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شركة البوتاس العربية المساهمة العامة  
THE ARAB POTASH CO. PLC.



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Ref : GM/84/2008

Date : 24.8.2008 SEMI ANNUAL

APOT - 24/8/2008

الرقم :  
التاريخ :

H.E. Dr. Bassam Saket  
Executive Director  
Jordan Securities Commission

معالي الدكتور بسام السaket المحترم  
رئيس هيئة الأوراق المالية

Fax: 5607205

فاكس: ٥٦٠٧٢٠٥

Dear Sir,

تحية طيبة وبعد،

In response to your inquiry, regarding the decrease in our share price on the Amman Stock Exchange, please be advised that we are not aware of any significant factor specific to the Company that would be affecting our share price.

ردا على استفسار معاليكم بخصوص انخفاض سعر تداول سهم شركة البوتاس العربية في سوق عمان المالي، يرجى التكرم بالعلم بأن شركة البوتاس العربية ليست على علم بأي عامل هام والذي من شأنه أن يؤثر على سعر السهم.

All news and events, including the Company's Unaudited Interim Condensed Consolidated Financial Statements, 30 June 2008 - attached, may be found on the Company's Website, [www.arabpotash.com](http://www.arabpotash.com).

كل ما يتعلق بالشركة من أخبار وأحداث بما فيها موجز البيانات المالية الموحدة غير المدققة للشركة - ٢٠٠٨/٦/٣٠ - والمرققة، يمكن الاطلاع عليها على الموقع الخاص بالشركة: [www.arabpotash.com](http://www.arabpotash.com).

If you should have any further inquiries please contact me 079-620-5026.

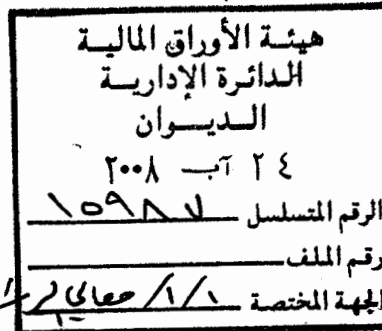
وأذا كان لمعاليكم أي استفسار آخر يرجى الاتصال بي على هاتف رقم ٥٠٢٦ ٧٩ ٦٢٠.

Yours truly,

Michael Hogan  
General Manager

Cc. Amman Stock Exchange  
Cc. Disclosure Department  
Cc. HE Dr. Mohammad Abu Hammour/Chairman  
Cc. Mr. William Flahr/Deputy General Manager-Finance

وتفضلوا معاليكم بقبول فائق الاحترام والتقدير،



مايكل هوجن  
المدير العام

نسخة: بورصة عمان  
نسخة: دائرة الإصاح  
نسخة: معالي الدكتور محمد ابو حمور/رئيس مجلس الإدارة.  
نسخة: السيد وليام فلير/نائب المدير العام للشؤون المالية.

**ARAB POTASH COMPANY**

**UNAUDITED INTERIM CONDENSED  
CONSOLIDATED FINANCIAL STATEMENTS**

**30 JUNE 2008**

**REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
TO THE CHAIRMAN AND MEMBERS OF  
THE BOARD OF DIRECTORS OF  
ARAB POTASH COMPANY  
AMMAN – JORDAN**

**Introduction**

We have reviewed the accompanying Interim condensed consolidated financial statements of ARAB POTASH COMPANY, comprising of the Interim consolidated balance sheet as at 30 June 2008 and the related Interim consolidated statements of income, changes in equity and cash flows for the six months period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standard- IAS 34 Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on these Interim condensed consolidated financial statements based on our review.

**Scope of review**

We conducted our review in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of Interim financial information consists of making inquiries, primarily of persons responsible for the financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying Interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Amman – Jordan  
28 July 2008

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**ARAB POTASH COMPANY**  
**INTERIM CONSOLIDATED BALANCE SHEET**  
**AS AT 30 JUNE 2008**

	<u>NOTES</u>	<u>30 JUNE</u> <u>2008</u> <u>(Unaudited)</u> <u>JD "000"</u>	<u>31 DECEMBER</u> <u>2007</u> <u>(Audited)</u> <u>JD "000"</u>
<b><u>ASSETS</u></b>			
<b><u>Non-current assets</u></b>			
Property, plant and equipment		114,907	109,397
Projects in progress		98,292	76,268
Strategic spare parts		22,494	20,966
Loan granted to Jordan Bromine Company		4,254	4,254
Investments in associates		35,087	34,699
Available-for-sale investments		1,097	1,048
Deferred tax assets		2,006	2,006
Other assets		16,678	15,060
		<u>294,815</u>	<u>263,698</u>
<b><u>Current assets</u></b>			
Accounts receivable		126,101	97,928
Inventories		8,829	12,504
Spare parts		21,304	18,751
Other assets		44,051	47,959
Cash and short-term deposits		71,098	102,384
		<u>271,383</u>	<u>279,526</u>
<b>Total Assets</b>		<b><u>566,198</u></b>	<b><u>543,224</u></b>
<b><u>EQUITY AND LIABILITIES</u></b>			
<b><u>Equity attributable to equity holders of the parent</u></b> 11			
Issued capital		83,318	83,318
Statutory reserve		50,464	50,464
Voluntary reserve		80,699	80,699
Cumulative changes in fair value		409	361
Retained earnings		205,862	174,119
<b>Total equity</b>		<b><u>420,752</u></b>	<b><u>388,961</u></b>
<b><u>Non-current liabilities</u></b>			
Interest-bearing loans and borrowings		50,098	53,351
Contingent liability reserve	7	4,171	4,004
Other reserves		10,188	6,707
		<u>64,457</u>	<u>64,062</u>
<b><u>Current liabilities</u></b>			
Due to bank		172	172
Interest-bearing loans and borrowings		11,899	12,501
Trade and other payables		25,531	27,711
Other liabilities		43,387	49,817
		<u>80,989</u>	<u>90,201</u>
<b>Total liabilities</b>		<b><u>145,446</u></b>	<b><u>154,263</u></b>
<b>Total Equity and Liabilities</b>		<b><u>566,198</u></b>	<b><u>543,224</u></b>

The attached notes 1 to 12 form part of these interim consolidated financial statements

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**ARAB POTASH COMPANY**  
**INTERIM CONSOLIDATED INCOME STATEMENT (UNAUDITED)**  
**FOR THE THREE MONTHS AND SIX MONTHS ENDED 30 JUNE 2008**

	NOTES	Three months period ended		Six months period ended	
		30 JUNE	30 JUNE	30 JUNE	30 JUNE
		2008	2007	2008	2007
		JD "000"	JD "000"	JD "000"	JD "000"
Sales, net	5	144,160	70,396	234,787	137,460
Cost of sales		<u>61,331</u>	<u>39,116</u>	<u>108,138</u>	<u>72,842</u>
<b>Gross profit</b>	4	<b>82,829</b>	<b>31,280</b>	<b>126,649</b>	<b>64,618</b>
Less:					
Selling and distribution expenses		4,073	4,346	7,151	7,121
Administrative expenses		850	1,631	4,381	4,063
Royalty to the Government of Jordan	6	<u>6,961</u>	<u>3,306</u>	<u>10,663</u>	<u>6,984</u>
<b>Profit from operations</b>		<b>70,945</b>	<b>21,797</b>	<b>104,454</b>	<b>46,470</b>
Finance revenue		1,749	2,337	3,633	3,724
Finance cost		( 1,012)	( 883)	( 1,983)	( 1,907)
Other income		381	1,233	686	1,912
Other expenses		( 5,118)	( 465)	( 6,320)	( 1,428)
Net foreign currency exchange differences		<u>( 1,051)</u>	<u>326</u>	<u>( 684)</u>	<u>593</u>
<b>Profit before gain (losses) from associates and tax</b>		<b>65,894</b>	<b>24,345</b>	<b>99,786</b>	<b>49,364</b>
Share of profit of associates		3,318	1,416	5,218	4,213
Gain from Jordan Magnesia Company	7	274	24,870	-	23,592
Gain (loss) from revaluation for Islamic Development Bank loan for Jordan Magnesia Company	7	180	69	( 946)	( 32)
Excess from the acquisition of Arab Fertilizers and Chemicals Industries (KEMAPCO)	8	-	-	-	8,747
Reversal of provision	9	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,200</u>
<b>Profit before tax</b>		<b>69,666</b>	<b>50,700</b>	<b>104,058</b>	<b>108,084</b>
Income tax expense	10	<u>( 8,868)</u>	<u>( 5,158)</u>	<u>( 13,992)</u>	<u>( 10,108)</u>
<b>Profit for the period</b>		<b><u>60,798</u></b>	<b><u>45,542</u></b>	<b><u>90,066</u></b>	<b><u>97,976</u></b>
<b>Earnings per share</b>					
Basic and diluted, for profit for the period attributable to ordinary equity holders of the parent		<u>JD 0.730</u>	<u>JD 0.547</u>	<u>JD 1.081</u>	<u>JD 1.176</u>

The attached notes 1 to 12 form part of these interim consolidated financial statements

**ARAB POTASH COMPANY**  
**INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2008**

	<u>Issued capital</u>	<u>Statutory reserve</u>	<u>Voluntary Reserve</u>	<u>Cumulative change in fair value</u>	<u>Retained earnings</u>	<u>Total equity</u>
	JD "000"	JD "000"	JD "000"	JD "000"	JD "000"	JD "000"
<b>At 1 January 2008</b>	<b>83,318</b>	<b>50,464</b>	<b>80,699</b>	<b>361</b>	<b>174,119</b>	<b>388,961</b>
Change in fair value	-	-	-	48	-	48
Total income and expense for the period recognised directly in equity	-	-	-	48	-	48
Profit for the period	-	-	-	-	90,066	90,066
Total income and expense for the period	-	-	-	48	90,066	90,114
Paid dividends (Note 11)	-	-	-	-	(58,323)	(58,323)
<b>At 30 June 2008 (Unaudited)</b>	<b>83,318</b>	<b>50,464</b>	<b>80,699</b>	<b>409</b>	<b>205,862</b>	<b>420,752</b>
<b>At 1 January 2007</b>	<b>83,318</b>	<b>50,464</b>	<b>80,699</b>	<b>147</b>	<b>53,089</b>	<b>267,717</b>
Change in fair value	-	-	-	19	-	19
Total income and expense for the period recognised directly in equity	-	-	-	19	-	19
Profit for the period	-	-	-	-	97,976	97,976
Total income and expense for the period	-	-	-	19	97,976	97,995
Paid dividends	-	-	-	-	(29,161)	(29,161)
<b>At 30 June 2007 (Unaudited)</b>	<b>83,318</b>	<b>50,464</b>	<b>80,699</b>	<b>166</b>	<b>121,804</b>	<b>336,551</b>

The attached notes 1 to 12 form part of these interim consolidated financial statements

**ARAB POTASH COMPANY**  
**INTERIM CONSOLIDATED CASH FLOWS STATEMENT**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2008**

	Notes	For the six months ended 30 June	
		2008	2007
		(Unaudited)	(Unaudited)
		JD "000"	JD "000"
<b><u>OPERATING ACTIVITIES</u></b>			
Profit for the period before tax		104,058	108,084
Adjustments to reconcile profit before tax to net cash flows:			
Depreciation		11,249	10,151
Finance revenue		( 3,633)	( 3,724)
Finance cost		1,983	1,907
Share of profit of associates		( 5,218)	( 4,213)
Gain from Jordan Magnesla Company	7	( 274)	(23,592)
Loss from revaluation of Islamic Development	7		
Bank loan for Jordan Magnesla Company		946	32
Excess from the acquisition of Arab Fertilizers			
and Chemicals Industries (KEMAPCO)	8	-	(8,747)
Reversal of provision	9	-	(22,200)
Inventories write down		-	3,310
Other provisions		3,481	382
Working capital adjustments:			
Increase in trade receivables		(28,173)	( 1,567)
Decrease/(increase) in inventories		3,878	( 2,145)
(Increase)/decrease in spare parts		( 4,081)	2,899
(Increase)/decrease in other assets		3,908	( 4,389)
Increase in trade and other payables		( 2,180)	15,005
Decrease in other liabilities		( 5,663)	( 7,119)
Income tax paid		(15,431)	(10,000)
<b>Net cash flows from operating activities</b>		<b><u>64,641</u></b>	<b><u>54,054</u></b>
<b><u>INVESTING ACTIVITIES</u></b>			
Purchase of property, plant and equipment		(16,753)	( 9,300)
Payments on projects in progress		(22,024)	(32,290)
Dividends received from associates		5,606	4,553
Interest received		3,023	3,504
Amounts received from Kemira Agro	8	-	8,862
Compensation proceeds from Jordan Magnesla			
Company	7	-	29,089
Other assets		( 1,618)	( 1,002)
<b>Net cash flows (used in)/from investing activities</b>		<b><u>( 31,768)</u></b>	<b><u>3,396</u></b>
<b><u>FINANCING ACTIVITIES</u></b>			
Repayment of loans		( 3,855)	( 9,814)
Loans		-	2,879
Interest paid		( 1,983)	( 1,907)
Paid dividends		( 58,323)	(29,181)
Amount transferred to restricted cash at banks		-	( 1,398)
<b>Net cash flows used in financing activities</b>		<b><u>( 64,161)</u></b>	<b><u>(39,401)</u></b>
<b>Net (decrease)/increase in cash</b>		<b><u>( 31,288)</u></b>	<b><u>18,049</u></b>
Cash available at Arab Fertilizers and Chemicals Industries			
(KEMAPCO) on the date of acquisition	8	-	3,645
Cash and cash equivalents at 1 January		<u>102,384</u>	<u>92,074</u>
Cash and cash equivalents at 30 June		<u>71,098</u>	<u>113,768</u>

The attached notes 1 to 12 form part of these Interim consolidated financial statements

**ARAB POTASH COMPANY**  
**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**30 JUNE 2008**

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**1. GENERAL**

The Arab Potash Company "APC", "the Company", a public shareholding company, was founded and registered on July 7, 1958. During 1958, the Company was granted a concession from the Government of Jordan to exploit the minerals and salts of the Dead Sea brine. The concession expires after 100 years from the grant date, after which, the Company's factories and installations become the property of the Government of Jordan.

Currently, the Company produces and markets potash, salt, potassium nitrate, di calcium phosphate, mixed salts and mud and trades them in the local and international markets.

**2. ACCOUNTING POLICIES**

The interim condensed consolidated financial statements for the six months ended 30 June 2008 have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2007.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements as of 31 December 2007.

Results for the six months ended 30 June 2008 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2008.

**3. LEGAL RESERVES**

No appropriations for legal reserves were taken in accordance with the Companies' Law since these financial statements are interim condensed financial statements.



#### 4. SEGMENT INFORMATION

The company is comprised of the following operating segments:

- Producing potash and salt through Arab Potash Company.
- Producing mixed salts and mud through Numelra Company.
- Producing potassium nitrate and di calcium phosphate through Arab Fertilizers and Chemicals Industries (KEMPACO)

Following is a breakdown of the segment information for the above operating segments:

	Three months ended 30 June 2008				Three months ended 30 June 2007			
	Arab Potash Co.	Numelra Co.	KEMPACO	Total	Arab Potash Co.	Numelra Co.	KEMPACO*	Total
	JD '000"	JD '000"	JD '000"	JD '000"	JD '000"	JD '000"	JD '000"	JD '000"
Sales to external customers	121,428	86	22,646	144,160	67,828	126	12,746	70,398
Inter-company sales	1,308	-	-	1,308	2,024	-	-	2,024
	<u>122,736</u>	<u>86</u>	<u>22,646</u>	<u>145,468</u>	<u>69,852</u>	<u>126</u>	<u>12,746</u>	<u>72,420</u>
Segment Gross Profit	<u>73,095</u>	<u>(12)</u>	<u>9,746</u>	<u>82,829</u>	<u>27,458</u>	<u>27</u>	<u>3,796</u>	<u>31,280</u>
As of 30 June 2008					As of 31 December 2007			
	JD '000"	JD '000"	JD '000"	JD '000"	JD '000"	JD '000"	JD '000"	JD '000"
Total Assets	<u>521,633</u>	<u>1,338</u>	<u>43,230</u>	<u>566,198</u>	<u>499,251</u>	<u>1,170</u>	<u>42,803</u>	<u>543,224</u>
Total Liabilities	<u>119,446</u>	<u>166</u>	<u>28,844</u>	<u>148,456</u>	<u>137,748</u>	<u>104</u>	<u>18,411</u>	<u>156,263</u>
Six months ended 30 June 2008					Six months ended 30 June 2007			
	Arab Potash Co.	Numelra Co.	KEMPACO	Total	Arab Potash Co.	Numelra Co.	KEMPACO*	Total
	JD '000"	JD '000"	JD '000"	JD '000"	JD '000"	JD '000"	JD '000"	JD '000"
Sales to external customers	198,930	240	35,717	234,787	119,184	191	18,105	137,460
Inter-company sales	3,710	-	-	3,710	3,366	-	-	3,366
	<u>202,640</u>	<u>240</u>	<u>35,717</u>	<u>238,497</u>	<u>122,550</u>	<u>191</u>	<u>18,105</u>	<u>140,826</u>
Segment Gross Profit	<u>112,693</u>	<u>18</u>	<u>13,938</u>	<u>126,649</u>	<u>59,885</u>	<u>46</u>	<u>4,587</u>	<u>64,518</u>
As of 30 June 2008					As of 31 December 2007			
	JD '000"	JD '000"	JD '000"	JD '000"	JD '000"	JD '000"	JD '000"	JD '000"
Total Assets	<u>521,633</u>	<u>1,335</u>	<u>43,230</u>	<u>566,198</u>	<u>499,251</u>	<u>1,170</u>	<u>42,803</u>	<u>543,224</u>
Total Liabilities	<u>116,446</u>	<u>166</u>	<u>28,844</u>	<u>145,456</u>	<u>137,748</u>	<u>104</u>	<u>18,411</u>	<u>156,263</u>

\* As outlined in note (8) Arab Fertilizers and Chemicals Industries (KEMPACO) results are for the period from 1 February to 30 June 2007.

## 5. INDUSTRY SEGMENT BY GEOGRAPHICAL AREA

Following is a summary of sales by company and customer's geographical location for the six months ended 30 June 2008 and 2007:

	Six months ended 30 June 2008				Six months ended 30 June 2007			
	Arab Potash Co.	Numelra Co.	KEMAPCO	Total	Arab Potash Co.	Numelra Co.	KEMAPCO*	Total
	JD '000"	JD '000"	JD '000"	JD '000"	JD '000"	JD '000"	JD '000"	JD '000"
Far East	70,208	-	1,098	71,306	40,878	-	-	40,878
China & India	76,789	-	2,595	79,384	48,059	-	12	48,071
Europe	18,831	55	20,550	39,436	11,353	68	14,220	25,641
South America & Australia	-	-	4,571	4,571	41	-	-	41
Middle East	20,443	185	5,838	26,264	14,747	123	173	15,043
Africa	12,589	-	1,287	13,866	6,088	-	3,700	9,788
<b>Total</b>	<b>188,830</b>	<b>240</b>	<b>35,717</b>	<b>224,787</b>	<b>118,184</b>	<b>191</b>	<b>18,105</b>	<b>137,460</b>

\* As outlined in note (8) Arab Fertilizers and Chemicals Industries (KEMAPCO) results are for the period from 1 February to 30 June 2007.

## 6. ROYALTY TO THE GOVERNMENT OF JORDAN

Under the terms of the concession, the Government of Jordan is entitled to a royalty of JD 8 for each ton of potassium chloride, ("Potash") exported by the Company. The maximum royalty payable is limited to 25% of the Company's profit for the year.

On 12 February 2008 the Council of Ministers decided to raise the royalty fees from JD 8 to JD 15 for each ton exported, effective 17 March 2008.

## 7. PROVISION FOR LOSSES OF JORDAN MAGNESIA COMPANY

Based on the technical, financial and marketing study prepared for the Jordan Magnesia Company's project, the Arab Potash Company's management resolved to record losses representing the commitments to be settled by Arab Potash Company in case the Jordan Magnesia Company ceases to exist in addition to fully provide against its investment. The total losses that the Arab Potash Company might incur were estimated in 2005 to be JD 87,606. In 2006, the estimated losses were increased by an amount of JD 8,092 which represents the amounts paid by the Company to Jordan Magnesia Company during the year. During 2006 the provision was increased to an amount of JD 97,077.

Jordan Magnesia Company (JORMAG) was engaged in ICC Arbitration proceedings with the contractor concerning the plant of JORMAG. The contractor filed claims with total amount of US\$102,000,000 while JORMAG's counterclaims exceeded the contractor's claims. In March 2007, the contractor reinstituted negotiations with JORMAG, and the two parties reached a settlement agreement which was signed in April 2007. According to the settlement agreement, the contractor paid JORMAG in May 2007 an amount of US\$41,000,000 (JD 29,069) as a final settlement, accordingly the provision decreased to an amount of JD 88,450.

As of 30 June 2008, the Islamic Development Bank loan has been revalued, which increased the provision by an amount of JD 946.

The amount of JD 4,171 in the consolidated balance sheet represents the extra amount committed by Arab Potash Company and not included in the liabilities of JORMAG.

#### 8. CONSOLIDATION OF ARAB FERTILIZERS AND CHEMICALS INDUSTRIES (KEMPACO)

On 1 February 2007, the Company acquired 50% of the issued shares of Arab Fertilizers and Chemicals Industries (KEMPACO) thereby becoming the sole shareholder of KEMPACO. Under the terms of the Share Transfer and Settlement Agreement, the Company paid the amount of JD 1 to Kemira Agro for these shares and received with KEMPACO a total amount of US \$ 12,500,000 (JD 8,862,000) from Kemira Agro.

The Company accounted for the purchase under the purchase method of accounting which resulted in excess from the acquisition amounting to JD 8,747,000. According to this acquisition, the financial statements of KEMPACO have been consolidated with the financial statements of the Company starting from 1 February 2007.

The fair value of the identifiable assets and liabilities of KEMPACO as at the date of acquisition were:

	<u>Fair Value</u> JD "000"	<u>Book Value</u> JD "000"
Cash and bank balances	3,845	3,845
Other current assets	16,021	16,021
Restricted cash	1,957	1,957
Other non-current assets	14,700	62,849
	<u>36,323</u>	<u>84,472</u>
Current liabilities	12,397	12,397
Non-current liabilities	24,041	24,041
	<u>36,438</u>	<u>36,438</u>
Net assets	( 115)	48,034
Cash received from Kemira Agro	<u>8,862</u>	
Excess of the Company's interest in the net fair value of KEMPACO's net assets over cost	<u>8,747</u>	

#### **9. REVERSAL OF PROVISION**

According to the Share Transfer and Settlement Agreement, and due to the settlement of most of KEMAPCO's liabilities by Kemira Agro, and in addition to the fact that KEMAPCO has become wholly owned by Arab Potash Company and is expected to have the ability to repay its remaining liabilities, there is no more need for the contingent liability reserve for KEMAPCO's losses. Therefore, the total amount of the reserve of JD 22,200 has been reversed.

#### **10. INCOME TAX**

The provision for income tax has been calculated in accordance with the Income Tax Law number (57) of 1985 and its subsequent amendments.

The Income Tax Department reviewed the Company's records for 2004 and 2005 and estimated the income tax in excess of the taken provision by an amount of JD 6,589. This subject has not been settled and the Company will appeal the decision of the Income Tax Department before the concerned court.

In addition, the Income Tax Department issued claims against the Company to pay taxes amounting to JD 3,749 on dividends deemed paid to the shareholders of the Company in previous years. This subject has not been settled and the Company has appealed the decision of the Income Tax Department before the concerned court.

The Income Tax Department has reviewed the Company's records for the year ended 31 December 2006, but has not issued the final tax resolution up to the date of the accompanying interim consolidated financial statements.

#### **11. DIVIDENDS**

The Company's general assembly approved on its ordinary meeting held on 17 April 2008 to distribute JD 58,323 as dividends representing 70% of the company's issued capital.

#### **12. LITIGATION**

As of 30 June, the Company and its subsidiaries was named as plaintiff and defendant in the following:

1. Lawsuit against ATA Company, the contractor of Dikes 19 whereby APC is claiming JD 37,477. An arbitration agreement was signed between the parties on 10 April 2001. The Arbitration Committee issued a majority ruling on 30 September 2003 where it has rejected APC's claim and awarded ATA Company a sum of JD 5,907 for the counter claim it had filed against APC before the same arbitration panel. APC appealed the Arbitration Committee ruling on 29 October 2003. The Court of Appeal accepted APC's appeal whereby the Arbitration decision and the Arbitration Clause in the Contract was cancelled. ATA took the case to the Cassation Court, and the Cassation Court issued its decision upholding the Court of Appeal decision. APC has filed a lawsuit accordingly.

2. Lawsuit raised on 22 March 2001 against Middle East Insurance Company, the insurer of Dikes 19 and 20 during construction (issuance of CAR Insurance Policy), whereby APC is claiming JD 27,518. The lawsuit is under process as of the date of the accompanying Interim consolidated financial statements.
3. Lawsuit against ATA Company, the contractor of Dike 18. ATA filed for the dismissal of the case on the grounds that there is an arbitration clause in the Construction Contract. The First Instance Court accepted ATA's request. APC appealed the ruling for which a refusal decision was issued on 14 July 2004. APC took the case to the Cassation Court and the said court upheld the Court of Appeal decision. The case is in the process of forming the Arbitration Panel as of the date of the accompanying Interim consolidated financial statements.
4. A dispute exists between the Arab Fertilizers and Chemicals Industries (Kemapco) and Haymour Cousins Contracting Company, the contractor who executed work related to construction of a pipe line. According to the Company, the pipe line was delivered with wrong specifications and was rejected during the testing phase. The Company installed another pipe line at an approximate cost of US \$ 850,000 and incurred additional costs of JD 450. The Company has retained amounts due to the contractor amounting to JD 305, and holds a performance contractual retention amounting to JD 232. Furthermore, the Company is entitled to liquidated damages in the amount of JD 696. The results of this case are not known as of date of accompanying Interim consolidated financial statements.
5. A lawsuit was raised during July 2003 by the Aqaba Special Economic Zone Authority against the Arab Fertilizers and Chemicals Industries (Kemapco) and its contractor for an amount JD 321 being the compensation for damage to a coral reef as a result of executing a project by the contractor. The Company deducted the amount claimed from the related contractors' account. The outcome of this lawsuit is unknown as of the date of the accompanying Interim consolidated financial statements.

According to the Company's management, there is no need to provide for any additional amounts regarding the above lawsuits.