

**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, 2011  
AND INDEPENDENT ACCOUNTANTS' 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, 2011**

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## INDEPENDENT ACCOUNTANTS LIMITED REVIEW REPORT

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

We have reviewed the accompanying interim consolidated balance sheet of The Saudi Arabian Amiantit Company and Subsidiaries (the Group) as at 30 September 2011 and the related interim consolidated statements of income for the three months and nine months period then ended and the related interim consolidated cash flows statement for the six months period then ended including the related notes (1) to (6). These interim consolidated financial statements are the responsibility of the Group's management and have been prepared by them and submitted to us with all information and explanations which we required.

We conducted our limited review in accordance with the standard on 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 making inquiries of persons responsible for financial and accounting matters.

This review is substantially less in scope 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.

Based on our limited review, we are not aware of any material modifications that should be made to the accompanying interim consolidated financial statements of the Group for them to be in conformity with accounting standards generally accepted in the kingdom of Saudi Arabia appropriate to the circumstances of the Group.

Dammam, 15 Thul-Qedah 1432 A.H.  
Corresponding to October 13, 2011



**Boodai & Alomar CPA**

A handwritten signature in black ink, appearing to be "ADEL A. BOODAI".

ADEL A. BOODAI  
Certified Public Accountant  
(License No. 303)

**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, 2011 (Unaudited)	December 31, 2010 (Audited)	September 30, 2010 (Unaudited)
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents		475,810	241,576	399,789
Short-term bank deposit		1,186	133,133	-
Accounts receivable	2	1,773,688	1,556,968	1,577,583
Inventories		1,101,047	922,012	792,777
Prepayments and other receivables		34,637	31,451	38,813
Non-current assets held for sale	1	-	-	50,532
		<u>3,386,368</u>	<u>2,885,140</u>	<u>2,859,494</u>
<b>Non-current assets</b>				
Investments in associates		251,030	295,246	318,813
Property, plant and equipment		784,757	837,942	855,516
Intangible assets		6,538	7,060	7,436
Deferred income tax assets		11,727	11,264	11,624
Other non-current assets		52,799	34,252	16,537
		<u>1,106,851</u>	<u>1,185,764</u>	<u>1,209,926</u>
<b>Total assets</b>		<u>4,493,219</u>	<u>4,070,904</u>	<u>4,069,420</u>
<b>Liabilities</b>				
<b>Current liabilities</b>				
Short-term borrowings		1,128,899	887,193	824,682
Current maturity of long-term borrowings		78,866	32,834	28,857
Current maturity of liabilities against capital leases		12,178	12,188	12,188
Accounts payable		557,879	445,778	455,974
Accrued and other liabilities		398,017	387,822	449,432
Zakat and tax payable		123,162	190,571	157,159
Liabilities associated with non-current assets held for sale	1	-	-	15,664
		<u>2,299,001</u>	<u>1,956,386</u>	<u>1,943,956</u>
<b>Non-current liabilities</b>				
Long-term borrowings		249,102	75,102	77,055
Liabilities against capital leases		-	12,186	12,187
Employee termination benefits		91,029	92,870	95,392
Warranty provisions		53,642	50,447	51,101
Other non-current liabilities		5,564	4,652	8,463
		<u>399,337</u>	<u>235,257</u>	<u>244,198</u>
<b>Total liabilities</b>		<u>2,698,338</u>	<u>2,191,643</u>	<u>2,188,154</u>
<b>Equity</b>				
Equity attributable to shareholders of the Company:				
Share capital		1,155,000	1,155,000	1,155,000
Statutory reserve		133,553	133,553	117,043
Retained earnings	5	329,644	387,669	377,089
Currency translation differences		(1,601)	7,613	3,886
<b>Total shareholders' equity</b>		<u>1,616,596</u>	<u>1,683,835</u>	<u>1,653,018</u>
Minority interest		178,285	195,426	228,248
<b>Total equity</b>		<u>1,794,881</u>	<u>1,879,261</u>	<u>1,881,266</u>
<b>Total liabilities and equity</b>		<u>4,493,219</u>	<u>4,070,904</u>	<u>4,069,420</u>
<b>Contingencies and commitments</b>	6			

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)**  
**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,	
		2011 <i>(Unaudited)</i>	2010 <i>(Unaudited)</i>	2011 <i>(Unaudited)</i>	2010 <i>(Unaudited)</i>
Sales	4	907,617	739,561	2,540,904	2,284,485
Cost of sales		(751,855)	(582,890)	(2,069,445)	(1,716,537)
Gross profit		155,762	156,671	471,459	567,948
<b>Operating expenses</b>					
Selling and marketing		(20,691)	(23,190)	(66,645)	(70,812)
General and administrative		(58,775)	(51,056)	(174,948)	(176,072)
Income from operations		76,296	82,425	229,866	321,064
<b>Other income (expenses)</b>					
Share in net income (loss) of associates		(3,240)	(3,208)	(747)	1,238
Financial charges, net		(21,215)	(12,181)	(52,700)	(40,771)
Other	3	5,303	11,047	(3,644)	(36,889)
Income before foreign income tax, zakat and minority interest		57,144	78,083	172,775	244,642
Foreign income tax		(5,109)	(4,077)	(11,282)	(17,975)
Zakat		(10,000)	(23,000)	(37,002)	(59,006)
Income before minority interest		42,035	51,006	124,491	167,661
Minority interest		1,554	(8,560)	(7,717)	(29,646)
<b>Net income for the period</b>		<b>43,589</b>	<b>42,446</b>	<b>116,774</b>	<b>138,015</b>
<b>Earning (loss) per share (Saudi Riyals):</b>					
• Operating income		0.66	0.71	1.99	2.78
• Non-operating loss		(0.28)	(0.34)	(0.98)	(1.59)
• Net income for the period		0.38	0.37	1.01	1.19

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)**  
**Interim consolidated cash flow statement**  
**For nine-month period ended September 30, 2011**  
**(All amounts in Saudi Riyals thousands unless otherwise stated)**

	2011 <i>(Unaudited)</i>	2010 <i>(Unaudited)</i>
<b>Cash flow from operating activities</b>		
Net income for the period	116,774	138,015
<u>Adjustments for non-cash items</u>		
Share in net income of associates	747	(1,238)
Depreciation, amortization and provisions	103,978	105,030
Deferred income tax charge	(732)	1,332
Income applicable to minority interest	7,717	29,646
(Gain) loss on disposal of subsidiaries	(12,414)	287
<u>Changes in working capital</u>		
Accounts receivable	(322,364)	(127,793)
Inventories	(212,441)	(1,376)
Prepayments and other receivables	(5,775)	1,123
Accounts payable	155,679	43,251
Accrued and other current liabilities	19,875	50,245
Employee termination benefits	(1,448)	(539)
Net cash (utilized in) generated from operating activities	<u>(150,404)</u>	<u>237,983</u>
<b>Cash flow from investing activities</b>		
Maturity of short-term bank deposit	131,947	-
Proceeds from disposal of subsidiaries	34,098	2,100
Investments	(276)	-
Dividends received from associate	1,027	8,860
Purchase of property, plant and equipment	(41,143)	(28,100)
Intangibles and other	(21,009)	1,251
Net cash generated from (utilized in) investing activities	<u>104,644</u>	<u>(15,889)</u>
<b>Cash flow from financing activities</b>		
Changes in short-term borrowings	293,716	(50,026)
Proceeds from long-term borrowings	211,933	-
Repayments of long-term borrowings	(24,127)	(52,293)
Repayments of liabilities against capital leases	(12,187)	(12,188)
Dividends paid	(173,250)	(115,500)
Dividends paid by subsidiaries to minority interest	(15,315)	(19,604)
Board of Directors' fee paid	(1,550)	(1,467)
Changes in minority interest and other	774	3,449
Net cash generated from (utilized in) financing activities	<u>279,994</u>	<u>(247,629)</u>
<b>Net change in cash and cash equivalents</b>	<b>234,234</b>	<b>(25,535)</b>
Cash and cash equivalents at beginning of period	<u>241,576</u>	<u>425,324</u>
<b>Cash and cash equivalents at end of period</b>	<b><u>475,810</u></b>	<b><u>399,789</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, 2011 (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'l 1388 AH (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, 2011:

- the Group sold its wholly owned subsidiary in South Africa for Saudi Riyals 7.9 million which were received during the nine-months period ended September 30, 2011; and
- the majority shareholder of the Latin American entities has exercised its right, under an agreement signed earlier, to acquire the equity interests held by the Group for Saudi Riyals 25.9 million. The legal formalities for this sale transaction have been completed during the nine-months period ended September 30, 2011.

The above sales of investments and other assets have resulted in a gain of Saudi Riyals 12.4 million to the Group for the nine-month period ended September 30, 2011.

During 2009, the Group decided to offer to sell its 51% equity interest in Composite Pipes Industries LLC ("CPI") and certain items of plant and equipment of certain subsidiaries in South Africa. Consequent to such decisions, the assets and liabilities of CPI and items of plant and equipment have been presented as held for sale on the September 30, 2010 interim balance-sheet which were sold subsequently.

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, 2011 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, 2010.

The accompanying interim consolidated financial statements were authorized for issue by the Company's management on October 13, 2011.

## 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 2010 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.

## **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, 2011 (Unaudited)

(All amounts in Saudi Riyals thousands unless otherwise stated)

### **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.

### **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 at the period-end exchange rate of monetary assets and liabilities denominated in foreign currencies 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 foreign 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.



## **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, 2011 (Unaudited)**

**(All amounts in Saudi Riyals thousands unless otherwise stated)**

### **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, 2011 approximately 36% (2010: 36%) 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 Non-current assets held for sale**

Non-current assets held for sale are assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use. Liabilities associated with non-current assets held for sale are presented separately under current liabilities in the balance sheet.

### **2.10 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.

### **2.11 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.

### **2.12 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.

### **2.13 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.

### **2.14 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.

## **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, 2011 (Unaudited)**

**(All amounts in Saudi Riyals thousands unless otherwise stated)**

### **2.15 Capital leases**

The Group accounts for property, plant and equipment acquired under capital leases by recording the assets and the related liabilities. These amounts are determined on the basis of the present value of minimum lease payments. Financial charges are allocated to the lease term in a manner so as to provide a constant periodic rate of charge on the outstanding liability. Depreciation on assets under capital leases is charged to the income statement by applying the straight-line method at the rates applicable to the related assets.

### **2.16 Accounts payable and accruals**

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

### **2.17 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.

### **2.18 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 minority interest.

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 final 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 assets on carry forward losses are recognized to the extent that it is probable that future taxable income will be available against such carry-forward tax losses. 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.

### **2.19 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.

### **2.20 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.

## 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, 2011 (Unaudited)

(All amounts in Saudi Riyals thousands unless otherwise stated)

### 2.21 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.

### 2.22 Dividends

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

### 2.23 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.

### 2.24 Operating leases

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

### 2.25 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.

### 2.26 Earnings (loss) per share

Earnings (loss) per share for the three-month and nine month periods ended September 30, 2011 and 2010 has been computed by dividing the operating income, non-operating loss and net income for each periods by weighted average number of 115,500,000 shares outstanding at September 30, 2011 and 2010.

## 3 Other (expenses) income

	Three-month periods ended September 30,		Nine-month periods ended September 30,	
	2011	2010	2011	2010
Impairment losses against investments, plant and equipment and intangible assets	(1,912)	(1,531)	(18,764)	(36,821)
Gain on sale of investments	1,982	-	9,257	-
Provision for settlement of claims	2,185	2,318	2,185	-
Foreign exchange gain (loss)	2,942	1,414	(4,284)	(4,109)
Miscellaneous income (expenses)	106	8,846	7,962	4,041
	<u>5,303</u>	<u>11,047</u>	<u>(3,644)</u>	<u>(36,889)</u>

## 4 Segment information

The Group operates principally in the following business segments:

- (i) Manufacturing and selling various types of pipes;
- (ii) Development and licensing of technologies related to production of various types of pipes, construction and supply of related pipe manufacturing machines; and
- (iii) Water management and related consultancy, engineering and operations.

Selected financial information as of September 30, 2011 and 2010 and for the nine-month periods then ended, summarized by the above business segments, was as follows:

**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, 2011 (Unaudited)

(All amounts in Saudi Riyals thousands unless otherwise stated)

	Pipe manufacturing	Technology	Water management	Total
<b>2011</b>				
Sales	2,195,347	20,271	325,286	2,540,904
Net income (loss)	112,965	(3,800)	7,609	116,774
Total assets	4,056,647	81,521	355,051	4,493,219

	Pipe manufacturing	Technology	Water management	Total
<b>2010</b>				
Sales	1,948,213	37,738	298,534	2,284,485
Net income	147,013	(6,466)	(2,532)	138,015
Total assets	3,544,481	122,434	402,505	4,069,420

The Group's operations are conducted in Saudi Arabia, Europe and certain other geographical areas. Selected financial information as of September 30, 2011 and 2010 and for the nine-month periods then ended, summarized by geographic area, was as follows:

	Saudi Arabia	Europe	Other countries	Total
<b>2011</b>				
Sales	1,485,766	960,502	94,636	2,540,904
Non-current assets:				
Property, plant and equipment	486,962	212,205	85,590	784,757
Other non-current assets	252,417	32,992	36,685	322,094
<b>2010</b>				
Sales	1,255,720	863,231	165,534	2,284,485
Non-current assets:				
Property, plant and equipment	500,784	253,171	101,561	855,516
Other non-current assets	268,246	20,445	65,719	354,410

**5 Dividends**

The shareholders have approved a dividend of 1.5 per share, amounting to Saudi Riyals 173.3 million, in their meeting held on February 27, 2011. Such dividends were fully paid during the first quarter of 2011.

**6 Contingencies and commitments**

- (i) The Group was contingently liable for bank guarantees issued in the normal course of the business amounting Saudi Riyals 553.2 million at September 30, 2011 (2010: Saudi Riyals 591.3 million). SAAC, collectively with other shareholders of an associate, is also contingently liable for a corporate guarantee amounting to Saudi Riyals 260.0 million in relation to borrowing facilities of the associates.
- (ii) SAAC and certain Saudi Arabian subsidiaries have received additional zakat and income tax assessments for years 2002 to 2009. Based on inquiries received and discussions held with the DZIT, the Group's management has agreed on certain add-backs in zakat fillings related to such years and, accordingly, the required provisions have been recorded in the accompanying interim consolidated financial statements. Certain foreign subsidiaries have outstanding assessments related to income tax and other local taxes in their respective countries of domicile. Such assessments are in various stages of appeal process. Group management believes that no material gain or loss will arise upon the ultimate resolution of these matters. Certain foreign subsidiaries also have contingent carry over tax benefits.
- (iii) The capital expenditure contracted by the Group but not yet incurred till September 30, 2011 was approximately Saudi Riyals 16.4 million (2010: Saudi Riyals 18 million).