

SAUDI STEEL PIPES COMPANY
(A SAUDI JOINT STOCK COMPANY)
INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED
30 JUNE 2015
(UNAUDITED)
WITH
INDEPENDENT
AUDITORS' LIMITED REVIEW REPORT

SAUDI STEEL PIPES COMAPNY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2015

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**LIMITED REVIEW REPORT ON THE INTERIM
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**The Shareholders
Saudi Steel Pipes Company
(A Saudi Joint Stock Company)
Al-Dammam, Kingdom of Saudi Arabia**

Scope of Limited review:

We have reviewed the accompanying interim consolidated balance sheet of **Saudi Steel Pipes Company** (the "Company") as at 30 June 2015, the related interim consolidated statement of income, the interim consolidated statement of cash flows and the interim consolidated statement of changes in shareholders' equity for the six month period ended 30 June 2015 and the attached interim condensed consolidated notes 1 to 11 which form an integral part of these interim condensed consolidated financial statements. These interim condensed consolidated financial statements are the responsibility of the Company's management and have been prepared by them and submitted to us together with all the information and explanations which we required. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our limited review.

We conducted our limited review in accordance with the auditing Standard on Review of Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants (SOCPA). A review consists principally of applying analytical procedures to financial data and information and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit 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 such an opinion.

Conclusion:

Based on our limited 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 accounting standards generally accepted in the Kingdom of Saudi Arabia.

For KPMG Al Fozan & Al Sadhan

Tareq Abdulrahman Al Sadhan
License No: 352



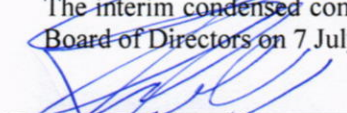
Al Khobar, 14 July 2015
Corresponding to: 20 Ramadan 1436H

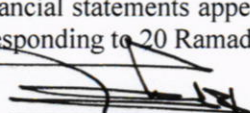
SAUDI STEEL PIPES COMPANY
(A SAUDI JOINT STOCK COMPANY)

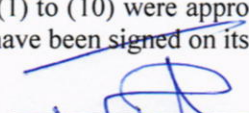
INTERIM CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2015
(Expressed in Saudi Riyals)

	Note	30/6/2015 (Unaudited)	30/6/2014 (Unaudited)
ASSETS			
Current assets			
Cash and cash equivalents		16,766,241	48,396,298
Deposits with banks		16,000,000	16,500,000
Accounts receivable, net		179,460,136	166,895,010
Inventories		279,978,416	373,775,890
Due from related parties		7,699,357	8,745,943
Prepayments and other assets		18,519,544	16,222,229
Total current assets		518,423,694	630,535,370
Non-current assets			
Property, plant and equipment	4	506,290,338	431,993,472
Capital work in progress	5	218,531,270	260,461,876
Intangible assets		14,663,557	16,942,016
Prepayments and other assets		12,312,604	10,541,989
Loan to an associate		26,250,000	26,250,000
Investments in associates	6	85,879,835	96,247,406
Total non-current assets		863,927,604	842,436,759
Total assets		1,382,351,298	1,472,972,129
LIABILITIES			
Current liabilities			
Accounts payable		131,129,454	182,277,820
Accrued expenses and other liabilities		18,811,147	25,949,959
Due to related parties		3,855,245	-
Provision for Zakat and Income Tax		9,566,554	10,189,768
Short term loan		58,183,032	56,117,442
Current portion of long-term loans		56,999,024	19,000,000
Total current liabilities		278,544,456	293,534,989
Non-current liabilities			
Long-term loans		248,775,173	330,644,916
Employees' end of service benefits		48,111,371	43,046,040
Total non-current liabilities		296,886,544	373,690,956
Total liabilities		575,431,000	667,225,945
SHAREHOLDERS' EQUITY			
Share capital		510,000,000	510,000,000
Share premium		220,757,384	220,322,384
Statutory reserve		54,976,052	52,035,706
Treasury shares (Employee Share Ownership Program)		(12,191,450)	(12,407,175)
Retained earnings		33,419,275	28,887,989
Equity attributable to shareholders of the Company		806,961,261	798,838,904
Non-controlling interest		(40,963)	6,907,280
Total shareholders' equity		806,920,298	805,746,184
Total liabilities and shareholders' equity		1,382,351,298	1,472,972,129

The interim condensed consolidated financial statements appearing on pages (1) to (10) were approved by the Board of Directors on 7 July 2015, corresponding to 20 Ramadan 1436H and have been signed on its behalf by:


Riyadh Al Rabiah
Vice-Chairman & Managing Director


Ahmed Al Debasi
Chief Executive Officer


Abdulhamid El Shazli
Finance Manager

The accompanying notes 1 through 11 form an integral part of these interim condensed consolidated financial statements.

SAUDI STEEL PIPES COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)
FOR THE THREE MONTH PERIOD ENDED 30 JUNE 2015
(Expressed in Saudi Riyals)

	Note	Three month period ended 30 June		Six month period ended 30 June	
		2015 (Unaudited)	2014 (Unaudited)	2015 (Unaudited)	2014 (Unaudited)
Sales	10	279,965,198	249,644,829	528,458,131	474,371,826
Cost of sales	10	(241,089,903)	(216,959,683)	(460,341,644)	420,034,219
Gross profit	10	38,875,295	32,685,146	68,116,487	54,337,607
Selling and marketing expenses		(5,873,818)	(3,608,208)	(12,411,402)	(10,449,392)
General and administrative expenses		(8,304,919)	(9,169,010)	(16,403,040)	(14,927,149)
Operating income		24,696,558	19,907,928	39,302,045	28,961,066
Finance charges		(1,320,352)	(993,360)	(3,056,047)	(2,224,237)
Other income/(expenses), net		(1,269,339)	92,283	(1,742,224)	1,004
Share of loss in associates		(418,000)	(4,800,000)	(3,046,000)	(9,850,000)
Net income for the period		21,688,868	14,206,851	31,457,774	16,887,833
Attributable to:					
Non controlling interest (loss)		(1,770,436)	(1,346,828)	(3,415,823)	(2,692,720)
Equity shareholders		23,459,304	15,553,679	34,873,597	19,580,553
		21,688,868	14,206,851	31,457,774	16,887,833
Basic earnings per share	9	0.464	0.308	0.690	0.388
Diluted earnings per share	9	0.460	0.305	0.683	0.383

The accompanying notes 1 through 11 form an integral part of these interim condensed consolidated financial statements.

SAUDI STEEL PIPES COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE SIX MONTH PERIOD ENDED 30 June 2015
(Expressed in Saudi Riyals)

	Note	Six month period ended 30 June	
		2015 (Unaudited)	2014 (Unaudited)
Cash flows from operating activities:			
Net income for the period		31,457,774	19,580,553
<i>Adjustments to reconcile net income to net cash provided by operating activities:</i>			
Depreciation	4	18,672,863	15,022,335
Amortization		1,517,564	1,505,465
Loss / (gain) on sale of property, plant and equipment		1,030,595	(48,713)
Employees' end of service benefits charged during the period		3,393,908	5,516,853
Share of loss in associates		3,046,000	9,850,000
Impairment of accounts receivable		1,000,000	-
Provision for inventories		1,000,000	-
Share based expenses - (Employee Share Ownership Program)		86,150	949,075
Net cash provided before changes in operating assets and liabilities		61,204,854	52,375,568
Changes in operating assets and liabilities:			
Accounts receivable		(86,132,630)	(11,241,919)
Inventories		122,571,108	(92,276,100)
Prepayments and other assets		(4,772,794)	5,346,983
Related party balances, net		(1,798,443)	(1,975,906)
Accounts payable		(12,046,937)	126,520,406
Accrued expenses and other liabilities		1,506,366	266,107
Zakat and income tax paid during the period		(12,484,670)	(13,612,378)
Decrease in deposits with banks		500,000	-
		68,546,853	65,402,761
Employees end of service benefits paid		(2,987,896)	(608,869)
Net cash provided by operating activities		65,558,957	64,793,892
Cash flows from investing activities:			
Purchases of property, plant and equipment	4	(6,222,250)	(9,676,804)
Proceeds from sale of property, plant and equipment		30,000	268,683
Additions to capital work in progress	5	(23,841,892)	(34,526,529)
Net cash used in investing activities		(30,034,142)	(43,934,650)
Cash flows from financing activities:			
Net change in short term loans		25,144,482	(9,589,082)
Long term loans repayment		(23,861,827)	-
Dividends paid		(25,500,000)	-
Net cash used in financing activities		(24,217,345)	(9,589,082)
Net change in cash and cash equivalents		11,307,471	11,273,160
Cash and cash equivalents at the beginning of the period		5,458,770	37,123,138
Cash and cash equivalents at the end of the period		16,766,241	48,396,298
Non-cash supplemental information:			
Transfer of capital work in progress to property, plant and equipment	5	88,289,292	34,430,479

The accompanying notes 1 through 11 form an integral part of these interim condensed consolidated financial statements.

SAUDI STEEL PIPES COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2015
(Expressed in Saudi Riyals)

	Share capital	Share premium	Statutory reserve	Treasury shares (Employee Share Ownership Program)	Retained earnings	Equity attributable to shareholders of the Company	Non-controlling interests	Total
Balance as at 1 January 2015 (audited)	510,000,000	220,322,384	54,976,052	(11,842,600)	29,742,322	803,198,158	3,374,860	806,573,018
Net income for the period ended 30 June 2015 (unaudited)	-	-	-	-	34,873,597	34,873,597	(3,415,823)	31,457,774
Provision for zakat and income tax	-	-	-	-	(5,696,644)	(5,696,644)	-	(5,696,644)
Dividends	-	-	-	-	(25,500,000)	(25,500,000)	-	(25,500,000)
Premium on acquisition of shares	-	435,000	-	(435,000)	-	-	-	-
Share issued to employees	-	-	-	86,150	-	86,150	-	86,150
Balance as at 30 June 2015	510,000,000	220,757,384	54,976,052	(12,191,450)	33,419,275	806,961,261	(40,963)	805,920,298
Balance as at 1 January 2014 (audited)	510,000,000	220,322,384	52,035,706	(13,356,250)	15,705,397	784,707,237	9,600,000	794,307,237
Net income for the period ended 30 June 2014 (unaudited)	-	-	-	-	19,580,553	19,580,553	(2,692,720)	16,887,833
Provision for zakat and income tax	-	-	-	-	(6,397,961)	(6,397,961)	-	(6,397,961)
Share issued to employees	-	-	-	949,075	-	949,075	-	949,075
Balance as at 30 June 2014	510,000,000	220,322,384	52,035,706	(12,407,175)	28,887,989	798,838,904	6,907,280	805,746,184

The accompanying notes 1 through 11 form an integral part of these interim condensed consolidated financial statements.

SAUDI STEEL PIPES COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2015
(Expressed in Saudi Riyals)

1 ORGANIZATION AND PRINCIPAL ACTIVITIES

Saudi Steel Pipes Company (referred hereinafter as the "Company") is a Saudi Arabian company initially incorporated as a limited liability Company registered under the Commercial Registration Number 9144 dated 27/07/1400H (10/06/1980G) in the City of Dammam, Kingdom of Saudi Arabia.

The principal activities of the Company are the manufacturing of black and galvanized steel pipes, production of ERW/HFI galvanized and threaded steel pipes and seamless pipes, pipes with three layer external coating by Polyethylene and Polypropylene in different diameters, pipes with epoxy coating inside, bended pipes in different diameters, space frame, and submerged arc welded pipes.

The Company's registered office is located at the following address:

P.O. Box 11680 Dammam 31463
Kingdom of Saudi Arabia

During the year 2008, the Company's legal status has been transformed from limited liability to closed joint stock company. The Company's subscribed capital stock has been increased from 1,200,000 shares (at SR 100 per share) to 35,000,000 shares (at SR10 per share). Such increases were taken from the Company's retained earnings and were effective from the issuance of Ministerial Resolution No. F-187 on 3/6/1429H (07/06/2008G) and amended Commercial Registration No. 9144 dated 14/06/1429H (18/06/2008G).

On 27 June 2009, the Company offered to the public 16,000,000 new shares to increase the capital by 31.4% of the existing share capital at an initial public offering of SR 25 per share with a nominal value of SR 10 per share. The Company's authorized and issued share capital after the initial public offering is 51 million shares at SR 10 per share held by the following shareholders as at 30 June 2015:

Shareholders	Nationality	Number of Shares	Share Capital	Percentage Owned
Rabiah & Nassar Group	Saudi	20,403,075	204,030,750	40.02%
Hu Steel Co. Ltd.	South Korean	8,350,650	83,506,500	16.37%
Khalid Saleh Abdul Rahman Al Shathri	Saudi	5,277,295	52,772,950	10.34%
Fahad Mohammed Saja	Saudi	1,391,775	13,917,750	2.73%
Al-Khorayef Sons Co.	Saudi	1,202,590	12,025,900	2.36%
Employee Share Program	Saudi/Non Saudi	485,258	4,852,580	0.95%
Ahmed Mubarak Al-Debasi	Saudi	386,000	3,860,000	0.75%
Public Free Float	Saudi/Non Saudi	13,503,357	135,033,570	26.48%
Total		51,000,000	510,000,000	100%

Titanium and Steel Manufacturing Company Limited (referred hereinafter as the "Subsidiary" or "TSM") was formed in 2010 to produce stationary process equipment such as heat exchangers and pressure vessels. The Subsidiary's total share capital is SR 32 million of which Saudi Steel Pipes owns 70% (SR 22.4 million). The remaining 30% is owned by TSM Tech Company, a South Korean company registered in Ulsan City, South Korea. The commercial production started in the first quarter of 2014.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2015
(Expressed in Saudi Riyals)

2 BASIS OF PREPARATION

a) Statement of compliance

These interim condensed consolidated financial statements have been prepared in accordance with generally accepted accounting standards in Saudi Arabia issued by the Saudi Organization for Certified Public Accountants (SOCPA) and on the light of the relevant Saudi Laws and Regulations.

These interim condensed consolidated financial statements and notes thereto should be read in conjunction with the annual audited consolidated financial statements and related notes for the year ended 31 December 2014.

The Company has made all the necessary adjustments for the purpose of issuing the interim condensed consolidated financial statements.

The interim condensed consolidated financial statements were authorized for issue by the Company's Board of Directors on 7 July 2015.

b) Basis of measurement

These interim condensed consolidated financial statements have been prepared on a historical cost basis using the accrual basis of accounting and the going concern concept.

c) Functional and presentation currency

These interim condensed consolidated financial statements are presented in Saudi Arabian Riyals (SR) which is the functional currency of the Company.

d) Use of estimates and judgements

The preparation of financial statements requires management to make judgment, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Although these judgements and estimates of assumptions are prepared in the light of the most recent and relevant information available to management. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods affected. In particular, information about significant areas of estimated uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognized in the interim condensed consolidated financial statements are described in the following notes:

Note 4	- Estimated useful lives of property, plant and equipment
Note 6	- Investment in associates
Note 7	- Zakat and Income Tax provision
Note 11	- Financial instruments

3 SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies adopted by the Group in the preparation of its interim condensed consolidated financial statements are in conformity with those described in the Group's audited consolidated financial statements for the year ended 31 December 2014. These accounting policies have been applied consistently to all periods presented in the interim condensed consolidated financial statements.

SAUDI STEEL PIPES COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2015
(Expressed in Saudi Riyals)

4 PROPERTY, PLANT AND EQUIPMENT

The movement in property, plant and equipment during the period ended 30 June 2015 comprise of the following:

	<u>Land</u>	<u>Machinery and equipment</u>	<u>Building and structures</u>	<u>Vehicles</u>	<u>Furniture and fixtures</u>	<u>Office and electrical equipments</u>	<u>Total</u>
<u>Cost</u>							
Balance at 1 January 2015 (Audited)	157,850,000	396,554,839	141,167,060	5,153,425	2,295,928	23,291,367	726,312,619
Additions for the period	-	1,792,109	909,739	345,000	106,161	3,069,241	6,222,250
Transfers from capital work in progress	-	71,059,674	17,229,618	-	-	-	88,289,292
Disposals	-	(6,704,288)	(306,400)	(55,000)	-	-	(7,065,688)
Balance at 30 June 2015	157,850,000	462,702,334	159,000,017	5,443,425	2,402,089	26,360,608	813,758,473
<u>Accumulated Depreciation</u>							
Balance at 1 January 2015 (Audited)	-	215,344,027	58,267,212	3,012,812	1,414,765	16,761,548	294,800,364
Charge for the period	-	13,560,402	3,180,755	387,395	254,011	1,290,300	18,672,863
Disposals	-	(5,816,923)	(174,419)	(13,750)	-	-	(6,005,092)
Balance at 30 June 2015	-	223,087,506	61,273,547	3,386,457	1,668,775	18,051,848	307,468,134
<u>Net Book Value</u>							
At 30 June 2015 (Unaudited)	157,850,000	239,614,828	97,726,470	2,056,968	773,314	8,308,760	506,290,338
At 30 June 2014 (Unaudited)	157,850,000	182,547,506	82,042,804	2,459,774	905,764	6,187,624	431,993,472

SAUDI STEEL PIPES COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2015
(Expressed in Saudi Riyals)

5 CAPITAL WORK IN PROGRESS

The movement in capital work in progress during the period ended 30 June 2015 comprise of:

	Balance at 1 January 2015 (Audited)	Additions (Unaudited)	Transferred to Property, Plant & Equipment (Unaudited)	Balance at 30 June 2015 (Unaudited)
Existing Factory				
Small Diameter	2,328,401	2,007,532	-	4,335,932
Medium Diameter	976,805	3,009,602	-	3,986,406
Induction bending	499,538	428,175	-	927,713
	<u>3,804,744</u>	<u>5,445,309</u>	<u>-</u>	<u>9,250,051</u>
Expansions*				
8" API Tubemill	172,949,726	9,243,898	-	182,193,624
60" Induction Bending	36,486,313	4,484,924	(40,971,236)	-
20" OCTG Pipe Threading	45,304,720	1,678,591	(46,983,311)	-
30" External Pipe Coating	24,265,795	2,803,302	-	27,069,099
	<u>279,006,554</u>	<u>18,210,715</u>	<u>(87,954,547)</u>	<u>209,262,724</u>
Building and structures	<u>167,372</u>	<u>185,868</u>	<u>(334,745)</u>	<u>18,495</u>
Total	<u>282,978,670</u>	<u>23,841,892</u>	<u>(88,289,292)</u>	<u>218,531,270</u>

* Include capitalized finance costs amounting to SR 1,022,904 for the period ended 30 June 2015.

6 INVESTMENT IN ASSOCIATES

Investments in associates comprise of the following:

	30 June 2015			30 June 2014		
	GPC	CDC	Total	GPC	CDC	Total
Cost of investment	45,000,000	67,950,000	112,950,000	45,000,000	67,950,000	112,950,000
Accumulated share of loss from associates	(19,686,307)	(7,383,858)	(27,070,165)	(9,600,000)	(7,102,594)	(16,702,594)
Net Investment value	<u>25,313,693</u>	<u>60,566,142</u>	<u>85,879,835</u>	<u>35,400,000</u>	<u>60,847,406</u>	<u>96,247,406</u>

Global Pipe Company (GPC)

Global Pipe Company (GPC) is a limited liability company whose capital is owned by the Company, EEW Company of Germany ("EEW") and other Saudi shareholders. The Company is engaged in producing various types of Large Welded pipes up to 60 inches and large structural tubular pipes. The total share capital of Global Pipe Company is SR 125 million of which, 35% is attributed to Saudi Steel Pipes and EEW each and 30% for other Saudi shareholders.

Chemical Development Company (CDC)

Chemical Development Company (CDC) is a holding company whose purpose is to develop strategic industrial projects. Saudi Steel Pipes owns 20% of CDC's total current issued shares with total share capital of SR 300 million. Its first project is the construction of polysilicon plant in cooperation with KCC Corporation. KCC Corporation is a South - Korean company specialized in manufacturing silicones and polysilicon materials. The plant is located in Jubail Second Industrial City and will produce 12,350 tonnes annually (in two phases) of solar grade polysilicon, the main material used in the production of solar products.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2015
(Expressed in Saudi Riyals)**

7 ZAKAT AND INCOME TAX PROVISION

As per the Saudi Regulations, the Saudi Shareholders are subject to Zakat calculated according to regulations promulgated by the government authorities computed at 2.5%. The Foreign Shareholders are subject to Income tax at a flat rate of 20% on the taxable income.

Under SOCPA standard 11, the provision for Zakat of Saudi Shareholders and income tax of foreign shareholders are deducted from the retained earnings. The corresponding liability account is reflected under current liabilities in the Interim Consolidated Balance Sheet.

Computation and provision of estimated Zakat and Income Tax liability are made quarterly. Adjustments arising from final zakat assessments are recorded in the period in which such assessments are approved.

8 COMMITMENTS AND CONTINGENCIES

The Company's contingent liabilities relating to letters of credit and bank guarantees amounting to SR 184 million as of 30 June 2015 (30 June 2014: SR 166.5 million).

The Company has provided corporate guarantees to Saudi Industrial Development Fund (SIDF) and to a commercial banks for the loan obtained by the subsidiary and an associate amounting to SR 434.1 million as of 30 June 2015 (30 June 2014: SR 358.9 million).

9 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period. With regard to diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The dilution of earnings per share is mainly caused by the Employee Share Option Scheme and potential effect of transfer of treasury shares to ordinary shares when given to employees.

<i>Basic earnings per share</i>	30 June 2015 (Unaudited)	30 June 2014 (Unaudited)
Net income for the period	34,873,597	19,580,553
Weighted average number of outstanding shares		
Number of issued shares	51,000,000	51,000,000
Less: Treasury shares - shares kept for the employee share program	(750,000)	(735,000)
Add: Weighted average number of shares issued to employees	264,742	238,713
Weighted average number of outstanding shares	50,514,742	50,503,713
Basic earnings per share from net income	0.690	0.388
Basic earnings per share from operating income	0.778	0.573
<i>Diluted earnings per share</i>		
Weighted average number of outstanding shares	51,000,000	51,000,000
Diluted earnings per share from net income	0.683	0.383
Diluted earnings per share from operating income	0.770	0.568

SAUDI STEEL PIPES COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2015
(Expressed in Saudi Riyals)

10 SEGMENTAL REPORTING

The management of the Company views the entire business activities of the Company as one operating segment for performance assessment and resources allocation.

Because the management views the entire business activities of the Company as one segment, segment reporting is provided by geographical segments only. The details of the local and export sales for the six months ended 30 June 2015 and 2014 are as follows:

2015 (Unaudited)	Local sales	Export sales	Total
Sales	493,845,008	34,613,123	528,458,131
Cost of sales	(431,702,782)	(28,638,863)	(460,341,644)
Gross profit	62,142,226	5,974,261	68,116,487
Gross profit percentage	12.6%	17.3%	12.9%
2014 (Unaudited)	Local sales	Export sales	Total
Sales	441,458,916	32,912,910	474,371,826
Cost of sales	(394,515,989)	(25,518,229)	(420,034,219)
Gross profit	46,942,927	7,394,681	54,337,608
Gross profit percentage	10.6%	22.5%	11.5%

11 FINANCIAL INSTRUMENTS

Financial instruments carried on the interim consolidated balance sheet include cash and cash equivalents, trade and other accounts receivable, investments, trade payable, due from related parties and other liabilities.

Credit risk is the risk that one party may fail to discharge an obligation and will cause the other party to incur a financial loss. The Company has no significant concentration of credit risks. Cash and cash equivalents are placed with local banks with sound credit ratings. Trade and other accounts receivable are mainly due from local customers and related parties and are stated at their estimated realizable values.

Interest rate risk is the exposures to various risks associated with the effect of fluctuations in the prevailing interest rates on the Company's financial position and cash flows. The Company's interest rate risk arise mainly from short term bank deposits and bank debts and long term debts, which are at floating rates of interest.

Management monitors the changes in interest rates and believes that the fair value and cash flow interest rate risks to the Company are not significant.

Liquidity risk is the risk that an enterprise may encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from the inability to realize the value of a financial asset quickly at an amount close to its fair value. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available to meet the Company's future commitments.

Currency risk is the risk that the value of a financial instrument may fluctuate due to changes in foreign exchange rates. The Company's transactions are principally in Saudi Riyal (SR) and United States Dollar (USD). USD exchange rate against SR was historically stable which decreases the currency risk related to transactions and balances in USD. Other transactions in foreign currencies other than US Dollar are not material. Currency risk is managed on regular basis.

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction. As the accompanying interim condensed consolidated financial statements are prepared under the historical cost method differences may arise between the book values and the fair value estimates. Management believes that the fair values of the Company's financial assets and liabilities are not materially different from their carrying values.