

SAUDI STEEL PIPES COMPANY
(A SAUDI JOINT STOCK COMPANY)
INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2015
(UNAUDITED)
WITH
INDEPENDENT
AUDITORS' LIMITED REVIEW REPORT

**SAUDI STEEL PIPES COMPANY
(A SAUDI JOINT STOCK COMPANY)**

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 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 31 March 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 three month period ended 31 March 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 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: 15 April 2015
Corresponding to: 26 Jumada Al Thani 1436H

SAUDI STEEL PIPES COMPANY
(A SAUDI JOINT STOCK COMPANY)

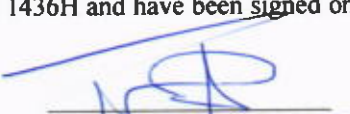
INTERIM CONSOLIDATED BALANCE SHEET
AS AT 31 MARCH 2015
(Expressed in Saudi Riyals)

	Note	31/3/2015 (Unaudited)	31/3/2014 (Unaudited)
ASSETS			
Current assets			
Cash and cash equivalents		11,934,199	47,268,106
Deposits with banks		16,500,000	16,500,000
Accounts receivable		154,631,233	161,432,068
Inventories		328,333,065	319,255,861
Due from related parties		6,704,125	5,953,947
Prepayments and other assets		18,412,264	19,908,859
Total current assets		536,514,886	570,318,841
Non-current assets			
Property, plant and equipment	4	512,565,607	432,128,045
Constructions under progress	5	212,863,781	241,679,067
Intangible assets		15,322,339	17,521,904
Prepayments and other assets		11,833,418	8,899,834
Loan to an associate		26,250,000	26,250,000
Investments in associates	6	86,297,835	101,047,406
Total non-current assets		865,132,980	827,526,256
Total assets		1,401,647,866	1,397,845,097
LIABILITIES			
Current liabilities			
Accounts payable		99,253,940	149,925,986
Accrued expenses and other liabilities		32,096,527	28,524,637
Due to related parties		3,855,251	-
Provision for Zakat and Income Tax		6,718,374	20,332,688
Short term loan		68,435,221	30,000,000
Current portion of long-term loans		89,360,813	12,648,000
Total current liabilities		299,720,126	241,431,311
Non-current liabilities			
Long-term loans		240,569,312	320,541,832
Employees' end of service benefits		47,192,685	41,471,538
Total non-current liabilities		287,761,997	362,013,370
Total liabilities		587,482,123	603,444,681
SHAREHOLDERS' EQUITY			
Share capital		510,000,000	510,000,000
Share premium		220,322,384	220,322,384
Statutory reserve		54,976,052	52,035,706
Treasury shares (Employee Share Ownership Program)		(11,763,850)	(13,015,550)
Retained earnings		38,901,684	16,803,768
Equity attributable to shareholders of the Company		812,436,270	786,146,308
Non-controlling interest		1,729,473	8,254,108
Total shareholders' equity		814,165,743	794,400,416
Total liabilities and shareholders' equity		1,401,647,866	1,397,845,097

The interim condensed consolidated financial statements appearing on pages (1) to (10) were approved by the Board of Directors on April 15, 2015, corresponding to 27 Jumada Al Thani 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 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 MONTH PERIOD ENDED 31 MARCH 2015
(Expressed in Saudi Riyals)

	Note	Three month period ended 31 March	
		2015 (Unaudited)	2014 (Unaudited)
Sales	10	248,492,933	224,726,997
Cost of sales	10	(219,251,741)	(203,074,536)
Gross profit for the period	10	29,241,192	21,652,461
Selling and marketing expenses		(6,537,585)	(3,280,796)
General and administrative expenses		(8,098,121)	(9,318,527)
Operating income for the period		14,605,486	9,053,138
Finance charges		(1,735,695)	(1,218,463)
Other expenses, net		(472,885)	(103,692)
Share of loss in associates		(2,628,000)	(5,050,000)
Net income for the period		9,768,906	2,680,983
Attributable to:			
Equity shareholders		11,414,293	4,026,875
Non controlling interest (loss)		(1,645,387)	(1,345,892)
		9,768,905	2,680,983
Earnings per share from net income:			
Basic	9	0.226	0.080
Diluted	9	0.224	0.079
Earnings per share from operating income:			
Basic	9	0.318	0.179
Diluted	9	0.315	0.177

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 THREE MONTH PERIOD ENDED 31 MARCH 2015
(Expressed in Saudi Riyals)

	Note	Three month ended 31 March	
		2015 (Unaudited)	2014 (Unaudited)
Cash flows from operating activities:			
Net income for the period		9,768,906	2,680,983
<i>Adjustments to reconcile net income to net cash provided by operating activities:</i>			
Depreciation	4	9,310,575	7,438,501
Amortization		858,782	925,578
Loss on sale of property, plant and equipment		11,250	-
Employees' end of service benefits charged during the period		2,110,431	3,336,961
Share of loss in associates		2,628,000	5,050,000
Provision for doubtful debts		500,000	-
Provision for inventories		500,000	-
Share based expenses - (Employee Share Ownership Program)		78,750	340,700
Net cash provided before changes in operating assets and liabilities		25,766,694	19,772,723
Changes in operating assets and liabilities:			
Accounts receivable		(60,803,727)	(5778,977)
Inventories		74,716,462	(37,756,071)
Prepayments and other assets		(4,186,328)	3,302,507
Related party balances, net		(803,210)	816,090
Accounts payable		(43,922,447)	94,168,572
Accrued expenses and other liabilities		14,791,745	11,184,159
Zakat and income tax paid during the period		(11,891,138)	(5,647,655)
		(6,331,949)	80,061,348
Employees end of service benefits paid		(2,623,100)	(3,479)
Net cash (used in) / provided by operating activities		(8,955,049)	80,057,869
Cash flows from investing activities:			
Purchases of property, plant and equipment	4	(2,450,630)	(2,007,573)
Proceeds from sale of property, plant and equipment		30,000	-
Additions to construction under progress	5	(17,839,658)	(15,743,720)
Net cash used in investing activities		(20,260,288)	(17,751,293)
Cash flows from financing activities:			
Net change in loans		35,690,766	(52,161,608)
Net cash provided by / (used in) financing activities		35,690,766	(52,161,608)
Net change in cash and cash equivalents			
Cash and cash equivalents at the beginning of the period		6,475,429	10,144,968
		5,458,770	37,123,138
Cash and cash equivalents at the end of the period		11,934,199	47,268,106
Supplemental schedule of non-cash information:			
Transfer of constructions in progress to property, plant and equipment	5	87,954,547	34,430,479

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 THREE PERIOD ENDED 31 MARCH 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 31 March 2015 (unaudited)	-	-	-	-	11,414,293	11,414,293	(1,645,387)	9,768,906
Provision for zakat and income tax	-	-	-	-	(2,254,931)	(2,254,931)	-	(2,254,931)
Share issued to employees	-	-	-	78,750	-	78,750	-	78,750
Balance as at 31 March 2015	510,000,000	220,322,384	54,976,052	(11,763,850)	38,901,684	812,436,270	1,729,473	814,165,743
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 31 March 2014 (unaudited)	-	-	-	-	4,026,875	4,026,875	(1,345,892)	2,680,983
Provision for zakat and income tax	-	-	-	-	(2,928,504)	(2,928,504)	-	(2,928,504)
Share issued to employees	-	-	-	340,700	-	340,700	-	340,700
Balance as at 31 March 2014	510,000,000	220,322,384	52,035,706	(13,015,550)	16,803,768	786,146,308	8,254,108	794,400,416

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)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 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.

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 31 March 2015:

Shareholders	Nationality	Number of Shares	Share Capital	Percentage Owned
Rabiah & Nassar Group	Saudi	20,403,075	204,030,750	40.01%
Hu Steel Co. Ltd.	South Korean	8,350,650	83,506,500	16.37%
Khalid Saleh Abdul Rahman Al Shathri	Saudi	3,700,180	37,001,800	7.26%
Al-Khorayef Sons Co.	Saudi	2,587,202	25,872,020	5.07%
Fahad Mohammed Saja	Saudi	1,391,775	13,917,750	2.73%
Ahmed Mubarak Al-Debasi	Saudi	341,000	3,410,000	0.67%
Employee Share Program	Saudi/Non Saudi	470,554	4,705,540	0.92%
Public Free Float	Saudi/Non Saudi	13,755,564	137,555,640	26.97%
Total		51,000,000	510,000,000	100%

Titanium and Steel Manufacturing Company Limited (referred hereinafter as the "Subsidiary") 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.

SAUDI STEEL PIPES COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2015
(Expressed in Saudi Riyals)

2 BASIS OF PREPARATION

a) Statement of compliance

These accompanying 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 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 15 April 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	- 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 THREE MONTH PERIOD ENDED 31 MARCH 2015
(Expressed in Saudi Riyals)

4 PROPERTY, PLANT AND EQUIPMENT

The movement in property, plant and equipment during the period ended 31 March 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 three month period ended 31 March 2015	-	1,246,031	147,265	345,000	47,077	665,257	2,450,630
Transfers from capital work in progress	-	71,059,674	16,894,873	-	-	-	87,954,547
Disposals	-	-	-	(55,000)	-	-	(55,000)
Balance at 31 March 2015	157,850,000	468,860,544	158,209,198	5,443,425	2,343,005	23,956,624	816,662,796
<u>Accumulated Depreciation</u>							
Balance at 1 January 2015 (Audited)	-	215,836,335	58,267,212	3,012,812	1,322,184	16,361,821	294,800,364
Charge for the three month period ended 31 March 2015	-	6,840,225	1,583,531	190,104	84,058	612,657	9,310,575
Disposals	-	-	-	(13,750)	-	-	(13,750)
Balance at 31 March 2015	-	222,676,560	59,850,743	3,189,166	1,406,242	16,974,478	304,097,189
<u>Net Book Value</u>							
At 31 March 2015 (Unaudited)	157,850,000	246,183,984	98,358,455	2,254,259	936,763	6,982,146	512,565,607
At 31 March 2014 (Unaudited)	157,850,000	183,952,489	82,118,592	2,586,983	631,608	4,988,373	432,128,045

SAUDI STEEL PIPES COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2015
(Expressed in Saudi Riyals)

5 CAPITAL WORK IN PROGRESS

The movement in capital work in progress during the period ended 31 March 2015 comprise of:

	Balance at 01 January 2015 (Audited)	Additions (Unaudited)	Transferred to Property, Plant & Equipment (Unaudited)	Balance at 31 March 2015 (Unaudited)
<u>Existing Factory</u>				
Small Diameter	2,328,401	598,441	-	2,926,842
Medium Diameter	976,805	3,001,152	-	3,977,957
Induction bending	499,538	428,175	-	927,713
	<u>3,804,744</u>	<u>4,027,768</u>	<u>-</u>	<u>7,832,512</u>
<u>Expansions*</u>				
8" API Tubemill	172,949,726	5,697,422	-	178,647,148
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	1,783,581	-	26,049,376
	<u>279,006,554</u>	<u>13,644,517</u>	<u>(87,954,547)</u>	<u>204,696,524</u>
<u>Building and structures</u>	<u>167,372</u>	<u>167,373</u>	<u>-</u>	<u>334,745</u>
Total	<u>282,978,670</u>	<u>17,839,658</u>	<u>(87,954,547)</u>	<u>212,863,781</u>

* Include capitalized finance costs amounting to SR 526,061 for the period ended 31 March 2015.

6 INVESTMENT IN ASSOCIATES

Investments in associates comprise of the following:

	31 March 2015			31 March 2014		
	GPC	CDC	Total	GPC	CDC	Total
Cost of acquisition	45,000,000	67,950,000	112,950,000	45,000,000	67,950,000	112,950,000
Accumulated share of loss from associates	(19,343,307)	(7,308,858)	(26,652,165)	(4,900,000)	(7,002,594)	(11,902,594)
Net Investment value	<u>25,656,693</u>	<u>60,641,142</u>	<u>86,297,835</u>	<u>40,100,000</u>	<u>60,947,406</u>	<u>101,047,406</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 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 2 Industrial City and will produce 12,350 tonnes (in two phases) of solar grade polysilicon, the main material used in the production of solar products.

SAUDI STEEL PIPES COMPANY
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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 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 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 175 million as of 31 March 2015 (31 March 2014: SR 196.4 million).

The Company has provided corporate guarantees to Saudi Industrial Development Fund (SIDF) and to a commercial bank for the loan obtained by the subsidiary and an associate amounting to SR 434.1 million as of 31 March 2015 (31 March 2014: SR 325.6 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.

<i>Basic earnings per share</i>	31 March 2015 (Unaudited)	31 March 2014 (Unaudited)
Net income for the period	<u>11,414,293</u>	<u>4,026,875</u>
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	(735,000)	(735,000)
Add: Weighted average number of shares issued to employees	<u>264,446</u>	<u>214,378</u>
Weighted average number of outstanding shares	<u>50,529,446</u>	<u>50,479,378</u>
Basic earnings per share from net income	<u>0.226</u>	<u>0.080</u>
Basic earnings per share from operating income	<u>0.318</u>	<u>0.179</u>
 <i>Diluted earnings per share</i>		
Weighted average number of outstanding shares	<u>51,000,000</u>	<u>51,000,000</u>
Diluted earnings per share from net income	<u>0.224</u>	<u>0.079</u>
Diluted earnings per share from operating income	<u>0.315</u>	<u>0.177</u>

SAUDI STEEL PIPES COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 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 three months ended 31 March 2015 and 2014 are as follows:

<u>2015 (Unaudited)</u>	<u>Local sales</u>	<u>Export sales</u>	<u>Total</u>
Sales	236,271,096	12,221,837	248,492,933
Cost of sales	(208,774,045)	(10,477,696)	(219,251,741)
Gross profit	27,497,051	1,744,141	29,241,192
Gross profit percentage	11.6%	14.3%	11.8%
<u>2014 (Unaudited)</u>	<u>Local sales</u>	<u>Export sales</u>	<u>Total</u>
Sales	210,105,319	14,621,678	224,726,997
Cost of sales	(191,668,317)	(11,406,219)	(203,074,536)
Gross profit	18,437,002	3,215,459	21,652,461
Gross profit percentage	8.8%	22%	9.6%

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 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 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.

12 COMPARATIVE FIGURES

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