

**THE SAUDI ARABIAN AMIANTIT COMPANY  
AND SUBSIDIARIES  
(A Saudi Joint Stock Company)**

INTERIM CONSOLIDATED FINANCIAL  
STATEMENTS FOR THE THREE-MONTH AND  
NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2013  
AND INDEPENDENT AUDITORS' LIMITED REVIEW REPORT

THE SAUDI ARABIAN AMIANTIT COMPANY AND SUBSIDIARIES  
(A Saudi Joint Stock Company)  
INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2013

	Page
Limited review report	2
Interim consolidated balance sheet	3
Interim consolidated income statement	4
Interim consolidated cash flow statement	5
Notes to the interim consolidated financial statements	6 - 12



## LIMITED REVIEW REPORT

October 21, 2013

To the Shareholders of The Saudi Arabian Amiantit Company  
(A Saudi Joint Stock Company)

### Scope of review

We have reviewed the accompanying interim consolidated balance sheet of The Saudi Arabian Amiantit Company (the "Company") and its subsidiaries (collectively referred to as the "Group") as of September 30, 2013 and the interim consolidated income statement for the three-month and nine-month periods ended September 30, 2013, and the interim consolidated statement of cash flows for the nine-month period then ended and the related notes which form an integral part of these interim consolidated financial statements. These interim consolidated financial statements are the responsibility of the Group's management and have been prepared by them and submitted to us together with all the information and explanations which we required.

We conducted our limited review in accordance with the standard of Review of Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants. A limited review consists principally of applying analytical procedures to financial data and information and making inquiries of persons responsible for financial and accounting matters. The scope of such limited review is substantially less than an audit conducted in accordance with auditing standards generally accepted in Saudi Arabia, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

### Review conclusion

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

### PricewaterhouseCoopers

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**THE SAUDI ARABIAN AMIANTIT COMPANY AND SUBSIDIARIES**  
**(A Saudi Joint Stock Company)**  
**Interim consolidated balance sheet**  
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	September 30, 2013 (Unaudited)	December 31, 2012 (Audited)	September 30, 2012 (Unaudited)
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents		102,843	127,347	333,950
Short-term bank deposits		-	47	82
Accounts receivable	2	1,941,714	2,023,106	1,991,816
Inventories		1,423,838	1,481,940	1,406,549
Prepayments and other receivables		139,037	127,286	142,842
		<b>3,607,432</b>	<b>3,759,726</b>	<b>3,875,239</b>
<b>Non-current assets</b>				
Investments in associates		178,292	204,762	204,267
Property, plant and equipment		749,935	811,826	796,217
Other non-current assets		60,638	46,192	44,462
		<b>988,865</b>	<b>1,062,780</b>	<b>1,044,946</b>
<b>Total assets</b>		<b>4,596,297</b>	<b>4,822,506</b>	<b>4,920,185</b>
<b>Liabilities</b>				
<b>Current liabilities</b>				
Short-term borrowings		1,663,428	1,633,139	1,600,402
Current maturity of long-term borrowings		89,326	96,378	102,170
Accounts payable		642,658	663,846	776,690
Accrued and other liabilities		260,032	292,258	298,341
Zakat and tax payable		82,741	109,343	96,848
		<b>2,738,185</b>	<b>2,794,964</b>	<b>2,874,451</b>
<b>Non-current liabilities</b>				
Long-term borrowings		92,334	170,397	196,418
Employee termination benefits		79,232	92,303	92,764
Warranty provisions		58,882	52,763	56,296
Other non-current liabilities		11,762	11,672	10,567
		<b>242,210</b>	<b>327,135</b>	<b>356,045</b>
<b>Total liabilities</b>		<b>2,980,395</b>	<b>3,122,099</b>	<b>3,230,496</b>
<b>Equity</b>				
Equity attributable to shareholders of the Company:				
Share capital		1,155,000	1,155,000	1,155,000
Statutory reserve		159,812	159,812	148,678
Retained earnings	5	261,637	303,021	284,605
Employees shares program and reserve		(34,499)	(37,448)	(38,156)
Currency translation differences		(22,127)	(12,474)	(16,291)
<b>Total shareholders' equity</b>		<b>1,519,823</b>	<b>1,567,911</b>	<b>1,533,836</b>
Non-controlling interests		96,079	132,496	155,853
<b>Total equity</b>		<b>1,615,902</b>	<b>1,700,407</b>	<b>1,689,689</b>
<b>Total liabilities and equity</b>		<b>4,596,297</b>	<b>4,822,506</b>	<b>4,920,185</b>
<b>Contingencies and commitments</b>	6			

The notes from 1 to 6 form an integral part of these interim consolidated financial statements.

3

**THE SAUDI ARABIAN AMIANTIT COMPANY AND SUBSIDIARIES**  
**(A Saudi Joint Stock Company)**  
**Interim consolidated income statement**  
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	For three-month periods ended September 30,		For nine-month periods ended September 30,	
		2013 <i>(Unaudited)</i>	2012 <i>(Unaudited)</i>	2013 <i>(Unaudited)</i>	2012 <i>(Unaudited)</i>
Sales	4	760,809	768,686	2,450,384	2,564,631
Cost of sales		(659,722)	(652,475)	(2,064,623)	(2,143,460)
Gross profit		101,087	116,211	385,761	421,171
<b>Operating expenses</b>					
Selling and marketing		(18,925)	(18,033)	(59,387)	(56,356)
General and administrative		(37,905)	(48,191)	(138,687)	(160,340)
Income from operations		44,257	49,987	187,687	204,475
<b>Other income (expenses), net</b>					
Share in net income (loss) of associates		621	(6,378)	(18,943)	(24,351)
Financial charges, net		(19,321)	(19,810)	(66,017)	(61,159)
Other	3	1,248	213	307	(5,577)
Income before foreign income tax, zakat and non-controlling interests		26,805	24,012	103,034	113,388
Foreign income tax		(3,646)	(4,771)	(7,022)	(9,528)
Zakat		(11,000)	(8,000)	(32,581)	(32,905)
Income before non-controlling interests		12,159	11,241	63,431	70,955
Non-controlling interests		5,435	4,978	15,158	10,832
<b>Net income for the period</b>		<b>17,594</b>	<b>16,219</b>	<b>78,589</b>	<b>81,787</b>
<b>Earnings per share (Saudi Riyals):</b>					
	2.25				
• Operating income		0.39	0.44	1.66	1.81
• Net income for the period		0.16	0.14	0.70	0.72

The notes from 1 to 6 form an integral part of these interim consolidated financial statements.

4



**THE SAUDI ARABIAN AMIANTIT COMPANY AND SUBSIDIARIES**  
**(A Saudi Joint Stock Company)**  
**Interim consolidated cash flow statement**  
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	For nine-month period ended September 30, 2013 <i>(Unaudited)</i>	For nine-month period ended September 30, 2012 <i>(Unaudited)</i>
<b>Cash flow from operating activities</b>			
Net income for the period		78,589	81,787
<u>Adjustments for non-cash items</u>			
Depreciation, impairment, amortization and provisions		85,119	91,230
Share in net loss of associates		18,943	24,351
Deferred income tax (credits) charges		(304)	1,946
Loss applicable to non-controlling interests		(15,158)	(10,832)
<u>Changes in working capital</u>			
Accounts receivable		44,030	(248,865)
Inventories		34,895	(361,500)
Prepayments and other receivables		(47,546)	(17,282)
Accounts payable		(13,076)	203,233
Accrued and other current liabilities		(6,506)	(35,536)
Employee termination benefits		(2,615)	2,822
Net cash generated from (utilized in) operating activities		<u>176,371</u>	<u>(268,646)</u>
<b>Cash flow from investing activities</b>			
Short-term bank deposits		(49)	1,247
Investments		(6,400)	(3,049)
Proceeds from disposal of investments	1	14,880	-
Additions to property, plant and equipment		(62,284)	(77,766)
Intangible assets and other		(17,168)	32,053
Net cash utilized in investing activities		<u>(71,021)</u>	<u>(47,515)</u>
<b>Cash flow from financing activities</b>			
Increase in short-term borrowings		61,420	478,445
Proceeds from long-term borrowings		543	225,666
Repayments of long-term borrowings		(74,408)	(241,198)
Repayments of liabilities against capital leases		-	(12,186)
Dividends paid		(112,984)	(140,566)
Dividends paid by subsidiaries to non-controlling interests		(951)	(3,818)
Board of Directors' fee paid		(1,800)	(1,800)
Purchase of shares for employees share program		-	(41,758)
Changes in non-controlling interests and other		(1,674)	(3,350)
Net cash (utilized in) generated from financing activities		<u>(129,854)</u>	<u>259,435</u>
<b>Net decrease in cash and cash equivalents</b>		<b>(24,504)</b>	<b>(56,726)</b>
Cash and cash equivalents at beginning of period		<u>127,347</u>	<u>390,676</u>
<b>Cash and cash equivalents at end of period</b>		<b><u>102,843</u></b>	<b><u>333,950</u></b>

The notes from 1 to 6 form an integral part of these interim consolidated financial statements.

## THE SAUDI ARABIAN AMIANTIT COMPANY AND SUBSIDIARIES

(A Saudi Joint Stock Company)

Notes to the interim consolidated financial statements

For the three-month and nine-month periods ended September 30, 2013 (Unaudited)

(All amounts in Saudi Riyals thousands unless otherwise stated)

### 1 General information

The Saudi Arabian Amiantit Company (the "Company" or "SAAC") and its subsidiaries (collectively the "Group") consist of the Company and its various Saudi Arabian and foreign subsidiaries. The Group is principally engaged in manufacturing and selling various types of pipes and related products, licensing of related technologies and supply of pipe manufacturing machines, and water management services including related consultancy, engineering and operations.

The Company is a joint stock company, registered in the Kingdom of Saudi Arabia, operating under commercial registration No. 2050002103 issued in Dammam on 17 Rabi'ul 1388 H (June 13, 1968). The registered address of the Company is P.O. Box 589, First Industrial Area, Dammam 31421, Kingdom of Saudi Arabia.

During the nine-month period ended September 30, 2013:

- The Group's effective ownership in one of its Saudi Arabian subsidiary "Fiberglass Pipes Company" was increased from 51% to 100% through an acquisition of 49% equity interests from the other shareholders of the subsidiary for an amount of Saudi Riyals 6.4 million;
- On July 7, 2013, SAAC announced that the board of directors of one of the Group's subsidiary "Amiantit Fiberglass Industries India Limited ("AFIL - India")", unanimously resolved to file a reference to the Board for Industrial and Financial Reconstruction ("BIFR") - India, in accordance with the provisions of the Sick Industrial Company (Special Provision) Act 1985 in India declaring AFIL - India a sick industrial company. Such decision was made considering the decline in AFIL - India's financial performance over the past few years and the accumulated losses exceeding the share capital as at March 31, 2013.

On August 8, 2013, the Corporation Bank (the "Bank") in India, being the major lender to AFIL - India, exercised its rights under the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act (Act 3 of 2002) in India and took possession of AFIL - India's land parcels, buildings and certain of its production facilities and inventories, having total net book values of approximately Saudi Riyals 33.7 million. This action will likely be followed by auction of the assets by the Bank, ultimately leading to the liquidation of AFIL - India.

During September 2013, the BIFR accepted AFIL - India's filing, which is supposed to be followed by an assessment on the viability of any rehabilitation plans for AFIL - India. However the Group's management expects that this BIFR process will be terminated due to the above-described actions taken by the Bank.

The Group has stopped consolidating the accounts of AFIL - India with effect from May 31, 2013 and has recorded impairment losses of Saudi Riyals 8.2 million during the six-month period ended June 30, 2013 to bring the net investment in AFIL - India to Nil. The Group has no obligation to provide any additional financial support or to absorb any further future losses. Further, these developments will not have any impact on the Saudi Arabian and other international operations of the Group; and

- The Group sold its ownership in one of its subsidiaries "Jos Hansen & Soehne GmbH" in Germany for an amount of Saudi Riyals 19.8 million.

Certain subsidiaries consolidated in the accompanying interim consolidated financial statements are dependent on financial support from the Group. The Group management intends to provide adequate financial support to such subsidiaries enabling them to continue their operations and believes that these subsidiaries will generate positive cash flows in the future. Property, plant and equipment - net of these subsidiaries amounted to Saudi Riyals 88.3 million as at September 30, 2013 (September 30, 2012: Saudi Riyals 99.1 million).

The accompanying interim consolidated financial statements include all adjustments comprising mainly of normal recurring accruals considered necessary by the Group's management to present a fair statement of the financial position, results of operations and cash flows. The interim results of the operations for the three-month and nine-month periods ended September 30, 2013 may not represent a proper indication for the annual results of operations. These interim consolidated financial statements and notes should be read in conjunction with the annual audited consolidated financial statements and the related notes for the year ended December 31, 2012.

The accompanying interim consolidated financial statements were authorized for issue by the Company's Board of Directors on October 21, 2013.

## **THE SAUDI ARABIAN AMIANTIT COMPANY AND SUBSIDIARIES**

(A Saudi Joint Stock Company)

Notes to the interim consolidated financial statements

For the three-month and nine-month periods ended September 30, 2013 (Unaudited)

(All amounts in Saudi Riyals thousands unless otherwise stated)

### **2 Summary of significant accounting policies**

The principal accounting policies applied in the preparation of these interim consolidated financial statements are set out below. These policies have been consistently applied to all periods presented.

#### **2.1 Basis of preparation**

The accompanying interim consolidated financial statements have been prepared under the historical cost convention on the accrual basis of accounting, as modified by revaluation of derivative financial instruments to fair value, and in compliance with the Standard of Accounting for Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants. Significant accounting policies adopted by the Group for preparing such interim consolidated financial statements are consistent with the accounting policies described in the 2012 annual audited consolidated financial statements of the Group.

#### **2.2 Critical accounting estimates and judgments**

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of certain critical estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenues and expenses during the reporting period. Although these estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management makes estimates and assumptions concerning the future which, by definition, seldom equal the related actual results.

#### **2.3 Investments**

##### **(a) Subsidiaries**

Subsidiaries are entities over which the Group has the power to govern the financial and operating policies to obtain economic benefit generally accompanying a shareholding of more than one half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. Goodwill arising from acquisition of subsidiaries is reported under "Intangible assets" in the balance sheet. Goodwill is tested annually for impairment and carried at cost, net of impairment losses.

Inter-company transactions, balances and unrealized gains and losses on transactions between group companies are eliminated.

##### **(b) Associates**

Associates are entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognized at cost. The Group's investment in associates includes goodwill identified on acquisition, which is adjusted subsequently for impairment loss, if any.

#### **2.4 Segment reporting**

##### **(a) Business segment**

A business segment is group of assets, operations or entities:

- (i) engaged in revenue producing activities;
- (ii) results of its operations are continuously analyzed by management in order to make decisions related to resource allocation and performance assessment; and
- (iii) financial information is separately available.

##### **(b) Geographical segment**

A geographical segment is group of assets, operations or entities engaged in revenue producing activities within a particular economic environment that are subject to risks and returns different from those operating in other economic environments.



## **THE SAUDI ARABIAN AMIANTIT COMPANY AND SUBSIDIARIES**

(A Saudi Joint Stock Company)

Notes to the interim consolidated financial statements

For the three-month and nine-month periods ended September 30, 2013 (Unaudited)

(All amounts in Saudi Riyals thousands unless otherwise stated)

### **2.5 Foreign currencies**

#### **(a) Reporting currency**

These interim consolidated financial statements are presented in Saudi Riyals which is the reporting currency of the Company.

#### **(b) Transactions and balances**

Foreign currency transactions are translated into Saudi Riyals using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the period-end exchange rates are recognized in the income statement.

#### **(c) Group companies**

Cumulative adjustments resulting from the translations of the financial statements of the foreign subsidiaries and associates into Saudi Riyals are reported as a separate component of equity.

Dividends received from subsidiaries and associates are translated at the exchange rate in effect at the transaction date.

### **2.6 Cash and cash equivalents**

Cash and cash equivalents include cash in hand and with banks and other short-term highly liquid investments with maturities of three months or less from the purchase date.

### **2.7 Accounts receivable**

Accounts receivable are carried at original invoice amount less provision for doubtful debts. A provision for doubtful debts is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables.

At September 30, 2013 approximately 30% (2012: 31%) of accounts receivable were related to government projects.

### **2.8 Inventories**

Inventories are stated at the lower of cost or net realizable value. Cost is determined using weighted average method. The cost of finished products include the cost of raw materials, labor and production overheads.

### **2.9 Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and impairment, except construction in progress which is stated at cost. Land is not depreciated. Depreciation is charged to the income statement, using the straight-line method, to allocate the cost of the related assets to their estimated useful lives.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in the income statement.

Maintenance and normal repairs which do not materially extend the estimated useful life of an asset are charged to the income statement as and when incurred. Major renewals and improvements, if any, are capitalized and the assets so replaced are retired.

### **2.10 Deferred charges**

Costs that are not of benefit beyond the current period are charged to the income statement, while costs that will benefit future periods are capitalized. Deferred charges, reported under "Intangible assets" in the balance sheet, include certain indirect construction costs and pre-operating expenses which are amortized over periods which do not exceed seven years.

### **2.11 Patents, trademarks and licenses**

Expenditure to acquire patents, trademarks and licenses, included under "Intangible assets" is capitalized and amortized using the straight-line method over their useful lives, but not exceeding twenty years.

## **THE SAUDI ARABIAN AMIANTIT COMPANY AND SUBSIDIARIES**

(A Saudi Joint Stock Company)

Notes to the interim consolidated financial statements

For the three-month and nine-month periods ended September 30, 2013 (Unaudited)

(All amounts in Saudi Riyals thousands unless otherwise stated)

### **2.12 Impairment of non-current assets**

Non-current assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount which is the higher of an asset's fair value less cost to sell and value in use. For the purpose of assessing impairment, assets are grouped at lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-current assets other than intangible assets that suffered impairment are reviewed for possible reversal of impairment at each reporting date. Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but the increased carrying amount should not exceed the carrying amount that would have been determined, had no impairment loss been recognized for the assets or cash-generating unit in prior years. A reversal of an impairment loss is recognized as income immediately in the income statement. Impairment losses recognized on intangible assets are not reversible.

### **2.13 Borrowings**

Borrowings are recognized at the proceeds received, net of transaction costs incurred. Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalized as part of those assets. Other borrowing costs are charged to the income statement.

### **2.14 Accounts payable and accruals**

Liabilities are recognized for amounts to be paid for goods and services received, whether or not billed to the Group.

### **2.15 Provisions**

Warranty provisions - The Group offers warranties for its products. Management estimates the related provision for future warranty claims based on historical warranty claim information, as well as recent trends that might suggest that past cost information may differ from future claims. Warranty provisions are charged to "Cost of sales" in the income statement.

Onerous contracts - Provision against onerous contracts are recognized when the Group expects that the costs of meeting the obligations under a contract exceed the economic benefits expected to be received under it. Such provisions are charged to "Cost of sales" in the income statement.

### **2.16 Zakat and tax**

The Company is subject to zakat in accordance with the regulations of the Department of Zakat and Income Tax (the "DZIT"). Foreign shareholders in the consolidated Saudi Arabian subsidiaries are subject to income tax. Income tax provisions related to the foreign shareholders in such subsidiaries are charged to the non-controlling interests.

Provision for zakat for the Company and zakat related to the Company's ownership in the Saudi Arabian subsidiaries is charged to the income statement. Additional amounts payable, if any, at the finalization of assessments are accounted for when such amounts are determined.

The Company and its Saudi Arabian subsidiaries withhold tax on certain transactions with non-resident parties, including dividend payments to foreign shareholders of the Saudi Arabian subsidiaries, in the Kingdom of Saudi Arabia as required under Saudi Arabian Income Tax Law.

Foreign subsidiaries are subject to income tax in their respective countries of domicile which are charged to the income statement.

Deferred income tax are recognized on all major temporary differences between financial income and taxable income during the period in which such differences arise, and are adjusted when related temporary differences are reversed. Deferred income tax are determined using tax rates which have been enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

## **THE SAUDI ARABIAN AMIANTIT COMPANY AND SUBSIDIARIES**

(A Saudi Joint Stock Company)

Notes to the interim consolidated financial statements

For the three-month and nine-month periods ended September 30, 2013 (Unaudited)

(All amounts in Saudi Riyals thousands unless otherwise stated)

### **2.17 Employee termination benefits**

Employee termination benefits required by the Saudi Labor and Workman Law are accrued by the Company and its Saudi Arabian subsidiaries and charged to the income statement.

The foreign subsidiaries provide currently for employee termination and other benefits as required under the laws of their respective countries of domicile.

### **2.18 Employees share ownership plan**

The Group has an Employees Share Ownership Plan ("ESOP"), which provides a 3 year service awards to certain levels of employees. These employees, subject to their subscription of ESOP and meeting the underlying conditions, will be given the Company's shares, at no costs. The Company has purchased its shares required for the ESOP through a local financial institution.

The employees' service cost of share options granted to them under the ESOP is measured by reference to the fair value of the Company's shares on the date on which the options are granted. This cost is recognized as an expense over the period in which service conditions are fulfilled by the employees, ending on the date on which the relevant employees become fully entitled to the shares (the "vesting date"). The cumulative expense recognized, for the equity-settled transactions at each reporting date until the vesting date, reflects the extent to which the vesting period has expired and the Company's best estimate of the number of shares that will ultimately vest. The charge for a period recorded in the income statement represents the movement in cumulative expense recognized as at the beginning and end of that period.

Shares purchased by the financial institution acting as trustee for the ESOP are carried at cost as a deduction from shareholders' equity until the options vest and the underlying shares are transferred to the employee on which date any difference between the employee service cost and the purchase cost of the shares is taken directly to retained earnings as an equity adjustment.

### **2.19 Revenues**

Sales are recognized upon delivery of products or on the performance of services. Revenues on long-term contracts are recognized on the percentage of completion basis. Revenues are shown net of certain expenses and after eliminating sales within the Group.

### **2.20 Selling, marketing and general and administrative expenses**

Selling, marketing and general and administrative expenses include direct and indirect costs not specifically part of production costs as required under generally accepted accounting principles. Allocations between selling, marketing and general and administrative expenses and production costs, when required, are made on a consistent basis.

### **2.21 Dividends**

Dividends are recorded in the financial statements in the period in which they are approved by shareholders of the Company.

### **2.22 Derivative financial instruments**

Derivative financial instruments are initially recorded at cost, if any, and are re-measured to their fair values at subsequent reporting dates. Changes in the fair value of derivative financial instruments which do not qualify for hedge accounting are recognized in the income statement as they arise and the resulting positive and negative fair values are reported under current assets and liabilities, respectively, in the balance sheet.

### **2.23 Operating leases**

Rental expense under operating leases is charged to the income statement over the period of the respective lease.

### **2.24 Statutory reserve**

In accordance with the Regulations for Companies in the Kingdom of Saudi Arabia, the Company is required to transfer 10% of their net income to a statutory reserve until such reserve equals 50% of share capital. The statutory reserve in the accompanying interim consolidated financial statements is the statutory reserve of the Company. This reserve currently is not available for distribution to the shareholders of the Company.

**THE SAUDI ARABIAN AMIANTIT COMPANY AND SUBSIDIARIES**

(A Saudi Joint Stock Company)

Notes to the interim consolidated financial statements

For the three-month and nine-month periods ended September 30, 2013 (Unaudited)

(All amounts in Saudi Riyals thousands unless otherwise stated)

**2.25 Earnings per share**

Earnings per share for the three-month and nine-month periods ended September 30, 2013 and 2012 has been computed by dividing the operating income and net income for the periods by weighted average number of 112,984,309 shares outstanding during such periods.

**2.26 Reclassifications**

Certain amounts in the accompanying 2012 financial statements have been reclassified to conform to 2013 presentation.

**3 Other (expenses) income, net**

	Three-month periods ended September 30,		Nine-month periods ended September 30,	
	2013	2012	2013	2012
Impairment losses against investments	(998)	-	(14,946)	(9,385)
Reversal of provision for settlement of claims	4,000	-	14,977	-
Foreign exchange losses	(4,789)	(507)	(884)	(1,568)
Miscellaneous income	3,035	720	1,160	5,376
	<u>1,248</u>	<u>213</u>	<u>307</u>	<u>(5,577)</u>

**4 Segment information**

The Group operates principally in the following business segments:

- (i) Manufacturing and selling various types of pipes and development and licensing of related technologies; and
- (ii) Water management and related consultancy, engineering and operations.

Selected financial information as of September 30, 2013 and 2012 and for the nine-month periods then ended, summarized by the above business segments, was as follows:

	<u>Pipe manufacturing</u>	<u>Water management</u>	<u>Total</u>
<b>2013</b>			
Sales	2,196,641	253,743	2,450,384
Net income (loss)	91,659	(13,070)	78,589
Total assets	4,140,384	455,913	4,596,297
<b>2012</b>			
Sales	2,323,430	241,201	2,564,631
Net income (loss)	91,804	(10,017)	81,787
Total assets	4,592,693	327,492	4,920,185

## THE SAUDI ARABIAN AMIANTIT COMPANY AND SUBSIDIARIES

(A Saudi Joint Stock Company)

Notes to the interim consolidated financial statements

For the three-month and nine-month periods ended September 30, 2013 (Unaudited)

(All amounts in Saudi Riyals thousands unless otherwise stated)

The Group's operations are conducted in Saudi Arabia, Europe and certain other geographical areas. Selected financial information as of September 30, 2013 and 2012 and for the nine-month periods then ended, summarized by geographic area, was as follows:

	Saudi Arabia	Europe and other countries	Total
<b>2013</b>			
Sales	1,608,585	841,799	2,450,384
Non-current assets:			
Property, plant and equipment	525,941	223,994	749,935
Other non-current assets	186,510	52,420	238,930
<b>2012</b>			
Sales	1,755,333	809,298	2,564,631
Non-current assets:			
Property, plant and equipment	508,493	287,724	796,217
Other non-current assets	183,895	64,834	248,729

### 5 Dividends

The shareholders have approved a dividend of Saudi Riyal 1.0 per share, amounting to Saudi Riyals 115.5 million, in their meeting held on March 9, 2013. Such dividends were fully paid during the period.

### 6 Contingencies and commitments

- (i) The Group was contingently liable for bank guarantees issued in the normal course of the business amounting Saudi Riyals 697.6 million at September 30, 2013. SAAC, collectively with other shareholders of associated companies, is also contingently liable for corporate guarantees amounting to Saudi Riyals 241.1 million in relation to the borrowing facilities of related associated companies.
- (ii) The capital expenditure contracted by the Group but not yet incurred till September 30, 2013 was approximately Saudi Riyals 53.1 million.