

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, 2012 AND
INDEPENDENT ACCOUNTANTS' LIMITED REVIEW REPORT

ASTRA INDUSTRIAL GROUP COMPANY
(A Saudi Joint Stock Company)
INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED JUNE 30, 2012

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INDEPENDENT ACCOUNTANTS' LIMITED REVIEW REPORT

July 17, 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 as the "Group") as of June 30, 2012 and the related consolidated statement of income for the three-month and six-month periods then ended and the consolidated statement of cash flows for the six-month period then ended, which were prepared by the Group and presented to us with all information and explanation 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.

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

	Note	June 30,	
		2012	2011
		(Unaudited)	(Unaudited)
Assets			
Current assets			
Cash and cash equivalents		162,783,356	82,309,972
Murabaha investments		459,106,759	469,031,784
Accounts receivable, net		726,976,908	571,944,841
Due from related parties		40,511,674	69,516,353
Inventories, net		729,882,860	446,336,274
Prepayments and other assets		166,006,850	76,400,777
		<u>2,285,268,407</u>	<u>1,715,540,001</u>
Non-current assets			
Investment in unconsolidated subsidiaries and associates		2,749,159	17,083,107
Property and equipment, net		1,115,797,575	954,643,424
Goodwill		44,054,811	34,868,562
Intangible assets, net		3,969,488	1,646,139
		<u>1,166,571,033</u>	<u>1,008,241,232</u>
Total assets		<u>3,451,839,440</u>	<u>2,723,781,233</u>
Liabilities			
Current liabilities			
Short-term loans	3	923,406,525	342,340,931
Notes payable		17,589,293	25,064,428
Accounts payable		171,552,255	175,045,479
Accrued and other liabilities		182,377,238	166,269,977
Provision for zakat and income tax		16,737,154	24,512,005
		<u>1,311,662,465</u>	<u>733,232,820</u>
Non-current liabilities			
Due to related parties		256,821,735	190,875,507
End of service benefits		67,753,293	50,937,593
		<u>324,575,028</u>	<u>241,813,100</u>
Total liabilities		<u>1,636,237,493</u>	<u>975,045,920</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		647,479,524	550,009,473
Foreign currency translation reserve		(8,827,580)	(2,529,987)
Changes in fair value of cash flow hedges	5	(4,475,100)	-
Total shareholders' equity		<u>1,781,921,991</u>	<u>1,695,224,633</u>
Minority interest		33,679,956	53,510,680
Total equity		<u>1,815,601,947</u>	<u>1,748,735,313</u>
Total liabilities and equity		<u>3,451,839,440</u>	<u>2,723,781,233</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 June 30,		Six-month period ended June 30,	
	2012	2011	2012	2011
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Sales	376,310,518	372,863,884	768,381,968	729,910,249
Cost of sales	(221,375,839)	(227,071,000)	(457,345,576)	(442,559,481)
Gross profit	154,934,679	145,792,884	311,036,392	287,350,768
Operating expenses				
Selling and marketing	(61,630,437)	(59,883,213)	(123,115,579)	(115,676,245)
General and administrative	(42,106,505)	(32,747,155)	(80,073,996)	(62,943,672)
Research and development	(844,284)	(3,147,056)	(3,525,690)	(7,474,314)
Income from operations	50,353,453	50,015,460	104,321,127	101,256,537
Other income (expenses)				
Share in net income (losses) of unconsolidated subsidiaries and associates	937,481	(1,047,851)	2,525,446	250,581
Financial charges	(4,989,363)	(2,703,826)	(8,890,936)	(4,547,484)
Other, net	17,853,205	17,249,826	25,664,586	25,370,439
Income from continuing operations before minority interest	64,154,776	63,513,609	123,620,223	122,330,073
Minority interest	4,341,185	3,769,028	8,950,456	6,993,857
Net income for the period	68,495,961	67,282,637	132,570,679	129,323,930
Earnings per share:				
	6			
Income from operations	0.68	0.67	1.41	1.37
Net income for the period	0.92	0.91	1.79	1.74

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	Six-month period ended June 30,	
		2012	2011
		(Unaudited)	(Unaudited)
Cash flow from operating activities			
Net income for the period		132,570,679	129,323,930
<u>Adjustments for non-cash items</u>			
Depreciation		19,225,333	13,378,770
Amortization		82,267	156,791
Share in net income of unconsolidated subsidiaries and associates		(2,525,446)	(250,861)
Loss applicable to minority interest		(8,950,456)	(6,993,857)
<u>Changes in working capital</u>			
Accounts receivable, net		(147,803,053)	(67,646,244)
Inventories, net		(177,601,967)	(30,527,746)
Due from related parties		2,334,003	-
Prepayments and other current assets		(76,993,486)	(9,285,931)
Accounts payable		68,005,652	78,111,676
Accrued and other current liabilities		25,960,188	17,914,165
Due to related parties		(10,967,063)	-
Zakat and income tax paid		(30,186,081)	(31,844,317)
End of service benefits, net		8,602,166	(222,599)
Net cash (utilized in) generated from operating activities		(198,247,264)	92,113,777
Cash flow from investing activities			
Murabaha investments		-	282,649,455
Investment in unconsolidated subsidiaries and associates		1,681,949	(6,399,241)
Purchases of property and equipment		(70,052,912)	(94,708,518)
Proceeds from disposal of property and equipment		7,349,698	135,567
Additions to intangible assets		(974,600)	(891,212)
Net cash (utilized in) generated from investing activities		(61,995,865)	180,786,051
Cash flow from financing activities			
Short-term loans		402,748,350	(145,965,687)
Murabaha loan		-	(140,625,000)
Notes payable		(6,334,312)	16,469,342
Due to related parties		38,038,219	4,011,720
Dividends paid		(128,510,952)	(111,176,471)
Board members' remuneration		(1,800,000)	(1,800,000)
Net cash generated from (utilized in) financing activities		304,141,305	(379,086,096)
Net change in cash and cash equivalents		43,898,176	(106,186,268)
Cash and cash equivalents at beginning of period		118,885,180	188,496,240
Cash and cash equivalents at end of period		162,783,356	82,309,972
Supplemental non-cash information:			
Provision for zakat and income tax charged to shareholders' equity		11,632,297	-
Changes in fair value of cash flow hedges	5	1,685,535	-
Dividends payable		1,194,930	-

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, 2012 (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, 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 June 30, 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 Polymer 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.

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.

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ended June 30, 2012 (Unaudited)
(All amounts in Saudi Riyals unless otherwise stated)

- 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 July 17, 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 derivative financial instruments for 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 the 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 for the three-month and six-month periods ended June 30, 2012 (Unaudited)

(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 year-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 for the three-month and six-month periods ended June 30, 2012 (Unaudited)

(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 project 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:

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, 2012 (Unaudited)

(All amounts in Saudi Riyals unless otherwise stated)

	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 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 asset 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.

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Notes to the interim consolidated financial statements for the three-month and six-month periods ended June 30, 2012 (Unaudited)

(All amounts in Saudi Riyals unless otherwise stated)

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 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, 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.

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, 2012 (Unaudited)

(All amounts in Saudi Riyals unless otherwise stated)

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.

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 23.2 million for the period ended June 30, 2011 have been reclassified as part of cost of sales from selling and marketing expenses.

3) Short-term loans

The Group has 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 923.4 million was utilized as of June 30, 2012 (2011: SR 342.3 million). The loans bear commission charges at prevailing market rates.

4) 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	
	2012	2011
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>

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)
June 30, 2012	<u>37,335,164</u>	<u>(4,475,100)</u>

6) Earnings per share

Earnings per share for the three-month and six-month periods ended June 30, 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.

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, 2012 (Unaudited)

(All amounts in Saudi Riyals unless otherwise stated)

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 June 30, 2012 and 2011 and for the six-month periods then ended summarized by the above business segments was as follows:

2012	Pharmaceuticals	Specialty chemicals	Power and steel industries	Holding Company and other	Total
Sales and projects revenue:					
Local	219,373,912	185,342,922	132,331,095	-	537,047,929
Export	105,301,021	88,337,041	37,696,977	-	231,334,039
Total	324,674,933	273,679,963	170,027,072	-	768,381,968
Gross profit	194,352,892	81,428,765	35,254,735	-	311,036,392
Income (loss) from operations	62,218,646	46,629,472	7,154,825	(11,681,816)	104,321,127
Income (loss) from continuing operations before minority interest	76,438,443	47,614,844	7,509,798	(7,942,862)	123,620,223
Depreciation	7,574,027	6,391,473	2,902,940	2,356,893	19,225,333
Amortization	82,267	-	-	-	82,267
Property and equipment, net	176,628,442	136,967,594	785,404,271	16,797,268	1,115,797,575
Capital expenditures incurred	17,409,513	27,312,863	22,860,153	2,470,383	70,052,912
2011	Pharmaceuticals	Specialty chemicals	Power and steel industries	Holding Company and other	Total
Sales and projects revenue:					
Local	185,307,193	179,774,271	148,487,653	-	513,569,117
Export	96,316,346	93,881,818	26,142,968	-	216,341,132
Total	281,623,539	273,656,089	174,630,621	-	729,910,249
Gross profit	168,085,627	83,910,435	35,354,706	-	287,350,768
Income (loss) from operations	52,030,233	51,003,215	10,414,261	(12,191,172)	101,256,537
Income (loss) from continuing operations before minority interest	64,945,734	50,831,891	10,137,832	(3,585,384)	122,330,073
Depreciation	6,905,866	3,512,693	2,396,947	563,264	13,378,770
Amortization	156,791	-	-	-	156,791
Property and equipment, net	121,211,974	96,956,700	723,987,640	12,587,110	954,643,424
Capital expenditures incurred	14,374,140	24,452,094	51,000,766	4,878,518	94,705,518

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Notes to the interim consolidated financial statements for the three-month and six-month periods ended June 30, 2012 (Unaudited)

(All amounts in Saudi Riyals unless otherwise stated)

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:

<u>2012</u>	<u>Saudi Arabia</u>	<u>Iraq</u>	<u>Other countries</u>	<u>Total</u>
Property and equipment, net	351,648,656	714,826,361	49,322,558	1,115,797,575

<u>2011</u>	<u>Saudi Arabia</u>	<u>Iraq</u>	<u>Other countries</u>	<u>Total</u>
Property and equipment, net	247,948,183	668,007,876	38,687,365	954,643,424

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 the Group holds 51% and 76% interest, respectively.

8) Dividends

The General Assembly of the shareholders approved in its meeting held on 7 Rajab 1433 (corresponding to May 28, 2012) the Company's Board of Directors' recommendation to distribute cash dividends amounting to SR 129,705,882 for the year ended December 31, 2011 of SR 1.75 for each outstanding share.

9) Contingencies

At June 30, 2012, the Group had contingent liabilities, arising in the normal course of business, in respect of letters of guarantee, amounting to SR 142,265,375 (2011: SR 105,409,974) and letters of credit amounting to SR 84,158,183 (2011: SR 78,784,185).