saudi Riyals unless otherwise stated)

income tax liability is settled. Deferred income taxes arising out of such temporary differences were not significant and, accordingly, were not recorded as of March 31, 2012 and 2011.

The Group and its Saudi Arabian subsidiaries withhold taxes on certain transactions with non-resident parties in the Kingdom of Saudi Arabia as required under Saudi Arabian Income Tax Law.

2.19 Derivative financial instruments

The Group uses forward contracts to hedge its risks of foreign currency fluctuations associated with operational activities and are recognized at fair value. All financial derivatives are carried as assets when the fair value is positive, and as liabilities when the fair value is negative.

Usually, fair values of forward contracts are being obtained with reference to current market prices, if such market prices are not available, fair values are determined at other forecast bases, as appropriate.

When using derivative financial instruments to hedge risks of cash flows related to certain obligations or expected transactions. Gains or losses arising from financial instruments that qualify for hedge accounting are directly taken to shareholders' equity. The ineffective portion of an effective hedge is taken to the consolidated income statement and any gains/losses generated at recognition of financial instrument values, are being recognized.

If the hedging instrument expires and hedged transactions are still probable to occur, gains and losses are retained in the shareholders' equity, and recognized in accordance with the policy above, if such transaction is not probable, accumulated gains/losses - which is already recognized in shareholders' equity - are taken to the consolidated income statement.

2.20 Provisions

Provisions are recognized when; the Group has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated.

2.21 Revenue recognition

Revenues are recognized upon delivery of products and customer acceptance, if any, or on the performance of services. Revenues are shown net of trade or quantity discounts and transportation expenses, if any, and after eliminating sales within the Group. Royalty income is recognized on an accrual basis in accordance with the substance of agreements.

2.22 Selling, marketing and general and administrative expenses

Selling, marketing and general and administrative expenses include direct and indirect costs not specifically part of production costs as required under generally accepted accounting principles. Allocations between selling, marketing and general and administrative expenses and production costs, when required, are made on a consistent basis.

2.23 Research and development costs

Research and development costs are charged to the consolidated income statement in the period in which they are incurred.

2.24 Operating leases

Rental expenses under operating leases are charged to the consolidated income statement over the period of the respective lease.

2.25 Dividends

Dividends are recorded in the interim consolidated financial statements in the period in which they are approved by the shareholders of the Company.

ASTRA INDUSTRIAL GROUP COMPANY
(A Saudi Joint Stock Company)
Notes to the interim consolidated financial statements (Unaudited)
For the three-month period ended March 31, 2012
 (All amounts in Saudi Riyals unless otherwise stated)

2.26 Reclassification

Following reclassification has been made in the comparative 2011 interim consolidated financial statements to conform with 2012 presentation:

- (i) For proper presentation bonus goods amounting to Saudi Riyals 11.8 million for the period ended March 31, 2011 have been reclassified as part of cost of sales from selling and marketing expenses.

3) Short-term loans

The Group has number of bank facility agreements in the form of short-term loans with local and foreign banks to finance the Group companies' ongoing funding needs of which SR 609.8 million was utilized as of March 31, 2012 (2011: SR 231.9 million). The loans bear commission charges at prevailing market rates.

4) Share capital

The share capital of the Company as of March 31 was comprised of 74,117,647 shares stated at SR 10 per share owned as follows:

| Shareholders | Shareholding | |
|---------------------------------|----------------|----------------|
| | 2012 | 2011 |
| Saudi founding shareholders | 58.89% | 58.89% |
| Non-Saudi founding shareholders | 11.11% | 11.11% |
| Public | 30.00% | 30.00% |
| | 100.00% | 100.00% |

5) Derivative financial instruments

The fair value of derivative financial instruments (foreign exchange forward contract) together with the contract notional amount is as follows:

| | Notional amount (Unaudited) | Negative fair value (Unaudited) |
|----------------|--------------------------------|------------------------------------|
| March 31, 2012 | 61,630,000 | (3,138,075) |

6) Earnings per share

Earnings per share for the three-month period ended March 31, 2012 and 2011 have been computed by dividing the income from operations and net income for each period by the weighted average number of shares outstanding during the period.

7) Segment information

The Group operates principally in the following major business segments:

- (i) Pharmaceuticals;
- (ii) Specialty Chemicals;
- (iii) Power and Steel Industries; and
- (iv) Holding Company and other

ASTRA INDUSTRIAL GROUP COMPANY
(A Saudi Joint Stock Company)
Notes to the interim consolidated financial statements (Unaudited)
For the three-month period ended March 31, 2012
(All amounts in Saudi Riyals unless otherwise stated)

Selected financial information as at March 31, 2012 and 2011 and for the three-month periods then ended summarized by the above business segments was as follows:

| | Pharmaceuticals | Specialty Chemicals | Power and Steel Industries | Holding Company and other | Total |
|---|-----------------|---------------------|----------------------------|---------------------------|---------------|
| 2012 | | | | | |
| Sales and projects revenue: | | | | | |
| - Local | 116,908,823 | 94,615,167 | 67,463,626 | - | 278,987,616 |
| - Export | 55,829,081 | 41,012,282 | 15,673,286 | - | 112,514,649 |
| Total | 172,737,904 | 135,627,449 | 83,136,912 | - | 391,502,265 |
| Gross profit | 105,230,288 | 35,046,343 | 15,255,897 | - | 155,532,528 |
| Income (loss) from operations | 39,802,208 | 18,769,012 | 1,101,378 | (6,274,109) | 53,398,489 |
| Income (loss) from continuing operations before minority interest | 42,780,366 | 19,948,398 | 1,511,840 | (4,775,157) | 59,465,447 |
| Depreciation | 3,892,024 | 3,981,811 | 1,861,004 | 1,162,420 | 10,897,259 |
| Amortization | 78,395 | - | - | - | 78,395 |
| Property and equipment, net | 171,426,877 | 134,325,500 | 767,476,126 | 16,866,084 | 1,090,094,587 |
| Capital expenditures incurred | 7,016,211 | 18,428,711 | 3,890,073 | 1,344,726 | 30,679,721 |
| 2011 | | | | | |
| Sales and projects revenue: | | | | | |
| - Local | 100,320,032 | 90,422,730 | 64,188,313 | - | 254,931,075 |
| - Export | 35,062,279 | 48,142,265 | 18,634,978 | - | 101,839,522 |
| Total | 135,382,311 | 138,564,995 | 82,823,291 | - | 356,770,597 |
| Gross profit | 84,725,712 | 39,961,189 | 16,595,215 | - | 141,282,116 |
| Income (loss) from operations | 28,336,435 | 24,682,595 | 4,621,224 | (6,674,945) | 50,965,309 |
| Income (loss) from continuing operations before minority interest | 33,242,447 | 24,919,533 | 5,116,481 | (4,461,997) | 58,816,464 |
| Depreciation | 3,634,083 | 1,427,099 | 2,358,001 | 231,795 | 7,650,978 |
| Amortization | 294,323 | - | - | - | 294,323 |
| Property and equipment, net | 115,501,274 | 87,103,426 | 517,647,881 | 162,270,845 | 882,523,426 |
| Capital expenditures incurred | 6,740,779 | 3,016,427 | 1,694,474 | 5,579,940 | 17,031,620 |

The Group's operations are conducted principally in Saudi Arabia, in addition to Iraq and other countries. Selected financial information as of March 31, 2012 and 2011 and for the three-month periods then ended summarized by geographic area, was as follows:

| | Saudi Arabia | Iraq | Other countries | Total |
|-----------------------------|--------------|-------------|-----------------|---------------|
| 2012 | | | | |
| Property and equipment, net | 333,070,005 | 697,866,835 | 59,157,747 | 1,090,094,587 |
| 2011 | | | | |
| Property and equipment, net | 223,421,008 | 613,393,901 | 45,708,517 | 882,523,426 |

More than 70% of the Group's export sales are in the Middle East and North African (MENA) region.

ASTRA INDUSTRIAL GROUP COMPANY
(A Saudi Joint Stock Company)
Notes to the interim consolidated financial statements (Unaudited)
For the three-month period ended March 31, 2012
(All amounts in Saudi Riyals unless otherwise stated)

Property and equipment in Iraq is owned by the Group through its two subsidiaries, Al Inma'a Company and Astra Energy LLC., in which the Group holds 51% and 76% interest, respectively.

8) Proposed dividends

In their meeting on 27 Rabi' Al Awwal 1433 (corresponding to February 19, 2012), the Board of Directors recommended cash dividends distribution of SR 129,705,882 (SR 1.75 per share) subject to the approval of the shareholders of the Company in their upcoming annual general assembly meeting.

9) Contingencies

At March 31, 2012, the Group had contingent liabilities, arising in the normal course of business, in respect of letters of guarantee, amounting to SR 119,149,110 (2011: SR 58,176,982) and letters of credit amounting to SR 135,154,319 (2011: SR 70,743,986).