

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

UNAUDITED INTERIM CONSOLIDATED FINANCIAL
STATEMENTS FOR THE THREE-MONTH AND
SIX-MONTH PERIODS ENDED JUNE 30, 2011 AND
INDEPENDENT ACCOUNTANTS' LIMITED REVIEW REPORT

ASTRA INDUSTRIAL GROUP COMPANY
(A Saudi Joint Stock Company)
UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED JUNE 30, 2011

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INDEPENDENT ACCOUNTANTS' LIMITED REVIEW REPORT

July 18, 2011

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 (A Saudi Joint Stock Company) (the "Company") as of June 30, 2011 and the related interim consolidated income statement for the three-month and six-month periods then ended and interim consolidated statement of cash flows for the six-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 Company's management.

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 the 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.

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 Company.

PricewaterhouseCoopers



By:

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License Number 369



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

	Notes	June 30, 2011	June 30, 2010
Assets			
Current assets			
Cash and cash equivalents		82,309,972	82,268,731
Murabaha investments		469,031,784	761,581,271
Accounts receivable, net		571,944,841	604,101,629
Due from related parties		69,516,353	67,160,276
Inventories, net		446,336,274	431,709,420
Prepayments and other assets		76,400,777	67,775,929
		<u>1,715,540,001</u>	<u>2,014,597,256</u>
Assets classified as held-for-sale	4	-	74,228,459
		<u>1,715,540,001</u>	<u>2,088,825,715</u>
Non-current assets			
Investment in unconsolidated subsidiaries and associates		17,083,107	2,728,927
Property and equipment, net		954,643,424	748,303,367
Goodwill		34,868,562	34,868,562
Other Intangible assets, net		1,646,139	3,232,277
		<u>1,008,241,232</u>	<u>789,133,133</u>
Total assets		<u>2,723,781,233</u>	<u>2,877,958,848</u>
Liabilities			
Current liabilities			
Short-term tawaroq loans	5	342,340,931	323,181,636
Current portion of murabaha loan		-	40,625,000
Notes payable		25,064,428	25,228,908
Accounts payable		175,045,479	235,783,009
Accrued and other liabilities		166,269,977	165,103,098
Provision for zakat and income tax		24,512,005	9,823,070
		<u>733,232,820</u>	<u>799,744,721</u>
Liabilities directly associated with assets classified as held for sale	4	-	11,207,130
		<u>733,232,820</u>	<u>810,951,851</u>
Non-current liabilities			
Murabaha loan		-	208,875,206
Due to related parties		190,875,507	163,602,738
End of service benefits		50,937,593	46,486,326
		<u>241,813,100</u>	<u>418,964,270</u>
Total liabilities		<u>975,045,920</u>	<u>1,229,916,121</u>
Equity			
Shareholders of the Company:			
Share capital	1,6	741,176,470	741,176,470
Statutory reserve		406,568,677	406,568,677
Foreign currency translation reserve		(2,529,987)	1,774,158
Retained earnings		550,009,473	437,879,132
Total shareholders' equity		<u>1,695,224,633</u>	<u>1,587,398,437</u>
Minority interest		53,510,680	60,644,290
Total equity		<u>1,748,735,313</u>	<u>1,648,042,727</u>
Total liabilities and equity		<u>2,723,781,233</u>	<u>2,877,958,848</u>

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)
Interim consolidated income statement (Unaudited)
(All amounts in Saudi Riyals unless otherwise stated)

	Three-month period ended June 30,		Six-month period ended June 30,	
	2011	2010	2011	2010
Notes				
Sales	372,443,724	276,023,267	729,214,321	552,345,740
Cost of sales	(215,636,551)	(149,947,431)	(419,345,704)	(299,337,344)
Gross profit	156,807,173	126,075,836	309,868,617	253,008,396
Operating expenses				
Selling and marketing	(74,155,112)	(54,554,455)	(138,890,022)	(112,796,114)
General and administrative	(29,909,705)	(22,932,733)	(62,943,672)	(45,308,830)
Research and development	(3,147,056)	(2,326,300)	(7,474,314)	(4,404,468)
Income from operations	49,595,300	46,262,348	100,560,609	90,498,984
Other income (expenses)				
Share in net (losses) income of unconsolidated subsidiaries and associates	(1,047,851)	236,193	250,581	16,447
Financial charges	(2,703,826)	(5,648,124)	(4,547,484)	(6,479,308)
Other, net	17,669,986	14,617,412	26,066,367	25,174,807
Income from continuing operations before minority interest	63,513,609	55,467,829	122,330,073	109,210,930
Income from discontinued operations	4	-	3,477,249	-
Income before minority interest	63,513,609	58,945,078	122,330,073	115,372,371
Minority interest	3,769,028	2,508,367	6,993,857	3,971,709
Net income for the period	67,282,637	61,453,445	129,323,930	119,344,080
Earnings per share:	7			
Operating income	0.67	0.62	1.36	1.22
Non-operating income	0.19	0.12	0.29	0.25
Net income for the period	0.91	0.83	1.74	1.61

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)
Interim consolidated cash flow statement (Unaudited)
(All amounts in Saudi Riyals unless otherwise stated)

	<u>Six-month period ended June 30,</u>	
	2011	2010
Cash flow from operating activities		
Net income for the period	129,323,930	119,344,080
<u>Adjustments for non-cash items</u>		
Depreciation	13,378,770	11,544,091
Amortization	156,791	268,163
Share in net income of unconsolidated subsidiaries and associates	(250,581)	(16,447)
Loss applicable to minority interest	(6,993,857)	(3,971,709)
<u>Changes in working capital</u>		
Accounts receivable, net	(67,646,244)	(157,008,808)
Inventories, net	(30,527,746)	(74,929,403)
Prepayments and other current assets	(9,285,931)	(10,899,825)
Accounts payable	78,111,676	85,939,643
Accrued and other current liabilities	17,914,165	199,066,763
Zakat and income tax paid	(31,844,317)	(34,314,998)
Employee termination benefits	(222,599)	2,564,777
Net cash generated from operating activities	<u>92,114,057</u>	<u>137,586,327</u>
Cash flow from investing activities		
Murabaha investments	282,649,455	(388,374,759)
Investment in unconsolidated subsidiaries and associates	(6,399,241)	(462,411)
Purchases of property and equipment, net	(94,572,951)	(155,558,841)
Purchase of subsidiary	-	(26,020,169)
Changes in intangible assets	(891,212)	-
Net cash generated from (utilized in) investing activities	<u>180,786,051</u>	<u>(570,416,180)</u>
Cash flow from financing activities		
Short-term tawaroq loans	(145,965,687)	321,337,782
Murabaha loan	(140,625,000)	249,500,206
Notes payable	16,469,342	10,339,739
Due to related parties, net	4,011,720	(60,519,507)
Dividends paid	(111,176,471)	(92,647,059)
Board members' remuneration	(1,800,000)	(1,800,000)
Minority interest	(280)	30,001
Net cash (utilized in) generated from financing activities	<u>(379,086,376)</u>	<u>426,241,162</u>
Net change in cash and cash equivalents	(106,186,268)	(6,588,691)
Cash and cash equivalents at beginning of period	<u>188,496,240</u>	<u>88,857,422</u>
Cash and cash equivalents at end of period	<u>82,309,972</u>	<u>82,268,731</u>
Non-cash item:		
Provision for zakat and income tax charged to shareholders' equity	-	1,084,495

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 for the three-month and six-month periods ended June 30, 2011 (Unaudited)

(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, 1409 (corresponding to August 22, 1988). The shares of Astra Industrial Group Company were listed on the Saudi Stock Market ("Tadawul") on August 18, 2008 (corresponding to Shabaan 17, 1429) through subscription of 30% of the Company's shares to 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 on 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 June 30, 2011	
		Direct	Indirect
➤ Tabuk Pharmaceutical Manufacturing Company ("TPMC"). This company has the following subsidiaries:	Saudi Arabia	95	5
- Tabuk Pharmaceutical Research Company	Jordan	100	-
- Alsaudia Advanced Pharmaceutical Industries - incorporated in 2010	Sudan	80	-
➤ 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 - incorporated in 2010	Jordan	50	-
➤ 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	-

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 for such activity.

ASTRA INDUSTRIAL GROUP COMPANY

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Notes to the interim consolidated financial statements for the three-month and six-month periods ended June 30, 2011 (Unaudited)

(All amounts in Saudi Riyals unless otherwise stated)

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, 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, 2010.

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, 2010.

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 consolidated balance sheet, 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 fully 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.

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 income and losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

ASTRA INDUSTRIAL GROUP COMPANY

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Notes to the interim consolidated financial statements for the three-month and six-month periods ended June 30, 2011 (Unaudited)

(All amounts in Saudi Riyals unless otherwise stated)

(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 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;
- (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 balance sheet;
- (ii) income and expenses for each interim consolidated 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 are reported as a separate component of equity.

ASTRA INDUSTRIAL GROUP COMPANY

(A Saudi Joint Stock Company)

Notes to the interim consolidated financial statements for the three-month and six-month periods ended June 30, 2011 (Unaudited)

(All amounts in Saudi Riyals unless otherwise stated)

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 investment in a foreign subsidiary or an associate is partially disposed off or sold, currency translation differences that were recorded in equity are recognized in income 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 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 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 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 and equipment

Property 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:

	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

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.

ASTRA INDUSTRIAL GROUP COMPANY

(A Saudi Joint Stock Company)

Notes to the interim consolidated financial statements for the three-month and six-month periods ended June 30, 2011 (Unaudited)

(All amounts in Saudi Riyals unless otherwise stated)

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 asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized as income immediately in the interim consolidated income statement. Impairment losses recognized on intangible assets are not reversible.

2.14 Intangible assets

Intangible asset, 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 income statement.

2.16 End of service benefits

Employee termination benefits required by Saudi Labor and Workman Law are accrued by the Group and its Saudi Arabian subsidiaries 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 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 interim 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 income tax liability is settled. Deferred income taxes arising out of such temporary differences were not significant and, accordingly, were not recorded as of June 30, 2011 and 2010.

The Company 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.

ASTRA INDUSTRIAL GROUP COMPANY

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Notes to the interim consolidated financial statements for the three-month and six-month periods ended June 30, 2011 (Unaudited)

(All amounts in Saudi Riyals unless otherwise stated)

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 the 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 principles. 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 period in which they are incurred.

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 Reclassification

Certain comparative amounts have been reclassified to conform with 2011 presentation.

3) Acquisition of subsidiary and related goodwill

During the period ended June 30, 2010, the Company acquired 100% of Constab Middle East Polimer A.S. ("CMEP"), through purchasing of 100% of its shares for an amount of SR 26,711,839.

Following is the composition of the fair value, which approximates the book value, of net assets acquired and the goodwill arising on acquisition of CMEP in Saudi Riyals is as follows:

Cash and cash equivalent	723,375
Accounts receivable	3,059,058
Inventories	2,703,425
Prepayments and other assets	996,427
Property and equipment	7,511,521
Intangible assets	49,948
Other assets	45,262
Bank loan	(1,928,373)
Accounts payable	(2,074,815)
Accrued and other liabilities	(108,255)
Provision for income tax	(90,434)
Net assets acquired	10,887,139
Total consideration paid	26,907,644
Goodwill	16,020,505

ASTRA INDUSTRIAL GROUP COMPANY

(A Saudi Joint Stock Company)

Notes to the interim consolidated financial statements for the three-month and six-month periods ended June 30, 2011 (Unaudited)

(All amounts in Saudi Riyals unless otherwise stated)

CMEP is located in the European free trade zone in Corlu, Turkey. The main activity of the CMPE is the sales and production of non-colour masterbatch.

4) Assets of disposal group classified as held for sale

During February 2010, the Board of Directors approved the offer received for the sale of a subsidiary, Arabian Company for Comforts and Pillows (ACCP). The sale was further approved by the General Assembly in its meeting held on March 30, 2010. Accordingly, the assets and liabilities related to this subsidiary have been classified and accounted for at June 30, 2010 as a disposal group held for sale. The sale was completed subsequently during 2010.

(a) The major classes of assets and liabilities of the subsidiary as of June 30, 2010 are as follows:

<u>Assets classified as held for sale</u>	
Accounts receivable, net	28,554,282
Inventories, net	32,260,746
Prepaid expenses and other assets	2,648,931
Property and equipment, net	10,764,500
Total assets	<u>74,228,459</u>
<u>Liabilities associated with assets classified as held for sale</u>	
Notes payable	2,667,849
Accounts payable	1,749,653
Accrued expenses and other liabilities	1,889,427
Provision for zakat and income tax	749,497
End of service benefits	4,150,704
Total liabilities	<u>11,207,130</u>
Net assets classified as held for sale	<u>63,021,329</u>

(b) Analysis of the results of discontinued operations for the six month period ended June 30 is as follows:

	<u>2011</u>	<u>2010</u>
Sales	-	34,717,654
Cost of sales	-	(24,851,150)
	-	9,866,504
Expenses	-	(3,721,822)
Other	-	16,759
Income from discontinued operations	-	6,161,441

(c) Net cash flows attributable to the activities of discontinued operations for the six month period ended June 30 are as follows:

	<u>2011</u>	<u>2010</u>
Operating cash flows	-	1,914,066
Investing cash flows	-	-
Financing cash flows	-	(7,000,000)
Net cash flows	-	(5,085,934)

5) Short-term tawaroq loans

The Group has number of bank facilities agreements in the form of short-term Tawaroq loans with local banks to finance the Group's companies ongoing funding needs of which SR 342.3 million was utilized as of June 30, 2011. The loans bear profit charges at prevailing market rates.

ASTRA INDUSTRIAL GROUP COMPANY

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Notes to the interim consolidated financial statements for the three-month and six-month periods ended June 30, 2011 (Unaudited)

(All amounts in Saudi Riyals unless otherwise stated)

6) Share capital

The share capital of the Company as of June 30 was comprised of 74,117,647 shares stated at SR 10 per share owned as follows:

Shareholders	Shareholding	
	2011	2010
Saudi founding shareholders	58.89%	58.89%
Non-Saudi founding shareholders	11.11%	11.11%
Public	30.00%	30.00%
	<u>100.00%</u>	<u>100.00%</u>

7) Earnings per share

Earnings per share for the three-month and six-month periods ended June 30, 2011 and 2010 have been computed by dividing the income from operations, non-operating income and net income for each period by weighted average number of shares outstanding during such periods which was 74,117,647 shares. Earnings per share from discontinued operations for the three-month and six-month periods ended June 30, 2010 amounted to SR 0.05 and SR 0.08 per share, respectively.

8) Segment Information

The Group operates principally in the following major business segments:

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

Selected financial information as at June 30, 2011 and 2010 and for the six-month periods then ended summarized by the above business segments was as follows:

	Pharmaceuticals	Specialty Chemicals	Steel Industries	Holding Company and Other	Total
2011					
Sales and projects revenue:					
– Local	185,307,193	179,774,271	148,487,653	-	513,569,117
– Export	95,620,418	93,881,818	26,142,968	-	215,645,204
– Total	<u>280,927,611</u>	<u>273,656,089</u>	<u>174,630,621</u>	-	<u>729,214,321</u>
Gross profit	190,603,476	83,910,435	35,354,706	-	309,868,617
Income (loss) from operations	51,334,305	51,003,215	10,414,261	(12,191,172)	100,560,609
Income (loss) from continuing operations	64,945,734	50,831,891	10,137,832	(3,585,384)	122,330,073
Income from discontinued operations	-	-	-	-	-
Depreciation	6,905,866	3,512,693	2,396,947	563,264	13,378,770
Amortization	156,791	-	-	-	156,791
Property and equipment	121,211,974	96,856,700	568,977,466	167,597,284	954,643,424
Capital expenditures incurred	14,374,140	24,452,094	44,644,436	11,237,848	94,708,518

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Notes to the interim consolidated financial statements for the three-month and six-month periods ended June 30, 2011 (Unaudited)

(All amounts in Saudi Riyals unless otherwise stated)

	Pharmaceuticals	Specialty Chemicals	Steel Industries	Holding Company and Other	Total
2010					
Sales and projects revenue:					
– Local	160,132,819	152,834,888	77,239,398	-	390,207,105
– Export	81,291,696	52,751,814	28,095,125	-	162,138,635
– Total	241,424,515	205,586,702	105,334,523	-	552,345,740
Gross profit	160,120,931	63,312,155	29,575,310	-	253,008,396
Income (loss) from operations	45,811,398	39,697,704	14,381,202	(9,391,320)	90,498,984
Income from continuing operations	50,511,269	39,854,350	12,795,397	6,049,914	109,210,930
Income from discontinued operations	-	-	-	6,161,441	6,161,441
Depreciation	5,886,950	2,903,987	2,011,700	741,454	11,544,091
Amortization	268,163	-	-	-	268,163
Property and equipment	114,825,349	66,636,508	383,132,854	183,708,656	748,303,367
Capital expenditures incurred	11,418,999	6,626,779	47,179,633	230,423	65,455,834

The Group's operations are conducted principally in Saudi Arabia, in addition to Iraq and other countries. Selected financial information as of June 30 and for the six-month period then ended summarized by geographic area, was as follows:

2011	Saudi Arabia	Iraq	Other countries	Total
Property and equipment	247,948,183	668,007,876	38,687,365	954,643,424
2010				
Property and equipment	205,587,423	516,757,364	25,958,580	748,303,367

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

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

9) Dividends

The General Assembly approved in its meeting held on 26 Jumada Al-Awwal 1432 (corresponding to April 30, 2011) the Company's Board of Directors' recommendation to distribute cash dividends amounting to SR 111,176,471 for the year ended December 31, 2010 of SR 1.5 for each outstanding share.

10) Contingencies and commitments

At June 30, 2011, the Group had contingent liabilities arising in the normal course of business, in respect of letters of guarantee, amounting to SR 105,409,974 (2010: SR 75,189,364) and letters of credit amounting to SR 78,784,185 (2010: SR 89,215,406).