

SAUDI STEEL PIPES COMPANY

(A SAUDI JOINT STOCK COMPANY)

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2015**

(UNAUDITED)

WITH

INDEPENDENT AUDITOR'S LIMITED REVIEW REPORT

SAUDI STEEL PIPES COMAPNY
(A SAUDI JOINT STOCK COMPANY)

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 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 performed a limited review of the accompanying interim consolidated balance sheet of **Saudi Steel Pipes Company** (the "Company") as at 30 September 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 nine month period ended 30 September 2015 and the attached interim condensed consolidated notes 1 to 12 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 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



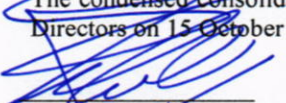
Al Khobar, 15 October 2015
Corresponding to: 2 Muharram 1437H

SAUDI STEEL PIPES COMPANY
(A SAUDI JOINT STOCK COMPANY)

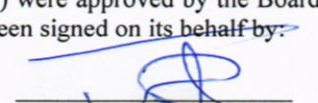
INTERIM CONSOLIDATED BALANCE SHEET
AS AT 30 SEPTEMBER 2015
(Expressed in Saudi Riyals)

	Note	30/9/2015 (Unaudited)	30/9/2014 (Unaudited)
ASSETS			
Current assets			
Cash and cash equivalents		9,773,820	6,283,941
Deposits with banks		13,000,000	16,500,000
Accounts receivable		132,701,760	176,603,335
Inventories		295,034,408	335,807,192
Due from related parties		6,846,697	9,199,887
Prepayments and other assets		18,035,413	12,456,700
Total current assets		475,392,098	556,851,055
Non-current assets			
Property, plant and equipment	4	498,514,646	428,485,015
Constructions under progress	5	230,932,799	272,889,379
Intangible assets		14,004,774	16,776,156
Prepayments and other assets		16,745,007	10,798,436
Loan to an associate		26,250,000	26,250,000
Investments in associates	6	86,359,835	92,797,406
Total non-current assets		872,807,061	847,996,392
Total assets		1,348,199,159	1,404,847,447
LIABILITIES			
Current liabilities			
Short term loan		16,751,691	70,365,235
Current portion of long-term loans		61,650,000	36,465,183
Accounts payable		141,912,204	100,272,457
Accrued expenses and other liabilities		46,312,652	41,573,612
Due to related parties		4,036,254	3,855,251
Total current liabilities		270,662,801	252,531,738
Non-current liabilities			
Long-term loans		243,436,851	300,423,189
Employees' end of service benefits		48,392,359	43,875,854
Total non-current liabilities		291,829,210	344,299,043
Total liabilities		562,492,011	596,830,781
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)		(12,010,100)	(12,070,700)
Retained earnings		13,511,929	32,717,823
Equity attributable to shareholders of the Company		787,235,265	803,005,213
Non-controlling interest		(1,528,117)	5,011,453
Total shareholders' equity		785,707,148	808,016,666
Total liabilities and shareholders' equity		1,348,199,159	1,404,847,447

The condensed consolidated financial statements appearing on pages (1) to (10) were approved by the Board of Directors on 15 October 2015, corresponding to 2 Muharram 1437H 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 12 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 AND NINE MONTH PERIOD ENDED 30 SEPTEMBER 2015
(Expressed in Saudi Riyals)

	Note	Three month period ended 30 September		Nine month period ended 30 September	
		2015 (Unaudited)	2014 (Unaudited)	2015 (Unaudited)	2014 (Unaudited)
Sales	10	179,876,893	241,878,769	708,335,023	716,250,595
Cost of sales	10	(158,354,369)	(218,233,003)	(618,696,013)	(638,267,222)
Gross profit	10	21,522,524	23,645,766	89,639,010	77,983,373
Selling and marketing expenses		(5,513,548)	(6,325,767)	(17,924,951)	(16,775,771)
General and administrative expenses		(7,675,115)	(7,509,165)	(24,078,155)	(22,435,703)
Operating income		8,333,861	9,810,834	47,635,904	38,771,899
Finance charges		(2,080,057)	(1,628,649)	(5,136,104)	(3,852,886)
Other (expenses) / income, net		(339,222)	(36,625)	(2,081,446)	(35,621)
Share of profit (loss) in associates		480,000	(3,450,000)	(2,566,000)	(13,300,000)
Net income for the period		6,394,582	4,695,560	37,852,354	21,583,392
Attributable to:					
Equity shareholders		8,018,323	6,591,386	42,891,919	26,171,939
Non-controlling interest		(1,623,741)	(1,895,826)	(5,039,565)	(4,588,547)
		6,394,582	4,695,560	37,852,354	21,583,392
Basic earnings per share from net income	9	0.159	0.130	0.849	0.518
Diluted earnings per share from net income	9	0.157	0.129	0.841	0.513


The accompanying notes 1 through 12 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 NINE MONTH PERIOD ENDED 30 SEPTEMBER 2015
(Expressed in Saudi Riyals)

	Note	Nine month Period ended 30 September	
		2015 (Unaudited)	2014 (Unaudited)
Cash flows from operating activities:			
Net income for the period		37,852,354	21,583,392
<i>Adjustments to reconcile net income to net cash provided by operating activities:</i>			
Depreciation	4	27,718,922	22,894,045
Amortization		2,176,347	2,095,451
(loss) gain on sale of property, plant and equipment		11,250	(27,046)
Write off property plant and equipment		1,019,345	-
Provision for inventory		1,500,000	-
Impairment of accounts receivable		1,500,000	-
Employees' end of service benefits charged during the period		4,621,336	6,565,193
Finance charges		5,136,104	3,852,886
Share of loss in associates		2,566,000	13,300,000
Share based expenses - (Employee share ownership program)		267,500	1,285,550
Net cash provided before changes in operating assets and liabilities		84,369,158	71,549,471
Changes in operating assets and liabilities:			
Accounts receivable		(39,874,254)	(20,950,244)
Inventories		107,015,119	(54,307,402)
Prepayments and other current assets		(8,721,066)	8,856,064
Related party balances, net		(764,781)	1,425,401
Accounts payable		(1,264,183)	44,515,043
Accrued expenses and other liabilities		17,745,766	5,634,161
Zakat and tax Paid		(13,078,204)	(13,612,378)
		145,427,555	43,110,116
Employees end of service benefits paid		(3,934,336)	(827,395)
Net cash provided by operating activities		141,493,219	42,282,721
Cash flows from investing activities:			
Purchases of property, plant and equipment	4	(7,492,614)	(13,801,765)
Proceeds from sale of property, plant and equipment		30,000	298,475
Additions to intangible assets		-	(424,125)
Additions to construction under progress	5	(36,243,421)	(47,243,783)
Net change in deposit with banks		3,500,000	-
Net cash used in investing activities		(40,206,035)	(61,171,198)
Cash flows from financing activities:			
Net change in loans and due to banks		(40,836,030)	(8,097,834)
Dividends paid		(51,000,000)	-
Finance charges		(5,136,104)	(3,852,886)
Net cash used in financing activities		(96,972,134)	(11,950,720)
Net change in cash and cash equivalents		4,315,050	(30,839,197)
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		9,773,820	6,283,941
Supplemental schedule of non-cash information:			
Transfer of constructions in progress to property, plant and equipment	5	88,289,292	34,720,230

The accompanying notes 1 through 12 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 NINE MONTH PERIOD ENDED 30 SEPTEMBER 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)	29,605,735	803,061,571	3,511,448	806,573,019
Net income for the nine month period ended 30 September 2015	-	-	-	-	42,891,919	42,891,919	(5,039,565)	37,852,354
Dividends distributed	-	-	-	-	(51,000,000)	(51,000,000)	-	(51,000,000)
Provision for zakat and income tax	-	-	-	-	(7,985,725)	(7,985,725)	-	(7,985,725)
Premium on acquisition of shares	-	435,000	-	(435,000)	-	-	-	-
Shares issued to employees	-	-	-	267,500	-	267,500	-	267,500
Balance as at 30 September 2015	510,000,000	220,757,384	54,976,052	(12,010,100)	13,511,929	787,235,265	(1,528,117)	785,707,148
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 nine month period ended 30 September 2014	-	-	-	-	26,171,939	26,171,939	(4,588,547)	21,583,392
Provision for zakat and income tax	-	-	-	-	(9,159,513)	(9,159,513)	-	(9,159,513)
Shares issued to employees	-	-	-	1,285,550	-	1,285,550	-	1,285,550
Balance as at 30 September 2014	510,000,000	220,322,384	52,035,706	(12,070,700)	32,717,823	803,005,213	5,011,453	808,016,666

The accompanying notes 1 through 12 form an integral part of these interim condensed consolidated financial statements.

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

1 ORGANIZATION AND PRINCIPAL ACTIVITIES

Saudi Steel Pipes Company (referred hereinafter as the "Company") is a Saudi Arabian company originally 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.

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).

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

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 September 2015:

Shareholders	Nationality	Number of Shares	Share Capital	% (Percentage) Owned
Rabiah & Nassar Group	Saudi	20,403,075	204,030,750	40.01%
Public free float	Saudi/Non-Saudi	13,505,611	135,056,110	26.48%
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	10.35%
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	478,004	4,780,040	0.94%
Ahmed Mubarak Al-Debasi	Saudi	391,000	3,910,000	0.77%
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 NINE MONTH PERIOD ENDED 30 SEPTEMBER 2015**
(Expressed in Saudi Riyals)

2 BASIS OF PREPARATION

a) Statement of compliance

These 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 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 material adjustments composed mainly of necessary accruals for issuing the interim condensed consolidated financial statements.

The interim condensed consolidated financial statements were authorized for issue by the Board of Directors on 15 October 2015.

b) Basis of measurement

These 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 judgments

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 judgments 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	- Impairment for investment in associates
Note 7	- Provision for Zakat and Income Tax
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 NINE MONTH PERIOD ENDED 30 SEPTEMBER 2015
(Expressed in Saudi Riyals)

4 PROPERTY, PLANT AND EQUIPMENT

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

	Land	Machinery and equipment	Building and structures	Vehicles	Furniture and fixtures	Office and electrical equipment	Total
<u>Cost</u>							
Balance at 1 January 2015 (Audited)	157,850,000	396,686,445	141,167,061	5,153,425	4,038,480	21,417,209	726,312,620
Additions for the nine month period ended 30 September 2015	-	4,707,104	1,004,680	345,000	127,056	1,308,774	7,492,614
Transfers from constructions under progress (note 5)	-	71,059,674	17,229,618	-	-	-	88,289,292
Disposals	-	(6,704,288)	(306,400)	(55,000)	-	-	(7,065,688)
Balance at 30 September 2015	157,850,000	465,748,935	159,094,959	5,443,425	4,165,536	22,725,983	815,028,838
<u>Accumulated Depreciation</u>							
Balance at 1 January 2015 (Audited)	-	215,836,335	58,267,211	3,012,811	3,104,402	14,579,604	294,800,363
Charge for the nine month period ended 30 September 2015	-	20,356,905	4,625,794	584,687	487,524	1,664,012	27,718,922
Disposals	-	(5,816,923)	(174,420)	(13,750)	-	-	(6,005,093)
Balance at 30 September 2015	-	230,376,317	62,718,585	3,583,748	3,591,926	16,243,616	316,514,192
<u>Net Book Value</u>							
At 30 September 2015 (Unaudited)	157,850,000	235,372,618	96,376,374	1,859,677	573,610	6,482,367	498,514,646
At 30 September 2014 (Unaudited)	157,850,000	179,111,724	81,422,767	2,236,980	999,748	6,863,796	428,485,015

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

5 CONSTRUCTIONS UNDER PROGRESS

The movement in Constructions under progress during the nine month period ended 30 September 2015 comprise of:

	Balance at 1 January 2015 (Audited)	Additions (Unaudited)	Transferred to Property, Plant & Equipment (Unaudited)	Balance at 30 September 2015 (Unaudited)
<u>Existing Factory</u>				
Small Diameter	2,328,400	3,755,754	-	6,084,154
Medium Diameter	976,805	6,647,069	-	7,623,874
Induction bending	499,538	428,175	-	927,713
	<u>3,804,743</u>	<u>10,830,998</u>	<u>-</u>	<u>14,635,741</u>
<u>Expansions*</u>				
8" API Tubemill	172,949,726	13,574,663	-	186,524,389
60" Induction Bending	36,486,313	4,484,923	(40,971,236)	-
20" OCTG Pipe Threading Line	45,304,720	1,678,591	(46,983,311)	-
30" External Pipe Coating	24,265,795	5,488,379	-	29,754,174
	<u>279,006,554</u>	<u>25,226,556</u>	<u>(87,954,547)</u>	<u>216,278,563</u>
<u>Building and structures**</u>	<u>167,373</u>	<u>185,867</u>	<u>(334,745)</u>	<u>18,495</u>
Total	<u>282,978,670</u>	<u>36,243,421</u>	<u>(88,289,292)</u>	<u>230,932,799</u>

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

6 INVESTMENT IN ASSOCIATES

Investments in associates as at 30 September comprise of the following:

	GPC	2015 CDC	Total	GPC	2014 CDC	Total
Cost	45,000,000	67,950,000	112,950,000	45,000,000	67,950,000	112,950,000
Accumulated share of loss from associate	(18,316,307)	(8,273,858)	(26,590,165)	(13,000,000)	(7,152,594)	(20,152,594)
Net Investment value	<u>26,683,693</u>	<u>59,676,142</u>	<u>86,359,835</u>	<u>32,000,000</u>	<u>60,797,406</u>	<u>92,797,406</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 tons 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 NINE MONTH PERIOD ENDED 30 SEPTEMBER 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 with other current obligations under the headings Accrued expenses and other liabilities in the 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 178.9 million as of 30 September 2015 (2014 : SR 176.5 million).

The Company has provided corporate guarantees to SIDF and to a commercial bank for the loan obtained by the subsidiary and an associate amounting to SR 434.14 million as of 30 September 2015 (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 year. 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.

<i>Basic earnings per share</i>	30 September 2015 (Unaudited)	30 September 2014 (Unaudited)
Net income for the period	42,891,919	26,171,939
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	271,996	252,172
Weighted average number of outstanding shares	50,521,996	50,517,172
Basic earnings per share from net income	0.849	0.518
Basic earnings per share from operating income	0.943	0.767
<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	0.841	0.513
Diluted earnings per share from operating income	0.934	0.760

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 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 nine months ended 30 September 2015 and 2014 are as follows:

<u>2015 (Unaudited)</u>	<u>Local sales</u>	<u>Export sales</u>	<u>Total</u>
Sales	661,643,433	46,691,590	708,335,023
Cost of sales	(580,534,115)	(38,161,898)	(618,696,013)
Gross profit	81,109,318	8,529,692	89,639,010
% of gross margin	12.3%	18.3%	12.7%
 <u>2014 (Unaudited)</u>	 <u>Local sale</u>	 <u>Export sale</u>	 <u>Total</u>
Sales	665,319,994	50,930,601	716,250,595
Cost of sales	(598,165,780)	(40,101,442)	(638,267,222)
Gross profit	67,154,214	10,829,159	77,983,373
% of gross margin	10.1%	21.3%	10.9%

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 national 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 and United States dollar. 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 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.

12 COMPARATIVE FIGURES

Certain reclassifications have been made to the prior period balances to be consistent with the current period presentation.