

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, 2010 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, 2010

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INDEPENDENT ACCOUNTANTS' LIMITED REVIEW REPORT

July 17, 2010

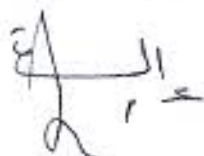
To the Shareholders of Astra Industrial Group Company
(A Saudi Joint Stock Company)

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, 2010 and the related interim consolidated statement of income 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. The interim consolidated financial statements of the Company as of and for the three-month and six-month periods ended June 30, 2009 were reviewed by other independent accountants whose unmodified limited review report was dated July 15, 2009.

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.

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: _____
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	June 30, 2010 (Unaudited)	June 30, 2009 (Unaudited)
Assets			
Current assets			
Cash and cash equivalents		843,850,002	582,690,179
Accounts receivable		671,261,905	550,218,025
Inventories		431,709,420	354,565,744
Prepayments and other assets		66,224,813	53,801,149
		<u>2,013,046,140</u>	<u>1,541,275,097</u>
Assets of disposal group classified as held-for-sale	4	74,228,459	-
		<u>2,087,274,599</u>	<u>1,541,275,097</u>
Non-current assets			
Investment in unconsolidated subsidiaries and associates		2,728,927	5,820,988
Property, plant and equipment		748,303,367	212,442,836
Goodwill		36,419,678	-
Intangible assets		3,232,277	1,694,758
		<u>790,684,249</u>	<u>219,758,582</u>
Total assets		<u>2,877,958,848</u>	<u>1,761,033,679</u>
Liabilities			
Current liabilities			
Short-term tawaroq loan	5	323,181,636	-
Current maturity of long-term borrowings		40,625,000	-
Notes payable		25,228,908	18,575,224
Accounts payable		235,783,009	109,666,565
Accrued and other liabilities		309,801,172	89,712,725
Provision for zakat and income tax		9,823,070	17,949,702
		<u>944,442,795</u>	<u>235,904,216</u>
Liabilities of disposal group classified as held-for-sale	4	11,207,130	-
		<u>955,649,925</u>	<u>235,904,216</u>
Non-current liabilities			
Long-term borrowings		208,875,206	-
Payable to related parties		18,904,664	-
Employee termination benefits		46,486,326	42,073,893
		<u>274,266,196</u>	<u>42,073,893</u>
Total liabilities		<u>1,229,916,121</u>	<u>277,978,109</u>
Equity			
Shareholders' of the Company:	1		
Share capital	6	741,176,470	741,176,470
Statutory reserve	7	406,568,677	396,160,668
Foreign currency reserve		1,774,158	-
Retained earnings		437,879,132	345,718,432
Total shareholders' equity		<u>1,587,398,437</u>	<u>1,483,055,570</u>
Minority interest		60,644,290	-
Total equity		<u>1,648,042,727</u>	<u>1,483,055,570</u>
Total liabilities and equity		<u>2,877,958,848</u>	<u>1,761,033,679</u>
Contingency and commitments	11		

The notes on pages 5 to 14 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,	
		2010	2009	2010	2009
Note					
Sales		276,023,267	256,585,856	552,345,740	487,856,281
Cost of sales		(149,947,431)	(148,510,531)	(299,337,344)	(271,042,824)
Gross profit		126,075,836	108,075,325	253,008,396	216,813,457
Operating expenses					
Selling and marketing		(54,554,455)	(48,600,750)	(112,796,114)	(89,450,086)
General and administrative		(22,932,733)	(17,585,824)	(45,308,830)	(37,554,822)
Research and development		(2,326,300)	(1,184,527)	(4,404,468)	(3,482,054)
Income from operations		46,262,348	40,704,224	90,498,964	66,326,495
Other income (expenses)					
Share in net (losses) income of unconsolidated subsidiaries and associates		236,193	(121,641)	16,447	(1,163,144)
Financial charges		(5,648,124)	(135,556)	(6,479,308)	(250,765)
Other, net		14,617,412	7,628,594	25,174,807	10,444,983
Income from continuing operations before minority interest		55,467,829	48,075,621	109,210,930	95,357,569
Income from discontinued operations	4	3,477,249	2,661,806	6,161,441	4,600,733
Income before minority interest		58,945,078	50,737,427	115,372,371	99,958,302
Minority interest		2,508,367	-	3,971,709	-
Net income for the period		61,453,445	50,737,427	119,344,080	99,958,302
Earnings per share:					
• Operating income	8	0.62	0.55	1.22	1.16
• Net income for the period		0.83	0.68	1.61	1.35

The notes on pages 5 to 14 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>	
	2010	2009
Cash flow from operating activities		
Net income for the period	119,344,080	99,958,302
<u>Adjustments for non-cash items</u>		
Depreciation	11,544,091	11,590,987
Amortization	268,163	110,332
Share in net losses (income) of unconsolidated subsidiaries and associates	(16,447)	1,163,144
Loss applicable to minority interest	(3,971,709)	-
<u>Changes in working capital</u>		
Accounts receivable	(157,008,808)	(9,526,888)
Inventories	(74,929,403)	22,550,412
Prepayments and other current assets	(10,899,825)	(7,934,850)
Accounts payable	85,939,643	(7,587,305)
Accrued and other current liabilities	199,066,763	8,966,751
Zakat and income tax paid	(36,114,998)	(19,384,507)
Employee termination benefits	2,564,777	1,774,486
Net cash generated from operating activities	<u>135,786,327</u>	<u>101,680,864</u>
Cash flow from investing activities		
Murabaha investment	373,206,512	-
Investment in unconsolidated subsidiaries and associates	(462,411)	(4,774,404)
Purchases of property, plant and equipment, net	(155,558,841)	(4,508,837)
Purchase of subsidiary	(26,020,169)	-
Additions to intangible assets	-	(56,125)
Net cash generated from (utilized in) investing activities	<u>191,165,091</u>	<u>(9,339,366)</u>
Cash flow from financing activities		
Short-term tawaroq loan	321,337,782	-
Increase in long-term borrowings	249,500,206	-
Notes payable	10,339,739	2,502,225
Payable to related parties	(60,519,507)	-
Dividends paid	(92,647,059)	(37,058,823)
Changes in minority interest	30,001	-
Net cash generated from (utilized in) financing activities	<u>428,041,162</u>	<u>(34,556,596)</u>
Net change in cash and cash equivalents	754,992,580	57,784,900
Cash and cash equivalents at beginning of period	<u>88,857,422</u>	<u>524,905,279</u>
Cash and cash equivalents at end of period	843,850,002	582,690,179
Non-cash item:		
Provision for zakat and income tax charged to shareholders' equity	<u>2,884,495</u>	<u>18,000,000</u>

The notes on pages 5 to 14 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 six-month period ended June 30, 2010

(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 in 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, 2010	
		Direct	Indirect
➤ Tabuk Pharmaceutical Manufacturing Company ("TPMC"). This Company has the following subsidiaries:	Saudi Arabia	95	5
- Tabuk Ilac Ticaret Ltd. Sirketi (Tabouk Turkey)	Turkey	100	-
- STE AIGERO SAOUDIENNE DE MEDICAMENTS ("SAS Pharma").	Algeria	80	-
- Tabuk Pharmaceutical Research Company.	Jordan	100	-
- Alsaudia Advanced Pharmaceutical Industries - incorporated in 2010	Sudan	80	-
➤ Astra Polymer Compounding Company Limited ("Polymer")	Saudi Arabia	95	5
- Constab Middle East Polymer, Turkey	Turkey	100	-
➤ International Building Systems Factory Company Limited ("IBSF")	Saudi Arabia	95	5
➤ Astra Industrial Complex Co. Ltd. for Fertilizer and Agrochemicals ("AstraChem"). The 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 - incorporated in 2009	Syria	100	-
- Astrachem Tashqand - incorporated in 2009	Uzbekistan	100	-
- Astra Industrial Complex Co. Ltd. For fertilizer and Agrochemicals, Jordan- incorporated in 2010	Jordan	50	-
➤ Arabian Company for Comforts and Pillows ("ACCP")	Saudi Arabia	95	5
➤ Al-Tanmiya Company for Steel Manufacturing. The company has the following fully owned subsidiary:	Jordan	51	-
- Al Inma'a Company	Iraq	100	-

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Notes to the interim consolidated financial statements for the six-month period ended June 30, 2010
(All amounts in Saudi Riyals unless otherwise stated)

The principal activities of the subsidiaries are as follows:

- Production, marketing and distribution of medicine and pharmaceutical products inside the Kingdom of Saudi Arabia and abroad.
- 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 palets and rebar.
- Manufacturing of bonded polyester fibers, bed covers, comforters, pillows and towels.

These interim consolidated financial statements were approved by the Management on July 17, 2010.

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, 2009.

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, 2009.

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 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 in the preparation of interim consolidated financial statements

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

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(A Saudi Joint Stock Company)

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(All amounts in Saudi Riyals unless otherwise stated)

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.

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 investment in associates includes goodwill identified on acquisition, net of any accumulated amortization and impairment losses, if any.

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 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.

ASTRA INDUSTRIAL GROUP COMPANY

(A Saudi Joint Stock Company)

Notes to the interim consolidated financial statements for the six-month period ended June 30, 2010

(All amounts in Saudi Riyals unless otherwise stated)

(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.

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 and 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 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.

2.9 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.

2.10 Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation except construction in progress 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 to their residual values over the following estimated useful lives:

	Number of Years
Buildings	10 - 33
Leasehold improvements	4 - 10
Plant, 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.

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Notes to the interim consolidated financial statements for the six-month period ended June 30, 2010

(All amounts in Saudi Riyals unless otherwise stated)

2.11 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. Impairment losses recognized on intangible assets are not reversible.

2.12 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.

2.13 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.

2.14 Employee termination benefits

Employee termination benefits required by Saudi Labor and Workman Law are accrued by the Company 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.

2.15 Accounts payable and accruals

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

2.16 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 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.

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 utilised. 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 taxed arising out of such temporary differences were not significant and, accordingly, were not recorded as of June 30, 2010 and 2009.

The Company withholds taxes on certain transactions with non-resident parties in the Kingdom of Saudi Arabia as required under Saudi Arabian Income Tax Law.

2.17 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.

2.18 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.

2.19 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.

2.20 Non-current assets (disposal groups) held for sale

Non-current assets (disposal groups) are classified as held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable.

They are stated at the lower of carrying amount and fair value less costs to sell, if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use.

2.21 Research and development costs

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

2.22 Operating leases

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

2.23 Dividends

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

2.24 Reclassification

Certain comparative amounts have been reclassified to conform with 2010 presentation.

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Notes to the interim consolidated financial statements for the six-month period ended June 30, 2010

(All amounts in Saudi Riyals unless otherwise stated)

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	691,670
Accounts receivable	2,925,048
Inventories	2,584,936
Prepayments and other assets	952,754
Property, plant and equipment	7,182,298
Intangible assets	47,759
Other assets	43,278
Bank loan	(1,843,854)
Accounts payable	(3,253,691)
Accrued and other liabilities	(103,511)
Provision for income tax	(86,469)
Net assets acquired	9,140,218
Total consideration paid	26,711,839
Goodwill	17,571,621

CMEP is located in 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 Group expects to complete the sale by 2010.

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

	<u>June 30, 2010</u>
Assets of disposal group classified as held for sale	
Accounts receivable	28,554,282
Inventories	32,260,746
Prepayments and other assets	2,648,931
Property, plant and equipment	10,764,500
Total assets	74,228,459
Liabilities associated with assets classified as held for sale	
Notes payable	2,667,849
Accounts payable	1,749,653
Accrued and other liabilities	1,889,427
Provision for zakat and income tax	749,497
Employee termination benefits	4,150,704
Total liabilities	11,207,130
Net assets of disposal group classified as held for sale	63,021,329

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Notes to the interim consolidated financial statements for the six-month period ended June 30, 2010

(All amounts in Saudi Riyals unless otherwise stated)

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

	2010	2009
Sales	34,717,654	33,418,300
Cost of sales	(24,851,150)	(24,543,524)
	<u>9,866,504</u>	<u>8,874,776</u>
Expenses	(3,721,822)	(4,277,714)
Other	16,759	3,671
Income from discontinued operations	<u>6,161,441</u>	<u>4,600,733</u>

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

	2010	2009
Operating cash flows	1,914,066	3,036,100
Investing cash flows	-	319,323
Financing cash flows	(7,000,000)	(5,611,229)
	<u>(5,085,934)</u>	<u>(2,255,806)</u>

5) SHORT-TERM TAWAROQ LOAN

The Group has bank facilities agreements in the form of short-term Tawaroq loans with local banks to finance the Group's future acquisition transactions of which SR 323 million was utilized as of June 30, 2010. The loans bear finance charges at variable commission rates.

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	
	2010	2009
Saudi founding shareholders	58.89%	58.89%
Non-Saudi founding shareholders	11.11%	11.11%
Public	30.00%	30.00%
	<u>100%</u>	<u>100%</u>

7) STATUTORY RESERVE

In accordance with the Regulations for Companies in the Kingdom of Saudi Arabia, the Company is required to transfer 10% of the net income for the year to a statutory reserve until such reserve equals 50% of its share capital. The statutory reserve in the accompanying interim consolidated financial statements is the statutory reserve of the Company. This reserve currently is not available for distribution to the shareholders of the Company.

The statutory reserve includes the following balances:

	2010	2009
Share premium	332,015,885	332,015,885
Statutory reserve	74,552,792	64,144,783
	<u>406,568,677</u>	<u>396,160,668</u>

8) EARNINGS PER SHARE

Earnings per share for the periods ended June 30, 2010 and 2009 has been computed by dividing the income from operations, and net income for each period by weighted average number of shares outstanding during such period.

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Notes to the interim consolidated financial statements for the six-month period ended June 30, 2010

(All amounts in Saudi Riyals unless otherwise stated)

9) 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, 2010 and 2009 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
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	<u>241,424,515</u>	<u>205,586,702</u>	<u>105,334,523</u>	-	<u>552,345,740</u>
Gross profit	160,120,931	63,312,155	29,575,310	-	253,008,396
Income (loss) from operations	45,811,398	37,472,794	14,381,202	(11,616,230)	86,049,164
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
Amortization	268,163	-	-	-	268,163
Depreciation	5,886,950	2,903,987	2,011,700	741,454	11,544,091
Property, plant and equipment	114,825,349	66,636,508	474,421,451	2,317,051	658,200,359
Capital expenditures	11,418,999	6,626,779	47,179,633	230,423	65,455,834
2009					
Sales and projects revenue:					
- Local	148,154,769	100,545,996	83,617,603	-	332,318,368
- Export	67,556,507	58,489,159	29,492,247	-	155,537,913
- Total	<u>215,711,276</u>	<u>159,035,155</u>	<u>113,109,850</u>	-	<u>487,856,281</u>
Gross profit	136,860,751	52,403,600	27,549,106	-	216,813,457
Income (loss) from operations	42,121,696	26,035,269	20,272,121	(2,102,791)	86,326,495
Income from continuing operations	38,731,923	26,514,305	20,354,685	9,756,656	95,357,569
Income from discontinued operations	-	-	-	4,600,733	4,600,733
Amortization	110,332	-	-	-	110,332
Depreciation	5,714,391	3,182,608	1,853,487	840,501	11,590,987
Property, plant and equipment	103,842,677	61,268,213	34,431,529	12,900,417	212,442,836
Capital expenditures	1,376,795	2,837,821	1,249,615	360,933	5,825,164

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(All amounts in Saudi Riyals unless otherwise stated)

10) Dividends

The General Assembly approved in its meeting held on Rabi Al Thani 14, 1431H (corresponding to March 30, 2010) the Company's Board of Directors' recommendation to distribute cash dividends amounting to SR 92,647,059 for the year ended December 31, 2009 of SR 1.25 for each outstanding share.

11) Contingencies and commitments

At June 30, 2010, the Group had contingent liabilities arising in the normal course of business, in respect of letters of guarantee, amounting to SR 75,189,364 (2009: SR 62,103,144) and letters of credit amounting to SR 89,215,406 (2009: SR 65,322,319).