

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

**INTERIM CONSOLIDATED FINANCIAL
STATEMENTS FOR THE THREE-MONTH PERIOD
AND YEAR ENDED DECEMBER 31, 2015
AND LIMITED REVIEW REPORT**

THE SAUDI ARABIAN AMIANTIT COMPANY AND SUBSIDIARIES
(A Saudi Joint Stock Company)
INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD AND YEAR ENDED DECEMBER 31, 2015

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LIMITED REVIEW REPORT

January 20, 2016

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 December 31, 2015 and the interim consolidated income statement for the three-month period and year ended December 31, 2015, and the interim consolidated statement of cash flows for the year 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

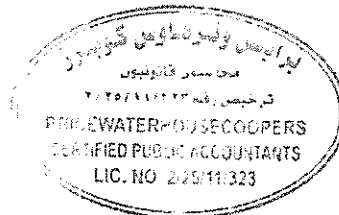
Based on our limited review, we are not aware of any material modifications that should be made to the accompanying interim consolidated financial statements for them to be in conformity with accounting standards generally accepted in Saudi Arabia.

Emphasis of matter

We draw attention to Note 6 to the accompanying interim consolidated financial statements. At December 31, 2015, one of the wholly owned subsidiaries of the Group was defending a claim filed by one of its sub-contractors on a project in Iraq. Subsequent to December 31, 2015, the court in Iraq has awarded the judgement in favor of the sub-contractor for compensation of costs incurred by the sub-contractor on the project. The Group management is actively pursuing this case and the subsidiary is in process of filing an appeal against the judgement at the available judiciary levels in Iraq. Based on the reports from their own experts and lawyers, the Group management believes that they have recorded adequate provision against such claim and the ultimate outcome of the appeal process would not result in any additional financial impact on the Group's interim consolidated financial statements.

PricewaterhouseCoopers

By: _____
Yaseen A. Abu Alkheer
License Number 375



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	December 31,	
		2015 (Unaudited)	2014 (Audited)
Assets			
Current assets			
Cash and cash equivalents		166,501	105,768
Accounts receivable	2,3	2,007,974	1,905,564
Inventories		1,276,130	1,190,508
Prepayments and other receivable		200,267	219,561
		<u>3,650,872</u>	<u>3,421,401</u>
Non-current assets			
Investment in associates		127,923	129,778
Property, plant and equipment		728,308	785,409
Other non-current assets		47,946	75,540
		<u>904,177</u>	<u>990,727</u>
Total assets		<u>4,555,049</u>	<u>4,412,128</u>
Liabilities			
Current liabilities			
Short-term borrowings		1,633,744	1,835,613
Current maturity of long-term borrowings		2,993	6,988
Accounts payable		505,833	472,563
Accrued and other liabilities		254,451	337,532
Zakat and taxes payable		90,889	82,521
		<u>2,487,910</u>	<u>2,735,217</u>
Non-current liabilities			
Long-term borrowings		426,728	47,795
Employee termination benefits		78,743	78,585
Warranty provisions		13,338	20,525
Other non-current liabilities		19,966	11,345
		<u>538,775</u>	<u>158,250</u>
Total liabilities		<u>3,026,685</u>	<u>2,893,467</u>
Equity			
Equity attributable to shareholders of the Company:			
Share capital		1,155,000	1,155,000
Statutory reserve		189,472	179,335
Retained earnings		332,190	241,457
Employees shares program and reserve		(31,914)	(31,741)
Currency translation differences		(181,349)	(109,067)
Total shareholders' equity		<u>1,463,399</u>	<u>1,434,984</u>
Non-controlling interests		64,965	83,677
Total equity		<u>1,528,364</u>	<u>1,518,661</u>
Total liabilities and equity		<u>4,555,049</u>	<u>4,412,128</u>
Contingencies and commitments			



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

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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	Three-month period ended December 31,		Year ended December 31,	
		2015 (Unaudited)	2014 (Unaudited)	2015 (Unaudited)	2014 (Audited)
Sales	5	705,639	688,061	2,750,072	2,725,787
Cost of sales		(589,391)	(566,710)	(2,288,242)	(2,300,762)
Gross profit		116,248	121,351	461,830	425,025
Operating expenses					
Selling and marketing		(19,547)	(16,112)	(68,650)	(74,912)
General and administrative		(50,502)	(48,942)	(172,230)	(178,659)
Income from operations		46,199	56,297	220,950	171,454
Other (expenses) income, net					
Share in net income (loss) of associates		6,548	(1,606)	5,667	2,673
Financial charges, net		(20,169)	(24,275)	(85,804)	(85,235)
Other	4	(2,228)	(3,984)	(26,395)	18,321
Income before foreign income tax, zakat and non-controlling interests		30,350	26,432	114,418	107,213
Foreign income taxes		(2,980)	336	(4,661)	(12,989)
Zakat		(9,000)	(8,614)	(34,500)	(34,114)
Income before non-controlling interests		18,370	18,154	75,257	60,110
Non-controlling interests		4,102	1,735	26,117	22,508
Net income for the period / year		22,472	19,889	101,374	82,618
Earnings per share (Saudi Riyals): 2.24					
• Operating income for the period / year		0.41	0.50	1.95	1.52
• Net income for the period / year		0.20	0.18	0.89	0.73

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



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

	<u>Year ended December 31,</u>	
	2015 <i>(Unaudited)</i>	2014 <i>(Audited)</i>
Cash flow from operating activities		
Net income for the year	101,374	82,618
<u>Adjustments for non-cash items</u>		
Depreciation, amortization and provisions	129,967	104,940
Share in net income of associates	(5,667)	(2,673)
Deferred income tax credits	(172)	(862)
Loss applicable to non-controlling interests	(26,117)	(22,508)
Gain on sale of an investment	-	(17,729)
<u>Changes in working capital</u>		
Accounts receivable	(179,456)	(137,340)
Inventories	(159,768)	(6,938)
Prepayments and other receivable	(23,567)	(34,384)
Accounts payable	73,296	(16,761)
Accrued and other current liabilities	(47,443)	111,165
Employee termination benefits	687	(1,474)
Net cash (utilized in) generated from operating activities	<u>(136,866)</u>	<u>58,054</u>
Cash flow from investing activities		
Investments	-	(11,739)
Proceeds from disposal of investments	62,789	7,397
Purchase of property, plant and equipment	(61,333)	(106,943)
Intangible assets and other	(352)	(3,479)
Net cash generated from (utilized in) investing activities	<u>1,104</u>	<u>(114,764)</u>
Cash flow from financing activities		
Change in short-term borrowings	(198,858)	256,416
Proceeds from long-term borrowings	405,364	14,907
Repayments of long-term borrowings	(8,354)	(142,142)
Dividends paid	-	(112,984)
Dividends paid by subsidiaries to non-controlling interests	(18,856)	(1,203)
Board of Directors' fee paid	-	(1,800)
Changes in non-controlling interests and other	17,199	(63)
Net cash generated from financing activities	<u>196,495</u>	<u>13,131</u>
Net change in cash and cash equivalents	<u>60,733</u>	<u>(43,579)</u>
Cash and cash equivalents at beginning of year	<u>105,768</u>	<u>149,347</u>
Cash and cash equivalents at end of year	<u>166,501</u>	<u>105,768</u>

The accompanying 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 period and year ended December 31, 2015 (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 referred to as 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 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.

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. Total assets of such subsidiaries amounted to Saudi Riyals 813.1 million as at December 31, 2015 (2014: Saudi Riyals 811.0 million).

The accompanying interim consolidated financial statements were authorized for issue by the Company's Board of Directors on January 20, 2016.

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 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 2014 annual audited consolidated financial statements of the Group.

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, 2014.

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 acquisition 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 consolidated 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 the Group companies are eliminated.

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(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 a 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 a 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 of monetary assets and liabilities denominated in foreign currencies at the year-end exchange rates are recognized in the consolidated 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.

When investment in a foreign subsidiary and an associate is partially disposed off or sold, currency translation differences that were recorded in equity are recognized in income as part of gain or loss on disposal or sale.

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 December 31, 2015 approximately 20% (December 31, 2014: 18%) of accounts receivable were related to government projects.

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For the three-month period and year ended December 31, 2015 (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 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 consolidated 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 consolidated income statement.

Maintenance and normal repairs which do not materially extend the estimated useful life of an asset are charged to the consolidated 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 consolidated income statement, while costs that will benefit future periods are capitalized. Deferred charges, reported under "Intangible assets" in the consolidated 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 is capitalized and amortized using the straight-line method over their useful lives, but not exceeding twenty years. Patents, trademarks and licenses are carried at costs less accumulated amortization.

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 goodwill 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 consolidated income statement. Impairment losses recognized on goodwill are not reversible.

2.13 Borrowings

Borrowings are recognized at the proceeds received. 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 consolidated 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 and reversals are charged to "Cost of sales" in the consolidated income statement. Adjustments are made to the warranty provision considering the changes in recent trends, technological improvements and legal and constructive obligation of the Group.

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(All amounts in Saudi Riyals thousands unless otherwise stated)

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 consolidated 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 consolidated 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 consolidated income statement.

Deferred income taxes 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 taxes 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 assets are realized or the deferred income tax liabilities are settled.

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 consolidated 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 offers Employees Share Ownership Plan ("ESOP"), which provide service awards to certain levels of employees. These employees, subject to their subscription of ESOP and meeting the underlying conditions, were given the Company's shares. 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 consolidated 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.

The Group offered a plan in 2011 and the options were vested during the three-month period ended March 31, 2015 and 593,000 shares were transferred to the eligible employees.

Employees shares program and reserve at December 31, 2015 represents the value of the remaining shares held by the trustee for future options to be offered to the employees of the Company. Management is currently in the process of formalizing the future option plans.

THE SAUDI ARABIAN AMIANTIT COMPANY AND SUBSIDIARIES

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Notes to the interim consolidated financial statements

For the three-month period and year ended December 31, 2015 (Unaudited)

(All amounts in Saudi Riyals thousands unless otherwise stated)

2.19 Revenues

Revenues 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 expenses primarily related to discounts, and after eliminating sales within the Group.

Selling, marketing and general and administrative expenses

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 Operating leases

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

2.23 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 is currently not available for distribution to the shareholders of the Company.

2.24 Earnings per share

Earnings per share for the three-month periods and years ended December 31, 2015 and 2014 have been computed by dividing the operating income and net income for the periods / years by weighted average number of 113,564,309 (December 31, 2014 : 112,984,309) shares outstanding during such periods / years.

3 Accounts receivable

	2015	2014
Trade	1,983,610	1,885,820
Retentions	81,725	55,013
Related parties	40,621	57,038
	<u>2,105,956</u>	<u>1,997,871</u>
Less: provision for doubtful debts	(97,982)	(92,307)
	<u>2,007,974</u>	<u>1,905,564</u>

At December 31, 2015, trade accounts receivable include retentions receivable amounting to Saudi Riyals 81.7 million (2014: Saudi Riyals 55.0 million), principally related to the Saudi Arabian subsidiaries, which are collectable upon completion of certain contractual milestones and presentation of final zakat and income tax certificates for certain years.

During the year ended December 31, 2015, the Group has written off accounts receivable balances amounting to Saudi Riyals 25.1 million (2014: Saudi Riyals 11.0 million) against doubtful debts.

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(All amounts in Saudi Riyals thousands unless otherwise stated)

Aged analysis of trade accounts receivable balances at December 31 is as follow:

	2015	2014
Up to 6 months	1,044,957	996,525
6 months to 1 year	271,357	239,278
1 year to 2 year	380,914	558,122
Above 2 years	286,382	91,895
	<u>1,983,610</u>	<u>1,885,820</u>

The Group records provision against the doubtful debts considering various factors including age of the receivable balances and management believes that adequate provision has been made against outstanding trade accounts receivable balances at December 31, 2015.

4 Other (expenses) income, net

	Three-month period ended December 31,		Year ended December 31,	
	2015 (Unaudited)	2014 (Unaudited)	2015 (Unaudited)	2014 (Audited)
Impairment (losses) reversal against investments, net	(1,498)	2,741	(890)	5,880
Provision for settlement of claims	-	(14,861)	-	(13,691)
Foreign exchange (losses) gains	(1,012)	6,417	(25,333)	(389)
Gain on sale of an investment, net	-	-	-	21,101
Miscellaneous income (losses)	282	1,719	(172)	5,420
	<u>(2,228)</u>	<u>(3,984)</u>	<u>(26,395)</u>	<u>18,321</u>

In 2014, the Group signed a Share Transfer Agreement (the "Agreement") for sale of its equity interest of 5.4975% in CPIC, a limited liability company in China and engaged in production of fiberglass, for an amount of Saudi Riyals 103.1 million to the majority shareholder of CPIC. Proceeds from the sale will be collected in installments falling due during the years from 2014 through 2016 and have been presented under "Prepayments and other receivable" and "Other non-current assets" in the accompanying consolidated financial statements. The Group has collected installments amounting to Saudi Riyals 62.8 million during the year ended December 31, 2015.

5 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 December 31, 2015 and 2014 and for the years then ended, summarized by the above business segments, was as follows:

	Pipe manufacturing and technology	Water management	Total
<u>2015</u>			
Sales	2,425,833	324,239	2,750,072
Net income (loss)	127,026	(25,652)	101,374
Total assets	4,240,007	315,042	4,555,049

THE SAUDI ARABIAN AMIANTIT COMPANY AND SUBSIDIARIES

(A Saudi Joint Stock Company)

Notes to the interim consolidated financial statements

For the three-month period and year ended December 31, 2015 (Unaudited)

(All amounts in Saudi Riyals thousands unless otherwise stated)

	Pipe manufacturing and technology	Water management	Total
2014			
Sales	2,522,599	203,188	2,725,787
Net income (loss)	115,341	(32,723)	82,618
Total assets	3,973,296	438,832	4,412,128

The Group's operations are conducted in Saudi Arabia, Europe and certain other geographical areas. Selected financial information as of December 31, 2015 and 2014 and for the years then ended, summarized by geographic area was as follows:

	Saudi Arabia	Europe and other countries	Total
2015			
Sales	1,721,515	1,028,557	2,750,072
Non-current assets:			
Property, plant and equipment	561,954	166,354	728,308
Other non-current assets	108,367	67,502	175,869
2014			
Sales	1,774,359	951,428	2,725,787
Non-current assets:			
Property, plant and equipment	579,616	205,793	785,409
Other non-current assets	128,121	77,197	205,318

6 Contingencies and commitments

- (i) The Group was contingently liable for bank guarantees issued in the normal course of the business amounting Saudi Riyals 477.9 million at December 31, 2015. SAAC, collectively with other shareholders of associated companies, is also contingently liable for corporate guarantees amounting to Saudi Riyals 202.4 million in relation to the borrowing facilities of related associated companies.
- (ii) PWT Wasser- und Abwassertechnik GmbH ("PWT"), a wholly owned subsidiary of the Group and engaged in EPC contracts for water and sewage treatment plants faced certain issues on its project in Iraq. PWT terminated the contract with one of its sub-contractors due to its non-performance of the required obligations under the contract. The sub-contractor has filed a claim against PWT with the competent court in Iraq for compensation of costs incurred prior to its termination. Subsequent to December 31, 2015, the court in Iraq awarded its judgement in favor of the sub-contractor for compensation of costs amounting to Iraqi dinars 31.5 billion (Saudi Riyals 106 million). This judgment was based on a report of a new group of experts as three previous reports issued by three previous groups of experts, who came with amounts ranging between Saudi Riyals 21 million and Saudi Riyals 27 million, had been earlier rejected by the court.

PWT and SAAC management, based on the advice of their own experts and lawyers, believe that the value of the work executed by the sub-contractor would not exceed Saudi Riyals 27 million which has been recorded by the Group. Currently, PWT intends to file an appeal against the court judgement in favor of the sub-contractor at the available judiciary levels in Iraq. Management of PWT and SAAC believe that the financial impact of such claim, upon ultimate settlement, would not be more than the amounts already been recorded.

- (ii) The capital expenditure contracted by the Group but not yet incurred till December 31, 2015 was approximately Saudi Riyals 22.6 million.