

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

INTERIM CONSOLIDATED FINANCIAL  
STATEMENTS FOR THE THREE-MONTH AND  
SIX-MONTH PERIODS ENDED JUNE 30, 2010  
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 SIX-MONTH PERIODS ENDED JUNE 30, 2010

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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 June 2010 and the related interim consolidated statements of income for the three months and six 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. The interim consolidated financial statements for the six months period ended 30 June 2009 by other independent accountants who issued their limited review report dated on 14 July 2009 without any qualifications.

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.

**Boodai & Alomar Co.**

Omar I. Alomar  
Certified Public Accountant  
(License No. 396)



Sha'aban 03, 1431  
July 15, 2010

**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	June 30,2010 (Unaudited)	December 31, 2 (Audited)	June 30,2009 (Unaudited)
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents		395,102	425,324	502,153
Accounts receivable	2	1,551,673	1,460,529	1,625,013
Inventories		630,754	774,967	889,601
Prepayments and other receivables		40,026	40,705	65,829
Non-current assets held for sale	1	49,185	66,458	-
		<u>2,666,740</u>	<u>2,767,983</u>	<u>3,082,596</u>
<b>Non-current assets</b>				
Investments in associates		325,947	341,453	313,201
Property, plant and equipment		829,481	909,432	930,872
Intangible assets		7,553	7,509	17,950
Deferred income tax assets		10,768	13,798	15,896
Other non-current assets		14,268	15,928	10,553
		<u>1,188,017</u>	<u>1,288,120</u>	<u>1,288,472</u>
<b>Total assets</b>		<u><b>3,854,757</b></u>	<u><b>4,056,103</b></u>	<u><b>4,371,068</b></u>
<b>Liabilities</b>				
<b>Current liabilities</b>				
Short-term borrowings		774,121	900,343	1,201,733
Current maturity of long-term borrowings		35,469	42,621	38,165
Current maturity of liabilities against capital leases		12,188	12,188	12,188
Accounts payable		401,092	403,722	457,336
Accrued and other liabilities		452,596	370,621	504,604
Zakat and tax payable		122,051	155,211	122,838
Liabilities associated with non-current assets held for sale	1	24,194	9,751	-
		<u>1,821,711</u>	<u>1,894,457</u>	<u>2,336,864</u>
<b>Non-current liabilities</b>				
Long-term borrowings		70,007	92,184	82,652
Liabilities against capital leases		18,281	24,374	30,469
Employee termination benefits		94,205	96,550	102,705
Warranty provisions		48,834	37,658	30,945
Other non-current liabilities		7,569	24,624	33,208
		<u>238,896</u>	<u>275,390</u>	<u>279,979</u>
<b>Total liabilities</b>		<u><b>2,060,607</b></u>	<u><b>2,169,847</b></u>	<u><b>2,616,843</b></u>
<b>Equity</b>				
Equity attributable to shareholders of the Company:				
Share capital		1,155,000	1,155,000	1,155,000
Statutory reserve		117,043	117,043	96,795
Retained earnings	5	334,646	356,044	262,342
Currency translation differences		(39,653)	23,532	124
<b>Total shareholders' equity</b>		<u><b>1,567,036</b></u>	<u><b>1,651,619</b></u>	<u><b>1,514,261</b></u>
Minority interest		227,114	234,637	239,964
<b>Total equity</b>		<u><b>1,794,150</b></u>	<u><b>1,886,256</b></u>	<u><b>1,754,225</b></u>
<b>Total liabilities and equity</b>		<u><b>3,854,757</b></u>	<u><b>4,056,103</b></u>	<u><b>4,371,068</b></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 June 30,		For six-month periods ended June 30,	
		2010 <i>(Unaudited)</i>	2009 <i>(Unaudited)</i>	2010 <i>(Unaudited)</i>	2009 <i>(Unaudited)</i>
Sales	4	812,183	897,714	1,544,924	1,744,618
Cost of sales		(608,446)	(647,766)	(1,133,647)	(1,287,398)
Gross profit		203,737	249,948	411,277	457,220
<b>Operating expenses</b>					
Selling and marketing		(23,829)	(21,102)	(47,622)	(43,912)
General and administrative		(66,961)	(77,859)	(125,016)	(151,266)
Income from operations		112,947	150,987	238,639	262,042
<b>Other income (expenses)</b>					
Share in net income (loss) of associates		5,132	(2,420)	4,446	5,350
Financial charges		(12,677)	(33,589)	(28,590)	(57,741)
Other	3	(19,730)	(44,149)	(47,935)	(68,449)
Income before foreign income tax, zakat and minority interest		85,672	70,829	166,560	141,202
Foreign income tax		(9,221)	(10,016)	(13,898)	(17,295)
Zakat		(21,260)	(6,825)	(36,006)	(14,625)
Income before minority interest		55,191	53,988	116,656	109,282
Minority interest		(9,628)	(13,479)	(21,087)	(20,757)
<b>Net income for the period</b>		<b>45,563</b>	<b>40,509</b>	<b>95,569</b>	<b>88,525</b>
<b>Earning (loss) per share (Saudi Riyals):</b>					
• Operating income		0.98	1.31	2.07	2.27
• Non-operating loss		(0.59)	(0.96)	(1.24)	(1.50)
• Net income for the period		0.39	0.35	0.83	0.77

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 six-month period ended June 30, 2010**  
(All amounts in Saudi Riyals thousands unless otherwise stated)

	2010 <i>(Unaudited)</i>	2009 <i>(Unaudited)</i>
<b>Cash flow from operating activities</b>		
Net income for the period	95,569	88,525
<u>Adjustments for non-cash items</u>		
Share in net income of associates	(4,446)	(5,350)
Depreciation, amortization and provisions	116,201	187,478
Deferred income tax charge	986	646
Income applicable to minority interest	21,087	20,757
Loss on disposal of a subsidiary	287	-
<u>Changes in working capital</u>		
Accounts receivable	(155,880)	50,529
Inventories	109,801	190,162
Prepayments and other receivables	(4,016)	3,494
Accounts payable	13,369	29,757
Accrued and other current liabilities	39,549	(18,752)
Employee termination benefits	(515)	4,281
Net cash generated from operating activities	<u>231,992</u>	<u>551,527</u>
<b>Cash flow from investing activities</b>		
Proceeds from disposal of subsidiary	2,100	-
Investments	-	(37,050)
Dividends received from associates	8,860	9,626
Purchase of property, plant and equipment	(11,147)	(49,468)
Intangible assets and other	1,776	3,553
Net cash generated from (utilized in) investing activities	<u>1,589</u>	<u>(73,339)</u>
<b>Cash flow from financing activities</b>		
Decrease in short-term borrowings	(104,507)	(238,360)
Proceeds from long-term borrowings	-	28,501
Repayments of long-term borrowings	(32,393)	(29,074)
Repayments of liabilities against capital leases	(6,093)	(6,093)
Dividends paid	(115,500)	(57,750)
Dividends paid by subsidiaries to minority interest	(7,493)	(9,121)
Board of Directors' fee paid	(1,467)	(1,800)
Changes in minority interest and other	3,650	8,523
Net cash utilized in financing activities	<u>(263,803)</u>	<u>(305,174)</u>
<b>Net change in cash and cash equivalents</b>	<b>(30,222)</b>	<b>173,014</b>
Cash and cash equivalents at beginning of period	<u>425,324</u>	<u>329,139</u>
<b>Cash and cash equivalents at end of period</b>	<b><u>395,102</u></b>	<b><u>502,153</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 six-month periods ended June 30, 2010 (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 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 Amitech South Africa (Pty) Ltd. Consequent to such decisions, the assets and liabilities of CPI and items of plant and equipment have been presented as held for sale. Management of the Group expects to complete these transactions during 2010.

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 six-month periods ended June 30, 2010 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, 2009.

The accompanying interim consolidated financial statements were authorized for issue by the Company's management on July 15, 2010.

**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 2009 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 SAUDI ARABIAN AMIANTIT COMPANY AND SUBSIDIARIES**

(A Saudi Joint Stock Company)

Notes to the interim consolidated financial statements

For the three-month and six-month periods ended June 30, 2009 (Unaudited)

(All amounts in Saudi Riyals thousands unless otherwise stated)

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.

## **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 June 30, 2010 approximately 34% (2009: 33%) of accounts receivable were related to government projects.



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

(A Saudi Joint Stock Company)

Notes to the interim consolidated financial statements

For the three-month and six-month periods ended June 30, 2009 (Unaudited)

(All amounts in Saudi Riyals thousands unless otherwise stated)

### **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.

### **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.

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

**(A Saudi Joint Stock Company)**

**Notes to the interim consolidated financial statements**

**For the three-month and six-month periods ended June 30, 2009 (Unaudited)**

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

### **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.

### **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.

## THE SAUDI ARABIAN AMIANTIT COMPANY AND SUBSIDIARIES

(A Saudi Joint Stock Company)

Notes to the interim consolidated financial statements

For the three-month and six-month periods ended June 30, 2009 (Unaudited)

(All amounts in Saudi Riyals thousands unless otherwise stated)

### 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 six month periods ended June 30, 2010 and 2009 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 June 30, 2010 and 2009.

### 2.27 Reclassifications

Certain amounts in the comparative 2009 interim consolidated financial statements have been reclassified to conform with 2010 presentation.

## 3 Other (expenses) income

	Three-month periods ended June 30,		Six-month periods ended June 30,	
	2010	2009	2010	2009
Impairment losses against investments, plant and equipment and intangible assets	(13,114)	(49,814)	(35,290)	(59,677)
Provision for settlement of claims	-	(6,373)	(2,318)	(12,223)
Foreign exchange gain (loss)	(4,299)	2,113	(5,523)	(11,293)
Miscellaneous income (expenses)	(2,317)	9,925	(4,804)	14,744
	<u>(19,730)</u>	<u>(44,149)</u>	<u>(47,935)</u>	<u>(68,449)</u>

## 4 Segment information

The Group operates principally in the following business segments:

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

Selected financial information as of June 30, 2010 and 2009 and for the six-month periods then ended, summarized by the above business segments, was as follows:

	Pipe manufacturing	Technology	Water management	Total
2010				
Sales	1,346,175	20,936	177,813	1,544,924
Net income (loss)	106,170	(4,320)	(6,281)	95,569
Total assets	3,336,577	135,377	382,803	3,854,757

## THE SAUDI ARABIAN AMIANTIT COMPANY AND SUBSIDIARIES

(A Saudi Joint Stock Company)

Notes to the interim consolidated financial statements

For the three-month and six-month periods ended June 30, 2009 (Unaudited)

(All amounts in Saudi Riyals thousands unless otherwise stated)

	Pipe manufacturing	Technology	Water management	Total
<b>2009</b>				
Sales	1,556,577	34,838	153,203	1,744,618
Net income	64,549	4,644	19,332	88,525
Total assets	3,869,927	156,435	344,706	4,371,068

The Group's operations are conducted in Saudi Arabia, Europe and certain other geographical areas. Selected financial information as of June 30, 2010 and 2009 and for the six-month periods then ended, summarized by geographic area, was as follows:

	Saudi Arabia	Europe	Other countries	Total
<b>2010</b>				
Sales	904,086	528,379	112,459	1,544,924
Non-current assets:				
Property, plant and equipment	492,588	229,980	106,913	829,481
Other non-current assets	268,581	19,370	70,585	358,536
<b>2009</b>				
Sales	943,564	635,210	165,844	1,744,618
Non-current assets:				
Property, plant and equipment	530,406	275,238	125,228	930,872
Other non-current assets	241,190	28,425	87,985	357,600

### 5 Dividends

The shareholders have approved a dividend of Saudi Riyals 115.5 million during the three-month period ended June 30, 2010 which were fully paid.

### 6 Contingencies and commitments

- (i) The Group was contingently liable for bank guarantees issued in the normal course of the business amounting Saudi Riyals 597.7 million at June 30, 2010 (2009: Saudi Riyals 566.2 million).
- (ii) SAAC and certain Saudi Arabian subsidiaries have received additional zakat and income tax assessments for certain years. The Group management have agreed on certain items and contesting remaining items in such assessments. Group management believes that no material liability will arise upon the ultimate resolution of these contested items and accordingly, no provision for such contested items has been made 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) During the three-month period ended June 30, 2010, certain of the foreign subsidiaries in South Africa have received third party claims related to supply of pipes. Group management believes that the third party has incorrect basis for these claims and does not hold legal grounds to justify such claims. Group management expects that no material liability will arise in case of any settlement is required for such claims and, accordingly, no provision for such claims has been made in the accompanying interim consolidated financial statements.
- (iv) The capital expenditure contracted by the Group but not yet incurred till June 30, 2010 was approximately Saudi Riyals 18 million (2009: Saudi Riyals 59.0 million).