

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

UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE-MONTH PERIOD ENDED  
MARCH 31, 2014 AND LIMITED REVIEW REPORT

**ASTRA INDUSTRIAL GROUP COMPANY**  
**(A Saudi Joint Stock Company)**  
**INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2014**

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**LIMITED REVIEW REPORT**

April 20, 2014

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

**Scope of review**

We have reviewed the accompanying interim consolidated balance sheet of Astra Industrial Group Company (the "Company") and its subsidiaries (collectively referred to as the "Group") as of March 31, 2014 and the interim consolidated statements of income and cash flows for the three-month period then ended, and the related notes which form an integral part of these interim consolidated financial statements. These interim consolidated financial statements are the responsibility of the Group's management and have been prepared by them and submitted to us together with all the 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 limited 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.

**Review 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 standards generally accepted in Saudi Arabia.

**PricewaterhouseCoopers**

A handwritten signature in blue ink, appearing to read "Omar M. Al Sagga", is written over a horizontal line.

By: \_\_\_\_\_  
Omar M. Al Sagga  
License Number 369

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

	Notes	As at March 31,	
		2014 (Unaudited)	2013 (Unaudited)
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		140,631,172	114,324,623
Murabaha investments		-	102,850,000
Accounts receivable, net		1,062,586,406	912,670,111
Due from related parties		63,098,070	42,757,786
Inventories, net		802,949,540	830,995,485
Prepayments and other assets		200,991,257	200,540,383
		<u>2,270,256,445</u>	<u>2,204,138,388</u>
<b>Non-current assets</b>			
Investment in unconsolidated subsidiaries and associates		2,670,517	1,059,133
Property, plant and equipment, net		1,330,820,468	1,172,314,591
Goodwill		44,054,811	44,054,811
Intangible assets, net		13,715,309	14,570,870
		<u>1,391,261,105</u>	<u>1,231,999,405</u>
<b>Total assets</b>		<u>3,661,517,550</u>	<u>3,436,137,793</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Murabaha and tawaroq facilities	3	895,371,675	708,568,305
Notes payable		6,917,723	8,711,829
Accounts payable		176,313,531	187,629,707
Due to related parties		8,131,789	9,521,830
Accrued and other liabilities		207,451,306	201,975,102
Provision for zakat and income tax		33,311,967	31,314,322
		<u>1,327,497,991</u>	<u>1,147,721,095</u>
<b>Non-current liabilities</b>			
Due to related parties		339,536,942	296,584,257
End of service benefits		78,944,934	68,205,589
<b>Total liabilities</b>		<u>1,745,979,867</u>	<u>1,512,510,941</u>
<b>Equity</b>			
Shareholders of the Company:			
Share capital	4	741,176,470	741,176,470
Statutory reserve	5	406,568,677	406,568,677
Retained earnings	8	891,244,595	805,576,677
Effect of acquisition transaction with minority interest without change in control reserve	1	(14,338,537)	-
Foreign currency translation reserve		(70,447,824)	(38,062,227)
Changes in fair value of cash flow hedges		-	(39,837)
<b>Total equity of the shareholders of the Company</b>		<u>1,954,203,381</u>	<u>1,915,219,760</u>
Minority interest		(38,665,698)	8,407,092
<b>Total equity</b>		<u>1,915,537,683</u>	<u>1,923,626,852</u>
<b>Total liabilities and equity</b>		<u>3,661,517,550</u>	<u>3,436,137,793</u>
<b>Contingencies</b>	9		

**ASTRA INDUSTRIAL GROUP COMPANY**  
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**Interim consolidated income statement**  
 (All amounts in Saudi Riyals unless otherwise stated)

	Note	For the three-month period ended March 31,	
		2014 (Unaudited)	2013 (Unaudited)
Revenues		498,901,556	454,194,681
Cost of revenues		(306,925,938)	(279,792,029)
<b>Gross profit</b>		<b>191,975,618</b>	<b>174,402,652</b>
<b>Operating expenses</b>			
Selling and marketing		(83,353,115)	(72,448,050)
General and administrative		(49,862,340)	(42,269,781)
Research and development		(10,424,830)	(5,662,264)
<b>Income from main operations</b>		<b>48,335,333</b>	<b>54,022,557</b>
<b>Other income (expenses)</b>			
Share in net loss of unconsolidated subsidiaries and associates		(2,218)	(10,338)
Financial charges	3	(11,225,247)	(6,117,271)
Other, net		2,369,412	13,551,463
<b>Income before minority interest</b>		<b>39,477,280</b>	<b>61,446,411</b>
Minority interest		23,586,679	6,877,707
<b>Net income for the period</b>		<b>63,063,959</b>	<b>68,324,118</b>
<b>Earnings per share:</b>	6		
Income from main operations		0.65	0.73
Net income for the period		0.85	0.92

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



**ASTRA INDUSTRIAL GROUP COMPANY**  
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**Interim consolidated statement of cash flows**  
(All amounts in Saudi Riyals unless otherwise stated)

	For the three-month period ended March 31,	
	2014 (Unaudited)	2013 (Unaudited)
<b>Cash flows from operating activities</b>		
Net income for the period	63,063,959	68,324,118
<u>Adjustments for non-cash items</u>		
Depreciation	30,509,986	12,665,819
Amortization	1,826,984	1,980,076
Share in net loss of unconsolidated subsidiaries and associates	2,218	10,338
Loss applicable to minority interest	(23,586,679)	(6,877,707)
<u>Changes in working capital</u>		
Accounts receivable, net	(56,880,384)	(140,999,363)
Inventories, net	(14,771,662)	(14,532,215)
Due from related parties	(2,428,319)	3,131,522
Prepayments and other current assets	7,715,003	(22,817,060)
Accounts payable	43,347,564	38,326,307
Due to related parties	(35,252,937)	6,753,143
Accrued and other current liabilities	9,176,036	43,459,191
Zakat and income tax paid	(3,134,726)	-
End of service benefits, net	3,141,549	4,009,032
<b>Net cash generated from (utilized in) operating activities</b>	<b>22,728,592</b>	<b>(6,566,799)</b>
<b>Cash flows from investing activities</b>		
Murabaha investments	-	304,831,759
Investment in unconsolidated subsidiaries and associates	(357,417)	926,730
Purchases of property, plant and equipment	(35,501,867)	(40,504,460)
Proceeds from sale of property, plant and equipment	-	2,313,350
Purchases of intangible assets	(2,804,774)	(1,347,065)
<b>Net cash (utilized in) generated from investing activities</b>	<b>(38,664,058)</b>	<b>266,220,314</b>
<b>Cash flows from financing activities</b>		
Murabaha and tawaroq facilities	(47,683,736)	(307,955,948)
Notes payable	(2,077,318)	(8,870,815)
Due to related parties	10,430,110	10,448,121
Minority interest	517,927	435,607
<b>Net cash utilized in financing activities</b>	<b>(38,813,017)</b>	<b>(305,943,035)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(54,748,483)</b>	<b>(46,289,520)</b>
Cash and cash equivalents at beginning of period	197,320,536	155,310,007
Foreign currency translation reserve	(1,940,881)	5,304,136
<b>Cash and cash equivalents at end of period</b>	<b>140,631,172</b>	<b>114,324,623</b>
<b>Supplemental non-cash item information:</b>		
Provision (reversal of provision) for zakat and income tax charged to shareholders' equity	1,553,423	(781,809)
Changes in fair value of cash flow hedges	-	44,403

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

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**1) General information**

Astra Industrial Group Company (the "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 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 Company is a Saudi Joint Stock Company licensed under foreign investment license No. 030114989-01 issued in Riyadh by SAGIA and operating under commercial registration No. 1010069607 issued in Riyadh on 9 Muharram 1409H (August 22, 1988). The registered address of the Company is P.O. Box 1560, Riyadh 11441, Kingdom of Saudi Arabia. The shares of Astra Industrial Group Company were listed on the Saudi Stock Market ("Tadawul") on 17 Shabaan 1429H (August 18, 2008) through subscription of 30% of the Company's shares by the public. Also, see Note 4.

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, 2014	
		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	-
- Tabuk Pharmaceutical Manufacturing Company	Egypt	100	-
➤ 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	-
- Astra Specialty Compounds India Private Limited	India	100	-
➤ International Building Systems Factory Company Limited ("IBSF")	Saudi Arabia	95	5
- Astra Heavy Industries Factory Limited ("AHI")**	Saudi Arabia	95	-
➤ 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	92.4	-
- AstraChem Ukraine Ltd.	Ukraine	100	-
- AstraChem Saudi Jordan Co.	Egypt	100	-
- Astra Agricultural Saudi Jordan Co.	Egypt	100	-
- Astra Industrial Complex for Fertilizers and Agrochemicals and Investments	Oman	99	-
➤ Al-Tanmiya Company for Steel Manufacturing. The company has the following fully owned subsidiary:	Jordan	51	-
- Al Inma'a Company	Iraq	100	-
➤ 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.

\*\*The remaining 5% interest in this company is owned by AstraChem.



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\*\*\*During 2013, the share capital of Astra Nova – Turkey was increased through contribution by AstraChem only without the remaining shareholders in Astra Nova – Turkey, which resulted in an increase in AstraChem's shareholding percentage in Astra Nova, Turkey from 67% to 92.4% and a dilution in the minority interest which was recorded directly through equity under "effect of acquisition transaction with minority interest without change in control".

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.

The Group has operation in Sudan through its subsidiary namely Tabuk Pharmaceutical Company Limited. As per the information provided by the International Monetary Fund, the cumulative three years inflation rate for Sudan exceeded 100% as of December 31, 2013, this, combined with other indicators, resulted Sudan being declared as hyperinflationary economic in the fourth quarter of 2013. Such subsidiary is considered not material to the consolidated financial statements, accordingly its financial statements for the period ended March 31, 2014 are not prepared under International Accounting Standards IAS 29, Financial Reporting in Hyperinflationary Economies.

These interim consolidated financial statements were approved by the Board of Directors on April 20, 2014.

## **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 derivative financial instruments for fair values, 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, 2013.

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, 2013.

### **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 a fair statement 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.



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### **2.3 Critical accounting estimates and judgments**

The preparation of interim consolidated financial statements in conformity with generally accepted accounting standards 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. 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.

Where there is a change in the Company's interest in a subsidiary without resulting in loss of control by the Company, the ownership percentage as of the date of preparation of the consolidated financial statements is used to compute the Company's share and minority interest share in the subsidiary's net assets, necessary reconciliations to determine the consolidated net income and the share of minority interests in the subsidiary's net income, and no profit or loss is recognized as a result of the change in the controlling interest.

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 and unconsolidated subsidiaries**

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 and unconsolidated subsidiaries" are accounted for using the equity method of accounting and are initially recognized at cost.

The Group's share of its associates and unconsolidated subsidiaries' post-acquisition income or losses is recognized in the interim 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;**



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- (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 year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the interim 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:

- (i) assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that interim consolidated 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 interim 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 interim 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 the 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 interim consolidated income statement, and reported under "Selling and marketing expenses". When an account receivable is uncollectible, it is written-off against the provision for doubtful debts. Any subsequent recoveries

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of amounts previously written-off are credited against "Selling and marketing expenses" in the interim 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 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, plant and equipment**

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

	<b>Number of Years</b>
• Buildings	10 - 33
• Leasehold improvements	4 - 10
• Machinery and equipment	5 - 12.5
• Furniture, fixtures and office equipment	3 - 10
• Vehicles	4

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

Maintenance and normal repairs which do not materially extend the estimated useful life of an asset are charged to the interim 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 interim consolidated income statement.

**2.14 Intangible assets**

Intangible assets, apart from goodwill, represent registration and license fee and are amortized on a straight-line basis 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 interim consolidated income statement.



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**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 interim 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 interim consolidated 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 Company is subject to zakat attributable to the Saudi shareholders and to income taxes attributable to the foreign shareholders. Provisions for zakat and income tax 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 interim consolidated balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred 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, 2014 and 2013.

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 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.

**2.20 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 substance of the underlying agreements.

**2.21 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 standards. Allocations between selling, marketing and general and administrative expenses and production costs, when required, are made on a consistent basis.

**2.22 Research and development costs**

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

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**2.23 Operating leases**

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

**2.24 Dividends**

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

**2.25 Earnings per share**

Earnings per share represents ordinary shares share of available income. Earnings per share from main operating income and net income for the period were computed based on weighted average number of shares during the period.

**2.26 Reclassifications**

Certain reclassifications have been made in the comparative 2013 interim consolidated financial statements to conform with 2014 presentation.

**3) Borrowings**

The Group has bank facilities agreements in the form of murabaha, short-term tawaroq and other loans with local and foreign banks to finance the Group companies' ongoing funding needs of which SR 1,113 million was utilized as of March 31, 2014 (March 31, 2013: SR 983 million) under murabaha and tawaroq facilities. The loans bear commission charges at prevailing market rates. These facilities are secured by corporate guarantees. The facilities agreements also contain covenants requiring maintenance of certain financial ratios and other matters which the Group was in compliance with at March 31, 2014. The carrying values of the murabaha and tawaroq facilities at March 31, 2014 are denominated in Saudi Riyals, except for an amount of approximately SR 47.29 million (2013: SR 14.75 million) which is denominated in United States Dollars.

**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 %	
	2014	2013
Saudi founding shareholders	57.63%	58.89%
Non-Saudi founding shareholders	11.11%	11.11%
Public	31.26%	30.00%
	<u>100.00%</u>	<u>100.00%</u>

**5) Statutory reserve**

In accordance with the Regulations for Companies in Saudi Arabia and the Company's By-laws, the Group has established a statutory reserve by the appropriation of 10% of net income until the reserve equals 50% of the share capital. The statutory reserve in the accompanying consolidated financial statements is the statutory reserve of the Company. This reserve is not available for dividend distribution. No transfer is made by the Group during the interim periods.

**6) Earnings per share**

Earnings per share for the three-month period ended March 31, 2014 and 2013 have been computed by dividing the income from main operations and net income for each period by weighted average number of shares outstanding during such periods.



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**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

Selected financial information as at March 31, 2014 and 2013 and for the years then ended summarized by the above business segments was as follows:

	Pharmaceuticals	Specialty Chemicals	Power and Steel Industries	Holding Company and other	Total
<b>As of and for the period ended March 31, 2014 (unaudited)</b>					
Revenue:					
• Local	167,440,157	109,345,654	58,260,077	-	335,045,888
• Export	75,903,739	51,840,530	36,111,399	-	163,855,668
• Total	<u>243,343,896</u>	<u>161,186,184</u>	<u>94,371,476</u>	-	<u>498,901,556</u>
Gross profit	158,021,577	41,224,369	(7,270,328)	-	191,975,618
Income (loss) from main operations	59,885,220	20,540,878	(27,510,400)	(4,580,365)	48,335,333
Income (loss) before minority interest	58,207,264	17,833,397	(47,708,533)	11,145,152	39,477,280
Depreciation	4,116,285	4,051,946	22,068,057	273,698	30,509,986
Amortization	-	539,779	-	1,287,205	1,826,984
Property, plant and equipment, net	329,410,236	157,320,428	832,816,961	11,272,843	1,330,820,468
Capital expenditures	23,424,127	9,202,200	2,843,506	32,034	35,501,867
<b>As of and for the period ended March 31, 2013 (unaudited)</b>					
Revenue:					
• Local	141,123,761	118,954,590	69,965,458	-	330,043,809
• Export	73,265,645	46,635,333	4,249,894	-	124,150,872
• Total	<u>214,389,406</u>	<u>165,589,923</u>	<u>74,215,352</u>	-	<u>454,194,681</u>
Gross profit	119,130,875	39,506,886	15,764,891	-	174,402,652
Income (loss) from operations	40,530,782	20,196,117	(1,928,135)	(4,776,207)	54,022,557
Income (loss) before minority interest	45,709,574	17,220,496	(2,214,821)	731,162	61,446,411
Depreciation	3,272,364	7,154,030	813,325	1,426,100	12,665,819
Amortization	29,000	-	1,935,251	15,825	1,980,076
Property, plant and equipment, net	206,714,702	156,258,844	803,646,379	5,694,666	1,172,314,591
Capital expenditures	26,069,573	9,138,287	3,077,217	2,219,383	40,504,460



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

<b><u>2014 (unaudited)</u></b>	<b>Saudi Arabia</b>	<b>Iraq</b>	<b>Other countries</b>	<b>Total</b>
Property, plant and equipment, net	<b>480,976,044</b>	<b>738,219,497</b>	<b>111,624,927</b>	<b>1,330,820,468</b>
<b><u>2013 (unaudited)</u></b>				
Property, plant and equipment, net	<b>395,192,128</b>	<b>715,422,415</b>	<b>61,700,048</b>	<b>1,172,314,591</b>

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

Property, plant 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**

The Board of Directors in their meeting held on 26 Rabi Al Thani 1435 H (February 26, 2014), recommended cash dividends amounting to 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, 2014, the Group had contingent liabilities arising in the normal course of business, in respect of letters of guarantee amounting to SR 123,816,388 (March 31, 2013: SR 132,673,410) and letters of credit amounting to SR 86,529,606 (March 31, 2013: SR 29,010,668).