

SAUDI STEEL PIPES COMPANY
(A SAUDI JOINT STOCK COMPANY)

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED
30 SEPTEMBER 2016
(UNAUDITED)
WITH
INDEPENDENT
AUDITORS' REVIEW REPORT**

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(A SAUDI JOINT STOCK COMPANY)

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KPMG Al Fozan & Partners
Certified Public Accountants

Al Subeaei Towers
King Abdulaziz Road
P O Box 4803
Al Khobar 31952
Kingdom of Saudi Arabia

Telephone +966 13 887 7241
Fax +966 13 887 7254
Internet www.kpmg.com

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REVIEW REPORT ON THE INTERIM
CONSOLIDATED FINANCIAL STATEMENTS

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

Scope of review:

We have reviewed the accompanying interim consolidated balance sheet of **Saudi Steel Pipes Company** (the "Company") as at 30 September 2016, the related interim consolidated statement of income for the three month and nine month periods then ended, the interim consolidated statements of cash flows and changes in equity for the nine month period then ended and the attached notes 1 through 11 which form an integral part of these interim consolidated financial statements. These interim 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 provide a conclusion on the review of these interim consolidated financial statements based on our review.

We conducted our review in accordance with Auditing Standard on Review of Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants (SOCPA). A review consists principally of analytical procedures applied to financial data and information and making inquiries of Company's personnel responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion on the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Review conclusion:

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



Emphasis of matters

We draw attention to the following matters as explained in Note 1 to the accompanying interim consolidated financial statements;

- on 22 February 2016, the Company signed an agreement with TSM Tech Company, the non-controlling shareholder of the Company's subsidiary "TSM Arabia" to acquire 30% of the share capital of TSM Arabia and thus own 100% of this subsidiary. However, the legal formalities associated with the above transaction are still in progress and management believes that these legal formalities will be finalized in due course. Accordingly, as at 30 September 2016, the accompanying interim consolidated financial statements reflect 100% of the period losses and accumulated losses incurred by the subsidiary.
- as at 30 September 2016, the accumulated losses of the subsidiary exceeded its share capital by SR 22.7 million. Based on the business plan for TSM Arabia, management believes that TSM Arabia will be able to generate sufficient income and positive cash flows to support its operations in the future. Furthermore, the Board of Directors of Saudi Steel Pipes Company has passed a resolution on 18 January 2016 confirming the continuation of TSM Arabia's business and providing sufficient financial support to enable TSM Arabia to meet its financial obligations as and when they fall due.

For KPMG Al Fozan & Partners
Certified Public Accountants



Khalil Ibrahim Al Sedais
License No: 371

Al Khobar, 17 Muharram 1438H
Corresponding to: 18 October 2016G