PROSPECTUS

Al-Yamamah Steel Industries Company

A Saudi joint stock company incorporated pursuant to Ministerial Resolution no. 1491 dated 30/05/1427H (corresponding to 26/06/2006G) under commercial registration no. 1010070794 dated 01/06/1409H (corresponding to 09/01/1989G)

Sale of (15,245,000) fifteen million two hundred forty-five thousand ordinary Shares, representing (30%) thirty percent of the Company's share capital through an Initial Public Offering at an offering price of SAR (36) per share (with a fully paid nominal value of (10) ten Saudi Riyals per share)

شركة اليمامة للصناعات الحديدية
Al Yamamah Steel Industries Company

The Offering Period starts on Wednesday 20/07/1437H (corresponding to 27/04/2016G) to Tuesday 26/07/1437H (corresponding to 03/05/2016G)

Al-Yamamah Steel Industries Company (the "Company" or "Issuer") was first incorporated as a limited liability company in Riyadh on 01/06/1409H (corresponding to 09/01/1989G) under commercial registration no. (1010070794) with a share capital of (5,100,000) five million one hundred thousand Saudi Riyals. The Company was converted from a limited liability company into a joint stock company pursuant to Ministerial Resolution no. (1491) dated 30/05/1427H (corresponding to 26/06/2006G). The capital of the Company has been increased several times since its incorporation. The capital was first increased pursuant to the Shareholders' resolution notarized by the public notary on 23/05/1413H (corresponding to 18/11/1992G) to (SAR 15,000,000) fifteen million Saudi Riyals divided into (150,000) one hundred and fifty thousand cash shares of equal value, each of (SAR 100) one hundred Saudi Riyals per share. The increase of (SAR 9,900,000) nine million and nine hundred thousand Saudi Riyals was made through capitalization of such amount from the Shareholders' current accounts. The capital was increased again on 19/07/1414H (corresponding to 01/01/1994G) to (SAR 35,000,000) thirty five million Saudi Riyals divided into (350,000) three hundred and fifty thousand cash shares of equal value of (SAR 100) one hundred Saudi Riyals per share. The increase of (SAR 20,000,000) twenty million Saudi Riyals was made through capitalizing the interim dividends and retained earnings account of the Company amounting to (SAR 15,000,000) fifteen million Saudi Riyals and capitalization of Shareholders loans amounting to (SAR 5,000,000) five million Saudi Riyals. On 09/11/1424H (corresponding to 01/01/2004G), the capital was further increased to (SAR 70,000,000) seventy million Saudi Riyals divided into (1,400,000) one million and four hundred thousand cash shares of equal value, reducing the value of each share to (SAR 50) fifty Saudi Riyals per share. The increase of (SAR 35,000,000) thirty five million Saudi Riyals was paid for from the statutory reserve account up to (SAR 17,500,000) seventeen million and five hundred thousand Saudi Riyals, and the retained earnings balance of (SAR 17,500,000) seventeen million and five hundred thousand Saudi Riyals. On 21/05/1427H (corresponding to 17/06/2006G), the Shareholders agreed to convert the Company into a closed joint stock pursuant to the resolution of the constituent assembly for the conversion and to increase the capital of the Company to (SAR 200,000,000) two hundred million Saudi Riyals divided into (20,000,000) twenty million shares, of (SAR 10) ten Saudi Riyals each, by re-evaluating the Company based on the average of: (i) the historical adjusted cost of the re-evaluated fixed assets, and (ii) the weighted value of the estimated future returns of the Company which resulted in the capitalization of (SAR 85,709,403) eighty five million seven hundred nine thousand and four hundred three Saudi Riyals, in addition to the capitalization of (SAR 39,290,597) thirty nine million two hundred ninety thousand and five hundred ninety seven Saudi Riyals from the retained earnings balance, and injection of (SAR 5,000,000) five million Saudi Riyals paid in cash by the Shareholders, which process was approved by the Ministry of Commerce and Industry at that time. On 26/08/1428H (corresponding to 08/09/2007G) and following the conversion of the Company to a joint stock company, the extraordinary general assembly of the Company ("EGA") agreed to increase the capital to (SAR 300,000,000) three hundred million Saudi Riyals divided into (30,000,000) thirty million fully paid ordinary shares. The increase of (SAR 100,000,000) one hundred million Saudi Riyals was made through capitalization of the retained earrings balance of (SAR 94,688,533) ninety four million six hundred eighty eight thousand and five hundred thirty-three Saudi Riyals, and from the statutory reserve up to (SAR 5,311,467) five million three hundred eleven thousand and four hundred sixty seven Saudi Riyals. On 10/09/1429H (corresponding to 10/09/2008G), the EGA agreed to further increase the capital to (SAR 400,000,000) four hundred million Saudi Riyals divided into (40,000,000) forty million fully paid ordinary shares with a nominal value of (SAR 10) ten Saudi Riyals per share. The increase of (SAR 100,000,000) one hundred million Saudi Riyals was made through (i) capitalization of (SAR 96,561,811) ninety-six million five hundred sixty-one thousand and eight hundred eleven Saudi Riyals from the retained earnings balance, and (ii) capitalization of (SAR 3,438,189) three million four hundred thirty-eight thousand, and one hundred eighty-nine Saudi Riyals from the statutory reserve account. Finally, the EGA agreed on 28/11/1430H (corresponding to 16/11/2009G) to increase the capital of the Company to (SAR 508,000,000) five hundred eight million Saudi Riyals divided into (50,800,000) fifty million eight thousand shares fully paid with a nominal value of (10) ten riyals per share ("Shares"). The increase of (SAR 108,000,000) one hundred and eight million Riyals was made through capitalization of a Shareholders loan provided to the Company to support its financial position and amounting to (SAR 108,000,000) one hundred and eight million Saudi Riyals.

The public offering of the Company's Shares (the "Offering" or "Subscription") shall be for (15,245,000) fifteen million two hundred forty-five thousand shares ("Offer Shares" and each, an "Offer Share") with a nominal value of (SAR 10) ten Saudi Riyals per share, and the Subscription price shall be SAR (36) Saudi Riyals representing (30%) thirty percent of the share capital of the Company and shall be limited to the following two tranches of investors:

Tranche (A): Institutional Investors: This tranche comprises a number of institutions including mutual funds (referred to collectively as "Institutional Investors") (please see Section 1 "Terms and Definitions" of this Prospectus). The number of Shares allocated to Institutional Investors is (15,245,000) fifteen million two hundred forty-five thousand ordinary Shares of the Offer Shares, representing 100% of the total number of Offer Shares. In the event the Individual Investors (who are defined under "Tranche (B)" below) subscribe for the Offer Shares, the Institutional Investors Bookrunner may, after obtaining approval from the Capital Market Authority ("CMA"), reduce the number of shares allocated to Institutional Investors to (10,671,500) ten million six hundred seventy-one thousand five hundred ordinary shares, representing (70%) seventy percent of the total Offer Shares. A percentage of (90%) ninety percent of the Shares in Tranche A will be allocated to mutual funds, although this percentage is subject to change in the event that other Institutional Investors excluding these mutual funds do not subscribe for the full remaining percentage (equal to (10%) ten percent) or in the event that the mutual funds do not subscribe to the full percentage allocated to them (equal to (90%) ninety percent).

Tranche (B): Individual Investors: This tranche comprises Saudi natural persons including any divorced or widowed Saudi woman from a marriage to a non-Saudi individual, who is entitled to subscribe for the Offer Shares for her own benefit, in the names of her minor children (if any), on the condition that she proves that she is divorced or widowed and the mother of her minor children, (collectively referred to as "Individual Investors" and each as an "Individual Investor"). Subscription of a person in the name of his divorcee shall be deemed invalid, and if such a transaction is proven to have taken place, the law shall be applied against the applicant. The maximum number of Offer Shares allocated to Individual Investors is (4,573,500) four million five hundred seventy-three thousand five hundred Offer Shares representing (30%) thirty percent of the total number of the Offer Shares. In the event that the Individual Investors do not subscribe to all Offer Shares allocated to them, the Lead Manager may, subject to CMA's approval, reduce the number of Shares allocated to Individual Investors in proportion to the number of Shares that they had subscribed for.

The Offer Shares are being sold by the Company's shareholders whose names are set forth on pages (ix) and (x) ("Selling Shareholders") who collectively own (100%) one hundred percent of the Company's Shares prior to the Offering. Upon completion of the Offering, the Selling Shareholders will collectively own (70%) seventy percent of the Company Shares and will consequently retain a controlling interest. The names and ownership percentages of the Substantial Shareholders of the Company who own (5%) five percent or more of its Shares are listed in subsection 4-1-3 "Substantial Shareholders Owning 5% or More of the Capital" of this Prospectus. After deducting the Offering expenses, the proceeds from the Offering ("Net Proceeds") will be distributed to the Selling Shareholders prorated to the percentage owned by each Shareholder in the Offer Shares. The Company will not receive any part of the Net Proceeds. The Offering has been fully underwritten by Riyad Capital (for more information, please see Section 13 "Underwriting" of this Prospectus). The Selling Shareholders are subject to a lock-up period of (18) eighteen months starting from the commencement date of trading of the Company's Shares on the Saudi Stock Exchange ("Exchange" or "Tadawul"), during which period they are restricted from disposing of any of their respective Shares in the Company (the "Lock-up Period"). Following the Lock-up Period, the Selling Shareholders may only dispose of their Shares in the Company after obtaining the CMA's approval (for more information about the Company's Shareholders, please see pages (ix) and (x) of this Prospectus).

The Offering will commence on Wednesday 20/07/1437H (corresponding to 27/04/2016G) and will remain open for a period of (7) seven days up to and including the closing day on Tuesday 26/07/1437H (corresponding to 03/05/2016G) ("Offering Period"). Subscription to the Offer Shares can be made through branches of the Receiving Agents listed on page (i) of this Prospectus ("Receiving Agents") during the Offering Period. Institutional Investors may subscribe for the Offer Shares through the Institutional Investors Bookrunner during the Book Building Period, before the Shares are offered to Individual Investors.

Individual Investors who subscribe for the Offer Shares must subscribe for a minimum of (10) ten Shares. Each Individual Investor will be allocated a maximum of (250,000) two hundred fifty thousand Offer Shares. The remaining Offer Shares, if any, will be allocated on a pro-rata basis to the total number of Offer Shares subscribed for by each Subscriber. If the number of Individual Investors exceeds (457,350) four hundred fifty-seven thousand three hundred fifty Subscribers, the Company will not guarantee the minimum allocation of Offer Shares and the Offer Shares will be allocated equally between all Subscribers. In the event that the number of Individual Investors exceeds (4,573,500) four million five hundred seventy-three thousand five hundred Subscriber, the allocation will be determined at the discretion of the Issuer and the Financial Advisor. Excess subscription monies, if any, will be refunded to the Subscribers without any charge or withholding by the Receiving Agents. Notification of the final Allocations and Refunds of subscription monies, if any, will be made at the latest by Tuesday 03/08/1437H (corresponding to 10/05/2016G) (please see Section 16 "Subscription Terms and Conditions" of this Prospectus).

The Company has one class of ordinary Shares including the Shares of the Selling Shareholders and the Offer Shares. No shareholder will be given any preferential rights, since each Share entitles its holder to one vote. Each shareholder ("Shareholder") holding at lease (20) twenty Shares has the right to attend and vote at the meetings of the General Assembly of Shareholders ("General Assembly"). The Offer Shares will entitle holders to receive any dividends declared by the Company starting from the date of this Prospectus and subsequent fiscal years (please see Section 7 "Dividend Distribution Policy" of this Prospectus).

Prior to the Offering, the Company's Shares were not traded on any market in Saudi Arabia or elsewhere. The Company has submitted an application to the CMA for the admission and listing of the Shares. All requirements have been met and all official approvals relating to the Offering have been obtained. Trading of the Offer Shares is expected to commence on Tadawul soon after the final allocation of the Offer Shares and completion of all relevant regulatory requirements (please see page (xiii) "Key Dates for Subscribers" of this Prospectus). Following the start of trading on the Exchange, Saudi nationals, non-Saudi nationals holding valid residency permits in Saudi Arabia, Saudi and Gulf companies, banks, and mutual funds as well as GCC nationals will be permitted to trade in the Offer Shares. Non-Saudi nationals living outside the Kingdom and institutions registered outside the Kingdom ("Foreign Investors") are also entitled to acquire economic benefits in the Shares by entering into Swap Agreements (please see Section 1 "Terms and Definitions" of this Prospectus) with persons authorised by the CMA. Qualified Foreign Investors and Approved QFI Clients will be permitted to trade in the Shares in accordance with Rules for Qualified Foreign Financial Institutions Investment in Listed Shares. The "Important Notice" Section and Section 2 "Risk Factors" of this Prospectus should be considered carefully prior to making a decision to invest in the Offering.

Financial Advisor, Institutional Investors Bookrunner, Lead Manager and Underwriter

الرياض المالية
riyad capital

Receiving Agents

Al Rajhi Bank مصرف الراجحي | البنك السعودي الفرنسي Banque Saudi Fransi | بنك الرياض riyad bank | samba سامبا | NCB الأهلي | العربي anb

This Prospectus includes information provided in compliance with the Listing Rules of the CMA. The Directors, whose names appear on page (iv), collectively and individually, accept full responsibility for the accuracy of the information contained in this Prospectus and confirm that, having made all reasonable enquiries, and to the best of their knowledge and belief, there are no other facts whose omission would render any statement herein misleading. The CMA and the Exchange do not take any responsibility for the contents of this Prospectus, do not make any representations as to its accuracy or completeness, and expressly disclaim any liability whatsoever for any loss arising from, or incurred through reliance upon, any part of this Prospectus.

This Prospectus is dated 19/06/1437H (corresponding to 28/03/2016G)

شركة اليمامة للصناعات الحديدية

Al Yamamah Steel Industries Company

Prospectus

Al Yamamah Steel Industries Company

Important Notice

This Prospectus provides detailed information relating to the Company and Offer Shares. When applying for the Offer Shares, Subscribers will be treated solely on the basis of the information contained in this Prospectus, copies of which are available for collection from the Receiving Agents or by visiting the Company's website (www.yamsteel.com), the CMA's website (www.cma.org.sa) or the Lead Manager's website (www.riyadcapital.com).

Riyad Capital has been appointed by the Company to act as a financial advisor ("Financial Advisor"), lead manager ("Lead Manager"), Institutional Investors Bookrunner ("Institutional Investors Bookrunner"), and underwriter ("Underwriter") in relation to the Offer Shares described herein.

This Prospectus includes details given in compliance with the Listing Rules of the CMA. The Directors, whose names appear on page (iv), collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus and confirm, having made all reasonable inquiries to the best of their knowledge and belief, that there are no other facts the omission of which would make any statement herein misleading.

While the Company has made all reasonable inquiries to confirm the validity of the information contained in this Prospectus as of the date of its publication, a substantial portion of the market and industry information herein are derived from external sources. While neither the Company nor any of its Selling Shareholders, Directors or any of the Advisors whose names appear on page (vi) and (ix) of this Prospectus have any reason to believe that any of the market and industry information is materially inaccurate, such information has not been independently verified and therefore no representation is made as to the accuracy and completeness of this information.

The information contained in this Prospectus as at the publication date is subject to change. In particular, the actual financial condition of the Company and the value of the Offer Shares may be adversely affected by future developments such as inflation, interest rates, taxation or other economic, political and other factors, over which the Company has no control (please see Section 2 "Risk Factors" of this Prospectus). Neither the delivery of this Prospectus nor any oral, written or printed information related to the Offer Shares is intended to be, nor should be construed as or relied upon in any way as, a promise or representation as to future earnings, results or events.

This Prospectus may not be regarded as a recommendation on the part of the Company, the Directors, the Selling Shareholders or any of the Company's Advisors to participate in the Subscription. Information provided in this Prospectus is of a general nature and has been prepared without taking into account individual investment objectives, financial situation or particular investment needs. Prior to making an investment decision, each recipient of this Prospectus is responsible for obtaining independent professional advice in relation to the Subscription and for considering the appropriateness of the investment and the information contained herein with regard to the recipient's individual objectives, financial situations and needs.

The Subscription in the Shares shall be restricted to Tranche (A) Institutional Investors, which includes a number of institutions including mutual funds; and Tranche (B) Individual Investors, which includes Saudi natural persons including any divorced or widowed Saudi woman from a marriage to a non-Saudi individual, to subscribe for the Offer Shares for her own benefit, in the names of her minor children (if any), on the condition that she proves that she is divorced or widowed and the mother of her minor children. Subscription of a person in the name of his divorcee shall be deemed invalid, and if such a transaction is proven to have taken place, the law shall be applied against the applicant.

The distribution of this Prospectus or the sale of the Offer Shares to any person in any jurisdiction other than Saudi Arabia is expressly prohibited. The Company, the Selling Shareholders, and the Financial Advisor require the recipient of the Prospectus to observe any regulatory restrictions on the offering and sale of Offer Shares.

Industry and Market Data

Data and information related to steel industry and other information related to the market set out in this Prospectus are basically derived from the market study provided exclusively to the Company by the Market Consultant, ERAS Consulting Limited ("ERAS"), which relies in some portions on several reports published by other agencies. The Company believes that information and data included in the market study has been obtained from reliable sources, but neither the Company nor its Financial Advisor or any of the Company's Advisors, whose names appear on the page (vi) of this Prospectus, have independently verified such information and data, and no guarantee can be provided as to its accuracy or completeness.

The source of such information on the industry and market principally includes the following:

ERAS

UK
Regina House, 124 Finchely St, London NW3 5JS
Tel.: +442 03 2872535
Fax: +1 818 874 3129
Website: www.erasconsulting.eu

ERAS is an independent consulting company that works in the field of professional consulting, preparation of scientific research, design and implementation of field surveys and conducting feasibility studies for investors through integrated teamwork encompassing a selected group of specialized competencies. Neither ERAS, nor any of its shareholders, directors or their relatives hold any shareholding or any interest of any kind in the Company. ERAS has provided and not withdrawn its written consent to include its name, logo and statements, as well as the use of the information supplied by it to the Company in the manner and format set out in this Prospectus.

Financial Information

The audited consolidated financial statements of the Company and the Subsidiary for the years ended 30 September 2013G, 2014G and 2015G and the notes thereto, have been prepared and audited in compliance with accounting standards promulgated by the Saudi Organization for Certified Public Accountants ("SOCPA"). The consolidated financial statements for the year ended 30 September 2013G, 2014G and 2015G were prepared by KPMG Al Fozan & Al Sadhan ("Auditor"), and are included in Section 19 "Auditor's Report" of this Prospectus. The Company publishes its financial statements in Saudi Riyals. Some financial and statistical information contained in this Prospectus have been rounded up to the nearest integer. Accordingly, where numbers have been rounded up or down, the total may not match with what has been mentioned in the Prospectus.

Projections and Forward-Looking Statements

Projections set forth in this Prospectus have been prepared on the basis of certain stated assumptions. Future operating conditions may differ from the assumptions used and consequently no representation or warranty is made with respect to the accuracy or completeness of any of such projections.

Certain statements in this Prospectus constitute "forward-looking-statements". Such statements can generally be identified by their use of forward-looking words such as "plans", "estimates", "projects", "believes", "expects", "anticipates", "may", "will", "should", "must", "expected", "would be" or the negative or other variation of such terms or comparable terminology. These forward-looking statements reflect the current views of the Company with respect to future events, and are not a guarantee of future performance. Many factors could cause the actual results, performance or achievements of the Company to be significantly different from those which may be expressed or implied by such forward-looking statements. Some of the risks and factors that could have such an effect are described in more detail in other sections of this Prospectus (please see Section 2 "Risk Factors" of this Prospectus). Should any one or more of these risks materialize or any underlying assumptions or estimates prove to be inaccurate or incorrect, actual results of the Company may vary materially from those described in this Prospectus.

Subject to the requirements of the Listing Rules, the Company must submit a supplementary Prospectus to the CMA if at any time after the Prospectus has been approved by the CMA and before the Shares are listed, the Company becomes aware that: (i) there has been a significant change in material matters contained in this Prospectus or any document required by the Listing Rules; or (ii) additional significant matters have become known which would have been required to be included in this Prospectus. With the exception of these two instances, the Company does not intend to update or otherwise alter any industry or market information or the forward-looking-statements included in this Prospectus, whether as a result of new information, future events or otherwise. As a result, the forward-looking events and circumstances discussed in this Prospectus might not occur in the way the Company expects, or at all. Therefore, prospective investors should consider all forward-looking statements in light of these explanations and should not place undue reliance on forward-looking statements. For an explanation of certain terms and abbreviations included in this Prospectus, please see Section 1 "Terms and Definitions" of this Prospectus.

Company Directory

Members of the Board of Directors*

Table 1: Board Members

Name	Position	Nationality	Age	Membership Status	Direct Holding (%)**		Indirect Holding (%)		Membership Date ***
					Pre-Offering	Post-Offering	Pre-Offering	Post-Offering	
1- Saad Ibrahim Al-Mojel	Chairman	Saudi	67	Non-Executive / Non-Independent	—	—	8.80%	6.16%	28/08/1435H (corresponding to 26/06/2014G)
2- Raed Ibrahim Al-Mudaihim	Member	Saudi	52	Non-Executive / Non-Independent	—	—	—	—	28/08/1435H (corresponding to 26/06/2014G)
3- Muhanna Abdullah Al-Muhanna	Member	Saudi	73	Non-Executive / Non-Independent	4.84%	3.38%	—	—	28/08/1435H (corresponding to 26/06/2014G)
4- Ali Saleh Al-Dakheel	Member	Saudi	48	Non-Executive / Non-Independent	—	—	—	—	28/08/1435H (corresponding to 26/06/2014G)
5- Mohammad Ahmed Al-Saadi****	Member	Qatari	50	Non-Executive/Independent	—	—	—	—	28/08/1435H (corresponding to 26/06/2014G)
6- Mohammed Abdullah El-Kuwaiz ****	Member	Saudi	39	Non-Executive/Independent	—	—	—	—	24/02/1436H (corresponding to 16/12/2014G)
7- Vacant*	Member	—	—	Non-Executive/Independent	—	—	—	—	—

Source: The Company

*The Board of Directors ("Board") consists of (7) seven members, (6) six of which have been appointed with the seventh seat currently vacant. The Company will, in accordance with the requirements of article (12) of the Corporate Governance Regulations, appoint the seventh member so that the number of members in office becomes (7) seven. The Company will start the nomination and voting process for the new seventh member, who will be a non-executive and independent member, at the General Assembly meeting to be held within (6) six months from the completion of the Offering. The new Director will, as required by the Current Companies Law, own the Qualification Shares from the Shares traded in the market.

** Ownership percentages do not include the Qualification Shares of the Board. It should be noted that all current Directors (except for Mohammad Ahmed Al-Saadi and Mohammed Abdullah El-Kuwaiz) hold shares of a value of (SAR 10,000) ten thousand Saudi Riyals (the "Qualification Shares") in accordance with the Company's Bylaws and Current Companies Law.

*** Dates listed in this table are the dates of appointment to the current term of office listed in the same table. The biographies of the Directors state the dates at which all Directors were appointed to the Board (please see Section 5-3 "Directors' Biographies" of this Prospectus).

****Mohammad Ahmed Al-Saadi, Mohammed Abdullah El-Kuwaiz, and the seventh Director who will be appointed following the completion of the Offering, will, as required by the Current Companies Law, acquire their Qualification Shares from the Shares traded on Tadawul after completion of the Offering, whereby (5,000) five thousand Shares have been added to the Offer Shares in excess of the (15,240,000) fifteen million two hundred and forty thousand Shares representing (30%) thirty percent of the Shares allocated to the public, in order for them to acquire (3,000) of such Shares as Qualification Shares.

The Company's Registered Address

Al-Yamamah Steel Industries Company
Address: Steen Street
Al-Aqaryyah New Building – 4th Tower – 5th Floor
PO Box: 55303, Riyadh 11583
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Website: www.yamsteel.com
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شركة اليمامة للصناعات الحديدية
Al Yamamah Steel Industries Company

Company Representatives

Raed Ibrahim Al-Mudaihim
Board Member
Address: PO Box: 16197,
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Fax: +966 12 2238833
Website: www.yamsteel.com
E-mail: raed@mbm.com.sa

Yousef Saeed Ba-zaid
Chief Executive Officer
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Kingdom of Saudi Arabia
Tel.: +966 12 6081462
Fax: +966 12 6081489
Website: www.yamsteel.com
E-mail: ybazaid@yamsteel.com

Board of Directors' Secretary

Yousef Saeed Ba-zaid
Address: PO Box: 55303,
Riyadh 11583
Kingdom of Saudi Arabia
Tel.: +966 12 6081462
Fax: +966 12 6081489
Website: www.yamsteel.com
E-mail: ybazaid@yamsteel.com

Stock Exchange

Saudi Stock Exchange (Tadawul)
Address: Tawuniya Towers, Northern Tower
700 King Fahd Road
P O Box 60612 Riyadh 11555
Kingdom of Saudi Arabia
Tel.: +966 11 2189999
Fax: +966 11 2189090
Website: www.tadawul.com.sa
E-mail: webinfo@tadawul.com.sa

تداول
Tadawul

Advisors

Financial Advisor, Institutional Investors Bookrunner, Lead Manager and Underwriter

Riyad Capital
Address: Al Takhassusi St. - Prestige Center Building
PO Box: 21116, Riyadh 11475
Kingdom of Saudi Arabia
Tel.: +966 11 4865695
Fax +966 11 2826823
Website: www.riyadcapital.com
E-mail: pittsburgh@riyadcapital.com

Legal Advisor to the Company

Law Office of Salman M. Al-Sudairi in association with Latham & Watkins LLP
Address: King Fahad Road
Tatweer Tower –Tower 1 – 7th Floor
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Kingdom of Saudi Arabia
Tel.: +966 11 2072500
Fax: +966 11 2072577
Website: www.lw.com
E-mail: inforiyadh@lw.com

Financial Due Diligence Advisor

PricewaterhouseCoopers Company (PWC)
Address: Riyadh - Kingdom Centre - (21st Floor)
PO Box: 13933, Riyadh 11414
Kingdom of Saudi Arabia
Tel.: + 966 11 2110400
Fax: + 966 11 2110401
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E-mail: omar.alsagga@sa.pwc.com

Auditor

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Market and Industry Research Consultant

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Fax: +1-818-874-3129
Website: www.erasconsulting.eu
E-mail: office@erasuk.com

Note:

The abovementioned Advisors have given and not withdrawn their written consent to the publication of their names, addresses and logos in the Prospectus and the publication of their statements in the form and content appearing in this Prospectus, and they do not themselves, nor any of their employees, relatives or affiliates, have any shareholding or interest of any kind in the Company as of the date of this Prospectus.

Receiving Agents

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Fax: +996 11 4799402
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National Commercial Bank
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Fax: +996 11 4027747
E-mail: abinayba@anb.com.sa
Website: www.anb.com.sa

Main Banks of the Company

Receiving Agents
Banque Saudi Fransi Ma'ather Road P.O. Box: 56006, Riyadh 11554 Kingdom of Saudi Arabia Tel.: +996 11 4042222 Fax: +966 11 4042311 E-mail: communications@alfransi.com.sa Website: www.alfransi.com.sa
Al-Rajhi Bank Olaya Street PO. Box 28, Riyadh 11411 Kingdom of Saudi Arabia Tel.: +966 11 4629922 Fax: +966 11 4624311 E-mail: contactcenter1@alrajhibank.com.sa Website: www.alrajhibank.com.sa
Arab National Bank King Faisal Street PO Box: 56921, Riyadh 11564 Kingdom of Saudi Arabia Tel.: +966 11 4029000 Fax: +966 11 4027747 E-mail: abinayba@anb.com.sa Website: www.anb.com.sa
The Saudi Investment Bank Ma'ather Road PO. Box 3533, Riyadh 11481 Kingdom of Saudi Arabia Tel.: +996 11 4786000 Fax: +996 11 4776781 E-mail: ir@saib.com.sa Website: www.saib.com.sa

Summary of the Offering

This summary of the Offering intends to give an overview of the information contained in this Prospectus in relation to the Offering. However, this summary does not include all information that must be taken into consideration prior to making a decision to invest in the Offer Shares. Therefore, any person willing to subscribe for Shares should carefully review the "Important Notice" Section and Section 2 "Risk Factors" of this Prospectus together with the entire Prospectus prior to making a decision to subscribe for the Company's Shares and should not solely rely on this summary.

The Company	Al-Yamamah Steel Industries Company, a Saudi joint stock company registered in Riyadh under commercial registration no. 1010070794. The Company was first incorporated as a limited liability company in Riyadh on 01/06/1409H (corresponding to 09/01/1989G) which was converted into a joint stock company pursuant to Ministerial Resolution no. 1491 dated 30/05/1427H (corresponding to 26/06/2006G).
Company Activity	The Company's main activity is to manufacture longitudinally welded steel tubes (black/galvanized), decorative steel tubes, steel sheets cutters, packaging straps and clips, road blocks, reinforcing steel bars, wheelbarrows, corrugated steel sheets, hollow steel pieces, cold rolled steel sections, steel space frames, galvanized steel lighting poles and other related products.
Tubes SBU	Tubes SBU is the Company's internal business unit that is responsible for producing all types of tubes and steel pipes (square, round, and rectangular). Such products are manufactured at the Company's two manufacturing plants, namely, Al-Yamamah Steel Industries Plant in Jeddah, which was opened on 13/04/1411H (corresponding to 01/11/1990G), and Al-Yamamah Steel Industries Plant in Dammam, which was opened on 19/04/1434H (corresponding to 01/03/2013G).
Poles SBU	Poles SBU is the Company's internal business unit that is responsible for producing all types of galvanized steel poles manufactured at the Company's manufacturing plant in Jeddah, Al-Yamamah Electric Poles and Accessories Plant, which was opened on 27/08/1426H (corresponding to 01/10/2005G).
Towers SBU	Towers SBU is the Company's internal business unit that is responsible for producing galvanised steel towers used for transmitting electricity and communication towers manufactured at the Company's manufacturing plant in Jeddah, Al-Yamamah Electric Towers Production Plant, which was opened on 19/03/1431H (corresponding to 01/03/2010G).
Space Frames SBU	Space Frames SBU is the Company's internal business unit that is responsible for producing all different kinds of components of space frames manufactured at the Company's manufacturing plant in Jeddah, Al-Yamamah Steel Industries Plant, which was opened on 10/09/1416H (corresponding to 31/01/1996G).
The Subsidiary	The Company's subsidiary, Al-Yamamah Company For Reinforcing Steel Bars, a Saudi closed joint stock company registered in Riyadh under commercial registration no. 1010184297, dated 17/12/1423H (corresponding to 18/02/2008G). The Subsidiary was converted from a limited liability company into a joint stock company pursuant to Ministerial Resolution no. 205/S dated 25/08/1435H (corresponding to 23/06/2014G).
Selling Shareholders	The Shareholders whose names and ownership percentage appear in the following schedule:

#	Shareholder	Pre-Offering			Post-Offering		
		Number of Shares*	Percentage	Value (SAR)	Number of Shares*	Percentage	Value (SAR)
1	Rashed Abdurrahman Al-Rashed & Sons Company	12,288,816	24.19%	122,888,160	8,600,961	16.93%	86,009,610
2	Abdulkadir Al-Muhaidib & Sons Company	12,288,816	24.19%	122,888,160	8,600,961	16.93%	86,009,610
3	Al-Mojel for Trade and Contracting Company	8,056,002	15.86%	80,560,020	5,638,409	11.11%	56,384,090
4	Al-Muhanna Trading Company	4,915,526	9.68%	49,155,260	3,440,384	6.77%	34,403,840

#	Shareholder	Pre-Offering			Post-Offering		
		Number of Shares*	Percentage	Value (SAR)	Number of Shares*	Percentage	Value (SAR)
5	Abdulkarim Hamad Al-Mojel	4,232,815	8.33%	42,328,150	2,962,556	5.83%	29,625,560
6	Abdulaziz Abdullah Al-Muhanna	2,457,764	4.84%	24,577,640	1,720,193	3.38%	17,201,930
7	Ibrahim Abdullah Al-Muhanna	2,457,763	4.84%	24,577,630	1,720,192	3.38%	17,201,920
8	Muhanna Abdullah Al-Muhanna	2,457,763	4.84%	24,577,630	1,720,192	3.38%	17,201,920
9	Riyadh Abdullah Abunayyan	1,644,735	3.24%	16,447,350	1,151,152	2.27%	11,511,520
	Total	50,800,000	100%	508,000,000	35,555,000	70%	355,550,000

Source: The Company

*These shares include Qualification Shares allocated by Selling Shareholders to each of the current Directors (except for Mohammad Ahmed Al-Saadi and Mohammed Abdullah El-Kuwaiz).

Company's share capital prior to the Offering	(SAR 508,000,000) five hundred eight million Saudi Riyals
Company's share capital after the Offering	(SAR 508,000,000) five hundred eight million Saudi Riyals
Total Number of Issued Shares	(50,800,000) fifty million eight hundred thousand fully paid ordinary Shares.
Nominal Value	(SAR 10) ten Saudi Riyals per Share.
Substantial Shareholders	Substantial Shareholders holding more than 5% of the Company's share capital directly and/or indirectly, are Rashed Abdurrahman Al-Rashed & Sons Company, Al-Muhanna Trading Company, Abdulkadir Al-Muhaidib & Sons Company, Al-Mojel for Trade and Contracting Company, Abdulkarim Hamad Al-Mojel, Saad Ibrahim Al-Mojel, Saleh Ibrahim Al-Mojel, Muhammad Abdullah Al-Muhanna, Abdulrahman Abdullah Al-Muhanna, Sulaiman Abdulkadir Al-Muhaidib & Partners Company, Sulaiman Abdulkadir Al-Muhaidib, Emad Abdulkadir Al-Muhaidib Company, Emad Abdulkadir Al-Muhaidib, Essam Abdulkadir Al-Muhaidib Company, and Essam Abdulkadir Al-Muhaidib. For more information on the Substantial Shareholders in the Company, please see Section 4-1-3 "Substantial Shareholders Owning 5% Or More Of The Capital" of this Prospectus.
Number of Offer Shares	(15,245,000) fifteen million two hundred forty-five thousand fully paid Shares with a nominal value of (SAR 10) ten Saudi Riyals per share at an Offer Price of SAR (36) Saudi Riyal per share.
Percentage of Offer Shares to Issued Shares	Offer Shares represent 30% of the Shares issued by the Company.
Offer Price	SAR (36) Saudi Riyals per Share.
Total Value of Offer Shares	SAR (548,820,000) Saudi Riyals
Use of Proceeds	The proceeds from the Offering are expected to be SAR (548,820,000) Saudi Riyals. After all costs and expenses related to the Offering, amounting to SAR 31 million, are deducted, the Net Proceeds will be paid to the Selling Shareholders on a pro-rata basis. The Company will not receive any part of the Offering proceeds.
Number of Offer Shares Underwritten	(15,245,000) fifteen million two hundred forty-five thousand ordinary shares.
Total Value Underwritten	SAR (548,820,000) Saudi Riyals

Targeted Investors	Tranche (A) Institutional Investors: includes a number of institutions including mutual funds (please see Section 1 "Terms and Definitions" of this Prospectus). Tranche (B): Individual Investors: includes Saudi natural persons including any divorced or widowed Saudi woman from a marriage to a non-Saudi individual, who is entitled to subscribe for the Offer Shares for her own benefit, in the names of her minor children (if any), on the condition that she proves that she is divorced or widowed and the mother of her minor children. Subscription of a person in the name of his divorcee shall be deemed invalid, and if such a transaction is proven to have taken place, the law shall be applied against the applicant.
Number of Shares offered to Institutional Investors	(15,245,000) fifteen million two hundred forty-five thousand ordinary Shares representing (100%) one hundred percent of the total Offer Shares which could be reduced to (10,671,500) ten million six hundred seventy-one thousand five hundred ordinary Shares representing (70%) of Offer Shares. A percentage of (90%) of the Shares dedicated to this tranche will be allocated to the mutual funds, although such percentage is subject to change in the event that other institutional investors excluding mutual funds do not subscribe for the full remaining percentage (which equals 10%) or in the event that the mutual funds do not fully subscribe to the percentage allocated to them (which equals 90%).
Number of Shares offered to Individual Investors	A maximum of (4,573,500) four million five hundred seventy-three thousand five hundred ordinary Shares representing (30%) of the Offer Shares.
Subscription Method for Institutional Investors	The Institutional Investors Bookrunner will provide subscription application forms to the Institutional Investors.
Subscription Method for Individual Investors	Subscription application forms will be available at the Receiving Agent's branches during the Offering Period and on the website of the Lead Manager. Subscription application forms must be completed in accordance with the instructions described in Section 16 "Subscription Terms and Conditions". Individual Investors who have participated in a recent offering may also subscribe through the internet, telephone banking or ATM at any branch of the Receiving Agents that offers some or all of these services to their customers provided that the Subscriber has a bank account at one of the Receiving Agents that offer such services, and no changes have been made to the investor's personal information since he/she participated in the recent offering.
Minimum Number of Offer Shares for Institutional Investors	(100,000) one hundered thousand ordinary Shares.
Minimum Number of Offer Shares for Individual Investors	(10) ten ordinary Shares.
Value of Minimum Number of Offer Shares for Institutional Investors	SAR (3,600,000) Saudi Riyals
Value of Minimum Number of Offer Shares for Individual Investors	SAR (360) Saudi Riyals
Maximum Number of Offer Shares for Institutional Investors	(2,539,999) two million five hundred thirty nine thousand nine hundred ninety nine ordinary Shares.
Maximum Number of Offer Shares for Individual Investors	(250,000) two hundred fifty thousand ordinary Shares.
Value of Maximum Number of Offer Shares for Institutional Investors	SAR (91,439,964) Saudi Riyals
Value of Maximum Number of Offer Shares for Individual Investors	SAR (9,000,000) Saudi Riyals

Allocation of Offer Shares to Institutional Investors	The number of Shares allocated to Institutional Investors is (15,245,000) fifteen million two hundred forty-five thousand ordinary shares of the Offer Shares, representing (100%) one hundred percent of the total number of Offer Shares. In the event the Individual Investors subscribe for the Offer Shares, the Institutional Investors Bookrunner may, after obtaining approval from the CMA, reduce the maximum number of Shares allocated to Institutional Investors to (10,671,500) ten million six hundred seventy-one thousand five hundred ordinary Shares, representing (70%) of the total ordinary Offer Shares.
Allocation of Offer Shares to Individual Investors	Notification of allocations and refunds will be made no later than Monday 02/08/1437H (corresponding to 09/05/2016G). Each investor will be allocated a minimum of (10) ten Shares. The remaining Offer Shares, if any, will be allocated pro-rata to the total number of Offer Shares applied for by each Subscriber. In the event that the number of Subscribers exceeds (457,350) four hundred fifty-seven thousand three hundred fifty Subscribers, the Company will not guarantee the minimum allocation per Individual Investor, and the Offer Shares will be allocated equally among all Individual Investors. If the number of Individual Investors exceeds the number of Offer Shares, the Offer Shares will be allocated to Individual Investors as proposed by the Issuer and the Financial Advisor (please see Section 16 "Subscription Terms and Conditions" of this Prospectus).
Refund of Excess Subscription Monies	Excess of subscription monies, if any, will be refunded to the Subscribers without any charge or withholding by the Lead Manager or Receiving Agents. Notification of the allocation and refund, if any, will be made no later than Tuesday 03/08/1437H (corresponding to 10/05/2016G) (please see Section 16 "Subscription Terms and Conditions" and sub-section "Allocations and Refunds" of this Prospectus).
Offering Period	The Offering will commence on Wednesday 20/07/1437H (corresponding to 27/04/2016G) and will remain for a period of (7) seven days up to and including the closing day on Tuesday 26/07/1437H (corresponding to 03/05/2016G).
Distribution of Dividends	The Offer Shares shall be entitled to receive dividends declared and paid by the Company from the date of the Prospectus and subsequent financial years (please see Section 7 "Dividend Distribution Policy" of this Prospectus).
Voting Rights	The Company has only one class of equal rights shares, which does not carry any preferential voting rights. Each of the Shares entitles its holder to one vote. Each Shareholder with at least (20) twenty Shares has the right to attend and vote at the General Assembly meeting. A Shareholder may authorize another Shareholder, who is not a Director or an employee of the Company, to attend the General Assembly on his behalf (please see Section 12 "Description of Shares" and subsection 11-1 "Summary of the Bylaws" of Section 11 "Legal Information" of this Prospectus).
Lock-up Period/Share Restrictions	The Selling Shareholders are restricted from disposing of their shares for a period of (18) eighteen months from the date on which trading in the Offer Shares commences on the Exchange ("Lock-up Period"). After the Lock-up Period has elapsed, the Selling Shareholders may only dispose of their Shares after obtaining CMA approval.
Listing of Shares	Prior to the Offering, there has been no public market for the shares in the Kingdom or elsewhere. An application has been made by the Company to the CMA for the admission, all requirements have been met, and all relevant regulatory approvals relating to the Offering have been obtained. Trading in the shares is expected to commence on the Exchange soon after the final allocation of the Offer Shares subject to all relevant regulatory requirements (please see "Key Dates For Subscribers and Subscription Procedures" Section of this Prospectus).
Risk Factors	There are certain risks related to investing in the Offer Shares and these risks can be categorized as follows: (i) risks related to the Company and the Subsidiary's operations and activities; (ii) risks related to the market and industry; and (iii) risks related to the Offer Shares. These risks are described in Section 2 "Risk Factors" of this Prospectus and should be considered carefully prior to making a decision to invest in the Offer Shares.
Expenses	Expenses related to the Offering, which will be incurred by the Selling Shareholders, are estimated to be approximately SAR 30 milion and will be deducted from the Offering Proceeds amounting toSAR (548,820,000) Saudi Riyals. The Offering expenses cover the fees of the Financial Advisor, Legal Advisor and other advisors in addition to Underwriting expenses, Receiving Agents expenses, marketing, printing and distribution expenses and other related costs and expenses.

Note: The "Important Notice" Section on page (ii), Section 2 "Risk Factors" and Section 13 "Underwriting" of this Prospectus should be considered carefully prior to making a decision to invest in the Offer Shares.

Key Dates for Subscribers and Subscription Procedures

Offering Timetable

Table 2: Expected Offering Timetable

Expected Offering Timetable	
Event	**Date**
Subscription Period	The Subscription will commence on Wednesday 20/07/1437H (corresponding to 27/04/2016G) and will remain open for a period of (7) seven days up to and including the closing day on Tuesday 26/07/1437H (corresponding to 03/05/2016G)
Subscription period for Institutional Investors and bookbuilding period	The Subscription for Institutional Investors will commence on Tuesday 05/07/1437H (corresponding to 12/04/2016G) and will remain open for a period of (7) seven days up to and including the closing day on Monday 11/07/1437H (corresponding to 18/04/2016G)
Last date for submission of application forms	Monday 11/07/1437H (corresponding to 18/04/2016G)
Last date for submission of application forms based on the allocated Shares for Institutional Investors	Monday 18/07/1437H (corresponding to 25/04/2016G)
Last date for payment of subscription monies for Institutional Investors	Sunday 24/07/1437H (corresponding to 01/05/2016G)
Last date for submission of application forms and payment of subscription monies for Individual Investors	Tuesday 26/07/1437H (corresponding to 03/05/2016G)
Notification of final allocation of Offer Shares	Monday 02/08/1437H (corresponding to 09/05/2016G)
Refund of any Subscription monies (in the event of over-subscription)	Tuesday 03/08/1437H (corresponding to 10/05/2016G)
Expected date of the start of trading on the Exchange	Trading of the Offer Shares on the Exchange is expected to commence after all relevant legal requirements have been fulfilled. Trading will be announced in local newspapers and on the Tadawul website (www.tadawul.com.sa).

Note: The above timetable and dates included therein are indicative. Actual dates will be announced in the local daily newspapers published in Arabic in the Kingdom and on the Tadawul website (www.tadawul.com.sa) and CMA website (www.cma.org.sa).

How to Apply for Subscription

Subscription is restricted to the following two tranches of investors:

Tranche (A): Institutional Investors: Subscription in this tranche is limited to a number of institutions, including mutual funds (please see Section 1 "Terms and Definitions" of this Prospectus). These investors may apply in accordance with the conditions set forth in this Prospectus. Institutional Investors can obtain an application form from the Institutional Investors Bookrunner during the bookbuilding period.

Tranche (B): Individual Investors: Subscription in this tranche is limited to Saudi nationals only, including any divorced or widowed Saudi woman from a marriage to a non-Saudi individual, who is entitled to subscribe for the Offer Shares for her own benefit, in the names of her minor children (if any), on the condition that she proves that she is divorced or widowed and the mother of her minor children. Subscription of a person in the name of his divorcee shall be deemed invalid, and if such a transaction is proven to have taken place, the law shall be applied against the applicant.

Individual Investors may obtain subscription application forms during the Offering Period from branches of the Receiving Agents or through their respective websites. Individual Investors who have participated in a recent offering may also subscribe through the internet, telephone banking or ATM at any branch of the Receiving Agents that offers some or all of these services to their customers, provided that the Subscriber has a bank account at one of the Receiving Agents that offer such services, and no changes have been made to the investor's personal information since he/she participated in the recent offering.

Subscription Application Forms can be obtained during the Offering Period from the branches of the Receiving Agents and subscription applications must be completed in accordance with the instructions specified in Section 16 "Subscription Terms and Conditions" of this Prospectus. Each applicant must approve all relevant items and clauses of the Subscription Application Form. The Company reserves the right to decline any subscription application, in whole or in part, if any of the subscription terms and conditions are not met or the instructions are not followed in a duly and timely fashion. Amendments to and withdrawal of Subscription Application Forms shall not be permitted once they have been submitted. The subscription application shall, upon submission, represent a binding agreement between the applicant and the Selling Shareholders (please see Section 16 "Subscription Terms and Conditions" of this Prospectus).

Summary of Key Information

This summary of key information aims to give a brief overview of the information contained in this Prospectus. It does not, as a summary, contain all the information that may be important to interested investors. Individuals wishing to subscribe for the Offer Shares should, before making any decision to invest in such shares, read this Prospectus in full. Terms and definitions stated herein shall have the same meaning ascribed to them in Section 1 "Terms and Definitions" and elsewhere in this Prospectus.

The Company

The Company was incorporated as a limited liability Company in Riyadh on 01/06/1409H (corresponding to 09/01/1989G) and registered under commercial registration no. 1010070794 dated 01/06/1409H (corresponding to 09/01/1989G) with a share capital of (SAR 5,100,000) five million one hundred thousand Saudi Riyals for the purposes of manufacturing a wide range of steel products. The Company was converted from a limited liability company to a closed joint stock company pursuant to Ministerial Resolution no. 1491 issued on 30/05/1427H (corresponding to 26/06/2006G). The current share capital of the Company is (SAR 508,000,000) five hundred eight million Saudi Riyals divided into (50,800,000) fifty million eight hundred thousand fully paid ordinary Shares with a nominal value of (SAR 10) ten Saudi Riyals per share. For more information on the incorporation of the Company and changes in its share capital please see Section 4-1-2 "Evolution of the Company's Share Capital" of this Prospectus.

The Shareholders of the Company Before and After the Offering ("Selling Shareholders")

The following table shows the current Shareholders of the Company and their ownership before and after the Offering:

Table 3: Company's shareholders pre- and post-offering

Selling Shareholders	Pre-Offering			Post-Offering		
	Number of Shares*	Percent-age	Capital (SAR)	Number of Shares*	Percent-age	Share Capital (SAR)
Rashed Abdurrahman Al-Rashed & Sons Company	12,288,816	24.19%	122,888,160	8,600,961	16.93%	86,009,610
Abdulkadir Al-Muhaidib & Sons Company	12,288,816	24.19%	122,888,160	8,600,961	16.93%	86,009,610
Al-Mojel for Trade and Contracting Company	8,056,002	15.86%	80,560,020	5,638,409	11.11%	56,384,090
Al-Muhanna Trading Company	4,915,526	9.68%	49,155,260	3,440,384	6.77%	34,403,840
Abdulkarim Hamad Al-Mojel	4,232,815	8.33%	42,328,150	2,962,556	5.83%	29,625,560
Abdulaziz Abdullah Al-Muhanna	2,457,764	4.84%	24,577,640	1,720,193	3.38%	17,201,930
Ibrahim Abdullah Al-Muhanna	2,457,763	4.84%	24,577,630	1,720,192	3.38%	17,201,920
Muhanna Abdullah Al-Muhanna	2,457,763	4.84%	24,577,630	1,720,192	3.38%	17,201,920
Riyadh Abdullah Abunayyan	1,644,735	3.24%	16,447,350	1,151,152	2.27%	11,511,520
The Public	-	-	-	15,245,000	30%	152,450,000
Total	50,800,000	100%	508,000,000	50,800,000	100%	508,000,000

Source: The Company

*These shares include Qualification Shares allocated by Selling Shareholders to each of the current Directors (except for Mohammad Ahmed Al-Saadi and Mohammed Abdullah El-Kuwaiz).

The Company's Main Activities

The Company and the Subsidiary's business consist of five (5) main activities which include:

- Tubes SBU, which is responsible for producing all type of tubes and steel pipes (square, round, and rectangular);
- Poles SBU, which is responsible for producing galvanized steel poles and galvanised accessories of all kinds, corrugated and cylindrical, including distribution of electrical poles, lighting poles, and lighting masts.
- Towers SBU, which is responsible for producing galvanized steel towers of all types that are used in transmitting high voltage (up to 380 KV) electrical energy, and in the area of telecommunications, to distribute microwave signals used by mobile telecommunications devices.
- Space Frames SBU, which is responsible for the design, manufacturing, supply and installation of steel ceiling structures made from space frames of various designs according to the specifications needed for construction of school buildings, hotels, stadiums, and buildings designed for commercial and government use, as well as main entry gates.
- Reinforcing steel bars, which is responsible for producing reinforcing steel bars from steel billets.

The Company's Products

The main products of the Company include:

- Tubes and steel pipes.
- Steel poles including galvanized distribution poles, lighting poles, and lighting masts.
- Steel towers used for electricity transmission and telecommunications.
- Space frames for steel structures.

The main products of the Subsidiary consist of reinforcing steel bars.

For more information on the manufacturing plants of the Company and the Subsidiary, please see Table 48 "Overview of the Company's manufacturing plants" and Table 49 "Overview the Subsidiary's manufacturing plants" of this Prospectus

The Company's Vision

The Company aspires to develop an industrial conglomerate aiming to become a leader in the steel industry in the MENA region by harnessing values and self-experience, taking into account the commitments of the Company towards society.

The Company's Mission

To expand the Shareholders' investment value by attracting further investments, improving financial performance standards, reducing cost and risks, and promoting continuous research and development.

To maintain and improve customer relationships by responding to their needs with competitive prices, building a comfortable working environment, and helping individuals to improve their capabilities.

The Company's Strategy

- To strengthen the Company's competitive position by promoting its brand and name in local and regional markets.
- To improve the range and quality of the current products of the Company and the Subsidiary by developing new products and ensure their quality.
- To strengthen the relationship with existing customers by responding to their needs while maintaining the highest quality standards.
- To utilize and improve full production capacities of certain products, add new products and enter into more selected markets in the Kingdom and the MENA region.
- To continuously improve operations by reducing costs and increasing efficiency.
- To further enhance the value of the Company and benefit from its competitive advantages by investing in new products that complement its current products.
- To strengthen the relationship with existing raw material suppliers by committing to implement their agreements and information exchange.

- To continuously review and follow up on changes in international and local markets of raw materials and achieve the optimal utilization of such changes to improve the results of the Company and reduce cost.
- To conscientiously attend to inventory management by constant planning among materials management, sales and manufacturing units.
- To continuously attend to management of working capital and to strengthen the partnership with financial institutions.

Summary of Competitive Advantages and Strengths

- A wide and unique range of steel products contributing to achieve stable financial results for the Company and the Subsidiary and to mitigate the effects that would result from negative economic cycles.
- Use of latest manufacturing and production equipment in distinctive strategic sites that belong to the Company.
- Financial strength and distinguished performance of the Company and the Subsidiary.
- Ability to retain and develop competent managerial, technical and financial teams.
- Extensive and distinguished experience and competency of the Senior Executives team in steel manufacturing and production fields and their deep knowledge in market data.
- Ability to implement unique designs that require high technical expertise and skills.
- Strong relationship with a wide range of customers built over a long period of time.
- Wide and extensive experience of the Selling Shareholders in steel trading.
- Bargaining power in raw material supply as a result of monthly demand volume and excellent relationships with suppliers.
- Tracking changes occurring in the demand for the Company's products and raw materials in local and international markets to maintain the Company's competitiveness.
- Bi-annual periodic planning of sales, production and inventory management, and periodic checks against budget and market requirements.
- Monthly meetings of the heads of business units with the CEO and the CFO to review the monthly and quarterly results to identify points of strength and weakness and to build on them for the next period.
- Procurement of raw materials through the Sourcing Committee, which consists of Directors as well as the CEO and is governed by a charter adopted by the Board. Members of the Sourcing Committee enjoy extensive experience in the sale and purchase of steel.
- Being up to date with the international and local steel market trends by attending international conferences and holding regular meetings with suppliers as well as signing up to receive international specialized reports on steel from specialized investment companies.
- Utilization of the accumulated experience of the Company towards a better inventory management and raw material cost monitoring.
- Securing product shipment services to customers by specialized shipping companies.
- Use of international and interlinked applications to execute all the operations of the Company according to regulatory licenses.
- Providing departments across the Company with the necessary reports to automatically and continuously monitor and follow up on operations.
- Management of all business units by unit heads as well as their respective departments on profit centers basis for each unit. Such process increases efficiency of the services for clients and achieves results that are satisfactory to the Company and its Shareholders.
- Effective contribution to the development of Saudi personnel necessary to manage production by their enrollment in specialized technical institutes and offering them jobs upon graduation.

Market Overview

Despite the global economic downturn, the Saudi economic performance has been favourable over the last few years (2010G-2014G), and the actual Gross Domestic Product ("GDP") has grown at a compound annual growth rate ("CAGR") of 9.1% during this period, supported mainly by the rise in oil prices which contributed to an increase in government spending on infrastructure, with large projects and social services being a major factor contributing to sustainable growth. This is in addition to continued surpluses in the Kingdom's budget, which have strengthened the accumulation of the Kingdom's cash reserves.

In 2015G, the Kingdom's budget recorded a deficit of SAR 326.2 billion as a result of the drop in global oil prices. The ratio of public debt to GDP increased from 2.0% in 2014G to 5.8% in 2015G arising from the Kingdom's issuance of debt in order to meet the deficit resulting from the decrease in oil prices. The building and construction sector is expected to witness a relative decrease in government spending compared to the previous five years.

The CEO of the Saudi Electricity Company ("SEC") made an announcement in March 2014G that SEC will spend SAR 247 billion over the next four years on SEC's capital projects.[1]

The housing shortage in the Kingdom has grown over the past decade, especially with respect to low- and middle-income housing, as a result of a number of factors, including:

- Emphasis on megaprojects and medium-sized projects;
- Growth in demand for housing;
- Domination of the housing sector by smaller-sized companies;
- Slow implementation of real estate mortgage laws; and
- Slow procedures at the Real Estate Development Fund.

As a part of the Ministry of Housing's efforts to develop the national housing strategy, a wide-range evaluation of the housing sector has been conducted. It was estimated, on that basis, that there was a shortage of at least 300,000 housing units at the end of 2011G, and it became clear that an estimated 80,000 units needed to be replaced.

Summary of Financial Information

Key Financial Indicators

The summary of financial information provided below is based on the audited consolidated financial statements for the financial years ended 30 September 2013G, 2014G and 2015G and notes thereto. The summary of financial information set out below should be read in conjunction with the financial statements of the Company.

Table 4: Summary of Financial Information

SAR '000	Year Ending on		
	2013G	2014G	2015G
Income Statement Indicators			
Revenues	1,775,264	2,011,740	2,020,241
Costs of sales	(1,554,979)	(1,766,688)	(1,737,851)
Gross profit	220,286	245,052	282,391
Selling and distribution expenses	(24,391)	(25,859)	(28,161)
General and administrative expenses	(40,146)	(39,524)	(42,430)
Income from operations	155,749	179,668	211,799
Other sources of income	454	3,429	4,308
Finance costs	(20,425)	(17,756)	(15,122)
Income before zakat	135,778	165,341	200,986
Non-controlling equity	(21,453)	(21,765)	(27,725)
Zakat	(8,671)	(11,643)	(14,520)
Net income	105,654	131,933	158,740

Source: Audited Consolidated Financial Statements

1 "SEC CEO: Projects worth SAR 247 billion in the next four years to attend to the high demand" Argaam, http://www.argaam.com/article/articledetail/407314.

SAR '000	Year Ending on		
	2013G	2014G	2015G
Balance Sheet Indicators			
Total current assets	901,847	878,752	827,555
Total non-current assets	459,332	485,980	489,204
Total assets	1,361,179	1,364,731	1,316,759
Total current liabilities	653,207	612,840	525,439
Total non-current assets	71,018	40,650	35,876
Total liabilities	724,225	653,490	561,315
Total Shareholding	636,954	711,241	755,444
Total liabilities and equity	1,361,179	1,364,731	1,316,759
SAR '000	Year Ending on		
	2013G	2014G	2015G
Cash flow statement			
Net Cash from operating activities	245,251	247,638	322,875
Net cash flows from investing activities	(29,367)	(70,191)	(41,133)
Net cash flows from financing activities	(200,609)	(189,580)	(264,311)
Cash and cash equivalents at the end of the year	40,349	28,215	45,646

Source: Audited Consolidated Financial Statements

Key Performance Indicators	2013G	2014G	2015G
Gross profit margin	12.41%	12.18%	13.98%
Net profit margin	5.95%	6.56%	7.86%
Current assets / current liabilities	1.38	1.43	1.57%
Total liabilities / total assets	53.21%	47.88%	42.63%
Total liabilities / total equity	1.14	0.92	0.74
Return on equity	16.59%	18.55%	21.01%
ROA	7.76%	9.67%	12.06%
Revenue growth rate	(8.58%)	13.32%	0.42%
Net income growth rate	49.31%	24.87%	20.32%

Source: Audited Consolidated Financial Statements

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1. Terms and Definitions

Term	Definition
Advisors	Parties that provide advisory services related to the Offering and whose names are listed in page (vi) of this Prospectus.
Auditor	The Company's current auditor, KPMG Al Fozan & Al Sadhan.
Approved QFI Client	A client of a QFI who has been approved in accordance with the Rules for Qualified Foreign Financial Institutions Investment in Listed Shared issued by the Board of the CMA pursuant to its Resolution number 1-42-2015G dated 15/07/1436H. (corresponding to 04/05/2015G)
Board or Board of Directors	The Board of Directors of the Company.
Business Day	Any day, except Friday, Saturday and public holidays, on which commercial banks conduct their usual business.
Bylaws	The Company's bylaws.
CEO	The Company's Chief Executive Officer.
CFO	The Company's Chief Financial Officer.
CMA	The Capital Market Authority of the Kingdom.
Current Companies Law	The Companies Law in the Kingdom of Saudi Arabia promulgated by Royal Decree No. (M/6) dated 22/03/1385H (corresponding to 22/07/1965G) and its amendments.
CNC	Computer Numeric Control, which is a form of technology that provides control over equipment through input of the required numbers, measures and coordinates.
Corporate Governance Regulations	The Corporate Governance Regulations in the Kingdom issued by the CMA's board upon Resolution No. (1/-212/-2006) dated 21/10/1427H (corresponding to 12/11/2006G) and its amendments .
Directors	Members of the Board of Directors.
DZIT	Department of Zakat and Income Tax in the Kingdom of Saudi Arabia.
EGA	The Company's extraordinary general assembly.
Exchange	Saudi Stock Exchange (Tadawul).
Financial Advisor	Riyad Capital.
Financial Statements	Audited consolidated financial statements for the financial years ended 30 September 2013G, 2014G and 2015G and notes thereto.
Financial Year	The Company's financial year ended on 30 September of every calendar year.
General Assembly	The General Assembly of the Company's shareholders.
Government	The Government of the Kingdom.
IFRS	International Financial Reporting Standards
Individual Investors	Saudi natural persons including any divorced or widowed Saudi woman from a marriage to a non-Saudi individual, who is entitled to subscribe for the Offer Shares for her own benefit, in the names of her minor children (if any), on the condition that she proves that she is divorced or widowed and the mother of her minor children.
Institutional Investors Bookrunne	Riyad Capital.

Term	Definition

Institutional Investors	Include a number of institutions, as follows:
	• Mutual funds established in the Kingdom and publicly offered, which invest in securities listed on the Saudi Stock Exchange if such is permitted by the fund's terms and conditions and subject to the provisions and restrictions provided in the Investment Fund Regulations.
	• Persons authorized by the CMA to deal in securities as a principal, provided that the financial adequacy requirements are observed.
	• Companies listed on the Saudi Stock Exchange through their portfolios managed by authorized persons, and companies in the banking and insurance sectors listed on the Saudi Stock Exchange in accordance with the rules issued by the CMA, provided that the Company's participation does not cause any conflict of interest.
	• Unlisted Saudi companies upon confirmation by the Lead Manager that such company satisfies the following conditions:
	  • it shall not be a subsidiary of a listed company;
	  • it shall have a minimum shareholders equity of (SAR 50,000,000) fifty million Saudi Riyals as per latest audited annual financial statements, and that the audited financial statements are not older than two years;
	  • it shall have an active investment portfolio pursuant to a statement by the relevant Authorized Person; and
	  • the participation of such company shall not result in a conflict of interest with the Company.
	• Government bodies and governmental entities in the Kingdom including companies that are wholly owned by the Government.

International Organization for Standardization (ISO)/ISO	An international non-governmental association or organisation, which is not a UN organisation that includes authorities and bodies of specifications and standards from different countries and has a member from each country. ISO is specialized in developing international specifications and was established in 1946G in Geneva to facilitate the cooperation process and standardization of industrial specifications internationally to streamline trade of goods and services.
Kingdom or Saudi Arabia	The Kingdom of Saudi Arabia.
Lead Manager	Riyad Capital.
Legal Advisor	Law Office of Salman M. Al-Sudairi in association with Latham & Watkins LLP.
Listing	Listing the Offer Shares and admission to listing on the Saudi Stock Exchange (Tadawul).
Listing Rules	The Listing Rules issued by the CMA pursuant to Article (6) of the Capital Market Regulations promulgated by Royal Decree No. (M/30) dated 02/06/1424H (corresponding to 31/07/2003G) amended by the CMA's Board Resolution No. (1-36-2012G) dated 11/08/1434H (corresponding to 25/11/2012G).
Lock-up Period	The Selling Shareholders are restricted from disposing of their shares for a period of (18) eighteen months from the date on which trading in the Offer Shares commences on the Exchange. After the Lock-up period has elapsed, the Selling Shareholders may only dispose of their Shares after obtaining CMA approval.
Management/Senior Management	Management of Al-Yamamah Steel Industries Company.
Marafiq	Power and Water Utility Company for Jubail and Yanbu.
Net Proceeds	Net subscription proceeds after deduction of Offering expenses.
New Companies Law	The Companies Law in the Kingdom of Saudi Arabia promulgated by Royal Decree No. (M/3) dated 28/101437H (corresponding to 10/11/2015G) and shall be effective five months from 22/02/1437H (corresponding to 04/12/2015G)
Nominal Value	(SAR 10) ten Saudi Riyals per share.
Offer Price	SAR (36) Saudi Riyals per share.
Offer Shares	(15,245,000) fifteen million two hundred forty-five thousand ordinary shares of the shares of the Company.

Term	Definition
Offering Proceeds	The total value of the shares subscribed for.
Offering/Subscription	Offering of (15,245,000) fifteen million two hundred forty-five thousand ordinary shares to the public representing 30% of the Company's share capital.
Official Gazette	Um Al Qura, the official gazette of the Kingdom.
OGA	The Company's ordinary general assembly.
Person	A natural person.
PME	Presidency of Meteorology and Environmental Protection
Poles SBU	The Company's internal business unit that is responsible for producing all types of galvanized steel poles manufactured at the Company's manufacturing plant in Jeddah, Al-Yamamah Electric Poles and Accessories Plant, which was opened on 27/08/1426H (corresponding to 01/10/2005G).
Prospectus	This document which is prepared by the Company for the purpose of Offering.
QFI	A foreign investor registered with the CMA in accordance with the Rules for Qualified Foreign Financial Institutions Investment in Listed Shares issued by the CMA pursuant to CMA's Board Resolution number 1-42-2015G dated 15/7/1436H (corresponding to 4/5/2015G) to invest in listed shares.
Receiving Agents	The banks that receive Subscription Application Forms from Individual Investors.
Related Party	In this Prospectus, Related Party shall mean: 1. The Subsidiary. 2. Substantial Shareholders in the Company. 3. Members of the Board and senior executives of the Company; 4. Members of the board of directors and senior executives of the Subsidiary. 5. Members of the board of directors and senior executives of the Substantial Shareholders of the Company. 6. Legal Advisor and Financial Advisor of the Company. 7. Any relatives of the persons referred to from (1) through (5) above. 8. Any Company controlled by any person referred to from (1) through (7) above, and "control" shall mean: the ability to, directly or indirectly, influence the acts or decisions of another person, individually or collectively with a relative or affiliate, through any of the following: (a) ownership of 30% or more of the voting rights in the Company; (b) the right to appoint 30% or more of the members of the administrative staff. The word "controlling" shall be construed accordingly.
Risk Factors	A number of potential factors that should be carefully considered and understood before deciding to invest.
Rules for Qualified Foreign Financial Institutions Investment in Listed Shares	The rules regulating investments by foreign institutional investors in listed shares issued by CMA pursuant to Resolution No. (1-42-2015G) dated 15/7/1436H (corresponding to 4/5/2015G), based on the Capital Market Law.
SAP ERP	Enterprise Resource Planning System (used to execute tasks using an automatic integrated standard computer system).
SAR/Riyal/Saudi Riyal	The currency of the Kingdom.
SASO	Saudi Arabian Standards Organization.
Saudisation	Employment regulations of KSA, which compel companies operating in the Kingdom to employ a specific percentage of Saudi nationals.
SEC	Saudi Electricity Company
Selling Shareholders	The Company's shareholders whose names are set forth in page (ix) of this Prospectus.
Share	Ordinary share with a nominal value of (SAR 10) ten Saudi Riyals in the capital of the Company.
Shareholder or Shareholders	The holders of the Company's shares for any definite period of time.

Term	Definition
SIDF	Saudi Industrial Development Fund.
Substantial Shareholder	A shareholder who owns (5%) five percent or more of the Company's shares.
Space Frames SBU	The Company's internal business unit that is responsible for producing all different kinds of components of space frames manufactured at the Company's manufacturing plant in Jeddah, Al-Yamamah Steel Industries Plant, which was opened on 10/09/1416H (corresponding to 31/01/1996G).
Subscriber	Any person subscribing for Shares.
Subscription Application Form	The Subscription Application Form that Subscribers wishing to subscribe must fill out and submit to the Receiving Agent.
Subscription Period	The period that commenced on Wednesday 20/07/1437H (corresponding to 27/04/2016G) and remaining open for a period of (7) seven days up to and including the closing day on Tuesday 26/07/1437H (corresponding to 03/05/2016G).
Swap Agreements (SWAP)	Are a type of derivatives in which two parties agree to exchange cash flows of certain assets (companies' shares) during an agreed period of time and can be based on the performance of equity indices, bonds, interest rates or other securities. Foreign investors are, under such agreements, allowed to enter the Saudi Stock Exchange.
Tadawul	The automated Saudi securities trading system.
The Capital Market Law	The Capital Market Law, promulgated by Royal Decree No. (M/30) dated 02/06/1424H (corresponding to 03/07/2007G) and its amendments.
The Company	Al-Yamamah Steel Industries Company
The Historical Period	Years 2013G, 2014G and 2015G.
The Subsidiary	The Company's subsidiary, Al-Yamamah Company For Reinforcing Steel Bars, a Saudi closed joint stock company registered in Riyadh under commercial registration no 1010184297, dated 17/12/1423H (corresponding to 18/02/2008G). The Subsidiary was converted from a limited liability company into a joint stock company pursuant to the Ministerial Resolution no. 205/S dated 25/08/1435H (corresponding to 23/06/2014G).
Towers SBU	The Company's internal business unit that is responsible for producing galvanised steel towers used for transmitting electricity and communication towers manufactured at the Company's manufacturing plant in Jeddah, Al-Yamamah Electric Towers Production Plant, which was opened on 19/03/1431H (corresponding to 01/03/2010G).
Tubes SBU	The Company's internal business unit that is responsible for producing all types of tubes and steel pipes (square, round, and rectangular). Such products are manufactured at the Company's two manufacturing plants, namely, Al-Yamamah Steel Industries Plant in Jeddah, which was opened on 13/04/1411H (corresponding to 01/11/1990G), and Al-Yamamah Steel Industries Plant in Dammam, which was opened on 19/04/1434H (corresponding to 01/03/2013G).
Underwriter	Riyad Capital.
Underwriting Agreement	The Underwriting Agreement entered into by and between the Underwriter, the Company and the Selling Shareholders.

2. Risk Factors

Prior to making a decision with regard to purchasing the Offer Shares, prospective investors are advised to carefully consider all the information contained in this Prospectus in light of the circumstances and their investment objectives, particularly the risk factors described below. The risks described below may not include all the risks that the Company may encounter, and additional risks that are not currently known by the Company, or that may be deemed immaterial but nevertheless affect the Company's operations, may exist. Accordingly, any person willing to invest should conduct an independent assessment of the risks related to the purchase of any Offer Shares and of the economic and regulatory environment of the Company and the Subsidiary.

The Company's activities, financial position, prospects, results of operations, and cash flows could be adversely and materially affected if any of the following risks, which the Directors identified as material, occur.

In the event of the occurrence of any risk factors which the Company currently believes to be material, or the occurrence of any other risks that the Company did not identify, or that it does not currently consider to be material, the market value of the Offer Shares may decrease and prospective investors may lose all or part of their investment in the Offer Shares. The risks and possibilities stated below are not arranged in order of their importance. Additional risks and possibilities, including those currently unknown, or deemed immaterial, could have the effects set forth above.

2-1 Risks Related to the Company and the Subsidiary's Operations and Activities

2-1-1 The Company and Subsidiary's operations depend on the availability of raw materials and the stability of their prices

The Company and the Subsidiary purchase their raw materials through purchase orders or short-term supply contracts and do not enter into long-term supply contracts. The operations of the Company are largely sensitive to availability of raw materials because steel production consumes substantial amounts of raw materials (including without limitation, hot rolled steel coils, billets, steel angles and steel plates). Such raw materials represent 100% of the raw materials used by the Subsidiary and the Tubes SBU, and 95% of the raw materials used by the Company's other business units. Therefore, any shortage of such raw materials or the Company's inability to obtain the same as a result of high demand by other steel industry companies, whether temporarily or permanently, will hinder the production operations of the Company which would have an adverse effect on the Company's business, results of operations and financial position.

Furthermore, prices of the raw materials are highly volatile and might be affected by, among other factors, industry structural factors; cyclicality, demand trends in the steel industry; new laws or regulations; suppliers' allocations to other purchasers; business continuity of suppliers; expansion projects of suppliers; interruptions in production by suppliers; accidents or other similar events at suppliers' premises or along the supply chain; wars, natural disasters, political disruption and other similar events; fluctuations in exchange rates; the bargaining power of raw material suppliers; and the availability and cost of transportation. In addition, raw materials are considered one of the main components of cost of sales for both the Company and the Subsidiary, constituting 92% of the total costs of sales for the period between 2013G and 2015G. Therefore, increases in the prices of raw materials will incur additional production costs to the Company and the Subsidiary (especially with respect to the Subsidiary and the Tubes SBU) which would have an adverse effect on the Company's business, results of operations and financial position.

The following table lists the percentage of the costs of raw materials to the consolidated costs of sales for the years (2013G, 2014G, and 2015G)

Table 5: Percentage of the costs of raw materials to the consolidated costs of sales for the years (2013G, 2014G, and 2015G)

Item	2013G	2014G	2015G
Percentage of raw materials to consolidated costs of sales	91%	92%	92%

Source: The Company

2-1-2 The Company's operations may be affected by its ability to manage the purchasing of raw materials, warehousing, manufacturing, transportation distribution and re-evaluation of its inventory of finished products

The Company and the Subsidiary hold inventories of raw materials that would be sufficient to meet their needs for four or five months in accordance with manufacturing forecasts and plans set by both of them. Any surplus or shortage in inventories contrary to such forecasts and plans at any time would lead to having excess or insufficient raw materials for their needs. Consequently, managing excess stock of raw materials would incur additional storage and handling costs, while shortage of raw materials could impact their ability to maintain the required level of production, which would have an adverse effect on the Company and the Subsidiary's business, results of operations and financial position.

In addition, the Company and the Subsidiary (given that they do not operate their own transportation fleet) rely on external transport service providers to transport raw materials and finished products to and from their manufacturing facilities. They also manage a large stocks of finished products, which incur high storage and handling costs. The Company and the Subsidiary's failure to properly manage the transportation, warehousing and distribution of their inventory of finished products, or the decrease of demand on certain types of finished products could increase the operational costs of the Company and the Subsidiary and adversely affect their results of operations, future prospects and profitability.

In addition, any interruption in the Company's business due to physical damage of finished products, damages to the warehouse facilities, breakdown in warehousing systems, capacity shortages, inefficient processes and delivery service failures will result in financial losses incurred by the Company, which will have an adverse effect on the Company and the Subsidiary's business, results of operations and financial position. Furthermore, the Company's inability to reach operating capacity for its factories will result in the increase of its incurred production costs, which would have a negative impact on the Company's business, results of operations and financial position.

Additionally, the Company and the Subsidiary may re-evaluate their inventory due to the international fluctuation in steel prices which will have an adverse effect on the Company and the Subsidiary's business, results of operations and financial position.

2-1-3 The Company and the Subsidiary depend on the availability and supply of energy and water

The Company and the Subsidiary's industrial operations are largely dependent upon the availability of diesel fuel, water and electricity as steel production consumes large amounts of energy. Therefore, it is crucial for steel companies to have access to reliable suppliers of energy. Any interruption, whether temporary or permanent, in the supply or any material increase in the cost of energy will hinder the production operations of the Company or the Subsidiary, which will have an adverse effect on the Company and the Subsidiary's business, results of operations and financial position. In light of the claim from the Power and Water Utility Company for Jubail and Yanbu ("Marafiq") against the Subsidiary for the difference between the booked capacity of water and electricity agreed upon in the agreement entered into between them for the supply of water and electricity to the Subsidiary's manufacturing plant in Yanbu, and the actual consumption by the Subsidiary for the years 2012G and 2013G, amounting to (40,364,269) forty million, three hundred sixty-four thousand, two hundred sixty-nine Saudi Riyals, Marafiq may suspend the supply of the Subsidiary's manufacturing plant in Yanbu with water and electricity until such claim is settled or the Subsidiary pays all due amounts, which would have an adverse impact on the Company and the Subsidiary's operations and results of operations. (For more information on the agreement entered into between the Subsidiary and Marafiq to supply the Subsidiary with water and electricity in addition to the claim by Marafiq relating to such agreement, please see Sections 11-7 "Utility User Agreement" and 11-15 "Litigation" of this Prospectus).

2-1-4 Breakdown of the Company and the Subsidiary's manufacturing plants and equipment

Operation of some essential equipment upon which manufacturing processes of the Company and the Subsidiary depend such as furnaces or rolling mills may incur downtime as a result of unanticipated failures, maintenance or other events such as fires or furnace breakdowns. For example, production in the rolling department in Al-Yamamah Electric Poles and Accessories Plant in Jeddah is suspended for (30) thirty days every (8) eight years for maintenance, while production in the heating furnace of the Subsidiary's manufacturing plant is suspended for (30) thirty days every (4) four to (6) six years for maintenance, depending on the operating condition of the furnace, in the ordinary course of business for both the Company and the Subsidiary. The Company and the Subsidiary's manufacturing plants may, in the future, experience plant failure or periods of reduced production as a result of such equipment failures or other events. To the extent that lost production as a result of such breakdowns could not be compensated for by unaffected facilities or could harm the Company or Subsidiary's relationships with its customers, such disruptions will have an adverse effect on the Company and the Subsidiary's business, results of operations and financial position.

2-1-5 The Company and the Subsidiary's reliance on leased properties

The Company and the Subsidiary are very dependent on leased land (particularly land leased from the government on which its manufacturing facilities are located). In fact 85% of their revenues are derived from operations which are located on such leased lands. Such leased land is therefore subject to periodic rent reviews, lease expiries and re-negotiations. As a result, the Company and the Subsidiary are susceptible to changes in the property rental market such as increases in rents, which would have an adverse effect on the Company and the Subsidiary's business, results of operations and financial position. (For more information on the duration of lease agreements relating to land, please see Section 11-12 "Properties Leased by the Company" of this Prospectus).

Furthermore, the Company or the Subsidiary may not be able to renew their existing leases or may be able to renew them under other less-beneficial terms. Such leases are also subject to changes being made to the use of the property, and should the Company or the Subsidiary decide or be forced to move to another location, there is no guarantee that the Company or the Subsidiary would be able to do so in a timely and cost effective manner. Moving into new locations requires certain time and costs in building up such new locations, which would have an adverse effect on the Company and the Subsidiary's business, results of operations and financial position. (For more information on the lease agreements relating to land, please see Section 11-12 "Properties Leased by the Company" of this Prospectus).

2-1-6 Risks Related to the Company and the Subsidiary's Financings

Current Financings

The Company and the Subsidiary obtained loans from the Saudi Industrial Development Fund ("SIDF"), Arab National Bank ("ANB"), Banque Saudi Fransi ("BSF"), Al-Rajhi Bank and Saudi Investment Bank ("SAIB"). The Company pledged its current and future assets along with all equipment of its poles manufacturing plant in Jeddah to the SIDF (including the land owned by the Company in Al-Khumra in Jeddah where its poles manufacturing plant and towers manufacturing plants are located).

Pursuant to the terms of a number of facilities agreements entered into by the Company and the Subsidiary, the relevant creditors may, at their discretion, terminate or cancel such facilities for no legitimate reason and without the consent of the Company or the Subsidiary. In the event that a creditor decided to cancel or terminate its facility granted to the Company or the Subsidiary, the full and immediate settlement of all outstanding amounts may be requested by such creditor, which would have an adverse effect on the Company and the Subsidiary's business, results of operations and financial position.

In addition, some of the Company and the Subsidiary's financing agreements contain cross default provisions whereby a default under one debt obligation constitutes a default under other financing agreements as well as covenants that limit the Company or the Subsidiary's ability to engage in specific types of transactions. These include covenants requiring the Company or the Subsidiary to maintain, for example, certain net worth, working capital, liability to net tangible assets ratios and leverage ratios. Certain financing agreements also contain covenants that limit, among other things:

- incurring or guaranteeing additional indebtedness;
- distributing dividends to shareholders without obtaining the prior consent of the relevant lender;
- granting security or creating any security interests over any of its assets; and
- selling, leasing, transferring or otherwise disposing of any of its assets without the consent of the relevant lender, unless such disposal is made in the ordinary course of business of the Company or Subsidiary.

Any such covenants may limit the Company or the Subsidiary's ability to engage in certain transactions which it may view as desirable. Any breach of covenants contained in such financing agreements would result in default under the relevant agreement in which the relevant covenant is included. As a result of the cross-default provisions, other lenders may declare the amounts under the other financing agreements immediately due and payable and terminate all obligations to extend further financing. Any of these incidents would have an adverse effect on the Company and the Subsidiary's business, results of operations and financial position.

The following table shows the Company's consolidated debt ratio for the three years (2013G, 2014G, 2015G) which constitute the debts to equity ratios of the Company.

Table 6: Ratio of the Company's consolidated debt for (2013G, 2014G, 2015G)

Item	2013G	2014G	2015G
Indebtedness ratio	98%	75%	56%

Source: The Company

The following table shows the Subsidiary's consolidated debt ratio for the three years (2013G, 2014G, 2015G) which constitute the debts to equity ratios of the Subsidiary.

Table 7: Ratio of the Subsidiary's indebtedness for (2013G, 2014G, 2015G)

Item	2013G	2014G	2015G
Percentage of Indebtedness	43%	36%	33%

Source: The Company

Future Financings

The Company and the Subsidiary depend, in funding their future expansions, on their ability to obtain loans from different lenders, including commercial banks and government lenders. The Company and the Subsidiary's ability to provide appropriate funding with low cost or commercially acceptable conditions depends on the Company or the Subsidiary's future financial standing, general economic conditions, state of financial markets, prices of commissions, availability of credit by banks and different lenders and lenders' trust in the Company and the Subsidiary. As a result, the Company and the Subsidiary may not be able to obtain sufficient or appropriate funding in the future to fund their expansion plans, which would have an adverse effect on the Company and the Subsidiary's results of operations, financial position and its ability to maintain its business and expansions.

2-1-7 The Company's inability to maintain control over the Subsidiary, from which a major portion of its revenues are generated, and decline of its profitability

The Company owns 72.5% of the Subsidiary's shares (i.e., less than 75% of the Subsidiary's capital), which is a shareholding percentage that does not allow the Company to exercise full control of the Subsidiary, given that a higher percentage is required to approve certain decisions, such as decisions relating to the increase or decrease of share capital, extending the duration of the Subsidiary, winding-up of the Subsidiary, and merging the Subsidiary (which decisions require the approval of 75% of the shares represented in the extraordinary general assembly). In addition, the New Companies Law grants minority shareholders certain rights that may allow some shareholders in the Subsidiary to disrupt decision-making. Therefore, the Subsidiary may make decisions at the level of its board or general assembly that could affect or harm the Company's investment in the Subsidiary, or that are not in line with its business and investment strategies, which will have an adverse effect on the Company's business, results of operations and financial position.

2-1-8 The Company and the Subsidiary's growth and success depend on the skills and expertise of Senior Management

The Company and the Subsidiary's success and continuing growth depend on the abilities and expertise of their Senior Management. The loss of, delay in replacing, or failure to replace any member of Senior Management in a cost effective manner would have an adverse effect on the Company and the Subsidiary's business, results of operations and financial position.

2-1-9 The Company and the Subsidiary's reliance on certain key customers

The Company and the Subsidiary rely on their relationships with certain key customers and seek to continue to develop and maintain their relationships with such customers. In addition, most sales by the Company and the Subsidiary are made on the basis of informal purchase orders, subject to local sales laws (for more information on purchase orders, please see Section 11-6-2 "Sale Agreements with Customers" of this Prospectus).

The Company or the Subsidiary's inability to maintain their relationship with their key customers for any reason would have an adverse effect on the Company's business, results of operations and financial position. Moreover, some of these customers may in the future face financial and operational challenges due to economic downturns, market conditions or other customer-specific factors. In the event of a significant weakening of current economic conditions of any of the Company and the Subsidiary's key customers leading to financial difficulties or even bankruptcy of the Company and the Subsidiary's customers, the Company and the Subsidiary could be adversely impacted by such financial hardships or bankruptcies. The nature of that impact most likely would be lost sales or losses associated with the potential inability to collect all outstanding accounts receivables. Any such event would have an adverse effect on the Company and the Subsidiary's business, results of operations and financial position.

2-1-10 The Company and the Subsidiary depend largely on existing commercial arrangements with related parties

The Company and the Subsidiary deal on a regular basis through purchase orders (subject to the prior approval of the Board and the General/Shareholders Assembly) with related parties such as their shareholders in respect of the sale of the Company or Subsidiary's products, whereby such transactions accounted for 46.3% of the Company's revenues in the financial year 2013G, 48% of the Company's revenues in the financial year 2014G, and 45.9% of the Company's revenues in 2015G. The Company cannot guarantee that such transactions will continue in the future. The inability of the Company or Subsidiary to renew such commercial arrangements or the failure to secure commercial arrangements at better or similar terms will have an adverse effect on the Company and the Subsidiary's business, results of operations and financial position (for more information on related party transactions, please see Section 11-10 "Related Party Transactions" of this Prospectus).

2-1-11 Duration, terms and conditions of the Company's agreements

The Company and the Subsidiary purchase raw materials through purchase or short-term agreement, and do not enter into long term agreements. In addition, the Company and the Subsidiary rely on purchase orders in their relationship with their customers. The absence of a formal contractual framework documenting the business relationships of the Company and the Subsidiary with their customers, in addition to the absence of standard terms and conditions governing such relationships could lead to the loss or deterioration of some of the Company or the Subsidiary's key relationships or the commercial terms of those relationships, which would have an adverse effect on the Company and the Subsidiary's business, results of operations and financial position.

2-1-12 Concentration of revenues

Key Customers

A significant amount of the Company and the Subsidiary's revenues is derived from key customers. The Company's sales to its top ten customers in 2015G constituted 66% of the Company's revenues during that period. For example, Masdar Building Materials (previously known as Al-Muhaidib Building Materials, in which Abdulkadir Al-Muhaidib and Sons Company has a controlling stake) and Al-Fozan Building Materials Company (wholly owned by Al-Fozan Holding Company) contributed to 38% of the Company's total revenues in the financial year 2013G, 37% of the Company's total revenue in the financial year 2014G, and 37% of the Company's total revenue in the financial year 2015G. In addition, the sales of the Poles SBU to SEC accounted for 61.3%% of its revenues in 2013G, 50% of its revenues for 2014G, and 36.5% of its revenues in 2015G. The Company's inability to maintain its relationship with its key customer in general, or any decrease in the prices or services provided to such customers, or failure to compete with its competitors in the steel market would have an adverse effect on the Company's revenues.

The Subsidiary and Tubes SBU

The Company's consolidated revenues are heavily dependent on the Subsidiary. Approximately 58.3% of the Company's revenues in 2013G, 55.7% of the Company's revenues in 2014G, and 55.5% of the Company's revenues in 2015G are generated from the Subsidiary. In addition, revenues generated by the Tubes SBU account for 25.8% of the Company's revenues in 2013G, 24.4% of the Company's revenues in 2014G, and 22.2% of the Company's total revenue in 2015G. Therefore, any decrease in the profitability of the Subsidiary and/or the Tubes SBU will have an adverse effect on the Company and the Subsidiary's business, results of operations and financial position.

2-1-13 The Company and the Subsidiary may not be able to renew licenses and permits required to operate their business

The Company and the Subsidiary are required to have valid regulatory permits and licenses from different regulatory bodies in the Kingdom to carry out their businesses. Should the Company or Subsidiary be found to not be in compliance with any rules or regulations to which they are subject by virtue of such licenses or permits, the Company or Subsidiary will not be able to renew the relevant license or permit. Additionally, failure by the Company or Subsidiary to comply with requirements prescribed by the licenses and permits relevant to their business may subject such licenses and permits to cancellation. The loss of any license or permit due to non-compliance, the suspension of the Company or Subsidiary's activities, or the high cost of complying with or applying for such permits, will have an adverse effect on the Company and the Subsidiary's business, results of operations and financial position. It is worth noting that currently the Company has one expired environmental permits. An application for renewal has been submitted to the Presidency of Meteorology and Environmental Protection ("PME") and is still under process as at the date of this Prospectus (for more information on the Company and Subsidiary's licenses, please see Section 11-5 "Licenses Summary" of this Prospectus).

2-1-14 The Company and the Subsidiary's operations are subject to significant compliance obligations under environmental, health and safety laws and regulations

The Company and the Subsidiary are subject to a broad range of environmental, health and safety laws and regulations in the Kingdom due to the nature of their business. These laws and regulations impose increasingly stringent environmental, health and safety protection standards. The costs of complying with, and the imposition of liabilities pursuant to, these laws and regulations can be significant, and compliance with new and more stringent obligations may require additional capital expenditures or modifications in operating practices. Failure to comply with the requirements of such laws and regulations could result in the assessment of civil and criminal penalties, the suspension of permits or operations, and lawsuits by third parties. Accidents relating to environment, health or safety may occur beyond the control of the Company and the Subsidiary. Such accidents will have an adverse impact on the Company's business prospects, results of operations and financial position.

In addition, some of the Company and the Subsidiary's industrial activities involve the use, storage and transport of dangerous chemicals and toxic substances, the Company and the Subsidiary are therefore subject to the risk of industrial hazards which could have significant adverse health and safety consequences for the Company and the Subsidiary's workers and facilities, as well as the environment. Such accidents could lead to production stoppages, loss of key personnel, the loss of key assets, or put at risk employees or persons living near affected sites. All the Company and the Subsidiary's manufacturing plants and warehouses are located in industrial cities except for the Company's manufacturing plants at Al-Khumra in Jeddah, which are located two kilometers from the nearest residential area. Although the Company has the regulatory licenses necessary to establish its manufacturing plants at Al-Khumra in Jeddah, a new resolution or instructions may be issued by the competent authorities obliging all plants located in this area (including the Company's manufacturing plants) to move to other industrial sites. In the event laws preventing continuity of manufacturing plants existing outside the Modon's industrial cities are issued, this would lead to the shutdown of the aforementioned manufacturing plants and consequently the interruption of the Company's business until it is moved to a new site with significant capital costs incurred by the Company, which will have an adverse impact on the Company's business prospects, results of operations and financial position.

2-1-15 The Company and the Subsidiary may not be able to secure full insurance coverage for the risks associated with their operations

The Company's insurance policies provide insurance coverage for material aspects of its operations. The Company and the Subsidiary keep such insurance policies to the extent deemed sufficient according to the discretion of its Management (for more information on insurance, please see Section 11-14 "Insurance" of this Prospectus). The Company and the Subsidiary's operations may, however, be affected by a number of risks for which full insurance coverage is either not available or not available on commercially reasonable terms, such as insurance against acts of terrorism and sabotage. In addition, the severity and frequency of various other events, such as accidents or potential damage to their facilities, property and equipment caused by inclement weather, human error, pollution, natural catastrophes, terrorism, wars and other eventualities, may result in losses or expose the Company and the Subsidiary to liabilities in excess of their insurance coverage or significantly impair their reputation. There is no assurance that the Company and the Subsidiary's insurance coverage will be sufficient to cover the loss arising from any or all such events or that they will be able to renew existing insurance cover on commercially reasonable terms, if at all. Any of these occurrences will have an adverse impact on the Company's business prospects, results of operations and financial position.

2-1-16 The Company and the Subsidiary may be subject to lawsuits and product liability claims during the ordinary course of business which could adversely affect the Company and the Subsidiary

The Company and the Subsidiary sell steel products to major manufacturers engaged in manufacturing and selling a wide range of end products. Furthermore, the Company and the Subsidiary's products are sold to, and used in, certain safety-critical products, such as, for example, electric towers or space frames used in construction projects. Therefore, the Company and the Subsidiary may, from time to time, in the ordinary course of business be named as defendant in lawsuits, claims and other legal proceedings. Such lawsuits, claims or proceedings may result from, amongst other things, health and safety accidents, product liability as a result of being part of other products or from labor disputes. In the event that any such action is ultimately resolved unfavorably at amounts exceeding the Company or Subsidiary's accrued liability, or at material amounts, the outcome could adversely affect the Company and the Subsidiary's business prospects, results of operations and financial position.

The Subsidiary received a claim from Marafiq, pursuant to several letters with the first dated 13/03/1435H (corresponding to 14/01/2014G), representing differences between the booked capacity of water and electricity and the actual consumption of the Subsidiary in the years 2012G and 2013G amounting to (SAR 40,364,269) forty million three hundred sixty-four thousand two hundred sixty-nine Saudi Riyals. This claim is currently under review and discussion pursuant to the agreement entered into between the two parties. A judicial dispute may result from this claim if the two parties fail to reach a settlement which could have an adverse effect on the Company and the Subsidiary's business prospects, results of operations and financial position (for more information on the agreement with Marafiq and the related claim, please see Section 11-7 "Utility User Agreement" and Section 11-15 "Litigation" of this Prospectus).

2-1-17 The absence of adequate protection of the Company and the Subsidiary's intellectual property

The Company and the Subsidiary registered their trademark with the Trademark Department at the Ministry of Commerce and Industry. The Company's competitive position depends, inter alia, upon its ability to protect and utilize its intellectual property. The absence of adequate protection of the Company and the Subsidiary's intellectual property, may adversely affect the Company's brand and may raise the cost of conducting business, thus adversely affecting the Company's results.

2-1-18 Zakat assessment and the failure by the Company and the Subsidiary to properly file and disclose their taxable income to the relevant tax authorities

In the ordinary course of their respective businesses, the Company and the Subsidiary are subject to tax and Zakat duties imposed by the Department of Zakat and Income Tax ("DZIT"). In the event that the Company or Subsidiary inadvertently fail to disclose to the DZIT any of their taxable income from operations or dealings in the future (which could necessitate additional payments of Zakat, income tax, withholding tax, and capital gains tax, among others), the Company or Subsidiary may be liable to make additional payments to the DZIT or other relevant tax authorities in addition to late payment fines, which will have an adverse effect on their results of operations and prospects (for more information on Zakat provisions, please see Section 6 "Financial Information and Management Discussion and Analysis of the Company's Financial Position and Results of Operations" of this Prospectus).

The Company's last Zakat filing was for the financial year ended 30 September 2014G, which is not final, and the Subsidiary's last Zakat filing was for the financial year ended 30 September 2014G, which is not final. The Company cannot predict what differences the DZIT might impose on the Company in order to obtain the final Zakat assessments for the above-mentioned financial year. The DZIT may impose significant Zakat differences on the Company or Subsidiary which would have an adverse effect on the Company's financial results and results of operations.

The Company has filed an appeal against a DZIT ruling in relation to its Zakat liabilities claimed by the DZIT to be in addition of (SAR 9,942,448) nine million nine hundred forty-two thousand four hundred forty-eight Saudi Riyals due for the financial years of 2008G through 2011G. The Company's appeal was accepted in relation to an amount of (SAR 2,397,797) two million three hundred ninety-seven thousand seven hundred ninety-seven Saudi Riyals but was rejected in relation to the balance of (SAR 7,544,692) seven million five hundred forty-four thousand six hundred ninety-two by the primary committee. The Company has already provisioned for such differences in its books and submitted a bank guarantee to the DZIT equivalent to the claim value.

2-1-19 The Company and the Subsidiary may not be able to remain in compliance with the Saudisation requirements

Pursuant to new changes made by the Saudi Ministry of Labor in implementing Saudisation requirements, the Company is classified among the "large size entities" and its Subsidiary is classified among the "medium size entities" in the industrial and manufacturing sector, and are subject to Saudisation percentages of 30% and 25% respectively to meet the requirements of the higher green category under the "Nitaqat" program. The Company and the Subsidiary currently fulfil the Saudisation requirements being classified in the green category. However, it may be difficult for the Company or Subsidiary to recruit and retain the same percentage of Saudi nationals and may fall short of continuing to comply with the requirements of the "Nitaqat" program.

There can be no assurance that the Company and the Subsidiary will achieve, increase or maintain the required Saudisation ratios. Failure of the Company or Subsidiary to meet the Saudisation requirements or the increase in the number of expatriate employees, may subject the Company or Subsidiary to a number of sanctions or payment of large amounts of fees, which will have an adverse effect on the Company's future business, results of operations and financial position.

2-1-20 The Company and Subsidiary's operations depend heavily on their information technology systems

The Company and the Subsidiary employ a large number of information technology systems for the management of their operations. In addition to managing the operations of the Company and Subsidiary, the information technology systems serve as data rooms for financial information, inventory records, sales performance and other functions. The failure of the Company and the Subsidiary to maintain and develop their information technology systems or any interruptions in the functions of such information technology systems will have an adverse effect on the Company's future business, results of operations and financial position.

2-1-21 Lack of experience in managing public joint stock companies

Since its establishment, the Company has been managed as a private company and hence, its Senior Management has limited or no experience in managing a publicly listed company, especially in connection with compliance with the laws and regulations of joint stock companies listed on the Exchange. In particular, Senior Management personnel must exert additional efforts to ensure the Company's compliance with the regulatory rules and regulations related to disclosure as imposed on companies listed on the Exchange, which could reduce the time allotted by the Senior Management to manage the daily business of the Company, which will have an adverse effect on the Company's business, prospects and results of operations.

2-1-22 Manufacturing defects in the Company and the Subsidiary's products

A major part of the Company and the Subsidiary's business is related to producing and selling steel products. Such operations are subject to some risks related to defects in production, packaging or transportation. For example, defective and damaged products comprise no more than 0.50% of the Company's total production. Although such risks could be controlled by adopting good manufacturing practices and testing the quality of the final product, they cannot be totally avoided.

Defects in the products manufactured by the Company and the Subsidiary may lead to the risk of withdrawing products and potential liability actions which will have an adverse effect on the Company's business prospects, results of operations and financial position.

2-1-23 The seasonal nature of the Company and the Subsidiary's business

The nature of the sales and production of the Company and the Subsidiary are generally subject to seasonal fluctuations with a notable increase in sales during the second and third quarters of the Company's financial year (i.e. from January to June). Accordingly, the revenues of the Company and the Subsidiary may be affected by the supply and demand fluctuations which affect sale prices and demand volume, especially since that the Company and the Subsidiary's sales decrease historically in the holidays and summer which may adversely affect the Company's business prospects, results of operations and financial position.

2-1-24 Reliance on foreign laborers

Laborers from Philippines and India represent about 40% of the total non-Saudi laborers in the Company and the Subsidiary. Therefore, the business of the Company and the Subsidiary, their financial position and results of operations will be adversely affected, if they cannot keep their staff of qualified foreign laborers, find alternatives with the same level of experience and skill, or change the recruitment policies (whether salaries or working hours) from the Philippines, India, or any other country upon which the Company and the Subsidiary rely in recruiting trained non-Saudi laborers with their inability to employ other alternatives with the same level of experience and management skills.

2-1-25 Dependence on key personnel

The Company and the Subsidiary currently depend in their business on the abilities and experience of their executive management and administrative key personnel. The success of the Company and the Subsidiary depend also on attracting highly competent and experienced personnel and face the risk of losing key personnel and reducing the effects resulting therefrom. The Company and the Subsidiary may not be able to attract such personnel in the future or keep their key personnel, which will have an adverse effect on the Company's business, prospects, results of operations, and financial position. In addition, neither the Company nor the Subsidiary could guarantee their ability to compete with other institutions in the market and offer competitive financial benefits, or to hire other qualified employees, which will have an adverse effect on the Company's business, prospects, results of operations, and financial position.

2-1-26 The World Trade Organization policy

The Kingdom has joined The World Trade Organization ("WTO") in 2005G. Changes in WTO's policy of imports and exports in relation to the Company and the Subsidiary's products and raw materials in a way that negatively affects the capability of the Company and the Subsidiary to obtain a supply of raw materials or export their products will have an adverse effect on the Company's business, prospects, results of operations, and financial position.

2-1-27 Expansion and Growth Strategy

The Company and the Subsidiary's future performance depends on their ability to implement their plans and growth strategies which include manufacturing new products and expanding the base of products manufactured by the Company and the Subsidiary through building, equipping and developing production lines. The Company and the Subsidiary's failure to implement their business plans and growth strategies, and failure to build the necessary production lines as appropriate or as a result of withdrawal or negligence of the supervising companies will have an adverse effect on the Company's business, prospects, results of operations, and financial position.

The Company and the Subsidiary's ability to expand their business in the future relies on their ability to continue implementing and improving their operational and management information systems efficiently and in a timely fashion, increase, train, encourage and manage their workforce. In addition, the Company and the Subsidiary's ability to expand their business relies on the regulatory authorities' consent to increase the licensed production capacity.

The Company does not guarantee that personnel employed by the Company and the Subsidiary or the systems and procedures approved by them will be enough to support future expansion and growth. The Company does not guarantee that the Company and the Subsidiary will obtain the regulatory approvals necessary to increase their manufacturing facilities' licensed production capacity. Moreover, the Company and the Subsidiary's failure to manage their expansion plans will in turn lead to increased costs due to the reappointment of new qualified personnel, new advisors and preparing new studies to reach alternative expansion plans together with the mechanism of their management, leading to their decrease in profitability. In addition, the Company and the Subsidiary's proposed business expansion plans are subject to the estimated costs and implementing timeline. The Company may also need additional funding to undertake any expansion plans. The Company and the Subsidiary's inability to implement their expansion plans according to the set timeline would result in missing the intended economic outcome for the entire delay period, which will have an adverse effect on the Company's business, prospects, results of operations, and financial position.

2-1-28 Full utilization of production capacity

The Towers SBU utilized 100% of its production capacity in 2015G which resulted in assigning the manufacturing of some products to third parties, which adversely affected its profit margin. The full utilization of the production capacity and, as a result, assignement of product manufacturing to third parties in order to meet project timelines, would adversely affect the profit margin due to an increase in costs. In addition, the Company's inability to assign manufacturing of products to third parties could affect the projects' timelines which will lead to delay penalties imposed on the Company, and as a result, will have an adverse effect on the Company's business and financial position.

2-2 Risks Related to the Market and Industry

2-2-1 The increase in the global production of steel could harm the prices of steel

The price of steel is highly affected by worldwide production capacity and fluctuations in steel imports/exports and tariffs. Historically, the steel industry has suffered from substantial over-capacity, and it is possible that global production levels would fail to adjust fully to rapidly falling demand or that production increases will outstrip demand increases in the early stages of recovery, resulting in an extended period of depressed prices and industry weakness. For example, the global steel markets currently suffer from a notable decrease in prices due to a surplus in supply and a decrease in demand, which will have an adverse effect on the Company's business and financial position.

In addition, as demand for steel surges in global markets, steel production capacity in such markets also surges. Therefore, any future significant excess capacity in global markets and increased exports by international steel companies into the Kingdom would weigh heavily on steel prices in the Kingdom, which will have an adverse effect on the Company's business, results of operations, and financial position.

2-2-2 The Company faces significant competition in the steel market in the Kingdom and therefore may not be able to gain increased market share

The steel market in the Kingdom is very competitive, and the Company and the Subsidiary face significant competition in many areas, most notably in the business lines of reinforcing steel bars and tubes. In addition, the potential growth shown by the construction and steel sectors in the Kingdom has started to attract regional and international steel companies into the Saudi market. Such competitors may have greater financial, technical, marketing or other resources, which may allow them to withstand competition more successfully than the Company and the Subsidiary. These competitors may have a lower cost of capital and access to funding resources that are not available to the Company and the Subsidiary and they may be able to grow more rapidly than the Company and the Subsidiary. If the Company and the Subsidiary are unable to compete effectively, they may not be able to obtain a sufficient share of the markets in which they operate or remain profitable, which will have an adverse effect on the Company's business, results of operations and financial condition. Moreover, the Company and the Subsidiary's profit margins may be adversely affected if a price war on steel products commences. A price war may be triggered by the competition's desire for expansion and/or additional market share.

The implementation of new legal or regulatory requirements, such as anti-dumping duties, import quotas, tariffs, sanctions, boycotts and other measures, whether adopted by the government or directed by regional trade blocs, may affect the competitive position of the Company and the Subsidiary's products or prevent the sale of these products in some countries, which will have an adverse effect on the Company and the Subsidiary's business, results of operations and financial condition (for more information on the steel industry market and principal competitors, please see Section 3 "Market and Industry Information" of this Prospectus).

2-2-3 Risks of currency exchange rates, financing costs, and interest rate fluctuation

The Company and the Subsidiary are subject to currency exchange risks when engaging in commercial transactions with international parties requiring dealing in their currency for the purchase and sale of devices, equipment and other requirements needed for daily operations, in addition to the fluctuation in the value of foreign financial investments resulting from change in the foreign exchange currency. The Company and the Subsidiary's operations being made in Saudi Riyals and other currencies expose the Company and the Subsidiary to the risk of foreign currency exchange and any unpredicted fluctuations in exchange rates will adversely affect the financial performance of the Company and the Subsidiary.

Increased financing costs will also lead to high financing costs incurred by the Company and the Subsidiary, which will adversely affect their future profitability along with their ability to pay and fulfill their obligations toward their lenders.

The increased rates of financing costs, whether fixed or variable (meaning the costs taking the borrowing rate used between Saudi banks as a basis for their calculation or what is known as "SIBOR" or the borrowing rate between banks in London or what is known as "LIBOR") payable to the Company and the Subsidiary's lenders will lead to an increase of finance costs required by the Company and the Subsidiary to finance their business, affecting the rates of their profitability and financial results.

2-2-4 Decrease in steel products' demand and market price as a result of a competition by other materials

Steel, as a material, competes with other materials that may be used as substitutes in manufacturing products, such as aluminum, cement, composites, glass, plastic, wood and any other materials that could be developed in the future. Regulatory initiatives mandating the use of such materials in lieu of steel, whether for environmental or other reasons, could significantly reduce market prices and demand for steel products and thereby reduce the Company and the Subsidiary's cash flow and profitability. Furthermore, such substitute materials may seem to be more appealing to consumers from a cost saving perspective as some of these materials trade at prices much lower than steel and can be used for similar functions. Such competition from other materials could lower demand for steel and, therefore, reduce steel prices, in which event the Company and the Subsidiary's prospects, results of operations and financial position will be adversely affected.

2-2-5 Increase in energy product prices in the Kingdom

Steel industries are heavily dependent on energy products. The Company and the Subsidiary's manufacturing operations depend on diesel fuel, water and electricity, and a large portion of production costs comprises of energy products. In light of the drop in oil prices and the resulting deficit in the Kingdom's budget, the Council of Ministers resolved on 17/03/1437H (corresponding to 28/12/2015G) to cut government subsidies which resulted in a price increase in energy products, water and electricity. As a result, the Company estimates a rise by 1% in sales cost (which represents a percentage of 5.3% of the net profits for year 2015G). The price increase in energy products, water and electricity and any additional material increase in the future will lead to additional costs incurred by the Company and the Subsidiary which will have an adverse effect on the Company and the Subsidiary's business, results of operations and financial position (for more information on the effect of increase in energy product prices in the Kingdom on the Company and the Subsidiary, please see Section 6-4-5 "Utilitis Subsidies Cut" of this Prospectus.)

2-2-6 The introduction of new laws and regulations that adversely affect the way in which the Company and the Subsidiary conduct their operations

The Company and the Subsidiary are subject to risks of changes in the Kingdom's laws and policies, including those relating to taxation, divestment, imports, exports, currency, environmental protection, labor standards and occupational health and safety. The regulatory and legal environment in the Kingdom remains less comprehensive and subject to developments as compared to other jurisdictions. As such regulatory and legal environment matures, the government of the Kingdom has begun, and the Company expects that it will continue, to implement new laws and regulations. For example, the Ministry of Commerce and Industry in the Kingdom has been active in imposing new restrictions and measures on trade to protect consumers and to better regulate the Saudi commercial and industrial markets. The costs associated with compliance with these laws and regulations are substantial and possible future laws and regulations and changes to existing laws and regulations could cause additional expense, capital expenditures and restrictions on or suspensions of the Company and the Subsidiary's operations. Also, any changes in the laws or regulations in the Kingdom that may alter the way in which the Company and the Subsidiary are doing business will have an adverse effect on the Company and the Subsidiary's business prospects, results of operations and financial position.

2-2-7 Issuance of a New Companies Law

The Council of Ministers has recently issued a new companies law ("New Companies Law") to replace the Current Companies Law, which will become effective five months from 22/02/1437H (corresponding to 04/12/2015G) being the date of its issuance in the Official Gazette (Um Al-Qura). The New Companies Law may impose further regulatory requirements that the Company or the Subsidiary will have to comply with. This may require the Company or the Subsidiary to undertake certain procedures to comply with such requirements, which may affect their business plans or take a long time to be done or implemented. The New Companies Law has also imposed stricter penalties for violating its provisions. The Company or the Subsidiary may be exposed to such penalties in the event of any violations.

2-2-8 The Company and the Subsidiary's operations are affected by economic risks in the Kingdom

The Company and the Subsidiary's operations are conducted, and their assets are located in, the Kingdom, which is considered to be an emerging market. As an emerging market, the Kingdom's steel market is subject to greater risks than more developed markets, including in some cases significant economic risks. Although the Kingdom continues to pursue a policy of divergence to enhance the contribution of the non-oil sector to its GDP, oil income is expected to continue to play a pivotal role in its economic planning and development. Consequently, a decline in the prices of oil and gas could substantially slow down or disrupt the economy of the Kingdom or the Government's spending plans, which would have a negative impact on the Kingdom's overall economy, with adverse ripple effects felt at all micro levels of the economy. Accordingly, Subscribers should exercise particular care in evaluating the risks involved in companies invested in emerging markets and must decide for themselves whether, in light of those risks, their investment is appropriate.

2-2-9 The Company and the Subsidiary's business and prospects are substantially affected by regional and global macroeconomic conditions, and recessions or prolonged periods of weak growth in the global or regional economy

The steel industry has historically been highly cyclical and affected by fluctuations in economic performance. This is due largely to the cyclical nature of the business sectors that are the principal consumers of steel, namely the automotive, construction, appliance, machinery, equipment, infrastructure and transportation industries. Demand for steel products thus generally correlates to macroeconomic fluctuations in the global economy. This correlation and the adverse effect of macroeconomic downturns on steel producers were evidenced in the 2008-2009G financial years and subsequent economic crisis. The results of steel producers were substantially affected, with many steel producers, in particular, recording sharply reduced revenues and operating losses. Continued difficult macroeconomic conditions, a global recession, a recession or anemic growth or a degradation of the economic situation in the region would likely result in reduced demand for steel and have an adverse effect on the Company and the Subsidiary's business prospects, results of operations and financial position.

2-2-10 Natural disasters such as floods, earthquakes and other natural calamities

Natural disasters beyond the control of the Company and the Subsidiary could significantly damage the Company or Subsidiary's production facilities and general infrastructure. Any damage to the Company or Subsidiary's facilities or any other major production complexes and staff casualties whether as a result of floods, earthquakes, hurricanes or other natural disasters, could incur burdensome costs on the Company or Subsidiary to remedy the effects of such natural disasters and severely affect the Company or Subsidiary's ability to conduct its business operations and, as a result, reduce its future operating results. In the event that a natural disaster causes any damages to the Company or the Subsidiary's facilities, the Company's business prospects, results of operations and financial position will be adversely affected.

2-3 Risks Related to the Offer Shares

2-3-1 Control by Selling Shareholders

Following the completion of the Offering, the Selling Shareholders will jointly own 70% of the Company's share capital. The Selling Shareholders have voting powers, due to their majority shareholding, sufficient to influence the decision-making in the Company in matters requiring Shareholders' approval, including the election of the Directors, approval of contracts, important Company activities, and amendments which might be made to the Company's share capital and bylaws. Such powers might be used in a manner which materially and adversely affects the Company's business prospects, results of operations and financial position, which, in turn, will also have an adverse effect on Subscribers' anticipated returns, or result in the loss of all or a portion of their investment in the Company.

2-3-2 Absence of a prior market for the Company's Shares

Prior to this Offering, there has been no public market for the Shares, and an active trading market may not develop or be sustained upon the completion of the Offer. The Offer Price of the Offered Shares may not be indicative of the market price of the Shares after the Offering. The market price of the Company's Shares after the Offering will be subject to significant fluctuations in response to, among other factors:

- variations in the operating results and the performance of the Company's business;
- regulatory developments in the Company's target markets affecting the Company, its customers or its competitors;
- changes in financial estimates by securities research analysts;
- addition or loss of Board or Senior Management members or key employees;
- loss of one or more key customers;
- the performance of the Saudi and global economy;
- significant developments in the Kingdom's economic policies;
- fluctuations in the local and global stock exchanges; and
- changes in economic, legal and regulatory factors (both domestic and international) unrelated to the Company's performance such as global recession, imposition of trade/non-trade barriers and sanctions, etc.

Many of these factors are beyond the Company's control and any resulting volatility in the price of the Shares will have an adverse effect on the Company's financial results and prospects as well as the Subscribers' investment decisions.

2-3-3 Distribution of dividends

The amount of future dividend payments, if any, will depend upon the Company's future earnings, financial condition, cash flows, working capital requirements, capital expenditures, lender's approvals and other factors.

Pursuant to the Facilities Agreement entered into between the Company and BSF on 30/05/1435H (corresponding to 31/03/2014G), the Company shall not pay dividends to the Shareholders prior to paying the outstanding loan amounts without a prior written consent from BSF.

There can be no assurance that the Company will have distributable funds or that it will declare dividends. Subscribers shall carefully consider this risk as it will have an adverse effect on their investment plans and strategies (for more information on the credit facilities agreements, please see Section 11-9-1 "The Company's Facilities" of this Prospectus).

2-3-4 Offering additional shares to raise capital

The Company may need to raise additional capital from time to time, depending on business requirements. Some of the factors that may require the Company to raise additional capital include (i) business growth beyond what the current balance sheet can sustain, (ii) additional capital requirements imposed due to changes in regulatory regime or new guidelines, and (iii) significant depletion in the Company's existing capital base due to unusual operating losses. The Company may not be able to raise such additional capital at the time it is needed or on terms and conditions favorable to it or to the existing shareholders, which could have an adverse effect on the Company's business prospects, results of operations and financial position.

2-3-5 Offering new shares in the future

Any future equity issuances by the Company, including in a primary offering, may lead to the dilution of Subscribers' shareholdings in the Company, and any future equity issuances by the Company or sales of the Shares by its Substantial Shareholders may adversely affect the trading price of the Shares. In addition, any perception by Subscribers that such issuances or sales might occur could also affect the trading price of the Shares. As such, the Subscribers shall carefully consider this risk as it will have an adverse effect on their investment plans and strategies.

3. MARKET AND INDUSTRY Information

Al-Yamamah Steel Industries Company appointed ERAS to conduct a market study and prepare a report on the local industries in which the Company operates. All information has been obtained from the market report prepared by ERAS and the Saudi Arabian Monetary Agency.

ERAS is a key global player in professional and business consulting. ERAS was founded in 1987G and its head office is located in London, United Kingdom, with offices in most countries of the world. ERAS has provided and not withdrawn its written consent for the use of their findings in this Prospectus as of the date of this Prospectus. ERAS does not itself, nor do any of its subsidiaries, employees or their relatives, have shares or interests of any kind in the Company or any of its subsidiaries.

3-1 Overview of the Saudi Arabian Economy

Despite the global economic downturn, the Saudi economic performance has been favourable over the last few years (2010G-2014G), and the actual GDP has grown at a CAGR of 9.1% during this period, mainly supported by the rise in oil prices which contributed to an increase in government spending on infrastructure, with large projects and social services being a major factor contributing to sustainable growth. This is in addition to continued surpluses in the Kingdom's budget, which have strengthened the accumulation of the country's cash reserves.

In 2015G, the Kingdom's budget recorded a deficit of SAR 326.2 billion as a result of the drop in global oil prices. The ratio of public debt to GDP increased from 2.0% in 2014G to 5.8% in 2015G arising from the Kingdom's issuance of debt in order to meet the deficit resulting from the decrease in oil prices. The building and construction sector is expected to witness a relative decrease in government spending compared to the previous five years.

It is also worth noting that oil prices has declined as of the date of this Prospectus to approximately USD 36 per barrel as at 20/03/1437H (corresponding to 31/12/2015G) after exceeding USD 70 one year ago. If oil prices remain at these levels or further decrease, this could have a negative impact on the Kingdom's GDP growth rate. However, it is likely that the government will take advantage of cash surpluses accumulated from previous years to mitigate any negative impact on spending levels.

3-1-1 Key Financial Indicators in the Kingdom

Table 8: Key financial indicators in the Kingdom

Key Indicators	2010G	2011G	2012G	2013G	2014G
Population Estimates (million)	27.56	28.37	29.20	29.9	30.8
Actual GDP (SAR billion)	1,975.5	2,510.7	2,752.3	2,791.3	2,798.4
Inflation (%)	3.8%	3.7%	2.9%	3.5%	2.7%
Current Account (SAR billion)	250.3	594.5	617.9	507.91	288.43
Ratio of Current Account Surplus to GDP (%)	12.7%	23.7%	22.5%	18.2%	10.31%
Actual Public Revenues (SAR billion)	741.6	1,117.8	1,247.4	1,156.4	1,044.37
Actual Public Expenditures (SAR billion)	653.9	826.7	873.3	976	1,109.9
Public Budget Surplus/Deficit of GDP (SAR billion)	87.7	291.1	374.1	180.4	(65.54)
Ratio of Public Debt to GDP (%)	8.5%	5.4%	3.05%	2.15%	1.58%

Source: Saudi Arabian Monetary Agency

3-1-2 Demographics

The population growth rate in the Kingdom increased at an annual compound rate of 2.9% between 2009G and 2013G. The demographic structure of the Kingdom is dominated by young people, with more than half the population under the age of 25. This indicates that growth in demand for housing is anticipated, as the demographic trend toward setting up households will be the most important factor for the Kingdom's housing sector growth.

3-1-3 Development Plans and Project Spending Trends

Since the global downturn in 2009G, the Saudi economy has witnessed a growth in real GDP from 4.8% in 2010G to 10% in 2011G, however it subsequently witnessed a decrease in growth to 2.7% in 2013G. Growth was not restricted only to oil revenue and government spending but was also seen in private sector performance, at 8% in 2011G compared to 5.6% in 2010G. However, growth slowed in following years to 6.0% in 2012G and 5.5% in 2013G.

Table 9: Actual GDP growth by sector, 2010G-2014G:

Item	2010G	2011G	2012G	2013G	2014G
Actual GDP	4.6%	8.6%	5.8%	3.8%	3.6%
Private Sector GDP	5.6%	7.8%	6.0%	5.5%	5.7%
Government Sector GDP	6.5%	8.7%	5.5%	3.7%	3.7%
Petroleum Sector GDP	0.9%	10.4%	5.7%	-0.6%	1.7%

Source: Market Report

Government capital spending programs have been focused on the Kingdom's building and construction sector. Over the course of the past five years, public spending on capital projects increased from approximately SAR 198 billion in 2014G, at a CAGR of 13.5%.

Table 10: Public capital spending, 2010G-2014G (SAR million)

Item	2010G	2011G	2012G	2013G	2014G	CAGR
Public Capital Spending	198,842	249,000	264,000	278,000	329,405	13.5%

Source: Market Report

Development plans shed light on government capital spending programs. The ninth development plan expects capital spending to increase to SAR 1,445 billion between 2010G to 2014G, at a rate of 67% compared to the eighth development plan. The previous two development plans greatly increased capital spending, reflecting the government's commitment to retaining high levels of non-petroleum growth by creating jobs and improving the standard of living. The ninth development plan focuses on improving the standard of living, creating jobs, achieving balanced economic development in all regions, and strengthening economic competition domestically. It also aims at the following:

- Allocating 50% of the budget for human resources development, including education and training, thereby strengthening the Kingdom's goal of creating a knowledge-based society.
- Allocating 19% of the budget for healthcare and social development.
- Allocating 15.8% of the budget for development of economic resources.
- Allocating 7.7% of the budget for improving transportation and communications.
- Allocating 7% of the budget for municipalities and housing.

Source: Ninth Development Plan for years 2010G to 2014G

3-1-4 The Building and Construction Sector in the Kingdom

The building and construction sector has witnessed a surge in government spending in 2010G-2014G which is expected to witness a relative decrease in government spending compared to the previous five years.

The CEO of SEC made an announcement in March 2014G that SEC will spend SAR 247 billion over the next four years on SEC's capital projects.

The activities of the Saudi building and construction sector can be categorized as follows:

- The building and construction sector;
- housing sector; and
- megaprojects and government projects.

A) Performance of the Building and Construction Sector in the Kingdom

The building and construction sector achieved a growth rate of 6.7% in comparison with the GDP which was at a rate of 3.6% in 2014G.

Table 11: GDP — Construction sector growth trends during 2010G-2014G

Item	2010G	2011G	2012G	2013G	2014G
GDP	4.8%	10%	5.4%	2.7%	3.6%
Building and construction sector	10.7%	9.9%	4.8%	7.8%	6.7%

Source: Market Report

B) Housing

The housing shortage in the Kingdom has grown over the past ten years, especially with respect to low- and middle-income housing, as a result of a number of factors, including:

- emphasis on megaprojects and medium-sized projects;
- growth in demand for housing;
- domination of the housing sector by smaller-sized companies;
- slow implementation of real estate mortgage laws; and
- slow procedures at the Real Estate Development Fund.

As a part of the Ministry of Housing's efforts to develop the national housing strategy, a wide-range evaluation of the housing sector has been conducted. It was estimated, on that basis, that there was a shortage of at least 300 thousand housing units at the end of 2011G, and it became clear that an estimated 80 thousand units needed to be replaced.

This means that there is a need for a significant increase in housing construction to meet future demand and to reduce the current shortage. It is estimated that annual demand for new housing will reach approximately 240 thousand units over the course of the coming decade, with new requests accounting for 190 thousand of these. The rest need to be replaced or rebuilt.

In parallel with the efforts of the Ministry of Housing in this area, the Saudi government unveiled in 2011G a project to build 500 thousand new houses at a cost of SAR 250 billion. It was agreed that the first group of houses in this program would be built in 2013G.

The Kingdom has also recently approved fees on vacant lands, which might spur investors to develop new lands, and discourage possession of such lands for a sustained period in the future. The economic impact of such policy could lead to a decline in land and housing prices, but not necessarily to a reduction of developers' profit margins, as the impact of these new fees can be determined when the full details of the new fees are known.

In contradiction to the decision imposing fees on vacant lands, new decisions by the Saudi Arabian Monetary Agency increasing the amount of down payments for real estate funding to 30%, would lower the number of qualified buyers and reduce mortgage liquidity for those buyers. This could have an effect on real estate prices.

Table 12: Saudi housing tenders awards, 2010G-2014G (SAR billions)

Item	2010G	2011G	2012G	2013G	2014G
Housing tenders	14	12	12	24	10

Source: Market Report

C) Megaprojects and Government Programs

Megaprojects refer to a number of wide-ranging public investment projects that are currently in progress. The following is a summary of key spending programs:

- expansion of the Two Holy Mosques;
- road and infrastructure improvements;
- new economic cities;
- airport improvements; and
- improvements to railways and public transportation.

Table 13: Megaprojects in the Kingdom, 2010G-2014G (SAR billions)

Item	2010G	2011G	2012G	2013G	2014G	CAGR
Oil and gas	0	20	30	8	48	--
Energy	40	44	46	53	30	-6.9%
Water	7	8	8	8	12	14.4%
Manufacturing	12	35	18	8	2	-36.1%
Health	1	4	15	20	18	106%
Housing	14	12	12	24	10	-8.1%
Transportation	3	56	10	120	25	69.9%
Highways	8	12	22	16	15	17%
Petrochemicals	0	25	45	16	6	--
Education	4	10	11	13	6	10.7%
Urban Development	2	4	10	11	14	62.7%
Other	16	40	8	37	35	21.6%
Total	107	270	235	335	221	19.9%

Source: Market Report

3-2 Overview of the Steel Products Market

Consumption of steel recovered slowly after the global economic downturn. However, the continuous expansion in production capacity at a faster pace compared to the rate of growth of consumption reduced the production capacity utilization rate. Ernst & Young noted in its 2014G report on global steel that the greatest threat to the steel sector is surplus capacity, especially in industrialized countries. According to the report, up to 300 million tons of steel production capacity must be shut down due to surplus production in industrialized countries in order for companies in these countries to realize profits that would allow sustained growth, as well as an increase in the capacity utilization rate from less than 80% to more than 85%.

Some of the key challenges facing the steel industry include:

- demand and price fluctuations;
- changes in consumption pattern;
- complex supply chains;
- increase in competition from low-cost imports; and
- need for production increases and cost efficiencies.

In contrast to the slow growth in demand for global production, consumption of Saudi steel increased at a CAGR of 4.5% from 2008G to 2014G due to a rise in oil prices, which in turn led to greater government spending on infrastructure and construction.

The Saudi market is dominated by long steel products (reinforcing steel bars, space frames, and tubes), which are manufactured from steel billets and steel coils.

The steel and reinforcing steel bars manufacturing markets are characterized by a high level of competition and price-sensitivity, especially with respect to poles and electrical towers, and these projects are carried out through public tenders. Some of the factors affecting the steel industry include:

cost of raw materials;

- level of service with regard to order delivery and product quality; and
- low costs of Chinese, Indian, and Turkish products, which continually compete with local products.

The following table sets out the quarterly average prices of key steel products throughout the past five years.

Table 14: Quarterly average prices of key steel products over the past five years (USD/ton)

Product	2010G		2011G		2012G		2013G		2014G	
Reinforcing steel bars	Q1	2,156	Q1	3,004	Q1	2,790	Q1	2,456	Q1	2,441
	Q2	2,318	Q2	3,038	Q2	2,663	Q2	2,366	Q2	2,374
	Q3	2,438	Q3	3,041	Q3	2,471	Q3	2,359	Q3	2,344
	Q4	2,528	Q4	2,921	Q4	2,445	Q4	2,419	Q4	2,205
Steel billets	Q1	1,571	Q1	2,280	Q1	2,288	Q1	2,029	Q1	1,984
	Q2	1,928	Q2	2,441	Q2	2,269	Q2	2,021	Q2	1,995
	Q3	1,901	Q3	2,494	Q3	2,153	Q3	1,954	Q3	2,18
	Q4	2,055	Q4	2,419	Q4	2,040	Q4	1,939	Q4	1,643
Raw steel	Q1	491	Q1	671	Q1	533	Q1	555	Q1	450
	Q2	596	Q2	660	Q2	525	Q2	469	Q2	386
	Q3	514	Q3	660	Q3	420	Q3	499	Q3	338
	Q4	596	Q4	529	Q4	454	Q4	506	Q4	278
Construction steel	Q1	2,580	Q1	3,428	Q1	3,214	Q1	3,015	Q1	2,921
	Q2	2,741	Q2	3,461	Q2	3,128	Q2	2,914	Q2	2,903
	Q3	2,861	Q3	3,465	Q3	2,959	Q3	2,835	Q3	2,846
	Q4	2,951	Q4	3,345	Q4	2,963	Q4	2,884	Q4	2,674
Steel sheets	Q1	2,528	Q1	3,428	Q1	3,248	Q1	2,693	Q1	2,760
	Q2	2,786	Q2	3,780	Q2	3,139	Q2	2,265	Q2	2,794
	Q3	3,000	Q3	3,645	Q3	2,880	Q3	2,591	Q3	2,798
	Q4	3,000	Q4	3,379	Q4	2,670	Q4	2,651	Q4	2,629

Source: Market Report

3-3 Main Activities and Product Markets

The activities of the Company and the Subsidiary are centered on the local market, and are composed of five main activities:

- Tubes: production of steel pipes (square, round, and rectangular) and steel welded tubes of all kinds.
- Steel poles: production of galvanized steel poles and galvanized accessories of all kinds, corrugated and cylindrical, including distribution of electrical poles, lighting poles, and lighting masts.
- Electrical towers: production of galvanised steel towers of all types that are used in transmitting high voltage (up to 380 KV) electrical energy; and in the area of telecommunications, to distribute microwave signals used by mobile telecommunications devices.
- Space frames: design, manufacturing, supply, and installation of steel ceiling structures made from space frames of various designs according to the specifications needed for construction of school buildings, hotels, stadiums, and buildings designed for commercial and government use, as well as main entry gates.
- Reinforcing steel bars: manufacture of reinforcing steel bars from steel billets.

3-3-1 Steel Tubes and Pipes Market

A) Product Overview

There are multiple and varied uses of steel pipes in manufacturing and commercial applications, such as metal architectural fixtures, including doors, windows, metal furniture, scaffolding, and advertising billboards. Steel tubes are used in water systems, fire extinguishers, and pressurized air systems in buildings and factories, where the Company dominates a large share of the Saudi steel casing market.

B) Demand

Growth in the Saudi casing and tube market grew at a CAGR of 7.3% between 2010G and 2014G, from 539 thousand tons in 2010G to 714 thousand tons in 2014G. Production capacity in this sector reaches up to 700 thousand tons per year. The Company's production of pipes grew at a CAGR of 11.6%, from 118 thousand tons in 2010G to 183 thousand tons in 2013G. The table below sets out the Company's casing production and market share.

Table 15: Demand for pipes and Company market share in the Kingdom, 2010G-2014G

(1,000 tons)	2010G	2011G	2012G	2013G	2014G	CAGR
Total demand for pipes in the Kingdom	539	592	650	680	714	7.3%
Company sales*	118	142	150	159	183	11.6%
Company's market share	21.9%	24.0%	23.1%	23.4%	25.6%	--

Source: Market Report

*Less than 2% of the Company's sales include metal manufacturing residues.

C) Competition Analysis as at 31 December 2014G

The Company is the number one manufacturer of steel pipes, with a production capacity of 200 thousand tons. The Company's competitiveness in the steel pipes sector is mainly due to the Company's customer relationships and the small price gaps in the costs of raw materials. The Company is set apart by its customer relationships with respect to quality and services, which is reflected in its growth in this sector during the past five years.

Table 16: Analysis of steel casing and tube market competition as at 31 December 2014G

Tubes and Pipes									
Company	Annual Production Capacity/ Tons	Plant Location		Market		Market Sector			
	Pipes	Inside KSA	Out-side KSA	Local	Export	Service facilities	Gas and oil	Contracting	Manufactur-ing and other
Yamamah Steel Industries	200,000	✓		✓				✓	✓
Baghlaf Company	150,000	✓		✓				✓	✓
Al-Musairiey Metal Industries Company	125,000	✓		✓				✓	✓
Jazeera Steel	72,000	✓		✓		✓		✓	✓
Rajhi Steel	70,800	✓		✓		✓		✓	✓
Other	45,000	✓		✓		✓		✓	✓
Saudi Steel Profile Manufacturing Factory Company	40,000	✓		✓				✓	✓
Total	702,800								

Source: Market Report

D) Competitors' Market Share

The table below sets out the main competitors in the steel casing market and their market share in 2014G.

Table 17: Steel Casing Market Share in 2014G

Company name	Market share
Imports*	23%
Al-Yamamah Steel Industries Company	26%
Baghlaf Company	15%
Al-Musairiey Metal Industries Company	13%
Rajhi Steel	7%
Jazeera Steel	7%
Other companies	5%
Saudi Steel Profile Manufacturing Factory Company	4%
Total	100%

Source: Market Report

*Represents total steel casing imports in the local market.

3-3-2 Steel Poles Market

A) Product Overview

The steel poles market can be divided into the energy distribution sector and the lighting poles sector. The lighting poles sector is a necessity for all new districts and includes highways and public streets, particularly in residential and commercial areas, as well as in industrial areas that require lighting poles.

B) Demand

Saudi demand for distribution poles and lighting poles is estimated based on public tenders and projects proposed by SEC, the municipalities, the Ministry of Transportation, and the private sector. SEC's capital spending plans in the Kingdom have shown an increase in demand for these products. Growth in total Saudi demand for steel poles reached a CAGR of 17.7% between 2010G and 2014G, from 110 tons in 2010G to 211 tons in 2014G. Quantities of distribution poles in 2014G were much higher compared to the previous year (123 thousand tons in 2014G compared to 106 thousand tons in 2013G). In terms of demand, the lighting poles sector is larger than the distribution pole sector, but in 2014G demand for lighting poles was approximately 88 thousand tons compared to demand for distribution poles amounting to 123 thousand tons.

The table below sets out the development of the Company's production and market share in the local steel pole market.

Table 18: Demand in the steel pole market and Company market share in the Kingdom, 2010G-2014G

(1,000 tons)	2010G	2011G	2012G	2013G	2014G	CAGR
Total demand for columns in the Kingdom	110	120	143	191	211	17.7%
Company sales*	20	21	24	30	35	15%
Company's market share	18.2%	17.5%	16.8%	15.7%**	16.6%	--

Source: Market Report

*Less than 5% of Company sales include metal manufacturing residues.

**The Company's sales and market share are influenced by the mixture of product sales, plant production capacity and its utilization percentage (i.e., product quantity multiplied by product weight. Product weight can vary between 100kg to 500kg per pole). Therefore, the Company's market share fluctuates. Given that the market has grown between 2010G and March 2014G while the Company's production capacity remained the same, the Company's market share decreased between 2010G and 2013G. However, with the start of operation in the plant expansion on 01/04/2014G leading to an increase of the Company's production capacity, which should keep up with the increase of market demand.

C) Competition Analysis as at 31 December 2014G

The Company is the number two manufacturer of poles, with a design production capacity of 50 thousand tons annually.

Table 19: Analysis of pole market competition as at 31 December 2014G

Steel Poles										
Company	Annual Production Capacity/ Tons	Plant Location		Market		Market Sector				
	Poles	Inside KSA	Outside KSA	Local	Export	Service facilities	Gas and oil	Contracting	Manufacturing and other
Al Babtain	90,000	✓	✓	✓	✓	✓	✓	✓	✓
Al-Yamamah Steel Industries Company	50,000	✓		✓		✓	✓	✓	✓
Omega Company	25,000	✓		✓		✓	✓	✓	✓
Saudi Power	25,000	✓		✓		✓	✓	✓	✓
National Company for Galvanizing and Steel Poles Ltd. (GALVANCO)	22,000	✓		✓		✓	✓	✓	✓
Hidada Company	22,000	✓		✓		✓	✓	✓	✓
Total	229,000								

Source: Market Report

A) Competitors' Market Share

The table below sets out the main competitors in the pole market and their market shares in 2014G.

Table 20: Pole market share in 2014G

Company name	Market share
Al-Babtain Power & Telecommunication Company	39%
Al-Yamamah Steel Industries Company	17%
Omega Company	10%
Saudi Power	10%
National Company for Galvanizing and Steel Poles Ltd. (GALVANCO)	9%
Hidada Company	9%
Imports*	6%
Total	100%

Source: Market Report

*Represents total pole imports in the local market.

3-3-3 Electrical Towers Market

A) Product Overview

The Company produces electrical towers through design and manufacture of galvanised steel towers needed for electrical power lines and telecommunications towers.

B) Demand

The towers market grew at a CAGR of 13.1% during the 2010G-2014G period, from 145 thousand tons in 2010G to 237 thousand tons in 2014G. The Company's market share also grew from 1.7% in 2010G to 16.8% in 2014G. The table below shows the development of the Company's sales and market share in the towers market in the Kingdom.

Table 21: Demand in the towers market and Company market share in the Kingdom, 2010G-2014G

(1,000 tons)	2010G	2011G	2012G	2013G	2014G	CAGR
Total demand for towers in the Kingdom	145	159	207	216	237	13.1%
Actual Company sales*	2.5	4.4	15	26	39	98.7%
Company's market share	1.7%	2.8%	7.2%	12.0%	16.8%	--

Source: Market Report

*Less than 5% of Company sales include metal manufacturing residues.

C) Competition Analysis as at 31 December 2014G

The Company has the fifth largest design and production capacity at 50 thousand tons annually.

Table 22: Analysis of towers market competition as at 31 December 2014G

Electrical Towers									
Company	Annual Production Capacity/ Tons	Plant Location		Market		Market Sector			
	Towers	In-side KSA	Out-side KSA	Lo-cal	Ex-port	Service facili-ties	Gas and oil	Contracting	Manufac-turing and other
Al-Yamamah Steel Industries Company	50,000	✓		✓	✓	✓	✓		
Al-Babtain Power & Telecommunication Company	90,000	✓	✓	✓	✓	✓	✓		
Arabian International Company for Steel Structures	55,000	✓		✓	✓	✓	✓		
Zamil Steel Holding Company Ltd.	45,000	✓		✓	✓	✓			
Hidada Company	50,000	✓		✓	✓	✓	✓		
Total	290,000								

Source: Market Report

D) Competitors' Market Share

The table below sets out the main competitors in the market and their market shares in 2014G.

Table 23: Tower Market Share in 2014G

Company name	Market Share
Arabian International Company for Steel Structures	22%
Al-Babtain Power & Telecommunication Company	21%
Hidada Company	19%
Zamil Steel Holding Company Ltd.	18%
Al-Yamamah Steel Industries Company	17%
Imports*	4%
Total	100%

Source: Market Report

*Represents total electrical tower imports in the local market.

3-3-4 Space Frames Market

A) Product Overview

The space frames market is characterized by its specialization in particular purposes, mostly for specialized projects whose demand is difficult to estimate. Among the most important characteristics of space frames are rapid installation and low cost, as well as the ability to cover open spaces without barriers.

B) Competition Analysis as at 31 December 2014G

The following table compares the Company with other companies with respect to manufacturing of space frames.

Table 24: Analysis of the space frames market competition as at 31 December 2014G

Electrical Towers								
Company	Plant Location		Market		Market Sector			
	Inside KSA	Outside KSA	Lo-cal	Ex-port	Service facilities	Gas and oil	Contract-ing	Manufacturing and other
Rafid Steel Industries	✓		✓				✓	✓
Prisma Co	✓		✓				✓	✓
Keyspan Company (Turkey)		✓		✓			✓	✓
Narjis Company		✓		✓			✓	✓
Ozkan (Turkey)		✓		✓			✓	✓
Al-Yamamah Steel Indus-tries Company	✓		✓				✓	✓

Source: Market Report

3-3-5 Reinforcing Steel Bars Market

A) Product Overview

The Company through its Subsidiary, Al-Yamamah Company for Reinforcing Steel Bars, produces, wholesales and retails reinforcing steel bars, which is one of the most important materials used in building and construction, and the Kingdom's largest steel product markets.

B) Demand

Total demand for steel grew over the course of the past five years in the Kingdom at a CAGR of 3.7%, with the Company's actual production growing at a CAGR of 13.6% during the same period.

Table 25: Demand for reinforcing steel bars in the Kingdom, 2010G-2014G

(million tons)	2010G	2011G	2012G	2013G	2014G	CAGR
Total demand for reinforcing steel bars in the Kingdom	7.7	8.0	8.5	8.9	8.9	19.9%
Company's actual production*	0.3	0.3	0.4	0.4	0.5	18.9%
Company's market share	3.9%	3.8%	4.7%	4.5%	5.2%	–

Source: Market Report

*Less than 2% of Company sales include metal manufacturing residues.

The Company's production of reinforcing steel bars grew at a CAGR of 3.7%, from 7.7 million tons in 2010G to 8.9 million tons in 2014G. Given that the use of reinforcing steel bars is tightly correlated with construction projects, the growth of that market reflects the impact of megaprojects and other construction activity on demand for this product.

C) Competition Analysis as at 31 December 2014G

The following table compares the Company with other companies with respect to the manufacturing of reinforcing steel bars.

Table 26: Analysis of the reinforcing steel bars market competition as at 31 December 2014G

Reinforcing Steel									
Company	Annual Production Capacity/ Tons	Plant Location		Market		Market Sector			
	Reinforcing Steel Bars	Inside KSA	Outside KSA	Local	Export	Service facilities	Gas and oil	Contracting	Manufacturing and other
SABIC	4,000,000	✓		✓	✓	✓	✓	✓	✓
Al Ittefaq Steel Products Company (Al Tuwairqi)	3,000,000	✓		✓	✓	✓	✓	✓	✓
Rajhi Steel	2,000,000	✓		✓	✓	✓	✓	✓	✓
South Steel	1,000,000	✓		✓	✓	✓	✓	✓	✓
Al-Yamamah Company for Reinforcing Steel Bars (Subsidiary)	600,000	✓		✓		✓	✓	✓	✓
Al Ittihad	500,000	✓		✓	✓	✓	✓	✓	✓
Bin Laden Group (BSC + RSC)	300,000	✓		✓		✓	✓	✓	✓

Reinforcing Steel									
Company	Annual Production Capacity/ Tons	Plant Location		Market		Market Sector			
	Reinforcing Steel Bars	In-side KSA	Out-side KSA	Lo-cal	Ex-port	Service facili-ties	Gas and oil	Contracting	Manufac-turing and other
Capital Steel Prod-ucts Factory	300,000	✓		✓		✓	✓	✓	✓
Other	400,000	✓	✓	✓		✓	✓	✓	✓
Total	12,100,000								

Source: Market Report

D) Competitors' Market Share

The table below sets out the main competitors in the market and their shares of the reinforcing steel bars market in 2014G.

Table 27: Reinforcing Steel Bars Market Share in 2014G

Company name	Market share
Saudi Basic Industries Corporation (SABIC)	33%
Al Ittefaq Steel Products Company	24%
Rajhi Steel	16%
South Steel	8%
Al-Yamamah Company for Reinforcing Steel Bars (Subsidiary)	5%
Al Ittihad	4%
Saudi Bin Laden Group	3%
Other companies	2%
Capital Steel Products Factory	2%
Imports*	3%
Total	100%

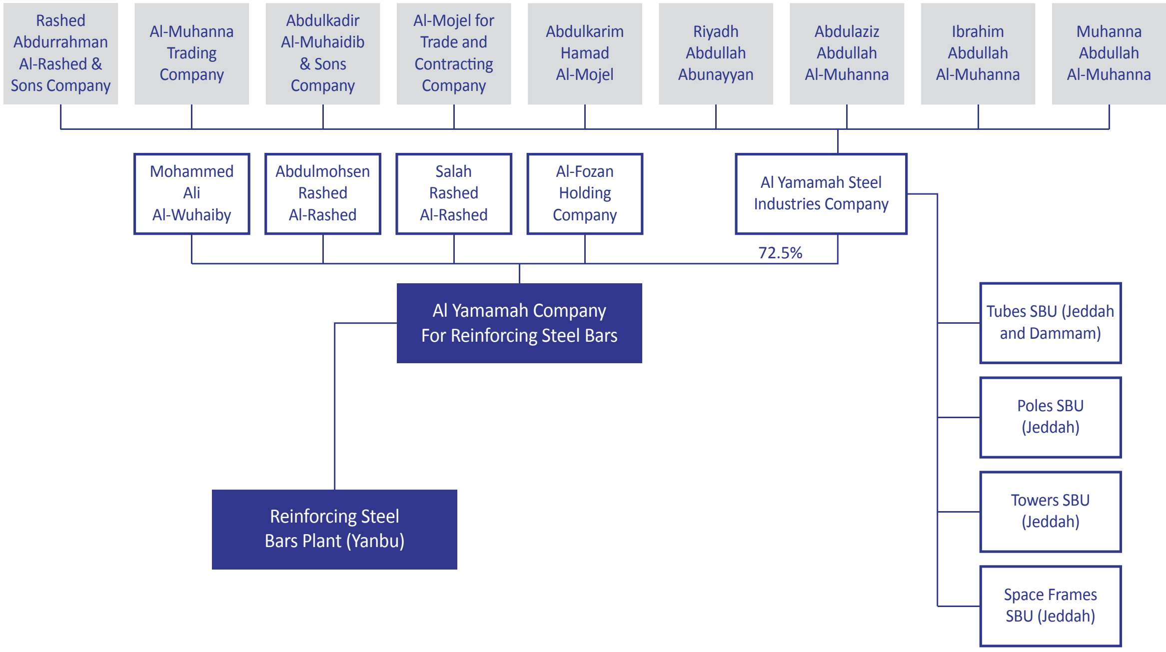
Source: Market Report

*Represents total reinforcing steel bars imports in the local market.

4. The Company and the subsidiary

The following figure illustrates the Company and the Subsidiary's current organizational structure (including its business units):

Figure 1: The Company and the Subsidiary's organisational structure



4-1 The Company and the Subsidiary's Ownership

4-1-1 Overview of the Company's Ownership

Al-Yamamah Steel Industries Company was first incorporated as a limited liability company in Riyadh under commercial registration no. 1010070794 dated 01/06/1409H (corresponding to 09/01/1989G). The Company was converted from a limited liability company into a joint stock company pursuant to ministerial resolution no. 1491 dated 30/05/1427H (corresponding to 26/06/2006G). The Company was registered under the same name and registration number pursuant to a Shareholders' resolution notarized by a public notary on 21/02/1427H (corresponding to 21/03/2006G), and the Company's head office is located in Riyadh since its establishment.

The Company's principal activity is manufacturing of steel products including:

- longitudinally welded steel tubes (black/galvanized), decorative steel tubes, steel sheets cutters, packaging straps and clips and road blocks;
- reinforcing steel bars from scrap metals (through the Subsidiary);
- wheelbarrows, corrugated steel sheets, hollow steel pieces, cold rolled steel sections, and steel space frames;
- galvanized steel lighting poles and other related products;
- electrical transmission and telecommunication towers; and
- steel sections for metal structures and facilities.

The Company implements its objectives through its four business units, with each specializing in manufacturing and selling different production lines as follows:

1. Tubes SBU with two manufacturing plants; Al-Yamamah Steel Industries Plant in Jeddah, which was opened on 13/04/1411H (corresponding to 01/11/1990G), and Al-Yamamah Steel Industries Plant in Dammam, which was opened on 19/04/1434H (corresponding to 01/03/2013G);
2. Poles SBU with one manufacturing plant in Jeddah, Al-Yamamah Electric Poles and Accessories Plant, which was opened on 27/08/1426H (corresponding to 01/10/2005G);
3. Towers SBU with one manufacturing plant in Jeddah, Al-Yamamah Electric Towers Production Plant, which was opened on 19/03/1431H (corresponding to 01/03/2010G); and
4. Space Frames SBU with one manufacturing plant in Jeddah, Al-Yamamah Steel Industries Plant, which was opened on 19/03/1431H (corresponding to 01/03/2010G).

The Company's current share capital is (SAR 508,000,000) five hundred eight million Saudi Riyals divided into (50,800,000) fifty million eight hundred thousand of fully paid ordinary shares with a nominal value (SAR 10) ten Saudi Riyals per share.

The following table shows the Selling Shareholders' ownership percentages before and after the Offering:

Table 28: Selling Shareholders' ownership pre- and post-Offering

Shareholders	Pre-Offering			Post-Offering		
	Number of Shares*	Percentage	Capital (SAR)	Number of Shares*	Percentage	Share Capital (SAR)
Rashed Abdurrahman Al-Rashed & Sons Company	12,288,816	24.19%	122,888,160	8,600,961	16.93%	86,009,610
Abdulkadir Al-Muhaidib & Sons Company	12,288,816	24.19%	122,888,160	8,600,961	16.93%	86,009,610
Al-Mojel for Trade and Contracting Company	8,056,002	15.86%	80,560,020	5,638,409	11.11%	56,384,090
Al-Muhanna Trading Company	4,915,526	9.68%	49,155,260	3,440,384	6.77%	34,403,840
Abdulkarim Hamad Al-Mojel	4,232,815	8.33%	42,328,150	2,962,556	5.83%	29,625,560
Abdulaziz Abdullah Al-Muhanna	2,457,764	4.84%	24,577,640	1,720,193	3.38%	17,201,930
Ibrahim Abdullah Al-Muhanna	2,457,763	4.84%	24,577,630	1,720,192	3.38%	17,201,920
Muhanna Abdullah Al-Muhanna	2,457,763	4.84%	24,577,630	1,720,192	3.38%	17,201,920
Riyadh Abdullah Abunayyan	1,644,735	3.24%	16,447,350	1,151,152	2.27%	11,511,520
The public	-	-	-	15,245,000	30%	152,450,000
Total	50,800,000	100%	508,000,000	50,800,000	100%	508,000,000

Source: The Company

* These shares include Qualification Shares allocated by the Selling Shareholders to each current Director (except for Mohammad Ahmed Al-Saadi and Mohammed Abdullah El-Kuwaiz).

4-1-2 Evolution of the Company's Share Capital

Changes to the Company's share capital took place as follows:

1. The Company was established in 1989G with a share capital of (SAR 5,100,000) five million one hundred thousand Saudi Riyals, allocated between the founding shareholders as follows:

Table 29: The Company's ownership structure in 1989G

Shareholder	Number of Shares	Value per Share (SAR)	Total (SAR)	Ownership Percentage	Notes
Al-Muhanna Trading Company	15,810	100	1,581,000	31.00%	—
Rashed Abdurrahman Al-Rashed & Sons Company	11,730	100	1,173,000	23.00%	—
Abdulkadir Abdulmuhsin Al-Muhaidib	11,730	100	1,173,000	23.00%	—
Al-Mojel for Trade and Contracting Company	7,650	100	765,000	15.00%	—
Abdulkarim Hamad Al-Mojel	4,080	100	408,000	8.00%	—
Total	51000	—	5,100,000	100%	—

Source: The Company

2. On 23/05/1413H (corresponding to 14/11/1992G), Abdullah Rashed Abunayyan purchased (15,000) fifteen thousand Shares of the Company. Moreover, Abdulkadir Al-Muhaidib transferred all his Shares to Abdulkadir Al-Muhaidib & Sons Company. In addition, the Company's share capital was increased to (SAR 15,000,000) fifteen million Saudi Riyals divided into (150,000) one hundred fifty thousand cash Shares with a nominal value of (SAR 100) one hundred Saudi Riyals per Share, by transferring (SAR 9,900,000) nine million nine hundred thousand Saudi Riyals of the Shareholders' current accounts. Shares were allocated as follows:

Table 30: The Company's ownership structure in 1992G

Shareholder	Number of Shares	Value per Share (SAR)	Total (SAR)	Ownership Percentage	Notes
Al-Muhanna Trading Company	33,750	100	3,375,000	22.50%	—
Rashed Abdurrahman Al-Rashed & Sons Company	33,750	100	3,375,000	22.50%	—
Abdulkadir Al-Muhaidib & Sons Company	33,750	100	3,375,000	22.50%	Abdulkadir Al-Muhaidib transferred all of his shares
Al-Mojel for Trade and Contracting Company	22,125	100	2,212,500	14.75%	—
Abdulkarim Hamad Al-Mojel	11,625	100	1,162,500	7.75%	—
Abdullah Rashed Abunayyan	15,000	100	1,500,000	10.00%	Accession of Abdullah Rashed Abunayyan
Total	150,000	—	15,000,000	100%	—

Source: The Company

3. On 19/07/1414H (corresponding to 01/01/1994G), the Company's share capital was increased to (SAR 35,000,000) thirty five million Saudi Riyals divided into (350,000) three hundred fifty thousand cash Shares with a nominal value of (SAR 100) one hundred Saudi Riyals per Share, through capitalization of (SAR 15,000,000) fifteen million Saudi Riyals from the Company's retained earnings and capitalization of (SAR 5,000,000) five million Saudi Riyals of the Shareholders loan. Shares were allocated as follows:

Table 31: The Company's ownership structure in 1994G

Shareholder	Number of Shares	Value per Share (SAR)	Total (SAR)	Ownership Percentage	Notes
Al-Muhanna Trading Company	78,750	100	7,875,000	22.50%	—
Rashed Abdurrahman Al-Rashed & Sons Company	78,750	100	7,875,000	22.50%	—
Abdulkadir Al-Muhaidib & Sons Company	78,750	100	7,875,000	22.50%	—
Al-Mojel for Trade and Contracting Company	51,625	100	5,162,500	14.75%	—
Abdulkarim Hamad Al-Mojel	27,125	100	2,712,500	7.75%	—
Abdullah Rashed Abunayyan	35,000	100	3,500,000	10.00%	—
Total	350,000	—	35,000,000	100%	—

Source: The Company

4. On 25/02/1424H (corresponding to 28/04/2003G), heirs of Abdullah Rashed Abunayyan transferred all of their Shares to Saad Abdullah Abunayyan, Riyadh Abdullah Abunayyan and Ibrahim Abdullah Abunayyan & Brothers Company. Shares were allocated as follows:

Table 32: The Company's ownership structure in 2003G

Shareholder	Number of Shares	Value per Share (SAR)	Total (SAR)	Ownership Percentage	Notes
Al-Muhanna Trading Company	78,750	100	7,875,000	22.50%	—
Rashed Abdurrahman Al-Rashed & Sons Company	78,750	100	7,875,000	22.50%	—
Abdulkadir Al-Muhaidib & Sons Company	78,750	100	7,875,000	22.50%	—
Al-Mojel for Trade and Contracting Company	51,625	100	5,162,500	14.75%	—
Abdulkarim Hamad Al-Mojel	27,125	100	3,712,500	7.75%	—
Saad Abdullah Abunayyan	2,784	100	378,400	0.80%	Abdullah Rashed Abunayyan's Inheritance
Riyadh Abdullah Abunayyan	10,540	100	1,054,000	3.01%	Abdullah Rashed Abunayyan's Inheritance
Ibrahim Abunayyan & Brothers Company	21,676	100	2,167,600	6.19%	Abdullah Rashed Abunayyan's Inheritance
Total	350,000	—	35,000,000	100%	—

Source: The Company

5. On 09/11/1424H (corresponding to 01/01/2004G), the Company's share capital was increased to (SAR 70,000,000) seventy million Saudi Riyals divided into (1,400,000) one million and four hundred thousand cash Shares of equal value, reducing the nominal value of each share to (SAR 50) fifty Saudi Riyals per Share. The increase of (SAR 35,000,000) thirty-five million Saudi Riyals was made through capitalization of (SAR 17,500,000) seventeen million and five hundred thousand Saudi Riyals from the statutory reserve and (SAR 17,500,000) seventeen million and five hundred thousand Saudi Riyals from the retained earnings. Shares were allocated as follows:

Table 33: The Company's ownership structure in 2004G

Shareholder	Number of Shares	Value per Share (SAR)	Total (SAR)	Ownership Percentage	Notes
Al-Muhanna Trading Company	315,000	50	15,750,000	22.50%	—
Rashed Abdurrahman Al-Rashed & Sons Company	315,000	50	15,750,000	22.50%	—
Abdulkadir Al-Muhaidib & Sons Company	315,000	50	15,750,000	22.50%	—
Al-Mojel for Trade and Contracting Company	206,500	50	10,325,000	14.75%	—
Abdulkarim Hamad Al-Mojel	108,500	50	5,425,000	7.75%	—
Saad Abdullah Abunayyan	11,136	50	556,800	0.80%	—
Riyadh Abdullah Abunayyan	42,160	50	2,108,000	3.01%	—
Ibrahim Abunayyan & Brothers Company	86,704	50	4,335,200	6.19%	—
Total	1,400,000	—	70.000.000	100%	—

Source: The Company

6. On 21/05/1427H (corresponding to 17/06/2006G), the Company was converted into a closed joint stock company pursuant to the Constituent General Assembly's resolution with a share capital of (SAR 200,000,000) two hundred million Saudi Riyals divided into (20,000,000) twenty million Shares, with a nominal value of (SAR 10) ten Saudi Riyals per Share, by re-evaluating the Company based on the average of: (i) the historical adjusted cost of the re-evaluated fixed assets, and (ii) the weighted value of the estimated future returns of the Company which resulted in the capitalization of (SAR 85,709,403) eighty five million, seven hundred nine thousand and four hundred three Saudi Riyals, (SAR 39,290,597) thirty nine million two hundred ninety thousand and five hundred ninety seven Saudi Riyals from the retained earnings balance, and injection of (SAR 5,000,000) five million Saudi Riyals paid in cash by the Shareholders, which process was approved by the Ministry of Commerce and Industry at that time. Shares were allocated as follows:

Table 34: The Company's ownership structure in 2006G

Shareholder	Number of Shares	Value per Share (SAR)	Total (SAR)	Ownership Percentage	Notes
Al-Muhanna Trading Company	4,500,000	10	45,000,000	22.50%	—
Rashed Abdurrahman Al-Rashed & Sons Company	4,500,000	10	45,000,000	22.50%	—
Abdulkadir Al-Muhaidib & Sons Company	4,500,000	10	45,000,000	22.50%	—
Al-Mojel Trading and Contracting Company	2,950,000	10	29,500,000	14.75%	—
Abdulkarim Hamad Al-Mojel	1,550,000	10	15,500,000	7.75%	—
Saad Abdullah Abunayyan	159,080	10	1,590,800	0.80%	—
Riyadh Abdullah Abunayyan	602,280	10	6,022,800	3.01%	—
Ibrahim Abunayyan & Brothers Company	1,238,640	10	12,386,400	6.19%	—
Total	20,000,000	—	200,000,000	100%	—

Source: The Company

7. On 26/08/1428H (corresponding to 08/09/2007G), the Company's share capital was increased to (SAR 300,000,000) three hundred million Saudi Riyals divided into (30,000,000) thirty million ordinary Shares. The increase of (SAR 100,000,000) one hundred million Saudi Riyals was made through capitalization of (SAR 94,688,533) ninety-four million six hundred eighty-eight thousand five hundred thirty-three Saudi Riyals from the retained earnings along with capitalization of (SAR 5,311,467) five million three hundred eleven thousand four hundred sixty-seven Saudi Riyals from the statutory reserve. Shares were allocated as follows:

Table 35: The Company's ownership structure in 2007G

Shareholder	Number of Shares	Value per Share (SAR)	Total (SAR)	Ownership Percentage	Notes
Al-Muhanna Trading Company	6,750,000	10	67,500,000	22.50%	—
Rashed Abdurrahman Al-Rashed & Sons Company	6,750,000	10	67,500,000	22.50%	—
Abdulkadir Al-Muhaidib & Sons Company	6,750,000	10	67,500,000	22.50%	—
Al-Mojel Trading and Contracting Company	4,425,000	10	44,250,000	14.75%	—
Abdulkarim Hamad Al-Mojel	2,325,000	10	23,250,000	7.75%	—
Riyadh Abdullah Abunayyan	903,420	10	9,034,200	3.01%	—
Ibrahim Abunayyan & Brothers Company	2,096,580	10	20,956,800	6.99%	Purchasing Saad Abdullah Abunayyan's shares
Total	30,000,000	—	300,000,000	100%	—

Source: The Company

8. On 10/09/1429H (corresponding to 10/09/2008G), the Company's share capital was increased to (SAR 400,000,000) four hundred million Saudi Riyals divided into (40,000,000) forty million fully paid ordinary Shares. The increase of (SAR 100,000,000) one hundred million Saudi Riyals was made through (i) capitalization of (SAR 96,561,811) ninety-six million five hundred sixty-one thousand eight hundred eleven Saudi Riyals from retained earnings, and (ii) capitalization of (SAR 3,438,189) three million four hundred thirty-eight thousand one hundred eighty-nine Saudi Riyal from the statutory reserve. Shares were allocated as follows:

Table 36: The Company's ownership structure in 2008G

Shareholder	Number of Shares	Value per Share (SAR)	Total (SAR)	Ownership Percentage	Notes
Al-Muhanna Trading Company	9,000,000	10	90,000,000	22.50%	—
Rashed Abdurrahman Al-Rashed & Sons Company	9,000,000	10	90,000,000	22.50%	—
Abdulkadir Al-Muhaidib & Sons Company	9,000,000	10	90,000,000	22.50%	—
Al-Mojel Trading and Contracting Company	5,900,000	10	59,900,000	14.75%	—
Abdulkarim Hamad Al-Mojel	3,100,000	10	31,000,000	7.75%	—
Riyadh Abdullah Abunayyan	1,204,560	10	12,045,600	3.01%	—
Ibrahim Abunayyan & Brothers Company	2,795,440	10	27,945,400	6.99%	—
Total	40,000,000	—	400,000,000	100%	—

Source: The Company

9. On 28/11/1430H (corresponding to 16/11/2009G), the Company's share capital was increased to (SAR 508,000,000) five hundred eight million Saudi Riyals divided into (50,800,000) fifty million eight hundred thousand fully paid ordinary Shares with a nominal value of (SAR 10) ten Saudi Riyals per Share. The increase of (SAR 108,000,000) one hundred eight million Saudi Riyals was made through capitalizing the whole interest-free loan provided by the Shareholders to finance the Company's share in the Subsidiary's capital increase on 11/10/1430H (corresponding to 30/09/2006G) from (SAR 150,000,000) one hundred fifty million Saudi Riyals to (SAR 300,000,000) three hundred million Saudi Riyals. Shares were allocated as follows:

Table 37: The Company's ownership structure in 2009G

Shareholder	Number of Shares	Value per Share (SAR)	Total (SAR)	Ownership Percentage	Notes
Al-Muhanna Trading Company	11,430,000	10	114,300,000	22.50%	—
Rashed Abdurrahman Al-Rashed & Sons Company	11,430,000	10	114,300,000	22.50%	—
Abdulkadir Al-Muhaidib & Sons Company	11,430,000	10	114,300,000	22.50%	—
Al-Mojel Trading and Contracting Company	7,493,000	10	74,930,000	14.75%	—
Abdulkarim Hamad Al-Mojel	3,937,000	10	39,370,000	7.75%	—
Riyadh Abdullah Abunayyan	1,529,791	10	15,297,910	3.01%	—
Ibrahim Abunayyan & Brothers Company	3,550,209	10	35,502,090	6.99%	—
Total	50,800,000	—	508,000,000	100%	—

Source: The Company

10. On 02/06/2012G, Ibrahim Abunayyan & Brothers Company sold all its shares to the Shareholders on a pro-rata basis. Shares were allocated as follows:

Table 38: The Company's ownership structure in 2012G

Shareholder	Number of Shares	Value per Share (SAR)	Total (SAR)	Ownership Percentage	Notes
Al-Muhanna Trading Company	12,288,816	10	122,888,160	24.19%	—
Rashed Abdurrahman Al-Rashed & Sons Company	12,288,816	10	122,888,160	24.19%	—
Abdulkadir Al-Muhaidib & Sons Company	12,288,816	10	122,888,160	24.19%	—
Al-Mojel Trading and Contracting Company	8,056,002	10	80,560,020	15.86%	—
Abdulkarim Hamad Al-Mojel	4,232,815	10	42,328,150	8.33%	—
Riyadh Abdullah Abunayyan	1,644,735	10	16,447,350	3.24%	—
Total	50,800,000	—	508,000,000	100%	—

Source: The Company

11. On 22/03/2015G, Al-Muhanna Trading Company sold (2,457,764) two million four hundred fifty-seven thousand seven hundred sixty-four Shares to Abdulaziz Abdullah Al-Muhanna, (2,457,763) two million four hundred fifty-seven thousand seven hundred sixty-three Shares to Ibrahim Abdullah Al-Muhanna and (2,457,763) two million four hundred fifty-seven thousand seven hundred sixty-three Shares to Muhanna Abdullah Al-Muhanna. Shares were allocated as follows:

Table 39: The Company's ownership structure in 22/03/2015G

Shareholder	Number of Shares	Value per Share (SAR)	Total (SAR)	Ownership Percentage	Notes
Rashed Abdurrahman Al-Rashed & Sons Company	12,288,816	10	122,888,160	24.19%	—
Abdulkadir Al-Muhaidib & Sons Company	12,288,816	10	122,888,160	24.19%	—
Al-Mojel Trading and Contracting Company	8,056,002	10	80,560,020	15.86%	—
Al-Muhanna Trading Company	4,915,526	10	49,155,260	9.67%	Selling part of its share
Abdulkarim Hamad Al-Mojel	4,232,815	10	42,328,150	8.33%	—
Abdulaziz Abdullah Al-Muhanna	2,457,764	10	24,577,640	4.83%	
Ibrahim Abdullah Al-Muhanna	2,457,763	10	24,577,630	4.83%	Purchasing portion of Al-Muhanna Trading Company shares
Muhanna Abdullah Al-Muhanna	2,457,763	10	24,577,630	4.83%	Purchasing portion of Al-Muhanna Trading Company shares
Riyadh Abdullah Abunayyan	1,644,735	10	16,447,350	3.24%	—
Total	50,800,000	—	508,000,000	100%	—

Source: The Company

4-1-3 Substantial Shareholders Owning 5% or More of the Capital

Details of Substantial Shareholders owning 5% or more of the Company's share capital are as follows:

Table 40: Details of Substantial Shareholders owning 5% or more of the Company's share capital pre- and post-Offering

#	Shareholder	Pre-Offering				Post– Offering			
		Number of direct shares*	Number of indirect shares	%	Value (SAR)	Number of direct shares*	Number of indirect shares	%	Value (SAR)
1	Rashed Abdurrahman Al-Rashed & Sons Company	12,288,816	—	24.19%	122,888,160	8,600,961	—	16.93%	86,009,610
2	Abdulkadir Al-Muhaidib & Sons Company	12,288,816	—	24.19%	122,888,160	8,600,961	—	16.93%	86,009,610
3	Al-Mojel Trading and Contracting Company	8,056,002	—	15.86%	80,560,020	5,638,409	—	11.11%	56,384,090
4	Al-Muhanna Trading Company	4,915,526	—	9.68%	49,155,260	3,440,384	—	6.77%	34,403,840
5	Abdulkarim Hamad Al-Mojel	4,232,815	—	8.33%	42,328,150	2,962,556	—	5.83%	29,625,560
6	Saad Ibrahim Al-Mojel**	—	4,471,081	8.80%	44,710,811	—	3,129,757	6.16%	31,297,570
7	Saleh Ibrahim Al-Mojel***	—	3,584,921	7.06%	35,849,210	—	2,509,445	4.94%	25,094,445
8	Sulaiman Abdulkadir Al-Muhaidib & Partners Company*****	—	3,152,081	6.20%	31,520,810	—	2,206,457	4.34%	22,064,569
9	Sulaiman Abdulkadir Al-Muhaidib******	—	2,843,177	5.60%	28,431,770	—	1,990,224	3.92%	19,902,240
10	Emad Abdulkadir Al-Muhaidib & Partners Company****	—	3,152,081	6.20%	31,520,810	—	2,206,457	4.34%	22,064,569
11	Emad Abdulkadir Al-Muhaidib******	—	2,843,177	5.60%	28,431,770	—	1,990,224	3.92%	19,902,240
12	Essam Abdulkadir Al-Muhaidib & Partners Company****	—	3,152,081	6.20%	31,520,813	—	2,206,457	4.34%	22,064,569
13	Essam Abdulkadir Al-Muhaidib*******	—	2,840,025	5.59%	28,400,250	—	1,988,018	3.91%	19,880,180

Source: The Company

* These shares include Qualification Shares allocated by Selling Shareholders to each of the current Directors (except for Mohammad Ahmed Al-Saadi and Mohammed Abdullah El-Kuwaiz).

** Indirect shares of Saad Ibrahim Al-Mojel through owning 55.50% of Al-Mojel Trading and Contracting Company.

*** Indirect shares of Saleh Ibrahim Al-Mojel through owning 44.50% of Al-Mojel Trading and Contracting Company.

**** Indirect shares of Sulaiman Abdulkadir Al-Muhaidib & Partners Company, Emad Abdulkadir Al-Muhaidib & Partners Company and Essam Abdulkadir Al-Muhaidib & Partners Company as each owns 25.65% in Abdulkadir Al-Muhaidib & Sons Company.

***** Indirect shares of Sulaiman Abdulkadir Al-Muhaidib through owning portions in joint stock companies in Abdulkadir Al-Muhaidib & Sons Company as follows: 90.2% in Sulaiman Abdulkadir Al-Muhaidib & Partners Company, 2.5% in Emad Abdulkadir Al-Muhaidib & Partners Company, 2.5% in Essam Abdulkadir Al-Muhaidib & Partners Company, 27% in Amwal Alajial Trading Company and 5% in Lolwa Suliman Saleh Al Mudaiheem and Partners Company

****** Indirect shares of Emad Abdulkadir Al-Muhaidib through owning portions in joint stock companies in Abdulkadir Al-Muhaidib & Sons Company as follows: 90.2% in Emad Abdulkadir Al-Muhaidib & Partners Company, 2.5% in Sulaiman Abdulkadir Al-Muhaidib & Partners Company, 2.5% in Essam Abdulkadir Al-Muhaidib & Partners Company and 27% in Amwal Alajial Trading Company.

******* Indirect shares of Essam Abdulkadir Al-Muhaidib through owning portions in joint stock companies in Abdulkadir Al-Muhaidib & Sons Company as follows: 90.1% in Essam Abdulkadir Al-Muhaidib & Partners Company, 2.5% in Sulaiman Abdulkadir Al-Muhaidib & Partners Company, 2.5% in Emad Abdulkadir Al-Muhaidib & Partners Company and 27% in Amwal Alajial Trading Company.

4-1-4 Overview of the Non-Individual Selling Shareholders

Below is a brief overview of the corporate Selling Shareholders (non-individual Shareholders):

Rashed Abdurrahman Al-Rashed & Sons Company

Rashed Abdurrahman Al-Rashed & Sons Company is a limited partnership company registered in Dammam under Commercial Registration no. 2051000019 dated 11/08/1376H (corresponding to 13/03/1957G) with a share capital of (SAR 29,000,000) twenty-nine million Saudi Riyals.

The main activities of Rashed Abdurrahman Al-Rashed & Sons Company is general building contracting and holding shares (whether directly or indirectly through other companies within its group) in companies operating in the following main fields:

- Wholesale and retail trade in food products, where it owns shares in several companies in this sector including Luxury Food Company and Al-Rashed Food Company.
- Industrial activities, where it owns shares in several companies in this sector including Alshifa Medical Syringes Manufacturing Company, National Co. for Cleaning & Paint Brushes and Saudi Services for Electro-Mechanic Works Company Ltd.
- Financial services, where it owns shares in several companies in this sector including BSF, ANB and Al-Yamamah Investment and Installment Company.
- Investment and real estate development, where it owns shares in several companies in this sector including Mada Al Sharqiya Real estate Development Company, Dammam Hotels Company, Dana Gulf Tourism Company, Jenan Real Estate Company and Argan Projects Company.
- Contracting, where it owns shares in several companies in this sector including Al Rashid Trading & Contracting.
- Health and information technology, where it owns shares in several companies in this sector including Gulf Computer And Electronic Equipment Co, Al Falak Electronic Equipment & Supplies, Al-Mubadarat Company for Information and communication and Medical Care and Sciences Company.

Rashed Abdurrahman Al-Rashed & Sons Company may, according to its articles of association, contribute to the capital of companies with a percentage that would enable it to take control over such companies. It may also hold shares or merge with other existing companies.

The table below sets out the ownership percentages of Rashed Abdurrahman Al-Rashed & Sons Company' partners:

Table 41: Rashed Abdurrahman Al-Rashed & Sons Company ownership structure

Name	Percentage
1- Abdulaziz Rashed Abdul Rahman Al Rashed	19.46%
2- Salah Rashed Abdul Rahman Al Rashed	19.46%
3- Abdulmohsen Rashed Abdul Rahman Al Rashed	19.46%
4- Abdulmonem Rashed Abdul Rahman Al Rashed	19.46%
5- Abdul Rahman Rashed Abdul Rahman Al Rashed	19.46%
6- Salwa Rashed Abdul Rahman Al Rashed	2.67%
Total	100%

Source: The Company

Al-Muhanna Trading Company

Al-Muhanna Trading Company is a partnership registered in Riyadh under Commercial Registration no. 1010056270 dated 05/02/1405H (corresponding to 30/10/1984G) with a share capital of (SAR 4,000,000) four million Saudi Riyals.

The main activities of Al-Muhanna Trading Company include wholesale and retail in building materials; health and electrical materials; building equipment; architectural and construction contracting; roads and bridges; industrial equipment; selling, purchasing, and leasing real estate and lands.

The table below sets out the ownership percentages of partners in Al-Muhanna Trading Company:

Table 42: Al-Muhanna Trading Company ownership structure

Name	Percentage
1- Muhammad Abdullah Ibrahim Al-Muhanna	50%
2- Abdul Rahman Abdullah Ibrahim Al-Muhanna	50%
Total	100%

Source: The Company

Abdulkadir Al-Muhaidib & Sons Company

Abdulkadir Al-Muhaidib & Sons Company is a closed joint stock company registered in Dammam under commercial registration no. 2050009333 dated 17/09/1400H (corresponding to 29/07/1980G) with a share capital of (SAR 1,000,000,000) one billion Saudi Riyals.

The main activities of Abdulkadir Al-Muhaidib & Sons Company include contribution and acquisition of shares (whether directly or indirectly through other companies within its group) in companies operating in the following main fields:

- Wholesale and retail in food products, where it owns shares in several companies in this sector including Savola Food Company, Saudi Arabia Nestle, Del Monte Company, Al Maha Distribution Company and Reem Rice Mills.
- Industrial activities, where it owns shares in several companies in this sector including Bawan Company, Al-Yamamah Steel Industries Company, United Mining Industries Company, Riyadh Cables Group Company, NRCC, Arabian Pipe Company, Middle East Paper Company.
- Financial services, where it owns shares in several companies in this sector including Saudi British Bank, Gulf Funds Company and Gozour Holding Company.
- Investment and real estate development, where it owns shares in several companies in this sector including First Company for Real Estate Development, Rafal Real Estate Development Company, Emaar Middle East, Al Shamiyah for Real Estate Development Company and United Company for Central Markets.
- Contracting, where it owns Al-Muhaidib Contracting Company which holds shares in Al Latifia Trading and Contracting.
- Energy and services where it owns shares in Arab Company for Water and Power (Aqua Holding).

Abdulkadir Al-Muhaidib & Sons Company may, according to its bylaws, contribute to the capital of companies with a percentage that would enable it to take control over such companies. It may also hold shares or merge with other existing companies.

The table below sets out the ownership percentages of Abdulkadir Al-Muhaidib & Sons Company's shareholders:

Table 43: Abdulkadir Al-Muhaidib & Sons Company ownership structure

Name	Percentage
1- Sulaiman Abdulkadir Al-Muhaidib & Partners Company, a limited liability company owned by:	25.65%
Sulaiman Abdulkadir Al-Muhaidib	90.20%
Emad Abdulkadir Al-Muhaidib	2.50%
Essam Abdulkadir Al-Muhaidib	2.50%
Musaab Sulaiman Al-Muhaidib	0.60%
Ahmad Sulaiman Al-Muhaidib	0.60%
Abdul-Hamid Sulaiman Al-Muhaidib	0.60%
Mohammed Sulaiman Al-Muhaidib	0.60%
Abdulkadir Sulaiman Al-Muhaidib	0.60%
Abdulkadir Sulaiman Al-Muhaidib	0.60%
Noura Sulaiman Al-Muhaidib	0.60%

Name	Percentage
Loloa Sulaiman Al-Muhaidib	0.60%
2- Emad Abdulkadir Al-Muhaidib & Partners Company, a limited liability company owned by:	25.65%
Emad Abdulkadir Al-Muhaidib	90.20%
Sulaiman Abdulkadir Al-Muhaidib	2.50%
Essam Abdulkadir Al-Muhaidib	2.50%
Abdullah Emad Al-Muhaidib	0.80%
Reem Emad Al-Muhaidib	0.80%
Abdulaziz Emad Al-Muhaidib	0.80%
Abdulrahman Emad Al-Muhaidib	0.80%
Khalid Emad Al-Muhaidib	0.80%
Nouf Emad Al-Muhaidib	0.80%
3- Essam Abdulkadir Al-Muhaidib & Partners Company, a limited liability company owned by:	25.65%
Essam Abdulkadir Al-Muhaidib	90.10%
Sulaiman Abdulkadir Al-Muhaidib	2.50%
Emad Abdulkadir Al-Muhaidib	2.50%
Sara Essam Al-Muhaidib	0.70%
Noura Essam Al-Muhaidib	0.70%
Lolwa Sulaiman Al-Muhaidib	0.70%
Mohammed Essam Al-Muhaidib	0.70%
Dana Essam Al-Muhaidib	0.70%
Abdulkadir Essam Al-Muhaidib	0.70%
Deem Essam Al-Muhaidib	0.70%
4- Amwal Alajial Trading Company, a limited liability company owned by:	5%
Sulaiman Abdulkadir Al-Muhaidib	27%
Emad Abdulkadir Al-Muhaidib	27%
Essam Abdulkadir Al-Muhaidib	27%
Lolwa Suliman Saleh Almudaiheem	5%
Awatef Abdulkadir Al-Muhaidib	3.50%
Mariyam Abdulkadir Al-Muhaidib	3.50%
Haifa Abdulkadir Al-Muhaidib	3.50%
Tamader Abdulkadir Al-Muhaidib	3.50%
5- Lolwa Suliman Saleh Almudaiheem & Partners Company, a limited liability company owned by:	4.75%
Lolwa Suliman Saleh Almudaiheem	95%
Sulaiman Abdulkadir Al-Muhaidib	5%
6- Mariyam Abdulkadir Al-Muhaidib & Partners Company, a limited liability company owned by:	3.325%
Mariyam Abdulkadir Al-Muhaidib	94%
Haifa Abdulkadir Al-Muhaidib	2%
Awatef Abdulkadir Al-Muhaidib	2%

Name	Percentage
Tamader Abdulkadir Al-Muhaidib	2%
7- Haifa Abdulkadir Al-Muhaidib & Partners Company, a limited liability company owned by:	3.325%
Haifa Abdulkadir Al-Muhaidib	94%
Mariyam Abdulkadir Al-Muhaidib	2%
Awatef Abdulkadir Al-Muhaidib	2%
Tamader Abdulkadir Al-Muhaidib	2%
8- Awatef Abdulkadir Al-Muhaidib & Partners Company, a limited liability company owned by:	3.325%
Awatef Abdulkadir Al-Muhaidib	94%
Mariyam Abdulkadir Al-Muhaidib	2%
Haifa Abdulkadir Al-Muhaidib	2%
Tamader Abdulkadir Al-Muhaidib	2%
9- Tamader Abdulkadir Al-Muhaidib & Partners Company, a limited liability company owned by:	3.325%
Tamader Abdulkadir Al-Muhaidib	94%
Mariyam Abdulkadir Al-Muhaidib	2%
Haifa Abdulkadir Al-Muhaidib	2%
Awatef Abdulkadir Al-Muhaidib	2%
Total	100%

Source: The Company

Al-Mojel for Trade and Contracting Company

Al-Mojel for Trade and Contracting Company is a partnership registered in Riyadh under commercial registration no. 1010063525 dated 16/01/1407H (corresponding to 21/09/1986G) with a share capital of (SAR 21,250,000) twenty-one million two hundred fifty thousand Saudi Riyals.

The main activity of Al-Mojel for Trade and Contracting Company is investment and it has many investments in various fields such as industry, real estate, construction materials, health, education, insurance, banking, consumables, energy services and real estate development in the Kingdom, Gulf, and Arab countries.

The table below sets out the ownership percentages of partners in Al-Mojel for Trade and Contracting Company:

Table 44: Ownership Structure of Al-Mojel Trading and Contracting Company

Name	%
1- Saleh Abdulaziz Ibrahim Al-Mojel	44.50%
2- Sa'ad Ibrahim Abdulaziz Al-Mojel	55.50%
Total	100%

Source: The Company

The current business of Al-Mojel for Trade and Contracting Company is based on trading construction materials and holding shares (whether directly or indirectly through other companies within its group) in companies operating in the following main fields:

- Industrial activities, where it owns shares in several companies in this sector including Saudi Perlite Industries, United plastic Company, Al-Yamamah Steel Industries Company, United Mining Industries Company, Yamama Granite & Marble, City Cement Company, Arabian Pipe Company, Ceramic Pipes Company and Arab Precise industries Company.
- Financial insurance and investment services, where it owns shares in several companies in this sector including AXA Cooperative Insurance Company, Technology investment Company and other investment companies.

- Real estate development and investment, where it owns shares in several companies in this sector including Bayan Realty Estate Company, Mawten Real Estate Company, Al-Yamamah Investment and Real Estate Development Company and Al Khobar Enterprises Development Company.
- Energy and Services, where it owns shares in the Industrialization & Energy Services Company (TAQA).
- Education and training, where it owns shares in the Global Dimension Company.

Al-Mojel Trading and Contracting Company may contribute to the capital of companies with a percentage that would enable it to take control over such companies. It may also hold shares or merge with other existing companies.

4-1-5 Overview of the Subsidiary

Al-Yamamah Company For Reinforcing Steel Bars was first incorporated as a limited liability company (and is a subsidiary of Al-Yamamah Steel Industries Company that holds 72.5% of its share capital). The Subsidiary was registered in Riyadh under commercial registration no. 1010184297 dated 17/12/1423H (corresponding to 18/02/2003G). The Subsidiary was converted from a limited liability company into a joint stock company pursuant to Ministerial Resolution no. 205/S dated 25/08/1435H (corresponding to 23/06/2014G). The Subsidiary was registered under the same name and commercial registration number according to the notarized shareholders resolution dated 13/03/1435H (corresponding to 14/01/2014G). The Subsidiary's head office is located in Riyadh and it has one branch in Yanbu, which is the Subsidiary's reinforcing steel bars manufacturing plant opened on 05/11/1426H (corresponding to 07/12/2005G).

The Subsidiary's current share capital is (SAR 300,000,000) three hundred million Saudi Riyals divided into (30,000,000) thirty million fully paid ordinary Shares with a nominal value of (SAR 10) ten Saudi Riyals per Share. Shares were allocated as follows:

Table 45: Ownership structure of the Subsidiary

Shareholder	Number of Shares	Value per share (SAR)	Total (SAR)	Ownership Percentage
Al-Yamamah Steel Industries Company	21,750,000	10	217,500,000	72.50%
Al-Fozan Holding Company	4,560,000	10	45,600,000	15.20%
Salah Rashed Al-Rashed	1,095,000	10	10,950,000	3.65%
Abdulmohsen Rashed Al-Rashed	1,095,000	10	10,950,000	3.65%
Mohammed Ali AlWuhaiby	1,500,000	10	15,000,000	5%
Total	30,000,000	—	300,000,000	100%

Source: The Company

4-2 Overview of the Company

4-2-1 Corporate History

The Company was established twenty-five years ago by a group of businessmen with commercial and industrial experience. It started out by opening the tubes plant in Jeddah to produce all types of square, circular and rectangular welded steel pipes. This manufacturing plant represents the starting point of the Company's road to success and expansion of business in the steel industry. Five years later, the Company also added space frames to its portfolio and witnessed a growth in the Company's sales in these two fields.

The Company's business also witnessed an expansion by establishing the poles plant in Jeddah in 2005G to serve the electricity distribution sector by supplying steel galvanized distribution poles and their galvanized accessories. The Company was listed as an approved supplier by SEC for the supply of this category of products on 01/05/1426H (corresponding to 08/06/2005G). The Company's business also expanded to include the production of galvanized steel lighting poles and high masts used in streets, squares and highways. The Company added reinforcing steel bars to its portfolio by establishing the Subsidiary's reinforcing steel bars plant at Yanbu in the western region of the Kingdom, which started production in August 2008G. Later on, the Company added galvanized steel towers to its portfolio by producing steel lattice towers for electrical and communication transmission towers in the first quarter of 2010G. The Company successfully obtained the approval of SEC to build and manufacture all types of towers to serve high and extra-high voltage.

The previous successes of the Company were complemented by the continuous execution of the Company's expansion plans for its existing activities. Such expansion aims at coping with the increasing demand for the

Company's products supported by major governmental projects. The first expansion of Al-Yamamah Steel Industries Plant (Tubes) in Dammam was completed in the first quarter of 2013G, the second phase (A) was completed in the third quarter of 2015G, and the remaining phases are under progress. An expansion in Al-Yamamah Electric Poles and Accessories Plant in Jeddah was completed in April 2014G, in addition to the operation of a slitting line and the renovation of the second tube production line in Al-Yamamah Steel Industries Plant (Tubes) in Jeddah in 2015G. The production lines of Al-Yamamah Steel Industries Plant (Tubes) in Jeddah are currently being upgraded and expected to end in 2016G, which will result in the completion of renovating production lines and maintenance works of Al-Yamamah Steel Industries Plant (Tubes) in Jeddah.

The Company's business expansion was followed by an expansion in its customer base to include merchants, contractors, companies, government agencies and factories.

4-2-2 Summary of Increases in the Company's Share Capital

The Company's share capital has undergone several changes over the past years as set forth in the following table:

Table 46: Summary of increases in the Company's share capital

No.	Date	Legal Form	Capital post-increase (SAR)	Value per share (SAR)
1	01/06/1409H (corresponding to 09/01/1989G)	Limited Liability Company	5,100,000	100
2	23/05/1413H (corresponding to 18/11/1992G)	Limited Liability Company	15,000,000	100
3	19/07/1414H (corresponding to 01/01/1994G)	Limited Liability Company	35,000,000	100
4	09/11/1424H (corresponding to 01/01/2004G)	Limited Liability Company	70,000,000	50
5	21/05/1427H (corresponding to 17/06/2006G)	Limited Liability Company	200,000,00	10
6	26/08/1428H (corresponding to 08/09/2007G)	Closed Joint Stock Company	300,000,000	10
7	10/09/1429H (corresponding to 10/09/2008G)	Closed Joint Stock Company	400,000,000	10
8	28/11/1430H (corresponding to 16/11/2009G)	Closed Joint Stock Company	508,000,000	10

Source: The Company

4-2-3 Key Developments

Table 47: Key developments in the Company during the past years

Date	Developments
1990G	Opening Al-Yamamah Steel Industries Plant (Tubes) in Jeddah with a capacity of 120,000 ton/year.
1996G	Opening of Al-Yamamah Steel Industries Plant (Space Frames) in Jeddah with a capacity of 30,000 ton/year
2003G	Incorporation of the Subsidiary
2005G	Opening of Al-Yamamah Electric Poles and Accessories Plant in Jeddah with a capacity of 30,000 ton/year
2006G	The conversion of the Company into a closed joint stock company
2008G	Opening of the Subsidiary's reinforcing steel bars manufacturing plant in Yanbu with a capacity of 600,000 ton/year
2010G	Opening of Al-Yamamah Electric Towers Production Plant in Jeddah with a capacity of 30,000 ton/year
2013G	Opening Al-Yamamah Steel Industries Plant (Tubes) in Dammam with a capacity of 36,000 ton/year

Date	Developments
2014G	Completion of the expansion of Al-Yamamah Electric Poles and Accessories Plant in Jeddah to reach 50,000 ton/year of capacity
2015G	Operation and upgrade of tubes production lines (1) and (2) and the new slitting line in Al-Yamamah Steel Industries Plant (Tubes) in Jeddah
2015G	The expansion of Al-Yamamah Electric Towers Production Plant to increase the capacity from 30,000 tons to 40,000 tons
2015G	Operation of the second phase of Al-Yamamah Steel Industries Plant (Tubes) expansion project in Dammam and increasing the capacity from 36,000 tons to 81,000 tons

Source: The Company

4-2-4 The Company's Activities and Business Units

The Company

The activities of the Company comprise (4) four business units registered as branches based on their activity and each unit is managed by a head who is responsible for its operations and results. These units are: Tubes SBU, Poles SBU, Space Frames SBU and Towers SBU (each of their respective factories represents a branch of the Company) in addition to the reinforcing steel bars plant in Yanbu that represents a branch of the Subsidiary (Al-Yamamah Company For Reinforcing Steel Bars).

The Company's main activities are focused on producing square, circular and rectangular tubes by the Tubes SBU through Al-Yamamah Steel Industries Plant (Tubes) in Jeddah's Second Industrial City and Al-Yamamah Steel Industries Plant (Tubes) in Dammam's Second Industrial City; and steel roofing structures made from space frames by the Space Frames SBU through Al-Yamamah Steel Industries Plant (Space Frames) in Jeddah's Second Industrial City. The Company's activities also serve electricity distribution and street lighting sectors through its Poles SBU that produces galvanized steel poles used for distribution of electricity by SEC, and produces galvanized steel lighting poles and high masts used for street, highways and squares lights. The Towers SBU also serves the transmission of electricity and telecommunications through producing galvanized steel towers. In addition to that, the activities of the Subsidiary include producing reinforcing steel bars through its plant in Yanbu.

Despite its current strong presence in the local market, and given its good reputation in the market for its quality products and customer service, the Company's future plans focus on increasing its shares in the local market and exploring new opportunities in other markets that would enable it to increase its existing share in the market and enter into other new markets through expanding its portfolio of manufacturing plants as well as establishing new plants for manufacturing steel products.

It should be noted that the Company has detailed written policies and procedures in relation to the production and manufacturing processes of its products within its different business units and plants, which have been implemented in each of the business units' production lines for the past three years, and are in compliance with international quality standards of the International Organization for Standardization (ISO). Such policies are implemented via an enterprise resources planning software (SAP ERP) as per the following:

- Procurement: all raw materials and consumer goods are purchased automatically via SAP ERP in a process that covers purchase orders, selecting materials as per the approved suppliers list, to receiving the goods at the locations of each business unit.
- Inventories: inventories are managed through purchase orders and shipment documents, in addition to issuing receipts automatically via SAP ERP with immediate monitoring by the financial department.
- Production planning: production is programmed according to periodic timelines (monthly, weekly, and daily) and balanced by linking production timelines with supply schedules while maintaining flexibility automatically via SAP ERP.
- Human resources: all recruiting is made as per the needs entered on SAP ERP which tracks employees' dues, rights, benefits and automatically links them to the employee file, general file and the salaries department.
- Maintenance: preventative maintenance is scheduled automatically via SAP ERP for each set of equipment as per its production age and working hours, which enables reduction of production suspension periods to the minimum level while allowing amendment of maintenance periods in response to any changes.
- Finance: the financial department is able to monitor all receipts, expenses, collection, and banking operations automatically via SAP ERP.
- Costs: all raw materials, laborers, depreciation and other costs per product are calculated automatically

via SAP ERP and compared against actual costs to detect any variations.

- Sales: all sales are monitored automatically via SAP ERP in terms of shipment dates, production and shipment management to ensure meeting all customer deadlines. SAP ERP also enables coordination to accommodate any changes.
- Project management: all project are managed automatically via SAP ERP with the ability to monitor and amend production start dates, installments, production levels and letters of guarantee.

The Company also adopts a set of applied internal procedures for research and development of operations and products, which are written policies and procedures approved by the Company and the Subsidiary. Such procedures aim at the following:

- optimizing production by analyzing the production process and identifying areas of development;
- implementing cost-efficient mechanisms to increase the Company's profitability;
- designing and selecting appropriate machinery, relying on new technologies, and establishing and operating new plants;
- ensuring that all products are manufactured within adequate time frames and identifying specific requirements of quality and other cost-related requirements; and
- ensuring that each product complies with environmental regulations and the highest level of quality control.

The following table sets out a brief overview of the Company's manufacturing plants:

Table 48: Overview of the Company's manufacturing plants

Plants	City	Location	Operations Units	Products	Current production capacity	Land status
Al-Yamamah Steel Industries Plant – Jeddah	Jeddah	Second Industrial City	Tubes SBU	Square, circular and rectangular steel pipes	150,000 Tons	Leased from Modon
			Space Frames SBU	3-D steel ceilings	50,000 Tons	
Al-Yamamah Steel Industries Plant	Dammam	Second Industrial City	Tubes SBU	Square, circular and rectangular steel pipes - black tubes	81,000 Tons	Leased from Modon
Al-Yamamah Electric Poles and Accessories Plant	Jeddah	Al-Khumrah	Poles SBU	Electric poles and lighting poles for street, squares and highways.	50,000 Tons	Owned by the Company
Al-Yamamah Electric Towers Production Plant	Jeddah	Al-Khumrah	Towers SBU	Electricity and telecommunications transmission towers	40,000 Tons	Owned by the Company

Source: The Company

The following table sets out a brief overview of the Subsidiary's manufacturing plant:

Table 49: Overview of the Subsidiary's manufacturing plant

Manufacturing plant	City	Location	Products	Current production capacity	Land status
The Subsidiary					
Al-Yamamah Plant for Reinforcing Steel Bars	Yanbu	The Royal Commission in Yanbu	Reinforcing steel bars	600,000 Tons	Leased from The Royal Commission in Yanbu

Source: The Company

The following table sets out the annual production capacity for each of the Company's plants according to their industrial licenses:

Table 50: The Company's licensed production capacity of steel products

Plant	Location	Annual licensed production capacity (Tons)	Actual production capacity (Tons)	Percentage of the Company's consolidated revenues as in 31 March 2015G	Opening/ Commencement of Production Date
Al-Yamamah Steel Industries Plant (Tubes and Space Frames)	Jeddah	510,000	150,000	17%	13/04/1411H (corresponding to 01/11/1990G) 10/09/1416H (corresponding to 31/01/1996G)
Al-Yamamah Steel Industries Plant (Tubes)	Dammam	100,000	81,000	5%	19/04/1434H (corresponding to 01/03/2013G)
Al-Yamamah Electric Poles and Accessories Plant	Jeddah	60,000	40,000	11%	19/04/1434H (corresponding to 01/03/2013G)
Al-Yamamah Electric Towers Production Plant	Jeddah	62,000	50,000	9%	27/08/1426H (corresponding to 01/10/2005G)
Total		732,000	321,000	100%	

Source: The Company

Table 51: The Subsidiary's licensed production capacity of steel products

Plant	Location	Annual licensed production capacity (Tons)	Actual production capacity (Tons)	Opening/ Commencement of Production Date
Al-Yamamah Plant for Reinforcing Steel	Yanbu	1,200,000	600,000	11/02/1429H (corresponding to 18/02/2008G)

Source: The Company

The key raw materials of the Company and the Subsidiary are steel lumps, hot-drawn steel coils, angles, and steel and zinc sheets, which are purchased from local and international suppliers.

A) Tubes SBU

Manufacturing Plants

The Tubes SBU comprises the Company's branches in both Dammam and Jeddah and is specialized in producing all types of steel welded tubes (square, round, and rectangular) in the Kingdom through its plant, Al-Yamamah Steel Industries Plant (Tubes) in Jeddah, which was opened on 13/04/1411H (corresponding to 01/11/1990G), and its plant, Al-Yamamah Steel Industries Plant (Tubes) in Dammam, which was opened on 19/04/1434H (corresponding to 01/03/2013G). The Jeddah plant includes four steel tubes making lines and a line for slitting steel coils with a production capacity of 150,000 ton/year. The steel tubes making lines include a new line that started operation in 2011G, two other lines, which were recently renewed, as well as the old slitting line that was replaced by a new one, and they are now all operational. The third steel tubes making line is currently being upgraded and is expected to be operational in July 2016G, in addition to the renovation of the production hall roof which is expected to be completed in 2016G. The Dammam plant includes a slitting line for steel coils and a steel tubes making line with a production capacity of 36,000 ton/year.

Al-Yamamah Steel Industries Plant (Tubes) in Dammam expansion (second phase (A)) was launched with the operation of the second making line and the additional storage hall in June 2015G which lead to an increase in the production capacity of the plant from 36,000 ton/year to 81,000 ton/year as of financial year 2016G. The Company is currently receiving and analyzing proposals for the second phase (B) of the expansion which aims to introduce production of black pressure pipes by adding the necessary equipment with an annual capacity of 15,000 tons leading to an increase in the production capacity of the plant from 81,000 ton/year to 96,000 ton/year. The completion of such expansion is expected by end of 2016G.

The Company is currently undergoing the third phase of Al-Yamamah Steel Industries Plant (Tubes) in Dammam expansion through adding a production line for tubes (1-4 inch) with a value of SAR 9 million which is expected to be operational in September 2016G, which will increase the production capacity of Al-Yamamah Steel Industries Plant (Tubes) in Dammam from 81,000 ton/year to 141,000 ton/year. In addition, the Company is currently assessing an expansion in type of products produced at Al-Yamamah Steel Industries Plant (Tubes) in Dammam by adding a new production line for galvanized tubes with an annual production capacity of 15,000 tons which will be completed by 2019G.

Raw Materials Used in the Manufacturing Process

The only raw material used in the manufacture process is steel coils, which is hot or cold drawn. The steel coils weigh 30 tons each, with 1-8 mm thickness and 1-2 mm width, according to the the international standards and specifications.

The steel coils are supplied locally from SABIC, and imported from various international sources including but not limited to Japan, Russia, Egypt, Italy, Taiwan and China based on the required thickness and price.

Manufacturing Processes

Slitting:

The production process starts at the slitting line to produce the slitted coils (skelps) with specific sizes and thicknesses so they can be used to manufacture the steel tubes and pipes. It starts by slitting the steel coils (the raw materials) in the slitting line which comprises: the first part of the line; the un-coiler section , followed by the slitting section that slit the steel coils into slices, then the slices are rolled into skelps to produce the final rolls. The speed of this line reaches 120 meter/minute and the line produces 40-50 tons/hour.

Tubing:

The tubing process is done on the tubeproduction line, which consists of the un-coiler section , the forming section the welding section , the cooling section, the cutting saw and the packaging section. The line is fed with the skelp by loading them onto the un-coiler section The starting part of the new scalp is welded and connected to the last part of the processed previous skelp to ensure continuity at the required speed in the line. This is followed by forming the slits into round tubes by a series of rollers that gradually bend the edges. The electric resistance welding machine (ERW) heats up the edges to 1,300ºC by magnetic induction, and the edges are then pressed together by a couple of side rollers so they can be welded. Due to their high temperature, the slits are inserted into a water basin for cooling.

Tubes are formed according to the required outer diameter and the accurate roundness for round tubes. As for the square and rectangular tubes, they are formed in this stage of the line by quad rolls designed specifically for each size. Then they are cut using a mobile cutting saw into required lengths.

After the cutting process, the tubes and pipes are automatically arranged according to the required number in bundles and strapped together with steel straps, and the line operates at a speed of 30-100 meter/minute based on size and thickness.

Transport and Delivery

The Tubes SBU delivers its products to clients across the Kingdom and to GCC countries by contracting with transportation companies operating in the Kingdom. The shipment department coordinates with the said companies and requests trucks based on the required daily shipment destinations. The department also follows up on shipments until they reach their destinations.

Internal Departments of the Tubes SBU

The employees working in the Tubes SBU are distributed among the following internal departments:

Marketing and Sales: this department is responsible for monitoring the market, receiving and following up on customer requests until they reach their respective warehouses as well as working on attracting new customers and exploring different marketing channels.

Production: this department is headed by the production manager, assisted by the production planning engineer and the production supervisors. Their responsibilities include the development and implementation of production plans and the availability of all sizes in the final products' warehouses. This department is also responsible for ensuring continuity of work in the production lines with full capacity and maintaining the safety of workers.

Maintenance: this department employs experienced and skilled engineers and technicians to ensure continuity of production processes and optimum utilization of the Tubes SBU machinery.

Warehouses and Shipment: this department is responsible for storage and organization of all requirements for the production processes and shipment of the final products to work destinations. Such organization is done using the latest enterprise resource planning software (SAP ERP).

Quality control: all the above mentioned operations are monitored by the quality department to ensure the products meet the applied specifications and satisfy customers. The employees of the Tubes SBU work constantly to meet the specifications required by the customers. The quality department carries out the following measurements and tests:

1. inspection of rolls and ensuring correct thickness and width;
2. measurement of sheets' dimensions prior to insertion into the production line;
3. visual and physical inspection of the welds and ensuring flawless welding from the inside;
4. conducting the flattening test on circular tubes to test the welding strength;
5. measurement of the outer diameter and roundness of circular tubes; and
6. measurement of the dimensions, angles and surface of square and rectangular sections.

Products and Production Capacity

The Company's efforts for the past twenty three-years have led to the production of high-quality pipes and tubes that comply with local and international standards in addition to the commitment to provide customers with services in a timely fashion. Furthermore, the Company's close relationships with local and international suppliers of raw materials used in the production process allowed it to go on with its expansion plan and to maintain its share in the Saudi market of 25.6% as at 2014G. The current production capacity of the unit is 231,000 tons upon completion of Al-Yamamah Steel Industries Plant (Tubes) in Dammam expansion project second phase (A). Such expansion lead to reaching a production capacity of 81,000 tons in Al-Yamamah Steel Industries Plant (Tubes) in Dammam at a cost of (SAR 27,385,000) twenty-seven million three hundred eighty-five thousand Saudi Riyals. The production capacity is expected to reach 291,000 tons after all the above-mentioned expansion works are completed in 2019G.

The Tubes SBU's products of steel welded pipes and tubes and steel sheets are used in many industrial and construction fields like steel structures, architectural and steel works, steel scaffolding, steel furniture, billboards, commercial freighters and steel children playgrounds.

The products currently include pipes, tubes and sheets as follows:

Table 52: Tubes SBU products

Description	Dimensions	Thickness
Hot-drawn steel pipes		
square	12 x 12 mm to 150 x 150 mm	1.2 mm to 8 mm
rectangular	15 x 30 mm to 100 x 200 mm	1.2 mm to 8 mm
circular	1/2" inch to 6" inches	1.2 mm to 4 mm
Cold-drawn steel pipes		
square	12 x 12 mm to 60 x 60 mm	0.4 mm to 2 mm
rectangular	15 x 30 mm to 40 x 80 mm	0.4 mm to 2 mm
circular	1/2" inch to 2" inches	0.4 mm to 2 mm
Sheets		
Cold-drawn sheets	From 600 x 1000 mm to 1500 x 3250 mm	0.4 mm to 2 mm.
Hot-drawn sheets	From 600 x 1000 mm to 1500 x 3250 mm	1.2 mm to 4 mm.

Source: The Company

The following table sets out the current and the expected production capacity and the actual production of the Tubes SBU:

Table 53: Current and expected production capacity and the actual production of the Tubes SBU

Plant	Production capacity (Tons)	Expected future production capacity	Annual actual production as in 2013G (in tons)	Annual actual production as in 2014G (in tons)	Annual actual production as in 2015G (in tons)
Jeddah	150,000	150,000	139,711	146,184	134,000
Dammam	36,000	156,000	14,270	36,755	48,400
Total	231,000	306,000	153,981	182,939	182,400

Source: The Company

A) Poles SBU

Manufacturing Plant

The Poles SBU comprises the Company's branch in Jeddah that is responsible for the production of all types of galvanized steel poles through Al-Yamamah Electric Poles and Accessories Plant in Jeddah, which was opened on 27/08/1426H (corresponding to 01/10/2005G). An expansion of the plant to reach a production capacity of 50,000 tons per year was completed and put into operation on 01/06/1435H (corresponding to 01/04/2014G).

Raw Materials Used in the Manufacturing Process

Steel coils with tensile strength of 44 to 52 and thickness of 1.00 mm to 7.00 mm and sheets with thickness of 20.00 to 35.00 mm are used by the Poles SBU to manufacture steel poles for electricity distribution, steel poles for street lights and high masts for squares, parking lots and highways lights. Zinc is used in the galvanizing process to protect poles from rust.

The steel coils are supplied locally from SABIC, and internationally from Japan, Korea, Egypt, Taiwan, Europe and China. Sheets are imported from India, China and Ukraine, while Zinc is imported from Korea, Europe and India.

The Poles SBU also uses 100x100 mm steel angles with thickness of 10 and 12 mm to produce the poles' accessories according to specifications and conditions of SEC. Such angles are supplied locally from Sulb Steel in Jubail and internationally from Korea, Turkey and China.

Manufacturing Processes

The manufacturing process of steel poles and their accessories is comprised of several production stages, which are implemented with commitment to high quality and precision using Computer Numeric Control ("CNC") technology. CNC is a form of technology that provides control over equipment through inputs of the required numbers, like measures and coordinates. Poles production process starts with the production of parallelograms as per required dimensions and are longitudinally bent and welded. A base plate is then welded to the bottom of the lighting pole so it can be mounted easily on concrete bases. The manufacture processes run as follows:

B) Main Lines:

1. Cut to length line: this is where steel coils are uncoiled and cut into the required lengths and width.
2. Parallelograms are shared to make (trapezoid): in this process, steel sheets are cut from rectangles into parallelograms to take the shape of the pole.
3. Bending lines: in this process, trapezoids are compressed and bent into the required shape (8-sided, polygonal or circular) as required.
4. Welding lines: in this process, pole edges are longitudinally welded.
5. Leveling lines: During the above-mentioned welding process, the poles are exposed from below to the welding heat, which causes poles to bend and take the shape of a banana. Consequently, the poles need to be straightened by applying hydraulic pressure in this stage.
6. Base-welding and door-opening cutting lines (Robot System): in this fully automated process, base plated are welded and fuse door openings are cut for lighting poles.
7. Galvanization by hot dip galvanizing: in this process, a Zinc coating is applied to the poles and their accessories to protect them from rust and harsh environemnt. Such process is done in four stages:

- preparation and hanging stage: materials are prepared and hung on hoists as required;
- processing stage: dipping the products in acid tanks so their surfaces are clean and ready to be galvanized;
- galvanization stage: dipping the products in Zinc tanks at 450°C so a Zinc coating is formed on their surfaces; and
- finishing and final preparation stage: final finishing, preparation and packaging of products as required.

C) Supporting Lines:

1. Gas and Plasma Cutting lines: at these lines, poles' bases and accessories are cut by Plasma and Gas.
2. Hydraulic Pressure Machines: in this process, distribution poles' accessories are cut into shape using machines that apply hydraulic pressure to a mold to produce the required shape.
3. Angles cutting lines: at these lines, angles are cut according to the required lengths for production of distribution poles' accessories. Angles are galvanized and packed to the required packing and delivered.

Internal Departments of the Poles SBU

The employees working in the Poles SBU are distributed among the following internal departments:

Marketing and Sales: this department is responsible for monitoring the market, receiving customer requests and managing projects using the latest enterprise resource planning software (SAP ERP).

Design: this department is responsible for designing all poles and accessories according to international standards using the latest design software (Tekla Structure, PLS POLE, AutoCAD, and SAG10).

Planning: this department schedules and observes the execution of production orders in order to achieve best use of available resources and to meet the agreed delivery dates with customers through using the best and latest enterprise resource planning software (SAP ERP).

Maintenance: this department employs experienced and skilled engineers and technicians to ensure continuity of production processes and optimum utilization of the Poles SBU machinery.

Warehouses and Shipment: this department is responsible for storage and organization of all that is required for production processes and shipment of the final products to work destinations. Such organization is done using the latest enterprise resource planning software (SAP ERP).

Quality control: all the above mentioned operations are monitored by the quality department to ensure the products meet the applied specifications and satisfy customers. The employees of the Poles SBU work constantly to meet the specifications required by customers.

Products and Production Capacity

The Poles SBU is responsible for producing all types of slated and cylindrical steel poles and accessories, including electricity distribution poles, lighting poles, lighting masts and decorative poles, through a specialized working team with the highest levels of performance and quality that meet the international standards using the latest production technologies. The Poles SBU has participated in the most strategic projects in the Kingdom for the Ministry of Transport and the Ministry of Municipal and Rural Affairs, including the Haramain High Speed Rail Project, Najran Airport Road Project and the International Land Road Project that links the Kingdom of Bahrain and the Kingdom, in addition to most of the main ring roads projects in the Kingdom.

The following table shows the annual production capacity along with the actual production of the Poles SBU as in 2013G, 2014G, and 2015G.

Table 54: Poles SBU production capacity and actual production

Unit	Production capacity (Tons)*	Annual actual production as in 2013G (in tons)	Annual actual production as in 2014G (in tons)	Annual actual production as in 2015G (in tons)
Poles SBU	50,000	28,575	33,021	33,109

Source: The Company

*The production capacity increased from 30,000 to 50,000 as at 01/06/1435H (corresponding to 01/04/2015G).

A) Towers SBU

Manufacturing Plant

The Towers SBU comprises the Company's branch in Jeddah responsible for the production of galvanized steel towers used for electricity and telecommunication transmission lines through a single plant in Jeddah, Al-Yamamah Electric Towers Production Plant, which was opened on 19/03/1431H (corresponding to 01/03/2010G).

Raw materials used in the manufacturing process

Based on each project, required measurements and specifications of the raw materials are determined, which are as follows:

1. Angles from 45x45 mm with 4 mm of thickness to 250x250 mm with 35 mm of thickness (low and high hardness).
2. Sheets from 2 mm to 40 mm of thickness (low and high hardness).
3. Zinc.
4. Bolts and nuts.

The Company obtains raw materials from approved local market suppliers (Sulb Steel) as well as international markets such as in Korea, Turkey, Ukraine and India.

Designing Processes

Towers are designed based on the requirements of each project and carried out using the latest design programs (Tekla Structure, PLS Tower, AutoCAD and SAP ERP) where the size of the required angles, sheets bolts and nuts for each tower are defined. A schedule of steel sections' quantities required for angles and sheets is then prepared, and identifying their numbers using Tekla.

Manufacturing Processes

The manufacturing process comprises four main stages:

1. Cutting and punching angles and sheets: CNC machines are used to cut, number and punch angles and sheets and Minosse and Peddimat programs are used to automatically transfer the design programs outputs to the machines' operating software (CAD to CAM offline programming) which ensures the process is free from human error.
2. Supporting processes: certain complementary processes are implemented in this stage to give the manufactured piece its final form according the blueprints of the project, which includes notching, heel cutting, bending and welding.
3. Galvanization: a protective Zinc coating is added to the product according to the project specifications with a thickness of 86-130 microns by cleaning and immersing the product in molten Zinc at a temperature of 450°C.
4. Packaging: the final product is packaged and shipped according to the project specifications to the client.
5. Quality control: the quality control process is divided into the following stages:
   - inspection of raw materials upon receipt: measurements of raw material are taken and checked against the purchase orders/project requirements;
   - materials are sampled, chemically and mechanically tested, and checked against purchase orders/ project requirements;
   - periodic inspection of products during manufacture and galvanization: after setting the machine up and inspecting the first sample to ensure the solidity of the operating system, periodic samples are taken afterwards during the manufacturing process to ensure compliance to blueprints.
   - During the galvanization process, a visual inspection of the items and measurement of the thickness of the Zinc coating are carried out using an Alcometer to ensure compliance with the project specifications, and a test of adhesion strength between the steel surface and the galvanization coating is carried out;
   - A thorough inspection and review of the product happens during packaging;
   - A visual inspection of the product and tests ensuring it is defect-free are carried out and measurements are taken to check against the blueprints.

Internal Departments of the Towers SBU

The employees working in the Towers SBU work in the following internal departments:

Marketing and Sales: this department is responsible for monitoring the market, receiving customer requests and managing projects using the latest enterprise resource planning software (SAP ERP).

Design: this department is responsible for designing all electric and telecommunication towers according to international standards using the latest design software (Tekla Structure, PLS POLE, AutoCAD, and SAG10).

Planning: this department schedules and observes the execution of production orders in order to achieve the best use of available resources and meet the agreed delivery dates with customers through using the best and latest enterprise resource planning software (SAP ERP).

Maintenance: this department employs experienced and skilled engineers and technicians to ensure continuity of production processes and optimum utilization of the Towers SBU machinery.

Warehouses and Shipment: this department is responsible for storage and organization of all that is required for production processes and shipment of the final products to work destinations. Such organization is done using the latest enterprise resource planning software (SAP ERP).

Quality control: all the above mentioned operations are monitored by the quality department to ensure the products meet the applied specifications and satisfy customers. The employees of the Towers SBU work constantly to meet the specifications required by the customers. The Towers SBU obtained an ISO 9001:2008 certificate on 21/10/1430H (corresponding to 10/10/2009G) valid until 01/02/1440H (corresponding to 09/10/2018G).

Products and Production Capacity

The Towers SBU is responsible for manufacturing all types of electricity towers used for transmitting high and ultra-high voltage up to 380 KV and telecommunication towers used for transmitting microwave signals for mobile telecommunications of different local and international clients in the Kingdom and the Middle East. The Towers SBU manufactures and supplies towers for many significant projects, including the Qurayate Project second stage (19,000 tons), Duba Station (12,000 tons) and the project of the line between the main station in Petro Rabigh and the substation in Medina, Western Region (27,000 tons).

The following table shows the annual production capacity along with the actual production of the Towers SBU as in 2013G, 2014G, and 2015G.

Table 55: Towers SBU production capacity and actual production

Unit	Production capacity (Tons)	Annual actual production as in 2013G (in tons)	Annual actual production as in 2014G (in tons)	Annual actual production as in 2014G (in tons)
Towers SBU	60,000	24,567	29,879	47,879605

Source: The Company

A) Space Frames SBU

Manufacturing Plant

The Space Frames SBU comprises the Company's branch in Jeddah responsible for the production of steel ceiling structures made from space frames of various designs through a single plant in Jeddah, which was opened on 10/09/1416H (corresponding to 31/01/1996G). The Space Frames SBU is considered a leader in the field of designing, manufacturing, and installing space frames in accordance with the project requirements in the Kingdom.

Raw Materials Used in the Manufacturing Process

Basic raw materials used in the manufacturing process are steel tubes, bolts, nuts and steel balls of different dimensions. Steel balls, bolts and nuts are imported from outside the Kingdom according to the approved design specifications. However, tubes are supplied internally in the Company or from two local plants.

Manufacturing Processes

The Space Frames SBU designs, manufactures and installs 3-D space frames as per the required architectural design and construction project specifications.

1. Design: designs are made according to project specifications using latest analysis and design software.
2. Manufacturing: balls are manufactured in conformity with the approved design where perforating machines are used to put holes in the balls with the angles and diameters required. Tube ends are welded with bolts fixed therein according to the approved design. All materials are painted thereafter with powder then treated with baking, packed and shipped to the site.
3. Installation: the Space Frames SBU installs materials manufactured at the sites in accordance with the approved design and execution charts under the supervision of the Space Frames SBU's engineers. Any cover materials used in the design are also installed.

Internal Departments of the Space Frames SBU

The employees working in the Space Frames SBU work in the following internal departments:

Sales: Operations of the Space Frames SBU's engineers within sales are based on two factors; receiving contractor requests in order to present best economic and engineering solutions for their projects, and coordinating with project owners and consulting offices in order to develop space frames solutions appropriate for their projects.

Design: this department designs the space frames according to the latest global specifications (ASTM, BS, AISC, ASCE) using the latest analysis and engineering design software (STADD, SAP, PROKON, ETABS).

Planning: this department sets schedules for Space Frames SBU's projects to coordinate with design, manufacturing and installation operations to best use resources in accordance with project requirements.

Manufacture and Quality Control: this department undertakes the manufacturing process according to the schedules, providing the best use of resources according to project requirements and high quality requirements. The Space Frames SBU was awarded an ISO 9001:2008 certificate since 13/03/1427H (corresponding to 11/04/2006G) which is valid until 07/10/1439H (corresponding to 21/06/2018G), and it has an effective and certified quality system in all manufacturing stages and it is accredited by Saudi Aramco Company giving regular visits to evaluate quality standards.

Installation: the Company schedules project installation pursuant to project requirements ensuring the best use of the Company's resources.

Products and Production Capacity

The Space Frames SBU is responsible for the design, manufacturing, supply and installation of steel ceiling structures made from space frames of various designs to be used in different construction projects. The Space Frames SBU participated in many projects including: exhibition hall project of the Chamber of Commerce in Riyadh, the main building project of King Saud University, the head office building project for communication and information technology, medical buildings expansion project at King Khaled Hospital, Najran Airport development project, sports stadium project for Princess Noura bint Abdulrahman University, the project of shading dolphin and sea lion swimming pools in the Aquarium in Jeddah and some checkpoint projects in the Kingdom. The Space Frames SBU produces 3-D steel structures forming steel construction roof systems with large distances between the carrying posts, to reach more than 75m and roof architectural ripples used among concrete and metal establishments in construction projects in the Kingdom. Relying on the different construction projects, the Space Frames SBU's productivity may differ from one year to another depending on the number and size of the projects awarded to the Company throughout the year.

4-2-5 Sales and Marketing

The Company has four main strategic business units as mentioned which are: Tubes SBU, Poles SBU, Space Frames SBU and Towers SBU. Each unit is responsible for manufacturing a group of steel products to be sold in local and regional markets. The main driver for the demand of such products is the building and construction sector and government spending on the infrastructure, since high demand for such products arising from governmental projects fostered the continuity and growth of demand therefor.

Tubes SBU

Sales of Tubes SBU consists mainly of steel casing products and high quality tubes. Sales of the Tubes SBU are mainly affected by the trends in the building and construction sector, including the activities of the public and special infrastructure. Top customers of the Tubes SBU include, but are not limited to, building material business including related parties that are leading organizations in the building materials sector such as Al-Muhanna Trading Company and Al-Muhanna Steel Group (owned by Al Muhanna Trading Company and the Director Muhanna Al-Muhanna respectively), Masdar Building Materials (previously known as Al-Muhaidib Building Materials and which Abdulkadir Al-Muhaidib and Sons Company owns by majority), Al-Fozan Building Materials Company

Limited (completely owned by Al-Fozan Holding Company) and other companies such as Abubaker Bawazeer and Partners Company and Al-Rajhi Decoration and Iron; and steel scaffolding manufacturing companies, such as Manar Al-Omran Trading & Industry Limited Company. Both of Masdar Building Materials and Al-Muhanna Steel Group (owned by Board member Muhanna Al-Muhanna and Al-Muhanna Trading Company) represent 24%, 19% and 16% of the Tubes SBU's revenues throughout the years 2013G, 2014G, and 2015G, respectively (for more information on related party transactions, please see Section 11-10 "Related Party Transactions" of this Prospectus.) Sales of Tubes SBU have grown during the period from 2012G to 2014G due to the continuous high demand and commencing the commercial operation of Dammam tubes plant on 19/04/1434H (corresponding to 01/03/2013G). Sales of the Tubes SBU make up 26% of the Company's revenues in 2013G, 24% of the Company's revenues in 2014G and 22% of the Company's revenues in 2015G. The Tubes SBU's products are of excellent reputation in the local markets owing to the products' quality and committing to customer service, maintaining its share of 23.4% of the Saudi local market.

Poles SBU

The main activities of the Poles SBU include manufacturing galvanized steel poles and their accessories to serve the electricity distribution and lighting poles sectors. Demand of these products is related to the economic activity in the Kingdom, especially the construction, infrastructure and electricity sector. Customers of the Tubes SBU include, but are not limited to, SEC, which is one of its main customers, contractors of the road works of the Ministry of Municipal and Rural Affairs' projects, real estate development companies, and contractors of highway works of the Ministry of Transport. Sales of the Poles SBU have grown during the period from 2012G to the end of 2014G, owing to the maximum use of the production capacity of the existing plants, instituting plant expansion and multiplying its production capacity on 1/06/1435H (corresponding to 01/04/2014G) to accommodate the increasing demand for the Poles SBU's production supported by the macroeconomic growth in the Kingdom, especially the construction and infrastructure sector. Sales of the Poles SBU make up 8% of the Company's revenues in 2013G, 9% of the Company's revenues in 2014G and 10% of the Company's revenues in 2015G.

Towers SBU

Sales of the Towers SBU consist principally of electricity transmission towers of different specifications and sizes sold mainly in the Kingdom to SEC's contractors. Demand of the Towers SBU's products are linked to the continuity of spending on the electricity grids and telecommunications network sector, especially by companies providing public local services such as SEC. The Towers SBU is considered one of the approved suppliers for power transmission towers by SEC. Sales of the Towers SBU have grown during the period from 2012G to the end of 2014G due to beginning its operation in March 2010G and obtaining approval of its products through different stages ending with power transmission towers for ultra-high voltage power lines, thereby increasing the number of sold units. Currently, the Towers SBU is making maximum use of demand for electric towers in the Kingdom without omitting its capacity to export to the GCC and North Africa. Sales of the Towers SBU make up 7% of the Company's revenues in 2013G, 10% of the Company's revenues in 2014G and 11% of the Company's revenues in 2015G.

Space Frames SBU

The Space Frames SBU has undertaken several mega-projects requiring complicated engineering solutions in different regions of the Kingdom through cooperation with the top contracting companies in the Kingdom under the supervision of top companies and experienced engineering consulting offices. It is worth noting that the main driver of demand for the products of Space Frames SBU is multi-construction activities in housing, commercial, industrial, educational and health projects, airports and train stations for the benefit of the Company's clients in the private and governmental sectors. The value of the Space Frames SBU's contracts has grown during the period from 2012G to 2014G owing to the continuously increasing demand from major clients and having new others, but it was affected in 2013G because of rescheduling projects (please see Section 3 "Market and Industry Information" of this Prospectus). Top customers of the Space Frames SBU are contracting companies undertaking mega-projects which require designing, manufacturing and installing steel structures in high volumes. Sales of the Space Frames SBU make up 0.8% of the Company's revenues in 2013G, 1% of the Company's revenues in 2014G and 1% of the Company's revenues in 2015G.

4-2-6 Procurements and Supply

The Company relies on a number of local and international suppliers to provide raw materials necessary for manufacturing all products including, but not limited to, hot-rolled steel coils, steel lumps, steel angles, and steel and Zinc sheets. Amounts of raw materials supplied to the Company from its main suppliers reached (222,175) tons in the financial year 2013G, (277,961) tons in the financial year 2014G and (531,349) in the financial year 2015G. Purchasing raw materials is usually made by planning monthly for the upcoming six months based on the Company's need during this period, taking into consideration the raw material periods ranging from three to four months. The Company relies on the experience of the Senior Management and the senior Directors in the field of steel markets as they represent the largest companies for steel trading and building materials in the region with the aim of determining resources, prices and amounts of raw materials needed to be purchased and their suitability for the Company's sales within such certain period of time. The Board formed a special committee for raw materials procurement to help the Company's management find sources to purchase raw materials necessary for its production operations at competitive prices and monitor the balances of the raw materials so that any order of raw materials exceeding (SAR 4,000,000) four million Saudi Riyals is subject to the approval of the Sourcing Committee (please see Section 11-6-3 "Supply Agreements" of this Prospectus).

Below is a list of main suppliers of raw materials of the Company from 01/10/2014G to 30/09/2015G:

Table 56: List of the Company's main suppliers of raw materials from 01/10/2014G to 30/09/2015G

Supplier	Country*
Metalloinvest	Russia
Macsteel International	China
Steel United Company	Saudi Arabia
Saudi Basic Industries Corporation (SABIC)	Saudi Arabia
Al Ezz Dekheila Steel Company	Egypt
Cargill	Taiwan
Servistal Company for Iron Manufacturing	China
Nucor Trading Company	China
Sumitomo Company	Japan
Salzgitter Mannesmann Company	China

Source: The Company

* The country of the head office of the supplier. However, given that they are international suppliers, the raw materials may be exported from different countries.

4-2-7 Inventory Management and Distribution

The Company manages the inventory of its products among the Company's plants in two ways: (i) manufacturing products for a month of inventory as per the sales plan in regard to tubes sales production, and (ii) in accordance with the demand, supply schedules for contracted projects in regard to the Company's production of steel towers electric towers, and space frames, using the weighted average method.

The Company delivers all products to its customers through specialized shipping companies which delivers products from the relevant manufacturing plants to the customer and is liable for any damages resulting from the shipping process, in addition to other shipping companies the customer deals with (for more information on shipping services, please see Section 11-8 "Freight Service Agreements" of this Prospectus).

4-2-8 Compliance with Environment, Health and Safety Regulations

The Company believes that it complies with all environment protection, health, and safety standards applicable pursuant to the relevant laws and regulations through obtaining all permits and licenses issued from government regulators. The Company periodically renews all environmental and safety permits for its branches and plants based on the internal regulations set for this purpose.

4-2-9 Quality Management

The Company's management determines the quality standards of products sold to customers through the Company's branches and manufacturing plants, by ensuring their conformity to global quality standards pursuant to the International Organization for Standardization (ISO) and technical local specifications of the Saudi Arabian Standards Organization ("SASO") along with requirements of customers and projects and other relevant international specifications. Reports are prepared to measure product quality and samples are examined to ensure its quality. Moreover, random screening procedures are applied in receiving and delivering processes taking into consideration the general arrangement of items, having a clean environment and dealing with customers professionally.

4-2-10 Employees

The Company has a total of 1,051 employees; 261 of whom are Saudis and 790 are non-Saudis as at 16/12/1436H (corresponding to 30/09/2015G). The percentage of Senior Management and executive managers in the Company is about 4% of its total workforce.

The Company is classified within the average green range of the Nitaqat program for Saudisation. Employment in the Company is in compliance with the Labor Law. The Company does not expect any negative impact resulting from iqama and work regulations as the Company is already in compliance with such regulations.

The following table sets out the numbers of Company employees during years 2013G, 2014G and 2015G.

Table 57: Company employees during years 2013G, 2014G and 2015G

Employees	September 2013G		September 2014G		September 2015G	
	Number	Percentage	Number	Percentage	Number	Percentage
Saudis	235	30%	201	28%	261	25%
Non-Saudis	543	70%	619	72%	790	75%
Total	778	100%	820	100%	1,051	100%

Source: The Company

Table 58: Company employees breakdown during the years 2013G, 2014G and 2015G

Management	September 2013G		September 2014G		September 2015G	
	Saudis	Non-Saudis	Saudis	Non-Saudis	Saudis	Non-Saudis
Production	201	473	157	548	204	680
Sales and delivery	3	26	4	27	7	26
Public Administration	31	44	40	44	50	84
Total employees	235	543	201	619	261	790

Source: The Company

4-2-11 Future Prospects

The Company constantly seeks to increase its production capacity and to acquire a bigger market share in local and regional markets. In order to achieve its objectives, the Company carried out the following expansion projects as well as several other projects under study:

- Expansion of the warehouse building and operation of the second phase (A) with the introduction of a second line in Al-Yamamah Steel Industries Plant (Tubes) in Dammam in addition to introducing production of black pressure tubes by adding machines needed for pressing tubes and outfitting their edges by the end of 2016G.
- Operation of tubes production line in Al-Yamamah Steel Industries Plant (Tubes) in Dammam, which is expected to be completed and operational in September 2016G
- Operation of galvanized tubes production line in Al-Yamamah Steel Industries Plant (Tubes) in Dammam, which is expected to be completed by 2019G.
- Expansion of Al-Yamamah Electric Towers Production Plant to increase its annual production capacity to 50,000 tons, which will be commercially operational during 2019G.

As a result of the abovementioned expansion, the Company will introduce new products which are black pressure tubes used in firefighting systems and galvanized tubes.

The following table sets out the Company's most important current projects' total cost:

Table 59: The Company's most important current projects' total cost:

Project	Current Project Start Date	Expected production capacity	Date of project commencement	Approximate date of project completion*	Approximate total cost of expansion**	Expansion funding method (cash flows of the Company/ borrowing)	Completion percentage as on 30/09/2015G
Expansion of Tubes SBU in Dammam, second stage (b)	81,000	96,000	2014G	2016G	27,385,000	Cash flows of the Company/ borrowing	20%
Expansion of Tubes SBU in Dammam, third stage (a)	96,000	141,000	2014G	2016G	9,500,000	Cash flows of the Company/ borrowing	An agreement has been entered into regarding supply of the production line
Expansion of Tubes SBU in Dammam, third stage (b)	141,000	141,000***	2016G	2019G	31,500,000	Cash flows of the Company/ borrowing	Initial market study
Renovation of Tubes SBU in Jeddah	150,000	150,000	2015G	2016G	16,600,000	Cash flows of the Company	20%
Expansion of Al-Yamamah Electric Towers Production Plant – second stage	40,000	50,000	2016G	2019G	20,000,000	Cash flows of the Company	in the stage of preparing designs

Source: The Company

* Completion date of the projects listed in the above table are approximate, and may be affected by several factors that are beyond the Company's control.

** Total costs of the projects listed in the above table are approximate, and may increase or decrease depending on several factors that may affect each project.

*** It is expected to increase the type of products without an increase to the production capacity.

4-3 Overview of the Subsidiary

4-3-1 Ownership of the Subsidiary

The share capital of Al-Yamamah Company For Reinforcing Steel Bars is (SAR 300,000,000) three hundred million Saudi Riyals divided into (30,000,000) thirty million fully paid ordinary shares with a nominal value of (SAR 10) ten Saudi Riyals per share. Shares are allocated as follows:

Table 60: The Subsidiary's ownership structure

Shareholder	Number of Shares	Value per share (SAR)	Total (SAR)	Ownership Percentage
Al-Yamamah Steel Industries Company	21,750,000	10	217,500,000	72.50%
Al-Fozan Holding Company	4,560,000	10	45,600,000	15.20%
Salah Rashed Al-Rashed	1,095,000	10	10,950,000	3.65%

Shareholder	Number of Shares	Value per share (SAR)	Total (SAR)	Ownership Percentage
Abdulmohsen Rashed Al-Rashed	1,095,000	10	10,950,000	3.65%
Mohammed Ali AlWuhaiby	1,500,000	10	15,000,000	5%
Total	30,000,000	-	300,000,000	100%

Source: The Company

4-3-2 The Subsidiary's Activities

Manufacturing Plant

The Subsidiary's steel activities are focused on production, wholesale and retail of reinforcing steel bars through a production line in a single plant for reinforcing steel bars, which was opened on 05/11/1426H (corresponding to 08/12/2005G) in Yanbu with an area of one million square meters. This production line was, built by Danieli, an Italian Company which is an international leader in this field, and is composed of the following:

1. Diesel-fueled iron billets heating furnace that heats steel billets to 1,185°C.
2. Rolling line consisting of 22 rolling stands and operates at high speeds.
3. Final product preparations area with counting and packaging operations.
4. Supporting facilities of the line:
   a) Water treatment and cooling plant used for cooling factory equipment. The heat convection of the cooling water is released to the ambient air through evaporation of water in the cooling towers. The plant was designed to conserve water.
   b) Air station which is used to supply production line and the attached units with compressed air needed for production process.

Manufacturing Process

Manufacturing process of rebar includes heating the steel billets and drawing the bars using the rolling process, then cutting them to 12 meter lengths, or to other length upon request.

Internal Departments of the Subsidiary

Employees of the Subsidiary work in the following departments:

Marketing and Sales: this department is responsible for monitoring the market, receiving customer requests and managing projects using the latest enterprise resource planning software (SAP ERP).

Enterprise Resource Planning: this department schedules and observes the execution of production orders in order to achieve highest use of available resources and to meet the agreed delivery dates with customers through using the best and latest enterprise resource planning software (SAP ERP).

Maintenance: this department employs experienced and skilled engineers and technicians to ensure continuity of production processes and optimum utilization of the machinery in addition to providing the line with spare parts.

Warehouses and Shipment: this department is responsible for storage and organization of all that is required for production processes and shipment of the final products to work destinations. Such organization is done using the latest enterprise resource planning software (SAP ERP).

Quality Control: all the above mentioned operations are monitored by the quality department to ensure the products meet specifications and satisfy customers. The employees of the Subsidiary work constantly to meet the customers' requirements.

Products and Production Capacity

The Subsidiary's sole product is hot rolled reinforcing steel bars produced at the Subsidiary's manufacturing plant in Yanbu. The Subsidiary procures raw materials of steel billets from different sources around the world. Sizes of reinforcing steel bars range from 8 mm to 36 mm depending on customer requests. Reinforcing steel bars are manufactured in the Subsidiary's manufacturing plant as per specifications and sizes in line with the SASO local standards and by the American Society for Testing and Materials (ASTM). Reinforcing steel bars are used in building and construction works and are reinforced concrete, which is used in constructing concrete structures such as foundations, beam, columns, and slabs.

The following table sets out the annual production capacity with the actual production of the Subsidiary as in 2013G, and 2014G, and 2015G:

Table 61: The Subsidiary production capacity and actual production

Unit	Production capacity (Tons)*	Annual actual production as in 2013G (in tons)	Annual actual production as in 2014G (in tons)	Annual actual production as in 2015G (in tons)
Reinforcing steel bars plant	600,000	385,169	457,006	526,250

Source: The Subsidiary

4-3-3 Sales and Marketing

The Subsidiary's top customers include, but are not limited to, related parties that are leading companies in wholesaling and retailing of construction materials such as Masdar Building Materials (previously known as Al-Muhaidib Building Materials, and in which Abdulkadir Al-Muhaidib and Sons Company owns a controlling share) that contributed 30% of the Subsidiary's revenues in 2013G, 31% of the Subsidiary's revenues in 2014G and 31% of the Subsidiary's revenues in 2015G; Al-Fozan Building Materials Company Limited (completely owned by Al-Fozan Holding Company) that contributed 29% of the Subsidiary's revenues in 2013G, 30% of the Subsidiary's revenues in 2014G and 32% of the Subsidiary's revenues in 2015G; Al-Hal United Construction Establishment and Al Rashed Company for Construction Materials (completely owned by Rashed Abdurrahman Al-Rashed & Sons Company). Sales of the Subsidiary made up 58% of the Company's revenues in 2013G, 56% of the Company's revenues in 2014G and 55% of the Company's revenues in 2015G. The Subsidiary's sales were influenced by decline of demand in 2013G due to the contractors executing construction projects being affected by the campaign that aims at rectifying foreign labor conditions, in addition to the slow pace of such projects and an increased imports of these products from abroad with competitive prices.

4-3-4 Procurements and Supply

The Subsidiary depends on a number of global suppliers for the raw materials necessary for manufacturing reinforcing steel bars, called steel billets. Amounts of steel billets imported by the Subsidiary from its main suppliers reached (390,847) tons in the financial year 2013G, (391,144) tons in the financial year 2014G and (531,349) tons in the financial year 2015G. The Subsidiary's procurements are usually planned annually and orders must be placed six months in advance so it can secure the necessary amounts of steel billets to meet its demand for during that period, in line with supply periods which range from two months to four months. The Subsidiary depends on its senior management and directors, with long experience in the steel industry as they come from the largest steel trade and building materials companies in the region, to determine the amounts needed of raw materials within a given period of time. The Subsidiary formed a committee for materials procurements composed of its directors and the Subsidiary's CEO to assist management in searching, expanding and supporting the sources of the subsidiary to purchase materials needed for production process in competitive prices along with inventory processes (please see Section 11-6-3 "Supply Agreements" of this Prospectus.)

Below is a list of the Subsidiary's main suppliers of raw materials from 30/04/2014G to 30/04/2015G:

Table 62: List of the Subsidiary's main suppliers of raw materials from 30/04/2014G to 30/04/2015G

Supplier	Country*	Percentage
Metalo Invest Srl	Russia	48.24%
Attahadun Trading Company	Saudi Arabia	22.28%
Macsteel International	UAE	12.25%
Samsung C&T	Korea	6.76%
Suez Steel Company	Egypt	5.69%
Cargill Worldwide	USA	3.83%
Transales Company	Lebanon	0.95%

Source: The Subsidiary

* The country of the head office of the supplier. However, given that they are international suppliers, the raw materials may be exported from different countries.

4-3-5 Inventory Management and Distribution

The Subsidiary manages its product inventory in its plant in two ways: (i) manufacturing products for one month inventory as per sales plan with regard to production of reinforcing steel bars and (ii) in accordance with demand and supply schedules for contracted projects.

The Subsidiary delivers all products to its customers through specialized shipping companies which delivers products from the relevant manufacturing plant to the customer and is liable for any damages resulting from the shipping process, in addition to other shipping companies the customer deals with.

4-3-6 Compliance with Environment, Health and Safety Regulations

The Subsidiary believes that it complies with all applicable environmental protection, health, and safety standards pursuant to the relevant laws and regulations through obtaining all permits and licenses issued from government regulators. The Subsidiary periodically renews all environment and safety permits of its plant in accordance with regulations set for this purpose.

4-3-7 Quality Management

The Subsidiary's management determines the quality standards of products sold to customers through its manufacturing plant, by ensuring their conformity to global quality standards pursuant to SASO and the American Society for Testing and Materials (ASTM) standards, in addition to the requirements of customers and projects and other relevant international specifications. Reports are prepared to measure product quality and samples are examined to ensure its quality. Moreover, random screening procedures are applied in receiving and delivering processes taking into consideration the general arrangement of items, having a clean environment and dealing with customers professionally.

4-3-8 Employees

The Subsidiary has 203 employees; 51 of whom are Saudis and 152 non-Saudis as at 16/12/1436H (corresponding to 30/09/2015G). The percentage of senior management and executive managers in the Subsidiary is about 5.1% of its total workforce. The Subsidiary applied Saudisation in all technical and administrative areas by recruiting qualified staff and providing training programs within the Subsidiary, managed by direct coordination with training centers and technical colleges and institutes inside and outside Yanbu.

The Subsidiary is classified within the average green range of the Nitaqat program for Saudisation. Employment in the Subsidiary is in compliance with labor law. The Subsidiary does not expect any negative impact resulting from iqama and work regulations as the Subsidiary is in compliance with such regulations.

The following table sets out the numbers of Subsidiary employees during 2013G, 2014G and 2015G.

Table 63: Subsidiary employees during years 2013G, 2014G and 2015G

Employees	September 2013G		September 2014G		September 2015G	
	Number	Percentage	Number	Percentage	Number	Percentage
Saudis	56	27%	51	26%	51	25%
Non-Saudis	148	73%	144	74%	152	75%
Total	204	100%	195	100%	203	100%

Source: The Subsidiary

Table 64: Subsidiary employees breakdown during years 2013G, 2014G and 2015G

Department	September 2013G		September 2014G		September 2015G	
	Saudis	Non-Saudis	Saudis	Non-Saudis	Saudis	Non-Saudis
Production	9	127	10	126	20	134
Sales and delivery	3	2	2	1	1	1
General Management	44	19	39	17	30	17
Total employees	56	148	51	144	51	152

Source: The Subsidiary

4-4 Mission

Our mission is to expand the Shareholders' investment value by attracting further investments, improving financial performance standards, reducing cost and risks, and promoting continuous research and development; and to maintain and improve customer relationships by responding to their needs with competitive prices, building a comfortable working environment, and helping individuals to improve their capabilities.

4-5 Vision

The Company aspires to develop an industrial conglomerate aiming to become a leader in the steel industry in the MENA region by harnessing values and self-experience, taking into account the commitments of the Company towards society.

4-6 Strategy

The Company adopts the following business strategy:

- To strengthen the Company's competitive position by promoting its brand and name in local and regional markets.
- To improve the range and quality of the current products of the Company and the Subsidiary by developing new products and ensure their quality.
- To strengthen the relationship with existing customers by responding to their needs while maintaining the highest quality standards.
- To utilize and improve full production capacities of certain products, add new products and enter into more selected markets in the Kingdom and the MENA region.
- To continuously improve operations by reducing costs and increasing efficiency.
- To further enhance the value of the Company and benefit from its competitive advantages by investing in new products that complement its current products.
- To strengthen the relationship with existing raw material suppliers by committing to implement their agreements and information exchange.
- To continuously review and follow up on changes in international and local markets of raw materials and achieve the optimal utilization of such changes to improve the results of the Company and reduce cost.
- To conscientiously attend to inventory management by constant planning among materials management, sales and manufacturing units.
- To continuously attend to management of working capital and to strengthen the partnership with financial institutions.

4-7 The Company's Competitive Advantages and Strengths

The Company believes that its key strengths and competitive advantages are as follows:

- A wide and unique range of steel products contributing to achieve stable financial results for the Company and the Subsidiary and to mitigate the effects that would result from negative economic cycles.
- Use of latest manufacturing and production equipment in distinctive strategic sites that belong to the Company.
- Financial strength and distinguished performance of the Company and the Subsidiary.
- Ability to retain and develop competent managerial, technical and financial teams.
- Extensive and distinguished experience and competency of the Senior Executives team in steel manufacturing and production fields and their deep knowledge in market data.
- Ability to implement unique designs that require high technical expertise and skills.
- Strong relationship with a wide range of customers built over a long period of time.
- Wide and extensive experience of the Selling Shareholders in steel trading.
- Bargaining power in raw material supply as a result of monthly demand volume and excellent relationships with suppliers.
- Tracking changes occurring in the demand for the Company's products and raw materials in local and international markets to maintain the Company's competitiveness
- Bi-annual periodic planning of sales, production and inventory management, and periodic checks against budget and market requirements.
- Monthly meetings of the heads of business units with the CEO and the CFO to review the monthly and

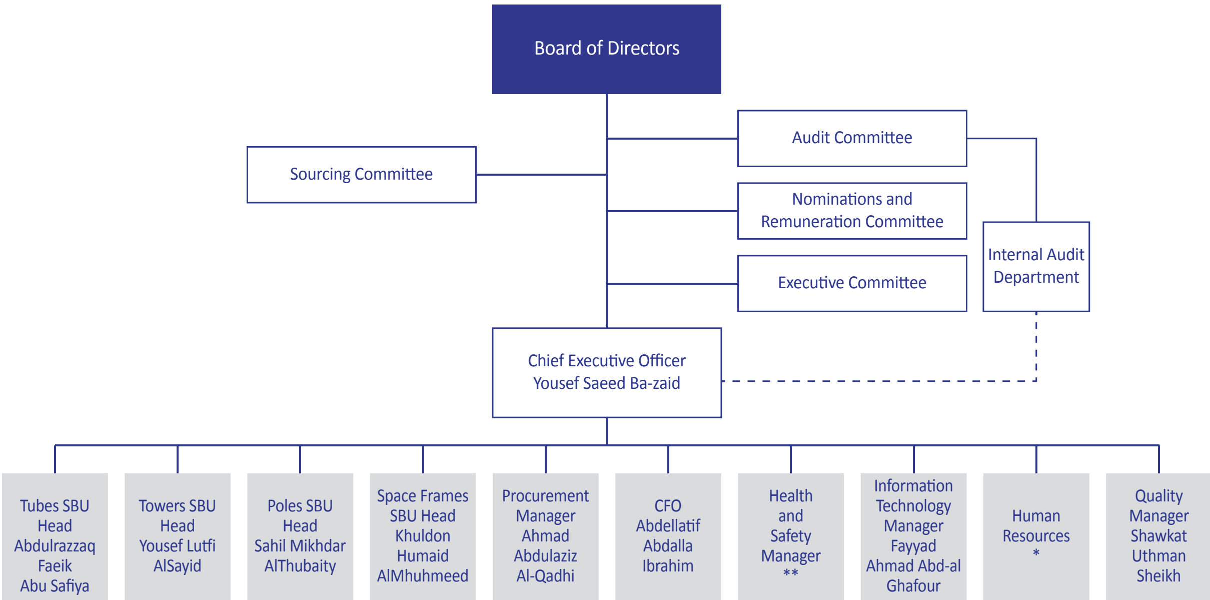
quarterly results to identify points of strength and weakness and to build on them for the next period.

- Procurement of raw materials through the Sourcing Committee, which consists of Directors as well as the CEO and is governed by a charter adopted by the Board. Members of the Sourcing Committee enjoy extensive experience in the sale and purchase of steel.
- Being up to date with the international and local steel market trends by attending international conferences and holding regular meetings with suppliers as well as signing up to receive international specialized reports on steel from specialized investment companies.
- Utilization of the accumulated experience of the Company towards a better inventory management and raw material cost monitoring.
- Securing product shipment services to customers by specialized shipping companies.
- Use of international and interlinked applications to execute all the operations of the Company according to regulatory licenses.
- Providing departments across the Company with the necessary reports to automatically and continuously monitor and follow up on operations.
- Management of all business units by unit heads as well as their respective departments on profit centers basis for each unit. Such process increases efficiency of the services for clients and achieves results that are satisfactory to the Company and its Shareholders.
- Effective contribution to the development of Saudi personnel necessary to manage production by their enrollment in specialized technical institutes and offering them jobs upon graduation.

5. Company's Management STRUCTURE AND GOVERNANCE

5-1 The Company's Management Structure

Figure 2: The Company's Management Structure



* The acting Human Resources Manager is currently Yousef Saeed Ba-zaid who supervises three departments undertaking the Human Resources work, which are the human resources department, employee affairs department and administrative affairs department. The Company is currently working actively to recruit a Human Resources Manager on a permanent basis.

** This position is vacant. The Company is currently working actively to recruit a Health and Safety Manager Manager on a permanent basis.

5-2 Board of Directors and the Board's Secretary

The Company is managed by a Board of Directors that currently consists of (6) six directors appointed by the Ordinary General Assembly ("OGA") for (3) three years as of 28/08/1435H (corresponding to 26/06/2014G). A further independent member will be appointed by the General Assembly within (6) six months of the Offering. The Board's operations are supported by (4) four sub-committees, namely: the Executive Committee, the Audit Committee, the Nomination and Remuneration Committee, and the Sourcing Committee. The existing Board of Directors performs it duties pursuant to its powers under the Company's Bylaws and Current/New Companies Law. There are no employment agreements made with the Directors as of the date of this Prospectus.

The following is a summary of the responsibilities of the Chairman and other Directors:

Chairman of the Board:

- Presiding over meetings of the Board and ensuring the efficiency of fulfilling all its responsibilities to the Company;
- ensuring that the Board provides the leadership and vision needed for the Company.
- ensuring that the Board participates in setting the Company's objectives, strategies and policies;
- directing Board discussions towards effective time management in order to handle important issues facing the Company;
- ensuring that all Directors are empowered and encouraged to perform their duties required in meetings;
- ensuring that Directors are provided with opportunities to express their points of view;
- ensuring that sufficient and accurate information is provided instantly to the Directors;
- ensuring that all provisions and decisions are correctly included in minutes of meetings; and
- Convening Board meetings when necessary.

Directors:

- Undertaking their responsibilities and duties professionally and seriously with due diligence;
- ensuring the existence of an internal control system sufficient for monitoring and achieving the goals and objectives of the Company;
- participating through the Nomination and Remuneration Committee to achieve sustainable development of the Board as a whole and individually;
- monitoring the Company's compliance with the Corporate Governance Regulation;
- building their decisions on sufficient information obtained from the Company's Senior Management or any other reliable source;
- commitment to the interest of the Company rather than the Shareholders;
- delegating powers to the Company's Senior Management;
- setting procedures that would assist in directing the new Board in terms of Company's operations; and
- ensuring that Company information are available to all Directors.

The following is a list of existing Directors:

Table 65: Company's Directors

Name	Position	Nationality	Age	Membership Status	Direct Holding (%)**		Indirect Holding (%)		Membership Date ***
					Pre-Offering	Post-Offering	Pre-Offering	Post-Offering	
Saad Ibrahim Al-Mojel	Chairman	Saudi	67	Non-Executive /Non-Independent	-	-	8.80%	6.16%	28/08/1435H (corresponding to 26/06/2014G)
Raed Ibrahim Al-Mudaihim	Member	Saudi	52	Non-Executive /Non-Independent	-	-	-	-	28/08/1435H (corresponding to 26/06/2014G)
Muhanna Abdullah Al-Muhanna	Member	Saudi	73	Non-Executive /Non-Independent	4.84%	3.38%	-	-	28/08/1435H (corresponding to 26/06/2014G)
Ali Saleh Al-Dakheel	Member	Saudi	48	Non-Executive /Non-Independent	-	-	-	-	28/08/1435H (corresponding to 26/06/2014G)
Mohammad Ahmed Al-Saadi****	Member	Qatari	50	Non-Executive/ Independent	-	-	-	-	28/08/1435H (corresponding to 26/06/2014G)
Mohammed Abdullah El-Kuwaiz ****	Member	Saudi	39	Non-Executive/ Independent	-	-	-	-	24/02/1436H (corresponding to 16/12/2014G)
Vacant*	Member	-	-	Non-Executive/ Independent	-	-	-	-	-

*Ownership percentages do not include the Qualification Shares of the Board noting that all current Directors (except for Mohammad Ahmed Al-Saadi and Mohammed Abdullah El-Kuwaiz) hold shares with value of (10,000) ten thousand Saudi Riyals in accordance with the Company's Bylaws and the Current Companies Law.

** Mohammad Ahmed Al-Saadi, Mohammed Abdullah El-Kuwaiz, and the seventh Director who will be appointed following the completion of the Offering, will, as required by the Current Companies Law, acquire their Qualification Shares from the Shares traded on Tadawul after completion of the Offering, whereby (5,000) five thousand Shares have been added to the Offer Shares in excess of the (15,240,000) fifteen million two hundred and forty thousand Shares representing (30%) thirty percent of the Shares allocated to the public, in order for them to acquire (3,000) of such Shares as Qualification Shares.

*** As required by the Corporate Governance Regulations, the Company will appoint an additional member to fill the vacant seat so the number of Directors reaches (7) seven. Nomination and voting for the new proposed non-executive/independent Director shall be open in the OGA meeting within (6) six months of the Offering. The new Director will, as required by the Current Companies Law, own the Qualification Shares of the Shares traded in the market.

Pursuant to the Company's Bylaws, the Board shall appoint a secretary ("Secretary") from its members or from outside the Board. The Secretary shall perform the duties prescribed by the Corporate Governance Manual, which include the following:

- Ensuring that the Board procedures are followed and reviewed periodically;
- following up on the Board decisions and reporting any difficulty encountered to the Chairman;
- providing the Chairman and Directors with information about their responsibilities;
- preparing and distributing drafts of Board minutes;
- ensuring that new information is being circulated among Directors and between the Board and the Senior Management; and
- performing any other duty assigned to the Secretary by the Chairman.

The Board appointed Yousef Saeed Ba-zaid as Secretary on 27/08/1426H (corresponding to 01/10/2005G).

5-3 Directors' Biographies

The following is a summary of the current Directors' biographies:

Saad Ibrahim Al-Mojel

Nationality: Saudi

Age: 67

Position: Chairman

Academic Qualifications:

- Bachelor of Chemical Engineering, University of Oregon, USA, 1973G.
- Master of Chemical Engineering, the University of California, Berkeley, USA, 1975G.
- Various managerial and industrial courses.

Table 66: Saad Ibrahim Al-Mojel's work experience

Company/Organization	Legal Form and Industry	Position	Start Date	End Date
Al-Mojel for Trade and Contracting Company	A partnership operating in the field of trading of building materials and investments	General partner and managing director	1976G	Present
General Construction and Building Materials Committee in SASO	A committee affiliated with SASO	Committee Chairman	1991G	2001G
National Chemical and Plastic Industries Committee in the Council of Saudi Chambers of Commerce and Industry	A Committee affiliated with the Council of Saudi Chambers of Commerce and Industry that handles issues and difficulties related to plastic industries sector in the Kingdom, proposes solutions and gives opinion and advice to concerned organizations over laws and legislation that govern industrial investment in this sector.	Committee Chairman	1995G	2002G
Human Resources Development Fund in Ministry of Labor	An independent legal entity affiliated with the Ministry of Labor with its main objective to support efforts aiming at qualifying national workforce and employing it in the private sector.	Director & Chairman of Executive Committee	2007G	2009G

Company/Organization	Legal Form and Industry	Position	Start Date	End Date
Technology Investment Company	A closed joint stock company operating in the field of information technology and systems investments; communication facilities; constructing, operating and managing technology industrial areas and establishing specialized colleges, institutes and training centers.	Director	2006G	2010G
Food Industries Company (Deema)	A limited liability company operating in the field of production of biscuits, wafer biscuits, sweets, candies and chewing gum.	Director	2008G	2011G
Board of Riyadh Chamber of Commerce and Industry	An independent entity that supports the private sector's interests in Riyadh.	Director	1997G	Present
Board of Riyadh Chamber of Commerce and Industry	An independent entity that supports the private sector's interests in Riyadh.	Vice Chairman	2001G	2012G
National Industrial Committee in Council of Saudi Chambers of Commerce and Industry	A committee affiliated with the Council of Saudi Chambers of Commerce and Industry that works on developing the industrial sector in the Kingdom.	Committee Chairman	2001G	Present
Board of Trustees of the Riyadh Economic Forum	A forum that supports the discussion of economic issues and adopts suggestions and recommendations to boost the economy in the Kingdom.	Chairman of the Board of Trustees	2006G	Present
Industrial Committee in Riyadh Chamber of Commerce and Industry	A committee affiliated with Riyadh Chamber of Commerce and Industry that works on developing the industrial sector in the Kingdom.	Committee Chairman	2012G	Present
Council of Saudi Chambers of Commerce and Industry	An independent entity that supports the development and enhancement of the national economy in collaboration and coordination with Chambers of Commerce and Industry, business sector and all relevant organizations in line with the Kingdom's general policies.	Member of the Board of Directors – Representative of Riyadh Chamber of Commerce and Industry	2008G	2012G
The Industrialization & Energy Services Company (TAQA)	A closed joint stock company operating in the field of mineral, petroleum and petrochemical industries.	Director	2003G	2014G

Current Board Memberships:

- Managing Director of Al-Mojel Trading and Contracting Company, partnership operating in the field of trading of building materials and investments, 1976G – present.
- Chairman of Saudi Ceramic Company, a public joint stock company operating in the field of production and sale of ceramic products, water heaters and their components, 1997G – present.
- Chairman of Arabian Pipes Company, a public joint stock company operating in the field of manufacturing pipes, 1991G – present.
- Chairman of Eastern Province Cement Company in Dammam, a public joint stock company operating in the field of cement and clinker, 1989 – present.
- Chairman of Al-Yamamah Company For Reinforcing Steel Bars, a closed joint stock company operating in the field of manufacturing reinforcing steel bars, 2002G – present.

In addition to the above-mentioned board memberships, Saad Ibrahim Al-Mojel currently holds a number of positions in charities and social organizations, including:

- Member of the Board of Directors and Member of the Investment Committee of the General Commission for the Guardianship of Trust Funds for Minors and their Counterparts, 2014G – present.
- Member of the Board of Directors of the Charity Committee for Orphans Care (Ensan), 2012G – present.
- Member of the Board of Directors of International Advisory Board of King Saud University, 2013G – present.

Mohammed Ahmed Al-Saadi

Nationality: Qatari

Age: 50

Position: Director

Academic Qualifications:

- Bachelor of Geography and Planning, University of Qatar, Qatar, 1987G.
- Higher Diploma in Library and Computer Science, University of Qatar, Qatar, 1990G.
- Master of Management, Michigan State University, USA, 1994G.

Table 67: Mohammed Ahmed al-Saadi's work experience

Company/Organization	Legal Form and Industry	Position	Start Date	End Date
Qatar Steel	Qatari joint stock company operating in the field of iron and steel industry.	Senior Sales Officer	1996G	2005G
		Assistant Director of Sales	2000G	2005G
		Director of Marketing	2005G	2011G
National Steel	Qatari joint stock company operating in the field of iron and steel industry.	General Manager	2011G	2013G

Current Board Memberships:

- General manager of Sakhra Contracting Company, a limited liability company operating in the field of contracting business, 2013G – present.
- General manager of Muhammadiyah Building Company, a limited liability company operating in the field of building materials trade, 2013G – present.

Raed Ibrahim Al-Mudaiheem

Nationality: Saudi

Age: 52

Position: Director

Academic Qualifications:

- Bachelor of Electrical Engineering, King Saud University, Saudi Arabia, 1986G.
- Master of Electrical Engineering, King Saud University, Saudi Arabia, 1992G.

Table 68: Raed Ibrahim Al-Mudaiheem's work experience

Company/Organization	Legal Form and Industry	Position	Start Date	End Date
Masdar Building Materials Company (previously known as Al-Muhaidib Building Materials Company)	A limited liability company operating in the field of import, export, wholesale, retail of building materials.	General Manager	1997G	2007G
		Managing Director	2007G	2013G
		Managing Director and Chief Executive Officer	2014G	Present

Current Board Memberships:

- Member of the Board of Directors of Suez Cement Company, a public joint stock company operating in the field of cement production in Egypt, 2005G – present.
- Member of the Board of Directors of Northern Region Cement Company, a public joint stock company operating in the field of cement production, 2006G – present.
- Member of the Board of Directors of United Mining Industries Company, a Saudi closed joint stock company operating in production of gypsum Products, 2006G – present.
- Member of the Board of Directors of Badia Cement Company, a public joint stock company operating in the field of cement in Syria, 2007G – present.
- Member of the Board of Directors of Bawan Company, a Saudi public joint stock company operating in the field of steel products, 2007G – present.
- Member of the Board of Managers of Al-Muhaidib Contracting Company, a limited liability company operating in the field of engineering, supply and building, 2009G – present.
- Member of the Board of Directors of Northern Cement Company, a public joint stock company operating in the field of cement in Jordan, 2010G – present.
- Managing Director and Chief Executive Officer of Masdar Building Materials, a Saudi closed joint stock company operating in the field of building materials trade, 2014G – present.
- Member of the Board of Managers of Masdar Hardware Trading Company, a limited liability company operating in hardware trading, 2014G – present.
- Member of the Board of Directors of Saudi Airlines Catering Company, a Saudi public joint stock company operating in the field of catering and support in aviation sector, 2015G – present.

Ali Saleh Al-Dakheel

Nationality: Saudi

Age: 48

Position: Director

Academic Qualifications:

- Bachelor of Business Administration, King Saud University in Al-Qassim, Saudi Arabia, 1990G.
- Master of Business Administration, King Fahd University of Petroleum and Minerals, Saudi Arabia, 1997G.

Table 69: Ali Saleh Al-Dakheel's work experience

Company/Organization	Legal Form and Industry	Position	Start Date	End Date
Construction and Development Establishment	Individual establishment operating in the field of ready-made concrete and precast.	Trainee	1985G	1990G
Zamil Plastic	A limited liability company operating in the field of plastic industries.	Accountant	1990G	1992G
Amiantit Group – Saudi Arabian Ductile Iron Pipes Company	A public joint stock company operating in the field of ductile iron pipes manufacturing.	Accounting Department Head	1992G	1997G
Eastern Industrial Services Company	A limited liability company operating in the field of supporting industrial services.	General Manager	1997G	1998G
Abdullatif and Mohammed Al Fozan Company	A partnership operating in the field of trading of building materials.	Operation Assistant Manager	1998G	2000G
Jordan Company Ltd	A limited liability company operating in the field of producing and constructing isolated buildings.	Chief Executive Officer	2000G	2001G
Rashed Abdurrahman Al-Rashed & Sons Company	A partnership operating in the field of trading of building materials.	General Manager	2001G	2014G
Ali Saleh Al-Dakheel Administrative Consulting Office	Professional office operating in the field of administrative consultations.	Consultant	2014G	Present

Current Board Memberships:

- Member of the Board of Directors and Member of the Executive Committee of Al-Yamamah Company For Reinforcing Steel Bars, a closed joint stock company operating in the field of manufacturing reinforcing steel bars, 2004G – present.
- Member of the Board of Directors of United Mining Industries Company, a closed joint stock company operating in the field of mining and manufacturing gypsum powder and gypsum panels, 2011G – present.
- Vice Chairman of the Board of Directors of Construction and Development Company for Trade and Industry, a closed joint stock company operating in the field of ready-made concrete and precast, 2012G – present.
- Member of the Board of Directors of Al-Yamama Granite & Marble Company, a closed joint stock company operating in the field of mining and manufacturing of granite and marble, 2014G – present.
- Member of the Executive Committee of Universal Metal Coating Company, a limited liability Company operating in the field of manufacturing and coating of metal sheets and aluminum, 2014G – present.
- Member of the Board of Directors of Ceramic Pipes Company, a closed joint stock company operating in the field of ceramic and plastic pipes, 2015G – present.

Muhanna Abdullah Al-Muhanna

Nationality: Saudi

Age: 73

Position: Board

Academic Qualifications:

- High school diploma, Azizia High School in Makkah, Saudi Arabia, 1384H.

Table 70: Muhanna Abdullah Al-Muhanna's work experience

Company/Organization	Legal Form and Industry	Position	Start Date	End Date
Al-Muhanna Trading Company	A partnership operating in the field of wholesale and retail of building materials and health and electrical materials.	Deputy Director General	1984G	2012G

Current Board Memberships:

- Member of the Executive Committee of Al-Yamamah Steel Industries Company, a closed joint stock company operating in the field of steel industries, 2008G – present.
- Chairman of the Sourcing Committee of Al-Yamamah Steel Industries Company, a closed joint stock company operating in the field of steel industries, 2011G – present.
- Member of the Board of Directors of Al-Yamamah Steel Industries Company, a closed joint stock company operating in the field of steel industries, 2011G – present.
- Chairman of the Board of Directors of Al-Muhanna Steel Group, an individual establishment operating in the field of iron trade, 2013G – present.
- Member of the Board of Directors of Al-Yamamah Company For Reinforcing Steel Bars, a closed joint stock company operating in the field of manufacturing reinforcing steel bars, 2014G – present.

Mohammed Abdullah El-Kuwaiz

Nationality: Saudi

Age: 39

Position: Board Director

Academic Qualifications:

- Bachelor of Law, King Saud University, Saudi Arabia, 1998G.
- Master of Finance and Business Initiatives, New York University's Stern School, USA, 2003G.

Table 71: Mohammed Abdullah El-Kuwaiz's work experience

Company/Organization	Legal Form and Industry	Position	Start Date	End Date
ANB	A public joint stock company operating in the banking field.	Treasury Speculator	1996G	1998G
Samba Financial Group	A public joint stock company operating in the banking field.	Senior Manager	1998G	1999G
McKinsey & Company	A public joint stock company operating in the field of business consulting	Consultant	2004G	2006G
Bank Al-Bilad	A public joint stock company operating in the banking field.	Board Director	2010G	2013G
Derayah Financial Company	A closed joint stock company operating in the field of investments.	Chief Executive Officer	2006G	Present

Current Board Memberships:

- Member of the Board of Directors of Derayah Financial Company, a closed joint stock company operating in the field of investments, 2006G – present.
- Member of the Consulting Committee in Awqaf Sulaiman Bin Abdul-Aziz Al Rajhi Holding Company, a closed joint stock company operating in the field of charity, 2014G – present.

Board Secretary – Yousef Saeed Ba-zaid – please see Section 5-5-2 "Senior Management Biographies" of this Prospectus to review his biography.

5-4 Share Ownership

Pursuant to the Company's Bylaws and provisions of the Current Companies Law, (1,000) one thousand Qualification Shares have been allocated to each of the above-mentioned Directors by the current Shareholders (except for Mohammed Ahmed al-Saadi and Mohammed Abdullah El-Kuwaiz who shall directly own their Qualification Shares from the Saudi Stock Exchange (Tadawul) after completion of the Offering). Upon listing of the Company's Shares, the same number of shares that are currently deducted (i.e. 1,000 shares) will be kept for the above-mentioned Directors (except for Mohammed Ahmed al-Saadi and Mohammed Abdullah El-Kuwaiz) through the automated system of the Saudi Stock Exchange (Tadawul) from the current Shareholders' Shares in the Company.

In addition, the Chairman of the Board, Saad Ibrahim Al-Mojel, indirectly owns 8.80% of the Company's Shares equaling (4,471,081) four million four hundred seventy-one thousand eighty-one Shares, through his ownership of 55.50% of Al-Mojel Trading and Contracting Company shares.

5-5 Senior Executives of the Company

The following is a table of the senior executives of the Company and the Subsidiary:

Table 72: The Senior Executives List of the Company and the Subsidiary

No.	Name	Nationality	Age	Title	Date of Joining the Company	Direct Ownership	Indirect Ownership
1	Yousef Saeed Ba-zaid	Saudi	55	CEO	1/4/2002G	-	-
				Acting HR & Support Services Manager*			
2	Abdellatif Abdalla Ibrahim	Sudanese	51	CFO	19/12/2005G	-	-
3	Abdulrazzaq Faeik Abu Safiya	Jordanian	64	Tubes SBU Head	24/1/1990G	-	-
4	Sahil Mikhdar AlThubaity	Saudi	35	Poles SBU Head	1/8/2005G	-	-
5	Khuldon Humaid AlMhuhmeed	American	46	Space Frames SBU Head	13/1/1997G	-	-
6	Yousef Lutfi AlSayid	Egyptian	51	Towers SBU Head	1/9/2007G	-	-
7	Mohammad Awad Al-Sheikh	Sudanese	53	Internal Audit Department Manager	23/09/2005G	-	-
8	Fayyad Ahmad Abd-al Ghafour	Pakistani	44	IT Manager	23/06/2011G	-	-
9	Shawkat Uthman Sheikh	Indian	59	Quality Manager	23/06/2011G	-	-
10	Ahmad Abdulaziz Al-Qadhi	Egyptian	53	Procurement Manager	24/12/1990G	-	-
11	Mohammed Ali AlWuhaiby	Saudi	59	General Manager of the Subsidiary	1/11/2005G	-	Owns 5% of the Subsidiary
12	Mohammed Yahya Khawaji	Saudi	39	Deputy General Manager of the Subsidiary	06/09/2008G	-	-
13	Waleed Ibrahim Al-Zaatrah	Jordanian	54	Financial Manager of the Subsidiary	13/08/2009G	-	-

* The acting Human Resources Manager is currently Yousef Saeed Ba-zaid who supervises three departments undertaking the Human Resources work, which are the human resources department, employee affairs department and administrative affairs department. The Company is currently working actively to recruit a Human Resources Manager on a permanent basis.

5-5-1 Chief Executive Officer Responsibilities

Pursuant to the Company's Corporate Governance Manual, the CEO's responsibilities include:

- Providing required communication between the Directors and the Senior Management;
- providing the Board and Chairman with sufficient information to undertake their responsibilities;
- assisting the Directors to set the strategic direction of the Company in order to increase revenues and profitability;
- providing advice, direction and guidance in conformity with policies set for plans and main procedures;
- developing plans and business strategy to increase the Company's market share and profitability of its existing or new subsidiaries;
- presenting a regular strategic overview of the Company's performance to define to what extent the Company achieves its short and long term objectives in the manner determined by the Board;
- reviewing and monitoring the Company's operational results and joint ventures and comparing them against the defined objectives to ensure that appropriate measures are taken to correct any unsatisfactory results;
- establishing and maintaining an effective system of communication throughout the organization to ensure that liabilities, authorities and accountability for all managers are set and recognized;
- representing the Company before key customers, government entities and shareholders in the joint ventures, financial society and the public; and

- participating in business development activities with high-level customers to promote the Company's name and brand.

5-5-2 Senior Management Biographies

The following is a summary of the Company and the Subsidiary's Senior Management biographies:

Yousef Saeed Ba-zaid

Nationality: Saudi

Age: 55

Position: CEO and Secretary

Academic Qualifications:

Bachelor of Civil Engineering, King Fahd University of Petroleum & Minerals, Saudi Arabia, 1982G

Table 73: Yousef Saeed Ba-zaid's work experience

Company/Organization	Legal Form and Industry	Position	Start Date	End Date
Al-Yamamah Steel Industries Company	A closed joint stock company operating in the steel industry.	Chief Executive Officer	2008G	Present
		General Manager	2005G	2007G
		Deputy Director General	2002G	2005G
Al Watania for Plastics	A branch of Al Rajhi Company for Industry and Trade, a limited liability company operating in the plastic production field.	General Manager	1995G	2002G
Saudi Consulting House	A governmental institution operating in engineering and economic consulting.	Head of Petrochemical Sector	1993G	1995G
		Engineering Arbitration Advisor	1986G	1993G
		Staff Engineer	1982G	1986G

Current and Past Board Memberships: None.

Abdellatif Abdalla Ibrahim

Nationality: Sudanese

Age: 51

Position: CFO

Academic Qualifications:

- Bachelor of Accounting, University of Khartoum, Sudan, 1989G.
- Master of Accounting and Finance, University of Khartoum, 1996 G.
- Certified Public Accountant license, University of Illinois, USA, 2005G.
- Fellowship of Public Accountants, American Institute of Certified Public Accountants (AICPA), USA, 2005G.
- Project Finance Advisory, American Academy of Financial Management, USA, and multiple accounting and finance courses.

Table 74: Abdellatif Abdalla Ibrahim's work experience

Company/Organization	Legal Form and Industry	Position	Start Date	End Date
Al-Yamamah Steel Industries Company	A closed joint stock company operating in the steel industry.	Chief Financial Officer	2007G	Present
		Finance Manager	2005G	2007G
Savola Group - Retail Department	A public joint stock Company operating in the industry and retail field.	Head of Retail and Inventory Accounting	1997G	2005G
Sudanese Telecom Company	A public joint stock Company working in the telecommunications field.	Internal Auditor	1984G	1994G

Current and Past Board Memberships: None.

Abdulrazzaq Faeik Abu Safiya

Nationality: Jordanian

Age: 64

Position: Tubes SBU Head

Academic Qualifications:

Bachelor of Mechanical Engineering, University of Helwan, Egypt, 1974G.

Table 75: Abdulrazzaq Faeik Abu Safiya's work experience

Company/Organization	Legal Form and Industry	Position	Start Date	End Date
Al-Yamamah Steel Industries Company	A closed joint stock company operating in the steel industry (tubes).	Tubes SBU Head	1990G	Present
Jordanian Company for Steel Manufacturing	A public joint stock company operating in the tubes manufacturing field.	Factory Manager	1974G	1990G

Current and Past Board Memberships: None.

Sahil Mikhdar AlThubaity

Nationality: Saudi

Age: 35

Position: Poles SBU Head

Academic Qualifications:

- Bachelor of Mechanical Engineering, King Abdulaziz University, Saudi Arabia, 2002G.
- Master of Business Administration, King Abdulaziz University, Saudi Arabia, 2006G.

Table 76: Sahl Mikhdar Althubaity's work experience

Company/Organization	Legal Form and Industry	Position	Start Date	End Date
Al-Yamamah Steel Industries Company	A closed joint stock company operating in the steel industry (poles).	Tubes SBU Head	2012G	Present
		Tubes SBU Appointed Head	2010G	2012G
		Operation Manager	2009G	2010G
	A closed joint stock company operating in the steel industry (tubes).	Operation Manager	2007G	2009G
		Assistant Production Manager	2006G	2007G
		Production Engineer	2003G	2006G
Alzahid Company	A limited liability company operating in the field of heavy equipment.	Sales Engineer	2002G	2003G

Current and Past Board Memberships: None.

Khuldon Humaid AlMhuhmeed

Nationality: American

Age: 46

Position: Space Frames SBU Head

Academic Qualifications:

- Bachelor of Civil Engineering, Damascus University, Syrica, 1948G.
- Master of Civil Engineering, Wayne State University, USA, 1988G.
- PhD in Civil Engineering, Wayne State University, USA, 1992G.

Table 77: Khuldon Humaid AlMhuhmeed's work experience

Company/Organization	Legal Form and Industry	Position	Start Date	End Date
Al-Yamamah Steel Industries Company	A closed joint stock company operating in the steel industry (space frames).	Space Frames SBU Head	1997G	Present
Unester Company - USA	A closed joint stock company operating in the design and management field.	Vice-chairman	1991G	1996G
	An American closed Joint stock Company operating in the design field.	Engineering Department Director	1989G	1990G
Wayne State University	Educational Institution operating in university-level education.	Assistant Professor	1987G	1988G

Current and Past Board Memberships: None.

Yousef Lutfi AlSayid

Nationality: Egyptian

Age: 51

Position: Towers SBU Head

Academic Qualifications:

- Bachelor of Engineering, Production Mechanics Division, University of Helwan, Egypt, 1987G.

Table 78: Yousef Lutfi AlSayid's work experience

Company/Organization	Legal Form and Industry	Position	Start Date	End Date
Al-Yamamah Steel Industries Company	A closed joint stock company operating in the steel industry (towers).	Towers SBU Head	2007G	Present
Taqanah Engineering Company	A limited liability company operating in the steel industry.	General Manager	2006G	2007G
Y & M industrial Company - USA	An American limited liability company operating in the steel industry.	General Manager	2000G	2006G
American Equipment Company - USA	An American limited liability company operating in the steel industry.	Deputy Director General	1993G	2000G
Ferrara Company - USA	An American limited liability company operating in the steel industry.	Production Manager	1990G	1993G

Current and Past Board Memberships: None.

Mohammad Awad Al-Sheikh

Nationality: Sudanese

Age: 53

Position: Internal Audit Department Manager

Academic Qualifications:

- Bachelor of Accounting, Cairo University, Al-Khartoum Branch, 1987G.

Table 79: Mohammad Awad Al-Sheikh's work experience

Company/Organization	Legal Form and Industry	Position	Start Date	End Date
Al-Yamamah Steel Industries Company	A closed joint stock company operating in the steel industry.	Internal Audit Department Manager	2005G	Present
Sulaiman Al Rajhi Group	A limited liability company operating in the industrial field.	Internal auditor then financial and administrative supervision	1988G	2005G
Hamadto and Partners – Certified Accountants	Professional partnership operating in the field of auditing companies and institutions.	First Auditor	1986G	1988G
Hafez Group	A limited liability company operating in the financial administration field.	Chief Accountant	1985G	1986G
Ministry of Finance	Governmental Authority - Public Companies budgets	First Officer	1984G	1985G

Current and Past Board Memberships: None.

Fayyad Ahmad Abd-al Ghafour

Nationality: Pakistani

Age: 44

Position: IT Manager

Academic Qualifications:

- Postgraduate Studies diploma in Computer Programming and Systems Analysis, Bahauddin Zakariya University, Pakistan, 1992G.
- Master of Business Administration and Management Information Systems, Bahauddin Zakariya University, Pakistan, 1994G.
- SAP Certified Advisor, Administrative and Financial Accounting Institute, 2006G.
- Certified Project Manager, Project Management Institute, USA, 2013G.
- Certified Information Systems Auditor, Information Systems Audit and Control Association, USA, 2014G.

Table 80: Fayyad Ahmad Abd-al Ghafour's work experience

Company/Organization	Legal Form and Industry	Position	Start Date	End Date
Al-Yamamah Steel Industries Company	A closed joint stock company operating in the steel industry.	IT Manager	2010G	Present
Punjab Beverages Company (Pvt.) Limited (Pepsi, Cola)	A limited liability company operating in the field of producing and selling beverages	IT General Manger Deputy	2007G	2010G
Abaskus Consultants	A consulting office operating in the SAP application field.	Costs and Advisor Consultant	2007G	2007G
Bakajix Company Limited	A limited liability company operating in the field of SAP applications support	SAP Functional Analyst	1994G	2007G

Current and Past Board Memberships: None.

Shawkat Uthman Sheikh

Nationality: Indian

Age: 59

Position: Quality Manager

Academic Qualifications:

- Bachelor of Botany, Biology and Chemistry, Osmania University, India, 1979G.

Table 81: Shawkat Uthman Sheikh's work experience

Company/Organization	Legal Form and Industry	Position	Start Date	End Date
Al-Yamamah Steel Industries Company	A closed joint stock company operating in the steel industry.	Quality Manager	2009G	Present
Al Watania for Industries Company	A closed joint stock company operating in the field of manufacturing industries.	Quality Manager	1984G	2009G
Saudi Plastic Products Company Ltd. (SAPPCO)	A Limited Liability Company working in the field of manufacturing industries	Quality Official	1982G	1984G

Current and Past Board Memberships: None.

Ahmad Abdulaziz Al-Qadhi

Nationality: Egyptian

Age: 53

Position: Procurement Manager

Academic Qualifications:

- Bachelor of Commerce, Accounting Division, Ain Shams University, Egypt, 1985G.

Table 82: Ahmad Abdulaziz Al-Qadhi's work experience

Company/Organization	Legal Form and Industry	Position	Start Date	End Date
Al-Yamamah Steel Industries Company	A closed joint stock company operating in the steel industry.	Procurement Manager	2012G	Present
		Procurement Officer	2004G	2012G
		Internal Auditor Procurement Officer	2000G	2004G
		Internal Auditor Sales Accountant	1998G	2000G
		Internal Auditor Client Delivery Officer	1996G	1998G
		Internal Auditor	1994G	1996G
Misr Refrigeration And Air Conditioning Manufacturing Company (Miraco)	A limited liability company operating in the field of air conditioning units and contracting.	Auditor	1991G	1994G
National Company for Cement Production	A limited liability company operating in the field of cement production.	Auditor	1987G	1991G
Cairo Center for Engineering Consultations	A consulting office operating in the engineering consultation field.	Accountant	1985G	1987G

Current and Past Board Memberships: None.

Mohammed Ali AlWuhaiby

Nationality: Saudi

Age: 59

Position: General Manager of Al-Yamamah Company For Reinforcing Steel Bars

Academic Qualifications:

- Bachelor of Electrical Engineering, University of Wisconsin, USA, 1982G.
- Chase Manhattan Bank Course for one year in credit analysis and financing industrial projects, 1985G.

Table 83: Mohammed Ali AlWuhaiby's work experience

Company/Organization	Legal Form and Industry	Position	Start Date	End Date
Al-Yamamah Company For Reinforcing Steel Bars	A closed joint stock company operating in the steel industry.	General Manager	2005G	Present
Al-Yamamah Steel Industries Company	A closed joint stock company operating in the steel industry.	General Manager	1990G	2005G
Saudi Industrial Development Fund	A government authority operating in the field of financing industrial projects.	Project analyst	1986G	1990G
Chase Manhattan Bank	An American bank operating in the financial services field.	Trainee	1985G	1986G
Saudi Industrial Development Fund	A government authority operating in industrial projects finance management.	Technical Department	1983G	1985G

Current and Past Board Memberships: None.

Mohammed Yahya Khawaji

Nationality: Saudi

Age: 39

Position: Deputy General Manager of the Subsidiary

Academic Qualifications:

- Bachelor of Sharia, Imam Muhammad ibn Saud Islamic University, Saudi Arabia, 1997G.

Table 84: Mohammed Yahya Khawaji's work experience

Company/Organization	Legal Form and Industry	Position	Start Date	End Date
Al-Yamamah Company For Reinforcing Steel Bars	A closed joint stock company operating in the steel industry.	Deputy General Manager	2008G	Present
Al Qassim Cement Company	A joint stock company operating in the field of cement production.	HR and Support Services Manager	2006G	2008G
Almisehal Commercial Group - Noviacom	A limited liability company operating in the communication field.	Deputy General Manager	2002G	2006G
The National Titanium Dioxide Company (CRISTAL)	A limited liability company operating in the field of titanium dioxide production.	Human Resources Supervisor	1998G	2002G

Current and Past Board Memberships: None.

Waleed Ibrahim Al-Zaatrah

Nationality: Jordanian

Age: 54

Position: Financial Manager of the Subsidiary

Academic Qualifications:

- Bachelor of Accounting, University of Jordan, Jordan, 1981G.

Table 85: Waleed Ibrahim Al-Zaatrah' work experience

Company/Organization	Legal Form and Industry	Position	Start Date	End Date
Al-Yamamah Company For Reinforcing Steel Bars	A closed joint stock company operating in the steel industry.	Financial Manager	2009G	Present
Dr. Mohammad Al-Shabani Office - Certified Accountants	Individual certified accounting office	Principal Auditor to Auditing Supervisor	1984G	2009G
Shair & Partners Office - Certified Accountants	Certified accounting company	Assistant Auditor	1983G	1984G

Current and Past Board Memberships: None.

5-6 Remuneration of Directors and Members of the Senior Managers

The Company

The Company's Bylaws allocate (10%) ten percent of the annual net profits to remunerate the Board members after setting aside (10%) ten percent for the statutory reserve and the discretionary reserve and distributing dividends of (5%) five percent of the net paid-up capital to Shareholders.

The following table sets out the remuneration, salaries and benefits of the Directors and Senior Management members including the five senior executives who received the highest remunerations, including the CEO and the CFO during the years of 2013G, 2014G, and 2015G:

Table 86: Remuneration of the Board and Senior Managers during the years 2013G, 2014G, and 2015G

Description	2013G	2014G	2015G
Board of Directors	SAR 500,000	SAR 800,000	SAR 1,200,000
Senior Management	SAR 6,624,133	SAR 9,855,161	SAR 10,724,868

There are no current or contemplated employment agreements between the Company and the Directors. The Directors' remuneration is paid as per the Current Companies Law, the Company's Bylaws and official instructions issued in this regard. Likewise, the Board declares that, save as disclosed in Section 11-10 "Related Party Transactions" and Table 147 "Details of the Related Party Transactions", there are no contracts or arrangements in effect or contemplated at the time of submission of the Prospectus in which a Director or member of Senior Management or any of their relatives have any interest in, of any kind, in relation to the Company.

The Company has entered into an employment agreement with the CEO Yousef Saeed Ba-zid for an indefinite term automatically renewed unless either party expresses its desire of non-renewal to the other party. The agreement includes contractual obligations and rights including monthly salary, term, accommodation and vacations.

The Company has also entered into an employment agreement with the CFO Abdellatif Abdalla Ibrahim periodically renewed pursuant to separate administrative resolutions. The agreement includes contractual obligations and rights including monthly salary, term, accommodation and vacations. The term of this agreement is one renewable Gregorian year.

The employment agreements between the Company and its Senior Management are amended by separate administrative resolutions. The Company also adopts a remuneration system whereby members of the Senior Management receive an annual bonus, determined by a resolution from the Board, representing a percentage of no more that 5% of the Company's net profit after Zakat and excluding the Subsidiary's profits every year.

The following table summarizes the Company's employment agreements with the CEO and CFO:

Table 87: Summary of the Company's employment agreements with the CEO and CFO

No.	Name	Position	Company	Agreement Date	Term
1	Yousef Saeed Ba-zid	Chief Executive Officer	Al-Yamamah Steel Industries Company	01/04/2002G	Undefined
2	Abdellatif Abdalla Ibrahim	Chief Financial Officer	Al-Yamamah Steel Industries Company	19/12/2005G	One renewable year

The Subsidiary

The Board declares that, save as disclosed in Section 11-10 "Related Party Transactions" and Table 147 "Details of the Related Party Transactions", there are no contracts or arrangements in effect or contemplated at the time of submission of the Prospectus in which a Director or member of Senior Management or any of their relatives have any interest in, of any kind, in relation to the Subsidiary.

The Subsidiary has entered into an employment agreement with its General Manager Mohammed Ali AlWuhaiby dated 29/09/1426H (corresponding to 01/11/2005G) for an indefinite term. The agreement includes contractual obligations and rights including monthly salary, term, accommodation and vacations.

The Subsidiary has also entered into an employment agreement with its Deputy General Manager Mohammed Yahya Khawaji dated 05/09/1429H (corresponding to 06/09/2008G) for an indefinite term. The agreement includes contractual obligations and rights including monthly salary, term, accommodation and vacations.

The Subsidiary has also entered into an employment agreement with its Financial Manager Waleed Ibrahim Al-Zaatrah dated 01/07/1430H (corresponding to 24/06/2009G) for two years to be renewed periodically by separate administrative resolutions covering monthly salary, term, accommodation and vacations.

The following table summarizes the Subsidiary's employment agreements with its senior management:

Table 88: Summary of the Subsidiary's employment agreements with its senior management

No.	Name	Position	Company	Agreement Date	Term
1	Mohammed Ali AlWuhaiby	General Manager	Al-Yamamah Company For Reinforcing Steel Bars	01/11/2005G	Undefined
2	Mohammed Yahya Khawaji	Deputy General Manager Deputy	Al-Yamamah Company For Reinforcing Steel Bars	06/09/2008G	Undefined
3	Waleed Ibrahim Al-Zaatrah	Financial Manager	Al-Yamamah Company For Reinforcing Steel Bars	24/06/2009G	Two years, renewable

5-7 Corporate Governance

Corporate governance aims at establishing relationships between the Company and its Senior Management, Board of Directors, Shareholders and other relevant and concerned parties in order to adopt the method that defines the Company's objectives and how to achieve them. The Company has a clear distribution of responsibilities between the Board and the Senior Management.

The Company undertakes to comply with the Corporate Governance Regulations issued by the CMA, which it considers an important factor of its success, and which requires the implementation of a clear framework for transparency and disclosure in order to ensure that the Board of Directors is achieving the best results for the Shareholders and providing a clear and fair picture of the Company's financial and operation results.

With regards to the Company's compliance with the Corporate Governance Regulations, the mandatory articles therein, as known, are paragraphs (I) and (J) of article 5, article 9, paragraphs (B), (C) and (D) of article 10 and paragraphs (C), (E) and (G) of article 12, article 14 and article 15.

The Company is in compliance with paragraph (I) of article 5 where its Shareholders are allowed to review the minutes of the General Assembly and paragraph (C) of article 12 where the majority of the Board are non-executives. The Company is also in compliance with article 14 and article 15 where the Board formed the Audit Committee, the Nomination and Remuneration Committee, the Executive Committee and the Sourcing Committee on 01/12/1435H (25/09/2014G). The Company adopted the Corporate Governance Manual which included charters that regulate each of the Executive Committee, the Audit Committee, the Nomination and Remuneration

Committee and the Sourcing Committee, the rules of appointing their respective members, terms of office and procedures in accordance with the mandatory article 10 of the Corporate Governance Regulations, such manual was adopted and approved by the Board on 07/01/1435H (corresponding to 10/11/2013G) and the General Assembly on 03/04/1435H (corresponding to 03/02/2014G).

The Company is not in compliance with paragraph (J) of article 5, article 9, and paragraph (G) of article 12 of the Corporate Governance Regulations as of the date of this Prospectus, since the Company is not currently listed and will comply with such articles after obtaining the CMA approval on listing its shares on the Saudi Stock Exchange (Tadawul). The Company also undertakes to appoint an independent Director to fill in the current vacancy in the Board within a period not exceeding (6) six months of the listing as per paragraph (E) of article 12of the Corporate Governance Regulations.

5-8 Company's Undertakings Following Listing

The Company undertakes, following its listing, to fulfill the following:

- Appoint an independent Director to fill in the current vacancy in the Board within a period not exceeding (6) six months of the listing date;
- comply with the provisions of the Listing Rules and the Corporate Governance Regulations upon preparing its Board Report;
- comply with all mandatory articles of the Corporate Governance Regulations immediately following the listing including obtaining the approval of amendments on the Corporate Governance Manual by the Board and the General Assembly;
- inform the CMA of the date of each General Assembly held by the Company following listing to enable the CMA representative to attend the meeting;
- present agreements and transactions entered into with Directors annually to the General Assembly to obtain the approval of the Shareholders after excluding any relevant conflicted party from voting in accordance with the Current/New Companies Law and Corporate Governance Regulations;
- present any conflict of interest between the Company's business, and the business of its Substantial Shareholders, Directors or the companies in which they participate, annually to the Board and General Assembly to obtain their approval after excluding any relevant party from voting thereupon; and
- the Selling Shareholder whose names are listed in Table 28 "Selling Shareholders' ownership pre- and post-Offering" of this Prospectus (in connection to the Company's share in the Subsidiary which equals 72.5%) shall bear, on behalf of the Company, each according to its current share, all future liability arising from the pending Marafiq claim (for the years 2012G and 2013G) (for more information on this claim, please see Section 11-7 "Utility User Agreement" and Section 11-15 "Litigation" of this Prospectus).

5-9 Conflict of Interest

Neither the Company's Bylaws nor any of its internal policies and regulations grant powers enabling Directors to vote on a contract or proposal in which he has a direct or indirect material interest, in accordance with article 69 of the Current Companies Law which states that a Director should not have any interest whether directly or indirectly, in the transactions or contracts made for the account of the Company, except with an authorization from the OGA, to be renewed annually. Pursuant to the aforementioned article, a Director must inform the Board of any personal interest he may have in the transactions or contracts made for the account of the Company. The Chairman shall inform the OGA, when it convenes, of the transactions and contracts in which any Director has a personal interest. Such communication shall be accompanied by a special report from the auditor. Such declaration must be recorded in the minutes of the Board meeting, and the interested Director shall not participate in voting on the resolution to be adopted in this respect. Based on the foregoing, the Directors undertake to comply with the following:

- Complying with the provisions of articles (69) and (70) of the Current Companies Law and article (18) of the Corporate Governance Regulations.
- Refraining from voting on all contracts entered into with related parties in the General Assembly meetings.
- Avoiding participating in any business competitive with that of the Company, and all related party transactions will be made on an arm's length basis according to article (70) of the Current Companies Law.

5-10 Board Committees

The Board has established a number of committees, as required, to enable it to ensure the best performance of the Company's management. In this respect, the Board has ensured the following:

- All committees have approved rules that identify their roles and responsibilities;
- each committee's powers are clearly specified; and
- minutes are prepared for all meetings and are reviewed and approved by all Directors.
- The Company currently has the following committees:

5-10-1 Executive Committee

The Executive Committee assists the Board in exercising all activities and duties assigned to it in order to facilitate the Company's operations through:

- Assisting the Board in exercising all activities and duties assigned to it in order to smoothly facilitate the Company's operations;
- assisting the Board in setting the Company's main objectives, strategies and investment strategies;
- contributing to setting the Board's vision, duties and action plan;
- laying down the Company's main and strategic goals to achieve its required results;
- assisting the Board with a regular strategic overview of the Company's performance;
- participating with the Audit Committee in approving investment decisions;
- forming or reforming joint ventures or partnerships;
- participating in developing the Company's investments;
- enhancing and developing the Company's technology and technical support;
- managing vendor relations with principal suppliers;
- establishing commercial operations, policies, and executive procedures bound to be followed during the execution of day-to-day operations;
- monitoring the general development of employees;
- exploring the means of developing business effectively, and ensuring proper coordination, information and opinions exchange between senior officials and directors of the main departments;
- monitoring the performance of the CEO in regard to implementing the action plan and reviewing the ability of joint venture partners participating in the projects executed by the Company;
- reviewing proposals of new investments and monitoring its compliance with investment policies and procedures;
- considering the interest of the investment proposed to related parties;
- reviewing Zakat and taxes processing and adherence thereto;
- reviewing accounting treatment;
- continuous monitoring of the investment advisors' performance in the Company;
- evaluating investment results regularly; and
- undertaking investigations or inquiries in connection with the Company's internal issues.

The Executive Committee consists of (3) three Directors appointed by the Board, and is headed by one of them. The membership term shall not exceed the Board's term, and shall terminate upon the expiry of the member's term on the Board or upon his optional resignation. The following table sets out the current Executive Committee members:

Table 89: Members of the Executive Committee

Name	Function
Raed Ibrahim Al-Mudaiheem	Chairman
Muhanna Abdullah Al-Muhanna	Member
Ali Saleh Al-Dakheel	Member

The following are the biographies of the Executive Committee members:

Muhanna Abdullah Al-Muhanna, please see Section 5-3 "Directors Biographies" of this Prospectus to review his biography.

Raed Ibrahim Al-Mudaiheem, please see Section 5-3 “Directors Biographies” of this Prospectus to review his biography.

Ali Saleh Al-Dakheel, please see Section 5-3 “Directors Biographies” of this Prospectus to review his biography.

5-10-2 Audit Committee

The Audit Committee oversees the internal control systems of the Company’s operations including financial and risk management. The duties and responsibilities of the Audit Committee include the following:

- Internal control and accounting policies;
- reviewing the Auditor and financial data;
- internal audit;
- compliance;
- risk management;
- IT controls and tools; and
- reporting functions.

The Audit Committee consists of (3) three members, who shall not be executive Directors, appointed by the Board, provided that it includes a specialist in financial and accounting matters. The Audit Committee is headed by one of its members. The membership term shall not exceed the Board’s term, and shall terminate upon the expiry of the member’s term on the Board, if he is a Director, or upon his optional resignation. The membership of non-Directors shall terminate upon their resignation, or upon the expiry of the membership term. A member of the Audit Committee shall not undertake any technical or administrative task in the Company and shall not have a direct nor indirect interest in the Company’s business or transactions. The Audit Committee shall appoint a secretary to maintain its procedures and resolutions records. Such secretary can be from or outside the Board and shall not have the right to vote. The following table sets out the current members of the Audit Committee:

Table 90: Members of the Audit Committee

Name	Function
Ali Saleh Al-Dakheel	Chairman
Abdulkarim Hamad Al-Mojel	Member
Mohammed Ahmed al-Saadi	Member

The following are the biographies of the Audit Committee members:

Abdulkarim Hamad Al-Mojel

Nationality: Saudi

Age: 64

Position: Audit Committee Member

Academic Qualifications:

- Bachelor Business Administration.

Table 91: Abdulkarim Hamad Al-Mojel’s work experience

Company/Organization	Industry	Position	Start Date	End Date
Dhahran Chemical Industries and Marketing Company	Investing in chemical industries.	Member of the Board of Directors	1991G	Present
Asharq Alawsat Pharmacies Company	Polymer industries.	Member of the Board of Directors	1996G	Present
APC	Tubes industry.	Member of the Board of Directors	1996G	2001G

Company/Organization	Industry	Position	Start Date	End Date
Deema - United Food Industries Company	Food, biscuits and candy industry.	Member of the Board of Directors	2002G	2005G
Saudi Amusement Centers Company	Amusement parks.	Member of the Board of Directors	2005G	2010G
United Gulf Industries Corporation	Industrial investment.	Member of the Board of Directors	2005G	2011G
Al-Yamamah Steel Industries Company	Steel industries.	Member of the Audit Committee	2010G	Present

Mohammed Ahmed al-Saadi, please see Section 5-3 “Directors Biographies” of this Prospectus to review his biography.

Ali Saleh Al-Dakheel, please see Section 5-3 “Directors Biographies” of this Prospectus to review his biography.

5-10-3 Nomination And Remuneration Committee

The Nomination and Remuneration Committee deals directly with the Company’s resources to maintain effective work relations with management through:

- Specifying qualified individuals to become Directors and recommending the proposed members to the Board in the annual General Assembly;
- recommending the Board committee’s nominees to the Board;
- Supervise the evaluation of the Board and Senior Management;
- Supervise all issues related to the CEO and compensation manager;
- reviewing the Board’s succession plan; and
- providing an evaluation to the Board with regards to salaries, employment, contract renewals, contract termination policy for Senior Management, incentive systems, retirement arrangements and Director remuneration schemes.

The Nomination and Remuneration Committee consists of no less than (2) two non-executive Directors appointed by the Board, and is headed by one of them. The membership term shall not exceed the Board’s term, and shall terminate upon the expiry of the member’s term on the Board or upon his optional resignation. The following table sets out the current members of the Nomination and Remuneration Committee:

Table 92: Nomination and Remuneration Committee Members

Name	Function
Saad Ibrahim Al-Mojel	Chairman
Muhanna Abdullah Al-Muhanna	Member

The following are the biographies of the Nomination and Remuneration Committee members:

Saad Ibrahim Al-Mojel, please see Section 5-3 “Directors Biographies” of this Prospectus to review his biography.

Muhanna Abdullah Al-Muhanna, please see Section 5-3 “Directors Biographies” of this Prospectus to review his biography.

5-10-4 Sourcing Committee

The Sourcing Committee assists the Company’s management in research, expansion, and support of the Company’s resources to procure the raw materials necessary for production at competitive prices while monitoring the balances of raw materials through:

- Exchange information on raw material position in the local and international markets and its effects on the targeted markets of the Company;
- reinforcing the Company’s relationships with the active raw material suppliers and monitoring their performance;

- expanding the material resources necessary for production with the desired quality and committing to the supply levels at competitive prices;
- monitoring inventory balance and its suitability to the sales plans of the Company, making the necessary corrections; and
- approving material procurement periodically in accordance with the procurement powers manual approved by the Board.

The Sourcing Committee consists of no less than (3) three members, two of which shall be Directors and the third shall be the Company's CEO appointed by the Board, and is headed by one of them. The membership term shall not exceed the Board's term, and shall terminate upon the expiry of the member's term on the Board or upon his optional resignation. The following table sets out the current members of the Sourcing Committee:

Table 93: Sourcing Committee Members

Name	Function
Muhanna Abdullah Al-Muhanna	Chairman
Raed Ibrahim Al-Mudaiheem	Member
Ali Saleh Al-Dakheel	Member
Yousef Saeed Ba-zid	Member

The following are the biographies of the Sourcing Committee members:

Muhanna Abdullah Al-Muhanna, please see Section 5-3 "Directors Biographies" of this Prospectus to review his biography.

Raed Ibrahim Al-Mudaiheem, please see Section 5-3 "Directors Biographies" of this Prospectus to review his biography.

Ali Saleh Al-Dakheel, please see Section 5-3 "Directors Biographies" of this Prospectus to review his biography.

Yousef Saeed Ba-zid, please see Section 5-3 "Directors Biographies" of this Prospectus to review his biography.

6. Financial Information and Management Discussion and Analysis of the Company's Financial Position and Results of Operations

6-1 Introduction

Management discussion and analysis of the financial position and results of operations of Al-Yamamah Steel Industries Company, as set out below, is based on the audited consolidated financial statements for the years ended 30 September 2013G, 2014G and 2015G. The consolidated financial statements for the year ending 30 September 2013G, 2014G and 2015G were audited by KPMG Al Fozan & Al Sadhan ("KPMG").

Neither KPMG nor any of its subsidiaries or affiliates own any share or interest of any kind in the Company. They have also given their written consent to the statement contained in this Prospectus with respect to their role as auditors of the Company for the fiscal years mentioned above.

This section could contain forward looking statements related to the Company's future prospects based on management's current plans and expectations regarding Company growth, results of operations, and financial position, subject to risk and uncertainty. The Company's actual results could differ substantially from such expectations due to various future factors and events, including the factors discussed in this section of the Prospectus or elsewhere therein, especially in those sections pertaining to risk factors.

All financial data contained in this section has been rounded to the nearest whole number. Thus, when the figures in the tables are added, those totals may not correspond to the totals cited. It should also be noted that all annual growth rates, profit margins, costs, and compound annual growth rates are based on the rounded figures in the tables below.

6-2 Declarations of the Directors Regarding the Financial Statements

The Directors of the Company declare that the financial data contained in this Prospectus has been extracted from the Company's audited consolidated financial statements for the years ending 30 September 2013G, 2014G and 2015G and from the notes therewith, without any material change being made thereto. They declare that the consolidated financial statements have been prepared by the Company's management in accordance with the Accounting Standards issued by the Saudi Organization for Certified Public Accountants (SOCPA). Also, the Directors declare that the Company possesses sufficient working capital for the twelve months directly following the date of this Prospectus.

The Directors declare that there has not been any material adverse change in the financial and commercial position of the Company or of its subsidiary in the three years directly prior to the date of submission of the request for listing and up to the date of this draft Prospectus.

The Directors acknowledge that there is no intention to make any fundamental changes to the nature of the Company's activities in the future.

The Directors confirm that all material facts pertaining to the Company and its Subsidiary and their financial performance have been disclosed in this Prospectus, and that there are no other facts whose omission would render any statements in this Prospectus misleading.

The Directors also declare that neither the Company nor its Subsidiary has given any commissions, discounts, brokerage fees, or non-cash compensation in the three years immediately prior to the date of the listing application or consent to this listing with respect to the issue or sale of any securities.

The Directors also confirm that the Company and its Subsidiary do not possess any property, including contractual or other assets whose value is vulnerable to fluctuations or securities that are difficult to value, which may significantly affect the Company's financial position.

The Directors also acknowledge that there are no mortgages, rights or burdens on property of the Company and its Subsidiary as at the date of this Prospectus, with the exception of what has been disclosed in this section and the Legal Information section of this Prospectus.

The Directors also confirm that neither the capital of the Company nor of any of its subsidiaries is subject to a call option.

6-3 Summary of Key Accounting Policies

The Company's audited consolidated financial statements have been prepared according to the Auditing Standards issued by the Saudi Organization for Certified Public Accountants (SOCPA). The Company's key accounting policies are contained in Note 3 to the consolidated financial statements for the years 2013G, 2014G and 2015G.

The accounting policies set out below have been applied consistently to all periods covered by the consolidated financial statements.

Some comparison figures have been re-tabulated to conform to the current year›s method of presentation.

1. Cash and cash equivalents

Cash and cash equivalents comprise of bank balances, cash in the fund, and deposits made for investments in investment funds, which are convertible to cash and mature within a maximum of three months from the date of the original investment and are available to the Company without conditions.

2. Trade receivables

Trade receivables are recognised at the sum of the original invoice after deduction of the provisions for doubtful debt. Provision for doubtful debt is made when there is solid evidence that the Company will not be able to recover amounts due at the debt's original conditions. Bad debts are written off when set against the provisions relating thereto. The provisions are recorded on the consolidated income statement. Any subsequent recovery of debts that had previously been written off are to be added to revenues.

3. Inventory

Inventory is measured at the lower of cost and net recoverable value. The cost is determined by using the weighted average method. The cost includes expenses incurred for the purchase of inventory, production or conversion costs, and other costs that are incurred in bringing the inventory to the site in its current state.

In the case of finished goods inventory and work in progress, the cost includes an appropriate portion of direct production costs on the basis of normal operating capacity.

Net recoverable value is the estimated selling price during the normal course of business after deduction of additional operating production costs for completion and selling and distribution expenses. A provision is made (when necessary) for expired, slow-moving and damaged inventory.

4. Deferred expenses

Deferred expenses include all costs and expenses incurred by the Company pertaining to its activities during the pre-operational period that have future economic benefits and are amortized over the estimated benefit period by using the straight-line method, up to a maximum of five years.

5. Property, plant and equipment

Property, plant, and equipment are carried at cost less accumulated depreciation and accumulated impairment loss, if any, including costs directly related to asset acquisition, and costs of loans to fund the creation of an asset which were capitalized during the time period required for completing and preparing the asset for use.

All other expenditures are recorded on the consolidated income statement when they are incurred, and depreciation is carried on the consolidated income statement by using the straight-line method over the estimated productive life of the property, plant, and equipment.

Repairs and maintenance are carried on the consolidated income statement, either as improvements that increase the value of the relevant asset or that significantly prolong its life and thus are capitalised.

Depreciation is not calculated on owned land. The difference between the cost of the property, plant, and equipment and their estimated value at the end of their life, calculated from the date of purchase or installation, depreciates in equal yearly instalments over their estimated productive life.

Below is the estimated useful life of the principal items for these assets for the current period and the comparison period:

Years

Buildings	20-33
Machinery and equipment	10-20
Tools	5
Computer devices, software and electronic devices	5
Furniture and office equipment	5
Motor vehicles	5

6. Accounts payable and amounts due

Liabilities related to future payables for goods or services rendered, regardless of whether an invoice has been provided by the supplier.

7. Loans

Loans for sums received are recognized after deduction of transaction costs. Administrative commissions that are deducted in advance from loans provided by SIDF are deferred and deducted from the original amount of the loan. Such commissions, which do not differ substantially from the prevailing interest rate for loans on the market, are amortized over the lifespan of the loan using the straight-line method. Borrowing costs directly attributable to creation of qualified assets are capitalized until they reach the stage at which all activities necessary for setting up the qualified asset for its specified use are essentially complete. Otherwise, these costs are carried on the consolidated income statement.

8. Provisions

Provisions are recorded if the Company, as the result of previous events, has a current or implicit legal obligation that can be reliably estimated, with a possibility of there being an economic necessity to settle such obligation.

9. Provision for employees end-of-service benefits

The employees end-of-service benefits provision is calculated according to the Saudi Labour and Workmen Law, and represents amounts owed that are recorded on the consolidated income statement. These benefits are calculated based on the current value of agreed-upon advantages to which the employee is entitled to when he leaves the job as of the date of the balance sheet.

10. Revenue recognition

Revenues is recognized under the following conditions:

- There is a possibility of economic benefits accruing to the Company.
- It is measured reliably regardless of its payment date.
- It is possible to determine the cost incurred and anticipated future costs, and it is possible to reliably estimate them.

Revenue is measured at the fair value of the consideration received or receivable in accordance with the contractually specified payment terms. The recognition criteria specified above must also be satisfied before revenue is recognized.

Merchandise sales

Revenues from sales are recorded upon delivery or shipping of the products, when the substantial risks and benefits accompanying ownership of the merchandise are transferred to the purchaser, such that the Company has no effective control or ongoing administrative interest of a degree usually associated with ownership of the merchandise. The sales are recorded after returns, commercial discounts, and bulk discounts.

Contract revenues

Contract revenues are recorded based on the percentage completion of each contract, which is determined by measuring contract outputs (the exclusive procedure for work completed or the part of the contracted work that was actually done); or, by measuring the contract's inputs (costs incurred to date as a percentage of the total costs stipulated by the contract). The contract's costs include general and administrative expenses directly attributable to the contract as of the contract date until it has expired fully. Borrowing costs directly attributable to establishment of qualified assets are capitalized and listed as contract costs. Changes in cost and loss estimates for uncompleted contracts (if any) are recorded during the period in which those changes were identified. Whenever it seems possible that total contract costs will exceed total contract revenues, the expected loss is recorded immediately.

11. Zakat

The Company and its subsidiary are subject to zakat in accordance with the regulations of the DZIT. The amount due for Zakat is recorded and carried on the income statement for the current period. Additional Zakat obligations, if any, that are assessed on previous years by the DZIT are accounted for in the period in which the final assessment is issued.

12. Foreign currency translation

Transactions made in foreign currencies are recorded in Saudi Riyals according to the exchange rate on the date the transaction took place. Financial assets and liabilities recorded in foreign currencies are converted at the exchange rate on the date of the balance sheet. All differences are recorded in the consolidated income statement. The Saudi Riyal is the Company's principal currency.

13. Dividends distribution

Distributions of interim dividends are recorded in the period in which they are approved by the Board, and final distribution of dividends is recorded in the year in which they are approved by the General Assembly.

6-4 Principal factors affecting the Company's business

Demand for the Company's products and services depend on the level of construction activity in the Kingdom, which in turn depends on macroeconomic conditions in the Kingdom as well as in the private sector, and on government spending on construction.

Due to the nature of construction activity in the Kingdom, which decreases in the summer months and in the Ramadan and Hajj seasons, there are seasonal movements in the Company's results that correspond to fluctuations in demand for its products. Furthermore, revenues reach their highest levels in the period from January to June. Working capital requirements increase in this period as well.

Please see Section 3 "Market and Industry Information" for more information on related factors.

6-4-1 Macroeconomic conditions

Despite the global economic recession, the Saudi economy performed well between 2010G and 2014G as GDP grew at an annual rate of 9.1% during the same period, primarily on the back of the increase of oil prices which contributed to an increase in government expenditure on infrastructure, with major projects and social services driving sustained growth. Furthermore, budget surpluses contributed to the accumulation of monetary reserves.

In 2015G, the public state budget recorded a deficit of SAR 326.2 billion due to the drop in international oil prices. Additionally, the ratio of national debt to gross domestic product increased from 2.0% in 2014G to 5.8% in 2015G as the state issued debt to finance the deficit resulting from low oil prices. The construction sector is expected to experience a relative downturn due to the projected lower government expenditure as compared to the previous five years.

6-4-2 Public sector›s spending on building and construction in the Kingdom

Government sector spending on capital projects reached SAR 278 billion in 2013G, an increase of 5% over 2012G and of 12% over 2011G. The transportation division accounts for the majority of construction contracts that have been awarded, which is essentially attributable to deals amounting to SAR 84.4 billion for the Riyadh metro project, and subsequent contracts to manage the project, which are valued at SAR 3.1 billion. As a result, 95% of the transportation contracts that have been awarded came from the High Commission for the Development of Arriyadh, while less than 2% of projects were awarded by the General Authority of Civil Aviation, the Saudi Railway Company and Saudi Aramco. Meanwhile, spending on other divisions included energy at USD 12.8 billion (SAR 48 billion), real estate at USD 5.5 billion (SAR 20.8 billion), industrial projects at USD 5 billion (SAR 19 billion), and petrochemical manufacture at USD 4.8 billion (SAR 18 billion).

The substantial size of the contracts that have been awarded have provided sustainable future expectations for the construction division, as many projects have in fact commenced and are now underway. It is also clear that recent measures adopted by relevant authorities for oversight of business laws have had a palpable effect on the market. In addition, an amnesty for residence permit violators ended in 2013G, prompting an estimated one million foreigner workers, most of whom were working in the construction division, to leave the country. This has led to a slowdown in project execution and an increase in labour costs.

In addition, a broad assessment of the housing sector was carried out as part of the Ministry of Housing's national housing strategy. Based on this assessment, there have been estimates of a housing shortage of at least 300,000 units by the end of 2011G. Furthermore, approximately 80,000 housing units are in need of immediate replacement. There are roughly 4.5 million housing units in the Kingdom, having grown at a rate of 120,000 new units each year over the course of the recent few years.

It follows that there is a need for a substantial increase in housing in order to satisfy growing demand and to begin reducing the current shortage. The number of units constructed per annum during the upcoming decade is approximated at 240,000 units. The annual figure includes 190,000 units in connection with new demand, while the remaining units arerelated to rebuilding and replacement. Parallel to the work of the Ministry of Housing in this field, the Saudi government announced in 2011G a program to construct 500,000 new affordable houses with a total cost of SAR 250 billion.

6-4-3 Economic growth in the construction sector

Economic growth and government and private sectors› construction spending has led to GDP growth for the sector. In the 2003G-2013G period, the construction industry grew by an estimated average of 7.6% annually, which is approximately 20% higher than the total Saudi economic growth. It is worth noting also that this division has continued to show positive growth since 2001G while the overall economy and the oil industry in particular have witnessed a period of negative growth.

6-4-4 Cost drivers

Raw materials are one of the largest components of costs, representing 79.8% of total revenues and 91.6% of total cost of sales during the period under analysis. The main components of raw material costs are the costs of billets and hot-rolled steel coils, which are purchased for the reinforced steel and Tubes SBU. The Company operates on a "produce-to-store" basis, which ensures that inventory is available for a period of five months while taking into consideration the three-month period lead time for receiving raw materials, and a one month cycle for each raw materials and finished goods in the warehouse. When pricing products for sale, the costs of raw materials and market prices must be taken into consideration. In general, the Company's profit margins for reinforced steel and tubes products increase when there is an increasing trend in steel prices, and decrease when there is a decreasing trend in steel prices. With respect to the Company's other business units, in particular the Towers SBU and Poles SBU, the Company operates on a "produce-to-order" basis whereby pricing reflects prevailing raw material prices and customer demand levels.

6-4-5 Utility subsidy cuts

As a result of the drop in global oil prices and the resulting deficit in the state budget, the Kingdom announced subsidy cuts for petrochemicals and utilities. This will result in an increase in the Company's utility costs (fuel, electricity and water) in 2016G. Based on the announced new prices, it is expected that electricity costs will increase by 21% for the remaining 9 months of the fiscal year 2016G.

In addition, diesel costs are expected to increase by 42% for the remaining 9 months of 2016G (a lower level increase as compared to the increase in market litre price since the Company deals with indirect suppliers to cover most of its diesel requirements).

As water costs are relatively low compared to total cost of sales (0.2% of total cost of sales), changes in water prices are not expected to have a major effect on the Company's operations. Water prices are expected to be relatively stable with minimal changes. The Company has not received any notifications of price increases from Marafiq.

It is worth noting that these adjustments in energy prices are part of a 5-year plan and the manufacturing sector is expected to experience furtherincreases in utility costs over the same period.

6-5 Results of Operations

6-5-1 Consolidated Income Statements

Table 94: Consolidated income statements for fiscal years 2013G-2015G

SR in 000s	2013G Audited	2014G Audited	2015G Audited	Annual Change 2013G-2014G	Annual Change 2014G-2015G	CAGR 2013G-2015G
Net sales	1,775,264	2,011,740	2,020,241	13.3%	0.4%	6.7%
Cost of sales	(1,554,979)	(1,766,688)	(1,737,850)	13.6%	(1.6%)	5.7%
Gross profit	220,286	245,052	282,390	11.2%	15.2%	13.2%
Selling and distribution expenses	(24,391)	(25,859)	(28,161)	6.0%	8.9%	7.5%
General and administrative expenses	(40,146)	(39,524)	(42,430)	(1.5%)	7.4%	2.8%
Operating income	155,749	179,668	211,799	15.4%	17.9%	16.6%
Other income	454	3,429	4,308	654.7%	25.6%	207.9%
Finance costs	(20,425)	(17,756)	(15,122)	(13.1%)	(14.8%)	(14.0%)
Net income before zakat	135,778	165,341	200,986	21.8%	21.6%	21.7%
Zakat	(8,671)	(11,643)	(14,520)	34.3%	24.7%	29.4%
Net income before non-controlling equity	127,107	153,698	186,466	20.9%	21.3%	21.1%
Non -controlling equity	(21,453)	(21,765)	(27,725)	1.5%	27.4%	13.7%
Net income	105,654	131,933	158,740	24.9%	20.3%	22.6%
Gross profit	12.4%	12.2%	14.0%			
Selling and distribution expenses	1.4%	1.3%	1.4%			
General and administrative expenses	2.3%	2.0%	2.1%			
Operating income	8.8%	8.9%	10.5%			
Net income	6.0%	6.6%	7.9%			

Source: Audited consolidated financial statements

The Company operates its business activities in the Kingdom through the following business units: Tubes SBU (production of steel tubes), Poles SBU (production of electric poles), Space Frames SBU (manufacture and fitting of space frame structures), Towers SBU (production of electric towers), and reinforcing steel bars ("Rebar") (manufacture of reinforcing steel bars through its Subsidiary, Al-Yamamah Company for Reinforcing Steel Bars)

Sales increased by 13.3% from SAR 1,775.2 million in 2013G to SAR 2,011.7 million in 2014G driven by an increase in Rebar sales (from SAR 1,034.7 million in 2013G to SAR 1,121.5 million in 2014G (as a result of increased construction activity in the Kingdom) and an increase in the Towers SBU sales from SAR 127.9 million in 2013G to SAR 192.6 million in 2014G, as capacity utilisation reached 99.6%.

Furthermore, the Tubes SBU sales increased from SAR 458.3 million in 2013G to SAR 489.9 million in 2014G (due to increased market demand and the increase in the division's production capacity), the Poles SBU sales increased from SAR 140.9 million in 2013G to SAR 187.1 million in 2014G (due to rising demand in the market and the Poles SBU's production capacity), and the Space Frames SBU sales increased from SAR 13.6 million in 2013G to SAR 20.7 million in 2014G (due to the launch of Thuraya College project which contributed to 40.3% of 2014G revenues).

Sales increased by 0.4% from SAR 2,011.7 million in 2014G to SAR 2,020.2 million in 2015G driven by an increase in the Towers SBU sales (from SAR 192.6 million in 2014G to SR224.5 million in 2015G) and the Poles SBU sales (from SAR 187.1 million in 2014G to SAR 205.5 million in 2015G), partially offset by a decrease in the Tubes SBU sales from SAR 489.9 million in 2014G to SAR 448.8 million in 2015G due to declining market prices over the same period.

Furthermore, Rebar revenue remained relatively stable in 2015G (decreasing by SR373 thousand) despite an increase in quantity sold by 56,940 tons, as a result of the decrease in average selling price.

Raw materials (in particular billet, hot-rolled steel coils, and equilateral steel angles) are the main components of cost of sales, accounting for 92% of the total amount over the 2013G-2015G period. Additionally, cost of sales includes depreciation, employee-related costs, consumables, packaging, and utilities (water, electricity, and fuel).

Cost of sales increased by 13.6% from SAR 1,555.0 million in 2013G to SAR 1,766.7 million in 2014G, as a result of a 114,000-ton increase in volume sold across all divisions.

Cost of sales decreased by 1.6% from SAR 1,766.7 million in 2014G to SAR 1,737.9 million in 2015G, as a result of favourable movements in raw material prices (explained in detail below).

Gross profit margin decreased from 12.4% in 2013G to 12.2% in 2014G as the profit margin of steel rebar and tubes dropped due to an adverse fluctuation in the market price of steel affecting Rebar and the Tubes SBU (the average selling price decreased by a percentage greater than that of the average cost of raw materials). The general decrease in steel market prices was due to a decrease in global oil prices. The decrease in overall profitability was partially offset by improved profitability in the Company's other divisions.

Gross profit margin increased from 12.2% in 2014G to 14.0% in 2015G as Rebar profitability improved due to a favourable movement in steel market prices (average cost of raw materials fell at a higher rate than the decline in average selling price), and the Towers SBU improved its profitability by managing raw material purchases to take advantage of the decline in raw material prices.

Selling and distribution expenses primarily comprise of transportation expenses (which accounted for 70.7%, 71.8% and 71.1% of the overall amount in 2013G, 2014G, and 2015G, respectively) and employee costs (which accounted for 21.6%, 20.7% and 22.6% of the overall amount in 2013G, 2014G, and 2015G, respectively). Selling and distribution expenses increased by 6.0% in 2014G from SAR 24.4 million in 2013G to SAR 25.9 million in 2014G in line with the increase in sold volumes from 607k tons to 721k tons.

Selling and distribution expenses increased by 8.9% in 2015G from SAR 25.9 million in 2014G to SAR 28.2 million in 2015G in line with the increase in sold volumes from 721k tons to 786k tons.

General and administrative expenses decreased by 1.5% in 2014G from SAR 40.1 million in 2013G to SAR 39.5 million in 2014G due to Rebar deferred expenses being fully amortized in 2013G. The decrease in general and administrative expenses was partially offset by the increase in provision for doubtful debts by SAR 1.3 million as a result of higher sales.

General and administrative expenses increased by 7.4% in 2015G from SAR 39.5 million in 2014G to SAR 42.4 million in 2015G, as a result of an increase in employee costs driven by salary increments and bonuses.

Other income is mainly composed of income from the Human Resources Development Fund (in connection with an incentive program for the hiring of nationals), profits and losses from foreign exchange of currencies, profits and losses from sale of property and equipment, and social insurance compensation (the General Organisation for Social Insurance). Other revenues increased by 654.7% in 2014G from SAR 454 thousand in 2013G to SAR 3.4 million in 2014G, as a result of increased income from the Human Resources Development Fund at SAR 2.6 million. Other income increased by 25.6% from SAR 3.4 million in 2014G to SAR 4.3 million in 2015G, as a result of increased income from the Human Resources Development Fund.

Financing costs are related to long-term loans and short-term credit facilities used by the Company (from three separate banks and the SIDF). Financing costs decreased by 13.1% in 2014G from SAR 20.4 million in 2013G to SAR 17.8 million in 2014G, due to a decline in the utilization of short-term credit facilities during the same period. Financing costs decreased by 14.8% to SAR 15.1 million in 2015G for the same reason.

Non-controlling equity represent profits accruing to external shareholders who collectively own a 27.5% share in the Subsidiary (Al-Yamamah Company for Reinforcing Steel Bars). Non-controlling equity increased from SAR 21.5 million in 2013G to SAR 21.8 million in 2014G in line with the increase in the net income of the subsidiary. Non-controlling equity increased from SAR 21.8 million in 2014G to SAR 27.7 million in 2015G for the same reason.

Annual Zakat expense accounts for 2.5% of the higher of net Zakat base and income before Zakat. Zakat is calculated on an independent basis for each of the Company and its Subsidiary.

6-5-2 Revenue by business unit

Table 95: Revenue by business unit for the period between 2013G and 2015G

SR in 000s	2013G	2014G	2015G	Annual change 2013G-2014G	Annual change 2014G-2015G	CAGR 2013G-2015G
Rebar	1,034,688	1,121,473	1,121,100	8.4%	(0.0%)	4.1%
Tubes	458,250	489,936	448,836	6.9%	(8.4%)	(1.0%)
Poles	140,890	187,069	205,483	32.8%	9.8%	20.8%
Space Frames	13,557	20,674	20,311	52.5%	(1.8%)	22.4%
Towers	127,879	192,588	224,511	50.6%	16.6%	32.5%
Total	1,775,264	2,011,740	2,020,241	13.3%	0.4%	6.7%
As a percentage of the total				Percentage point		
Steel rebar	58.3%	55.7%	55.5%	(2.5)	(0.3)	(2.8)
Tubes	25.8%	24.4%	22.2%	(1.5)	(2.1)	(3.6)
Poles	7.9%	9.3%	10.2%	1.4	0.9	2.2
Space frames	0.8%	1.0%	1.0%	0.3	NA	0.2
Electric towers	7.2%	9.6%	11.1%	2.4	1.5	3.9

Source: The Company

Table 96: Sales volume (tons) by division for the 2013G-2015G period

Tons	2013G	2014G	2015G	Annual change 2013G-2014G	Annual change 2014G-2015G	CAGR 2013G-2015G
Steel rebar	390,791	463,503	520,443	18.6%	12.3%	15.4%
Tubes	159,834	182,766	182,696	14.3%	NA	6.9%
Poles	29,713	35,084	37,261	18.1%	6.2%	12.0%
Electric towers	26,476	39,866	46,090	50.6%	15.6%	31.9%
Total	606,814	721,219	786,490	18.9%	9.1%	13.8%

Source: The Company

Rebar

Rebar is the Company's largest business unit, having contributed approximately 56.4% of sales between 2013G and 2015G. Rebar's sales increased by 8.4% in 2014G, from SAR 1,034.7 million in 2013G to SAR 1,121.5 million in 2014G, in light of increased construction activity in the Kingdom, which led to a 73,000-ton increase in volume sold. In addition, high competition in the market led to a decrease in average selling price.

Rebar sales remained relatively stable in 2015G (decreasing by SR373 thousand) as an increase in volume sold (+56,940 tons) was offset by a decrease in average selling price (in line with the movement in international steel prices due to falling demand in the Chinese market).

Rebar's production capacity amounts to 600,000 tons per annum, and capacity utilization reached 64.2% in 2013G, 76.2% in 2014G, and 87.7% in 2015G.

The Company's major customers through Rebar are Al-Fawzan Building Materials (SAR 359.7 million in sales in 2015G), Al-Muhaidib & Sons (currently known as Masdar Building Materials Company) (SAR 344.2 million in sales in 2015G), United Hal Building Materials Co. (SAR 89.3 million in sales in 2015G), and Rashed Abdulrahman Al Rashed & Sons (SAR 83.0 million in sales in 2015G). Al-Fawzan Building Materials, Masdar Building Materials, and Al-Rashed are related parties.

Table 97: Rebar - Revenue by top 10 customers for the 2013G-2015G period

SR in 000s	2013G	2014G	2015G	Annual change 2013G-2014G	Annual change 2014G-2015G
Al Fawzan Building Materials	299,014	333,849	359,711	11.6%	7.7%
Al Muhaidib & Sons (currently known as Masdar Building Materials)	311,627	346,837	344,225	11.3%	(0.8%)
Rashed Abdulrahman Al Rashed & Sons Co.	77,764	91,329	82,987	17.4%	(9.1%)
Related party top clients	688,405	772,014	786,923	12.1%	1.9%
AL Hal United Est. for Building Materials	109,799	109,999	89,312	0.2%	(18.8%)
Aziz Bani Al Saedi Est.	48,555	76,266	80,318	57.1%	5.3%
Bawan Metal Industries	9,021	34,259	46,045	279.8%	34.3%
Ali Saleh Al-Shareef For Trading	15,128	20,756	36,020	37.2%	73.5%
Al Rajhi Building Material Est.	28,541	27,098	32,575	(5.1%)	20.2%
Wurood Al-Sham Est.	6,862	7,815	12,509	13.9%	60.1%
Mohammad AlNashmi Est.	-	19,388	8,993	NA	(53.6%)
Third party top clients	217,906	295,579	305,773	35.6%	3.4%
Total top clients	906,311	1,067,593	1,092,696	17.8%	2.4%
Other customers	128,377	53,880	28,404	(58.0%)	(47.3%)
Total	1,034.688	1,121.473	1,121.100	8.4%	(0.03%)
As a percentage of division revenues				Percentagepoints	
Al Fawzan Building Materials	28.9%	29.8%	32.1%	0.9	2.3
Al Muhaidib & Sons (currently known as Masdar Building Materials)	30.1%	30.9%	30.7%	0.8	(0.2)
Rashed Abdulrahman Al Rashed & Sons Co.	7.5%	8.1%	7.4%	0.6	(0.7)
Top relater clients	66.5%	68.8%	70.2%	2.3	1.4
Third party top clients	21.1%	26.4%	27.3%	5.3	0.9
As a percentage of Company revenues				Percentagepoint	
Al Fawzan Building Materials	16.8%	16.6%	17.8%	(0.2)	1.2
Al Muhaidib & Sons (currently known as Masdar Building Materials)	17.6%	17.2%	17.0%	(0.4)	(0.2)
Rashed Abdulrahman Al Rashed & Sons Co.	4.4%	4.5%	4.1%	0.1	(0.4)
Top related clients	38.8%	38.4%	39.0%	(0.4)	0.6
Third party top clients	12.3%	14.7%	15.1%	2.4	0.4

Source: The Company

Tubes

The Tubes SBU contributed 22.2% to total sales in 2015G (compared with 25.8% in 2013G and 24.4% in 2014G), and is the second largest business unit after Rebar. In March 2013G, the annual production capacity of the Tubes SBU increased from 150,000 tons to 186,000 tons when the Dammam plant (phase one) was made operational. The Tubes SBU's sales increased by 6.9% in 2014G from SAR 458.3 million in 2013G to SAR 489.9 million in 2014G due to increasing demand in the market as well as the Tubes SBU's ability to cater to market requirements through additional production capacity. Capacity utilization reached 96.7% in 2014G.

The Tubes SBU's sales decreased by 8.4% in 2015G from SAR 489.0 million to SAR 448.8 million in 2015G due to the decline in average selling price by SAR 224 per ton (in line with the international steel price movement due to falling demand in the Chinese market).

The Company's major customers in the Tubes SBU are Al-Muhanna Steel Company and Al-Muhanna Trading (SAR 58.6 million in sales in 2015G), Abdullah Muhammad Bu Umar Al-Amoudi (SAR 45.1 million in sales in 2015G), Badr Salem Bugshan Steel (SAR 34.7 million in sales in 2015G), and Al Muhaidib & Sons (currently known as Masdar Building Materials) (SAR 27.8 million in sales in 2015G). The Tubes SBU's major third party customers are Abdullah Mohamed Boamer (SAR 45.1 million in sales in 2015G) and Bader Bugshan Est. (SAR 34.7 million in sales in 2015G).

Table 98: Tubes-Revenue by top 10 customers for the 2013G-2015G period

SR in 000s	2013G	2014G	2015G	Annual change 2013G-2014G	Annual change 2014G-2015G
Al-Muhanna Trading Co.	59,510	51,298	58,168	(13.8%)	13.4%
Al Muhaidib & Sons (currently known as Masdar Building Materi-als)	48,823	39,689	27,751	(18.7%)	(30.1%)
Al Fawzan Building Materials	13,417	21,598	18,146	61.0%	(16.0%)
Related party top clients	121,750	112,585	104,065	(7.5%)	(7.6%)
Abdullah Mohamed Baomer Ala-mudy	32,692	37,871	45,117	15.8%	19.1%
Bader Bugshan Est.	38,276	40,476	34,680	5.7%	(14.3%)
Ahmed Abdullah EST.	14,790	26,347	23,944	78.1%	(9.1%)
Bawazeer Trading Est.	17,588	24,155	22,307	37.3%	(7.7%)
Al Rajhi for Ind. & Trade (Riyadh)	19,754	19,451	19,677	(1.5%)	1.2%
Abubakar S. Bawazeer & Partners Co.	25,706	21,843	17,657	(15.0%)	(19.2%)
Al Saghyir trading &contracting co	14,404	17,301	17,056	20.1%	(1.4%)
Third party top clients	163,210	187,444	180,437	14.8%	(3.7%)
Total of major customers	284,960	300,029	284,502	5.3%	(5.2%)
Other customers	173,291	189,906	164,334	9.6%	(13.5%)
Total	458,250	489,936	448,836	6.9%	(8.4%)
As a percentage of division revenues				Percentagepoints	
Al-Muhanna Trading Co.	13.0%	10.5%	13.0%	(2.5)	2.5
Al Muhaidib & Sons (currently known as Masdar Building Materi-als)	10.7%	8.1%	6.2%	(2.6)	(1.9)
Al Fawzan Building Materials	2.9%	4.4%	4.0%	1.5	(0.4)
Top client related party	26.6%	23.0%	23.3%	(3.6)	0.2

SR in 000s	2013G	2014G	2015G	Annual change 2013G-2014G	Annual change 2014G-2015G
Third party top clients	35.6%	38.3%	40.2%	2.6	1.9
As a percentage of Company revenues				Percentage point	
Al-Muhanna Trading Co.	3.4%	2.5%	2.9%	(0.8)	0.3
Al Muhaidib & Sons (currently known as Masdar Building Materials)	2.8%	2.0%	1.4%	(0.8)	(0.6)
Al Fawzan Building Materials	0.8%	1.1%	0.9%	0.3	(0.2)
Top client related party	6.9%	9.3%	8.9%	0.1	(0.4)
Third party top clients	9.2%	9.3%	8.9%	0.1	(0.4)

Source: The Company

Poles

The Poles SBU began its operations in 2005G when it obtained approval from the SEC to provide various types of lighting poles.

The Poles SBU's sales increased by 32.8% in 2014G from SAR 140.9 million in 2013G to SAR 187.1 million in 2014G as a result of a rise in market demand due to the increased infrastructure spending by municipalities, the SEC and the Ministry of Transportation, which resulted in increased demand for various types of poles (Light Poles, Distribution Poles and High Mast Poles). In addition, the increase in the Poles SBU's production capacity (which grew from 30,000 tons per annum to 38,000 tons per annum over the same period) enabled it to cater to increased market demand.

The Poles SBU's sales increased by 9.8% in 2015G from SAR 187.1 million in 2014G to SAR 205.5 million in 2015G as the result of a rise in market demand, as well as an increase in the Poles SBU's production capacity which grew from 38,000 tons per annum to 50,000 tons per annum in the same period.

The Company's major customers in the Poles SBU include SEC (SAR 75.0 million in sales in 2015G), Al Arrab Contracting Co. (SAR 12.7 million in sales in 2015G), Abdulkarim Holding (SAR 8.7 million in sales in 2015G), and Ayman Co. (SAR 8.0 million in 2015G).

Table 99: Poles-Revenue by top 5 customers for the 2013G-2015G period

SR in 000s	2013G	2014G	2015G	Annual change 2013G-2014G	Annual change 2014G-2015G
Saudi Electricity Company	86,423	93,512	74,996	8.2%	(19.8%)
Al-Arab Contracting Co.	608	1,323	12,734	117.6%	862.5%
Abdulkarim Holding Co.	4,242	9,311	8,755	119.5%	(6.0%)
Ayman Co.	2,224	5,566	7,978	150.2%	43.3%
National Projects Co.	2,705	1,939	7,310	(28.3%)	277.0%
Other customers	44,688	75,418	93,710	68.8%	24.3%
Total	140,890	187,069	205,483	32.8%	9.8%
As a percentage of division revenues				Percentage point	
Saudi Electricity Company	61.3%	50.0%	36.5%	(11.4)	(13.5)
Al-Arab Contracting Co.	0.4%	0.7%	6.2%	0.3	5.5
Abdulkarim Holding Co.	3.0%	5.0%	4.3%	2.0	(0.7)
Ayman Co.	1.6%	3.0%	3.9%	1.4	0.9

SR in 000s	2013G	2014G	2015G	Annual change 2013G-2014G	Annual change 2014G-2015G
National Projects Co.	1.9%	1.0%	3.6%	(0.9)	2.5
Other customers	34.1%	42.1%	49.2%	8.0	7.1
As a percentage of Company revenues				Percentage point	
Saudi Electricity Company	4.9%	4.6%	3.7%	(0.2)	(0.9)
Al-Arrab Contracting Co.	0.0%	0.1%	0.6%	0.1	0.5
Abdulkarim Holding Co.	0.2%	0.5%	0.4%	0.3	0.1
Ayman Co.	0.1%	0.3%	0.4%	0.2	0.1
National Projects Co.	0.2%	0.1%	0.4%	(0.1)	0.3
Other customers	2.5%	3.7%	4.6%	1.2	0.9

Source: The Company

Space Frames

Space Frames SBU revenues increased by 52.5% in 2014G, from SAR 13.6 million in 2013G to SAR 20.7 million in 2014G, due to the commencement of Thuraya College project, which contributed to 49.5% of total revenues for 2014G.

Space Frames SBU revenues decreased by 1.8% in 2015G, from SAR 20.7 million in 2014G to SAR 20.3 million in 2015G, due to the completion of Thuraya College project, along with the launch of Mandarin Mall Jeddah project and pedestrian crossings in Baha.

Space Frames SBU customers' concentration is relatively low due to the nature of operations, which are based on specialised projects and thus, the composition of top Space Frame customers fluctuates yearly as illustrated below.

Table 100: Space frames -Revenue by top 5 customers for the 2013G-2015G period

SR in 000s	2013G	2014G	2015G	Annual change 2013G-2014G	Annual change 2014G-2015G
Sqala Institution	-	-	5,194	NA	NA
Shada Co. for Trading and Con-struction	-	-	1,775	NA	NA
Alqasa International Co.	1,526	-	1,323	NA	NA
National Co. for Petrochemicals	-	-	1,270	NA	NA
Almeem United	-	-	1,178	NA	NA
Others	12,031	20,675	9,571	71.8%	(53.7%)
Total	13,557	20,675	20,311	52.5%	(1.8%)
As percentage of division revenue				Percentage point	
Sqala Institution	0.0%	0.0%	25.6%	0.0	25.6
Shada Co. for Trading and Con-struction	0.0%	0.0%	8.7%	0.0	8.7
Alqasa International Co.	11.3%	0.0%	6.5%	(11.3)	6.5
National Co. for Petrochemicals	0.0%	0.0%	6.3%	0.0	6.3
Almeem United	0.0%	0.0%	5.8%	0.0	5.8
Others	88.7%	100.%	47.1%	11.3	(52.9)

SR in 000s	2013G	2014G	2015G	Annual change 2013G-2014G	Annual change 2014G-2015G
As % of total Company revenue				Percentage point	
Sqala Institution	0.0%	0.0%	0.3%	0.0	0.3
Shada Co. for Trading and Con-struction	0.0%	0.0%	0.1%	0.0	0.1
Alqasa International Co.	0.1%	0.0%	0.1%	(0.1)	0.1
National Co. for Petrochemicals	0.0%	0.0%	0.1%	0.0	0.1
Almeem United	0.0%	0.0%	0.1%	0.0	0.1
Others	0.7%	100.0%	0.5%	0.3	(0.5)

Towers

The Towers SBU commenced operations in April of 2010G, when it received approval from SEC to provide all types of electric towers serving power lines, including high pressure power lines (which were added in 2012G).

Sales increased by 50.6% in 2014G, from SAR 127.9 million in 2013G to SAR 192.6 million in 2014G as a result of the commencement of extensive projects for SEC that required higher number of towers, resulting in increased production capacity utilisation to approximately 100% over the same period.

Sales increased by 16.6% in 2015G, from SAR 192.6 million in 2014G to SAR 224.5 million in 2015G driven by an increase in sales volume by 6,224 tons. The Towers plant was expanded in 2015G, raising the production capacity from 30,000 tons per annum to 38,000 tons per annum.

The Company's key customers in the Towers SBU include Middle East Engineering and Development (SAR 136.2 million in sales in 2015G), Al-Fanar Co. (SAR 55.9 million in sales in 2015G) and Saudi Services for Electro-Mechanic Works (a subsidiary of related party Al Rashed Building Materials Company) (SAR 26.2 million in sales in 2015G). The Towers SBU backlog amounted to SAR 96.5 million as at 30 September 2015G, mainly relating to the "Riyadh Area" project (backlog of SAR 70.4 million in 2015G) (for more information about contracts with Towers customers, please refer to Section 11-6-2 "Sale Agreements with Customers" of this Prospectus).

Table 101: Towers--Revenues by top 5 customers for the 2013G-2015G period

SR in 000s	2013G	2014G	2015G	Annual change 2013G-2014G	Annual change 2014G-2015G
Middle East Engineering and Devel-opment Co.	76,110	51,651	136,236	(32.1%)	163.8%
Al-Fanar Co.	-	7,677	55,894	NA	628.1%
Saudi Services for Electro-Mechanic Works Co.	7,897	62,334	26,163	689.23%	(58.0%)
National Contracting Co.	15,031	49,801	2,100	231.3%	(95.8%)
Yaser Alzahrani Institution	1,221	2,087	1,791	70.9%	(14.2%)
Other customers	27,619	19,037	2,327	(31.1%)	(87.7%)
Total	127,879	192,588	224,511	50.6%	16.6%
As a percentage of division revenues				Percentage point	
Middle East Engineering and Devel-opment Co.	59.5%	26.8%	60.7%	(32.7)	33.9
Al-Fanar Co.	0.0%	4.0%	24.9%	4.0	20.9
Saudi Services for Electro-Mechanic Works Co.	6.2%	32.4%	11.7%	26.2	(20.7)
National Contracting Co.	11.8%	25.9%	0.9%	14.1	(24.9)

SR in 000s	2013G	2014G	2015G	Annual change 2013G-2014G	Annual change 2014G-2015G
Yaser Alzahrani Institution	1.0%	1.1%	0.8%	0.1	(0.3)
Other customers	21.6%	9.9%	1.0%	(11.7)	(8.8)
As a percentage of Company revenues				Percentage point	
Middle East Engineering and Development Co.	4.3%	2.6%	6.7%	(1.7)	4.2
Al-Fanar Co.	0.0%	0.4%	2.8%	0.4	2.4
Saudi Services for Electro-Mechanic Works Co.	0.4%	3.1%	1.3%	2.7	(1.8)
National Contracting Co.	0.8%	2.5%	0.1%	1.6	(2.4)
Yaser Alzahrani Institution	0.1%	0.1%	0.1%	0.0	0.0
Other customers	1.6%	0.9%	0.1%	(0.7)	(0.8)

Source: The Company

6-5-3 Revenues by customer type

Table 102: Revenues by top 10 customers for the 2013G-2015G period

SR in 000s	2013G	2014G	2015G	Annual change 2013G-2014G	Annual change 2014G-2015G
Al Fozan Building Materials Co.	312,431	362,658	379,651	16.1%	4.7%
Al Muhaideb Company	360,450	386,526	374,099	7.2%	(3.2%)
Al Rashed Building Materials	84,648	164,692	114,574	94.6%	(30.4%)
Al Mouhana Trading Company	65,124	51,298	58,168	(21.2%)	13.4%
Related party top clients	822,653	965,175	926,492	17.3%	(4.0%)
Meedco	76,110	51,651	136,236	(32.1%)	163.8%
AL Hal United Est.	109,799	109,999	89,312	0.2%	(18.8%)
Aziz Bani Al Saedi Est.	48,555	76,266	80,318	57.1%	5.3%
Saudi Electricity Company	86,423	93,512	74,996	8.2%	(19.8%)
Al Fanar Company				-	
Bawan Metal Industries	9,021	34,259	46,045	279.8%	34.4%
Third party top clients	329,908	373,363	482,802	13.2%	29.3%
Total top ten clients	1,152,561	1,338,538	1,409,294	16.1%	5.3%
Other	622,703	673,202	610,948	8.1%	(9.2%)
Total	1,775,264	2,011,739	2,020,241	13.3%	0.4%
As percentage of total revenue				Percentage points	
Al Fozan Building Materials Co.	17.6%	18.0%	18.8%	0.4	0.8
Al Muhaideb Company	20.3%	19.2%	18.5%	(1.1)	(0.7)
Al Rashed Building Materials	4.8%	8.2%	5.7%	3.4	(2.5)
Al Mouhana Trading Company	3.7%	2.5%	2.9%	(1.1)	0.3

SR in 000s	2013G	2014G	2015G	Annual change 2013G-2014G	Annual change 2014G-2015G
Related party top clients	46.3%	48.0%	45.9%	1.6	(2.1)
Third party top clients	18.6%	18.6%	23.9%	(0.0)	5.3
Total top 10 clients	64.9%	66.5%	69.8%	1.6	3.2
Other clients	35.1%	33.5%	30.2%	(1.6)	(3.2)

Source: The Company

Sales for the top 10 customers accounted for 69.8% of total sales in 2015G, up from 64.9% in 2013G. This change is attributed to the concentration of sales towards major customers (wholesale traders) who possess large market share, own suitable distribution channels and have strong financial positions.

The contribution of related party sales to total sales dropped from 46.3% in 2013G to 45.9% in 2015G, driven by a drop in sales of Rebar and the Tubes SBU, whereas the contribution of non-related party sales, specifically Middle East Engineering and Development Co. and Al-Fanar, increased from 18.6% in 2013G to 23.9% in 2015G due to the growth in the operations of the Poles SBU and the Towers SBU.

6-5-4 Cost of sales

Table 103: Cost of sales for the 2013G-2015G period

SR in 000s	2013G	2014G	2015G	Annual change 2013G-2014G	Annual change 2014G-2015G	CAGR 2013G-2015G
Cost of raw materials	1,434,309	1,621,500	1,579,215	13.1%	(2.6%)	4.9%
Salaries and benefits	52,753	68,623	75,192	30.1%	9.6%	19.4%
Consumables and packaging	6,729	6,172	4,763	(8.3%)	(22.8%)	(15.9%)
Electricity and fuel	7,988	9,858	21,868	23.4%	121.8%	65.5%
Sanitation and water	2,176	2,544	2,896	16.9%	13.8%	15.4%
Depreciation	32,000	34,815	31,610	8.8%	(9.2%)	(0.6%)
Provision for capacity differences	-	5,483	1,791	-	(67.3%)	-
Other	19,024	17,694	20,516	(7.0%)	15.9%	3.8%
Total	1,554,979	1,766,688	1,737,851	13.6%	(1.6%)	5.7%
Headcount	581	690	869	109	179	288
Annual average employee cost (SAR 1000s)	90,8	99,5	86,5	8.7	(12.9)	(4.3)
As a percentage of revenues					Percentage points	
Cost of raw materials	80.8%	80.6%	78.2%	(0.2)	(2.4)	(2.6)
Salaries and benefits	3.0%	3.4%	3.7%	0.4	0.3	0.8
Consumables and packaging	0.4%	0.3%	0.2%	(0.1)	(0.1)	(0.2)
Electricity and fuel	0.4%	0.5%	1.1%	0.0	0.6	0.6
Sanitation and water	0.1%	0.1%	0.1%	-	-	-
Depreciation	1.8%	1.7%	1.6%	(0.1)	(0.2)	(0.2)
Other	1.1%	0.9%	1.0%	(0.2)	0.1	(0.1)
Total	87.6%	87.8%	86.0%	0.2	(1.8)	(1.6)

Source: The Company

6-5-4-1 Raw material

Raw material costs mainly include purchase of billet, hot-rolled steel coils, equilateral steel angles, and zinc alloy, which are used in manufacture of Company products. Raw material costs are the main component of total costs of sales, as they accounted for 92.2%, 91.8%, and 90.9% of total costs of sales in 2013G, 2014G, and 2015G.

The cost of raw materials decreased as a percentage of revenue from 80.8% in 2013G to 80.6% in 2014G as a result of a favourable movement in the market prices of steel, as raw material prices fell by a greater percentage than sale prices.

The cost of raw materials decreased as a percentage of revenue from 80.6% in 2014G to 78.2% in 2015G as a result of a favourable movement in the market prices of steel, especially in Rebar and the Towers SBU (the divisions benefited from the decline in raw material prices to attain further profits on its sales).

The Company's main local suppliers include the Saudi Basic Industries Corporation (SABIC) and United Steel (Saudi Steel), while major international suppliers are Al Ezz Steel in Egypt, Metalloinvest AG in Switzerland, and Macsteel International in the United Arab Emirates. Most foreign suppliers require cash settlements against letters of credit that are financed through short-term loans. Purchases from the largest raw material suppliers accounted for 65% of total raw material purchases in the 2013G-2015G period.

6-5-4-2 Salaries and benefits

Salaries and benefits refer to costs of production management staff. These costs rose in 2014G by 30.0% from SAR 52.8 million in 2013G to SAR 68.6 million in 2014G due to a 109-employee rise in headcount. Salaries and benefits also rose by 9.6% from SAR 68.6 million in 2014G to SAR 75.2 million in 2015G, as the result of a 179 employee increase in headcount. The growth in headcount during the 2013G-2015G period is attributable to general growth of the Company's business, particularly with the addition of the Dammam plant in the Tubes SBU and the increase in the production capacity of the Poles SBU and the Towers SBU.

Fluctuations in salaries and benefits as a percentage of sales during the historical period are attributable to fluctuations in bonuses and additional labour expenses linked to Company's performance. Fluctuations in the average annual cost per employee over the course of the period are attributable to a staff mix effect between positions.

6-5-4-3 Consumables and packaging

Consumables and packaging include non-durable goods and consumables used in the production process, such as safety equipment, uniforms, and welding equipment. Consumables costs fell by 8.3%, from SAR 6.2 million in 2014G to SAR 6.7 million in 2015G as a result of the change in the sales mix in the Poles SBU, as well as a rise in sales across other divisions. Consumables decreased by 22.8% to SAR 4.8 million in 2015G for the same reason.

6-5-4-4 Electricity and fuel costs

Electricity and fuel costs are mainly related to production processes in Rebar. Electricity and fuel increased by 23.4% in 2014G, from SAR 8.0 million in 2013G to SAR 9.9 million in 2014G, due to the rise in rebar output and a hike in the price of diesel used in the operations. Electricity and fuel costs increased by 121.8% from SAR 9.9 million in 2014G to SAR 21.9 million in 2015G, as the Company agreed with Marafiq on revised contractual consumption quotas and settled the 2015G amounts.

6-5-4-5 Depreciation

Depreciation charges are related to plants, production lines, and equipment. Depreciation charges rose by 8.8% in 2014G, from SAR 32.0 million in 2013G to SAR 34.8 million in 2014G, due to the expansion of the Poles manufacturing plant. Depreciation charges decreased by 9.2% in 2015G, from SAR 34.8 million in 2014G to SAR 31.6 million in 2015G, as a result of the full depreciation of certain production lines in the Jeddah Tubes manufacturing plant. All production lines were revamped during 2015G accordingly, depreciation levels will return to normal for the Jeddah Tubes manufacturing plant.

6-5-4-6 Provision for power consumption differences

A provision for power consumption differences was accrued based on claim from Marafiq for differences in actual and contractual consumption quantities of water and electricity. The provision balance reached SAR 7.3 million as at 30 September 2015G. For more details, please refer to the current liabilities section.

6-5-4-7 Others

Other costs include spare parts, insurance and maintenance costs. Depreciation charges rose by 7.0% in 2014G, from SAR 19.0 million in 2013G to SAR 17.7 million in 2014G, as maintenance charges related to the Rebar division and in particular, a design flaw of an iron furnace that was fixed during the year. Other costs increased by 15.9% in 2015G, from SAR 17.7 million in 2014G to SAR 20.5 million in 2015G. This growth was driven by an increase in maintenance costs in line with the expansion of the Company's operations.

6-5-5 Gross profit

Table 104: Gross profit for the 2013G-2014G period

SR in 000s	2013G	2014G	2015G	Annually 2012G-2013G	Annually 2013G-2014G	CAGR 2013G-2015G
Rebar	119,773	118,735	142,153	(0.9%)	19.7%	8.9%
Tubes	45,325	37,471	28,650	(17.3%)	(23.7%)	(20.5%)
Poles	34,810	52,996	53,793	52.2%	1.5%	24.3%
Space Frames	3,499	7,141	8,193	104.1%	14.7%	53.0%
Towers	16,879	28,709	50,270	70.1%	75.1%	72.6%
Total	220,286	245,052	283,058	11.4%	15.7%	13.4%
Gross profit margin					Percentage point	
Rebar	11.6%	10.6%	12.7%	(1.0)	2.1	1.1
Tubes	9.9%	7.6%	6.4%	(2.2)	(1.2)	(3.5)
Poles	24.7%	28.3%	26.2%	3.6	(2.2)	1.5
Space Frames	25.8%	34.5%	40.3%	8.7	5.8	14.5
Towers	13.2%	14.9%	22.4%	1.7	7.5	9.2
Total	12.4%	12.2%	14.0%	(0.2)	1.9	1.6

Source: The Company

Rebar division

Gross profit margin fell by 0.9% in 2014G, from SAR 119.8 million in 2013G to SAR 118.7 million in 2014G. Gross profit margin fell from 11.6% to 10.6% in the same period due to an adverse movement in raw material prices (as the average cost of billet per ton fell by 7.6% while average sale prices fell by 8.6%).

Gross profit increased in 2015G by 19.7% from SAR 118.7 million in 2014G to SAR 142.2 million in 2015G. Gross profit margin increased from 10.6% to 12.7% over the same period due to a favourable movement in the prices of steel (as the average cost of billet per ton fell by 13.1% while average sale prices fell by 11.0%).

Tubes SBU

Gross profit dropped in 2014G by 17.3%, from SAR 45.3 million in 2013G to SAR 37.5 million in 2014G, and the gross profit margin fell from 9.9% to 7.6% in the same period. This is attributable to an adverse movement in raw material prices, as average selling prices decreased by 6.5% in a period when the per-ton cost of steel coils decreased by 4.1%. In addition, manufacturing overhead costs increased as a result of the operation of the Dammam plant for a full year (as compared to seven months during 2013G).

Gross profit decreased by 23.5% in 2015G, from SAR 37.5 million in 2014G to SAR 28.7 million in 2015G. This is attributable to adverse movement in raw material prices, as average selling prices decreased by 8.4% in a period when the per-ton cost of raw materials decreased by 7.2%.

Poles

Poles gross margin levels are higher than those of the other divisions due to the specialised production process involved and strong market demand.

Gross profit rose in 2014G by 52.2%, from SAR 34.8 million in 2013G to SAR 53.0 million in 2014G, and the gross profit margin rose from 24.7% to 28.3% in the same period. This is attributed to a change in the sales mix, as well as economies of scale due to an increase in production capacity.

Gross profit rose by 1.5% in 2015G, from SAR 53.0 million in 2014G to SAR 53.8 million in 2015G. Gross profit margin fell from 28.3% to 26.2% in the same period as the division adopted a more aggressive sales strategy to utilize its expanded production capacity (particularly to offset the impact of reduced orders from larger clients tied to project delivery schedules).

Space frames

Gross profit increased in 2014G by 104.1%, from SAR 3.5 million in 2013G to SAR 7.1 million in 2014G, and the gross profit margin increased from 25.8% to 34.5% in the same period. This is attributed to the commencement of the Thuraya College project (which was supposed to commence in 2013G; its delay affected sales and gross profit for that year).

Gross profit increased by 14.7% in 2015G, from SAR 7.1 million in 2014G to SAR 8.2 million in 2015G. Gross profit margin rose from 34.5% to 40.3% in the same period due to the completion of the majority of work at Mandarin Mall Jeddah project.

Towers

Gross profit increased by 70.1% from SAR 16.9 million in 2013G to SAR 28.7 million in 2014G, as volume sold rose by 13,400 tons. During the same period, gross profit margin increased from 13.2% to 14.9% as a result of economies of scale.

Gross profit increased by 75.1% in 2015G, from SAR 28.7 million in 2014G to SAR 50.3 million in 2015G. Gross profit margin increased from 14.9% to 22.4% in the same period as the division managed to take advantage of the decline in raw material prices.

The division›s utilisation of production capacity reached high levels in recent periods namely 81.9% in 2013G, 99.6% in 2014G and 100.0% in 2015G. Accordingly, portions of production were outsourced to third parties due to capacity constraints. Production capacity was increased by 8,000 tons per annum in 2015G and plans for further expansion are under assessment.

6-5-6 Selling and distribution expenses

Table 105: Selling and distribution expenses for the 2013G-2014G period

SR in 000s	2013G	2014G	2015G	Annual change 2013G-2014G	CAGR 2014G-2015G	CAGR 2013G-2015G
Transportation expenses	17,239	18,570	20,030	7.7%	7.9%	7.8%
Salaries, wages, etc.	5,262	5,363	6,353	1.9%	18.4%	9.9%
Advertising	1,388	1,402	1,280	1.0%	(8.7%)	(4.0%)
Depreciation	177	174	120	(1.6%)	(30.9%)	(17.6%)
Rent	56	51	51	(9.2%)	0.3%	(4.6%)
Other	269	299	327	11.1%	9.3%	10.2%
Total	24,391	25,859	28,161	6.0%	8.9%	7.5%
As a percentage of revenues					Percentage point	
Total	1.4%	1.3%	1.4%	(0.1)	0.1	0.0

Source: Audited consolidated financial statements

Selling and distribution expenses are mainly composed of transportation and employee-related expenses (which accounted for 71.2% and 21.7% respectively of total selling and distribution expenses during the period 2013G-2015G). These expenses remained stable as a percentage of revenues at 1.4% during the 2013G-2015G period.

Transportation expenses pertain to the cost of shipping ready-made goods. Transportation expenses rose by 7.7% in 2014G, from SAR 17.2 million in 2013G to SAR 18.6 million in 2014G in line with the increase in volume sold from 607k tons to 721k tons over the same period.

Transportation expenses rose by 7.9% in 2015G, from SAR 18.6 million in 2014G to SAR 20.0 million in 2015G in line with the increase in volume sold from 721k tons to 786k tons over the same period.

Wages and salaries rose by 1.9% in 2014G, from SAR 5.3 million in 2013G to SAR 5.4 million in 2014G, due to the addition of 7 employees. Wages and salaries expenses increased by 18.4% in 2015G from SAR 5.4 million in 2014G to SAR 6.4 million in 2015G, as a result of salary increments and the appointment of two sales directors for Central and Eastern regions in the Poles SBU.

Advertising expenses pertain to marketing activities such as trade fairs. These expenses fell from SAR 1.4 million in 2013G to SAR 1.3 million in 2015G.

Depreciation expenses are mainly related to sales department assets, including cars and computers. Depreciation expenses decreased from SAR 177 thousand in 2013G to SAR 120 thousand in 2014G due to disposal of cars.

Rent expenses are mainly related to salesmen cars rent. Rent expenses decreased from SAR 56 thousand in 2013G to 51 thousand in 2015G.

Other expenses are mainly composed of various expenses related to selling and marketing, including exhibition rent, cars rental fees and travel expenses. Other expenses increased from SAR 269 thousand in 2013G to SAR 327 thousand in 2015G mainly due to the increase in car rent and travel expenses during the period in line with the Company's operations growth.

6-5-7 General and administrative expenses

Table 106: General and administrative expenses for the 2013G-2015G period

SR in 000s	2013G	2014G	2015G	Annual change 2013G-2014G	CAGR 2014G-2015G	CAGR 2013G-2015G
Salaries, wages, etc.	24,391	24,534	30,826	0.6%	25.6%	12.4%
Depreciation	3,281	3,357	3,490	2.3%	4.0%	3.1%
Amortisation of deferred expenses	6,436	3,810	2,744	(40.8%)	(28.0%)	(34.7%)
Rent	252	191	253	(24.3%)	32.6%	0.2%
Provision for doubtful debts	1,071	2,348	-	119.2%	(100.0%)	NA
Other	4,716	5,284	5,117	12.1%	(3.2%)	4.2%
Total	40,146	39,524	42,430	(1.5%)	7.4%	2.8%

Source: Audited consolidated financial statements

General and administrative expenses decreased by 1.5% in 2014G from SAR 40.1 million in 2013G to SAR 39.5 million in 2014G, as a result of the full amortisation of deferred charges related to the Rebar division in 2013G. The decline occurred despite an increase of provision for doubtful debt charges (due to increasing sales).

General and administrative expenses increased by 7.4% from SAR 39.5 million in 2014G to SAR 42.4 million in 2015G, due to an increase in salaries and wages.

Salaries and wages increased by 0.6% to SAR 24.5 million in 2014G owing to staff bonuses and an increase in department head salaries in line with the Company's policy. Wages and salaries increased by 25.6% in 2015G, from SAR 24.5 million in 2014G to SAR 30.8 million in 2015G. This growth was driven by an increase in salaries and bonuses (related to the Company's performance).

Depreciation is related to furniture, Company administrative office computers and management vehicles. Depreciation rose in 2014G by 2.3%, from SAR 3.3 million in 2013G to SAR 3.4 million in 2014G, due to the addition of assets related to the Tubes SBU office in Dammam. Depreciation increased by 4.0% in 2015G, from SAR 3.4 million in 2014G to SAR 3.5 million in 2015G due to the addition of motor vehicles to the head office.

Amortisation of deferred expenses is related to deferred expenses associated with development of manufacturing facilities (particularly the Rebar, Towers, and Dammam Tubes manufacturing plants) and expenses related to the SAP program. Amortisation expenses dropped in 2014G by 40.8%, from SAR 6.4 million in 2013G to SAR

3.8 million in 2014G, due to the full amortisation of deferred expenses related to the rebar manufacturing plant. Amortisation expenses dropped in 2015G by 28.0%, from SAR 3.8 million in 2014G to SAR 2.7 million in 2015G, due to the full amortisation in 2014G of deferred expenses related to the electric towers manufacturing plant.

Rent expenses fell by 24.3% in 2014G, from SAR 252 thousand in 2013G to SAR 191 thousand in 2014G, due to a decrease in the area used in the national exhibition of goods. Rent expenses fell by 32.6% in 2014G, from SAR 252 thousand in 2013G to SAR 253 thousand in 2014G, due to a decrease in the area used in the National Product Centre exhibition.

The provision for doubtful debts is related to the Company's doubtful debt provision policy which basically recommends providing for:

- 10% for balances outstanding between 90 and 180 days,
- 20% for balances outstanding between 180 and 360 days, and
- 100% for balances outstanding over 360 days.

This policy excludes Space Frame SBU related clients which are assessed on a case by case basis due to the retention component and other commercial factors in the contract. The Company adopted this policy in 2013G.

The provision for doubtful debt expense increased by 119.2% in 2014G from SAR 1.1 million to SAR 2.3 million in 2014G million mainly due to the increase in outstanding balances for a period over 360 days. No provision was accrued in 2015G as the provision balance during the year was sufficient to cover the outstanding account receivables as per the policy (10% for balances outstanding between 90 and 180 days. 20% for balances outstanding between 180 and 360 days and 100% for balances outstanding over 360 days, except for amounts related to Space Frame).

Other general and administrative expenses remained stable as a percentage of revenues at 0.3%. These mainly included professional fees and information technology, travel, transportation and facilities expenses.

Net income

Table 107: Net income for the 2013G-2015G period

SR in 000s	2013G	2014G	2015G	Annual change 2013G-2014G	CAGR 2014G-2015G	CAGR 2013G-2015G
Other income	454	3,429	4,308	654.7%	25.6%	207.0%
Earnings before finance charges, minority interest and zakat	156,203	183,097	216,108	17.2%	18.0%	17.6%
Finance costs	(20,425)	(17,756)	(15,122)	(13.1%)	(14.8%)	(14.0%)
Non -controlling equity	(21,453)	(21,765)	(27,725)	1.5%	27.4%	13.7%
Zakat	(8,671)	(11,643)	(14,520)	34.3%	24.7%	29.4%
Net income	105,654	131,933	158,741	24.9%	20.3%	22.6%
As a percentage of revenues					Percentage point	
Net income	6.0%	6.6%	7.9%	0.6	1.3	1.9

Source: Audited consolidated financial statements

Other income is mainly composed of income from the Human Resources Development Fund (in connection with an incentive program for the hiring of nationals), profits and losses from foreign exchange, profits and losses from sale of property and equipment, and social insurance compensation (the General Organisation for Social Insurance).

Other revenues increased by 654.7% in 2014G from SAR 454 thousand in 2013G to SAR 3.4 million in 2014G, as a result of increased income from the Human Resources Development Fund at SAR 2.6 million. Other income increased by 25.6% from SAR 3.4 million in 2014G to SAR 4.3 million in 2015G, as a result of increased income from the Human Resources Development Fund.

Financing costs are related to long-term loans and short-term credit facilities used by the Company (from three separate banks and the SIDF). Financing costs decreased by 13.1% in 2014G due to a decline in the utilisation of short-term credit facilities during the same period. Financing costs decreased by 14.8% to SAR 15.1 million in 2015G for the same reason.

Non-controlling equity represent profits accruing to external shareholders who collectively own a 27.5% share in the Subsidiary (Al-Yamamah Company for Reinforcing Steel Bars). Non-controlling equity increased from SAR 21.5 million in 2013G to SAR 21.8 million in 2014G in line with the increase in the net income of the Subsidiary. Non-controlling equity increased from SAR 21.8 million in 2014G to SAR 27.7 million in 2015G for the same reason.

The Company and its subsidiaries submit separate Zakat return on a non-consolidated basis using the equity method. The main elements of the zakat base for each company consist of equity and provisions at the beginning of the year and net income less discounts for the net book value of property, plant and equipment, investments and other certain items. When the Zakat base is negative, the Company is not liable for Zakat for the year.

A provision of SAR 9.9 million was registered within the item of accrued expenses in 2012G for the full amount claimed by DZIT with regard to differences in the manner of calculating zakat for the period from 2008G to 2011G and the calculation of Zakat accruals in the same period. The amount was reclassified into the Zakat provision as at 30 September 2015G.

The Company obtained final Zakat certificates from DZIT for 2013G, 2014G and 2015G.

The following table sets out the change in the Zakat provision:

Table 108: Change in zakat provisions for the 2013G-2015G period

(SAR 1,000s)	30 September 2013G Audited	30 September 2014G Audited	30 September 2015G Management
Opening balance	6,905	9,461	22,220
Additions for the year	8,671	11,643	14,520
Reclassification of provision from accruals and other liabilities	-	9,942	-
Payments for the year	(6,115)	(8,826)	(10,512)
Closing balance	9,461	22,220	26,228

Source: Audited consolidated financial statements

Note: The table includes Zakat balances related to thesubsidiary. The 30 September 2014G accrued Zakat and accruals and other liabilities balances reflect the FY15 reclassification of a SR9.9m zakat liability from accrued expenses to accrued zakat

Net income increased by 24.9% in 2014G, from SAR 105.7 million in 2013G to SAR 131.9 million in 2014G. Net income margin increased from 6.0% to 6.6% over the same period due to the relative stability of the gross profit margin and declining financing costs.

Net income increased in 2015G by 20.3%, from SAR 131.9 million in 2014G to SAR 158.7 million in 2015G, and the gross profit margin rose from 6.6% to 7.9% in the same period due to an increase in gross profit margin.

6-5-8 Consolidated balance sheet

Table 109: Consolidated balance sheet for the periods 30 September 2013G, 2014G and 2015G

(SAR 1,000s)	30 September 2013G Audited	30 September 2014G Audited	30 September 2015G Audited
Cash and cash equivalents	40,349	28,215	45,646
Trade receivables	221,897	310,303	247,158
Inventories	547,565	511,016	500,865
Due from related parties	58,176	-	-
Prepayments and other current assets	33,861	29,218	33,886
Total current assets	901,847	878,752	827,555
Investments in securities available for sale	42	63	63

(SAR 1,000s)	30 September 2013G Audited	30 September 2014G Audited	30 September 2015G Audited
Deferred expenses- net	10,326	6,516	3,772
Property, plant and equipment	448,963	479,401	485,369
Total non-current assets	459,332	485,980	489,204
Total assets	1,361,179	1,364,731	1,316,759
Short-term borrowings	499,695	462,805	400,069
Current portion of long-term debts	68,807	47,570	11,250
Trade payables	36,959	44,896	47,181
Provisions	-	5,483	7,274
Provision for zakat	9,461	22,220	26,228
Accrued expenses and other current liabilities	38,286	29,865	33,436
Total current liabilities	653,207	612,840	525,439
Long-term borrowings	57,287	23,020	15,150
Provision for employees end-of-service benefits	13,731	17,630	20,725
Total non-current liabilities	71,018	40,650	35,876
Total liabilities	724,225	653,490	561,315
Share capital	508,000	508,000	508,000
Statutory reserve	6,407	19,600	35,474
Retained earnings /(accumulated losses)	16,654	68,338	84,204
Net change in fair value of investment in securities	16	37	37
Total equity attributable to sharehold-ers of the Company	531,077	595,975	627,715
Non -controlling equity	105,876	115,267	127,729
Total equity	636,954	711,241	755,444
Total liabilities and equity	1,361,179	1,364,731	1,316,759

Source: Audited consolidated financial statements

Note: The 30 September 2014G accrued zakat and accruals and other liabilities balances reflects the 2015G reclassification of a SAR 9.9m zakat liability from accrued expenses to accrued zakat

6-5-9 Current assets

Table 110: Current assets for the periods 30 September 2013G, 2014G and 2015G

(SAR 1,000s)	30 September 2013G Audited	30 September 2014G Audited	30 September 2015G Audited
Cash and cash equivalents	40,349	28,215	45,646
Trade receivables	221,897	310,303	247,158
Inventories	547,565	511,016	500,865
Due from related parties	58,176	-	-
Prepayments and other current assets	33,861	29,218	33,886
Total current assets	901,847	878,751	827,555

Source: Audited consolidated financial statements

Cash and cash equivalents

Cash and cash equivalents fell by 30.1% in 2014G, from SAR 40.3 million as at 30 September 2013G to SAR 28.2 million as at 30 September 2014G, due to an increase in trade receivables in line with the growth in the Towers SBU and the Poles SBU.

Cash and cash equivalents rose by 61.8% in 2014G, from SAR 28.2 million as at 30 September 2014G to SAR 45.6 million as at 30 September 2015G, due to an increase in profits and the collection of outstanding balances from electric tower division clients.

Management›s cash policy is such that a minimum cash balance of SAR 4 million is maintained in daily current accounts to cover operational costs. The Company guarantees the availability of required cash flow through monitoring its cash accounts and its bank facilities utilisation on a daily basis (total short term facilities amounted to SAR 2.3 billion as at 30 September 2015G and facilities utilisation reached 17.5%.)

Trade receivables

Trade receivables increased by 39.8% in 2014G from SAR 221.9 million as at 30 September 2013G to SAR 310.3 million as at 30 September 2014G in line with the increase in Company sales (particularly as relates to the Towers SBU and the Poles SBU).

Trade receivables decreased by 20.3% from SAR 310.3 million as at 30 September 2014G to SAR 247.1 million as at 30 September 2015G due to the collection of outstanding balances from the Towers SBU clients.

Days sales outstanding ranged between 47 and 50 days in the period between 2013G and 2015G, in line with payment terms granted to clients.

Management adopted a provisioning policy in September 2013G under which recommends the following:

- 10% for balances outstanding between 90 and 180 days,
- 20% for balances outstanding between 180 and 360 days, and
- 100% for balances outstanding over 360 days.

This policy excludes Space Frame SBU related clients which are assessed on a case by case basis due to the nature of operations which are project based (with retention components in customer contracts). The provisions related to the division amounted to SAR 323 thousand in early 2015G which were written off in the same year.

Outstanding balances for over 360 days amounted to SAR 775 thousand as at 30 September 2015G, and the provision amounted to SAR 2.3 million.

Table 111: Ageing of receivables as at 30 September 2015G

(SAR 1,000s)	0-60 days	60-90 days	90-180 days	180-360 days	Over 360 days	Total	Provision	Net receivables
Al Yamamah Steel Industries Company	121,911	26,314	13,885	2,068	755	164,933	2,348	162,586
Subsidiary (rebar)	75,789	915	7,869	-	-	84,572	-	84,572
Gross receivables	197,700	27,228	21,734	2,068	775	249,506	2,348	247,158
As a percentage of the total	79.2%	10.9%	8.7%	0.8%	0.3%			

Source: The Company

Table 112: Movement in provision for doubtful debts 2013G-2015G

(SAR 1,000s)	30 September 2013G Audited	30 September 2014G Audited	30 September 2015G Audited
Beginning balance	-	1,071	2,670
Bad debt expense during the year	1,071	2,348	-
Writeoffs during the year	-	(749)	(323)
Ending balance	1,071	2,670	2,348

Source: The Company

Inventory

Table 113: Inventory as at 30 September 2013G, 2014G and 2015G

(SAR 1,000s)	30 September 2013G Audited	30 September 2014G Audited	30 September 2015G Audited
Billet	179,580	121,299	102,237
Hot rolled steel coils	80,276	97,216	48,574
Equilateral angles	58,976	57,785	43,575
Other raw materials	43,539	53,689	48,272
Total raw materials	362,371	329,988	242,659
Rebar	54,041	67,643	68,908
Tubes	24,747	24,212	23,206
Other finished goods	28,438	13,317	15,028
Total finished goods	107,226	105,172	107,142
Spare parts	49,017	50,335	53,543
Materials under process	14,709	16,434	13,528
Goods in transit	15,010	10,587	85,492
Gross inventory	548,333	512,516	502,365
Provision for slow moving inventory	(768)	(1,500)	(1,500)
Net inventory	547,565	511,016	500,865

Source: The Company

Table 114: Ageing of inventory as at 30 September 2015G

(SAR 1,000s)	0-90 days	91-180 days	181-360 days	Over 360 days	Total	Provision	Net inventory
Al Yamamah Steel Industries Company	205,042	12,875	8,346	15,551	241,814	(1,500)	240,314
Subsidiary (Rebar)	231,615	2,906	4,948	21,082	260,551	-	260,551
Total inventory	436,658	15,781	13,294	36,633	502,365	(1,500)	500,865
As a percentage of the total	86.9%	3.1%	2.6%	7.3%			

Source: The Company

Gross inventory amounted to SAR 502.4 million as at 31 September 2015G. This is mainly composed of raw materials (SAR 242.7 million), finished goods (SAR 107.1 million), spare parts (SAR 53.5 million), goods in transit (SAR 85.5 million) and materials under process (SAR 13.5 million).

Raw materials mainly include billet, hot rolled steel coils, equilateral angles and other materials. Inventory levels are mainly driven by Rebar and the Tubes SBU which operate on a "produce to stock" basis.

Inventory levels decreased by 6.7% from SAR 547.6 million as at 30 September 2013G to SAR 511.0 million as at 30 September 2014G, due to a decline in billet inventory in light of the relatively heightened quarterly sales in Rebar and the Tubes SBU.

Inventory levels decreased by 2.0% from SAR 511.0 million as at 30 September 2014G to SAR 500.9 million as at 30 September 2015G, due to a relative decline in purchases considering the movement of raw material prices during the period. Days of inventory on hand fell from 109 days to 106 days during the period.

Goods in transit increased from SAR 10.6 million as at 30 September 2014G to SAR 85.5 million as at 30 September 2015G, due to a decline in raw material prices (purchase levels may differ from one month to another according to production needs and raw material price movements).

The provision for slow moving inventories is calculated based on the condition of goods in storage with a periodic (quarterly) stock count performed whereby the quality of the goods is evaluated by the Company's experts. The provision for slow moving inventory balance amounted to SAR 1.5 million as at 30 September 2015G.

Due to durable nature of the Company's products and the relatively short sales cycle, the risk of inventory obselesence is low. Unusable inventory is typically sold as scrap at a low price.

The Company's main local raw materials suppliers include Saudi Basic Industries Corporation (SABIC) and United Steel Company (Saudi Steel), while the main international material suppliers include Al Ezz Dekheila Steel Company in Egypt, Metalloinvest Trading A G. in Switzerland and Macsteel International in the United Arab Emirates.

Due from related parties

The current portion of due from related parties (SAR 58.2 million in 30 September 2013G) is related to the sale of the Maleesa land in 2012G. The amount was paid during the fiscal year 2014G. Due from related parties balance was zero as at 30 September 2014G and 2015G.

Prepayments and other current assets

Prepayments and other current assets are mainly comprised of advances to raw materials suppliers as per contractual terms. Prepayments and other current assets increased from SAR 33.9 million as at 30 September 2013G to SAR 29.2 million as at 30 September 2014G in due to changes in supply mix.

Prepayments and other current assets increased from SAR 33.9 million as at 30 September 2015G to SAR 29.2 million due to rising payments to suppliers (mainly related to the electric tower division).

6-5-10 Non-current assets

Property, plant and equipment

Table 115: Property, plant and equipment as at 30 September 2013G, 2014G and 2015G

(SAR 1,000s)	30 September 2013G Audited	30 September 2014G Audited	30 September 2015G Audited
Machinery and equipment	219,895	217,433	252,323
Buildings	179,909	186,229	204,357
Capital work-in-progress	22,154	50,931	4,189
Lands	13,265	13,265	13,265
Tools	5,834	5,475	5,198
Computer devices, software and electronic devices	5,686	3,998	3,271
Motor vehicles	1,648	1,539	1,780
Furniture and office equipment	571	531	986
Total	448,963	479,401	485,369

Source: Audited consolidated financial statements

Property, plant and equipment amounted to SAR 485.4 million as at 30 September 2015G which is mainly composed of machinery and equipment (SAR 252.3 million) and buildings (SAR 204.4 million).

Property, plant and equipment rose by 6.8% in 2014G, from SAR 449.0 million as at 30 September 2013G to SAR 479.4 million as at 30 September 2014G due to additions related to the Towers SBU manufacturing plant expansion (Towers production capacity increased from 30,000 tons per annum to 38,000 tons per annum).

Property, plant and equipment rose by 1.2% in 2014G, from SAR 479.4 million as at 30 September 2014G to SAR 485.4 million as at 30 September 2015G due to additions related to the Towers manufacturing plant expansion, the commencement of the second phase of the development of the Dammam Tubes manufacturing plant and upgrades to production lines at the pipe manufacturing plant in Jeddah.

Land, amounting to SAR 13.3 million, is located at Al Khumra in the Western region of Saudi Arabia. It is utilized for the Poles and Towers manufacturing plants. The Company wholly owns the land, having purchased it in 2003G.

Machinery and equipment include: production lines, forklifts, welding machines and others assets used in Company's operations. The book value of plant and equipment fell by 1.1% in 2014G, from SAR 219.9 million as at 30 September 2013G to SAR 217.4 million as at 30 September 2014G, due the accumulation of depreciation expenses which exceeded additions in the same period. The book value of plant and equipment rose by 16.0% in 2014G, from SAR 217.4 million as at 30 September 2014G to SAR 252.3 million as at 30 September 2015G, due to additions amounting to SAR 5.4 million and transfers from projects in progress at SAR 51.5 million. These additions related to expansions in the Company's facilities in the same period.

The book value of buildings rose by 3.5% in 2014G, from SAR 179.9 million as at 30 September 2013G to SAR 186.2 million as at 30 September 2014G, due the expansion of the Tower manufacturing plant in Dammam (the amount of SAR 15.3 million was transferred from projects in progress). Book value rose 9.7% to SAR 204.3 million as at 30 September 2015G due to transfers from projects in progress at SAR 15.3 million manly related to the Tubes manufacturing plant in Dammam.

The book value of tools fell from SAR 5.8 million as at 30 September 2013G to SAR 5.5 million as at 30 September 2014G, due the accumulation of depreciation expenses which exceeded additions over the same period (additions amounted to SAR 505 thousand whereas depreciation expenses amount to SAR 864 thousand). Tools book value declined as at 30 September 2015G to SAR 5.2 million for the same reasons mentioned above, as depreciation expenses reached SAR 555 thousand and additions amounted to SAR 282 thousand in the same period.

Capital work-in-progress rose by 129.9% from SAR 22.2 million as at 30 September 2013G to SAR 50.9 million as at 30 September 2014G. This is mainly attributed to additions related to the second phase of the construction of the Tubes manufacturing plant in Dammam and upgrades to production lines at the Jeddah manufacturing plant.

Capital work-in-progress decreased by 91.8% from SAR 50.9 million as at 30 September 2014G to SAR 4.2 million as at 30 September 2015G, due to transfers to plant and equipment at SAR 51.5 million and transfers to buildings at SAR 27.7 million. These transfers mainly related to the expansion of the Tubes manufacturing plant in Dammam, the upgrade of production lines in the Tubes Jeddah plant and the expansion of the Towers plant.

As at 30 September, capital work-in-progress mainly comprises of:

- Steel production lineat the Rebar plant - SAR 2.6 million.
- Upgrade of the production line at the Jeddah Tubes plant- SAR 1.5 million.
- Poles plant expansion in Jeddah - SAR 72 thousand.

Other property, plant and equipment components include computer devices and software, electronic devices, motor vehicles, furniture and office equipment.

Table 116: Estimated useful lives of fixed assets

Asset type	Years
Buildings	20 – 33
Plant and equipment	10 – 20
Tools	5
Computer devices, software and electronic devices	5
Furniture and office equipment	5
Motor vehicles	5

Source: Audited consolidated financial statements

Note: There are no expected adjustments on this policy

Property, plant, and equipment appear at cost after the deduction of accumulated depreciation and accumulated impairment losses, if any. Costs include any costs directly related to asset acquisition, including the costs of loans used to finance the construction of assets. Repairs and maintenance costs are expensed while costs of improvements that increase the value of or significantly prolong the life of assets are capitalised. There are no expected changes to the depreciation policy as at the date of this prospectus.

Table 117: Non-current liabilities other than property, plant and equipment for the periods 30 September 2013G, 2014G and 2015G

(SAR 1,000s)	30 September 2013G Audited	30 September 2014G Audited	30 September 2015G Audited
Deferred expenses- net	10,326	6,516	3,772
Investments in securities available for sale	42	63	63
Total	10,368	6,579	3,835

Source: Consolidated balance sheet

Deferred expenses related to pre-operation expenses at the electric tower manufacturing plant, Rebar, Dammam Tubes Manufacturing plant and SAP software costs deferred expenses are depreciated over five years.

The book value of deferred expenses fell by 36.9% from SAR 10.4 million as at 30 September 2013G to SAR 6.5 million as at 30 September 2014G, as depreciation was set off by additions at Dammam Tubes plant (SAR 5.6 million). The book value of deferred expenses dropped by 42.1% from SAR 6.5 million as at 30 September 2014G to SAR 3.8 million as at 30 September 2015G, due to the full depreciation of Towers pre-operating expenses.

Investments in securities available for sale

Investments in securities available for sale relate to the Company's investment in Arabian Pipes Company (a company listed on the Saudi stock exchange). The investment balance as represented in the balance sheet is based on the trading share price (fair value) as at the balance sheet date. Investments in securities available for sale increased from SAR 42 thousand as at 30 September 2013G to SAR 63 thousand as at 30 September 2014G, due to the increase in its market value.

The investment balance remained at SAR 63 thousand as at 30 September 2015G as its market value did not change significantly (as per the opinion of the auditor).

6-5-11 Current liabilities other than bank loans

Table 118: Current liabilities other than bank loans for the periods 30 September 2013G, 2014G and 2015G

(SAR 1,000s)	30 September 2013G Audited	30 September 2014G Audited	30 September 2015G Audited
Trade payables	36,959	44,896	47,181
Accrued expenses and other current liabilities	38,286	29,865	33,436
Zakat payable	9,461	22,220	26,228
Provision for differences of electricity consumption quantities	-	5,483	7,274
Total current liabilities other than banking loans	84,705	102,465	114,120

Source: Audited consolidated financial statements

Trade payables

Trade payables rose by 21.5% from SAR 37.0 million as at 30 September 2013G to SAR 44.9 million as at 30 September 2014G due to the growth in operations and the increase in dealings with local suppliers. Purchases from external suppliers range between 40-60% of total purchases.

Trade payables increased by 5.1% from SAR 44.9 million as at 30 September 2014G to SAR 47.2 million as at 30 September 2015G in line with the growth in business activities during the period.

Accrued expenses and other current liabilities

Accrued expenses and other current liabilities mainly consist of general expenses and payable staff expenses. Accrued expenses and other current liabilities decreased by 22.0% from SAR 38.3 million as at 30 September 2013G to SAR 29.9 million as at 30 September 2014G on the back of reclassification of SAR 9.9 million from Zakat provision (kindly refer to Zakat section for details).

Accrued expenses and other current liabilities increased by 12.0% to SAR 33.4 million as at 30 September 2015G in line with the growth in operating expenses during the period.

Provision for differences of electricity consumption quantities

According the a claim from Marafiq for the differences in consumption quantities for water and electricity as agreed between the Company and Marafiq and the Company's actual consumption. A provision for power consumption differences for the financial year ended 30 September 2014G and the financial year ended 30 September 2015G. The provision amount reached SAR 7.3 as at 30 September 2015G.

The Company reached an agreement with Marafiq on 17/11/1436H (01/09/2015G) adjusting the consumption quotas effective 1 January 2014G. Accordingly, the Company settled the remaining portion of the adjusted claim for 2014G (SAR 9.7 million; the total 2014G liability amounted to SAR 22.5 million). The remaining portion of the claim is SAR 40.3 million for the years 2012G and 2013G is not paid and is still under negotiation. The Subsidiary's shareholders whose names are listed in Table 45 "Ownership structure of the Subsidiary" of this Prospectus provided an undertaking that they shall bear, on behalf of the Subsidiary, each according to its current share in the Subsidiary, all future liability arising from the pending Marafiq claim. The Selling Shareholder whose names are listed in Table 28 "Selling Shareholders' ownership pre- and post-Offering" of this Prospectus (in connection to the Company's share in the Subsidiary which equals 72.5%) have also provided an undertaking that they shall bear, on behalf of the Company, each according to its current share, all future liability arising from the pending Marafiq claim.

6-5-12 Bank loans and term loans

Table 119: Bank loans and long term loans as at 30 September 2013G, 2014G and 2015G

(SAR 1,000s)	30 September 2013G Audited	30 September 2014G Audited	30 September 2015G Audited
Short-term borrowings	499,695	462,805	400,069
Current portion of long-term loans	68,807	47,570	11,250
Long-term borrowings	57,287	23,020	15,150
Total	625,789	533,396	426,469

Source: Audited consolidated financial statements

The Company uses long- and short-term facilities (letters of credit, letters of guarantee and refinancing letters of credit) from three different banks and the SIDF (for more information on financing agreements, please see Table 121 “Bank loans and long term loans as at 30 September 2015G” in this prospectus).

Short-term facilities amounted to SAR 2.2 billion as at 30 September 2015G, of which 18.0% was utilized by the Company. Short-term facilities are linked to financing letters of credit which are required by the majority of suppliers in order to conduct business. Short-term loans decreased as at 30 September 2015G (compared to 30 September 2014G) in line with the decrease in raw material procurements over the same period.

The total outstanding balance of long-term loans reached SAR 26.4 million as at 30 September 2015G. These loans were utilized to finance capital expenditures including the development of the Rebar, Dammam Tubes manufacturing plants, and the expansion of the Poles manufacturing plant.

The debt to equity ratio decreased from 0.98 as at 30 September 2013G to 0.56 as at 30 September 2015G as a result of the increased retained earnings during the same period. The SIDF loan was used to finance the expansion of the Poles plant (SAR 16.4 million is outstanding for payment as at 30 September 2015G; the original loan value was SR45.9 million).

Table 120: Loans by bank as at 30 September 2013G, 2014G and 2015G

(SAR 1,000s)	30 September 2013G Audited	30 September 2014G Audited	30 September 2015G Audited
BSF	142,707	202,788	83,500
ANB	427,022	290,820	321,128
Al-Rajhi Bank	16,059	26,268	5,411
SIDF	40,000	13,520	16,400
Total	625,789	533,396	426,469

Source: The Company

Table 121: Timetable for paying long-term loans on 30 September 2015G

(SAR 1,000s)	FY 2016G	FY 2017G	FY 2018G	FY 2019G	FY 2020G	FY 2021G	Total
ANB	10,000	-	-	-	-	-	10,000
SIDF	1,250	1,950	2,700	3,500	4,500	2,500	16,400
Total	11,250	1,950	2,700	3,500	4,500	2,500	26,400

Source: The Company

Table 122: Bank Loans and Term Loans of the Company and its Subsidiary

Bank	Loan value (SAR 1000s)	Used Balance as at 30/9/2015G	Purpose	Guarantees and Obligations
The Company				
ANB	660,000	202,800	Financing the Company's operations	• No action, arrangement, or mortgage on its current and future fixed and movable assets, not mortgaged to the bank, shall be made to a third party without obtaining prior written consent from the Bank. • Submission of a promissory note amounting to SAR 680,000,000. • Pledging to deposit not less than 50% of the Company's sales revenues in its account at the Bank.
ANB	20,000	10,000	Capital expenditure: Dammam Tubes plant and Poles plant phase II	• Semi annual payments of SAR 10.000.000 each period.
BSF	434,023	83,500	Financing the Company's operations and financing the development of the Dammam Tubes plant	• No distribution of any dividendsshall be made without the written consent of the Bank and debts shall not exceed 2.5x of equity (leverage) during the term of the agreement. The Company shall submit financial accounting reports within 120 days from the end of the fiscal year. Audited financial reports shall be submitted within 30 days from the end of each quarter. • Submission of a promissory note in the amount of SAR 434.023.000. • Appointing Banque Saudi Fransi as a first beneficiary in the insurance policy upon completion of the Dammam Tubes plant

Bank	Loan value (SAR 1000s)	Used Balance as at 30/9/2015G	Purpose	Guarantees and Obligations
Al-Rajhi Bank	200.000	5.441	Working capital financing	• Payment of all financial liabilities and expenses on the due dates and without a notice from the Bank along with a promissory note for each line of financing and for each instalment on its due date. The Company shall notify the Bank of any errors believed to be in the statements of account within 15 days from the date the account statement or the date notification is first possible. • Submission of a promissory note covering all liabilities and signing a promissory note upon each withdrawal. • Payment of an advance amount of 0.10% of the value of each Musharaka contractand not from the total facilities amount, to be deducted from the Company's account upon executing the contract. • Deposit of not less than 20% of the Company's sales revenues in its account at the Bank.
SIDF	45.900	16.400	Financing of Poles plant establishment in Jeddah	• Execution of additional mortgages on the assets included in the mortgage, and assets related to the project as per the requirements of the development fund. • Maintain commercial registration and industrial licenses • Not to take any action or participate in any activity that would contradict the purpose of the project. • To abide by governing laws and regulations

Bank	Loan value (SAR 1000s)	Used Balance as at 30/9/2015G	Purpose	Guarantees and Obligations
				• To notify the development fund immediately and in written form of any changes in management or law suits. • To pay all Zakat fees and government taxes that are related to the project. • To insure the project at insurance companies as required by the development fund, with the inclusion of the fund as a primary beneficiary • Not to establish any mortgage or credit or any other liability on its assets or revenues, whether currently owned or prospective • Refrain from taking the following actions, unless agreed by the fund: • Merging with any other company or person. • Sale, rent or transfer of all or a material part of the project or its financial assets whether currently owned or in the future. • Becoming liable for another Company's or person's assets or liabilities. • Not to make any material adjustments or changes on the project without prior consent from the fund. • Maintaining an acceptable management by the fund. • Providing guarantees in mortgages on all current and future assets owned by the company, and all Jeddah's project machines.
The Subsidiary				
ANB	555,000	108,328	Financing the Subsidiary's operations	• Provide the Bank within a period of time no later than 120 days after the end of each year with a copy of audited financial statements and any financial information requested by the Bank. • Notify the Bank upon the occurrence of any default or any potential default. • Maintain the financial, administrative and legal position along with property ownership and not change its business as set out in this agreement. • Assume obligations under this agreement at all times and in all respects arranged equally for all its other current and future obligations.

Bank	Loan value (SAR 1000s)	Used Balance as at 30/9/2015G	Purpose	Guarantees and Obligations
				• Not to issue or approve the issuance of new shares or equities or provide options or guarantees or subscription rights in any additional share of the subsidiary's capital to anyone other than a current shareholder or partner in the subsidiary. • Maintain the authorizations granted under this agreement. • Not to merge with any other organization or take measures to dissolve the subsidiary. • Not to sell, rent, assign or transfer all or part of the subsidiary's business and assets unless within the typical scope of work. • Not to place, by any means, burdens on all or part of its assets other than those which are permissible within the typical scope of work. • Not to guarantee any loss or damage whether directly or indirectly unless within the typical scope of work. • Not to incorporate or own any subsidiary or invest in any other company. • Not to take any action or arrange any mortgage on current and future assets of the subsidiary without obtaining a prior written consent from the bank. • Submission of an order bond in the amount of SAR 555.000.000.
BSF	275,000	None	Provision of multi-purpose general facilities	• Present financial statements within 120 days from the end of the financial year in addition to quarterly financial reports within 30 days of the end of each quarter • To obtain the consent of the bank before any change in the ownership stake of the Company in the subsidiary (72.5%) • Submission of a promissory note in the amount of SAR 275.000.000. • Statement of assurance from the Company that it will maintain its stake in the subsidiary • Submission of an order bond due on demand in the amount of SAR 275.000.000. • Submission of a proportional personal guarantee from Mohammed Ali Al Wahaibi in the amount of SAR 13,750,000. • Submission of a proportional personal guarantee from Abdulmohsen Rashid Al-Rashed- in the amount of SAR 10,037,500.

Bank	Loan value (SAR 1000s)	Used Balance as at 30/9/2015G	Purpose	Guarantees and Obligations
				• Submission of a proportional personal guarantee from Salah Rashid Al-Rashed- in the amount of SAR 10,037,500. • Submission of a proportional personal guarantee from the Company in the amount of SAR 199,375,000. • Submission of a proportional personal guarantee from Al Fawzan Holding Company in the amount of SAR 41,800,000.
SAIB	100,000	NA		• Submit a promissory note with a value of SAR 100.000.000 • The ratio of the current assets to liabilities shall be no less than 1:1 • The ratio of total liabilities to tangible net worth not to exceed 2:1 • Tangible net worth not to be less than SAR 375.000.000 • Not to change the ownership structure before prior consent from the bank. • To share semi-annual non-audited financial statements with the bank • To ensure the bank is equal in seniority to other banks (with the exception of Saudi Industrial Development Fund) with regards to guarantees imposed on the company • To provide acceptable evidence to the bank that the subsidiary has released all personal guarantees within three months from the agreement date. • Dividend distribution is contingent on the subsidiary meeting all imposed on it by banks
Total	2,352,023	426,469		

Source: The Company

6-5-13 Shareholder›s equity

The Company’s paid-up capital is SAR 508,000,000 divided into 50,800,000 shares each having a nominal value of SAR 10.

As per Saudi regulations, 10% of the net annual income is transferred to the statutory reserve. The Company may cease such transfers when total reserves equals 50% of paid up capital. Funds in the reserve are not available for distribution.

Retained earnings represent the portion of earnings withheld by the Company instead of being distributed as dividends to shareholders. The Company incurred losses during the global financial crisis which coincided with the commencement of Rebar operations in August 2008G. Retained earnings have increased over the historical period driven by of the Company’s profitability with accumulative losses being recovered in 2013G.

Since the establishment of the subsidiary in 17/12/1432H (18/02/2008G) and with a paid-in-capital of SAR 27.5 million, capital was further increased by SAR 272.5 million through cash injections, reaching SAR 300 million in paid-in-capital. The last addition, amounting to SAR 150 million, was made during 2010G through a cash injection.

Table 123: Shareholders equity as at 30 September 2013G, 2014G and 2015G

(SAR 1,000s)	30 September 2013G Audited	30 September 2014G Audited	30 September 2015G Audited
Share capital	508,000	508,000	508,000
Statutory reserve	6,407	19,600	35,474
Change in fair value of available for sale investments	16	37	37
Retained earnings /(accumulated losses)	16,654	68,338	84,204
Non -controlling equity	105,876	115,267	127,729
Total equity	636,954	711,241	755,444

Source: Audited consolidated financial statements

Table 124: Dividends as at 30 September 2013G, 2014G and 2015G

(SAR 1,000s)	Net income	Dividends declared	Distributed dividends within the fiscal year	Percentage of distributions
30 September 2013G	105,654	56,896	(40,640)	53.9%
30 September 2014G	131,933	114,300	(67,056)	86.6%
30 September 2015G	158,740	127,500	(63,500)	40.0%

Source: The Company

The Company distributed SAR 127.0 million in dividends during 2015G, which mostly related to declared dividends in 2014G (SAR 114.3 million).

6-5-14 Consolidated Statement of Cash Flows

Table 125: Consolidated cash flow statements as at 30 September 2013G, 2014G and 2015G

(SAR 1,000s)	FY 2013G Audited	FY 2014G Audited	FY 2015G Audited
Net cash flows from operating activities	245,251	247,638	322,875
Net cash flows from investing activities	(29,367)	(70,191)	(41,133)
Net cash flows from financing activities	(200,609)	(189,580)	(264,311)
Net change in cash and cash equivalents	15,274	(12,134)	17,431
Cash and cash equivalents at the beginning of the year	25,075	40,349	28,215
Cash and cash equivalents at the end of the year	40,349	28,215	45,646

Source: Audited consolidated financial statements

6-5-15 Consolidated statement of cash flows

Table 126: Cash flows from operating activities for the periods ended 30 September 2013G, 2014G and 2015G

(SAR 1,000s)	FY 2013G Audited	FY 2014G Audited	FY 2015G Audited
Operating activities:			
Net income	105,654	131,933	158,740
Adjustments:			
Depreciation	35,456	38,346	35,220
Gains from sale of property, plant and equipment	(98)	(111)	(55)
Provision for doubtful debts	1,071	2,348	-
Doubtful debt writeoffs	-	(749)	(323)
Provision for slow moving inventory	304	1,500	-
Slow moving inventory writeoffs	-	(768)	
Transferred from projects in progress to expenses	-	1,040	-
Write-off of projects in progress	-	478	-
Amortisation of deferred expenses	6,436	3,810	2,744
Finance costs	20,425	17,756	15,122
Amortization of deferred expenses	-	5,483	1,791
Share of non -controlling equity	21,453	21,765	27,725
Zakat charged over the year	8,671	11,643	14,520
Provision for employees end-of-service benefits	3,606	4,798	4,402
Total	202,979	239,273	259,888
Changes in assets and operating liabilities			
Trade payables	9,314	(90,005)	63,467
Inventory	(10,406)	35,817	10,151
Amounts due from related parties	38,784	58,176	-
Prepaid expenses and other current assets	(16,643)	4,643	(4,668)
Trade payables	19,341	7,938	2,284
Accrued expenses and other current liabilities	9,037	1,522	3,571
Zakat paid	(6,115)	(8,826)	(10,512)
Employees end-of-service benefits paid	(1,039)	(899)	(1,306)
Net cash flow available from operating activities	245,251	247,638	322,875
Investing activities:			
Additions to property and equipment	(23,845)	(70,311)	(41,250)
Additions to deferred expenses	(5,625)	-	-
Amounts collected from the sale of property and equipment	102	121	116
Net cash flow used in investing activities	(29,367)	(70,191)	(41,133)

(SAR 1,000s)	FY 2013G Audited	FY 2014G Audited	FY 2015G Audited
Net cash flows from financing activities:			
Net movement in short-term loans	(119,846)	(36,890)	(62,736)
Net movement in long-term loans	(19,698)	(55,503)	(44,190)
Bank overdrafts	-	-	-
Finance charges- paid	(20,425)	(17,756)	(15,121)
Dividends distribution	(40,640)	(67,056)	(127,000)
Dividends distributed for minority interests	-	(12,375)	(15,262)
Net cash flow used in financing activities	(200,609)	(189,580)	(264,310)
Change in cash and cash equivalents	15,274	(12,134)	17,431
Cash and cash equivalents at the beginning of the year	25,075	40,349	28,214
Cash and cash equivalents at the end of the year	40,349	28,215	45,646

Source: Audited consolidated financial statements

Operating activities

Table 127: Changes in working capital for the years ended 30 September 2013G, 2014G and 2015G

(SAR 1,000s)	FY 2013G	FY 2014G	FY 2015G
Trade receivables	10,385	(90,005)	63,467
Inventories	(10,406)	35,817	10,151
Prepayments and other current assets	(16,643)	4,643	(4,668)
Trade payables	19,341	7,938	2,284
Accrued expenses and other current liabilities	9,037	1,522	3,571
Changes in working capital	11,713	(40,086)	74,484

Source: The Company

Operating cash flows increased from SAR 245.3 million in 2013G to SAR 247.6 million in 2014G, due to increasing net income as a result of growth in sales. The increase in operating cash flows was offset by an increase in receivables as a result of sales to Towers clients in the same period.

Operating cash flows increased to SAR 322.9 million in 2015G due to increasing net income as a result collections of Towers outstanding receivables.

Investing activities

The Company invested SAR 70.2 million in capital expenditure between 2013G and 2014G, as cash used in investing activities increased from SAR 29.4 million in 2013G to SAR 70.2 million in 2014G. This is attributed to the addition related to the expansion of the Company's production facilities, namely:

- Expansion of the Poles plant in Jeddah
- Phase II of the Dammam Tubes plant expansionRevamp of Jeddah Tubes production lines

Cash flows used in investing activities amounted to SAR 41.1 million. The respective capital expenditures were in connection with the expansion of the Towers plant, the development of the second production line in the Dammam Tubes plant, and the revamp of production lines in the Jeddah Tubes plant.

Below are details of significant planned fixed asset purchases:

- Expanding the production capacity of the Dammam plant to enable the production of pressure tubes and the renovation of the Jeddah Tubes plant (SAR 38.1 million during 2017G, of which SAR 26.0 million relates to machinery and equipment and SAR 12.1 million relates to buildings); expansion of Dammam Tubes plant to enable the production of galvanized tubes (SAR 31.5 million during 2019G, of which SAR 25.0 million relates to machinery and equipment and SAR 6.5 million relates to buildings).

- Towers plant expansion: SAR 20.0 million during 2019G (of which SAR 12.0 million relates to buildings and SAR 8.0 million relates to machinery and equipment).

Financing activities

The Company relied on long-term loans to finance the expansion of manufacturing facilities, especially the development of the Tubes plant in Dammam and the expansion of the Poles plant. The changes in long-term and short-term loans are displayed in the section above.

Cash outflows from financing activities improved by 5.5%, from a deficit of SAR 200.6 million in 2013G to a deficit of SAR 189.6 million in 2014G, due mainly to a decrease in repayments against short term borrowings.

Cash outflows from financing activities increased from SAR 189.6 million in 2014G to SAR 264.3 in 2015G due to an increase in dividends during the year, in addition to the increase in repayments to banks against short term borrowings.

6-5-16 Contingent obligations and liabilities

Table 128: Contingent obligations and liabilities

(SAR 1,000s)	30 September 2013G Audited	30 September 2014G Audited	30 September 2015G Management
Letters of guarantee	201,399	378,853	181,000
Letters of credit	93,708	114,687	127,000
Capital commitments	64,000	35,000	1,500
Total contingent obligations and liabilities	359,106	528,541	309,500

Source: The Company

The Company has contingent liabilities amounting to SAR 309.5 million as at 30 September 2015G. These consist of letters of credit amounting to SAR 181.0 million and letters of guarantee amounting to SAR 127.0 million, and capital commitments amounting to SAR 1.5 million.

Letters of credit relate three banks in regards to raw material purchases from foreign suppliers who require dealing in letters of credits, whereas capital commitments are related to the expansion of the Company's operations.

6-5-17 Capitalisation and Indebtedness

The following table sets out the Company's capitalization, based on the consolidated financial statements for the financial years ended 30 September 2013G, 30 September 2014G and 30 September 2015G. This table should be read along with the financial statements including the references and referrals thereto in Section 19 "Auditor's Report".

Table 129: Company's capitalization based on the consolidated financial statements for the financial years ended 30 September 2013G, 30 September 2014G and 30 September 2015G

(SAR 1,000s)	30 September 2013G Audited	30 September 2014G Audited	30 September 2015G Management
Total current liabilities	653,207	612,840	525,439
Total non-current liabilities	71,018	40,650	35,876
Total liabilities	724,225	653,490	561,315
Share capital	508,000	508,000	508,000
Statutory reserve	6,407	19,600	35,474
Unrealized gain on available for sale investments	16	37	37

(SAR 1,000s)	30 September 2013G Audited	30 September 2014G Audited	30 September 2015G Management
Retained earnings /(accumu-lated losses)	16,654	68,338	84,204
Non -controlling equity	105,876	115,267	127,729
Total equity	636,954	711,241	755,444
Total liabilities and equity	1,361,179	1,364,731	1,136,759

Source: Financial statements

6-5-18 Overview of the Subsidiary's financial statements

Table 130: Subsidiary's income statements for the fiscal years 2013G-2015G

(SAR 1,000s)	2013G Audited	2014G Audited	2015G Audited	Annual change 2013G-2014G	Annual change 2014G-2015G	CAGR 2013G-2015G
Net sales	1,034,688	1,121,473	1,121,100	8.4%	(0.03%)	4.1%
Cost of sales	(914,915)	(1,002,738)	(978,947)	9.6%	(2.4%)	3.4%
Gross profit	119,773	118,735	142,153	(0.9%)	19.7%	8.9%
Selling and distribution expenses	(15,222)	(16,080)	(17,606)	5.6%	9.5%	7.5%
General and administrative expenses	(13,829)	(11,293)	(11,753)	(18.3%)	4,1%	(7.8%)
Operating income	90,722	91,361	112,792	0.7%	23,5%	11,5%
Other revenue	(2)	132	(309)	N/ A	(333.7%)	1143,4%
Finance costs	(9,562)	(7,380)	(4,145)	(22.8%)	(43.8%)	(34.2%)
Net income before zakat	81,158	84,114	108,339	3.6%	28,8%	15,5%
Zakat	(3,147)	(4,967)	(7,520)	57.8%	51,4%	54,6%
Net income	78,010	79,146	100,819	1.5%	27.4%	13.7%
As a percentage of revenues						
Gross profit	11.6%	10.6%	12.7%			
Selling and distribution expenses	1.5%	1.4%	1.6%			
General and administrative expenses	1.3%	1.0%	1.0%			
Operating income	8.8%	8.1%	10.1%			
Net income	7.5%	7.1%	12.0%			

Source: The Subsidiary

Table 131: Subsidiary's balance sheet for the fiscal years 2013G-2015G

(SAR 1,000s)	30 September 2013G Audited	30 September 2014G Audited	30 September 2015G Audited
Cash and cash equivalents	8,367	3,813	9,375
Trade receivables	5,717	134,907	84,572
Inventories	287,802	235,616	260,551
Due from related parties	84,858	-	-
Prepayments and other current assets	5,564	7,176	4,,847
Total current assets	392,307	381,512	359,345
Deferred expenses- net	-	-	-
Property, plant and equipment	282,136	269,316	256,779
Total non-current assets	282,136	269,316	256,779
Total assets	674,444	650,829	616,124
Short-term borrowings	230,129	203,793	108,328
Current portion of long-term loans	26,000	-	-
Trade payables	1,607	2,787	12,095
Provision for differences of energy consumption	-	5,483	7,274
Due to related parties	10	4	2
Provision for zakat	3,147	4,967	7,520
Accrued expenses and other current liabilities	10,811	10,156	11,284
Total current liabilities	271,704	227,190	146,504
Long-term borrowings	14,000	-	-
Provision for employees end-of-service benefits	3,734	4,488	5,151
Total non-current liabilities	17,734	4,488	5,151
Total liabilities	289,438	231,677	151,655
Share capital	300,000	300,000	300,000
Statutory reserve	8,555	16,469	26,551
Retained earnings /(accumulated losses)	76,450	102,682	137,918
Total equity	385,005	419,151	464,470
Total liabilities and equity	674,443	650,829	616,124

Source: The Subsidiary

Table 132: Subsidiary's cash flows for the periods ended 30 September 2013G, 2014G and 2015G

(SAR 1,000s)	FY 2013G Audited	FY 2014G Audited	FY 2015G Audited
Operating activities:			
Net income	78,010	79,146	100,819
Settlements:			
Depreciation	17,000	17,027	16,970
Dividends from property, plant and equipment	(14)	8	7
Write-off of projects in progress	-	-	-
Amortisation of deferred expenses	3,095	-	-
Zakat charged over the year	3,147	4,967	7,520
Provisions	-	5,483	1,791
Provision for employees end-of-service benefits	898	1,224	1,071
Total	102,136	107,856	128,178
Changes in assets and operating liabilities			
Trade payables	9,996	(44,332)	50,335
Amounts due from related parties	26,142	-	-
Inventory	2,035	52,186	(24,935)
Prepaid expenses and other current assets	2,214	(1,612)	2,330
Trade payables	(1,426)	1,180	9,308
Accrued expenses and other current liabilities	4,583	(656)	1,129
Due to related parties	(86)	(6)	(2)
Zakat paid	(1,683)	(3,147)	(4,967)
Employees end-of-service benefits paid	(285)	(470)	(408)
Net cash flow available from operating activities	143,628	110,998	160,967
Investing activities:			
Additions to property and equipment	(2,445)	(4,216)	(4,445)
Amounts collected from the sale of property and equipment	16	-	6
Net cash flow used in investing activities	(2,429)	(4,216)	(4,439)
Cash flows from financing activities:			
Net movement in short-term loans	(120,312)	(26,336)	(95,465)
Net movement in long-term loans	(22,000)	(40,000)	-
Dividends distribution	-	(45,000)	(55,500)
Net cash flow used in financing activities	(142,312)	(111,336)	(150,965)
Change in cash and cash equivalents	(1,113)	(4,554)	5,562
Cash and cash equivalents at the beginning of the year	9,480	8,367	3,813
Cash and cash equivalents at the end of the year	8,367	3,813	9,376

Source: The Subsidiary

6-6 The Company's Plan to Implement IFRS

The Company prepared a plan to implement the International Financial Reporting Standards ("IFRS") following SOCPA's decision to implement IFRS on joint stock companies effective on or after 01/01/2017G. Such plan aims at ensuring that converting from SOCPA to IFRS is completed in a timely and efficient manner. Therefore, the following procedures were set by the Company:

- Prepare a conversion plan, and submit such plan to the Audit Committee and CEO for their review, who will then submit the plan to the Board for their approval.
- Communicate with the Auditor regarding the plan including choosing alternatives and implementation methods, and ensure that the team understands measurement and disclosure requirements.
- Identify international standards and measurement and disclosure requirements relevant to the Company's business.
- Identify required amendments to fulfil measurement and disclosure requirements.
- Compare the Company's accounting policies and accounting treatment with the IFRS measurement and disclosure requirements, and identify any gaps in the financial statements and financial indices.
- Inform the Audit Committee and the CEO immediately of any significant developments, difficulties, and differences between the team or the Auditor.

7. Dividend Distribution Policy

Shareholders are entitled to obtain profits announced by the Company from the date of this Prospectus, and during the following fiscal years.

The Company intends to distribute annual dividends to its Shareholders with the purpose of enhancing the value that such shareholders obtain in a manner that is proportionate to the Company's profits, financial position, and restrictions that govern dividends under its financing and loan agreements, results of Company's operations, the Company's current and future need of cash, expansion plans, the Company and the Subsidiary's investment requirements and other factors, including analysis of investment opportunities, reinvestment requirements with the Company, capital and cash requirements, commercial expectations, the impact of any such distributions on any of legal and regulatory considerations.

Although the Company intends to pay annual dividends to its Shareholders, it does not make any assurance that any dividends will actually be paid, nor any assurance as to the amount which will be paid, in any given year. The distribution of dividends is subject to certain limitations contained in the Company's Bylaws as follows:

1. (10 %) ten percent of the net profit shall be set aside to form a statutory reserve. Such allocations may be discontinued by the OGA when the statutory reserve amounts to half of the Company's share capital.
2. The OGA may, upon request of the Board, set aside a percentage of the annual net profits to form an additional reserve to be allocated towards one or more specific purposes.
3. The balance shall be distributed as a first payment in the amount of at least (5%) five percent of the paid-up capital to the Shareholders.
4. Out of the remaining balance, no more than (10%) ten percent shall be allocated as compensation for the Directors.

The resulting balance shall be distributed among Shareholders as an additional share of the profits. The Company may distribute semi-annual and quarterly profits, after fulfilling conditions set by competent authorities.

The distribution of dividends is subject to the restrictions and conditions contained in the credit facilities agreements entered into between the Company and financiers from time to time. In this regard, according to the Credit Facilities Agreement entered into between the Company and the BSF on 30/05/1435H (corresponding to 31/03/2014G), the Company shall not distribute dividends to the Shareholders prior to paying the outstanding loan without a prior written consent from BSF. (For more of details about Credit Facilities Agreements, please see Section 11-9-1 "The Company's Facilities" of this Prospectus.)

The following table sets out dividend payments during years 2013G, 2014G and 2015G as follows:

Table 133: Dividend payments during years 2013G, 2014G, and 2015G

Description	2013G	2014G	2015G
Retained earnings/ (accumulated losses) as at 1 October of the fiscal year	(41,994,055)	16,654,304	68,337,978
Net profit in the fiscal year	105,654,394	131,932,971	158,740,425
Retained earnings/ (accumulated losses) after deducting the statutory reserve	57,294,305	0	142,866,383
Capitalized profits	0	0	0
Distributed profits within the fiscal year	40,640,001	63,056,000	127,000,000
Retained earnings/ (accumulated losses) as at 30 September of the fiscal year	16,654,304	68,337,978	84,204,359
Declared dividends	56,896,001	114,300,000	127,000,000
Percentage of distributions	53.9%	86.6%	80%

Source: The Company

The Company confirms that dividend distributions have been settled between Shareholders for the previous years, as set out in the above table. The Company also confirms that there is no announcement or distribution of dividends from 2015G and until the date of this Prospectus, except as disclosed in this section. Subscribers of the Company's Shares shall be entitled to any profits announced by the Company after the date of this Prospectus.

8. Use of Proceeds

The total proceeds from the Offering are estimated at SAR (548,820,000), of which approximately SAR 31 million will be applied to settle all expenses related to the Offering, which include the fees of the Financial Advisor, Legal Advisor, Financial Due Diligence Advisor, Underwriter, Receiving Agents fees, marketing, printing and distribution fees, as well as other fees related to the Offering. The Company will not bear any of the expenses relating to the Offering, which will be deducted from the proceeds of the Offering. Selling Shareholders will pay the underwriting expenses incurred by the Company immediately upon completion of the Offering.

The Net Proceeds of approximately SAR (517,820,000) million will be distributed to the Selling Shareholders in proportion to the number of Shares sold by each of them. The Company will not receive any part of the proceeds from the Offering.

9. STATEMENTS BY EXPERTS

The Financial Advisor, Legal Advisor, Auditor, Financial Due Diligence Advisor, and Market Consultant whose names are listed on page (vi) have given, and not withdrawn, their written consent to the publication of their names, logos and statements in the manner set forth in this Prospectus. Moreover, they do not themselves, or any of their relatives or employees, have any shareholding or interest of any kind in the Company or its Subsidiary.

10. DECLARATIONS

The Board Directors, CEO, CFO, Secretary and Senior Management in the Company declare that:

1. Save for Qualification Shares, and save as disclosed in Section 5-2 “Board of Directors and the Board’s Secretary”, Section 5-5 “Senior Executives of The Company”, Section 4-2 “Overview Of The Company”, Section 2-1-10 “The Company and the Subsidiary Depend Largely on Existing Commercial Arrangements with Related Parties” of this Prospectus, they do not themselves, nor do any of their relatives, have any direct or indirect interests of any kind in the Company or the Subsidiary.
2. Save as disclosed in Section 11-10 “Related Party Transactions” and Table 147 “Details of Related Party Transactions”, there are no current or contemplated contracts or arrangements in which they, or any of their relatives or subordinates, have an interest in the Company or Subsidiary’s activities.
3. Save as disclosed in Section 4-1 “The Company and the Subsidiary’s Ownership”, Section 11-10 “Related Party Transactions” and the qualification shares referred to in Section 5-2 “Board of Directors and the Board’s Secretary” of this Prospectus, neither they, nor any of their relatives or subsidiaries, have interests or shares of any kind in the Company or the Subsidiary as of the date of this Prospectus.
4. The Company and the Subsidiary have the necessary policies and procedures necessary to prepare the interim and annual financial statements in conformity with the Generally Accepted Accounting Principles issued by SOCPA, and within the deadlines set in the Listing Rules. Furthermore, the Company and the Subsidiary have the necessary policies and procedures to prepare all the other financial and non-financial reports as required by the Listing Rules, and within the timeframes set out in these rules.
5. The Company and the Subsidiary have sufficient working capital for (12) twelve months following the date of the publication of this Prospectus.
6. The Company and the Subsidiary have not issued any debt instruments, or declared the issuance of such instruments.
7. There is no intention to materially change the nature of the Company and the Subsidiary’s activities.
8. There has been no interruption in the business of the Company or the Subsidiary, which may have, or has had, a significant impact on the financial position in the last (12) twelve months prior to the date of the Prospectus.
9. No commissions, discounts, brokerages or other non-cash compensations were granted by the Company or the Subsidiary within the three years immediately preceding the application for listing in connection with the issue or sale of any securities.
10. There has been no material adverse change in the financial or trading position of the Company or the Subsidiary during the three years preceding the year of listing, in addition to the period since the end of the period covered by the Auditor’s report and until the date of the Prospectus.
11. The Company’s internal control measures were soundly prepared and a written policy was laid to regulate present or potential conflicts of interest, including the misuse of assets and misconduct resulting from transactions with related parties, in addition to safeguarding the security of financial and operational systems, and ensuring the implementation of appropriate supervisory measures to manage risks in accordance with article (10) of the Corporate Governance Regulations. Furthermore, the Directors shall conduct annual reviews of the Company’s internal control measures.
12. The financial information included in this Prospectus and the consolidated financial statements for the financial years ended 2013G, 2014G, and 2015G and the notes associated thereto by the Auditor, have been prepared and audited in accordance with Accounting Standards issued by SOCPA which allows the use of international auditing standards in the absence of Saudi auditing standards.
13. Neither the Directors nor Executives may vote on a contract or proposal in which they have a material interest.
14. Save as disclosed in Section 2-1-18 “Zakat Assessment and the Failure by the Company and the Subsidiary to Properly File and Disclose its Taxable Income to the Relevant Tax Authorities” of this Prospectus, there are no outstanding objections or disputes with the DZIT.
15. Save as disclosed in Section 11-9 “Finance Agreements” and Section 11-11 “Real Estate Owned by The Company” of this Prospectus, there is no pledge, mortgage or financial burden on any of the Company or the Subsidiary’s assets.
16. The Company and the Subsidiary do not have an existing employee stock plan prior to the listing application and approval, nor any other arrangements, that give employees a stake in the Company’s share capital.
17. The Directors and Senior Management may not have any direct or indirect interest in the transactions and

contracts of the Company, except with the permission of the General Assembly. Details of all transactions with the Directors or the companies they participate in shall be disclosed (pursuant to the Current/New Companies Law and Corporate Governance Regulations) in the General Assembly agenda, and the Shareholders shall be able to approve such transactions.

18. The Company and the Subsidiary do not conduct any of their activities outside the Kingdom and do not own any assets outside the Kingdom.
19. The Company and the Subsidiary have not adopted any research and development policies.
20. The share capital of both the Company and the Subsidiary do not include options.
21. They have not at any time declared bankruptcy or been subject to bankruptcy proceedings.
22. No company in which they held an administrative or supervisory office was declared insolvent in the past five years preceding the date of this Prospectus.
23. No powers exist giving any of the Directors the right to borrow money from the Company or the Subsidiary.
24. As at the date of this Prospectus, and except for Abdulkadir Al-Muhaidib & Sons Company that currently owns 13.8% of Arabian Pipes Company and 26.45% of Bawan Company, which are licensed under their bylaws to exercise activities similar to that of the Company (but as far as Abdulkadir Al-Muhaidib & Sons Company knows) without currently manufacturing or marketing products competitive to that manufactured by the Company or the Subsidiary, none of the Selling Shareholders own (whether directly or indirectly) any shares, equities or interests in any company or partnership or establishment inside the Kingdom (in a percentage exceeding 5% of the capital of that company, partnership or establishment) that carry out a business that competes with the current business of the Company or the Subsidiary, namely in relation to producing:
    - longitudinally welded steel pipes (black/galvanized), decorative steel tubes, steel sheets cutters, packaging straps and clips and road blocks;
    - reinforcing steel bars from scrap metals, wheelbarrows, corrugated steel sheets, hollow steel pieces, cold-rolled steel sections, and steel space frames;
    - galvanized steel lighting poles, and other related products;
    - electrical transmission and telecommunication towers; and
    - steel sections for metal structures and facilities.
25. As disclosed in Section 11-16 “Directors Participating in Companies or Establishments Conducting Businesses Similar to the Company’s Business” of this Prospectus, none of the Directors owns or performs a business that competes with the Company’s business, namely steel manufacturing.
26. Save as the supply agreement entered into with the Saudi Services For Electro Mechanic Works Company (owned by Rashed Abulrahman Al-Rashed and Sons Company) dated 25/03/1437H (corresponding to 05/01/2016G) which will be presented for the Board and General Assembly in its next meeting, all transactions with related parties were duly and legally entered into on an arm’s length basis that does not, by any means, adversely affect the Company’s business and revenues. None of the related parties has any preferential treatment.
27. Save as disclosed in Section 2-1-18 “Zakat Assessment and the Failure by the Company and Subsidiary to Properly File and Disclose its Taxable Income to the Relevant Tax Authorities” and Section 11-7 “Utility User Agreement” and Section 11-9-1 “The Company’s Facilities” of this Prospectus, neither the Company nor the Subsidiary have any potential liabilities. Furthermore, the Company did not provide any guarantees to any other parties.
28. The Company is in compliance with all terms and conditions of the facilities agreements included in Section 11-9-1 “The Company’s Facilities” of this Prospectus, and that it has not defaulted on any of the conditions and covenants as of the date of this Prospectus. The Company has also obtained all necessary approvals from its lenders in relation to the Offering.
29. The shareholders of the Subsidiary whose names are listed in Table 45 “Ownership structure of the Subsidiary” shall bear, on behalf of the Subsidiary, each according to its current share in the Subsidiary, all future liability arising from the pending Marafiq claim (for the years 2012G and 2013G amounting to (SAR 40,364,269) forty million three hundred sixty-four thousand two hundred sixty-nine Saudi Riyals). (For more information on the Marafiq claim, please see Section 11-7 “Utility User Agreement” of this Prospectus.)
30. The Selling Shareholder whose names are listed in Table 28 “Selling Shareholders’ ownership pre- and post-Offering” of this Prospectus (in connection with the Company’s share in the Subsidiary which equals 72.5%) shall bear, on behalf of the Company, each according to its current share, all future liability arising from the pending Marafiq claim (for the years 2012G and 2013G amounting to (SAR 40,364,269) forty

million three hundred sixty-four thousand two hundred sixty-nine Saudi Riyals). (For more information on the Marafiq claim, please see Section 11-7 “Utility User Agreement” of this Prospectus).

31. Save as disclosed in the Prospectus, the Company is not aware of any information relating to any governmental, economic, financial, monetary or political policies or any other factors that influenced or may materially influence, whether directly or indirectly, the Company’s or Subsidiary’s operations.
32. Save as disclosed in the Prospectus, the Company is not aware of any international or local environmental legislations that may influence the availability of raw materials or the Company’s or Subsidiary’s business.
33. The Company and the Subsidiary do not own any property including securities (whether contractual or otherwise) or any assets that are subject to fluctuations or which value is difficult to determine which could have a material effect on its financial position.
34. Save as disclosed in the Prospectus, the Company and the Subsidiary have all licenses and permits necessary to carry out their activities.
35. Save as disclosed in the Prospectus, the Company and the Subsidiary are not parties to any current or potential dispute, claim or judicial proceedings, or any real or potential investigation that may have a material effect on the Company’s financial position.
36. Save as disclosed in the Prospectus, the Company is not aware of any seasonal factors or economic cycles relating to the Company and Subsidiary’s business that influenced, or may materially influence, their activities.
37. There are no pending or threatened disputes, claims or judicial proceedings, or any real or potential investigation procedures, which any of the Company’s Directors or Senior Management members are parties thereto and may severally or jointly have a significant impact on the Company’s operations or financial position.
38. All material agreements and transactions, including all their main terms, have been disclosed, and that there is no breach of any of such agreements as at the date of this Prospectus.
39. The Company has conducted, directly or through the Subsidiary, the same business activity during the last three financial years under the supervision of a management that has not materially changed.
40. The Selling Shareholders whose names are listed on page (ix) of this Prospectus shall incur all expenses related to the Offering, including the fees of the Financial Advisor, Legal Advisor, Financial Due Diligence Advisor, Underwriter, Receiving Agents fees, marketing, printing and distribution fees, as well as other fees related to the Offering

The Board of Directors further declare compliance with the provisions of Article (69) and (70) of the Current Companies Law and Article (18) of the Corporate Governance Regulations in respect of contracts with related parties, as follows:

1. All contracts with Directors shall be approved by the Board, then by the OGA, provided that the relevant Director shall refrain from voting thereon, whether in the Board or the OGA.
2. The Shareholders and Board confirm that they shall not compete with the Company’s business, and shall deal with related parties on an arms-length basis.
3. Under the Company’s Bylaws, neither the Directors nor the CEO may vote on a contract or proposal in which they have a material interest or on decisions relating to their own remuneration. Neither the Directors nor Senior Management may borrow from the Company.

In addition to the declarations described above, the Directors and the CEO declare that:

1. No powers exist granting a Director or CEO the right to vote on the remuneration granted to them.

The Directors also declare that:

1. To their knowledge, the Company and the Subsidiary’s information technology systems and supply and support systems operate properly and meet the needs of the Company and the Subsidiary.
2. To their knowledge, inventory management systems, set-aside provisions and policies calculating provisions for decreasing inventory and slow-moving inventories are sufficient and appropriate to the nature of the Company’s operations.
3. The Market Report prepared by ERAS adequately covers information and data relating to the market in which the Company operates, and, according to their knowledge, there is no material deficiency in such data and information that may affect the decision by investors to subscribe for Shares, including any changes in the market from the date of the Market Report until the date of the Prospectus.

4. There has been no material change in the Company's marketing policy during the period between 2013G and 2015G.
5. To their knowledge, the internal control systems, accounting procedures and information technology systems are suitable and sufficient.
6. To their knowledge, all terms and conditions that could affect the decision of investors to subscribe for the Shares have been disclosed.
7. All transactions with related parties will be made on a competitive basis, and voting on all transactions and contracts, in which a Director has a direct or indirect interest, will take place in Board meetings and OGA of the Company, provided that a Director who has a direct or indirect interset in these contracts shall refrain from voting, whether in the Board or the OGA, in accordance with article (69) of the Current Companies Law and article (18) of the Corporate Governance Regulations.
8. To their knowledge, Shareholders whose names appear in Page (ix) of this Prospectus are the legal and beneficial owners of the Company.
9. All increases in the share capital of the Company are approved by the relevant governmental authorities.
10. The Company is capable of preparing all required reports, according to CMA regulations, in a timely fashion.
11. There are no pledges on Company's shares.
12. The Company's Senior Management have the necessary knowledge and experience which allows them to carry out the business of the Company.

11. Legal Information

11-1 Summary of the Bylaws

11-1-1 Company's Name

The name of the Company is "Al-Yamamah Steel Industries Company", a Saudi closed joint stock company.

11-1-2 Company's Head Office

The head office of the Company shall be in Riyadh. The Board may open branches, agencies or offices inside or outside the Kingdom.

11-1-3 Company's Objectives

In accordance with the modified industrial license no (929/S), dated 03/08/1424H, and industrial license no. (1439/S), dated 25/12/1422H, the Company may undertake and execute the following objectives:

- Producing longitudinally welded steel tubes (black/galvanized), decorative steel tubes, steel sheets cutters, packaging straps and clips, road blocks, reinforcing steel bars from scrap metals, wheelbarrows, corrugated steel sheets, hollow steel pieces, cold rolled steel sections, and steel space frames;
- Producing galvanized steel lighting poles, and other related products;
- Producing electrical transmission and telecommunication towers, in accordance with industrial license no. (618/S), dated 06/04/1425H; and
- Producing steel sections for metal structures and facilities, in accordance with industrial license no. (128/S), dated 19/01/1428H.

The Company may execute and fulfill its objectives inside and outside the Kingdom, including in free zones inside and outside the Kingdom, after obtaining permits required from competent authorities.

11-1-4 Participation

The Company may own, have an interest in, merge with, or participate by any means with: (a) other corporate entities that are engaged in similar activities as that of the Company; or (b) other corporate entities which may assist in realizing the Company's objects, subject to the following: (i) the amount of each investment cannot exceed 20% of its free reserves or 10% of the capital of the other company; (ii) the total amount of its investments cannot exceed its reserves; and (iii) it shall inform the general assembly in its first meeting of its investments.

11-1-5 Duration of the Company

The duration of the Company shall be (99) ninety-nine Gregorian years, commencing on the date of issuance of the Minister of Commerce's resolution announcing the conversion of the Company. The Company's duration may always be extended by a resolution of the EGA taken at least (1) one year prior to the expiration of that term.

11-1-6 Company's Share Capital

The share capital of the Company is (SAR 508,000,000) five hundred eight million Saudi Riyals, divided into (50,800,000) fifty million eight hundred thousand equal Shares, each with a nominal value of (SAR 10) ten Saudi Riyals.

The share capital of the Company is (SAR 508,000,000) five hundred eight million Saudi Riyals divided into (50,800,000) fifty million eight hundred thousand equal Shares, each with a nominal value of (SAR 10) ten Saudi Riyals (SAR 10), all of which are fully paid cash and in-kind ordinary Shares.

11-1-7 Subscription

The founding shareholders have subscribed to (50,800,000) fifty million eight hundred thousand Shares which are fully paid-up at conversion.

11-1-8 Non-Payment of Shares

If a Shareholder fails to pay the value of the shares at the times set therefor, then the Board may sell such shares in a public auction, after having warned the Shareholder by means of a registered letter to the address stated in the Shareholders register. However, the shareholder may still, in such a situation, pay the value due plus the expenses incurred by the Company up to the day set for the auction. The Company shall recover what is due to it from the sale proceeds and refund the balance to the shareholder. If the sale proceeds are insufficient to cover the Company's dues, then the Company may recover the entire amount due from the Shareholders' wealth. If this is done, then the Company shall cancel the share sold and give the purchaser a new share bearing the same number of the cancelled share, a notation of which shall be made in the shareholders register.

11-1-9 Shares

The Shares shall be nominal shares and may not be issued at less than their nominal value. However, the Shares may be issued at a value higher than their nominal value, in which case the difference in value shall be added to the statutory reserve, even if the reserve has reached its maximum limit. A share shall be indivisible vis-à-vis the Company. In the event that a share is owned by several persons, they shall select one person from amongst them to exercise, on their behalf, the rights pertaining to the share, and they shall be jointly responsible for the obligations arising from the ownership of the share.

11-1-10 Transfer of Shares

All Shares are transferable upon issuance of their certificates, except that in-kind Shares, cash Shares subscribed to by the founding Shareholders or Shares of Shareholders of the converted company are only transferable upon announcement of the Company's financial statement for two full financial years (each being of no less than 12 months from the incorporation of the Company or its conversion, as applicable).

These provisions also apply to shares subscribed by the founding Shareholders as a result of a capital increase if the subscription occurred during the lock-up period. If the conversion is combined with an increase in the capital by way of public subscription, the restrictions imposed by the lock-up period will not apply to the Shares subscribed to in that way. A notation shall be made on the respective share certificates, indicating their class, the date of the Company's incorporation and the period during which each such certificates may not be transferred.

Transfer of the Shares during the lock-up period is permitted without restrictions in the context of a transfer from one founding Shareholder to another founding Shareholder, from a party related to/representing the Shareholders to another, from a founding Shareholder to a Director as Qualification Share or from a one of the heirs of a founding Shareholder to a third party in case of his/her death.

11-1-11 Shareholders Register

The nominal Shares shall be transferred by being recorded in the Shareholders register which shall contain the names of the Shareholders, their nationalities, their occupations, their domicile and address, the serial numbers of the shares and the value paid-up on such shares. An annotation of such recording shall be made on the share certificates. The transfer of title to a share shall not be effective vis-à-vis the Company or any third party except from the date of such recording in the said Register or the completion of the transfer procedures through the Shares Information Computerized system. The subscription or ownership of the Shares by a Shareholder shall mean the acceptance by the Shareholder of the Bylaws and his submission to the resolutions duly passed by the General Assembly of the Shareholders in accordance with the Bylaws, whether the Shareholder was present or absent and whether the Shareholder agreed to such resolutions or objected to them.

11-1-12 Capital Increase

After ascertaining its economic feasibility and obtaining the approval of the relevant authorities, the EGA may adopt a resolution to increase the Company's share capital by issuing new shares having the same nominal value as the original shares, provided that the original share capital has been paid in full, with due consideration to the requirements of the Current Companies Law. The resolution must specify how the capital will be increased.

The Shareholders shall have preemptive rights to subscribe for the new cash Shares. The Shareholders shall be notified of the preemptive rights vested in them by notice to be published in a daily newspaper addressing the capital increase resolution and the conditions of subscription. Each Shareholder shall express the desire to exercise such preemptive rights, if they so wish, within (15) fifteen days of the publication of such notice.

The said Shares shall be allotted to the original Shareholders who have expressed their desire to subscribe thereto, in proportion to the original Shares owned by them, provided that the number of Shares allotted to them shall not exceed the number of new Shares they have applied for. The remaining new Shares shall be allotted to the original Shareholders who have asked for more than their proportionate share, in proportion to the original Shares they own, provided that that their total allotment does not exceed the number of new shares they have asked for. Any remaining new Shares shall be offered for public subscription.

11-1-13 Decrease of Capital

The EGA may, based on certain justifiable causes and after obtaining the approval of the Ministry of Commerce and Industry, reduce the Company's share capital by resolution if the capital is in excess of the Company's needs, or if it has sustained losses. The resolution must refer to the auditor's report regarding the reasons for the reduction and any effect of the reduction on the Company's responsibilities, with due consideration to the provisions of the Current Companies Law. The resolution must explain how the reduction will be made. If the reduction is due to it being in excess of the Company's needs, the Company's creditors must be invited to express their objection within (60) sixty days from the date of publication of the resolution in a daily newspaper published in the city of the head office of the Company. If a creditor timely objects to the resolution, the Company will pay that creditor the amount it owes, or provide a security for any deferred amount.

11-1-14 Preferred Shares

Upon the Ministry of Commerce and Industry's approval, the Company may issue non-voting preferred Shares in an amount not to exceed 50% of its capital. In addition to the right to share in the net revenues of the ordinary Shares, these Shares entitle their holders to:

1. the right to obtain a fixed percentage of not less than 5% of the nominal value of the Shares after the statutory reserve is set aside and before distributing revenues; and
2. a priority in obtaining the value of Shares upon liquidation of the Company and a certain percentage from the result of the liquidation.

The Company may purchase these Shares in accordance with a resolution of the General Assembly. These Shares will not count for purposes of quorum to hold a General Assembly, as stipulated in the articles relating to the General Assembly in the Bylaws.

11-1-15 Bonds

The Company may issue indivisible but tradable debt instruments, such as Islamic Sukuks and bonds, in accordance with the provisions of the Current Companies Law and the CMA Regulations. The Board shall be authorised to issue all types of Islamic Sukuks and bonds and list them privately or publicly, whether in one part or several parts or through a series of issuances under one program or more as established by the Board, from time to time. The Board shall determine the number, amount, maturity and all terms and conditions of the bonds and Sukuks, and take any action necessary for their issuance.

11-1-16 Board of Directors

The Company is managed by a Board consisting of (7) seven Directors to be appointed by the OGA for a term not exceeding (3) three years, where (3) three of the elected Directors are independent and the majority of the Directors are non-executive, at all times

11-1-17 Qualification Shares

Each Director shall, within (30) thirty days from his appointment as such, become a holder of a number of the Company's Shares of a nominal value of not less than (SAR 10,000) ten thousand Saudi Riyals. The Qualification Shares constitute a nontransferable guarantee of the Directors' liability, in accordance with Article (76) of the Current Companies Law. In the event that a Director fails to subscribe to the Qualification Shares within the prescribed period, then his Board membership shall be deemed null and void.

11-1-18 Termination of the Board Membership

A Director's membership of the Board shall be terminated upon the expiry of the Board's term, or on the termination of the Director's membership, in accordance with any applicable laws or regulations in the Kingdom. If the position of a Director becomes vacant, the Board may appoint a temporary Director to fill the vacancy, provided that such appointment shall be laid before the first OGA. The term of office of the new Director designated to fill a vacancy shall only extend to the term of office of his predecessor.

If the number of Directors falls below the minimum quorum prescribed ((4) four members), the OGA must convene as soon as possible to appoint the required number of Board of Directors.

11-1-19 Board Powers and Duties

Without prejudice to the powers conferred onto the General Assembly, the Board shall be vested with full powers to manage the business of the Company and supervise its affairs within and outside the Kingdom. The Board is empowered to sign and represent the Company in its dealings with third parties and before governmental and private organisations. The Board is authorised to represent the Company in dealing with judicial bodies, dispute resolution committees, the Ministry of Labour, commercial papers committees, arbitration panels, the Directorate of Civil Rights, police departments, chambers of commerce and industry and different types of companies and establishments; to enter into bids; to defend, plead, settle, acknowledge and arbitrate claims, lawsuits and arbitration proceedings; and to accept and reject judgments on behalf of the Company. The Board is authorised to execute all agreements, certificates and instruments, such as signing articles of association of companies before public notaries in which the Company is a shareholder, and to amend any and all of the above; to sign contracts and deeds on behalf of the Company; to buy, sell, make and accept transfers, receive, deliver, rent, lease, collect and make payments; to open bank and credit accounts and to make and withdraw deposits from the same; to issue bank guarantees; to sign all papers, instruments, checks, and all financial transactions; to hire, dismiss, or contract with employees; to request visas and residencies; to determine their salaries; and to transfer and terminate their sponsorship. The Board shall also be empowered to sell, buy and mortgage real estate, movables and the Company's property provided that:

- the Board shall determine the reasons for such sale and justification;
- the sale price must be comparable to similar properties;
- the sale must be a guaranteed, current sale; and
- the sale may not affect the Company's operations or burden the Company with further obligations.

The Board may enter into governmental loan agreements, regardless of their duration. The Board may enter into commercial loan agreements which shall not exceed the Company's term. Any commercial loan agreement not exceeding the Company's term is subject to the following conditions: (i) the amount of the loan in a given financial year must not exceed three times the Company's share capital; (ii) the Board shall provide, on behalf of the Company, adequate guarantees necessary for the achievement of its objectives and its participating companies objectives equivalent to the shares owned in these companies.

The Board is also authorized to assign, enter into contract and commitments in the name of the Company and on its behalf in order to achieve its objectives.

The Board is authorized to delegate, within the limits of its powers, some or all of such powers to any of the Directors, or to others.

The Board may, in the Company's best interests, release the Company's debtors from their obligations, provided that the Board resolution/minutes include the following conditions:

- the release occurs at least one year after the origination of the debt;
- the right to release may not be delegated by the Board to others; and
- the release should be limited to a certain amount per year and per debtor.

11-1-20 Board Remuneration

Directors' remuneration is determined in accordance with Article (40) of the Bylaws, the Current Companies Law or any complimentary laws or regulations or decisions. The report submitted by the Board to the OGA shall contain a statement of all payments made to Directors during the financial year, including salaries, share of profits, attendance allowances, expenses and other benefits. It shall, as well, contain a statement of payments made in consideration for approved technical, administrative or consultancy assignments carried out by Directors.

11-1-21 Board Chairman and Secretary

The Board shall appoint a Chairman from among the Directors. The Board may also appoint a deputy chairman and a managing director. The deputy chairman may also be the managing director. The Chairman or its delegate shall be authorised to represent the Company in its relationship with others and before governmental and private organizations, courts and judicial bodies, Board of Grievances, labor offices, commercial paper committees, all other judicial committees, arbitration committees, police departments, chambers of commerce and industry, and private institutions and companies; to sign and execute all agreements, certificates and instruments, such as articles of association of companies in which the Company is a shareholder, and to amend any and all of the above; open bank accounts and control deposits and withdrawals, issue bank guarantees and sign on all documents and cheques and all banking transactions; hire, dismiss, or contract with employees; request visas and residency permits; to determine their salaries; transfer and terminate their sponsorship; and appoint agents and attorneys, and may delegate some or all of these powers to any Director or other person to do any act mentioned above.

The Board shall appoint the managing director and determine his authorities, duties, remuneration, and term of service.

The Board shall appoint a Secretary and determine his duties and remuneration. Such duties shall include procuring the writing of the proceedings and resolutions of the Board in minutes and recorded in a special register intended for such purpose, as well as maintaining and keeping such register.

The term of office of the Chairman, the vice chairman, the managing director and the Secretary shall not exceed their respective term of service as Directors. The term of the Chairman, the vice chairman, the managing director, and the Secretary of the Board may be renewed.

A Director may not be the Chairman and Managing Director, CEO, or general manager at the same time.

11-1-22 Board Meetings and Resolutions

The Board shall be convened upon a call by the Chairman. Such call shall be made in writing and hand delivered or sent by registered mail, by fax or by electronic mail. The Chairman of the Board shall call for a meeting if so requested by any (2) two Directors. A Board meeting shall be valid only if attended by at least (4) four Directors. A Director may issue a proxy to another Director to attend a meeting on its behalf, subject to the following conditions:

- a Director may not act for more than one absent Director in respect of attending such meeting; and
- a proxy shall be recorded by way of written notice to the Company and shall be for a specific meeting, and a Director acting by proxy may not vote on resolutions on which the law prohibits the absent Director to vote upon.

Board resolutions shall be adopted with the approval of the majority of Directors present in person or represented by proxy. In the event of a tie, the Chairman (or equivalent) shall have a casting vote. The Board may adopt written resolutions unless a Director requests a meeting for deliberations on such resolution. Such resolution shall be presented before the Board in the meeting following such request. The Board deliberations and resolutions shall be drawn in minutes to be signed by the Board and the Secretary. Such minutes shall be recorded in a special register to be signed by the Chairman and the Secretary.

11-1-23 Board Committees

The Board may establish committees, formed of Directors or others, depending on the needs of the Company. The Board may appoint the members of such committees from among the Directors or others, and may appoint a chairman for each committee from among its respective members. The appointed members may only perform such duties that are delegated to them from time to time by the Board, in accordance with its directives and guidelines.

11-1-24 Shareholders Assemblies

A General Assembly, duly convened shall be deemed representing all of the Shareholders, and shall be held in the city where the Company's head office is located. Each Shareholder, owning at least (20) twenty Shares, shall have the right to attend the General Assembly, and each Shareholder may authorize another Shareholder, except for Directors, to attend the General Assembly on his/its behalf.

11-1-25 Constituent General Assembly

The Constituent General Assembly shall be competent to (i) ascertain that the capital of the Company has been fully subscribed for in accordance with the minimum capital set by the Current Companies Law; (ii) approve the final text of the Company's Bylaws, provided that any material changes to the Bylaws shall be approved by the unanimous approval of the Shareholders represented at the meeting; (iii) approve incorporation expenses; and (iv) appoint the first auditor and its expenses. The Constituent General Assembly shall be valid only if attended by a number of Shareholders representing at least half of the Company's share capital, and each Shareholder shall have a vote for every Share subscribed for or represented by him/her at such meeting.

11-1-26 OGA

Except for matters reserved for the EGA, the OGA shall be in charge of all matters concerning the Company. The OGA shall be convened at least once a year, within six months following the end of the Company's financial year. Additional OGA meetings may be convened whenever needed.

11-1-27 EGA

The EGA shall have the power to amend the Bylaws in accordance with applicable law, and decide on shortening the term, of or the dissolution, of the Company. The EGA may pass resolutions on matters falling within the authority of the OGA under the same conditions applicable to the latter.

11-1-28 Convening General Assembly Meetings

The General Assembly shall be convened by the Board. The Board shall convene a meeting of the OGA if requested to do so by the auditors or by a number of Shareholders representing at least 5% of the Company's share capital. An invitation for a General Assembly meeting shall be published in the Official Gazette and in a daily newspaper circulated where the head office of the Company is located, at least (25) twenty-five days prior to the date of the meeting. A copy of the invitation and the agenda items shall be sent to the General Department of Companies at the Ministry of Commerce and Industry within the period designated for publication.

11-1-29 Record of Attendance

At the start of the General Assembly, a list shall be prepared showing the names of the shareholders, present or represented, and their addresses, as well as the number of shares hold by them and the number of votes to which they are entitled. Any interested party shall have the right to examine such list.

11-1-30 Quorum of the OGA

A meeting of the OGA is valid only if attended by shareholders representing at least 50% of the Company's share capital. If such quorum cannot be attained at the first meeting, a second meeting shall be held within (30) thirty days. Such notice shall be published in the manner prescribed in the articles related to convening a General Assembly meeting in the Bylaws. The second meeting is valid, irrespective of the number of Shares represented thereat.

11-1-31 Quorum of the EGA

A meeting of the EGA is valid only if attended by Shareholders representing at least 50% of the Company's share capital. If such quorum cannot be attained at the first meeting, a second meeting shall be held within (30) thirty days. Such notice shall be published in the manner prescribed in the articles related to convening a General Assembly meeting in the Bylaws. The second meeting of an EGA is valid only if attended by a number of Shareholders representing at least 25% of the Company's share capital.

11-1-32 Voting Rights

Votes at the meetings of OGA and EGA shall be counted on the basis of one vote for each Share represented at the meeting. During their term, Directors may not participate in voting on any OGA resolutions relating to the discharge of their obligations. The OGA shall use the cumulative voting method in appointing the Directors.

11-1-33 Resolutions

Resolutions of the Constituent General Assembly and OGA shall be adopted by a majority vote of the Shares represented thereat. If such resolutions relate to the evaluation of in-kind shares or special benefits, then the approval of the majority of two-thirds of the owners of cash Shares (after excluding the votes of the owners of in-kind Shares or the beneficiaries of special benefits) is required.

Resolutions of the EGA shall be adopted by a vote of two-thirds of the shares represented at a meeting thereof. Resolutions relating to capital changes, early termination or extension of the Company's term, mergers or combinations, or require a vote of at least 75% of the Shares represented at the meeting thereof.

11-1-34 Discussion of Agenda

Each Shareholder shall have the right to discuss the items listed in the General Assembly's agenda, and to direct questions in respect thereof to the Directors and to the Auditor. The Directors or the Auditor shall answer the Shareholders' questions in a manner that does not prejudice the Company's interest. If the Shareholder deems the answer to the question unsatisfactory, then he/it may refer the issue to the General Assembly, and its decision in this regard shall be conclusive and binding.

11-1-35 Proceedings of the General Assembly

The General Assembly shall be presided over by the Chairman or, in his absence, any designated delegate. The Chairman shall appoint a secretary for the meeting and a canvasser. Minutes shall be written for the meeting showing the names of the shareholders present in person or represented by proxy, the number of the shares held, the number of votes attached to such shares, the resolutions adopted at the meeting, the number of votes assenting or dissenting to such resolutions and a comprehensive summary of the discussions that took place at the meeting. Such minutes shall be regularly recorded after each meeting, in a special register, to be signed by the Chairman of the General Assembly, the secretary and the canvasser.

11-1-36 Appointment of Auditors

The Company shall select at least one auditor from among the certified public accountants licensed to work in the Kingdom. The General Assembly shall appoint and determine the compensation of the auditor, and may re-appoint them.

11-1-37 Access to Records

The Auditor shall have access at all times to the Company's books, records and any other documents, and may request information and clarification as it deems necessary. It may further check the Company's assets and liabilities. The Auditor shall submit to the annual General Assembly a report showing how far the Company has enabled it to obtain the information and clarifications it has requested, whether it has discovered of violations of the Current Companies Law and the Bylawsm and its opinion as to whether the Company's accounts conform to the facts.

11-1-38 Financial Year

The Company's financial year shall commence on the date of the Ministerial Resolution announcing the Company's incorporation, and shall end on 19/09/1428H (corresponding to 30/09/2007G), and each subsequent financial year shall be of 12 months.

11-1-39 Annual Budget

The Board shall prepare at the end of each fiscal year an inventory of the Company's assets and liabilities on such date, the Company's balance sheet and profit and loss account, a report on the Company's activities and its financial position for the preceding year and its proposals as to the distribution of the net profits. The Board shall perform the foregoing at least (60) sixty days prior to the convening of the annual OGA. The Board shall put such documents at the Auditor's disposal at least (55) fifty-five days prior to the time set for convening the General Assembly. Such documents shall be signed by the Chairman and a set thereof shall be available at the Company's head office for the Shareholders' review at least (25) twenty-five days prior to the time set for convening the General Assembly. The Chairman shall cause the Company's balance sheet, profit and loss account, a comprehensive summary of the Board report and the full text of the Auditor's report to be published in a newspaper circulated in the city where the Company's head office is located, and shall send copies of such documents to the Companies Department at least (25) twenty-five days prior to the date set for convening the General Assembly.

11-1-40 Distribution of Annual Profits

After deducting all general expenses and other costs including Zakat, the Company's annual net profits shall be allocated as follows:

1. (10 %) ten percent of the net profit shall be set aside to form a statutory reserve. Such allocations my by discontinued by the OGA when the statutory reserve amounts to half of the Company's share capital.
2. The OGA may, upon request of the Board, set aside a percentage of the annual net profits to form an additional reserve to be allocated towards one or more specific purposes.
3. The balance shall be distributed as a first payment in the amount of at least (5%) five percent of paid-up capital to the Shareholders.
4. Out of the remaining balance, no more than (10%) ten percent shall be allocated as compensation for the Directors.

11-1-41 Dividend Distribution

The profits to be distributed among the Shareholders shall be paid at such place and times as determined by the Board, in accordance with the instructions issued by the Ministry of Commerce and Industry.

11-1-42 Company Losses

If the Company's losses total three-quarters of its capital, then the Directors shall call the EGA for a meeting to consider whether the Company shall continue to exist or be dissolved prior to the expiry of the period specified therefor under the article relating to the duration of the Company in the Bylaws. In all cases the General Assembly's resolution shall be published in the Official Gazette.

11-1-43 Winding-up and Dissolution

Upon the expiry of the Company's term, or dissolution prior to such time, the EGA shall, based on a proposal by the Board, decide the method of liquidation, appoint one or more liquidators and specify their powers and fees. The powers of the Board shall cease upon the Company's expiry. Nevertheless, the Board shall remain responsible for the management of the Company until the liquidators are appointed. The Company's departments shall maintain their powers to the extent that they do not interfere with the powers of the liquidators.

11-2 Incorporation and Ownership Structure

Al-Yamamah Steel Industries Company was first incorporated as a limited liability company in Riyadh on 01/06/1409H (corresponding to 09/01/1989G) under commercial registration no. 1010070794 with a share capital of (SAR 5,100,000) five million one hundred thousand Saudi Riyals. The Company was converted from a limited liability company into a joint stock company, pursuant to Ministerial Resolution no. 1491 dated 30/05/1427H (corresponding to 26/06/2006G). The share capital of the Company has been increased many times since its incorporation through capitalizing the retained earnings and cash payments from the Shareholders. The last capital increase was made pursuant to the EGA's resolution, dated 28/11/1430H (corresponding to 16/11/2009G) whereby the Company's current share capital is (SAR 508,000,000) five hundred eight million Saudi Riyals, divided into (50,800,000) fifty million eight hundred thousand ordinary Shares paid in full with a nominal value of (10) ten Riyals per Share.

The following table shows the Company's share capital ownership structures before and after the Offering:

Table 134: Company's ownership structure pre- and post-Offering

Shareholders	Pre-Offering			Post-Offering		
	Number of Shares*	Percentage	Capital (SAR)	Number of Shares*	Percentage	Share Capital (SAR)
Rashed Abdurrahman Al-Rashed & Sons Company	12,288,816	24.19%	122,888,160	8,600,961	16.93%	86,009,610
Abdulkadir Al-Muhaidib & Sons Company	12,288,816	24.19%	122,888,160	8,600,961	16.93%	86,009,610
Al-Mojel for Trade and Contracting Company	8,056,002	15.86%	80,560,020	5,638,409	11.11%	56,384,090
Al-Muhanna Trading Company	4,915,526	9.68%	49,155,260	3,440,384	6.77%	34,403,840
Abdulkarim Hamad Al-Mojel	4,232,815	8.33%	42,328,150	2,962,556	5.83%	29,625,560
Abdulaziz Abdullah Al-Muhanna	2,457,764	4.84%	24,577,640	1,720,193	3.38%	17,201,930
Ibrahim Abdullah Al-Muhanna	2,457,763	4.84%	24,577,630	1,720,192	3.38%	17,201,920
Muhanna Abdullah Al-Muhanna	2,457,763	4.84%	24,577,630	1,720,192	3.38%	17,201,920
Riyadh Abdullah Abunayyan	1,644,735	3.24%	16,447,350	1,151,152	2.27%	11,511,520
The Public	—	—	—	15,245,000	30%	152,450,000
Total	50,800,000	100%	508,000,000	50,800,000	100%	508,000,000

*These shares include Qualification Shares allocated by Selling Shareholders to each of the current Directors (except for Mohammad Ahmed Al-Saadi and Mohammed Abdullah El-Kuwaiz).

The Company's principal activity under its commercial registration is to produce steel materials through exercising and implementing the following activities:

- longitudinally welded steel tubes (black/galvanized), decorative steel tubes, steel sheets cutters, packaging straps and clips, road blocks, reinforcing steel bars from scrap metals, wheelbarrows, corrugated steel sheets, hollow steel pieces, cold-rolled steel sections, and steel space frames.

11-3 The Company's Branches

The Company has (4) four branches in the Kingdom registered with the Ministry of Commerce and Industry under separate commercial registrations. The following table shows the details of such branches:

Table 135: The Company's Branches in the Kingdom:

Name	City	Commercial Registration No.	Termination Date
Al-Yamamah Steel Industries Plant	Jeddah	4030068043	27/03/1438H (corresponding to 26/12/2016G)
Al-Yamamah Steel Industries Plant	Dammam	2050059045	06/03/1439H (corresponding to 24/11/2017G)
Al-Yamamah Electric Poles and Accessories Plant	Jeddah	4030148938	09/03/1440H (corresponding to 17/11/2018G)
Al-Yamamah Electric Towers Production Plant	Jeddah	4030180886	09/07/1439H (corresponding to 26/03/2018G)

11-4 The Subsidiary

Al-Yamamah Company For Reinforcing Steel Bars was first incorporated as a limited liability company in Riyadh, registered under commercial registration no. 1010184397 on 17/12/1423H (corresponding to 18/02/2003G). The Subsidiary's head office is located in Riyadh. The Subsidiary was converted into a closed joint stock company pursuant to Ministerial Resolution no. 205/S, dated 25/08/1435H (corresponding to 23/06/2014G). The Subsidiary was registered under the same name and commercial registration number according to the notarized shareholders resolution dated 13/03/1435H (corresponding to 14/01/2014G). It has only one branch in Yanbu; which is the reinforcing steel bars plant, opened on 05/11/1426H (corresponding to 07/12/2005G), registered in Yanbu under commercial registration no. 4700009385.

The Subsidiary's share capital is (SAR 300,000,000) three hundred million Saudi Riyals, divided into (30,000,000) thirty million fully paid ordinary shares, with a nominal value of (SAR 10) ten Saudi Riyals per share. Shares are allocated as follows:

Table 136: The Subsidiary's ownership structure

Owner	Number of Shares	Ownership Percentage
Al-Yamamah Steel Industries Company	21,750,000	72.50%
Al-Fozan Holding Company	4,560,000	15.20%
Salah Rashed Al-Rashed	1,095,000	3.65%
Abdulmohsen Rashed Al-Rashed	1,095,000	3.65%
Mohammed Ali AlWuhaiby	1,500,000	5.00%
Total	30,000,000	100%

Source: The Company

The main activity of the Subsidiary is production, wholesale and retail trade in reinforcing steel bars.

The Subsidiary is managed by a Board of Directors consisting of Saad Ibrahim Al-Mojel, Fozan Al-Fozan, Raed Ibrahim Al-Mudaiheem, Ali Saleh Al-Dakheel, and Muhanna Abdullah Al-Muhanna. The Subsidiary's Board of Directors has all powers and authorities to represent the Subsidiary in its relationships with others and before judicial bodies, and to sign all contracts and agreements on behalf of the Subsidiary.

11-5 Licenses Summary

The Company and the Subsidiary, including all their branches, have obtained a number of construction, operational, industrial and other licenses from the competent authorities to be able to undertake their business activities.

Below is a list of licenses issued to the Company and the Subsidiary:

11-5-1 Industrial Licenses

Industrial licenses were granted to the plants of the Company and the Subsidiary to exercise all industrial activities. Below is a list of licenses issued to the Company and the Subsidiary:

Table 137: List of the Company and Subsidiary's Licenses:

Manufacturing Plant	License No	Issuing Authority	License Date	Expiry Date
Al-Yamamah Steel Industries Plant – Jeddah (Tubes and Space Frames)	2564	Ministry of Commerce and Industry	28/05/1407H (corresponding to 28/01/1987G)	26/11/1438H (corresponding to 18/08/2017G)
Al-Yamamah Steel Industries Plant – Dammam (Tubes)	794	Ministry of Commerce and Industry	07/04/1434H (corresponding to 17/02/2013G)	06/04/1437H (corresponding to 16/01/2016G)
Al-Yamamah Electric Towers Production Plant – Jeddah	2400	Ministry of Commerce and Industry	08/08/1420H (corresponding to 16/11/1999G)	05/11/1438H (corresponding to 28/07/2017G)
Al-Yamamah Electric Poles and Accessories Plant – Jeddah	588	Ministry of Commerce and Industry	25/12/1422H (corresponding to 9/03/2002G)	19/03/1438H (corresponding to 18/12/2016G)
Al-Yamamah Plant for Reinforcing Steel Bars – Yanbu	96	Ministry of Commerce and Industry	27/08/1426H (corresponding to 01/10/2005G)	22/11/1436H (corresponding to 06/09/2015G)

Source: The Company

Table 138: License Details of Al-Yamamah Plant for Steel Industries in Jeddah (Tubes and Space Frames)

Product Description	Production Capacity (Tons)	Product Code
Corrugated Steel Sheets	22,500	72084000
Reinforcing Steel from Scrap Metals (reinforcing steel bars)	100,000	72141000
Hollow Steel Sections	60,000	72224000
Longitudinally welded tubes with diameters (black/galvanized)	95,000	73043100
Solid Structural Frames	50,000	83025000
Roadblocks	10,000	73143900
Cutting Steel Sheets	22,500	72109000
Cold Formed Steel Sections	20,000	72166900
Decorative Steel Tubes	10,000	7303000
Punching Strips and Clips	20,000	73262090
Hand Carts	100,000	87168011
Total	510,000	-

Source: The Company

Table 139: License Details of Al-Yamamah Plant for Steel Industries in Dammam (Tubes)

Product Description	Production Capacity (Tons)	Product Code
Square, Rectangular and Circular Tubes	100,000	73069000

Source: The Company

Table 140: License Details of Al-Yamamah Plant for Electric Towers in Jeddah

Product Description	Production Capacity (Tons)	Product Code
Power Transmission Galvanized Towers	60,000	73082000

Source: The Company

Table 141: License Details of Al-Yamamah Plant for Poles and their Accessories in Jeddah

Product Description	Production Capacity (Tons)	Product Code
Lighting poles and their accessories	62,000	73269097

Source: The Company

Table 142: License Details of Al-Yamamah Plant for Reinforcing Steel Bars in Yanbu

Product Description	Production Capacity (Tons)	Product Code
Hot-rolled Reinforcing Steel Bars	1,200,000	72143000

Source: The Company

11-5-2 Construction Licenses

Construction licenses have been granted to all plants, including Al-Yamamah Plant for Steel Industries with its two branches in Jeddah and Dammam, Al-Yamamah Plant for Poles and their Accessories, Al-Yamamah Plant for Electric Towers and Al-Yamamah Plant for Steel Structure Sections, all of which are located in Jeddah, with the aim of making additions and improvements to their existing plants.

11-5-3 Environmental Licenses

The Company's plants obtained a number of environmental licenses issued from the PME. The following is a list of the licenses issued for the Company:

Table 143: Environmental Licenses issued for the Company

Plant	License No	Issuing Authority	License Date	Expiry Date
Al-Yamamah Electric Towers Production Plant – Jeddah	420 Sh/37/18176	PME	01/06/1437H (corresponding to 10/03/2016G)	26/05/1439H (corresponding to 12/02/2018G)
Al-Yamamah Electric Poles and Accessories Plant – Jeddah	202 Sh/37/18038	PME	01/06/1437H (corresponding to 10/03/2016G)	26/05/1439H (corresponding to 12/02/2018G)
Al-Yamamah Steel Industries Plant – Jeddah (Tubes)	179 Sh/35/13886	PME	23/05/1435H (corresponding to 24/05/2014G)	23/05/1436H (corresponding to 14/05/2015G)*
Al-Yamamah Steel Industries Plant – Dammam (Tubes)	184 Sh/37/8122	PME	11/03/1437H (corresponding to 22/12/2015G)	25/02/1439H (corresponding to 14/11/2017G)
Al-Yamamah Steel Industries Plant – Jeddah (Space Frames)	244 Sh/37/11504	PME	09/04/1437H (corresponding to 19/01/2016G)	20/03/1439H (corresponding to 08/12/2017G)

Source: The Company

* An application for renewal has been submitted and is currently under process by the PME.

The Subsidiary obtained a number of environmental permits issued from Royal Commission of Jubail and Yanbu for construction and operational business in Yanbu industrial city as follows:

Table 144: Environmental Licenses issued for the Subsidiary

Permit Type	License No	Issuing Authority	Permit Date	Expiry Date
Operation	2-98-0708 R1	Royal Commission for Jubail and Yanbu	12/01/1435H (corresponding to 15/11/2013G)	06/03/1440H (corresponding to 14/11/2018G)

Source: The Company

11-6 Summary of Material Agreements

The Company and the consist of the following as follows:

11-6-1 Construction Agreements

The Company entered into a number of construction agreements to execute the expansion and improvement work in a number of its manufacturing plants. Details of such agreements entered into by the Company are as follows:

Supply and Installation Agreements with Wonjin Industrial Company

- The Company entered into a design, supply, installation and commissioning agreement with Wonjin Industrial Company on 02/11/1436H (corresponding to 17/08/2015G) for the purposes of renovating the tubes production line in Al-Yamamah Steel Industries Plant (Tubes) in Jeddah. The Company pays the contractor's fees and the project expenses amounting to (USD 1,150,000) one million one hundred fifty thousand US Dollars (approximately (SAR 4,313,707) four million three hundred thirteen thousand seven hundred seven Saudi Riyals) in a number of installments. Wonjin Industrial Company shall provide the Company with a bank guarantee issued by a Saudi bank equivalent to 20% of the relevant contract price and a performance guarantee equivalent to 5% of the relevant contract price valid for 12 months from the date of acceptance. The term of this agreement is (12) twelve Gregorian months.
- The Company entered into a design, supply, installation and commissioning agreement with Wonjin Industrial Company on 03/11/1436H (corresponding to 18/08/2015G) for the purposes of renovating the tubes production line in Al-Yamamah Steel Industries Plant (Tubes) in Dammam. The Company pays the contractor's fees and the project expenses amounting to (USD 1,875,000) one million eight hundred seventy-five thousand US Dollars (approximately (SAR 7,033,219) seven million thirty-three thousand two hundred nineteen Saudi Riyals) in a number of installments. Wonjin Industrial Company shall provide the Company with a bank guarantee issued by a Saudi bank equivalent to 20% of the relevant contract price and a performance guarantee equivalent to 5% of the relevant contract price valid for 12 months from the date of acceptance. The term of this agreement is (12) twelve Gregorian months.

11-6-2 Sale Agreements with Customers

The Company and the Subsidiary have entered into a number of sale agreements and purchase orders with its customers to sell its products. Details of such agreements and purchase orders enterd into by the Company through its business units are as follows:

Framework Agreement with Masdar Building Materials

The Company entered into a framework agreement with Masdar Building Materials, a company owned by one of the Substantial Shareholders in the Company (Abdulkadir Al-Muhaidib & Sons Company), dated 10/03/1436H (corresponding to 01/01/2015G), to provide commercial services and sell products based on purchase orders submitted by either party to the other, specifying the requested quantitates and prices (according to the fair market value), provided that the party providing such service or product shall issue monthly invoices for the other party to be paid within (30) thirty days of the invoice date. The term of this agreement is one year, automatically renewed for similar period(s), unless either party breaches the terms of this agreement or informs the other party of its intention not to renew at least one month prior to the end of term. The Board has approved this agreement on 09/08/1436H (corresponding to 27/05/2015G), and the General Assembly has approved this agreement on 16/03/1437H (corresponding to 27/12/2015G).

Tubes SBU

Most sale operations for Tubes SBU are performed through purchase orders from its customers, as the typical purchase order approved by the Company includes the following data:

- name and address of the supplier;
- date and place of delivery;
- payment terms;
- product specifications;
- products quantity; and
- products combined price.

Towers SBU

The main activity of the Towers SBU is entering into supply agreements with contractors approved by SEC who is the principal customer of the Towers SBU. Details of the material agreements entered into by the Company through its Towers SBU are as follows:

a) A supply agreement with Al-Fanar Company, dated 09/02/1435H (corresponding to 12/12/2013G), whereby the Company agrees to supply (11,651.661) tons of 380 KV galvanized lattice steel tower structures, at a total price of (SAR 57,092,889) fifty-seven million ninety-two thousand eight hundred eighty-nine Saudi Riyals. As at 21/04/1437H (corresponding to 31/01/2016G), the supply of (100) tons are outstanding under this agreement.

b) A supply agreement with the Saudi Services for Electro-Mechanic Works Company, a company owned by one of the Substantial Shareholders in the Company (Rashed Abdurrahman Al-Rashed & Sons Company), dated 02/12/1434H (corresponding to 07/10/2013G), as a contractor acting on behalf of the Royal Commission's Project, whereby the Company agrees to supply (2,277) tons of steel towers necessary for 380KV and 110 KV wind power transmission ultra-voltage lines, at a total price (SAR 10,929,600) ten million nine hundred twenty-nine thousand six hundred Saudi Riyals. As at 21/04/1437H (corresponding to 31/01/2016G), the supply of (110) tons is still outstanding under this agreement. The Board approved this agreement on 09/08/1436H (corresponding to 27/05/2015G), and the General Assembly has approved this agreement on 16/03/1437H (corresponding to 27/12/2015G).

c) A supply agreement with the Saudi Services for Electro-Mechanic Works Company, a company owned by one of the Substantial Shareholders in the Company (Rashed Abdurrahman Al-Rashed & Sons Company), dated 02/12/1434H (corresponding to 07/10/2013G), as a contractor acting on behalf of the Royal Commission's Project, whereby the Company agrees to supply (4,354) tons of steel towers necessary for 380 KV and 110 KV wind power transmission ultra-voltage lines, at a total price of (SAR 21,720,000) twenty-one million seven hundred twenty thousand Saudi Riyals. As at 21/04/1437H (corresponding to 31/01/2016G), the supply of (110) tons is still outstanding under this agreement. The Board approved this agreement on 09/08/1436H (corresponding to 27/05/2015G), and the General Assembly has approved this agreement on 16/03/1437H (corresponding to 27/12/2015G).

d) A supply agreement with Middle East Engineering & Development Company, dated 13/05/1436H (corresponding to 04/03/2015G), as contractor acting on behalf of Hyundai Company, whereby the Company agrees to to supply (21,545) tons of steel towers necessary for wind power transmission ultra-voltage lines in Riyadh, which is known as Riyadh Area Project, at a total price of (USD 28,452,242.74) twenty-eight million four hundred fifty-two thousand two hundred forty-two US Dollars and seventy-four cents (which is equivalent to approximately (SAR 106,674,571.09) one hundred six million six hundred seventy-four thousand five hundred seventy-one Saudi Riyals and nine Halalas). As at 21/04/1437H (corresponding to 31/01/2016G), the supply of (4,500) tons is still outstanding under this agreement.

e) A supply agreement with the Saudi Services for Electro-Mechanic Works Company, a company owned by one of the Substantial Shareholders in the Company (Rashed Abdurrahman Al-Rashed & Sons Company), dated 25/03/1437H (corresponding to 05/01/2016G), whereby the Company agrees to to supply (7,405) tons of steel towers necessary for 380KV and 110 KV wind power transmission ultra-voltage lines, at a total price of (SAR 29,804,125) twenty-nine million eight hundred four thousand one hundred twenty-five Saudi Riyals. Supply under this agreement will commence on April 2016G. This agreement will be presented to the Board and General Assembly for their approval in their next meetings.

f) A supply agreement with National Contracting Co. Ltd dated 14/01/1437H (corresponding to 27/10/2015G), whereby the Company agrees to supply (2,250) tons of steel towers necessary for 380KV wind power transmission ultra-voltage lines, at a total price of (SAR 10,575,000) ten million five hundred seventy-five thousand Saudi Riyals. Supply under this agreement will commence on March 2016G.

In addition to the above supply agreement, the Towers SBU enters into agreements with some other customers pursuant to purchase orders similar to the ones used by Tubes SBU.

Poles SBU

Most sale transactions of the Poles SBU are processed through purchase orders sent by its customers, and the standard purchase order approved by the Company includes the following:

- name and address of the supplier;
- date and place of delivery;
- payment terms;
- product specifications;
- products quantity; and
- products combined price.

In addition to purchase orders, the Company through its Poles SBU, entered into a purchase agreement with SEC, one of the key customers of the Poles SBU, dated 20/09/1436H (corresponding to 07/07/2015G), to set out a framework of transactions entered into between the two parties and to sell the Company's products to SEC. This agreement is valid for (1) one year and is renewable by agreement of both parties. Such agreement serves as a framework agreement governing the relationship between the Company and SEC, under which sales of specific quantities of electrical poles to SEC are made by subsequent purchase orders.

Space Frames SBU

Space Frames SBU's transactions are based on agreements with customers, where a contractor who is awarded a large scale project, subcontracts the space frames works to the Company. The scope of work to be performed by the Company would typically include the design, engineering, manufacturing, supply and installation of the space frames. Payments under these types of agreements are typically made through letters of credit/bank guarantee. Some of the top contractors with whom the Company entered into agreements to undertake space frames works included: Al-Qussie International Company, M&M Limited Company, National Petrochemical Industry Company, Shada Company for Trading and Contracting, Cigalah Group, International Centre for Contracting Company and Prince Sultan University. The value of each of these agreements is between two to five million Saudi Riyals, while the total value of these agreements is (SAR 21,104,844) twenty-one million one hundred four thousand eight hundred forty-four Saudi Riyals. The completion of works under these agreements ranges between (20) twenty to (23) twenty-three weeks. The Company shall pay a delay penalty of 0.5% per week (not to exceed 5-10% of the total agreement value) should delays in the works be caused by it.

The Company entered into two agreements with Al-Muhaidib Contracting Company, a Company owned by one of the Substantial Shareholders in the Company (Abdulkadir Al-Muhaidib & Sons Company) dated 14/05/1436H (corresponding to 05/03/2015G), whereby the Company undertakes space frames operations in projects relating to Umm Al-Qura University, at a total price of (SAR 1,644,144) one million six hundred forty-four thousand one hundred forty-four Saudi Riyals and (SAR 1,621,856) one million six hundred twenty-one thousand eight hundred fifty-six Saudi Riyals, respectively. Payment shall be made through letters of credit, in several installments linked to the progression of the works to be performed by the Company. The term of these agreements ranges between (20) twenty to (28) twenty eight weeks. The Board approved this agreement on 09/08/1436H (corresponding to 27/05/2015G), and the General Assembly has approved this agreement on 16/03/1437H (corresponding to 27/12/2015G). (For more information on the related-party transactions, please see Section 11-10 "Related Party Transactions" of this Prospectus.)

The Subsidiary

Most sale operations of the Subsidiary are performed through purchase orders from its customers, as the typical purchase order approved by the Subsidiary includes the following data:

- name and address of the supplier;
- date and place of delivery;
- payment terms;
- product specifications;
- products quantity; and
- products combined price.

A summary of purchase orders is set out in the following table divided by each business unit:

Table 145: Summary of purchase orders by business unit

Business Units	Number of Purchase Orders			Total Value of Purchase Orders (SAR '000)			Value of Purchase Orders as Percentage of the Total Sales of the Company		
	2013G	2014G	2015G	2013G	2014G	2015G	2013G	2014G	2015G
Subsidiary*	361	314	421	900,604	997,515	971,486	87%	89%	87%
Tubes SBU	5,099	5,037	6,002	458,250	489,936	465,002	100%	100%	104%
Poles SBU	214	207	129	140,896	187,098	223,368	100%	100%	109%

Source: The Company

* Differences in the value of purchase orders as percentage of the total sales of the Company are due to the sales paid in cash with direct purchase invoices.

11-6-3 Supply Agreements

The Company and the Subsidiary rely on short-term purchase orders and supply agreements for raw materials, which includes some of the following information:

- date;
- name of the supplier;
- description;
- quantity;
- unit price; and
- date and place of delivery.

The Company and the Subsidiary entered into agreements with suppliers of raw material and other steel products needed for its operations inside and outside the Kingdom through purchase orders and short-term supply agreements. The Company and the Subsidiary confirm that no long-term supply agreements have been entered into since both rely in their contracts on the established relationships with their suppliers.

11-7 Utility User Agreement

The Subsidiary entered into a utility user agreement with Marafiq on 27/03/1428H (corresponding to 15/04/2007G) to supply water and electricity to the Subsidiary's plant in Yanbu. The term of the agreement is (30) thirty years. Pursuant to the utility user agreement, Marafiq is required to supply water and electricity to the Subsidiary in accordance with the quantities set out in the agreement's schedules. Marafiq must issue monthly invoices to the Subsidiary for payment of the charges applicable to the utilities supplied to, and consumed by, the Subsidiary (based on the regulatory authority's rates). Marafiq must notify the Subsidiary annually of the charges (and any amendments thereto) for each utility supplied under the utility user agreement.

The Subsidiary received a claim from Marafiq, pursuant to several letters with the first dated 13/03/1435H (corresponding to 14/01/2014G), representing differences between the booked capacity of water and electricity and the actual consumption of the Subsidiary in the years 2012G-2014G amounting to (SAR 62,210,864) sixty-two million two hundred ten thousand eight hundred sixty-four Saudi Riyals. The Subsidiary reached an agreement with Marafiq to lower the booked capacity under the utility user agreement by entering into an amendment letter dated 17/11/1436H (corresponding to 01/09/2015G), effective from 1 January 2014G. The amendment resulted in the reduction of the claim for year 2014G from (SAR 21,846,595) twenty-one million eight hundred forty-six thousand five hundred ninety-five Saudi Riyals to (SAR 9,755,484) nine million seven hundred fifty-five thousand four hundred eighty-four Saudi Riyals, which has been paid by the Subsidiary, while the claim for 2012G and 2013G is still outstanding (i.e. an amount of (SAR 40,364,269) forty million three hundred sixty-four thousand two hundred sixty-nine Saudi Riyals). The Subsidiary believes that such additional payments are not payable especially since its inability to operate at full capacity is due to Marafiq's inability to provide the required quantities of power for the Subsidiary's future expansion projects, and failure to set a date for that. This claim is currently under review and discussion pursuant to the agreement is entered into between the two parties.

The shareholders of the Subsidiary whose names are listed in Table 45 "Ownership structure of the Subsidiary" have provided an undertaking that they shall bear, on behalf of the Subsidiary, each according to its current share in the Subsidiary, all future liability arising from the pending Marafiq claim (for the years 2012G and 2013G amounting to (SAR 40,364,269) forty million three hundred sixty-four thousand two hundred sixty-nine Saudi Riyals). In addition, the Selling Shareholder whose names are listed in Table 28 "Selling Shareholders' ownership pre- and post-Offering" of this Prospectus have provided an undertaking that they (in connection with the Company's share in the Subsidiary which equals 72.5%) shall bear, on behalf of the Company, each according to its current share, all future liability arising from the pending Marafiq claim.

The shareholders of the Subsidiary and the Shareholders of the Company whose names are listed in Section 4-1-1 "Overview of the Company's Ownership" of this Prospectus (in connection with the Company's share in the Subsidiary, which equals 72.5%) provided an undertaking that they shall bear, on behalf of the Subsidiary and the Company, each according to its share, any future liability arising from the pending Marafiq claim.

It should be noted that in accordance with the Electricity Service Provider Manual issued by the Electricity & Cogeneration Regulatory Authority, a service provider is not allowed to suspend the provision of services to the customer, if the latter submitted an objection/complaint against the service provider in relation to disputed amounts.

11-8 Freight Service Agreements

The Company and the Subsidiary entered into the following freight service agreements:

Freight Service Agreement by the Company

The Company renewed a clearance agreement with Sultan Al-Qahtani & Sons Transport Company on 15/03/1435H (corresponding to 16/01/2014G) under which Sultan Al-Qahtani & Sons Transport Company will carry out all clearance procedures on behalf of the Company. The pricing of transportation of products from the Islamic Sea Port of Jeddah to the Company's plants varies, depending on the type of products to be shipped and the location of the plant where goods need to be delivered. The agreement has a term of (1) one year and shall be automatically renewed for consecutive periods, unless either party notifies the other of its desire not to renew the agreement, (1) one month before the end of the initial or renewed term.

Freight Service Agreement by the Subsidiary

The Subsidiary entered into a transportation agreement with Hashr Ghazi Al-Sehly Establishment for Transportation on 15/03/1435H (corresponding to 16/01/2014G) under which it will provide moving trucks for the transportation of steel from the Subsidiary's plant to the different destinations. The pricing of transportation of steel depends on the destination where the steel bars need to be delivered. The agreement has a term of (2) two years and renewable by agreement of both parties. This agreement is valid as at date of this Prospectus, and will expire on 09/08/1437H (corresponding to 16/04/2016G).

The Subsidiary entered into a transportation agreement with Rayan Abdulaziz Alsubhi Establishment on 28/03/1433H (corresponding to 20/02/2012G) under which it will provide moving trucks for the transportation of steel from the Subsidiary's plant to the different destinations. The pricing of transportation of steel depends on the destination where the steel bars need to be delivered. The agreement has a term of (2) two years and renewable by agreement of both parties. This agreement is valid as of date of this Prospectus, and will expire on 30/04/1437H (corresponding to 19/02/2016G).

11-9 Finance Agreements

The Company and the Subsidiary entered into the following facilities agreements:

11-9-1 The Company's Facilities

Term Loan Agreement with SIDF

The Company entered into a term loan agreement with SIDF on 01/04/1434H (corresponding to 11/02/2013G), providing for the amendment of a previously existing term loan wherein the credit limit was increased from (SAR 29,000,000) twenty-nine million Saudi Riyals to (SAR 45,900,000) forty-five million nine hundred thousand Saudi Riyals for the purpose of financing the establishment of a poles plant south of Jeddah. Currently only (SAR 16,400,000) sixteen million four hundred thousand Saudi Riyals remain outstanding. Such additional loan amount shall be repaid in (12) twelve bi-annual instalments by 15/04/2015G (corresponding to 30/11/2020G).

The Company provided the following guarantees under the loan agreement with SIDF:

- a pledge deed, pursuant to which the Company pledges all of the current and future assets (including land, buildings and vehicles) and machinery of the Jeddah Poles Project for the benefit of SIDF; and
- promissory notes against each drawdown request for the entire amount of each drawdown.

Restrictions and Liabilities:

The Company shall, under this agreement, observe the following:

- Executing additional pledges on properties included in the pledge deed that are related to the project, from time to time, upon any request by SIDF.
- Maintaining a valid commercial registration and industrial licenses in relation to the project.
- Refraining from any business or activity that contradicts the purposes of the project.
- Complying with all laws, regulations and instructions from any governmental authority, body or any court with jurisdiction under which the Company, its properties or financial assets fall.
- Providing SIDF with an immediate written notice of any conflict, proceeding or administrative procedure.
- Paying all Zakat, fees and government taxes related to the project.
- Providing insurance of the project as may be required by SIDF, which insurance policies shall include conditions that all payments for losses under such policies shall be made to SIDF.
- Refraining from creating any pledge, right, credit or any other liabilities on any properties, returns or assets currently held or held in the future by the Company.
- Unless obtained SIDF's prior consent, the Company may not:
  - Enter into a merger or unite with any person or entity.
  - Sell, lease or transfer all, or a material part of, the project or its financial assets, whether currently held or held in the future by the Company.
  - Assume all, or a material part of, assets or debts of any person or entity.
- Refraining from any material changes in the project, as stated in the specifications thereof, without a written consent from SIDF.
- Maintaining a management team that is acceptable to SIDF at all times.

Events of Default:

The Company will be considered in default if any of the following events occurs:

- Default by the Company in the payment, when due, of any principal in respect of the loan or the promissory notes, or other amount payable hereunder;
- Breach by the Company of any of the provisions of the loan agreement, in the promissory notes or in the pledge deed, provided that in any such case in which the default is in the opinion of SIDF liable to prompt remedy, but not have been remedied, within a period of 30 days after notice to the Company requiring such remedy;
- Any presentation or warranty made by the Company or in the promissory notes or the pledge deed or in any statement or certificate furnished pursuant to this loan agreement or the finance documents shall prove to have been incorrect in any material respect;
- Any indebtedness for money borrowed or for a deferred purchase price of property for which the Company is or may become liable, as principal obligor, guarantor or otherwise, becomes due and payable or is liable of being declared due and payable prior to its stated maturity, or any such indebtedness not paid on the stated maturity or at the expiration of any applicable grace period therefore;
- If the Company:
  - applies for, or consent to, the appointment of a receiver, trustee or liquidator of itself, or of its property;
  - is unable, or admit in writing its inability, to pay its debts;
  - makes a general assignment for the benefit of creditors;
  - is adjudicated as bankrupt or insolvent;
  - has a liquidator or other guardian of the Company appointed;
  - files for voluntary petition in bankruptcy; or
  - cease, individually or collectively, to be a partner or sole proprietor, as the case may be, without the consent of SIDF; and
- If the project is abandoned at any time or commercial operation of the project shall not commence prior to the operation date.

In any such event, SIDF may immediately terminate its obligations to the Company, declaring the loan payable by the Company, whereupon all other amounts matured under this agreement and other related documents shall be due and payable, without need to further demand.

The Company approached the SIDF with the letter dated 07/08/1435H (corresponding to 05/06/2014G), upon which the Company obtained, on 20/08/1435H (corresponding to 18/06/2014G), an approval from SIDF not to consider the Offering a breach to the terms of the loan agreement entered between the parties.

Credit Facilities Agreement with ANB

The Company entered into a credit facilities agreement with ANB on 04/08/1435H (corresponding to 02/06/2014G), amended pursuant to the renewal, increase and amendment of credit facilities letter on 13/05/1436H (corresponding to 04/03/2015G), with a maximum total amount of (SAR 680,000,000) six hundred eighty million Saudi Riyals, for the purposes of financing the Company's operations, available until 19/05/1435H (corresponding to 28/02/2016G), and the Company intends to renew this agreement. The credit facilities granted by ANB are as follows:

- open withdrawal facility, with a maximum limit of (SAR 10,000,000) ten million Saudi Riyals;
- letters of credit opening and refinancing through Tawarruq transactions, with a maximum limit of (SAR 500,000,000) five hundred million Saudi Riyals;
- short-term revolving Tawarruq facility, with a maximum limit of (SAR 125,000,000) one hundred twenty-five million Saudi Riyals;
- promissory notes and revolving Islamic guarantees facility, with a maximum limit of (SAR 100,000,000) one hundred million Saudi Riyals;
- promissory notes and revolving Islamic guarantees facility, with a maximum limit of (SAR 50,000,000) fifty million Saudi Riyals; and
- Tawarruq facility, with a maximum limit of (SAR 20,000,000) twenty million Saudi Riyals.

The Company provided the following guarantees under the facility agreement with ANB:

- a promissory note of (SAR 680,000,000) six hundred eighty million Saudi Riyals; and
- an undertaking by the Company to deposit 50% of its sales revenue in the bank account it holds with ANB.

Restrictions and Liabilities:

The Company may not, under this agreement, perform any action, arrangement, or pledge on its current and future assets, that are not pledged to ANB, to a third party without obtaining a prior written consent from ANB.

Events of Default:

ANB may cancel or amend the facilities, or undertake any other action stipulated by the agreement (for example, right to set-off) in the following events of default:

- the Company defaults on any payment under the facilities agreement;
- the Company or any of the guarantors breach any of their obligations under any finance or security document;
- if any of the representations or warranties given by the Company or any guarantor are found to be incorrect or inaccurate;
- cross default event either in relation to the Company or the guarantors;
- any or all of the assets or operations of the Company or the guarantors are acquired by a creditor;
- insolvency or dissolution notice or action in relation to the Company or any of the guarantors is declared;
- the Company or any of the guarantors ceases a material part of its operations;
- the Company's or guarantor's non-payment or inability to pay any amounts due to any of its creditors;
- the death or incapacity of any individual guarantor, or if such guarantor cancels any of its obligation pursuant to the facilities agreement or any other related document;
- if proper authorisations to enter into the facilities agreement are not provided, or otherwise amended, or become unenforceable;
- any change or any amendment to a law or a regulation which has the effect of discharging the Company or any of the obligors from its obligations under any finance document;
- any other event that ANB may consider to be a material adverse breach to the business, financial position or prospects of the Company or to any of the guarantors or any of their abilities to perform their obligations pursuant to any finance document; or
- failure of any of the subsidiaries or affiliates of the Company to repay any of its debts.

ANB may also cancel the facilities, at its sole discretion, and require the Company to repay all of the outstanding amounts immediately.

The Company approached ANB, by letter dated 24/05/1435H (corresponding to 25/03/2014G), and obtained on 20/06/1435H (corresponding to 20/04/2014G) ANB's non-objection to the Offering.

Banking Facilities Agreement with BSF

The Company entered into a credit facility agreement with BSF on 09/11/1436H (corresponding to 24/08/2015G), with an aggregate maximum amount of (SAR 434,032,000) four hundred thirty-four million thirty-two thousand Saudi Riyals, for the purposes of financing the Company's operations and an extension to Al-Yamamah Tubes Plant in Dammam to be completed on 25/09/1437H (corresponding to 30/06/2016G). The facilities under this agreement consist of the following sub-facilities:

- general multipurpose facility, with a maximum limit of (SAR 425,000,000) four hundred twenty-five million Saudi Riyals; and
- a facility related to the financing of the steel tube plant in Dammam, with a maximum limit of (SAR 9,023,000) nine million twenty-three thousand Saudi Riyals (which represents the balance remaining from a previous facility agreement with BSF entered into on 04/04/1434H (corresponding to 17/02/2013G)) expiring on 17/12/1436H (corresponding to 30/09/2015G).

The Company provided the following guarantees under the facility agreement with BSF:

- a promissory note of (SAR 367,070,305) three hundred sixty-seven million seventy thousand three hundred five Saudi Riyals; and
- an assignment of insurance proceeds relating to the steel tubes plant in Dammam to BSF.

Restrictions and Liabilities:

The Company shall obtain the prior written consent of BSF for any dividend distributions, and the leverage ratio of the Company shall not exceed 2.5x during the term of the facilities agreement. The Company shall submit its financial statements to BSF within 120 days from the end of each financial year and audited financial reports within 30 days from the end of each financial quarter.

Under this agreement, BSF may voluntarily rescind the agreement and oblige the Company to pay all payable amounts.

The Company approached BSF by letter dated 24/05/1435H (corresponding to 25/03/2014G), and obtained on 26/05/1435H (corresponding to 27/03/2014G) BSF's non-objection to the Offering.

Banking Facility Agreement with Al-Rajhi Bank

The Company entered into a banking facility agreement with Al-Rajhi Bank on 24/05/1436H (corresponding to 15/03/2015G), with a maximum total amount of (SAR 200,000,000) two hundred million Saudi Riyals, with the aim of financing the working capital for six (6) months. This agreement is currently under renewal and the two parties are still working under its provisions.

The Company provided the following guarantees under the facility agreement with Al-Rajhi Bank:

- promissory notes in the amount of the facilities made available by Al-Rajhi Bank pursuant to the facilities agreement;
- payment of advance amount by percentage of 0.10% of each Musharakah agreement value and not from total facilities amount, which will be deducted from its account upon executing the agreement;
- depositing not less than 20% of the Company's sales revenues with its account in Al-Rajhi Bank.

Restrictions and Liabilities:

The Company shall pay all its financial liabilities and expenses on their due dates and without a notification from Al-Rajhi Bank, along with providing a promissory note for each financing line and installment on its due date. The Company shall also notify Al-Rajhi Bank of any mistakes that are believed to exist in any account statement or notification within 15 days from the date of making available the account statement or the notification.

Events of Default:

Al-Rajhi Bank may, at any time, cancel, suspend or decrease the facilities, in its sole discretion, without notifying the Company or providing the reasons leading to such action, and require the Company to repay all amounts outstanding under the facilities agreement, along with any accrued profits and expenses. The Company shall be considered in default in the following cases:

- if it fails to pay any instalments or amounts due under the facilities agreement or fails to provide additional security at the request of Al-Rajhi Bank;
- if the Company or any of the guarantors breach any of their obligations under any finance or security document;
- if insolvency or dissolution notice or action in relation to the Company or any of the guarantors is declared;
- if it rejects to accept or repay any commercial paper;
- the invalidity of any security given under the facilities agreement; or
- if the Company or any of its affiliates or subsidiaries cease to make payments under any of its debt obligations to other creditors.

In an event of default, Al-Rajhi Bank may cancel the facilities and accelerate the amounts outstanding under the facilities agreement.

The Company approached Al-Rajhi Bank by letter dated 24/05/1435H (corresponding to 25/03/2014G), and obtained on 25/05/1435H (corresponding to 26/03/2014G) Al-Rajhi Bank's non-objection to the Offering.

11-9-2 The Subsidiary's Facilities

Credit Facilities Agreement with ANB

The Subsidiary entered into a credit facilities agreement with ANB on 04/08/1435H (corresponding to 02/06/2014G), amended pursuant to the renewal, increase and amendment of credit facilities letter on 13/05/1436H (corresponding to 04/03/2015G), with a maximum total amount of (SAR 555,000,000) five hundred fifty-five million Saudi Riyals with the aim of financing the Subsidiary's operational business available until 19/05/1435H (corresponding to 28/02/2016G), and the Subsidiary intends to renew this agreement. The credit facilities granted by ANB are as follows:

- Various letter of credit and bills of exchange facility with a maximum limit of (SAR 550,000,000) five hundred fifty million Saudi Riyals; and
- a credit facility with a maximum amount of (SAR 5,000,000) five million Saudi Riyals.

The Subsidiary provided the following guarantees under Facility Agreement with ANB:

- a promissory note of (SAR 555,000,000) five hundred fifty-five million Saudi Riyals.

Restrictions and Liabilities:

- The Subsidiary undertakes under this agreement:
- to provide ANB with its audited financial statements 120 days from the end of each financial year and any other financial information at the request of ANB;
- to notify the Bank of the occurrence or the potential occurrence of any event of default;
- to maintain the current financial position, management structure, legal entity and ownership structure as at the date of the facilities agreement;
- that its obligations under the facilities agreement rank pari passu in relation to its current and future obligations;
- to not allow the issuance of any shares or give any options, guarantees or subscription rights on its share capital except for its current shareholders;
- to maintain the validity of the authorizations given in connection with the facilities agreement;
- not to merge or consolidate with any other entity or dissolve the Subsidiary;
- not to sell, lease, assign or transfer any part of its business or assets except for within the ordinary course of business;
- other than a permitted encumbrance and within the ordinary course of business, not to create an encumbrance over all or any part of its assets or incur any financial debt or obligation;
- not to guarantee the obligations of any person other than within the ordinary course of business; and
- not to establish a subsidiary or acquire or invest in another entity.

Events of Default:

ANB may cancel or amend the facilities pursuant to the following events of default:

- the Subsidiary defaults on any payment under the facilities agreement;
- the Subsidiary or any of the guarantors breach any of their obligations under any finance or security document;

- any of the representations or warranties given by the borrower or any guarantor are found to be incorrect or inaccurate.
- cross default event either in relation to the Subsidiary or the guarantors;
- any or all of the assets or operations of the Subsidiary or the guarantors are acquired by a creditor;
- insolvency or dissolution notice or action in relation to the Subsidiary or any of the guarantors is declared;
- the Subsidiary or any of the guarantors cease a material part of its operations;
- the Subsidiary's or guarantor's nonpayment or inability to pay any amounts due to any of its creditors; and
- the death or incapacity of any individual guarantor, or if such guarantor cancels any of its obligation pursuant to the facilities agreement or any other related document.

ANB may also cancel the facilities, at its sole discretion, and require the Subsidiary to repay all of the outstanding amounts immediately.

The Subsidiary approached ANB letter dated 29/05/1435H (corresponding to 30/03/2014G), and obtained on 20/06/1435H (corresponding to 20/04/2014G) ANB's non-objection on the conversion of the Subsidiary from limited liability company to a closed joint stock company.

Banking Facilities Agreement with BSF

The Subsidiary entered into a credit facility agreement with BSF on 25/10/1436H (corresponding to 10/08/2015G) with an aggregate maximum amount of (SAR 275,000,000) two hundred seventy-five million Saudi Riyals, with the aim of providing general and multipurpose facilities, expiring on 25/09/1437H (corresponding to 30/06/2016G). The facilities under this agreement consist of the following sub-facilities:

- general multipurpose facility, with a maximum limit of (SAR 25,000,000) twenty-five million Saudi Riyals; and
- general multipurpose facility, with a maximum limit of (SAR 250,000,000) two hundred fifty million Saudi Riyals.

The Subsidiary provided the following guarantees under the facility agreement with BSF:

- a promissory note of (SAR 275,000,000) two hundred seventy-five million Saudi Riyals provided by the Subsidiary;
- a comfort letter from the Company that it will maintain its shareholding in the Subsidiary.

Restrictions and Liabilities:

The Subsidiary shall submit its financial statements to BSF within 120 days from the end of each financial year and audited financial reports within 30 days from the end of each financial quarter. The Subsidiary shall also obtain BSF's consent prior to making any change in the Company's ownership percentage in the Subsidiary which amounts to 72.5%.

Under this agreement, BSF may voluntarily rescind the agreement and oblige the Subsidiary to pay all payable amounts.

Credit Facilities Agreement with SAIB

The Subsidiary entered into a credit facilities agreement with SAIB on 15/08/1436H (corresponding to 02/06/2015G), with a maximum total amount of (SAR 100,000,000) one hundred million Saudi Riyals available until 21/05/1437H (corresponding to 31/03/2016G). The credit facilities granted by SAIB are as follows, provided that the aggregate outstanding amount under the agreement shall not exceed, at any time, (SAR 100,000,000) one hundred million Saudi Riyals:

- short term loans to re-finance letters of credit, with a maximum limit of (SAR 100,000,000) one hundred million Saudi Riyals;
- short term loans, with a maximum limit (SAR 10,000,000) ten million Saudi Riyals; and
- letters of guarantee to issue marine guarantees to beneficiaries acceptable to SAIB, with a maximum limit of (SAR 25,000,000) twenty-five million Saudi Riyals.

The Subsidiary provided the following guarantees under the facility agreement with BSF:

- a promissory note of (SAR 100,000,000) one hundred million Saudi Riyals provided by the Subsidiary.

Restrictions and Liabilities:

The Subsidiary undertakes under this agreement:

- to maintain a ratio of current assets to current liabilities that is not less than 1:1;
- to maintain a ratio of total assets to tangible net worth not exceeding 1:2;
- to maintain a tangible net worth that is not less than (SAR 375,000,000) three hundred seventy-five million Saudi Riyals;
- to obtain SAIB's written consent prior to making any change in the Subsidiary's ownership structure;
- to provide SAIB with its bi-annual unaudited financial statements;
- that the guarantees granted under the facilities agreement shall rank pari passu with other banks and creditors (except for SIDF);
- to provide evidence acceptable to SAIB that all personal or corporate guarantees imposed by other banks are released within three months from the date of this agreement, or else provide equivalent personal or corporate guarantees by the shareholders of the Subsidiary; and
- dividend distribution can only be made if the Subsidiary is in compliance with all the financial covenants in this agreement and with SIDF.

The following table represents the total amount of facilities and use for each Company and the Subsidiary as at 30/09/2015G:

Table 146: The total amount of facilities and use for each Company and the Subsidiary as at 30/09/2015G:

Bank	Company	Total Amount of Facilities (in 000' Riyals)	Total use (in 000' Riyals)
ANB	The Company	680,000	212,800
	The Subsidiary	555,000	108,328
BSF	The Company	434,023	83,500
	The Subsidiary	275,000	0
Al Rajhi Bank	The Company	200,000	5,441
SIDF	The Company	45,900	16,400
SAIB	The Subsidiary	100,000	0
Total	-	2,023,458	426,469

Source: The Company

11-10 Related Party Transactions

The Company undertakes that all transactions conducted between it and its employees, managers, Shareholders or any of its subsidiaries or the Subsidiary shall be rendered by majority approval of the Directors, including independent Directors and Directors that have no interest in such transactions. Directors who have interest in the said transactions shall refrain from voting on such matters in the Board.

The Company and the Subsidiary enter into agreements periodically with their shareholders in order to sell their products by purchase orders. The Company's and Subsidiary's sales to related parties amounted to SAR 868 million in 2013G, SAR 892 million in 2014G and SAR 826 million in 2015G. Such transactions with related parties made up 46.3% of the Company's revenues in 2013G, 48% in 2014G and 45.9% in 2015G, as mentioned in Section 2-1-10 "The Company and Subsidiary Depend Largely on Existing Commercial Arrangements with Related Parties" of this Prospectus.

The Company has also entered into a framework agreement with Masdar Building Materials on 10/03/1436H (corresponding to 01/01/2015G) in order to provide commercial services and sell products; and with Al-Muhaidib Contracting Company on 14/05/1436H (corresponding to 05/03/2015G) to perform space frame works in the projects of Umm Al-Qura University Colleges in Makkah. These two companies are owned by one of main shareholders in the Company (Abdulkadir Al-Muhaidib & Sons Company), in addition to two agreements with Saudi Services for Electro-Mechanic Works Company on 02/12/1434H (corresponding to 07/10/2013G) to supply electric towers needed for operation, which is a company owned by one of the main shareholders in the Company (Rashed Abdurrahman Al-Rashed & Sons Company). The Board has approved such agreements on 09/08/1436H (corresponding to 27/05/2015G), and the General Assembly has approved such agreements on 16/03/1437H (corresponding to 27/12/2015G). (For more information about the agreement with Masdar Building Materials, the two agreements with Al-Muhaidib Contracting Company and two agreements with Saudi Services for Electro-Mechanic Works Company, please see Section 11-6-2 "Sale Agreements with Customers" of this Prospectus.)

The Company confirms and its Directors declare that all transactions with related parties, including all pricing thereof, were duly and legally entered into on an arm's-length basis as it would have been entered into with third parties, and do not, by no means, adversely affect the Company's business and revenues. None of the related parties had any preferential treatment.

Below are details of transactions conducted between the Company and related parties that were presented and approved by the General Assembly on 03/04/1435H (corresponding to 03/02/2014G) for the year 2013G, 24/02/1436H (corresponding to 16/12/2014G) for the year 2014G, and 16/03/1437H (corresponding to 27/12/2015G) for the year 2014G. It is worth mentioning that all future transactions between the Company and related parties will be submitted for approval by the Ordinary General Assemblies on an annual basis, in accordance with the requirements of paragraph (A) of article (18) of the Corporate Governance Regulation corresponding to article (69) of the Current Companies Law.

Table 147: Details of related parties transactions

Related Parties	Business Units	Number of Purchase Orders			Total Value of Purchase Orders (SAR '000)			Value of Purchase Orders as Percentage of the Total Sales of the Business Unit		
		2013G	2014G	2015G	2013G	2014G	2015G	2013G	2014G	2015G
Abdulkadir Al-Muhaidib & Sons Company and Masdar Building Materials	Subsidiary	32	90	110	289,749	346,123	342,937	28%	31%	31%
	Tubes SBU	407	402	347	48,886	39,690	28,303	11%	8%	6%
Rashed Abdurrahman Al-Rashed & Sons Company and Saudi Services for Electro-Mechanic Works Company	Subsidiary	103	73	69	77,764	91,329	82,980	11%	8%	7%
	Tubes SBU	68	120	127	6,884	11,029	14,062	2%	2%	3%
Al-Muhanna Steel Group	Tubes SBU	139	88	147	48,063	42,553	44,273	10%	9%	10%
Al-Mohanna Trading Company	Tubes SBU	33	26	97	11,447	8,745	16,637	2%	2%	3.7%
Al Fozan Building Materials Company	Subsidiary	41	66	89	299,014	334,837	361,284	29%	30%	32%
	Tubes SBU	199	357	304	13,417	21,598	18,266	3%	4%	4%
	Towers SBU	6	6	6	121,303	161,450	152,920	95%	84%	86%
Al-Mojel for Trade and Contracting Company	Subsidiary	-	-	5	-	-	851	-	-	0.08%

Source: The Company

The above table includes all related party transactions entered into in 2013G, 2014G and 2015G.

The Company, Board and Shareholders have complied and intend in the future to comply with articles (69) and (70) of the Current Companies Law issued by the Ministry of Commerce and Industry, and with article (18) of the Corporate Governance Regulations issued by the CMA in terms of the contracts with related parties as follows:

- To vote on all agreements entered into with Directors in the OGA.
- The current Shareholders confirm that they do not participate in any business that competes with that of the Company, and that transactions with related parties are made on arm's length basis.
- Save as disclosed above, and as at the date of this Prospectus, there are no commercial transactions with any of the Directors, Senior Management, Shareholders, or any of their relatives, who have direct or indirect interest, of any kind, in such transactions. In addition, there are no powers that grant any of them the right to vote on such transactions.

11-11 Real Estate Owned by the Company

The Company owns land no. 6 in Al-Khumra District in Jeddah where its poles and electric towers plants are located. The land's book value is equal to (SAR 10,777,630) ten million seven hundred seventy-seven thousand six hundred thirty Saudi Riyals. The land has been pledged to SIDF in return for a loan to expand the poles plant for an amount of (SAR 16,900,000) sixteen million nine hundred thousand Saudi Riyals that shall be paid in bi-annual installments.

11-12 Properties Leased by the Company

The Company and the Subsidiary entered into a number of lease agreements for its plants and head office. The following is a brief overview of the lease agreements entered into by the Company and the Subsidiary:

Table 148: Real Estate leased from the Company

Lessee	Location and Purpose	Agreement Date	Rent (SAR)	Term/Expiry Date
Al-Yamamah Steel Industries Company	Building no. 5401 Al Sitteen trade center in Riyadh where the head office of the Company and the Subsidiary are located.	30/06/1417H (corresponding to 12/11/1996G)	182,700	One year, automatically renewed for a similar period unless one party notifies the other of its intention not renew within three months prior to the end of term.
Al-Yamamah Steel Industries Company	Land plot in the Second Industrial City in Dammam where the tubes plant and administrative offices are located.	21/09/1428H (corresponding to 03/10/2007G)	107,100	Expires on 20/11/1448H (corresponding to 27/04/2027G)
Al-Yamamah Steel Industries Company	Land plot in Phase 4 of the Industrial City in Jeddah where the tubes plant is located.	29/10/1409H (corresponding to 04/06/1989G)	97,600	Expires on 28/10/1454H (corresponding to 29/01/2033G)
Al-Yamamah Steel Industries Company	Land plot in the Phase 4 of the Industrial City in Jeddah where space frames plant is located.	15/12/1434H (corresponding to 20/10/2013G)	44,536	Expires on 15/12/1454H (corresponding to 16/03/2033G)
Al-Yamamah Steel Industries Company	Land plot in the Phase 4of the Industrial City in Jeddah where residential building of tubes plant is located.	05/05/1416H (corresponding to 30/09/1995G)	6,000	Expires on 05/05/1441H (corresponding to 31/12/2019G)
Al-Yamamah Company For Reinforcing Steel Bars	Part of the land located in Yanbu Industrial City where the reinforcing steel bars plant is located.	05/04/1427H (corresponding to 03/05/2006G)	985,522	35 years Hijri ending on 05/04/1462H (corresponding to 17/04/2014G), renewable by mutual agreement.
Al-Yamamah Company For Reinforcing Steel Bars	Land plot in Yanbu Commercial Port where the residential building of reinforcing steel bars plant is located.	05/08/1429H (corresponding to 06/08/2008G)	100,000	5 years Hijri, renewable for two years.

Source: The Company

11-13 Intangible Assets

The Company and the Subsidiary registered their trademarks with the Trademarks Department in the Ministry of Commerce and Industry. Both the Company and Subsidiary rely on their trademarks to succeed in their business and support their competitive position in the market. The Company or the Subsidiary's inability to protect their trademark or, in some cases, the need to take legal action to protect their respective trademarks, may adversely affect their ability to use such trademarks, which would result in a negative effect on their business and results of operation.

Neither the Company nor the Subsidiary hold any other intangible assets or intellectual property rights other than their trademarks as at the date of this Prospectus.

The following table illustrates the key details of the trademarks registered by the Company and the Subsidiary:

Table 149: Key details of the different trademarks registered by the Company and the Subsidiary

Company	Category	Registration Date	Termination Date	Registration Number	Photo
The Company	6	11/01/1436H (corresponding to 04/11/2014G)	10/01/1446H (corresponding to 16/07/2024G)	1436000663	شركة اليمامة للصناعات الحديدية Al Yamamah Steel Industries Company
The Subsidiary	6	13/05/1436H (corresponding to 04/03/2015G)	24/01/1446H (corresponding to 20/07/2024G)	14360001741	شركة اليمامة لحديد التسليح Al Yamamah Co. For Reinforcing Steel Bars

Source: The Company and the Subsidiary

11-14 Insurance

The Company and the Subsidiary hold insurance policies covering different types of risks associated with their business. Such policies have been issued by Tawuniya Insurance Company, the Mediterranean & Gulf Insurance & Reinsurance Company and Ace Arabia Cooperative Insurance Company. The following are the main details of insurance policies that are held by the Company and the Subsidiary:

Table 150: Insurance

The Insured Company	Insurance Company	Type of Coverage	Coverage Period	Insured Amounts
Al-Yamamah Steel Industries Company	Tawuniya	Marine Cargo Insurance	from 01/10/2015G to 30/09/2016G	Maximum limit of (SAR 30,000,000) thirty million Saudi Riyals per shipment
Al-Yamamah Steel Industries Company	Tawuniya	All Property Risk Insurance	from 01/10/2015G to 30/09/2016G	(SAR 523,712,997) five hundred twenty-three million, seven hundred twelve thousand, nine hundred ninety-seven Saudi Riyals
Al-Yamamah Steel Industries Company	Tawuniya	Private Motor Vehicle Comprehensive Insurance	from 01/10/2015G to 30/09/2016G	Maximum limit of emergency medical expenses: (SAR 250) two hundred fifty Saudi Riyals. Maximum care and protection of vehicle towing (SAR 250) two hundred fifty Saudi Riyals. Maximum liability against other parties: (SAR 10,000,000) ten million Saudi Riyals.
Al-Yamamah Steel Industries Company	Tawuniya	Commercial Motor Vehicle Comprehensive Insurance	from 01/10/2015G to 30/09/2016G	Maximum towing care and protection (light vehicles): (SAR 500) five hundred Saudi Riyals. Maximum towing care and protection (heavy vehicles): (SAR 750) seven hundred fifty Saudi Riyals. Maximum third party liability: (SAR 10,000,000) ten million Saudi Riyals.

The Insured Company	Insurance Company	Type of Coverage	Coverage Period	Insured Amounts
Al-Yamamah Steel Industries Company	Tawuniya	Fidelity Guarantee Insurance	from 01/10/2015G to 30/09/2016G	Maximum of (SAR 1,700,000) one million seven hundred thousand Saudi Riyals
Al-Yamamah Steel Industries Company	Tawuniya	Money Insurance	from 01/10/2015G to 30/09/2016G	Maximum of (SAR 500,000) five hundred thousand Saudi Riyals of cash in each of the Company's branches in Jeddah, Dammam, head office and cash in-transit.
Al-Yamamah Steel Industries Company	Tawuniya	Money Insurance	from 01/10/2015G to 30/10/2016G	Maximum of (SAR 500,000) five hundred thousand Saudi Riyals of cash in Al-Yamamah Electric Poles and Accessories Plant and cash in-transit.
Al-Yamamah Steel Industries Company	Tawuniya	Money Insurance	from 01/10/2015G to 30/10/2016G	Maximum of (SAR 500,000) five hundred thousand Saudi Riyals of cash in Al-Yamamah Electric Towers Production Plant and cash in-transit.
Al-Yamamah Steel Industries Company	The Mediterranean & Gulf Insurance & Reinsurance Company	Health Insurance	from 01/07/2015G to 30/06/2016G	Maximum limit for individual (SAR 500,000) five hundred thousand Saudi Riyals.
Al-Yamamah Steel Industries Company	Tawuniya	Consequential Loss Insurance	from 01/10/2015G to 30/09/2016G	(SAR 12,636,500) twelve million, six hundred thirty-six thousand, five hundred Saudi Riyals
Al-Yamamah Company For Reinforcing Steel Bars	Ace Arabia Co-operative Insurance Company	Motor Comprehensive Insurance	from 01/10/2015G till 23/01/2016G	(SAR 195,000) one hundred ninety-five thousand Saudi Riyals.
Al-Yamamah Company For Reinforcing Steel Bars	Ace Arabia Co-operative Insurance Company	Property All Risk Insurance	from 25/04/2015G to 24/09/2016G	(SAR 462,624,615) four hundred sixty-two million six hundred twenty-four thousand six hundred fifteen Saudi Riyals.
Al-Yamamah Company For Reinforcing Steel Bars	Ace Arabia Co-operative Insurance Company	Open Marine Cargo Insurance	from 01/04/2015G to 31/03/2016G	Maximum of (SAR 75,000,00) seventy-five million Saudi Riyals for sea shipments Maximum of (SAR 5,000,000) five million Saudi Riyals for air shipments. Maximum of (SAR 1,000,000) one million Saudi Riyals for land shipments.

Source: The Company and the Subsidiary

The Directors believe that the insurance policies provide sufficient coverage to protect the Company and its business. The Company intends to renew such policies upon their expiration.

11-15 Litigation

The Subsidiary received a claim from Marafiq, pursuant to several letters with the first dated 13/03/1435H (corresponding to 14/01/2014G), representing differences between the booked capacity of water and electricity and the actual consumption of the Subsidiary in the years 2012G-2014G amounting to (SAR 62,210,864) sixty-two million two hundred ten thousand eight hundred sixty-four Saudi Riyals. The Subsidiary reached an agreement with Marafiq to lower the booked capacity under the utility user agreement by entering into an amendment letter dated 17/11/1436H (corresponding to 01/09/2015G), effective from 1 January 2014G. The amendment resulted in the reduction of the claim for year 2014G from (SAR 21,846,595) twenty-one million eight hundred forty-six thousand five hundred ninety-five Saudi Riyals to (SAR 9,755,484) nine million seven hundred fifty-five thousand four hundred eighty-four Saudi Riyals that has been paid by the Subsidiary, while the claim for 2012G and 2013G is still outstanding (i.e. an amount of (SAR 40,364,269) forty million three hundred sixty-four thousand two hundred sixty-nine Saudi Riyals). The Subsidiary believes that such additional payments are not payable especially since its inability to operate at full capacity is due to Marafiq's inability to provide the required quantities of power for the Subsidiary's future expansion projects, and failure to set a date for that. This claim is currently under review and discussion pursuant to the agreement is entered into between the two parties.

The shareholders of the Subsidiary whose names are listed in Table 45 "Ownership structure of the Subsidiary" have provided an undertaking that they shall bear, on behalf of the Subsidiary, each according to its current share in the Subsidiary, all future liability arising from the pending Marafiq claim (for the years 2012G and 2013G amounting to (SAR 40,364,269) forty million three hundred sixty-four thousand two hundred sixty-nine Saudi Riyals). In addition, the Selling Shareholder whose names are listed in Table 28 "Selling Shareholders' ownership pre- and post-Offering" of this Prospectus have provided an undertaking that they (in connection with the Company's share in the Subsidiary which equals 72.5%) shall bear, on behalf of the Company, each according to its current share, all future liability arising from the pending Marafiq claim.

It should be noted that in accordance with the Electricity Service Provider Manual issued by the Electricity & Cogeneration Regulatory Authority, a service provider is not allowed to suspend the provision of services to the customer, if the latter submitted an objection/complaint against the service provider in relation to disputed amounts.

11-16 Directors Participating in Companies or Establishments Conducting Businesses Similar to the Company's Business

A number of Directors occupy other board positions or have capital shareholding in companies conducting activities similar to the Company's business, as indicated in the below table, as of the date of this Prospectus:

Table 151: Directors occupying other board positions or who have capital shareholding in companies conducting activities similar to the Company's business

Related Companies	The Director title in the related company		Legal Form of the Related Company	Nature of the Company's Related Company	Does it compete?
	Owner (directly)	Director/ Manger			
1. Saad Ibrahim Al-Mojel					
Eastern Province Cement Company	Yes	Yes	Public joint stock company	This company operates in a range of businesses and its main businesses include the following: • Producing cement of all kinds. • Managing and operating Portland cement of all kinds. • Wholesale and retail trading in the Company's products, including importing and exporting them. • Managing, operating and maintaining industrial facilities that are complementary to the purpose of the company.	No – the business of Eastern Province Cement Company is based on manufacturing cement products of all types, and, since the Company does not conduct any specialized commercial activities like that of Eastern Province Cement Company, it is not considered a competitor to the Company as at the date of this Prospectus.

Related Companies	The Director title in the related company		Legal Form of the Related Company	Nature of the Company's Related Company	Does it compete?
	Owner (directly)	Director/ Manger			
Arabian Pipe Company	Yes	Yes	Public joint stock company	This company operates in a range of activities including the following main businesses: • Producing and marketing longitudinally welded steel pipes and coating for pipelines. • Bending, forming and threading of pipes. • Internal and external coating of pipes. • Conducting sale and purchase activities of pipelines and their accessories. • Carrying out pipeline extension operations. • Contracting maintenance activities and related operations.	No — the business of Arabian Pipe Company is based on manufacturing longitudinally welded pipes used specifically in oil, gas and water projects.
Saudi Ceramic Company	Yes	Yes	Public joint stock company	The main activities of this company include production and sale of ceramic products, water heaters and their components, along with importing what is required from plant, equipment and complementary materials.	No — the business of Saudi Ceramic Company is based on production of ceramic products and water heaters. Thus, it is not considered a competitor to the Company.
Saudi Perlite Industries Company	Yes	No	Closed joint stock company	This company operates in the field of extended and multi-use perlite, blocks of perlite, ready-made agricultural soil, mining industry, extraction of raw materials and works of mines.	No — the business of Saudi Perlite Industries Company is based on production of perlite, ready-made agricultural soil, mining industry and works of mines. Since the Company does not conduct any specialized commercial activities like that of Saudi Perlite Industries Company, it is not considered a competitor to the Company as at the date of this Prospectus.

Related Companies	The Director title in the related company		Legal Form of the Related Company	Nature of the Company's Related Company	Does it compete?
	Owner (directly)	Director/ Manger			
United Mining Industries Company	Yes	No	Closed joint stock company	This company operates in a range of activities including the following main businesses: • Production of gypsum boards and drywalls. • Production of gypsum powder. • Production of gypsum ceiling tiles. • Production of cement boards. • Wholesale and retail trade in raw materials extracted through mining.	No — the business of Saudi United Mining Industries Company is based on manufacturing operations of production of gypsum boards and drywalls, gypsum powder, ceiling tiles and cement boards. Thus, it is not considered a competitor to the Company as at the date of this Prospectus.
Al-Khobar Enterprises Development Company	Yes	No	Closed joint stock company	Development of industrial enterprises and investing in them.	No — the business of Al-Khobar Enterprises Development Company is based on development of industrial enterprise along with investing in them. Thus, it is not considered a competitor to the Company.
Yamama Granite & Marble Company	Yes	No	Closed joint stock company	Wholesale and retail trade in granite, marble and stone, along with establishment of industrial enterprises.	No — the business of Yamama Granite & Marble Company is based on wholesale and retail trade in granite and marble. Thus, it is not considered a competitor to the Company.
Gulf Ferro Alloys Company	Yes	No	Limited liability company	Main businesses of this company include the production of Ferrosilicon, Ferromanganese, Silicon Manganese and Silicon metal.	No — the business of Gulf Ferro Alloys Company is based on production of Ferrosilicon, Manganese and Silicon metal. Thus, it is not considered a competitor to the Company.

Related Companies	The Director title in the related company		Legal Form of the Related Company	Nature of the Company's Related Company	Does it compete?
	Owner (directly)	Director/ Manger			
White Cement Company (Riyadh Cement Company)	Yes	No	Closed joint stock company	Producing regular, Portland and resistant cement, along with wholesale and retail trade in this Company's products and building materials Incorporation of industrial services companies with the aim of providing maintenance, management and operations of cement factories, along with ownership of lands, real estates and patents.	No — the business of White Cement Company (Riyadh Cement Company) is based on production of cement, wholesale and retail trade in Company's products and building materials, along with incorporation of companies specialized in factories maintenance. Thus, it is not considered a competitor to the Company.
United Gulf Industries Corporation/ UGIC, Bahrain	Yes	No	Public joint stock company	Establishment, ownership and participation in industrial projects and companies in GCC states, most importantly, metal alloys project in Al-Jubail, project of Sodium salts sulfate, sports industries project, maintenance, industrial operation, along with conducting commercial and marketing activities in order to serve the industrial purposes.	No — the business of Gulf Industries Corporation is based on metal alloys project, wholesale and retail trade in metal alloys, Sodium salts and sports industries. Thus, it is not considered a competitor to the Company.
2. Raed Ibrahim Al-Mudaiheem					
Masdar Building Materials	No	Yes	Closed joint stock company	This company works in the field of importing, exporting, wholesaling and retailing in different building materials through its main activity in steel and woods trade and through its subsidiaries in the field of carpentry materials trade such as handles, locks and industrial materials, such as stabilizers, screws, isolators, equipment, and tools used in carpentry and blacksmithing.	No — the business of Masdar Building Materials is commercial and not manufacturing. But, on the other hand, Al-Yamamah Steel Industries Company is complementing Masdar Building Materials' business as Masdar purchases some products from Al-Yamamah Steel Industries Company for its operations on, completely commercial basis, especially pipes and reinforcing steel bars and rolls.

Related Companies	The Director title in the related company		Legal Form of the Related Company	Nature of the Company's Related Company	Does it compete?
	Owner (directly)	Director/ Manger			
					Thus, Masdar Building Materials is not considered a competitor to the Company as at the date of this Prospectus.
Bawan Company	No	Yes	Public joint stock company	This company works as a holding company for a group of companies whose main businesses include the following: Manufacturing a various group of metal products. Manufacturing a various group of wood products. Manufacturing a various group of concrete products. Manufacturing a various group of electric products.	No — the business of Bawan Company is currently based on manufacturing processes for metal, wood, concrete and electric products that are conducted by Al-Yamamah Steel Industries Company. Yet, it is licensed to carry out activities that may be similar to that carried out by Al-Yamamah Steel Industries Company. Thus, it is not considered a competitor to the Company.
United Mining Industries Company	No	Yes	Closed joint stock company	This Company operates in a range of activities, including the following main businesses: Production of gypsum boards and drywalls. Production of gypsum powder. Production of gypsum ceiling tiles. Production of cement boards. Wholesale and retail trade of mined raw materials.	No — the business of Saudi United Mining Industries Company is based on the manufacturing operations of products of gypsum boards and drywall, gypsum powder, ceiling tiles, and cement boards. Thus, it is not considered a competitor to the Company as at the date of this Prospectus.

Related Companies	The Director title in the related company		Legal Form of the Related Company	Nature of the Company's Related Company	Does it compete?
	Owner (directly)	Director/ Manger			
Northern Region Cement Company	Yes	Yes	Public joint stock company	This company operates in a range of activities, including the following main businesses: • Producing cement of all kinds. • Managing and operating Portland Cement of all kinds. • Wholesale and retail trading in the Company's products, including, importing and exporting them. • Managing, operating and maintaining industrial facilities that are complementary to the purpose of the Company.	No — the business of the Northern Region Cement Company is based on manufacturing all types of cements, as well as the fact that the Company does not perform any commercial business similar to the products of the Northern Region Cement Company. Thus, it is not considered a competitor to the Company as of date of this Prospectus.
Arabian Pipe Company	Yes	No	Public joint stock company	This company operates in a range of activities, including the following main businesses: • Producing and marketing longitudinally welded steel pipes and coating for pipelines. • Bending, forming and threading of pipes. • Internal and external coating of pipes. • Conducting sale and purchase activities of pipelines and their accessories. • Carrying out pipeline extension operations. • Contracting maintenance activities and related operations.	No — the business of Arabian Pipe Company is based on manufacturing longitudinally welded pipes used specifically in oil, gas and water projects.
Badia Cement Company— Syria	No	Yes	Public joint stock company	This company operates in a range of activities, including the following main businesses: • Producing cement of all kinds. • Managing and operating Portland Cement of all kinds.	No —Badia Cement Company (Syria) is conducting businesses other than that of the Company and is not related to its business as of the date of this Prospectus.
Al-Muhaidib Contracting Company	No	Yes	Limited liability company	This company works in a range of contracting activities, including the following main businesses: Engineering, public buildings, water, sewage plant, supply and building projects.	No —Al-Muhaidib Contracting Company is conducting businesses other than that of the Company and is not related to its business as of the date of this Prospectus.

Related Companies	The Director title in the related company		Legal Form of the Related Company	Nature of the Company's Related Company	Does it compete?
	Owner (directly)	Director/ Manger			
Suez Cement Company (Egypt)	No	Yes	Public joint stock company	Its main business includes producing cement.	No —Suez Cement Company (Egypt) is conducting businesses other than that of the Company and is not related to its business as of the date of this Prospectus.
Northern Cement Company (Jordan)	No	Yes	Public joint stock company	Its main business includes producing cement.	No —Northern Cement Company (Jordan) is conducting businesses other than that of the Company and is not related to its business as of the date of this Prospectus.
3. Ali Saleh Al-Dakheel					
United Mining Industries Company	No	Yes	Closed joint stock company	• Producing Gypsum boards and tiles. • Producing Gypsum powder. • Producing cement boards. • Wholesale and retail trade of mined raw materials.	The Company's business is not regarded as competitive to that of the Company, but they both operate in the building and construction sector.
Yamama Granite & Marble Company	No	Yes	Closed joint stock company	• Producing Granite, marble and natural stone blocks and boards. • Importing, exporting and trade of marble and granite equipment. • Importing and exporting of marble, natural stone and products related to them.	The Company's business is not regarded as competitive to that of the Company but they both operate in the building and construction sector.
Construction and Urbanization Company for Trade and Industry	Yes	Yes	Closed joint stock company	• General contracting. • Producing ready-made concrete. • Producing prefabricated concrete. • Building materials trade. • Carpentry and blacksmith workshops.	The Company's business is not regarded as competitive to that of the Company, but they both operate in the building and construction sector.
Global Company for Advertising Media	Yes	No	Limited liability company	• Marketing services for third parties. • Wholesale and retail in electronic devices and screens.	The Company's business is not considered competitive to that of the Company.
Ceramic Pipes Company	Yes	Yes	Closed joint stock company	• Production of ceramic and plastic pipes.	The Company's business is not considered competitive to that of the Company.
4. Muhanna Abdullah Al-Muhanna					

Related Companies	The Director title in the related company		Legal Form of the Related Company	Nature of the Company's Related Company	Does it compete?
	Owner (directly)	Director/ Manger			
Al-Muhanna Steel Group	Yes	Yes	Individual Establishment	• Wholesale and retail in steel, along with importing and exporting it.	The Company's business is not considered competitive to that of the Company.

Neither Mohammed Ahmed Al-Saadi nor Mohammed Abdullah El-Kuwaiz occupy other board positions or have capital shareholding in companies conducting activities similar or that may be competitive to the Company's business.

12. Description of Shares

Shares

The Shares shall be nominal and may not be issued at less than their nominal value; however, the Shares may be issued at a value higher than their nominal value, in which case the difference in value shall be added to the statutory reserve, even if the reserve has reached its maximum limit. A Share shall be indivisible vis-à-vis the Company. In the event that a Share is owned by several persons, they shall select one person from amongst them to exercise, on their behalf, the rights pertaining to the Share, and they shall be jointly responsible for the obligations arising from the ownership of the Share.

Transfer of Shares

Trading shares is governed by the regulations governing companies listed on Tadawul, and trading or transfer made other than in accordance with such regulations is void. The Selling Shareholders will be subject to the Lock-up Period defined in the "Summary of the Offering" Section of this Prospectus, during which time they may not dispose of their Shares.

Trading in Shares

Shares shall be tradable according to laws and regulations applicable in the Kingdom in this respect. An exception to the foregoing, the in-kind Shares or cash Shares subscribed for by the founding Shareholders or shares held by the Shareholders of the converted Company shall not be tradable prior to publishing the balance sheet and profit/loss account for (2) two full years, each covering the period of at least (12) twelve months from the date of incorporation of the Company or approval of the conversion of the Company.

Shareholders' Rights

Under Article (108) of the Current Companies Law, a Shareholder is vested with all rights attached to Shares, which include, in particular, the right to receive a share in the profits declared for distribution, the right to a share in the Company's assets upon liquidation, the right to attend General Assemblies and participate in the deliberations and vote on the resolutions proposed in such meetings, the right to dispose of Shares, the right to request to inspect the Company's books and documents, the right to supervise the acts of the Board, the right to institute proceedings against the Directors and the right to contest the validity of the resolutions adopted at General Assemblies, subject to the conditions and restrictions specified in Current Companies Law. According to the provisions of the Current Companies Law, there is no provision granting Shareholders in joint stock companies the right to have their Shares redeemed or repurchased by the Company.

Shareholders' General Assemblies

A duly convened General Assembly shall represent all Shareholders, and shall be held in the city where the Company's head office is located. Any Shareholder holding at least (20) twenty Shares has the right to attend the General Assembly, and may authorize in writing another Shareholder, other than the Directors or the Company's employees, to attend the General Assembly on his behalf.

The EGA shall have the power to amend the Bylaws in accordance with applicable law and decide on shortening the term of, or the dissolution of the Company. The EGA may pass resolutions on matters falling within the authority of the OGA under the same conditions applicable to the latter. Except for matters reserved for the EGA, the OGA shall be in charge of all matters concerning the Company. The OGA shall be convened at least once a year, within (6) six months following the end of the Company's financial year. Additional OGA meetings may be convened whenever needed.

Convening General Assembly Meetings

The General Assembly shall be convened by the Board. The Board shall convene a meeting of the OGA if requested by the Auditors or by a number of Shareholders representing at least 5% of the Company's share capital. An invitation for a General Assembly meeting shall be published in the Official Gazette and in a daily newspaper circulated where the head office of the Company is located, at least (25) twenty-five days prior to the date of the meeting. A copy of the invitation and the agenda items shall be sent to the General Department of Companies at the Ministry of Commerce and Industry within the period designated for publication.

Quorum of the OGA

A meeting of the OGA is valid only if attended by shareholders representing at least 50% of the Company's share capital. If such quorum cannot be attained at the first meeting, a second meeting shall be held within (30) thirty days. Such notice shall be published in the manner prescribed in the articles related to convening a General Assembly meeting in the Bylaws. The second meeting is valid, irrespective of the number of Shares represented thereat.

Quorum of the EGA

A meeting of the EGA is valid only if attended by Shareholders representing at least 50% of the Company's share capital. If such quorum cannot be attained at the first meeting, a second meeting shall be held within (30) thirty days. Such notice shall be published in the in the manner prescribed in the articles related to convening a General Assembly meeting in the Bylaws. The second meeting of an EGA is valid only if attended by a number of Shareholders representing at least 25% of The Company's share capital.

Voting Rights

Votes at the meetings of OGA and EGA shall be counted on the basis of one vote for each Share represented at the meeting. During their term, Directors may not participate in voting on any OGA resolutions relating to the discharge of their obligations. The OGA shall use the cumulative voting method in appointing the Directors.

Resolutions of the Constituent General Assembly and OGA shall be adopted by a majority vote of the Shares represented thereat. If such resolutions relate to the evaluation of in-kind shares or special benefits, then the approval of the majority of two-thirds of the owners of cash Shares (after excluding the votes of the owners of in-kind Shares or the beneficiaries of special benefits) is required.

Duration of the Company

The duration of the Company shall be (99) ninety-nine Gregorian years commencing on the date of issuance of the Minister of Commerce's resolution announcing the conversion of the Company. The Company's duration may always be extended by a resolution of the EGA, taken at least (1) one year prior to the expiration of that term.

Winding-up and Dissolution

Upon the expiry of the Company's term, or dissolution prior to such time, the EGA shall, based on a proposal by the Board, decide the method of liquidation, appoint one or more liquidators and specify their powers and fees. The powers of the Board shall cease upon the Company's expiry. Nevertheless, the Board shall remain responsible for the management of the Company until the liquidators are appointed. The Company's departments shall maintain their powers to the extent that they do not interfere with the powers of the liquidators.

13. UNDERWRITING

13-1 Underwriter

Pursuant to the Underwriting Agreement entered into by and between the Company, the Selling Shareholders and Riyad Capital, the latter agreed to underwrite all the Offer Shares of (15,245,000) fifteen million two hundred forty-five thousand ordinary Shares, representing all the Offer shares at an Offer Price of SAR (36) per share.

Riyad Capital
P.O. Box 21116, Riyadh 11475
Kingdom of Saudi Arabia
Tel.: +966 11 4865695
Fax: +966 11 2826823
Website: www.riyadcapital.com
E-mail: pittsburgh@riyadcapital.com

13-2 Summary of the Underwriting Agreement

Pursuant to the terms and conditions of the Underwriting Agreement:

a) The Company and the Selling Shareholders undertake to the Underwriter that, on the first business day after the CMA approval on the allocation of the Offer Shares at the end of the Offering Period, they will:

- sell and allocate the Offer Shares to any Subscriber whose application for Offer Shares has been accepted by the Receiving Agents; and/or
- sell and allocate to the Underwriter any shares that are not purchased by Individual or Institutional Investors whose application for Offer Shares has been accepted.

b) The Underwriter undertakes to the Selling Shareholders that it will, on the date of allocation, purchase the Shares that are not subscribed for by the Individual or Institutional Investors whose application for Offer Shares has been accepted. The Company and the Selling Shareholders undertake to the Underwriter that they are committed to everything stated herein and to all terms of the Underwriting Agreement.

c) The Underwriter shall receive a fee for underwriting the Offering, consisting of a specific percentage of the total proceeds.

14. Expenses

The Selling Shareholders shall incur all expenses related to the Offering, amounting to approximately SAR 31 million. Such expenses will be deducted from the total proceeds from the Offering, amounting to SAR (548,820,000) million. The Offering expenses include fees of the Financial Advisor, Legal Advisor, Financial Due Diligence Advisor, Underwriter, Receiving Agents fees, marketing, printing and distribution fees, as well as other fees related to the Offering.

The Company will not bare any of the expenses relating to the Offering, which will be deducted from the proceeds of the Offering. Selling Shareholders will pay the underwriting expenses incurred by the Company immediately upon completion of the Offering.

15. Waivers

Neither the Company nor the Financial Advisor has applied to the CMA for any waivers of any listing requirements contained in the Listing Rules.

16. SUBSCRIPTION TERMS AND CONDITIONS

An application for admission and listing has been submitted to the CMA pursuant to the Listing Rules issued by the CMA in the Kingdom, and an approval of this Prospectus and all supporting documents have been obtained. All official approvals relating to the Offering have been obtained including:

1. Board resolution dated 10/05/1436H (corresponding to 01/03/2015G); and
2. CMA's approval of the Offering, published on the CMA's website on 19/06/1437H (corresponding to 28/03/2016G).

All Subscribers must carefully read the subscription terms and instructions prior to completing the Subscription Application Form. Signing the Subscription Application Form and delivering it to the Receiving Agent is deemed an acceptance of the subscription terms and conditions

Subscription

The Subscription comprises fully paid (15,245,000) fifteen million two hundred forty-five thousand ordinary Shares with a nominal value of (SAR 10) ten Saudi Riyals per Share, representing (30%) thirty percent of the Company's share capital. Such Shares will be offered at a price of SAR (36) per Share, with a total value of SAR (548,820,000). The subscription shall be limited to the following two tranches:

Tranche (A): Institutional Investors: This tranche comprises a number of institutions including mutual funds. The number of Shares allocated to Institutional Investors is (15,245,000) fifteen million two hundred forty-five thousand Offer Shares, representing 100% of the total number of Offer Shares. In the event the Individual Investors subscribe for the Offer Shares, the Institutional Investors Bookrunner may, after obtaining approval from the CMA, reduce the number of Shares allocated to Institutional Investors to (10,671,500) ten million six hundred seventy-one thousand five hundred ordinary Shares, representing (70%) seventy percent of the total ordinary Offer Shares. A percentage of (90%) ninety percent of the Shares in Tranche A will be allocated to mutual funds, although this percentage is subject to change in the event that other Institutional Investors, excluding these mutual funds, do not subscribe for the full remaining percentage (90%) ninety percent, or in the event that the mutual funds do not subscribe to the full percentage allocated to them corresponding to (10%) ten percent.

Tranche (B): Individual Investors: This tranche comprises Saudi natural persons, including divorced or widowed Saudi women with minor children by a non-Saudi husband who may subscribe for Offer Shares in their name(s) for her benefit, provided she submits proof of her marital status and motherhood. The Subscription shall be considered void if a person subscribes in the name of his divorced-wife, and if such a transaction is proven to have taken place, such applicant will prosecuted to fullest extent of the law. The maximum number of Offer Shares allocated to Individual Investors is (4,573,500) four million five hundred seventy-three thousand five hundred Offer Shares, representing (30%) thirty percent of the total number of the Offer Shares. In the event that the Individual Investors do not subscribe to all Offer Shares allocated to them, the Lead Manager may, subject to CMA's approval, reduce the number of Shares allocated to Individual Investors in proportion to the number of Shares to which they had subscribed.

How to Apply for Subscription

Subscribers must sign and submit their applications to purchase the Offer Shares at the specific times and dates and according to the mechanism defined in the Subscription Application Form for each tranche. A signed Subscription Application Form submitted to any of the Receiving Agents represents a legally binding agreement between the Selling Shareholders and the Subscriber.

The Selling Shareholders currently hold (100%) one hundred percent of the Company's share capital and their ownership will be (70)% seventy percent of the Company's share capital after the completion of the Offering. Subscribers may obtain a copy of the main Prospectus and Subscription Application Form from the following branches of the Receiving Agents:

Receiving Agents	
Al-Rajhi Bank Olaya Street PO. Box 28, Riyadh 11411, Kingdom of Saudi Arabia Tel.: +966 11 4629922 Fax: +966 11 4624311 E-mail: contactcenter1@alrajhibank.com.sa Website: www.alrajhibank.com.sa	Al Rajhi Bank مصرف الراجحي

Receiving Agents
Banque Saudi Fransi Ma'ather Road P.O. Box: 56006, Riyadh 11554, Kingdom of Saudi Arabia Tel.: +996 11 4042222 Fax: +966 11 4042311 E-mail: communications@alfransi.com.sa Website: www.alfransi.com.sa
Riyad Bank King Abdul Aziz Road PO. Box 22622, Riyadh 11614, Kingdom of Saudi Arabia Tel.: +996 11 4013030 Fax: +996 11 4042618 E-mail: customercare@riyadbank.com Website: www.riyadbank.com
Samba Financial Group King Abdul Aziz Road PO. Box 833, Riyadh 11421, Kingdom of Saudi Arabia Tel.: +996 11 4774770 Fax: +996 11 4799402 E-mail: CustomerCare@samba.com Website: www.samba.com
National Commercial Bank King Abdul Aziz Road PO. Box 3555, Jeddah 21481, Kingdom of Saudi Arabia Tel.: +996 11 4787877 Fax: +996 11 4730417 E-mail: contactus@alahli.com Website: www.alahli.com
Arab National Bank King Faisal Street PO. Box 56921, Riyadh 11564, Kingdom of Saudi Arabia Tel.: +996 11 4029000 Fax: +996 11 4027747 E-mail: abinayba@anb.com.sa Website: www.anb.com.sa

Subscription Period and Terms

The Receiving Agents will commence receiving Subscription Application Forms at their branches throughout Saudi Arabia from Wednesday 20/07/1437H (corresponding to 27/04/2016G) to 26/07/1437H (corresponding to 03/05/2016G). Once the Subscription Application Form is signed and submitted, the Receiving Agents will stamp it and provide the the Subscriber with a copy of the completed Subscription Application Form. In the event the information provided in the Subscription Application Form is incomplete or inaccurate, or not stamped by the applicable Receiving Agent, the Subscription Application Form will be considered void. Each Subscriber is required to specify the number of Shares applied for in the Subscription Application Form, in addition to sufficient funds in an amount equal to the number of Offer Shares applied for multiplied by the Offer Price of SAR (36) per Share.

Subscriptions by Individual Investors for less than (10) ten Offer Shares or fractional numbers will not be accepted. Increments are to be made in multiples of (10) ten Offer Shares. The maximum number of Shares to be applied for is (250,000) two hundred fifty thousand Offer Shares.

Subscription Application Forms should be submitted during the Offering Period and accompanied, where applicable, with the following documents. The Receiving Agents shall verify all copies against the originals and will return the originals to the Subscriber:

- The original and copy of the national civil identification card of the Individual Investor;
- Original and copy of the family identification card (for family members);
- Original and copy of the power of attorney (for family members);
- Original and copy of the power of custody (for orphans);
- Original and copy of the divorce certificate (for the children of Saudi female divorcees);
- Original and copy of the death certificate (for the children of Saudi female widows);
- Original and copy of the birth certificate (for the children of Saudi female divorcees or widows).

Power of attorney is only allowed for family members (parents and children only). In the event the Subscription Application Form is submitted on behalf of an Applicant (parents and children only), the name of the person signing on behalf of the Applicant should be stated therein. The power of attorney must be issued by the notary public for those who are in the Kingdom, and must be legalized through a Saudi embassy or consulate in the relevant country for Saudi Individual Investors residing outside the Kingdom.

One Subscription Application Form should be completed for the prime Subscriber and family members if they apply for the same number of Shares as the prime Subscriber. In this case:

1. all Shares allocated to the prime Subscriber and dependent Subscribers will be registered in the prime Subscriber's name.
2. the prime Subscriber will receive any refund in respect of amounts not allocated and paid for by himself or dependent Subscribers.
3. the prime Subscriber will receive all dividends distributed in respect of the Shares allocated to himself and dependent Subscribers (in the event the Shares are not sold or transferred).

Separate Subscription Application Forms must be used if:

1. The Subscriber wants to register the allocated Shares in a name other than the name of the prime Subscriber.
2. The dependent Subscriber applies for a different quantity of Shares than the prime Subscriber.
3. The wife subscribes in her name, adding allocated shares to her account (she must complete a separate Subscription Application Form as a prime Subscriber). In the latter case, applications made by the husbands on behalf of their spouses will be canceled, and the separate application of the wife will be processed by the Receiving Agent.

A divorced or widowed Saudi woman from a marriage to a non-Saudi individual is entitled to subscribe for the Offer Shares for her own benefit, in the names of her minor children (if any), on the condition that she proves that she is divorced or widowed and the mother of her minor children.

During the Offering Period, only a valid Iqama will be an acceptable form of identification for non-Saudi dependents. Passports or birth certificates will not be accepted. Non-Saudi dependents can only be included as dependents with their mother and cannot subscribe as prime Subscribers. The maximum age for non-Saudi dependents to be included with their mother is 18. Any documents issued by a foreign Government must be notarized (attested) by a Saudi consulate or embassy in the relevant country.

Each Applicant agrees to subscribe for and purchase the number of Shares specified in the Subscription Application Form submitted by the Subscriber for an amount equal to the number of Shares applied for, multiplied by the Offering Price of SAR (36) per Share. Each Subscriber shall be deemed to have purchased the number of Shares allocated to him/her upon:

1. delivery of the Subscription Application Form to any Receiving Agents by the Applicant;
2. payment in full by the Applicant to the Receiving Agents of the total value of Shares subscribed for; and
3. delivery to the Subscriber by the Receiving Agent of the allocation letter specifying the number of Shares allocated to him/her.

The total value of the Shares subscribed for must be paid in full at a branch of the Receiving Agents by depositing the related value into the Subscriber's account held with the Receiving Agent where the Subscription Application Form is being submitted.

If a submitted Subscription Application Form is not in compliance with the terms and conditions of the Subscription, the Company shall have the right to reject, in full or in part, such an application. The Applicant shall accept any number of Shares allocated to him/ her, other than if allocated shares exceed the number of Shares for which he has applied.

Allocations and Refunds

The Receiving Agents shall open and operate escrow accounts named “Al-Yamamah Steel Industries Company IPO”. Each of the Receiving Agents shall deposit all amounts received by the Subscribers into the escrow accounts mentioned above.

Notification of the final allocation and the refund of excess subscription monies, if any, will be made no later than Tuesday 03/08/1437H (corresponding to 10/05/2016G).

Allocation of Offer Shares to Institutional Investors

After the allocation of Offer Shares to Individual Investors, the Company will, as it deems appropriate, definitely allocate the Offer Shares to Institutional Investors in consultation with the Lead Manager.

Allocation of Offer Shares to Individual Investors

Each Individual Investor will be allocated a minimum of (10) ten Offer Shares. The remaining Offer Shares, if any, will be allocated on a pro-rata basis to the total number of Offer Shares subscribed for by each Subscriber. The Lead Manager reserves the right to increase the number of Shares allocated to Individual Investors to (30%) thirty percent of the total number of the Offer Shares and to decrease the number of Shares allocated to Institutional Investors to (70%) seventy percent of the total number of the Offer Shares. In the event that the number of Individual Investors exceeds (457,350) four hundred fifty-seven thousand three hundred fifty Subscribers, the Company will not guarantee the minimum allocation Offer Shares per Subscriber equal to (10) ten Shares for each Subscriber, and the Offer Shares will be allocated equally between all Subscribers. If the number of Individual Investors exceeds (4,573,500) four million five hundred seventy-three thousand five hundred, the allocation will be determined at the discretion of the CMA.

Excess subscription monies, if any, will be refunded to the Subscribers without any charge or withholding. Notification of the final allocation and refund of subscription monies, if any, will be made at the latest by Tuesday 03/08/1437H (corresponding to 10/05/2016G) in national daily newspapers published in the Kingdom.

The Lead Manager and Receiving Agents will commence refund of excess subscription monies to the concerned applicants. An allocation notice will be sent by Lead Manager and Receiving Agents to the Subscribers through an announcement in the local newspapers specifying the final number of allocated Shares and the excess subscription amount (if any) that will be refunded to such applicants. The Receiving Agents will also refund the excess subscription monies for the Shares unallocated to the relevant applicants pursuant to the allocation notice, without deduction of any fees or suspension of any amount, through deposit of such monies in the applicants’ accounts. For inquiries or more information, an Applicant can contact the branch of the Receiving Agent or the Receiving Agent to which the Applicant submitted the Application.

Miscellaneous

The Subscription Application and all related terms, conditions and covenants hereof shall be binding upon, and to the benefit of, the parties of the Subscription and their respective successors, assigns, executors, administrators and heirs; provided that, except as specifically contemplated herein, neither the Subscription Application nor any of the rights, interests or obligations arising pursuant thereto shall be assigned or delegated to any of the parties referred to herein without the prior written consent of the other party.

These instructions, the conditions and the receipt of any Subscription Application Forms or related contracts shall be governed, construed and enforced in accordance with the laws of the Kingdom.

The Selling Shareholders are subject to a Lock-up Period of (18) eighteen months from the date on which trading in the Company’s Shares in the market commences where they are restricted from disposition of any of the Company’s Shares they hold. After the Lock-up Period has lapsed, the current Shareholders may only dispose of their Shares after obtaining the CMA’s approval.

This Prospectus has been released in Arabic and English, and the Arabic text shall take precedence in the event of any conflict between the Arabic and English versions.

Circumstances and Times when Listing May Be Suspended or Cancelled

Listing Suspension or Cancellation

1. The CMA may, at any time, suspend or cancel the listing, as it deems appropriate, in any of the following circumstances:
   - The CMA considers it necessary for the protection of investors or the maintenance of an orderly market.
   - The issuer fails, in a manner which the CMA considers material, to comply with the Capital Market Law and its Implementing Regulations, including a failure to pay on time any fees or fines due to the CMA.
   - The liquidity requirements set out in paragraph (A) of Article (13) of the Listing Rules are no longer met.
   - The CMA considers that the issuer does not have a sufficient level of operations or sufficient assets to warrant the continued trading of its securities on the Exchange.
   - The CMA considers that the issuer or its business is no longer suitable to warrant the continued listing of its securities on the Exchange.
2. Where a suspension of an issuer continues for six (6) months, without the issuer taking appropriate actions to biography trading, the CMA may cancel the listing.
3. Upon an announcement of an EGA's approval on a capital increase resulting in a reverse takeover, the issuer's listing shall be canceled. The issuer must submit a new application for registration and admission to listing in accordance with these Rules, should it wish to list its securities.

Voluntary Cancellation or Suspension of A Listing

1. An issuer whose securities have been admitted to listing may not suspend or cancel the listing of its securities on the Exchange without the prior approval of the CMA. The issuer must provide the following to the CMA:
   - Specific reasons for the request for the suspension or cancellation.
   - A copy of the announcement of the cancellation reason.
   - If the cancellation is to take place as a result of a takeover or other corporate action by the issuer, a copy of the relevant documentation and a copy of each related communication to shareholders.
2. Once receiving approval from the CMA for the cancellation of listing, an issuer must obtain the consent of its EGA.
3. Where a suspension or cancellation is made at the issuer's request, the issuer must announce as soon as possible the reason for the suspension or cancellation, the anticipated period of the suspension, the nature of the event resulting in the suspension or the cancellation which affects the issuer's activities.
4. The CMA may accept or reject the request for suspension or cancellation at its discretion.

Temporary Suspension

1. An issuer may request a temporary suspension upon the occurrence of an event during trading period which requires immediate disclosure, where the issuer cannot maintain the confidentiality of this information until the end of the trading period.
2. To enable the CMA to assess the need for the temporary suspension and the appropriate duration of suspension, the request must be supported by:
   - Specific reasons for the request for the suspension and the duration of the requested suspension; and
   - A copy of the statement of suspension reason, the anticipated period of suspension, and the nature of the event behind the suspension.
3. Where a suspension is made at the issuer's request, the issuer must announce, as soon as possibly practicable, the reason for suspension, the anticipated period of suspension, and the event affecting the issuer's activities.
4. The CMA may accept or reject the request for suspension in its discretion.
5. The CMA may impose a temporary suspension without a request from the issuer where the CMA becomes aware of information or circumstances affecting the issuer's activities which the CMA considers would be likely to interrupt the operation of the Exchange or the protection of investors. An issuer whose securities are subject to suspension must continue to comply with the Capital Market Law and its Implementing Regulations.
6. The temporary suspension will be lifted following the elapse of the period referred to in the announcement specified in paragraph (3) of this Article, unless the CMA decides otherwise.

Lifting of Suspension

1. Where a listing has been suspended, the lifting of such suspension will depend on:
   - The events which led to the suspension have been sufficiently remedied, and the suspension is no longer necessary for the protection of investors.
   - The issuer complying with any other conditions that the CMA may require.
2. The CMA may lift a suspension even where the issuer has not requested it.

Re-listing of Cancelled Securities

An issuer is required to submit a new application for registration and admission to listing in order to re-list securities which have been cancelled.

17. Declarations Relating to the offering

Acknowledgments and Declarations Relating to the Subscription

By completing and delivering the Subscription Application Form, the Subscriber:

- agrees to subscribe for the Company's Shares in the number of such Shares specified in the Subscription Application Form;
- declares that he/she has read the Prospectus and all its contents and that the Subscriber has carefully and understood its content;
- accepts the Bylaws of the Company and all subscription instructions and terms mentioned in the Prospectus;
- retains his/her right to sue the Company for damages caused by incorrect or incomplete information contained in the Prospectus, or by omitting major information that should have been part of the Prospectus and could affect his/her decision to purchase the Shares.
- declares that neither himself nor any of his family members included in the Subscription Application Form has previously subscribed for the Shares, and agrees that the Company has the right to reject duplicate Subscription Applications;
- accepts the number of Shares allocated to him and all other subscription instructions and terms mentioned in the Subscription Application Form and the Prospectus; and
- undertakes not to cancel or amend the Subscription Application Form after submitting it to the Receiving Agents.

Saudi Stock Exchange (Tadawul)

Tadawul was founded in 2001G as an alternative to the Electronic Securities Information System. In 1990, full electronic trading in Saudi Arabian equities was introduced. Trading on Tadawul occurs through a fully integrated trading system covering the entire process from the trade execution to settlement. Trading occurs each business day between 10:00 am and 3:00 pm, during which orders are executed. However, other than those times, orders can be entered, amended or cancelled from 9:30 am until 10:00 am. New entries and inquiries can be made from 9:30 am of the opening session (starting at 10:00 am).

Transactions take place through the automatic matching of orders. Each valid order is accepted and generated according to the price level. In general, market orders that are placed at best price are executed first, followed by limit orders that are placed at a price limit, provided that if several orders are generated at the same price, they are executed according to the time of entry.

Tadawul distributes a comprehensive range of information through various channels, including, in particular, the Tadawul website on the Internet, which supplies trading data in real time to the information providers, such as Reuters. Exchange transactions are settled on the same day, meaning that ownership transfer takes place immediately after the trade is executed.

Issuers are required to report all material decisions and information to the investors via Tadawul. Surveillance and monitoring of the Market is the responsibility of Tadawul to ensure fair trading and effective functioning of the Market.

Trading on Tadawul

It is expected that dealing in the Shares will commence on Tadawul after finalization of the allocation process and the announcement of the start date of trading by Tadawul. Dates and times included in this Prospectus are indicative, and may be changed or extended subject to the approval of the CMA.

Furthermore, Offer Shares can only be traded after allocated Shares have been credited to Subscribers' accounts on "Tadawul", the Company has been registered in the Official List and its Shares listed on the Exchange. Pre-trading is strictly prohibited, and Applicants entering into any pre-trading activities will be acting at their own risk. The Company shall have no legal responsibility in such an event.

18. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents are available for inspection at the head office of the Company, during working days (from Sunday to Thursday) from 8:30 am to 4:30 pm, from Tuesday 05/07/1437H (corresponding to 12/04/2016G) and until Tuesday 26/07/1437H (corresponding to 03/05/2016G), provided that it shall not be less than 20 days from the date the Offering Period ends on:

- Company's commercial registration certificate;
- Subsidiary's commercial registration certificate;
- Company's Bylaws, any amendments thereto, and other constitutional documents;
- Company's Corporate Governance Manual;
- CMA approval to the Offering;
- Board resolution dated 10/05/1436H (corresponding to 01/03/2015G) approving the Offering;
- Company's Audited Financial Statements for the financial years ended 30 September 2013G, 2014G and 2015G;
- Subsidiary's Audited Financial Statements for the financial years ended 30 September 2013G, 2014G and 2015G;
- Company's Interim Financial Statements for the first quarter of the financial year ended 30 September 2016G;
- Subsidiary's Interim Financial Statements for the first quarter of the financial year ended 30 September 2016G;
- Company's Valuation Report;
- Market Report prepared by Market Consultant (in English);
- Copies of the Company's related-party agreements mentioned in Section 11 "Legal Information";
- Working Capital Report;
- Underwriting Agreement; and
- Written consent from:
  - Legal Advisor to the Company, Law Office of Salman M. Al-Sudairi, in association with Latham & Watkins LLP, to include their name and logo in the Prospectus;
  - The Auditor, to include their report, name and logo in the Prospectus;
  - Financial Due Diligence and Working Capital Advisor, PricewaterhouseCoopers, to include its name and logo in the Prospectus;.
  - Market Consultant, to include its market report, name and logo in the Prospectus; and
  - Underwriter, Financial Advisor, Lead Manager and Institutional Investors Bookrunner, to include its name and logo in the Prospectus;

19. Auditor's Report

AL YAMAMAH STEEL INDUSTRIES COMPANY

(Closed Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2015

with

INDEPENDENT AUDITORS' REPORT

KPMG Al Fozan & Al Sadhan
Zahran Business Centre, Tower A, 9th Floor
Prince Sultan Street
PO Box 55078
Jeddah 21534
Kingdom of Saudi Arabia

Telephone +966 12 698 9595
Fax +966 12 698 9494
Internet www.kpmg.com.sa

License No. 46/11/323 issued 11/3/1992

INDEPENDENT AUDITORS' REPORT

The Shareholders
Yamamah Steel Industries Company
(Closed Joint Stock Company)
Riyadh, Kingdom of Saudi Arabia

We have audited the accompanying consolidated financial statements of Yamamah Steel Industries Company ("the Company") and its subsidiary (collectively referred to as "the Group") which comprise the consolidated balance sheet as at September 30, 2015 and the related consolidated statements of income, cash flows and changes in equity for the year then ended and the attached notes 1 through 28 which form an integral part of the consolidated financial statements.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia and in compliance with Article (123) of the Regulations for Companies and the Company's Bylaws and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. Management has provided us with all the information and explanations that we require relating to our audit of these consolidated financial statements.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with generally accepted auditing standards in the Kingdom of Saudi Arabia. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KPMG

Opinion

In our opinion, the consolidated financial statements taken as a whole:

1) Present fairly, in all material respects, the consolidated financial position of the Group as at September 30, 2015, and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia appropriate to the circumstances of the Group.

2) Comply with the requirements of the Regulations for Companies and the Company's Bylaws with respect to the preparation and presentation of the financial statements.

Emphasis of Matter

We draw attention to note (23 – A) to the consolidated financial statements which refers to the potential claim by one of the subsidiary's major service providers, that could reach an amount of approximately SR 124 million for the differences between the assigned quantities of Water and Electricity and the quantities actually consumed by the Subsidiary for the years from 2008 to 2013. In light of the uncertainty related to this issue and based on the legal opinion that supports the Subsidiary's position, in addition to the guarantees provided by the ultimate shareholders, as described in details in the note referred to above, this amount was not considered as liability on the Group as at the date of the consolidated balance sheet.

For KPMG Al Fozan & Al Sadhan:

Ebrahim Oboud Baeshen
License No. 382

KPMG Al Fozan & Al Sadhan
Certified Public Accountants

Jeddah, Safar 4, 1437H
Corresponding to November 16, 2015

AL YAMAMAH STEEL INDUSTRIES COMPANY

(A closed Joint Stock Company)

CONSOLIDATED BALANCE SHEET

As at 30 September 2015

Expressed in Saudi Riyals

	Notes	2015	2014
ASSETS			
Current assets:			
Cash and cash equivalent	4	45,646,181	28,214,910
Trade receivables	5	247,157,925	310,302,869
Inventories	6	500,864,874	511,015,955
Prepayments and other current assets	7	33,886,216	29,217,852
Total current assets		827,555,196	878,751,586
Non-current assets:			
Available for sale investments	8	62,642	62,642
Deferred costs, net	9	3,772,067	6,516,218
Property, plant and equipment	10	485,368,957	479,400,653
Total non-current assets		489,203,666	485,979,513
Total assets		1,316,758,862	1,364,731,099
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Short-term bank loans	11-A	400,068,907	462,805,294
Current portion of long-term bank loans	11-B	11,250,000	47,570,305
Trade payables		47,181,140	44,896,201
Provisions	12	7,274,222	5,482,980
Zakat provision	18	26,228,495	22,220,480
Accrued expenses and other current liabilities	13	33,436,314	29,865,031
Total current liabilities		525,439,078	612,840,291
Non-current liabilities:			
Long-term bank loans	11-B	15,150,000	23,020,000
Employees' end of service benefits	14	20,725,653	17,629,702
Total non-current liabilities		35,875,653	40,649,702
Total liabilities		561,314,731	653,489,993
SHAREHOLDERS' EQUITY			
Equity attributable to Company's shareholders:			
Share capital	15	508,000,000	508,000,000
Statutory reserve	16	35,474,003	19,599,960
Net changes in fair value of available for sale investments	8	36,642	36,642
Retained earnings		84,204,359	68,337,978
Total equity attributable to Company's shareholders		627,715,004	595,974,580
Non-controlling interest		127,729,127	115,266,526
Total Shareholders' equity		755,444,131	711,241,106
Total liabilities and Shareholders' equity		1,316,758,862	1,364,731,099

The accompanying notes 1 through 28 form an integral part of these consolidated financial statements.

AL YAMAMAH STEEL INDUSTRIES COMPANY

(A closed Joint Stock Company)

CONSOLIDATED STATEMENT OF INCOME

For the year ended 30 September 2015

Expressed in Saudi Riyals

	Note	2015	2014
Net sales		2,020,241,313	2,011,739,781
Costs of sales		(1,737,850,730)	(1,766,688,169)
Gross profit		282,390,583	245,051,612
Selling and distribution expenses	20	(28,161,056)	(25,859,310)
General and administrative expenses	21	(42,430,240)	(39,524,055)
Income from operations		211,799,287	179,668,247
Other income	22	4,307,862	3,428,734
Financial charges		(15,121,558)	(17,756,137)
Net income before Zakat and non-controlling interests		200,985,591	165,340,844
Zakat	18	(14,520,065)	(11,642,624)
Net income before non-controlling interests		186,465,526	153,698,220
Non-controlling interests		(27,725,101)	(21,765,249)
Net income		158,740,425	131,932,971
Earnings per share from:	19		
Income from operations		4.17	3.54
Other income		0.08	0.07
Net income		3.12	2.60

The accompanying notes 1 through 28 form an integral part of these consolidated financial statements.

AL YAMAMAH STEEL INDUSTRIES COMPANY

(A closed Joint Stock Company)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 September 2015

Expressed in Saudi Riyals

	Notes	2015	2014
Operating activities			
Net income before Zakat and non-controlling interests		200,985,591	165,340,844
Adjustments to reconcile net income to cash flows provided by operating activities:			
Depreciation	10	35,220,417	38,346,006
Gains on sale of property, plant and equipment	22	(55,322)	(110,834)
Provision for doubtful debts – provided for during the year	5	--	2,347,784
Provision for doubtful debts – utilized during the year	5	(322,273)	(748,720)
Provision for slow moving inventory	6	--	1,500,000
Provision for slow moving inventory – utilized during the year	6	--	(767,641)
Transfer of projects under construction to expenses		--	1,040,000
Projects under construction written off		--	478,250
Amortization of deferred costs	9	2,744,150	3,809,898
Financial charges		15,121,558	17,756,137
Provisions formed during the year	12	1,791,242	5,482,980
Provision for employee's end of service benefits charge of the year	14	4,402,264	4,797,877
		259,887,627	239,272,581
Changes in operating assets and liabilities:			
Trade receivables		63,467,217	(90,005,047)
Inventories		10,151,081	35,816,736
Due from related parties		--	58,175,587
Prepayments and other current assets		(4,668,363)	4,642,995
Trade payables		2,284,939	7,937,536
Accrued expenses and other current liabilities		3,571,283	1,521,969
Zakat paid	18	(10,512,050)	(8,825,519)
Employees' end of service benefits paid	14	(1,306,313)	(899,145)
Net cash flow provided by operating activities		322,875,421	247,637,693
Investing activities			
Purchase of property, plant and equipment	10	(41,250,139)	(70,311,410)
Proceeds from sale of property, plant and equipment		116,740	120,542
Net cash flows used in investing activities		(41,133,399)	(70,190,868)

AL YAMAMAH STEEL INDUSTRIES COMPANY

(A closed Joint Stock Company)

CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

For the year ended 30 September 2015

Expressed in Saudi Riyals

	Notes	2015	2014
Financing activities			
Net movement in short-term loans		(62,736,387)	(36,889,917)
Net movement in long-term loans		(44,190,305)	(55,503,435)
Financial charges paid		(15,121,558)	(17,756,137)
Dividends paid to non-controlling interests		(15,262,500)	(12,375,000)
Dividends paid to the company's shareholders	17	(127,000,001)	(67,056,000)
Net cash flows used in financing activities		(264,310,751)	(189,580,489)
Change in cash and cash equivalents		17,431,271	(12,133,664)
Cash and cash equivalents at the beginning of the year		28,214,910	40,348,574
Cash and cash equivalents at the end of the year	4	45,646,181	28,214,910

The accompanying notes 1 through 28 form an integral part of these consolidated financial statements.

AL YAMAMAH STEEL INDUSTRIES COMPANY

(A closed Joint Stock Company)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 September 2015

Expressed in Saudi Riyals

	Total equity attributable to the Company's shareholders						
	Capital	Statutory reserve	Change in fair value of available for sale investments	Retained earnings	Total	Non-controlling interests	Total shareholders' equity
Balance at October 1, 2013	508,000,000	6,406,663	16,364	16,654,304	531,077,331	105,876,277	636,953,608
Net income for the year	--	--	--	131,932,971	131,932,971	21,765,249	153,698,220
Transferred to statutory reserve	--	13,193,297	--	(13,193,297)	--	--	--
Changes in fair value of available for sale investments	--	--	20,278	--	20,278	--	20,278
Dividends paid	--	--	--	(67,056,000)	(67,056,000)	--	(67,056,000)
Non-controlling interests' share of dividends paid by the subsidiary	--	--	--	--	--	(12,375,000)	(12,375,000)
Balance at September 30, 2014	508,000,000	19,599,960	36,642	68,337,978	595,974,580	115,266,526	711,241,106
Net income for the year	--	--	--	158,740,425	158,740,425	27,725,101	186,465,526
Transferred to statutory reserve	--	15,874,043	--	(15,874,043)	--	--	--
Dividends paid	--	--	--	(127,000,001)	(127,000,001)	--	(127,000,001)
Non-controlling interests' share of dividends paid by the subsidiary	--	--	--	--	--	(15,262,500)	(15,262,500)
Balance at September 30, 2015	508,000,000	35,474,003	36,642	84,204,359	627,715,004	127,729,127	755,444,131

The accompanying notes 1 through 28 form an integral part of these consolidated financial statements.

Expressed in Saudi Riyals

1. ORGANIZATION AND PRINCIPAL ACTIVITIES

Al Yamamah Steel Industries Company (“the Company” or “the parent company”) is a closed joint stock company registered in Riyadh under Commercial Registration No. 1010070794 dated 01/06/1409H as per the Minister of Commerce Decree No. (726) dated 20/03/1427H, His Highness approval on the incorporation of the Company No (1491) dated 30/05/1427H, corresponding to 26/06/2006. The company is operating under Industrial License No. 144/X dated 22/03/1409H and the amendments pursuant to it. The Company is principally engaged in:

production of welded steel pipelines (black/ galvanized), iron pipes, cutting iron sheets, production of bars and clips for tying, roadblocks, reinforcing steel bars from scrap, handy carts, hollowed iron sectors, structured tires, and shaped iron steel bars.

a) Production of galvanized electric poles.
b) Production of electric power towers.
c) Production of special iron steel bars for metal constructions.
d) The Company operates through its factories in the following cities in KSA and these factories operate under the following commercial registrations:

Factory	City	Commercial Registration No.	Date
Al Yamamah Steel Industries	Jeddah	4030068043	28/04/1410
Al Yamamah Electric Poles	Jeddah	4030148938	09/03/1425
Al Yamamah Steel Industries	Dammam	2050059045	07/03/1429
Al Yamamah Electric Power Towers Factory	Jeddah	4030180886	09/07/1429

These consolidated financial statements include the financial statements of the company, its branches, and the subsidiary mentioned below, which its head office is located in Riyadh and its factory is located in Yanbu, (collectively referred to as the “group”).

Company’s name	Country of incorporation	Ownership
Al Yamamah Company for Reinforcing Steel Bars	KSA	72.5%

The subsidiary is principally engaged in reinforcing steel bars, and wholesale and retail trading in reinforcing steel bars.

On 13/03/1435H, corresponding to January 14, 2014, the shareholders of the subsidiary resolved to convert Al Yamamah Company for Reinforcing Steel Bars from a limited liability company to closed joint stock company. The approval was obtained from the Minister of Trade on 13/03/1435H, corresponding to 14/01/2014, as per the Ministerial Decree No. (205) dated 25/08/1435H, corresponding to 23/06/2014, to change the Company from a limited liability company to a closed joint stock company.

1. ORGANIZATION AND PRINCIPAL ACTIVITIES (continued)

The Company's registered Office is located in:

Al Yamamah Steel Industries Company

Riyadh 11534

P.O. Box. 55303

Kingdom of Saudi Arabia

2. BASIS OF PREPARATION

(a) Statement of compliance

The accompanying consolidated financial statements have been prepared in accordance with the generally accepted accounting standards in the Kingdom of Saudi Arabia issued by the Saudi Organization for Certified Public Accountants (SOCPA).

(b) Basis of measurement

The consolidated financial statements have been prepared on historical cost basis, except for the available for sale investments which is measured at fair value and using the accrual basis of accounting and the going concern concept.

(c) Basis of consolidation

The consolidated financial statements include the financial statements of the company and its subsidiary as at September 30 of each year as shown in note 1. The financial statements of the subsidiary was prepared for the same reporting year.

Subsidiary

A subsidiary is an entity controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date control ceases. All intra-group balances and financial transactions resulting from transactions between the Company and the subsidiaries and those arising between the subsidiaries are eliminated in preparing these consolidated financial statements. Any unrealized gains and losses arising from intra-group transactions are also eliminated on consolidating the interim consolidated financial statements.

Non-controlling interest

Non-controlling interest represents the interest in subsidiary companies, not held by the Company which are measured at their proportionate share in the subsidiary's identifiable net assets. Transactions with Non-controlling interest parties are treated as transactions with parties external to the Group.

2. BASIS OF PREPARATION (continued)

(d) Functional and presentation currency

These consolidated financial statements are presented in Saudi Arabian Riyals (SR) which is the functional and reporting currency of the Group companies.

(e) Use of estimates and judgments

The preparation of consolidated financial statements requires management to make judgment, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods affected.

Information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have significant effect on the amounts recognized in the consolidated financial statements are as follows:

- **Impairment of accounts receivable**

A provision for impairment of receivables 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 agreement. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators of objective evidence that the trade receivable is impaired. For significant individual amounts, assessment is made on an individual basis. Amounts which are not individually significant, but are overdue, are assessed collectively and a provision is recognized considering the length of time considering past recovery rates.

- **Provision for slow moving inventories**

Management makes a provision for slow moving and obsolete inventory items. Estimates of net realizable value of inventories are based on the most reliable evidence at the time the estimates are made. These estimates take into consideration fluctuations of price or cost directly related to events occurring subsequent to the balance sheet date to the extent that such events confirm conditions existing at the end of year.

- **Useful lives of property, Plant and equipment**

The management determines the estimated useful lives of property and equipment for calculating depreciation. This estimate is determined after considering expected usage of the assets and physical wear and tear. Management reviews the residual value and useful lives annually and change in depreciation charges, if any, are adjusted in current and future periods.

2. BASIS OF PREPARATION (continued)

(e) Use of estimates and judgments (continued)

- **Impairment of non-financial assets**

Non-current assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss, if any, is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. Non-current assets and 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 statement of income.

- **Impairment of available-for-sale investments**

The management exercises judgment to calculate the impairment loss of available for sale investments as well as their underlying assets. This includes the assessment of objective evidence which causes an other than temporary decline in the value of investments. In case of equity instruments any significant and prolonged decline in the fair value of equity investment below its cost is considered as objective evidence for such impairment. The determination of what is 'significant' and 'prolonged' requires management's judgment. The management also considers impairment testing to be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows. Furthermore, management considers 20% or more as a reasonable measure for significant decline below its cost, irrespective of the duration of the decline, and is recognized in the consolidated statement of income as impairment charge on investments. Prolonged decline represents decline below cost that persists for 9 months or longer irrespective of the amount and is, thus, recognized in the consolidated statement of income as impairment charge on investments. The previously recognized impairment loss in respect of equity investments cannot be reversed through the consolidated statement of income.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in the financial statements.

(a) Cash and cash equivalents

Cash and cash equivalents comprise bank balances, cash in hand, time deposits and investments in mutual funds, if any, that are readily convertible to cash and has a maturity of 3 months or less as at the original investment date, if any, which are available to the Group without any restrictions.

(b) Trade receivable

Trade receivables are stated at original invoice amount less provisions made for doubtful debts. A provision against doubtful debts is established when there is an objective evidence that the Group will not be able to collect the amounts due according to the original terms of the receivables. Bad debts are written off when identified, against their related provisions. The provisions are charged to consolidated statement of income and any subsequent recovery of receivable amounts previously written off are credited to income.

(c) Inventories

Inventories are measured at the lower of cost and net realisable value. Cost is determined using the weighted average method. Cost includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value comprises estimated selling price in the ordinary course of business, less further production costs to completion and appropriate selling and distribution costs. Provision is made, where necessary, for obsolete, slow moving and defective stocks.

(d) Available for sale investments

Available for sale investments principally consist of less than 20% share in quoted and unquoted equity investments including mutual funds investments, which are not held for trading purposes and where the Group does not have any significant influence or control. These are initially recognized and subsequently re-measured at fair value. Any changes in fair value are recognized in equity as fair value reserve until the investment is disposed. Any significant and prolonged decline in value of the available for sales investments, if any, is charged to the consolidated statement of income. The fair value of investments that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business on the consolidated balance sheet date. For investments where there is no active market, including investments in unquoted privet equity, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument, which is substantially the same; discounted cash flow analysis and option pricing models, otherwise the cost is considered to be the fair value for these investments.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Deferred costs

Deferred costs represent the costs incurred by the Group related costs activities prior to the operations stages and which will have future benefit for the Group in the coming years. These costs are amortized over their estimated useful lives using the straight-line method over a maximum period of 5 years.

(f) Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any impairment in value, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset. Finance costs on borrowings to finance the construction of the assets are capitalized during the period of time that is required to complete and prepare the asset for its intended use.

All other expenditures are recognized in the consolidated statement of income when incurred. Depreciation is charged to the consolidated statement of income on a straight-line basis over the estimated useful lives of the individual items of property, plant and equipment.

Repair and maintenance expenditures are charged to the consolidated statement of income. Improvements that increase the value or materially extend the life of the related assets are capitalized

Freehold land is not depreciated. The cost less estimated residual value of Property, plant and equipment is depreciated on a straight line basis over the estimated useful lives of the assets effective from its date of purchase or construction. Paper products factory plant and equipment related to the subsidiary are depreciated using the units of production method.

The estimated useful lives of assets for the current and comparative year are as follows:

	Years
Buildings	20-33
Machinery and equipments	10-20
Computers, softwares and electric equipment	5
Fixtures and furniture	5
Motor vehicles	5

(g) Accounts payable and accruals

Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Borrowings

Borrowings are recognized at the proceeds received, net of transaction costs incurred. Further, upfront fees that were deducted in advance by the SIDF, is deferred and presented netting of the principle amount of the loan. Such deferred amount is amortized over the term of the loan using the straight line method which is not materially different from applying the prevailing interest rate). Borrowing costs that are directly attributable to the construction of a qualifying asset are capitalized up to stage when substantially all the activities necessary to prepare the qualifying asset for its intended use are completed and, otherwise, such costs are charged to the consolidated statement of income.

(i) Provisions

A provision is recognized if, as a result of past events, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probably that an outflow of economic benefit, will be required to settle the obligation.

(j) Employees' end of service benefits

Employees' end of service benefits, calculated in accordance with Saudi Arabian labour regulations, are accrued and charged to the consolidated statement of income. The liability is calculated at the current value of the vested benefits to which the employee is entitled, should his services be terminated at the balance sheet date.

(k) Revenue recognition

Revenue is recognized to the extent of the following recognition requirements:

- It is probable that the economic benefits will flow to the Group,
- It can be reliably measured, regardless of when the payment is being made
- The cost incurred to date and expected future costs are identifiable and can be measured reliably.

Revenue is measured at the fair value of the consideration received or the contractually defined terms of payment. The specific recognition criteria described below must also be met before the revenue is recognized.

Sale of goods

Revenue from sales is recognized upon delivery or shipment of products by which the significant risks and rewards of ownership of the goods have been transferred to the buyer and the Group has no effective control or continuing managerial involvement to the degree usually associated with ownership over the goods. Sales is recorded net of returns, trade discounts and volume rebates.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Expenses

Selling and distribution expenses are those arising from the Group's efforts underlying the selling and distribution functions. All other expenses, excluding cost of sales and financial charges, are classified as general and administrative expenses. Allocations of common expenses between cost of sales and selling and distribution and general and administrative expenses, when required, are made on consistent basis.

(m) Zakat

The Company and its subsidiary are subject to zakat in accordance with the regulations of Saudi Department of Zakat and Income Tax ("DZIT"). Zakat is accrued and charged to the statement income currently. Additional zakat liability, if any, related to prior years' assessments arising from DZIT are accounted for in the period in which the final assessments are finalized.

(n) Dividends

Interim dividends are recorded in the period in which they are approved by the Board of Directors. Final Dividends are recorded in the year in which they are approved by the Shareholders' General Assembly.

(o) Segment reporting

A segment is a distinguishable component of the Group that is engaged in providing products or services, which is subject to risks and rewards that are different from those of other segments. The Group's primary format for segmental reporting is based on business segments. The business segments are determined based on the Group's management and internal reporting structure.

(p) Statutory reserve

As required by Saudi Arabian Regulations for Companies and the Company article of association, the Company is required to transfer 10% of its net income each year to the statutory reserve until the reserve reaches 50% of the capital. The limit have been achieved on the previous years.

(q) Contingent liabilities and contingent assets

i. Contingent liabilities

All possible obligations arising from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly with the control of the Group; or all present obligations arising from past events but not recognized because: (i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or (ii) the amount of the obligation cannot be measured with sufficient reliability; all should be assessed at each balance sheet date and disclosed in the Group's financial statements under contingent liabilities.

ii. Contingent assets

All possible assets arising from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group should be assessed at each balance sheet date and are disclosed in the financial statements under contingent assets.

Expressed in Saudi Riyals

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at September 30, comprise the following:

	2015	2014
Cash at banks - current accounts	45,325,011	21,636,602
Cash on hand	321,170	6,578,308
	45,646,181	28,214,910

5. TRADE RECEIVABLES

Trade receivables as of September 30, comprise the following:

	Note	2015	2014
Trade customers		148,115,907	130,232,208
Trade customers - related parties	24	101,389,803	182,740,719
		249,505,710	312,972,927
Less: provision for doubtful debts	5-1	(2,347,785)	(2,670,058)
		247,157,925	310,302,869

5-1 Movement in provision for doubtful debts during the year is analyzed as follows:

	2015	2014
Balance at the beginning of the year	2,670,058	1,070,994
Provision formed during the year	--	2,347,784
Provision utilized during the year	(322,273)	(748,720)
Balance at the end of the year	2,347,785	2,670,058

Expressed in Saudi Riyals

6. INVENTORIES

Inventories as of September 30 comprise the following:

	Note	2015	2014
Raw materials		242,659,188	329,987,761
Finished goods		107,141,885	105,172,053
Spare parts		53,543,226	50,334,530
Work in progress		13,528,197	16,434,184
Goods in transit		85,492,378	10,587,427
		502,364,874	512,515,955
Less: provision for slow moving inventory	6-1	(1,500,000)	(1,500,000)
		500,864,874	511,015,955

6-1 Movement in provision for slow moving inventory during the year was as follows:

	2015	2014
Balance at the beginning of the year	1,500,000	767,641
Provision formed during the year	--	1,500,000
Provision utilized during the year	--	(767,641)
Balance at the end of the year	1,500,000	1,500,000

7. PREPAYMENTS AND OTHER CURRENT ASSESTS

Prepayments and other current assets as of September 30 comprise the following:

	2015	2014
Advances to suppliers	25,474,192	20,667,623
Prepaid medical insurance	2,280,006	2,091,321
Staff advances	2,272,418	2,123,377
Others	3,859,600	4,335,531
	33,886,216	29,217,852

Expressed in Saudi Riyals

8. AVAILABLE FOR SALE INVESTMENTS

Available for sale investments represent the company's investment in Arabian Pipelines Company (Saudi joint stock listed company) as follows:

	Cost	Change in fair value	2015	2014
Arabian Pipelines Company	26,000	36,642	62,642	62,642

9. DEFERRED COST

The movement in the deferred cost during the year ended September 30 was as follows:

	Note	2015	2014
Cost:			
Cost at the beginning and end of the year		43,930,285	43,930,285
Fully amortized deferred costs		(18,569,837)	(18,569,837)
		25,360,448	25,360,448
Accumulated amortization:			
Balance at the beginning of the year		37,414,068	33,604,169
Fully amortized		(18,569,837)	(18,569,837)
		18,844,231	15,034,332
Amortization for the year	21	2,744,150	3,809,898
Balance at the end of the year		21,588,381	18,844,230
Net book value		3,772,067	6,516,218

Deferred costs represent the costs that occurred and related to the establishment of new sites and includes all costs such as consultants and expert fees, legal fees and license fees for the registration of the new branch or site.

Expressed in Saudi Riyals

10. PROPERTY, PLANT AND EQUIPMENT

The movement in property, plant and equipment during the year ended 30 September 2015 is as follows:

	Lands	Buildings	Plant & machinery	Vehicles	Furniture & office equipment	Computers & softwares & electronic equipment	Equipment & tools	Capital work in progress	Total
Cost:									
Balance at October 1, 2014	13,264,725	238,684,632	378,312,639	4,798,160	3,982,551	13,487,658	10,278,242	50,930,838	713,739,445
Additions	--	--	5,365,603	948,218	299,800	749,755	282,497	33,604,266	41,250,139
Disposals	--	--	--	(301,930)	(43,161)	(550)	(10,992)	--	(356,633)
Transferred from Capital work in progress	--	27,753,138	51,526,886	--	404,300	662,170	--	(80,346,494)	--
Balance at September 30, 2015	13,264,725	266,437,770	435,205,128	5,444,448	4,643,490	14,899,033	10,549,747	4,188,610	754,632,951
Accumulated depreciation:									
Balance at October 1, 2014	--	52,455,510	160,879,906	3,258,616	3,451,726	9,490,125	4,802,909	--	234,338,792
Depreciation charge for the year	--	9,624,872	22,002,030	659,809	239,479	2,138,764	555,463	--	35,220,417
Disposals	--	--	--	(253,962)	(33,783)	(550)	(6,920)	--	(295,215)
Balance at September 30, 2015	--	62,080,382	182,881,936	3,664,463	3,657,422	11,628,339	5,351,452	--	269,263,994
Net book value:									
At September 30, 2015	13,264,725	204,357,388	252,323,192	1,779,985	986,068	3,270,694	5,198,295	4,188,610	485,368,957
At September 30, 2014	13,264,725	186,229,121	217,432,733	1,539,544	530,825	3,997,533	5,475,334	50,930,838	479,400,653

Expressed in Saudi Riyals

10. PROPERTY, PLANT AND EQUIPMENT (continued)

Depreciation charge for the year ended September 30 is allocated as follows:

	Note	2015	2014
Cost of sales		31,609,615	34,814,563
Selling and distribution expenses	20	120,419	174,371
General and administrative expenses	21	3,490,383	3,357,072
		35,220,417	38,346,006

a) Property, plant and equipment includes property and equipment mortgaged to Saudi Industrial Development Fund (SIDF) related to the Company's branch, Al Yamamah Electric Poles Factory, with a NBV as at September 30, 2015 amounted to SR 65 million (September 30, 2014: SR 59 million). Note (11 – B).

b) The factory's buildings of the subsidiary with NBV amounted to SR 101 million as at September 30, 2015 (2014: SR 104 million) are established on a piece of land leased from the Royal Commission for Yanbu for 35 years, started on Rabie Al Thani 5, 1427H, for a nominal annual lease. The lease is renewable for a similar period with similar and other terms as agreed between the parties.

c) The Company's buildings with NBV amounted to SR 62 million as at September 30, 2015 (2014: SR 37 million) are established on a piece of land leased from the Saudi Authority for Industrial Cities and Technical Areas (MODON) for 20 years, started on Shawal 29, 1429 H, for a nominal annual lease, The lease is renewable for a similar period with similar and other terms as agreed between the parties, except for the poles and towers factories as they are established on a land owned by the company.

d) Capital work in progress represent the following projects:

	2015	2014
Steel blocks	2,571,968	2,571,968
Development of pipelines production factory project-Jeddah	1,197,658	14,800,170
Pipelines production factory project-Dammam	139,588	25,333,351
Administration building and workers residence project	--	3,830,722
Tower factory expansion project	--	3,504,673
Poles factory expansion project	--	889,954
Others	279,396	--
	4,188,610	50,930,838

Expressed in Saudi Riyals

11. BANK FACILITIES

Bank facilities from local banks

The Group has bank facilities from some local banks with a utilized amount of SR 734 million (2014: SR 1,026 million) represented in letters of guarantee and letters of credit and short and long term bank facilities to meet and finance its working capital and capital expenditures of the Companies of the Group. All the bank facilities bear bank commissions at the commercial rates prevailing in the market, and these facilities are guaranteed by a promissory note issued by the company.

SIDF loans

The company obtained a loan on 31 October 2013, from Saudi Industrial Development Fund "SIDF" for the expansion of Al Yamamah Electric Poles Factory with a maximum limit of SR 16.9 million, the loan is repayable over semi-annual installments commencing on 15 Shawwal 1436H corresponding to July 31, 2015 and ends on 15 Rabie' II 1442H corresponding to November 30, 2020. The loan is secured by pledging the properties and buildings established or that will be established on the land including the whole factory with its machinery, equipment and accessories and extension and every other thing that will be obtained for the project. The agreement includes some covenants that includes maintaining specific financial ratio.

(r) Short-term bank loans

Short-term loans represents outstanding amounts of overdrafts and short term loans facilities with commercial banks to finance the working capital of the companies of the Group.

Short-term bank loans at September 30 comprise the following:

	2015	2014
Arab National Bank	311,128,124	260,820,265
Saudi Fransi Bank	83,500,000	175,717,256
Al Rajhi Bank	5,440,783	26,267,773
	400,068,907	462,805,294

(s) Long-term bank loans

Long-term bank loans at September 30 comprise the following:

	2015	2014
Arab National Bank	10,000,000	30,000,000
Saudi Fransi Bank	--	27,070,305
The Saudi Industrial Development Fund*	16,400,000	13,520,000
	26,400,000	70,590,305

Expressed in Saudi Riyals

11. BANK FACILITIES (continued)

Long-term bank loans were presented in the consolidated balance sheet as follows:

	2015	2014
Current portion under current liabilities	11,250,000	47,570,305
Non-current portion under non-current liabilities	15,150,000	23,020,000
	26,400,000	70,590,305

The non-current portion is due as follows:

Year	Amount
2017	1,950,000
2018	2,700,000
2019	3,500,000
2020	4,500,000
2021	2,500,000
	15,150,000

12. PROVISIONS

Movement in provision is as follows:

	2015	2014
Balance at the beginning of the year	5,482,980	--
Provision during the year	1,791,242	5,482,980
Balance at the end of the year	7,274,222	5,482,980

According to the claim received from the Electricity and Water Utilities Company in Yanbu and Jubail (MARAFIQ) for the differences between the quantities for consumption of the water and electricity agreed on between MARAFIQ and the subsidiary and the actual quantities consumed by the subsidiary (Note 23 – A), the subsidiary has calculated and formed a provision for the differences between the quantities of water and electricity agreed on between MARAFIQ and the subsidiary and the actual quantities consumed by the subsidiary for the period from January 1, 2015 and up to the date of the balance sheet to meet any future claims related to that period.

Expressed in Saudi Riyals

13. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expense and other current liabilities comprise of the following:

	2015	2014
Accrued expenses	11,756,043	11,555,915
Accrued staff incentives	10,103,012	8,003,971
Accrued financial charges	2,870,653	2,673,991
Advances from customers	8,000,939	6,483,620
Other credit balances	705,667	1,147,534
	33,436,314	29,865,031

14. EMPLOYEES' END OF SERVICES BENEFITS

Movement in the employees' end of service benefits during the year was as follows:

	2015	2014
Balance at the beginning of the year	17,629,702	13,730,970
Provision formed during the year	4,402,264	4,797,877
Payments during the year	(1,306,313)	(899,145)
Balance at the end of the year	20,725,653	17,629,702

15. SHARECAPITAL

The subscribed and fully paid-up capital of the Company was SR 508 million (September 30, 2014: SR 508 million) divided into 50.8 million shares (September 30, 2014: 50.8 million shares) of 10 SR each (September 30, 2014: SR 10).

On 26/05/1436H, corresponding to 17/03/2015, 7,373,290 shares of the shares owned by Al Muhanna Trading Company, which is owned by Mohammed and Abdullah Al Muhanna, were sold, with all their rights and associated obligations to Abdul Aziz Bin Abdullah Bin Ibrahim Al Muhanna and Ibrahim Bin Abdullah Bin Ibrahim Al Muahnna and Muahnna Bin Abdullah Bin Ibrahim Al Muahnna.

The legal procedures to update the Article of Association of the company is still in process, where the share capital will be distributed as follows:

Expressed in Saudi Riyals

15. SHARECAPITAL (continued)

	2015			2014		
Shareholders	No. of shares	%	Amount	No. of shares	%	Amount
Rashid Abdel Rahman Al Rashid & Sons Company	12,288,816	24.19%	122,888,160	12.288.816	24.19%	122.888.160
Abdulqader Almuhaiedeb & Sons Company	12,288,816	24.19%	122,888,160	12.288.816	24.19%	122.888.160
Al Majel Trading & Contracting Company	8,056,002	15.86%	80,560,020	8.056.002	15.86%	80.560.020
Al Muhanna Trading Company	4,915,526	9.68%	49,155,260	12.288.816	24.19%	122.888.160
Mr. Abdul Aziz Bin Abdallah Bin Ibrahim Al Muhanna	2,457,764	4.84%	24,577,640	--	--	--
Mr. Ibrahim Bin Abdullah Bin Ibrahim Al Muhanna	2,457,763	4.84%	24,577,630	--	--	--
Mr. Muhanna Bin Abdullah Bin Ibrahim Al Muhanna	2,457,763	4.84%	24,577,630	--	--	--
Mr. Abdul Karim Hamad Abdul Karim Al Majel	4,232,815	8.33%	42,328,150	4.232.815	8.33%	42.328.150
Mr. Riad Bin Abdullah Bin Rashed Abo Nayan	1,644,735	3.24%	16,447,350	1.644.735	3.24%	16.447.350
	50,800,000	100%	508,000,000	50,800,000	100%	508,000,000

16. STATUTORY RESERVE

In accordance with Regulations for Companies in the Kingdom of Saudi Arabia, the Company is required to transfer 10% of its net income each year to the statutory reserve until such reserve reaches 50% of its share capital. This reserve is not available for distribution.

17. DIVIDENDS

The Board of Directors proposed on their meeting number (2/3) dated Muharram 20, 1436 H correspondent to November 13, 2014 to distribute dividends for the second half of the financial year 2014 with an amount of SR 1.25 per share, representing 12.5% of the nominal value of the share with a total amount of SR 63.50 million, and the general assembly of the shareholders has approved these dividends on their meeting on Safar 24, 1436 H correspondent to December 16, 2014. Accordingly, the total dividends for the financial year 2014 amounted to approximately SR 114.2 million representing 22.5% of the share capital and SR 2.25 per share.

The board of directors proposed on their meeting number (3/4) dated Shabaan 9, 1436 H correspondent to May 27, 2015 to distribute dividends for the first half of the financial year 2015 with an amount of SR 1.25 per share, representing 12.5% of the nominal value of the share with a total amount of SR 63.50 million.

Expressed in Saudi Riyals

18. ZAKAT

(a) Charge for the year

The Company and its subsidiary submit their Zakat returns separately on a non-consolidated basis using the equity method. The significant components of the Zakat base for each company consists of the opening balance of equity and provisions and the adjusted net income, less the net book value of property, plant and equipment, investments and other items. In case the Zakat base was negative, no Zakat liability is due for the Company.

Zakat charge for the year ended September 30 comprises the following:

	2015	2014
For current year	14,520,065	11,642,624

(b) Zakat provision

The movement in the Zakat provision during the year was as follows:

	2015	2014
Balance at the beginning of the year	22,220,480	19,403,375
Add: Charge for the year	14,520,065	11,642,624
Less: Payments during the year	(10,512,050)	(8,825,519)
Balance at the end of the year	26,228,495	22,220,480

(c) Zakat status

Al Yamamah Steel Industries Company

The company filed its Zakat returns for the period from the date of inception until the year ended September 30, 2014 and paid the due zakat and obtained a certificate valid to January 30, 2016. The company has received its Zakat assessments for the years from 2008 to 2011, where DZIT claimed additional zakat differences amounting to SR 9,9 million. The Company objected against these assessments at the Preliminary Appeal Committee, and provided a letter of guarantee to the DZIT against the amount of zakat differences claimed. The preliminary committee issued its decision on 23 Shawwal 1435H corresponding to September 18, 2014, accepting only one of the items in the objection, accordingly the company appealed against this decision at the Higher appeal committee but it didn't issue its decision yet. However, the Company's management believes that the decision will be in its favor, according to the assessment of the Company's legal advisory.

Al Yamamah Company for Reinforcing Steel Bars

The Company finalized its zakat for the period from the date of inception until September 30, 2007. The company filed its zakat returns for the years 2008 up to 2014, but did not receive its zakat assessments for these years yet. The company obtained a valid zakat certificate for the year 2014, which is effective until June 30, 2016.

Expressed in Saudi Riyals

19. EARNING PER SHARE

Earnings per share for income from operation, other income, and net income for the year ended September 30, 2015 was calculated based on the average outstanding number of shares during the period amounting to 50.8 million shares (2014: 50.8 million shares).

20. SELLING AND DISTRIBUTION EXPNESES

Selling and distribution expenses for the year ended September 30 comprise the following:

	Note	2015	2014
Transportation expenses		20,030,472	18,569,573
Salaries, wages and related benefits		6,352,722	5,363,260
Advertising and marketing		1,279,956	1,402,467
Depreciation	10	120,419	174,371
Rents		50,829	50,688
Others		326,658	298,951
		28,161,056	25,859,310

21. GENERAL AND ADMINISTRATION EXPNESES

General and administrative expenses for the year ended September 30 comprise the following:

	Note	2015	2014
Salaries, wages and related benefits	24	30,825,845	24,534,341
Depreciation	10	3,490,383	3,357,072
Deferred costs amortization	9	2,744,150	3,809,898
Software and computer support expenses		1,552,494	1,476,575
Traveling expenses		944,401	677,981
Telephone and post		698,222	624,593
Professional and consulting fees		527,875	632,634
Rent		252,757	190,591
Stationery and printing		194,351	179,682
Repair and Maintenances		132,690	216,494
Advertising and Marketing		112,543	245,476
Provision for doubtful debts		--	2,347,784
Others		954,529	1,230,934
		42,430,240	39,524,055

Expressed in Saudi Riyals

22. OTHER INCOME

Other income for the year ended September 30 comprises the following:

	2015	2014
Human resources support fund	2,040,491	2,725,825
Foreign exchange differences	1,999,149	--
Gains on sale of property, plant and equipment	55,322	110,834
Others	212,900	592,075
	4,307,862	3,428,734

23. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

a) On July 25, 2015 the subsidiary received a claim from Water and Electricity Utilities Company in Yanbu and Jubail (MARAFIQ) with an amount of SR 146,473,084 related to the differences between the quantities of Water and Electricity agreed on between the subsidiary and MARAFIQ and the actual quantities consumed for the years from 2008 to 2014 which included the previous claim received from MARAFIQ dated January 14, 2014. The subsidiary negotiated with MARAFIQ and on October 15, 2015 they agreed to amend the terms of consumption stated in the previous agreement to be applicable starting January 1, 2014.Accordingly MARAFIQ issued an amended claim for the period from January 1, 2014 to December 31, 2014 and the subsidiary paid it in full. And in relation to the consumption differences for the period from 2008 to 2013 amounting to SR 124 million, it is till under negotiation with MARAFIQ. The subsidiary referred to what is stated in article (41) of the Electricity Services guidance issued by Electricity and Production Regulatory Authority (the Authority) which states that in case there was negligence or slackness from a service provider to collect his dues from non residential consumption, the service provider can not claim the consumer retroactively for a period more than two Georgian years, therefore the maximum result from this claim will not exceed SR 40 million, which is related to the years 2012 and 2013. The subsidiary has obtained a legal opinion supporting its position. In addition, the shareholders in the subsidiary assured that they will be personally responsible to pay in cash for any liabilities resulting from this claim in the future, each according to his share in the share capital. The shareholders in the subsidiary had also assured to be personally responsible to pay in cash any other future liabilities that could result from actual consumption differences of Water and Electricity for 2015 compared to the provision recorded for this liabilities (Note 12) each according to his share in the capital and with a maximum amount of SR 21 million.

   And in turn, the shareholders of Al Yamamah Steel Industries Company confirmed on September 9, 2015 to be personally responsible to pay in cash the company's share amounting to 72.5% for any liabilities that could result from the current or future claims, each according to his share in the capital.

b) At September 30, 2015 the capital commitments related to projects under construction amounted to SR 1.5 million (September 30, 2014: SR 35 million).

Expressed in Saudi Riyals

23. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES (continued)

c) At September 30, 2015 the contingent liabilities against the outstanding letters of credit amounted to SR 181 million (September 30, 2014: SR 379 million) that were issued in the ordinary course of business.

d) At September 30, 2015, the contingent liabilities against the uncovered portion of the letters of guarantee issued by the local banks on behalf of the companies of the group amounted to SR 127 million (September 30, 2014: SR 115 million).

24. RELATED PARTIES TRANSACTIONS AND BALANCES

Related parties include the Company's shareholders and their relatives up to the fourth generation, associated and affiliated companies and directors and key management personnel of the Group, Terms and conditions of these transactions are approved by the Group's management.

Related party transactions mainly represent purchases and sales of goods and services which are undertaken under mutually agreed terms with the following entities:

Party	Relationship
Al Muhanna Trading Company	Shareholder
Al Muhanna Steel Group	Shareholder
Mr. Abdul Aziz Bin Abdullah Bin Ibrahim Al Muhanna	Shareholder
Mr. Ibrahim Bin Abdullah Bin Ibrahim Al Muhanna	Shareholder
Mr. Muhanna Bin Abdullah Bin Ibrahim Al Muhanna	Shareholder
Al Majel Trading Company	Shareholder
Abdul Kader Al Mehedb and Sons Company	Shareholder
Mr. Riad Bin Abdullah Bin Rashed	Shareholder
Mr. Abdul Karim Bin Hamad Bin Abdul Karim Al Majel	Shareholder
Rashed Abdul Rahman Al Rashed and Sons Company	Shareholder
Al Fozan for Building Materials Company	Shareholder in the Subsidiary

Expressed in Saudi Riyals

24. RELATED PARTIES TRANSACTIONS AND BALANCES (continued)

Related parties transactions for the year ended September 30 and balances arising-there from are as follows:

Transactions with	Nature of transaction	Amount of transaction during the year		Closing balance Receivable	
		2015	2014	2015	2014
Under trade receivables:					
Masdar for Building Materials Company*	Sales	374,098,993	386,526,256	34,719,632	48,538,635
Al Fozan Building Materials Company**	Sales	379,651,143	355,446,726	42,719,753	70,797,151
Rashid Abdel Rahman Al Rashid and Sons Company		114,573,865	164,692,228	11,597,296	42,670,881
Al Muhanna Steel Group	Sales	41,466,349	42,553,468	6,883,643	15,458,910
Al Muhanna Trading Company	Sales	16,701,525	8,744,688	5,210,809	2,560,651
Al Majel Trading Company	Sales	1,613,196	2,707,050	258,670	2,707,050
Al Fozan for Metals Company		--	7,211,400	--	7,441
				101 389 803	182,740,719
Due to related parties:					
Masdar for Building Materials Company	Purchase of material	1,269,170	--	--	--

*Transactions with Abdul Kader Al Mehedb and Sons Company include Masdar for Building Materials Company and Al Mehedb Contracting Company.

**Transaction with Rashed Abdul Rahman and Sons Company include Saudi Company for Technical and Medical Services.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any Director (whether executive or not).

The remuneration of directors and other members of key management during the year were as follows:

Transactions with	Nature of transaction	2015	2014
Key management	Salaries, allowance and related benefits	11,524,868	9,855,161

25. RISK MANAGEMENT

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of the financial instruments. The Group is subject to interest rate risk on its interest bearing assets and liabilities mainly bank overdraft and bank facilities. The management limits the Group's interest rate risk by monitoring changes in interest rates.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial liabilities. Liquidity requirements are monitored on a regular basis and management ensures that sufficient funds are available to meet any commitments as they arise.

The Group's financial current liabilities consist of the current portion of bank facilities, trade accounts payables and accrued expenses and other liabilities. All the financial liabilities are expected to be settled within 12 months of the balance sheet date and the Group expects to have adequate funds available to do so.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Cash and cash equivalents of the Group standing at the balance sheet date are placed with foreign and local banks with sound credit ratings. Trade receivables are mainly due from local customers, 79% as of December 31, 2015 (2014: 70%) of the Group's trade receivables are due from 23 main customers (2014: 23 customers). Trade receivables are stated at their estimated realizable values.

Currency risk

Currency risk is the risk that value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group is not exposed to fluctuations in foreign exchange rates during its ordinary course of business, since all significant transactions of the Group during the year are in Saudi Riyal and US Dollars and there is no significant risks related to balance stated at US Dollars since the exchange of Saudi Riyal against the US Dollar is fixed.

Fair values of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction. The company's financial assets consist of cash and cash equivalent, accounts receivables and other assets, its financial liabilities consist of bank facilities, trade accounts payables, accrued expenses and other liabilities.

The fair values of financial instruments are not materially different from their carrying values.

Expressed in Saudi Riyals

26. SEGMENT REPORT

The Group carries its activities in the Kingdom of Saudi Arabia through the following main segments:

a) Steel Pipelines Production
b) Electric Poles Factory
c) Frames Factory
d) Electric Power Tower Factory
e) Al Yamamah Company for Reinforcing Steel Bars (subsidiary)
f) Others, which represents the property of the head office and investment returns

Description	Pipelines Factory	Electric Poles Factory	Frames factory	Electric Power Towers Factory	Al Yamamah for Reinforcing Steel Bars	Others	Total
September 30, 2015							
-Property, plant and equipment	96,770,131	64,747,600	4,207,172	47,568,973	256,778,582	15,296,499	485,368,957
- Net sales	448,835,680	205,483,380	2,311,303	224,511,256	1,121,099,694	--	2,020,241,313
-Net income	6,451,641	38,727,743	4,560,781	35,906,811	73,093,449	--	158,740,425
September 30, 2014							
-Property, plant and equipment	96,967,860	60,085,427	4,632,755	36,035,564	269,316,481	12,362,566	479,400,653
- Net sales	489,935,774	187,068,735	20,674,277	192,588,251	1,121,472,744	--	2,011,739,781
-Net income	16,852,148	37,909,727	3,742,765	16,047,220	57,381,111	--	131,932,971

Some other assets and liabilities were not disclosed according to their operating segment as these information are not available on the operational level.

27. COMPARTIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's presentation and summarized as follows:

Item	As at 30 September 2014 as previously reported	Reclassification	As at 30 September 2014 (after reclassification)
Zakat provision	12,277,992	9,942,488	22,220,480
Accrued expenses and other current liabilities	39,807,519	(9,942,488)	29,865,031

28. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved for issuance by the Board of Directors on Safar 4, 1437H, corresponding to November 16, 2015.

AL YAMAMAH STEEL INDUSTRIES COMPANY

(Closed Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2014

with

INDEPENDENT AUDITORS' REPORT

KPMG

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License No. 46/11/323 issued 11/3/1992

INDEPENDENT AUDITORS' REPORT

The Shareholders
Al Yamamah Steel Industries Company
(Closed Joint Stock Company)
Riyadh, Kingdom of Saudi Arabia

We have audited the accompanying consolidated financial statements of Al Yamamah Steel Industries Company ("the Company") and its subsidiary (collectively referred to as "the Group") which comprise the consolidated balance sheet as at September 30, 2014 and the related consolidated statements of income, cash flows and changes in equity for the year then ended and the attached notes 1 through 27 which form an integral part of these consolidated financial statements.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia and in compliance with Article (123) of the Regulations for Companies and the Company's Bylaws and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. Management has provided us with all the information and explanations that we require relating to our audit of these consolidated financial statements.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with generally accepted auditing standards in the Kingdom of Saudi Arabia. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the consolidated financial statements taken as a whole:

1) present fairly, in all material respects, the consolidated financial position of the Group as at September 30, 2014, and the consolidated results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia appropriate to the circumstances of the Group; and

2) comply with the requirements of the Regulations for Companies and the Company's Bylaws with respect to the preparation and presentation of the financial statements.

For KPMG Al Fozan & Al Sadhan:

Ebrahim Oboud Baeshen
License No. 382

Jeddah, Muharram 20, 1436H
Corresponding to November 13, 2014

AL YAMAMAH STEEL INDUSTRIES COMPANY

(A closed Joint Stock Company)

CONSOLIDATED BALANCE SHEET

As at September 30, 2014

Expressed in Saudi Riyals

	Notes	2014	2013
ASSETS			
Current assets:			
Cash and cash equivalent	4	28,214,910	40,348,574
Trade receivables	5	310,302,869	221,896,886
Inventories	6	511,015,955	547,565,050
Due from related Parties	24	--	58,175,587
Prepayments and other current assets	7	29,217,852	33,860,847
Total current assets		878,751,586	901,846,944
Non-current assets:			
Available for sale investments	8	62,642	42,364
Deferred costs	9	6,516,218	10,326,116
Property, plant and equipment	10	479,400,653	448,963,207
Total non-current assets		485,979,513	459,331,687
Total assets		1,364,731,099	1,361,178,631
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Short-term bank loans	11-A	462,805,294	499,695,211
Current portion of long-term bank loans	11-B	47,570,305	68,807,169
Trade payables		44,896,201	36,958,665
Provisions	12	5,482,980	--
Zakat provision	18	12,277,992	9,460,887
Accrued expenses and other current liabilities	13	39,807,519	38,285,550
Total current liabilities		612,840,291	653,207,482
Non-current liabilities:			
Long-term bank loans	11-B	23,020,000	57,286,571
Employees' end of service benefits	14	17,629,702	13,730,970
Total non-current liabilities		40,649,702	71,017,541
Total liabilities		653,489,993	724,225,023
SHAREHOLDERS' EQUITY			
Equity attributable to Company's shareholders:			
Share capital	15	508,000,000	508 000 000

AL YAMAMAH STEEL INDUSTRIES COMPANY

(A closed Joint Stock Company)

CONSOLIDATED BALANCE SHEET (Continued)

As at September 30, 2014

Expressed in Saudi Riyals

	Notes	2014	2013
Statutory reserve	16	19,599,960	6,406,663
Net changes in fair value of available for sale investments		36,642	16,364
Retained earnings		68,337,978	16,654,304
Total equity attributable to Company's shareholders		595,974,580	531,077,331
Non-controlling interest		115,266,526	105,876,277
Total equity		711,241,106	636,953,608
Total liabilities and equity		1,364,731,099	1,361,178,631

The accompanying notes 1 through 27 form an integral part of these consolidated financial statements.

AL YAMAMAH STEEL INDUSTRIES COMPANY

(A closed Joint Stock Company)

CONSOLIDATED STATEMENT OF INCOME

For the year ended September 30, 2014

Expressed in Saudi Riyals

	Note	2014	2013
Net sales		2,011,739,781	1,775,264,303
Costs of sales		(1,766,688,169)	(1,554,978,775)
Gross profit		245,051,612	220,285,528
Selling and distribution expenses	20	(25,859,310)	(24,390,914)
General and administrative expenses	21	(39,524,055)	(40,146,057)
Income from operations		179,668,247	155,748,557
Other income	22	3,428,734	454,331
Financial charges		(17,756,137)	(20,424,860)
Net income before Zakat and non-controlling interests		165,340,844	135,778,028
Zakat	18	(11,642,624)	(8,670,851)
Net income before non-controlling interests		153,698,220	127,107,177
Non-controlling interests		(21,765,249)	21,452,783))
Net income		131,932,971	105,654,394
Earnings per share from:	19		
Income from operations		3,54	3.07
Other income		0.07	0.01
Net income		2,60	2.08

The accompanying notes 1 through 27 form an integral part of these consolidated financial statements.

AL YAMAMAH STEEL INDUSTRIES COMPANY

(A closed Joint Stock Company)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended September 30, 2014

Expressed in Saudi Riyals

	Notes	2014	2013
Operating activities			
Net income before Zakat and non-controlling interests		131,932,971	105,654,394
Adjustments to reconcile net income to cash flows provided by operating activities:			
Depreciation	10	38,346,006	35,456,001
Gains on sale of property, plant and equipment	22	(110,834)	(97,535)
Provision for doubtful debts – formed during the year	5	2,347,784	1,070,994
Provision for slow moving inventory	6	1,500,000	303,899
Transfer of projects under construction to expenses	10	1,040,000	--
Projects under construction written off	10	478,250	--
Amortization of deferred costs	9	3,809,898	6,436,108
Financial charges		17,756,137	20,424,860
Provisions formed during the year	12	5,482,980	--
Zakat charge for the year	18	11,642,624	8,670,851
Share of non-controlling interests in net income		21,765,249	21,452,783
Provision for employee’s end of service benefits charge of the year	14	4,797,877	3,606,152
		240,788,942	202,978,507
Changes in operating assets and liabilities:			
Trade receivables		(90,753,767)	9,314,194
Inventories		35,049,095	(10,406,213)
Due from related parties		58,175,587	38,783,725
Prepayments and other current assets		4,642,995	(16,643,463)
Trade payables		7,937,536	19,340,804
Accrued expenses and other current liabilities		1,521,969	9,037,010
Zakat paid	18	(8,825,519)	(6,114,716)
Employees’ end of service benefits paid	14	(899,145)	(1,039,031)
Net cash flow provided by operating activities		247,637,693	245,250,817
Investing activities			
Purchase of property, plant and equipment	10	(70,311,410)	(23,844,614)
Additions to deferred costs	9	--	(5,625,134)
Proceeds from sale of property, plant and equipment		120,542	102,249

AL YAMAMAH STEEL INDUSTRIES COMPANY

(A closed Joint Stock Company)

CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

For the year ended September 30, 2014

Expressed in Saudi Riyals

	Notes	2014	2013
Net cash flows used in investing activities		(70,190,868)	(29,367,499)
Financing activities			
Net movement in short-term Loans		(36,889,917)	(119,846,222)
Net movement in long-term Loans		(55,503,435)	(19,698,165)
Financial charges paid		(17,756,137)	(20,424,860)
Dividends paid		(79,431,000)	(40,640,001)
Net cash flows used in financing activities		(189,580,489)	(200,609,248)
Change in cash and cash equivalents		(12,133,664)	15,274,070
Cash and cash equivalents at the beginning of the year		40,348,574	25,074,504
Cash and cash equivalents at the end of the year	4	28,214,910	40,348,574

The accompanying notes 1 through 27 form an integral part of these consolidated financial statements.

AL YAMAMAH STEEL INDUSTRIES COMPANY

(A closed Joint Stock Company)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended September 30, 2014

Expressed in Saudi Riyals

	Total equity attributable to the Company's shareholders						
	Capital	Statutory reserve	Change in fair value of available for sale investments	Retained earnings	Total	Non-controlling interests	Total shareholders' equity
Balance at October 1, 2012	508,000,000	40,629	--	(41,994,055)	466,046,574	84,423,494	550,470,068
Net income for the year	--	--	--	105,654,394	105,654,394	21,452,783	127,107,177
Transferred to statutory reserve	--	6,366,034	--	(6,366,034)	--		
Changes in fair value of available for sale investments	--	--	16,364	--	16,364	--	16 364
Dividends paid	--	--	--	(40,640,001)	(40,640,001)	--	(40,640,001)
Balance at September 30, 2013	508,000,000	6,406,663	16,364	16,654,304	531,077,331	105,876,277	636,953,608
Net income for the year	--	--	--	131,932,971	131,932,971	21,765,249	153,698,220
Transferred to statutory reserve	--	13,193,297	--	(13,193,297)	--	--	--
Changes in fair value of available for sale investments		--	20,278	--	20,278	--	20,278
Dividends paid	--	--	--	(67,056,000)	(67,056,000)	--	--
Share of non-controlling interests in dividends paid by the subsidiary	--	--	--	--	--	(12,375,000)	(12,375,000)
Balance at September 30, 2014	508,000,000	19,599,960	36,642	68,337,978	595,974,580	115,266,526	711,241,106

The accompanying notes 1 through 27 form an integral part of these consolidated financial statements.

Expressed in Saudi Riyals

1. ORGANIZATION AND PRINCIPAL ACTIVITIES

Al Yamamah Steel Industries Company ("the Company" or "the parent company") is a closed joint stock company registered in Riyadh under Commercial Registration No. 1010070794 dated 01/06/1409H as per the Minister of Commerce Decree No. (726) dated 20/03/1427H, His Highness approval on the incorporation of the Company No (1491) dated 30/05/1427H, corresponding to 26/06/2006. The company is operating under Industrial License No. 144/X dated 22/03/1409H and the amendments pursuant to it. The Company is principally engaged in:

a) production of welded steel pipelines (black/ galvanized), iron pipes, cutting iron sheets, production of bars and clips for tying, roadblocks, reinforcing steel bars from scrap, handy carts, hollowed iron sectors, structured tires, and shaped iron steel bars.
b) Production of galvanized electric poles.
c) Production of electric power towers.
d) Production of special iron steel bars for metal constructions.

The company operates through its factories in the following cities in KSA and these factories operate under the following commercial registrations:

Factory	City	Commercial Registration No.	Date
Al Yamamah Steel Industries	Jeddah	4030068043	28/04/1410
Al Al Yamamah Electric Poles	Jeddah	4030148938	09/03/1425
Al-Yamamah Steel Industries	Dammam	2050059045	07/03/1429
Al-Yamamah Metal Construction Sectors	Jeddah	4030180885	09/07/1429
Al-Yamamah Electric Power Towers Factory	Jeddah	4030180886	09/07/1429

These consolidated financial statements include the financial statements of the company, its branches, and the subsidiary mentioned below, which its head office is located in Riyadh and its factory is located in Yanbu, (collectively referred to as the "group").

Company's name	Country of incorporation	Shareholding
Al Yamamah Company for Reinforcing Steel Bars	KSA	72.5%

The subsidiary is principally engaged in reinforcing steel bars, and wholesale and retail trading in reinforcing steel bars.

On 13/03/1435H, corresponding to January 14, 2014, the shareholders of the subsidiary resolved to convert Al Yamamah company for Reinforcing steel bars from a limited liability company to closed joint stock company. The approval was obtained from the Minister of Trade on 13/03/1435H, corresponding to 14/01/2014, as per the Ministerial Decree No. (205) dated 25/08/1435H, corresponding to 23/06/2014, to change the Company from a limited liability company to a closed joint stock company.

1. ORGANIZATION AND PRINCIPAL ACTIVITIES (continued)

The Company's registered Office is located in:

Al Yamamah Steel Industries Company

Riyadh 11534

P.O. Box. 55303

Kingdom of Saudi Arabia

2. BASIS OF PREPARATION

(d) Statement of compliance

The accompanying consolidated financial statements have been prepared in accordance with the generally accepted accounting standards in the Kingdom of Saudi Arabia issued by the Saudi Organization for Certified Public Accountants (SOCPA).

(e) Basis of measurement

The consolidated financial statements have been prepared on historical cost basis, except for the available for sale investments which is measured at fair value and using the accrual basis of accounting and the going concern concept.

(f) Basis of consolidation

The consolidated financial statements include the financial statements of the company and its subsidiary as at September 30 of each year as shown in note 1. The financial statements of the subsidiary was prepared for the same reporting year.

Subsidiary

A subsidiary is an entity controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date control ceases. All intra-group balances and financial transactions resulting from transactions between the Company and the subsidiaries and those arising between the subsidiaries are eliminated in preparing these consolidated financial statements. Any unrealized gains and losses arising from intra-group transactions are also eliminated on consolidating the interim consolidated financial statements.

Non-controlling interest

Non-controlling interest represents the interest in subsidiary companies, not held by the Company which are measured at their proportionate share in the subsidiary's identifiable net assets. Transactions with Non-controlling interest parties are treated as transactions with parties external to the Group.

2. BASIS OF PREPARATION (continued)

(g) Functional and presentation currency

These consolidated financial statements are presented in Saudi Arabian Riyals (SR) which is the functional and reporting currency of the Group companies.

(h) Use of estimates and judgments

The preparation of consolidated financial statements requires management to make judgment, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods affected.

Information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have significant effect on the amounts recognized in the consolidated financial statements are as follows:

- **Impairment of accounts receivable**

A provision for impairment of receivables 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 agreement. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators of objective evidence that the trade receivable is impaired. For significant individual amounts, assessment is made on an individual basis. Amounts which are not individually significant, but are overdue, are assessed collectively and a provision is recognized considering the length of time considering past recovery rates.

- **Provision for slow moving inventories**

Management makes a provision for slow moving and obsolete inventory items. Estimates of net realizable value of inventories are based on the most reliable evidence at the time the estimates are made. These estimates take into consideration fluctuations of price or cost directly related to events occurring subsequent to the balance sheet date to the extent that such events confirm conditions existing at the end of year.

- **Useful lives of property, Plant and equipment**

The management determines the estimated useful lives of property and equipment for calculating depreciation. This estimate is determined after considering expected usage of the assets and physical wear and tear. Management reviews the residual value and useful lives annually and change in depreciation charges, if any, are adjusted in current and future periods.

2. BASIS OF PREPARATION (continued)

(d) Use of estimates and judgments (continued)

- **Impairment of non-financial assets**

Non-current assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss, if any, is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. Non-current assets and 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 statement of income.

- **Impairment of available-for-sale investments**

The management exercises judgment to calculate the impairment loss of available for sale investments as well as their underlying assets. This includes the assessment of objective evidence which causes an other than temporary decline in the value of investments. In case of equity instruments any significant and prolonged decline in the fair value of equity investment below its cost is considered as objective evidence for such impairment. The determination of what is 'significant' and 'prolonged' requires management's judgment. The management also considers impairment testing to be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows. Furthermore, management considers 20% or more as a reasonable measure for significant decline below its cost, irrespective of the duration of the decline, and is recognized in the consolidated statement of income as impairment charge on investments. Prolonged decline represents decline below cost that persists for 9 months or longer irrespective of the amount and is, thus, recognized in the consolidated statement of income as impairment charge on investments. The previously recognized impairment loss in respect of equity investments cannot be reversed through the consolidated statement of income.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in the financial statements.

(a) Cash and cash equivalents

Cash and cash equivalents comprise bank balances, cash in hand, time deposits and investments in mutual funds, if any, that are readily convertible to cash and has a maturity of 3 months or less as at the original investment date, if any, which are available to the Group without any restrictions.

(b) Trade receivable

Trade receivables are stated at original invoice amount less provisions made for doubtful debts. A provision against doubtful debts is established when there is an objective evidence that the Group will not be able to collect the amounts due according to the original terms of the receivables. Bad debts are written off when identified, against their related provisions. The provisions are charged to consolidated statement of income and any subsequent recovery of receivable amounts previously written off are credited to income.

(c) Inventories

Inventories are measured at the lower of cost and net realisable value. Cost is determined using the weighted average method. Cost includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value comprises estimated selling price in the ordinary course of business, less further production costs to completion and appropriate selling and distribution costs. Provision is made, where necessary, for obsolete, slow moving and defective stocks.

(d) Available for sale investments

Available for sale investments principally consist of less than 20% share in quoted and unquoted equity investments including mutual funds investments, which are not held for trading purposes and where the Group does not have any significant influence or control. These are initially recognized and subsequently re-measured at fair value. Any changes in fair value are recognized in equity as fair value reserve until the investment is disposed. Any significant and prolonged decline in value of the available for sales investments, if any, is charged to the consolidated statement of income. The fair value of investments that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business on the consolidated balance sheet date. For investments where there is no active market, including investments in unquoted privet equity, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument, which is substantially the same; discounted cash flow analysis and option pricing models, otherwise the cost is considered to be the fair value for these investments.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Deferred costs

Deferred costs represent the costs incurred by the Group related costs activities prior to the operations stages and which will have future benefit for the Group in the coming years. These costs are amortized over their estimated useful lives using the straight-line method over a maximum period of 5 years.

(f) Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any impairment in value, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset. Finance costs on borrowings to finance the construction of the assets are capitalized during the period of time that is required to complete and prepare the asset for its intended use.

All other expenditures are recognized in the consolidated statement of income when incurred. Depreciation is charged to the consolidated statement of income on a straight-line basis over the estimated useful lives of the individual items of property, plant and equipment.

Repair and maintenance expenditures are charged to the consolidated statement of income. Improvements that increase the value or materially extend the life of the related assets are capitalized

Freehold land is not depreciated. The cost less estimated residual value of Property, plant and equipment is depreciated on a straight line basis over the estimated useful lives of the assets effective from its date of purchase or construction. Paper products factory plant and equipment related to the subsidiary are depreciated using the units of production method.

The estimated useful lives of assets for the current and comparative year are as follows:

	Years
Buildings	20-33
Machinery and equipments	10-20
Computers, softwares and electric equipment	5
Fixtures and furniture	5
Motor vehicles	5

(g) Accounts payable and accruals

Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Borrowings

Borrowings are recognized at the proceeds received, net of transaction costs incurred. Further, upfront fees that were deducted in advance by the SIDF, is deferred and presented netting of the principle amount of the loan. Such deferred amount is amortized over the term of the loan using the straight line method which is not materially different from applying the prevailing interest rate). Borrowing costs that are directly attributable to the construction of a qualifying asset are capitalized up to stage when substantially all the activities necessary to prepare the qualifying asset for its intended use are completed and, otherwise, such costs are charged to the consolidated statement of income.

(i) Provisions

A provision is recognized if, as a result of past events, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probably that an outflow of economic benefit, will be required to settle the obligation.

(j) Employees' end of service benefits

Employees' end of service benefits, calculated in accordance with Saudi Arabian labour regulations, are accrued and charged to the consolidated statement of income. The liability is calculated at the current value of the vested benefits to which the employee is entitled, should his services be terminated at the balance sheet date.

(k) Revenue recognition

Revenue is recognized to the extent of the following recognition requirements:

- It is probable that the economic benefits will flow to the Group,
- It can be reliably measured, regardless of when the payment is being made
- The cost incurred to date and expected future costs are identifiable and can be measured reliably.

Revenue is measured at the fair value of the consideration received or the contractually defined terms of payment. The specific recognition criteria described below must also be met before the revenue is recognized.

Sale of goods

Revenue from sales is recognized upon delivery or shipment of products by which the significant risks and rewards of ownership of the goods have been transferred to the buyer and the Group has no effective control or continuing managerial involvement to the degree usually associated with ownership over the goods. Sales is recorded net of returns, trade discounts and volume rebates.

Contract revenues

Contract revenues are recognized on percentage of completion method for each contract, which is determined using output measures (surveys of work performed or physical completed portion of the contract work) or alternatively applying the input measure (the proportion of costs incurred to date to the total estimated contract cost). The cost of contract includes the cost and general administrative expenses that are directly attributable to the contract from the date of securing the contract to its final completion. Borrowing costs directly attributable to the construction of a qualifying asset are capitalized and included as contract costs. Changes in cost estimates and losses on uncompleted contracts, if any, are recognized in the period they are determined. When it is probable that the total contract costs will exceed the total contract revenues, the expected loss is recognized immediately.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Expenses

Selling and distribution expenses are those arising from the Group's efforts underlying the selling and distribution functions. All other expenses, excluding cost of sales and financial charges, are classified as general and administrative expenses. Allocations of common expenses between cost of sales and selling and distribution and general and administrative expenses, when required, are made on consistent basis.

(m) Zakat

The Company and its subsidiary are subject to zakat in accordance with the regulations of Saudi Department of Zakat and Income Tax ("DZIT"). Zakat is accrued and charged to the statement income currently. Additional zakat liability, if any, related to prior years' assessments arising from DZIT are accounted for in the period in which the final assessments are finalized.

(n) Dividends

Interim dividends are recorded in the period in which they are approved by the Board of Directors. Final Dividends are recorded in the year in which they are approved by the Shareholders' General Assembly.

(o) Segment reporting

A segment is a distinguishable component of the Group that is engaged in providing products or services, which is subject to risks and rewards that are different from those of other segments. The Group's primary format for segmental reporting is based on business segments. The business segments are determined based on the Group's management and internal reporting structure.

(p) Statutory reserve

As required by Saudi Arabian Regulations for Companies and the Company article of association, the Company is required to transfer 10% of its net income each year to the statutory reserve until the reserve reaches 50% of the capital. The limit have been achieved on the previous years.

(q) Contingent liabilities and contingent assets

i) Contingent liabilities

All possible obligations arising from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly with the control of the Group; or all present obligations arising from past events but not recognized because: (i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or (ii) the amount of the obligation cannot be measured with sufficient reliability; all should be assessed at each balance sheet date and disclosed in the Group's financial statements under contingent liabilities.

ii) Contingent assets

All possible assets arising from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group should be assessed at each balance sheet date and are disclosed in the financial statements under contingent assets.

Expressed in Saudi Riyals

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at September 30, comprise of the following:

	2014	2013
Cash on hand	213,271	95,996
Cash at banks - current accounts	21,636,602	39,187,934
Checks under collection	6,365,037	1,064,644
	28,214,910	40,348,574

5. TRADE RECEIVABLES

Trade receivables as of September 30 comprise the following:

	Note	2014	2013
Trade customers		158,856,888	121,479,181
Trade customers - related parties	24	154,116,039	101,488,699
		312,972,927	222,967,880
Less: provision for doubtful debts	5-1	(2,670,058)	(1,070,994)
		310,302,869	221,896,886

5-1 Movement in provision for doubtful debts during the year is analyzed as follows:

	2014	2013
Balance at the beginning of the year	1,070,994	--
Provision formed during the year	2,347,784	1,070,994
Provision utilized during the year	(748,720)	--
Balance at the end of the year	2,670,058	1,070,994

Expressed in Saudi Riyals

6. INVENTORIES

Inventories as of September 30 comprise the following:

	Note	2014	2013
Raw materials		329,987,761	362,370,850
Finished goods		105,172,053	107,225,801
Spare parts		50,334,530	49,017,025
Work in progress		16,434,184	14,709,475
Goods in transit		10,587,427	15,009,540
		512,515,955	548,332,691
Less: provision for slow moving inventory	6-1	(1,500,000)	(767,641)
		511,015,955	547,565,050

6-1 Movement in provision for slow moving inventory during the year was as follows:

	2014	2013
Balance at the beginning of the year	767,641	463,742
Provision formed during the year	1,500,000	303,899
Provision utilized during the year	(767,641)	--
Balance at the end of the year	1,500,000	767,641

7. PREPAYMENTS AND OTHER CURRENT ASSESTS

Prepayments and other current assets as of September 30 comprise the following:

	2014	2013
Advances to suppliers	20,667,623	26,618,616
Prepaid medical insurance	6,082,852	4,839,682
Staff advances	2,123,377	1,827,536
Others	344,000	575,013
	29,217,852	33,860,847

Expressed in Saudi Riyals

8. AVAILABLE FOR SALE INVESTMENTS

Available for sale investments represent the company's investment in Arabian Pipelines Company (Saudi joint stock listed company) as follows:

	Cost	Change in fair value	2014	2013
Arabian Pipelines Company	26,000	36,642	62,642	42,364

9. DEFERRED COSTS - NET

The movement in the deferred costs during the year ended September 30 was as follows:

	Note	2014	2013
Cost:			
Cost at the beginning and end of the year		43,930,285	38,305,151
Additions during the year		--	5,625,134
		43,930,285	43,930,285
Accumulated amortization:			
Balance at the beginning of the year		(33,604,169)	(27,168,061)
Amortization for the year	21	(3,809,898)	(6,436,108)
Balance at the end of the year		(37,414,067)	(33,604,169)
Net book value		6,516,218	10,326,116

Deferred costs represent the costs that occurred and related to the establishment of new sites and includes all costs such as consultants and expert fees, legal fees and license fees for the registration of the new branch or site.

Expressed in Saudi Riyals

10. PROPERTY, PLANT AND EQUIPMENT

a) The movement in property, plant and equipment during the year ended September 30, 2014 is as follows:

	Lands	Buildings	Plant & machinery	Vehicles	Furniture & office equipment	Computers & softwares & electronic equipment	Equipment & tools	Capital work in progress	Total
Cost:									
Balance at October 1, 2013	13,264,725	223,330,715	355,240,820	4,983,160	3,756,377	13,062,411	9,773,297	22,153,893	645,565,398
Additions	--	15,250	5,228,717	227,650	227,138	428,646	504,946	63,679,063	70,311,410
Disposals	--	--	--	(607,650)	(964)	(3,399)	--	(7,100)	(619,113)
Transferred from Capital work in progress	--	15,338,666	17,843,102	195,000	--	--	--	(33,376,768)	--
Transferred to expenses	--	--	--	--	--	--	--	(1,040,000)	(1,040,000)
Capital work in progress written-off	--	--	--	--	--	--	--	(478,250)	(478,250)
Balance at September 30, 2014	13,264,725	238,684,631	378,312,639	4,798,160	3,982,551	13,487,658	10,278,243	50,930,838	713,739,445
Accumulated depreciation:									
Balance at October 1, 2013	--	43,421,232	135,345,555	3,334,413	3,184,968	7,376,425	3,939,598	--	196,602,191
Depreciation charge of the year	--	9,034,278	25,534,351	530,624	267,530	2,115,912	863,311	--	38,346,006
Disposals	--	--	--	(606,421)	(772)	(2,212)	--	--	(609,405)
Balance at September 30, 2014	--	52,455,510	160,879,906	3,258,616	3,451,726	9,490,125	4,802,909	--	234,338,792
Net book value:									
At September 30, 2014	13,264,725	186,229,121	217,432,733	1,539,544	530,825	3,997,533	5,475,334	50,930,838	479,400,653
At September 30, 2013	13,264,725	179,909,483	219,895,265	1,648,747	571,409	5,685,986	5,833,699	22,153,893	448,963,207

Expressed in Saudi Riyals

10. PROPERTY, PLANT AND EQUIPMENT (continued)

b) Depreciation charge for the year ended September 30 was allocated as follows:

	Note	2014	2013
Cost of sales		34,814,563	31,998,041
Selling and distribution expenses	20	174,371	177,224
General and administrative expenses	21	3,357,072	3,280,736
		38,346,006	35,456,001

c) Property, plant and equipment includes property and equipment mortgaged to Saudi Industrial Development Fund (SIDF) related to the Company's branch, Al Yamamah Electric Poles and its accessories Factory (branch of the company), with a NBV as at September 30, 2014 amounted to SR 59 million (September 30, 2013: SR 32 million). The company has repaid the loan in full and obtained an additional one from SIDF to finance the expansion of the factory on October 3, 2013.

d) The factory's buildings of the subsidiary with NBV of SR 101 million as at September 30, 2014 (2013: SR 107 million) that are established or will be established on the factory's land along with all its machinery, plant and equipment along with everything that will be obtained later for the project are pledged to SIDF as a collateral for loans.

e) The factory's buildings of the subsidiary with NBV of SR 126 million as at September 30, 2014 (2013: SR 125 million) are established on a piece of land leased from the Royal Commission for Yanbu for 35 years, started on Rabie Al Thani 5, 1427 H, for a nominal annual lease. The lease is renewable for a similar period with similar and other terms as agreed between the parties.

f) The Company's buildings with NBV SR 186 million as at September 30, 2014 (2013: SR 179 million) are established on a piece of land leased from the Saudi Authority for Industrial Cities and Technical Areas (MODON) for 20 years, started on Shawal 29, 1429 H, for a nominal annual lease, The lease is renewable for a similar period with similar and other terms as agreed between the parties, except for the poles and towers factories as they are established on a land owned by the company.

g) Capital work in progress is represented in the following projects:

	2014	2013
Steel blocks	2,571,968	2,571,968
Pipelines Production Factory project-Dammam	25,333,351	6,076,485
Administration building and workers residence project	3,830,722	978,234
Pipe Factory Expansion Project	14,800,170	1,614,779
Poles Factory Expansion Project	889,954	10,638,162
Expansion of Electric Tower Factory	3,504,673	--
Water Cooling Tower Project	--	274,265
	50,930,838	22,153,893

Expressed in Saudi Riyals

11. BANK FACILITIES

(r) Short-term bank loans

Short-term loans represents outstanding amounts of overdraft and short term loans facilities with commercial banks to finance the working capital of the companies of the Group,

Short-term bank loans at September 30 comprise of the following:

	2014	2013
Arab National Bank	260,820,265	363,735,928
Saudi Fransi Bank	175,717,256	119,900,000
Al Rajhi Bank	26,267,773	16,059,283
	462,805,294	499,695,211

(s) Long-term bank loans

Long-term bank loans at September 30 comprise the following:

	2014	2013
Arab National Bank	30,000,000	63,286,571
Saudi Fransi Bank	27,070,305	22,807,169
The Saudi Industrial Development Fund*	13,520,000	40,000,000
	70,590,305	126,093,740

Long- term loans were presented in consolidated balance sheet as follows:

	2014	2013
Current portion under current liabilities	47,570,305	68,807,169
Non- current portion under non- current liabilities	23,020,000	57,286,571
	70,590,305	126,093,740

The short and long-term loans are guaranteed by a promissory note issued by the parent company, these loans bear a commission according to the prevailing commercial rate and are due on quarterly installments. Loan agreements include covenants that state, among other terms, restrictions on decreasing the capital and providing any funds or guarantees.

Expressed in Saudi Riyals

11. BANK FACILITIES (continued)

SIDF loans

The parent company has obtained a long term loan from SIDF with an amount of SR 16,9 million to finance the expansion of Electric Poles factory, to be paid over semi-annual installments starting Shawal 15, 1436 H correspondent to July 31, 2015 and ends on Rabei Al Thani 15, 1442 correspondent to November 30, 2020. This loan is guaranteed by pledging the building of the factory and all properties that are established or will be established on the land along with any other thing that will be obtained in the future for the project. The agreement includes covenants, among which, the company is required to maintain specific financial ratios.

The subsidiary obtained a long term loan from SIDF with an amount of SR 108 million to finance the establishment of steel rod blocks factory, to be paid over semi-annual installments that will end on 15 Rabie Al Thani 1437 H correspondent to February 5, 2015 with an amount of SR 14 million. This loan is guaranteed by pledging the building of the factory and all properties that are established or will be established on the land along with any other thing that will be obtained in the future for the project. The agreement has some covenants that include, among other terms, some restrictions related to the decrease of capital and providing funds or guarantees. The loan was repaid in full during the financial year and the currently the procedures to unpledged the assets with the SIDF is in process.

12. PROVISIONS

Movement in provision during the year was as follows:

	2014	2013
Provision formed during the year	5,482,980	--
Balance at the end of the year	5,482,980	--

According to the claim received by the subsidiary from the Electricity and Water Utilities Company in Yanbu and Jubail (MARAFIQ) for the differences between the quantities for consumption of the water and electricity agreed on between MARAFIQ and the subsidiary and the actual quantities consumed by the subsidiary (Note 23 – A), the subsidiary has calculated and created a provision for the differences between the quantities of water and electricity agreed on between MARAFIQ and the subsidiary and the actual quantities consumed by the subsidiary for the period from January 1, 2014 and up to the date of the balance sheet to meet any future claims related to that period.

Expressed in Saudi Riyals

13. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expense and other current liabilities comprise of the following:

	2014	2013
Accrued expenses	21,498,403	18,197,711
Accrued staff incentives	8,003,971	8,861,161
Accrued financial charges	2,673,991	2,941,906
Advances from customers	6,483,620	6,959,675
Other credit balances	1,147,534	1,325,097
	39,807,519	38,285,550

14. EMPLOYEES' END OF SERVICES BENEFITS

Movement in the employees' end of service benefits during the year was as follows:

	2014	2013
Balance at the beginning of the year	13,730,970	11,163,849
Provision during the year	4,797,877	3,606,152
Payments during the year	(899,145)	(1,039,031)
Balance at the end of the year	17,629,702	13,730,970

15. SHARECAPITAL

As at September 30, 2014, the subscribed and fully paid-up capital of the Company was SR 508 million (September 30, 2013: SR 508 million) divided into 50.8 million shares (September 30, 2013: 50.8 million shares) of 10 SR each (September 30, 2013: SR 10) owned as follows:

Shareholders	No. of shares	%	Amount
Rashid Abdel Rahman Al Rashid	12.288.816	24.19	122.888.160
Abdul Kader Al Mehdb and Sons	12.288.816	24.19	122.888.160
Al Muhanna Trading Company	12.288.816	24.19	122.888.160
Al Majel Trading and Contracting Company	8.056.002	15.86	80.560.020
Mr. Abdul Karim Hamad Al Majel	4.232.815	8.33	42.328.150
Mr. Riad Bin Abdullah Bin Rashed	1.644.735	3.24	16.447.350
Total	50,800,000	100%	508,000,000

Expressed in Saudi Riyals

16. STATUTORY RESERVE

In accordance with Regulations for Companies in the Kingdom of Saudi Arabia, the Company is required to transfer 10% of its net income each year to the statutory reserve until such reserve reaches 50% of its share capital. This reserve is not available for distribution.

17. DIVIDENDS

The extra ordinary general assembly of the shareholders approved on 3/04/ 1435 H, corresponding to February 3, 2014, the distribution of dividends for the financial year ended September 30, 2013 with an amount of SR 0.32 per share, representing 0.03% of the nominal value of the share with a total amount of SR 16.3 million, and the general assembly of the shareholders has approved these dividends on their meeting on Safar 24, 1436H, corresponding to December 16, 2014. Accordingly, the total dividends for the financial year 2014 amounted to approximately SR 114.2 million representing 22.5% of the share capital and SR 2.25 per share.

In addition, the board of directors approved on their meeting number (9/2) dated 6/07/2435 H correspondent to May 5, 2014 to distribute interim dividends for the six months results of the financial year ended September 30, 2014 with an amount of SR 1.0 per share, representing 10% of the nominal value of the share with a total amount of SR 50.8 million.

18. ZAKAT

(a) Charge for the year

The company and its subsidiaries submit its Zakat returns separately on a non-consolidated basis using the equity method. The significant components of Zakat base represented in the opening balance of equity and provisions and the adjusted net income, less the net book value of property, plant and equipment, investments and some other items. In case the Zakat base is negative, there would not be any accrued Zakat payable for the year.

Zakat charge for the year ended September 30 comprises the following:

	2014	2013
For current year	11,642,624	8.670.851

(b) Zakat provision

The movement of the Zakat provision during the year was as follows:

	2014	2013
Balance at the beginning of the year	9,460,887	6.904.752
Add: Charge for the year	11,642,624	8.670.851
Less: Payments during the year	(8,825,519)	(6.114.716)
Balance at the end of the year	12,277,992	9.460.887

Expressed in Saudi Riyals

18. ZAKAT (continued)

(c) Status of assessments

Al Yamamah Steel Industries Company

The company filed its Zakat returns for the period from the date of inception until the year ended September 30, 2013 and paid the zakat due and obtained a certificate valid until January 30, 2015. The company received zakat assessments from DZIT until September 30, 2007, and paid all additional liabilities to DZIT.

The company has received its Zakat assessments for the years from 2008 to 2011, where DZIT claimed additional zakat differences amounting to SR 9,9 million. The Company objected against these assessments at the Preliminary Appeal Committee, and provided a letter of guarantee to the DZIT against the amount of zakat differences claimed and no decision was received yet, However, the Company's management believes that the decision will be in its favor.

Al Yamamah Company for Reinforcing Steel Bars

The Company finalized its zakat for the period from the date of inception until September 30, 2013 and paid all zakat due according to these zakat returns and obtained a valid zakat until June 30, 2015

19. EARNING PER SHARE

Earnings per share from operating income, income from operation, other income and net income for the year ended September 30, 2014 are calculated based on average outstanding number of shares during the period amounting to 50.8 million shares (2013: 50.8 million shares).

20. SELLING AND DISTRIBUTION EXPNESES

Selling and distribution expenses for the year ended September 30 comprise the following:

	Note	2014	2013
Transportation expenses		18,569,573	17,238,727
Salaries, wages and related benefits		5,363,260	5,262,005
Advertising and marketing		1,402,467	1,387,963
Depreciation	10	174,371	177,224
Rent		50,688	55,837
Others		298,951	269,158
		25,859,310	24,390,914

Expressed in Saudi Riyals

21. GENERAL AND ADMINISTRATION EXPNESES

General and administrative expenses for the year ended September 30 comprise the following:

	Note	2014	2013
Salaries, wages and related benefits		24,534,341	24,390,571
Deferred costs amortization	9	3,809,898	6,436,108
Depreciation	10	3,357,072	3,280,736
Professional and consulting fees		632,634	597,450
Software and computer support expenses		1,476,575	1,619,272
Traveling expenses		677,981	588,142
Telephone and post		624,593	577,145
Rent		190,591	251,688
Repair and maintenances		216,494	151,260
Stationery and printing		179,682	148,356
Advertising and marketing		245,476	134,173
Provision for doubtful debts		2,347,784	1,070,994
Others		1,230,934	900,162
		39,524,055	40,146,057

22. OTHER INCOME

Other income for the year ended September 30 comprises the following:

	2014	2013
Human resources support fund	2,725,825	--
Gains on sale of property, plant and equipment	110,834	97,535
Others	592,075	356,796
	3,428,734	454,331

Expressed in Saudi Riyals

23. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

a) The subsidiary received a claim from Water and Electricity Utilities Company in Yanbu and Jubail (MARAFIQ) with an amount of SR 40,364,269 related to the differences between the quantities of Water and Electricity agreed on between the subsidiary and MARAFIQ and the actual quantities consumed for the years 2012 and 2013. Currently, the claim is being reviewed against the contract between the subsidiary and MARAFIQ. The shareholders in the subsidiary assured that they will be personally responsible to pay in cash for any liabilities resulting from this claim in the future, each according to his share in the share capital, in addition, the shareholders of the Company confirmed to be personally responsible to pay in cash the company's share amounting to 72.5% for any liabilities that could result from the current or future claims, each according to his share in the capital.

b) At September 30, 2014, the contingent liabilities for uncovered portion of letters of guarantees issued by local banks on behalf of the Group amounted to SR 114,687,359 million (September 30, 2013: SR 937,707,844 million).

c) At September 30, 2014 the capital commitments related to projects under construction amounted to SR 35 million (September 30, 2013: SR 64 million).

d) At September 30, 2014 the contingent liabilities against outstanding letters of credit issued in the ordinary course of business for the group's companies amounted to SR 378,853,456 million (September 30, 2013: SR 201,398,565 million).

24. RELATED PARTIES TRANSACTIONS AND BALANCES

Related parties transactions are mainly represented in purchases and sales of goods and services which are undertaken under mutually agreed terms with the following entities:

Party	Relationship
Al Muhanna Trading Company	Shareholder
Al Muhanna Steel Group	Shareholder
Mr. Abdul Aziz Bin Abdullah Bin Ibrahim Al Muhanna	Shareholder
Mr. Ibrahim Bin Abdullah Bin Ibrahim Al Muhanna	Shareholder
Mr. Muhanna Bin Abdullah Bin Ibrahim Al Muhanna	Shareholder
Al Majel Trading Company	Shareholder
Abdul Kader Al Mehedb and Sons Company	Shareholder
Mr. Riad Bin Abdullah Bin Rashed	Shareholder
Mr. Abdul Karim Bin Hamad Bin Abdul Karim Al Majel	Shareholder
Rashed Abdul Rahman Al Rashed and Sons Company	Shareholder
Al Fozan for Building Materials Company	Shareholder in the Subsidiary

Expressed in Saudi Riyals

24. RELATED PARTIES TRANSACTIONS AND BALANCES (continued)

Related parties transactions for the year ended September 30 and balances arising-there from are as follows:

Transactions with	Nature of transaction	Amount of transaction during the year		Closing balance Receivable	
		2014	2013	2014	2013
Under trade receivables:					
Al Fozan Building Materials Company	Sales	355,446,726	312,430,829	70,797,151	39.739.396
Abdul Kader and Sons Company	Sales	386,526,256	360,449,824	48,538,635	35.463.723
Al Muhanna Trading Company	Sales	51,298,156	65,124,464	18,019,561	12.898.687
Rashid Abdel Rahman Al Rashid & Sons Company	Sales	102,357,759	84,647,964	14,046,201	
Al Majel Trading Company	Sales	2,707,050	23.484.300	2,707,050	10.637.393
Al Fozan for Metals Company	Sales	7,211,400	--	7,441	2.749.500
				154,116,039	101.488.699
Under due to related parties:					
Mr. Abdul Karim Hamad Bin Abdul Karim Al Majel	Purchase of land		8,081,433	--	4.847.373
Al Majel Trading and Contracting Company	Purchase of land	--	15,376,072	--	9.225.643
Mr. Riad Bin Abdullah Bin Rashed	Purchase of land	--	3,139,220	--	1.883.532
Al Muhanna Trading Company	Purchase of land		23,455,022	--	14.073.013
Abdul Kader and Sons Company	Purchase of land	--	23,455,022	--	14.073.013
Rashid Abdel Rahman Al Rashid & Sons Company	Purchase of land	--	23,455,022	--	14.073.013
				--	58,175,587

On September 20, 2012, the Company sold a piece of land at Al Melisa in the southern of Jeddah that was recorded within the projects under construction to the shareholders of the company, each according to his share in the capital with its book value amounted to SR 96,959,312. During the year ended September 30, 2013 the shareholders paid an amount of SR 38,783, 725 and the remaining amount amounting to SR 58,175,587 was paid during the year ended September 30, 2014.

24. RELATED PARTIES TRANSACTIONS AND BALANCES (continued)

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any Director (whether executive or not).

The remuneration of directors and other members of key management during the year were as follows:

Transactions with	Nature of transaction	2014	2013
Key management	Salaries, allowances and related benefits	9,855,161	6.624.133

25. RISK MANAGEMENT

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of the financial instruments. The Group is subject to interest rate risk on its interest bearing assets and liabilities mainly bank overdraft and bank facilities. The management limits the Group's interest rate risk by monitoring changes in interest rates.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial liabilities. Liquidity requirements are monitored on a regular basis and management ensures that sufficient funds are available to meet any commitments as they arise.

The Group's financial current liabilities consist of the current portion of bank facilities, trade accounts payables and accrued expenses and other liabilities. All the financial liabilities are expected to be settled within 12 months of the balance sheet date and the Group expects to have adequate funds available to do so.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Cash and cash equivalents of the Group standing at the balance sheet date are placed with foreign and local banks with sound credit ratings. Trade receivables are mainly due from local customers, 77% as of December 31, 2014 (2013: 77%) of the Group's trade receivables are due from 11 main customers (2013: 7 customers). Trade receivables are stated at their estimated realizable values.

Currency risk

Currency risk is the risk that value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group is not exposed to fluctuations in foreign exchange rates during its ordinary course of business, since all significant transactions of the Group during the year are in Saudi Riyal and US Dollars and there is no significant risks related to balance stated at US Dollars since the exchange of Saudi Riyal against the US Dollar is fixed.

Expressed in Saudi Riyals

25. RISK MANAGEMENT (continued)

Fair values of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction. The company's financial assets consist of cash and cash equivalent, accounts receivables and other assets, its financial liabilities consist of bank facilities, trade accounts payables, accrued expenses and other liabilities.

The fair values of financial instruments are not materially different from their carrying values.

26. SEGMENT REPORT

The Group carries its activities in the Kingdom of Saudi Arabia through the following main segments:

a. **Steel Pipelines Production**
b. **Electric Poles Factory**
c. **Frames Factory**
d. **Electric Power Tower Factory**
e. **Al Yamamah Company for Reinforcing Steel Bars (subsidiary)**
f. **Others, which represents the property of the head office and investment returns**

First : Operating Segments							
Description	Pipelines Factory	Electric Poles Factory	Frames factory	Electric Power Towers Factory	Al Yamamah for Reinforcing Steel Bars	Others	Total
September 30, 2014							
-Property, plant and equipment	96,967,860	60,085,427	4,632,755	36,035,564	269,316,481	12,362,566	479,400,653
- Net sales	489,935,774	187,068,735	20,674,277	192,588,251	1,121,472,744	--	2,011,739,781
-Net income	16,852,148	37,909,727	3,742,765	16,047,220	57,381,111	--	131,932,971
September 30, 2013							
-Property, plant and equipment	67.804.392	33.808.892	5.162.040	38.869.401	282.135.866	21.182.616	448.963.207
- Net sales	458.250.244	140.890.121	13.557.116	127.879.280	1.034.687.542	--	1.775.264.303
-Net income	23.883.563	20.009.259	186.297	5.017.939	56.557.336	--	105.654.394

Some other assets and liabilities were not disclosed according to their operating segment as these information are not available on the operational level.

27. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved for issuance by the Board of Directors on Muharram 20, 1436H, corresponding to November 13, 2014.

AL YAMAMAH STEEL INDUSTRIES COMPANY

(Closed Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2013

with

INDEPENDENT AUDITORS' REPORT

KPMG Al Fozan & Al Sadhan
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License No. 46/11/323 issued 11/3/1992

INDEPENDENT AUDITORS' REPORT

The Shareholders
Al Yamamah Steel Industries Company
(Closed Joint Stock Company)
Riyadh, Kingdom of Saudi Arabia

We have audited the accompanying consolidated financial statements of Al Yamamah Steel Industries Company ("the Company") and its subsidiary (collectively referred to as "the Group") which comprise the consolidated balance sheet as at September 30, 2013 and the related consolidated statements of income, cash flows and changes in equity for the year then ended and the attached notes 1 through 25 which form an integral part of the consolidated financial statements.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia and in compliance with Article (123) of the Regulations for Companies and the Company's Bylaws and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. Management has provided us with all the information and explanations that we require relating to our audit of these consolidated financial statements.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with generally accepted auditing standards in the Kingdom of Saudi Arabia. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KPMG

Opinion

In our opinion, the consolidated financial statements taken as a whole:

1) present fairly, in all material respects, the financial position of the Group as at September 30, 2013, and the consolidated results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia appropriate to the circumstances of the Group; and

2) comply with the requirements of the Regulations for Companies and the Company's Bylaws with respect to the preparation and presentation of the financial statements.

For KPMG Al Fozan & Al Sadhan:

Ebrahim Oboud Baeshen
License No. 382

Jeddah, Muharram 6, 1435H
Corresponding to November 10, 2013

AL YAMAMAH STEEL INDUSTRIES COMPANY

(A closed Joint Stock Company)

CONSOLIDATED BALANCE SHEET

As at September 30, 2013

Expressed in Saudi Riyals

	Notes	2013	2012
ASSETS			
Current assets:			
Cash and cash equivalent	4	40,348,574	25,074,504
Trade receivables	5	221,896,886	232,282,074
Inventories	6	547,565,050	537,462,736
Due from related Parties	22	58,175,587	38,783,725
Prepayments and other current assets	7	33,860,847	17,217,384
Total current assets		901,846,944	850,820,423
Non-current assets:			
Available for sale investments	8	42,364	26,000
Due from related parties	21	--	58,175,587
Deferred costs - net	9	10,326,116	11,137,090
Property, plant and equipment	10	448,963,207	460,579,308
Total non-current assets		459,331,687	529,917,985
Total assets		1,361,178,631	1,380,738,408
LIABILITIES AND EQUITY			
Current liabilities:			
Short-term bank loans	11	499,695,211	619,541,433
Current portion of long-term bank loans	11	68,807,169	65,791,667
Trade payables		36,958,665	17,617,861
Accrued expenses and other current liabilities	12	38,285,550	29,248,540
Zakat provision	16	9,460,887	6,904,752
Total current liabilities		653,207,482	739,104,253
Non-current liabilities:			
Long-term bank loans	11	57,286,571	80,000,238
Employees' end of service benefits		13,730,970	11,163,849
Total non-current liabilities		71,017,541	91,164,087
Total liabilities		724,225,023	830,268,340
SHAREHOLDERS' EQUITY			
Equity attributable to Company's shareholders:			
Share capital	13	508,000,000	508,000,000

AL YAMAMAH STEEL INDUSTRIES COMPANY

(A closed Joint Stock Company)

CONSOLIDATED BALANCE SHEET (Continued)

As at September 30, 2013

Expressed in Saudi Riyals

	Notes	2013	2012
Statutory reserve	14	6,406,663	40,629
Net changes in fair value of available for sale investments	8	16,364	--
Retained earnings / (accumulated losses)		16,654,304	(41,994,055)
Total equity attributable to Company's shareholders		531,077,331	466,046,574
Non-controlling interest		105,876,277	84,423,494
Total Shareholders' equity		636,953,608	550,470,068
Total liabilities and Shareholders' equity		1,361,178,631	1,380,738,408

The accompanying notes 1 through 25 form an integral part of these consolidated financial statements.

AL YAMAMAH STEEL INDUSTRIES COMPANY

(A closed Joint Stock Company)

CONSOLIDATED STATEMENT OF INCOME

For the year ended September 30, 2013

Expressed in Saudi Riyals

	Note	2013	2012
Net sales		1,775,264,303	1,941,818,611
Costs of sales		(1,554,978,775)	(1,764,896,842)
Gross profit		220,285,528	176,921,769
Selling and distribution expenses	18	(24,390,914)	(23,240,596)
General and administrative expenses	19	(40,146,057)	(42,231,691)
Income from operations		155,748,557	111,449,482
Other income	20	454,331	819,596
Financial charges		(20,424,860)	(15,963,910)
Net income before Zakat and non-controlling interests		135,778,028	96,305,168
Zakat	16	(8,670,851)	7,610,335))
Net income before non-controlling interests		127,107,177	88,694,833
Non-controlling interests		(21,452,783)	(17,934,228)
Net income		105,654,394	70,760,605
Earnings per share from:	17		
Income from operations		3.07	2.19
Other income		.01	.02
Net income		2.08	1.39

The accompanying notes 1 through 25 form an integral part of these consolidated financial statements.

AL YAMAMAH STEEL INDUSTRIES COMPANY

(A closed Joint Stock Company)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended September 30, 2013

Expressed in Saudi Riyals

	Notes	2013	2012
Operating activities			
Net income		105,654,394	70,760,605
Adjustments to reconcile net income to cash flows provided by / (used in) operating activities:			
Depreciation	10	35,456,001	32,646,058
(Gains) on sale of property, plant and equipment	20	(97,535)	(34,547)
Provision for slow moving inventory		303,899	463,742
Projects under construction written off		--	7,045,545
Amortization of deferred costs	9	6,436,108	6,398,839
Financial charges		20,424,860	15,963,910
Zakat charged for the year	16	8,670,851	7,610,335
Share of non-controlling interests in net income		21,452,783	17,934,228
Provision for employee's end of service benefits charge of the year		3,891,008	2,648,447
		202,192,369	161,437,162
Changes in operating assets and liabilities:			
Trade receivables		10,385,188	(99,957,939)
Inventories		(10,406,213)	(162,087,511)
Due from related parties		38,783,725	3,986,784
Prepayments and other current assets		(16,643,463)	4,986,294
Trade payables		19,340,804	939,187
Accrued expenses and other current liabilities		9,037,010	3,758,166
Zakat paid	16	(6,114,716)	(6,455,480)
Employees' end of service benefits paid		(1,323,887)	(587,567)
Net cash flow provided by / (used in) operating activities		245,250,817	(93,980,904)
Investing activities			
Purchase of property, plant and equipment	10	(23,844,614)	(43,112,954)
Additions to deferred costs	9	(5,625,134)	--
Proceeds from sale of property, plant and equipment		102,249	159,000
Net cash flows used in investing activities		(29,367,499)	(42,953,954)
Financing activities			
Net movement in short-term Loans		(119,846,222)	140,678,746

AL YAMAMAH STEEL INDUSTRIES COMPANY

(A closed Joint Stock Company)

CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

For the year ended September 30, 2013

Expressed in Saudi Riyals

	Notes	2013	2012
Net movement in long-term Loans		(19,698,165)	(4,454,455)
Payables to banks		--	(5,414,810)
Financial charges paid		(20,424,860)	(15,963,910)
Dividends paid		(40,640,001)	--
Net cash flows (used in) / provided by financing activities		(200,609,248)	114,845,571
Change in cash and cash equivalents		15,274,070	(22,089,287)
Cash and cash equivalents at the beginning of the year		25,074,504	47,163,791
Cash and cash equivalents at the end of the year	4	40,348,574	25,074,504

The accompanying notes 1 through 25 form an integral part of these consolidated financial statements.

AL YAMAMAH STEEL INDUSTRIES COMPANY

(A closed Joint Stock Company)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended September 30, 2013

Expressed in Saudi Riyals

	Total equity attributable to the Company's shareholders						
	Capital	Statutory reserve	Change in fair value of available for sale investments	Retained earnings / (accumulated losses)	Total	Non-controlling interests	Total shareholders' equity
Balance at October 1, 2012	508,000,000	40,629	--	(41,994,055)	466,046,574	84,423,494	550,470,068
Net income for the year	--	--	--	105,654,394	105,654,394	21,452,783	127,107,177
Transferred to statutory reserve	--	6,366,034	--	(6,366,034)	--	--	--
Changes in fair value of available for sale investments	--	--	16,364	--	16,364	--	16,364
Dividends paid	--	--	--	(40,640,001)	(40,640,001)	--	(40,640,001)
Balance at September 30, 2013	508,000,000	6,406,663	16,364	16,654,304	531,077,331	105,876,277	636,953,608
Balance at October 1, 2011	508 000 000	40 629	--	(112,754,660)	395,285,969	66,489,266	461,775,235
Net income for the year	--	--	--	70,760,605	70,760,605	17,934,228	88,694,833
Balance at September 30, 2012	508,000,000	40 629	--	(41,994,055)	466,046,574	84,423,494	550,470,068

The accompanying notes 1 through 25 form an integral part of these consolidated financial statements.

Expressed in Saudi Riyals

1. ORGANIZATION AND PRINCIPAL ACTIVITIES

Al Yamamah Steel Industries Company ("the Company" or "the parent company") is a closed joint stock company registered in Riyadh under Commercial Registration No. 1010070794 dated 01/06/1409H as per the Minister of Commerce Decree No. (726) dated 20/03/1427H, His Highness approval on the incorporation of the Company No (1491) dated 30/05/1427H, corresponding to 26/06/2006. The company is operating under Industrial License No. 144/X dated 22/03/1409H and the amendments pursuant to it. The Company is principally engaged in:

a) production of welded steel pipelines (black/ galvanized), iron pipes, cutting iron sheets, production of bars and clips for tying, roadblocks, reinforcing steel bars from scrap, handy carts, hollowed iron sectors, structured tires, and shaped iron steel bars.
b) Production of galvanized electric poles.
c) Production of electric power towers.
d) Production of special iron steel bars for metal constructions.

The company operates through its factories in the following cities in KSA and these factories operate under the following commercial registrations:

Factory	City	Commercial Registration No.	Date
Al Yamamah Steel Industries	Jeddah	4030068043	28/04/1410
Al Al Yamamah Electric Poles	Jeddah	4030148938	09/03/1425
Al-Yamamah Steel Industries	Dammam	2050059045	07/03/1429
Al -Yamamah Space Frames Factory	Jeddah	4030180885	09/07/1429
Al-Yamamah Electric Power Towers Factory	Jeddah	4030180886	09/07/1429

These consolidated financial statements include the financial statements of the company, its branches, and the subsidiary mentioned below, which its head office is located in Riyadh and its factory is located in Yanbu, (collectively referred to as the "group").

Company's name	Country of incorporation	Shareholding
Al Yamamah Company for Reinforcing Steel Bars	KSA	72.5%

The subsidiary is principally engaged in reinforcing steel bars, and wholesale and retail trading in reinforcing steel bars.

The Company's registered Office is located in:

Al Yamamah Steel Industries Company

Riyadh 11534

P.O. Box. 55303

Kingdom of Saudi Arabia

2. BASIS OF PREPARATION

(a) Statement of compliance

The accompanying consolidated financial statements have been prepared in accordance with the generally accepted accounting standards in the Kingdom of Saudi Arabia issued by the Saudi Organization for Certified Public Accountants (SOCPA).

(b) Basis of measurement

The consolidated financial statements have been prepared on historical cost basis, except for the available for sale investments which is measured at fair value and using the accrual basis of accounting and the going concern concept.

(c) Functional and presentation currency

These consolidated financial statements are presented in Saudi Arabian Riyals (SR) which is the functional and reporting currency of the Group companies.

(d) Use of estimates and judgments

The preparation of consolidated financial statements requires management to make judgment, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods affected.

Information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have significant effect on the amounts recognized in the consolidated financial statements are as follows:

- Impairment of accounts receivable

A provision for impairment of receivables 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 agreement. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators of objective evidence that the trade receivable is impaired. For significant individual amounts, assessment is made on an individual basis. Amounts which are not individually significant, but are overdue, are assessed collectively and a provision is recognized considering the length of time considering past recovery rates.

2. BASIS OF PREPARATION (continued)

(d) Use of estimates and judgments (continued)

- **Provision for slow moving inventories**

Management makes a provision for slow moving and obsolete inventory items. Estimates of net realizable value of inventories are based on the most reliable evidence at the time the estimates are made. These estimates take into consideration fluctuations of price or cost directly related to events occurring subsequent to the balance sheet date to the extent that such events confirm conditions existing at the end of year.

- **Impairment of non-financial assets**

Non-current assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss, if any, is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. Non-current assets and 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 statement of income.

- **Impairment of available-for-sale investments**

The management exercises judgment to calculate the impairment loss of available for sale investments as well as their underlying assets. This includes the assessment of objective evidence which causes an other than temporary decline in the value of investments. In case of equity instruments any significant and prolonged decline in the fair value of equity investment below its cost is considered as objective evidence for such impairment. The determination of what is 'significant' and 'prolonged' requires management's judgment. The management also considers impairment testing to be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows. Furthermore, management considers 20% or more as a reasonable measure for significant decline below its cost, irrespective of the duration of the decline, and is recognized in the consolidated statement of income as impairment charge on investments. Prolonged decline represents decline below cost that persists for 9 months or longer irrespective of the amount and is, thus, recognized in the consolidated statement of income as impairment charge on investments. The previously recognized impairment loss in respect of equity investments cannot be reversed through the consolidated statement of income.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in the financial statements.

(a) Basis of consolidation

The consolidated financial statements include the financial statements of the company and its subsidiary as at September 30 of each year as shown in note 1. The financial statements of the subsidiary was prepared for the same reporting year.

Subsidiary

A subsidiary is an entity controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date control ceases. All intra-group balances and financial transactions resulting from transactions between the Company and the subsidiaries and those arising between the subsidiaries are eliminated in preparing these consolidated financial statements. Any unrealized gains and losses arising from intra-group transactions are also eliminated on consolidating the interim consolidated financial statements.

Non-controlling interest

Non-controlling interest represents the interest in subsidiary companies, not held by the Company which are measured at their proportionate share in the subsidiary's identifiable net assets. Transactions with Non-controlling interest parties are treated as transactions with parties external to the Group.

(b) Cash and cash equivalents

Cash and cash equivalents comprise bank balances, cash in hand, time deposits and investments in mutual funds, if any, that are readily convertible to cash and has a maturity of 3 months or less as at the original investment date, if any, which are available to the Group without any restrictions.

(c) Trade receivable

Trade receivables are stated at original invoice amount less provisions made for doubtful debts. A provision against doubtful debts is established when there is an objective evidence that the Group will not be able to collect the amounts due according to the original terms of the receivables. Bad debts are written off when identified, against their related provisions. The provisions are charged to consolidated statement of income and any subsequent recovery of receivable amounts previously written off are credited to income.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Inventories

Inventories are measured at the lower of cost and net realisable value. Cost is determined using the weighted average method. Cost includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value comprises estimated selling price in the ordinary course of business, less further production costs to completion and appropriate selling and distribution costs. Provision is made, where necessary, for obsolete, slow moving and defective stocks.

(e) Available for sale investments

Available for sale investments principally consist of less than 20% share in quoted and unquoted equity investments including mutual funds investments, which are not held for trading purposes and where the Group does not have any significant influence or control. These are initially recognized and subsequently re-measured at fair value. Any changes in fair value are recognized in equity as fair value reserve until the investment is disposed. Any significant and prolonged decline in value of the available for sales investments, if any, is charged to the consolidated statement of income. The fair value of investments that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business on the consolidated balance sheet date. For investments where there is no active market, including investments in unquoted privet equity, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument, which is substantially the same; discounted cash flow analysis and option pricing models, otherwise the cost is considered to be the fair value for these investments.

(f) Deferred costs

Deferred costs represent the costs incurred by the Group related costs activities prior to the operations stages and which will have future benefit for the Group in the coming years. These costs are amortized over their estimated useful lives using the straight-line method over a maximum period of 5 years.

(g) Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any impairment in value, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset. Finance costs on borrowings to finance the construction of the assets are capitalized during the period of time that is required to complete and prepare the asset for its intended use.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Property, plant and equipment (continued)

All other expenditures are recognized in the consolidated statement of income when incurred. Depreciation is charged to the consolidated statement of income on a straight-line basis over the estimated useful lives of the individual items of property, plant and equipment.

Repair and maintenance expenditures are charged to the consolidated statement of income. Improvements that increase the value or materially extend the life of the related assets are capitalized

Freehold land is not depreciated. The cost less estimated residual value of Property, plant and equipment is depreciated on a straight line basis over the estimated useful lives of the assets effective from its date of purchase or construction. Paper products factory plant and equipment related to the subsidiary are depreciated using the units of production method.

The estimated useful lives of assets for the current and comparative year are as follows:

	Years
Buildings	20-33
Machinery and equipments	10-20
Computers, softwares and electric equipment	5
Fixtures and furniture	5
Motor vehicles	5

(h) Accounts payable and accruals

Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

(i) Borrowings

Borrowings are recognized at the proceeds received, net of transaction costs incurred. Further, upfront fees that were deducted in advance by the SIDF, is deferred and presented netting of the principle amount of the loan. Such deferred amount is amortized over the term of the loan using the straight line method which is not materially different from applying the prevailing interest rate). Borrowing costs that are directly attributable to the construction of a qualifying asset are capitalized up to stage when substantially all the activities necessary to prepare the qualifying asset for its intended use are completed and, otherwise, such costs are charged to the consolidated statement of income.

(j) Provisions

A provision is recognized if, as a result of past events, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probably that an outflow of economic benefit, will be required to settle the obligation.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Employees' end of service benefits

Employees' end of service benefits, calculated in accordance with Saudi Arabian labour regulations, are accrued and charged to the consolidated statement of income. The liability is calculated at the current value of the vested benefits to which the employee is entitled, should his services be terminated at the balance sheet date.

(l) Revenue recognition

Revenue is recognized to the extent of the following recognition requirements:

- It is probable that the economic benefits will flow to the Group,
- It can be reliably measured, regardless of when the payment is being made
- The cost incurred to date and expected future costs are identifiable and can be measured reliably.

Revenue is measured at the fair value of the consideration received or the contractually defined terms of payment. The specific recognition criteria described below must also be met before the revenue is recognized.

Sale of goods

Revenue from sales is recognized upon delivery or shipment of products by which the significant risks and rewards of ownership of the goods have been transferred to the buyer and the Group has no effective control or continuing managerial involvement to the degree usually associated with ownership over the goods. Sales is recorded net of returns, trade discounts and volume rebates.

(m) Expenses

Selling and distribution expenses are those arising from the Group's efforts underlying the selling and distribution functions. All other expenses, excluding cost of sales and financial charges, are classified as general and administrative expenses. Allocations of common expenses between cost of sales and selling and distribution and general and administrative expenses, when required, are made on consistent basis.

(n) Zakat

The Company and its subsidiary are subject to zakat in accordance with the regulations of Saudi Department of Zakat and Income Tax ("DZIT"). Zakat is accrued and charged to the statement income currently. Additional zakat liability, if any, related to prior years' assessments arising from DZIT are accounted for in the period in which the final assessments are finalized.

(o) Dividends

Interim dividends are recorded in the period in which they are approved by the Board of Directors. Final Dividends are recorded in the year in which they are approved by the Shareholders' General Assembly.

(p) Segment reporting

A segment is a distinguishable component of the Group that is engaged in providing products or services, which is subject to risks and rewards that are different from those of other segments. The Group's primary format for segmental reporting is based on business segments. The business segments are determined based on the Group's management and internal reporting structure.

Expressed in Saudi Riyals

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Statutory reserve

As required by Saudi Arabian Regulations for Companies and the Company article of association, the Company is required to transfer 10% of its net income each year to the statutory reserve until the reserve reaches 50% of the capital. The limit have been achieved on the previous years.

(r) Contingent liabilities and contingent assets

i) Contingent liabilities

All possible obligations arising from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly with the control of the Group; or all present obligations arising from past events but not recognized because: (i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or (ii) the amount of the obligation cannot be measured with sufficient reliability; all should be assessed at each balance sheet date and disclosed in the Group's financial statements under contingent liabilities.

ii) Contingent assets

All possible assets arising from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group should be assessed at each balance sheet date and are disclosed in the financial statements under contingent assets.

4. CASH AND CASH EQUIVALNETS

Cash and cash equivalents at September 30, comprise of the following:

	2013	2012
Cash on hand	95,996	330,918
Cash at banks - current accounts	39,187,934	19,443,796
Checks under collection	1,064,644	5,299,790
	40,348,574	25,074,504

5. TRADE RECEIVABLES

Trade receivables as of September 30 comprise the following:

	Note	2013	2012
Trade customers		121,479,181	109,365,437
Trade customers - related parties	22	101,488,699	122,916,637
		222,967,880	232,282,074
Less: provision for doubtful debts		(1,070,994)	--
		221,896,886	232,282,074

Expressed in Saudi Riyals

6. INVENTORIES

Inventories as of September 30 comprise the following:

	2013	2012
Raw materials	362,370,850	375,412,637
Goods under production	14,709,475	11,191,112
Finished goods	107,225,801	96,953,167
Spare parts	49,017,025	44,113,481
Goods in transit	15,009,540	10,256,081
	548,332,691	537,926,478
Less: provision for slow moving inventory	(767,641)	(463,742)
	547,565,050	537,462,736

7. PREPAYMENTS AND OTHER CURRENT ASSESTS

Prepayments and other current assets as of September 30 comprise the following:

	2013	2012
Prepaid expenses	26,618,616	9,675,413
Advances to suppliers	4,839,682	4,493,064
Staff advances	1,827,536	1,948,817
Others	575,013	1,344,301
	33,860,847	17,461,595
Less: provision for doubtful debts	--	(244,211)
	33,860,847	17,217,384

Expressed in Saudi Riyals

8. AVAILABLE FOR SALE INVESTMENTS

Available for sale investments represent the company's investment in Arabian Pipelines Company (Saudi joint stock listed company) as following:

	Cost	Change in fair value	2013	2012
Arabian Pipe Company	26,000	16,364	42,364	26,000

9. DEFERRED COSTS

The movement in the deferred costs for the year ended September 30 was as follows:

	Note	2013	2012
Cost:			
Cost at the beginning and end of the year		38,305,151	38,305,151
Additions during the year		5,625,134	--
		43,930,285	38,305,151
Accumulated amortization:			
Balance at the beginning of the year		(27,168,061)	(20,769,222)
Amortization for the year	19	(6,436,108)	(6,398,839)
Balance at the end of the year		(33,604,169)	(27,168,061)
Net book value		10,326,116	11,137,090

Deferred costs represent the costs that occurred and related to the establishment of new sites and includes all costs such as consultants and expert fees, legal fees and license fees for the registration of the new branch or site.

*Additions during the year represent mainly the costs related to establishing a factory in Dammam which will be amortized over maximum of 5 years.

Expressed in Saudi Riyals

10. PROPERTY, PLANT AND EQUIPMENT

a) The movement in property, plant and equipment during the year ended September 30, 2013 is analyzed as following:

	Lands	Buildings	Plant & machinery	Vehicles	Furniture & office equipment	Computers & softwares & electronic equipment	Equipment & tools	Capital work in progress	Total
Cost:									
Balance at October 1, 2012	13,264,725	196,599,806	335,230,114	4,397,110	3,544,179	12,042,486	9,348,947	47,751,684	622,179,051
Additions	--	2,045,018	4,667,179	702,545	232,026	952,246	415,524	14,830,076	23,844,614
Disposals	--	--	--	(368,050)	(23,857)	(65,660)	(700)	--	(458,267)
Transferred from Capital work in progress	--	24,685,891	15,343,527	251,555	4,029	133,339	9,526	(40,427,867)	--
Balance at September 30, 2013	13,264,725	223,330,715	355,240,820	4,983,160	3,756,377	13,062,411	9,773,297	22,153,893	645,565,398
Accumulated depreciation:									
Balance at October 1, 2012	--	35,296,922	111,818,040	3,254,531	2,816,483	5,297,695	3,116,072	--	161,599,743
Depreciation charge for the year	--	8,124,310	23,527,515	445,473	392,339	2,142,139	824,225	--	35,456,001
Disposals	--	--	--	(365,591)	(23,854)	(63,409)	(699)	--	(453,553)
Balance at September 30, 2013	--	43,421,232	135,345,555	3,334,413	3,184,968	7,376,425	3,939,598	--	196,602,191
Net book value:									
At September 30, 2013	13,264,725	179,909,483	219,895,265	1,648,747	571,409	5,685,986	5,833,699	22,153,893	448,963,207
At September 30, 2012	13,264,725	161,302,884	223,412,074	1,142,579	727,696	6,744,791	6,232,875	47,751,684	460,579,308

Expressed in Saudi Riyals

10. PROPERTY, PLANT AND EQUIPMENT (continued)

b) Depreciation charge for the year ended September 30 was allocated as follows:

	Note	2013	2012
Cost of sales		31,998,041	29,905,479
Selling and distribution expenses	18	177,224	180,772
General and administrative expenses	19	3,280,736	2,559,807
		35,456,001	32,646,058

c) In March 2013, the first stage of the pipelines production project was completed and transferred from the capital work in progress to the property, plant and equipment. The total value of the project was SR 50 million.

d) Property, plant and equipment includes property and equipment mortgaged to Saudi Industrial Development Fund (SIDF) related to the Company's branch, Al Yamamah Electric Poles and its accessories Factory (branch of the company), with a NBV as at September 30, 2013 amounted to SR 32 million (September 30, 2012: SR 37 million). The company has repaid the loan in full and obtained an additional one from SIDF to finance the expansion of the factory on October 3, 2013.

e) The factory's buildings of the subsidiary with NBV of SR 107 million as at September 30, 2013 (2012: SR 111 million) that are established or will be established on the factory's land along with all its machinery, plant and equipment along with everything that will be obtained later for the project are pledged to SIDF as a collateral for loans.

f) The factory's buildings of the subsidiary are established on a piece of land leased from the Royal Commission for Yanbu for 35 years, started on Rabie Al Thani 5, 1427 H, for a nominal annual lease. The lease is renewable for a similar period with similar and other terms as agreed between the parties.

g) The Company's buildings are established on a piece of land leased from the Saudi Authority for Industrial Cities and Technical Areas (MODON) for 20 years, started on Shawal 29, 1429 H, for a nominal annual lease, The lease is renewable for a similar period with similar and other terms as agreed between the parties, except for the poles and towers factories as they are established on a land owned by the company

h) Capital work in progress is represented in the following projects:

	2013	2012
Poles Factory Expansion Project	10,638,162	1,100,972
Pipelines production factory project-Dammam	6,076,485	44,001,444
Steel Blocks Project	2,571,968	2,571,968
Pipelines Factory Expansion	1,614,779	--
Administration building and workers residence project	978,234	77,300
Water Cooling Tower Project	274,265	--
	22,153,893	47,751,684

Expressed in Saudi Riyals

11. BANK FACILITIES

a. Short-term bank loans

Short-term bank loans represent amounts outstanding under the overdraft facilities and short-term loans facilities with some commercial banks account to fund working capital requirements of the Group's companies.

Short-term bank loans at September 30 comprise the following:

	2013	2012
Saudi Fransi Bank	119,900,000	63,576,478
Arab National Bank	363,735,928	555,964,955
Al Rajhi Bank	16,059,283	--
	499,695,211	619,541,433

b. Long-term bank loans

Long-term bank loans at September 30 comprise the following:

	2013	2012
Saudi Fransi Bank	22,807,169	40,000,238
Arab National Bank	63,286,571	43,791,667
The Saudi Industrial Development Fund*	40,000,000	62,000,000
	126,093,740	145,791,905

Long- term loans are presented in the consolidated balance sheet as following:

	2013	2012
Current portion under current liabilities	68,807,169	65,791,667
Non- current portion under non- current liabilities	57,286,571	80,000,238
	126,093,740	145,791,905

Short and long-term loans, except SIDF loan, are guaranteed by a promissory note issued from the parent company and bear commissions at the commercial rates prevailing in the market, and is payable on quarter basis installments. The loans agreements include covenants that, among other terms, put some restrictions on dividends, decreasing of the capital and providing funds on guarantees.

SIDF loans

The subsidiary obtained a long term loan from SIDF with an amount of SR 108 million to finance the establishment of steel rod blocks factory, to be paid over semi annual installments that will end on 15 Rabie Al Thani 1437 H correspondent to February 5, 2015 with an amount of SR 14 million. This loan is guaranteed by pledging the building of the factory and all properties that are established or will be established on the land along with any other thing that will be obtained in the future for the project. The agreement has some covenants that include, among other terms, some restrictions related to the decrease of capital and providing funds or guarantees.

Expressed in Saudi Riyals

12. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expense and other current liabilities comprise of the following:

	2013	2012
Accrued expenses	18,197,711	15,703,607
Accrued staff incentives	8,861,161	5,714,832
Accrued financial charges	2,941,906	2,194,834
Advances from customers	6,959,675	3,811,607
Others	1,325,097	1,823,660
	38,285,550	29,248,540

13. SHARECAPITAL

The subscribed and fully paid-up capital of the Company was SR 508 million (September 30, 2012: SR 508 million) divided into 50.8 million shares (September 30, 2012: 50.8 million shares) of 10 SR each (September 30, 2012: 10 SR). The share capital is owned as follows:

Shareholders	No. of shares	%	Amount
Rashid Abdel Rahman Al Rashid and Sons Company	12,288,816	24.19	122,888,160
Abdul Kader & Sons Company	12,288,816	24.19	122,888,160
Al Muhanna Trading Company	12,288,816	24.19	122,888,160
Al Majel Trading and Contracting Company	8,056,002	15.86	80,560,020
Mr. Abdul Karim Hamad Abdul Karim Al Majel	4,232,815	8.33	42,328,150
Mr. Riad Bin Abdullah Bin Rashed	1,644,735	3.24	16,447,350
Total	50,800,000	100%	508,000,000

14. STATUTORY RESERVE

In accordance with Regulations for Companies in the Kingdom of Saudi Arabia, the Company is required to transfer 10% of its net income each year to the statutory reserve until such reserve reaches 50% of its share capital. This reserve is not available for distribution.

15. DIVIDENDS

The Board of Directors resolved on their meeting number (6/2) dated Shawal 26, 1434H, corresponding to September 2, 2013, to distribute interim dividends for the nine months results of the financial year ended September 30, 2013 with an amount of SR 0.80 per share, representing 8% of the nominal value of the share with a total amount of SR 40.64 million.

Expressed in Saudi Riyals

16. ZAKAT

(a) Charge for the year

The company and its subsidiary submit their Zakat returns separately on a non-consolidated basis using the equity method. The significant components of the Zakat base for each company consists of the opening balance of equity and provisions and the adjusted net income, less the net book value of property, plant and equipment, investments and other items. In case the Zakat base was negative, no Zakat liability is due for the Company.

Zakat charge for the year ended September 30 comprises the following:

	2013	2012
For current year	8,670,851	7,610,335

(b) Zakat provision

The movement in the Zakat provision during the year was as follows:

	2013	2012
Balance at the beginning of the year	6,904,752	5,749,897
Add: Charge for the year	8,670,851	7,610,335
Less: Payments during the year	(6,114,716)	(6,455,480)
Balance at the end of the year	9,460,887	6,904,752

(c) Zakat status

Al Yamamah Steel Industries Company

The company filed its Zakat returns for the period from the date of inception until the year ended September 30, 2012 and paid the due zakat and obtained a certificate valid to January 30, 2014. The company received zakat assessments from DZIT until September 30, 2007, and accordingly the additional liabilities were paid to DZIT.

The company filed its zakat returns for the years from 2008 to 2011 and received the assessments for these years, where DZIT claimed for zakat differences amounting to SR 9,9 Million. The Company objected against these assessments at the Preliminary Appeal Committee, and the company has provided letter of guarantee to the DZIT against the amount of zakat differences claimed. The committee didn't issue its decision yet, however the Company's management believes that the decision will be in its favor.

Al Yamamah Company for Reinforcing Steel Bars

The company filed its zakat returns for the year starting for the date of inception until September 30, 2012 and the company paid the due zakat and received restricted zakat certificate valid until April 30, 2014.

Expressed in Saudi Riyals

17. EARNING PER SHARE

Earnings per share for income from operations, other income and net income for the year ended September 30, 2013 was calculated based on the average outstanding number of shares during the period amounting to 50.8 million shares (2012: 50.8 million shares).

18. SELLING AND DISTRIBUTION EXPNESES

Selling and distribution expenses for the year ended September 30 comprise the following:

	Note	2013	2012
Transportation expenses		17,238,727	17,021,113
Salaries, wages and related benefits		5,262,005	4,548,522
Advertising and marketing		1,387,963	1,078,370
Depreciation	10	177,224	180,772
Rents		55,837	70,915
Other s		269,158	340,904
		24,390,914	23,240,596

19. GENERAL AND ADMINISTRATION EXPNESES

General and administrative expenses for the year ended September 30 comprise the following:

	Note	2013	2012
Salaries, wages and related benefits	22	24,390,571	20,668,465
Deferred costs amortization	9	6,436,108	6,398,839
Depreciation	10	3,280,736	2,559,807
Professional and consulting fees		597,450	225,000
Software and computer support expenses		1.619.272	1,732,301
Traveling expenses		588,142	479,602
Telephone and post		577,145	597,689
Rent		251,688	194,403
Repair and maintenances		151,260	193,822
Stationery and printing		148,356	145,745
Advertising and marketing		134,173	67,345
Projects under construction written-off		--	7,045,545
Donations		--	1,000,000
Provision for doubtful debts		1.070.994	--
Others		900.162	923,128
		40,146,057	42,231,691

Expressed in Saudi Riyals

20. OTHER INCOME

Other income for the year ended September 30 comprises the following:

	2013	2012
Gains on sale of property, plant and equipment	97,535	34,547
Others	356,796	785,049
	454,331	819,596

21. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

a) At September 30, 2013 the contingent liabilities against the outstanding letters of credit issued by local banks amounted to SR 201,398,565 million (September 30, 2012: SR 303,743,421 million).

b) At September 30, 2013 the contingent liabilities against the uncovered portion of the letters of guarantee issued in the ordinary course of business for the group's companies amounted to SR 93,707,844 million (September 30, 2012: SR 87,273,035 million).

22. RELATED PARTIES TRANSACTIONS AND BALANCES

Related parties include the Company's shareholders and their relatives up to the fourth generation, associated and affiliated companies and directors and key management personnel of the Group, Terms and conditions of these transactions are approved by the Group's management,

Related parties transactions mainly represent purchases and sales of goods and services which are undertaken under mutually agreed terms with the following entities:

Party	Relationship
Al Muhanna Trading Company	Shareholder
Al Muhanna Steel Group	Shareholder
Mr. Abdul Aziz Bin Abdullah Bin Ibrahim Al Muhanna	Shareholder
Mr. Ibrahim Bin Abdullah Bin Ibrahim Al Muhanna	Shareholder
Mr. Muhanna Bin Abdullah Bin Ibrahim Al Muhanna	Shareholder
Al Majel Trading Company	Shareholder
Abdul Kader Al Mehedb and Sons Company	Shareholder
Mr. Riad Bin Abdullah Bin Rashed	Shareholder
Mr. Abdul Karim Bin Hamad Bin Abdul Karim Al Majel	Shareholder
Rashed Abdul Rahman Al Rashed and Sons Company	Shareholder
Al Fozan for Building Materials Company	Shareholder in the Subsidiary

Expressed in Saudi Riyals

22. RELATED PARTIES TRANSACTIONS AND BALANCES (continued)

Related parties transactions for the year ended September 30 and balances arising-there from are as follows:

Transactions with	Nature of transaction	Amount of transaction during the year		Closing balance Receivable	
		2013	2012	2013	2012
Under trade receivables:					
Al Muhanna Trading Company	Sales	80,084,015	46,942,378	12,898,687	52,473
Al Majel Trading Company	Sales	23,484,300	11,419,500	2,749,500	4,994,100
Rashid Abdel Rahman Al Rashid & Sons	Sales	85,692,810	141,294,785	10,637,393	27,118,556
Abdulqader Almuhaiedeb & Son Company	Sales	378,312,094	301,987,531	35,463,723	30,730,276
Al Fozan Building Materials Company	Sales	300,430,829	453,602,827	39,739,396	60,021,232
				101,488,699	122,916,637
Under due to related parties:					
Abdul Karim Hamad Abdul Karim	Purchase of land	--	8,078,954	4,847,373	8,078,954
Al Majel Trading and Contracting Company	Purchase of land	--	15,376,072	9,225,643	15,376,072
Riad Ben Abdullah Ben Rashed	Purchase of land	--	3,139,220	1,883,532	3,139,220
Al Muhanna Trading Company	Purchase of land	--	23,455,022	14,073,013	23,455,022
Abdulqader Almuhaiedeb & Sons Company	Purchase of land	--	23,455,022	14,073,013	23,455,022
Rashid Abdel Rahman Al Rashid & Sons	Purchase of land	--	23,455,022	14,073,013	23,455,022
				58,175,587	96,959,312
Less: non-current portion				--	(58,175,587)
Current portion				58,175,587	38,783,725

On September 20, 2012, the Company sold a piece of land at Al Melisa in the southern of Jeddah that was recorded within the projects under construction to the shareholders of the company, each according to his share in the capital with its book value amounted to SR 96,959,312. During the year ended September 30, 2013 the shareholders paid an amount of SR 38,783, 725 and the remaining amount amounting to SR 58,175,587 was paid during the year ended September 30, 2014.

22. RELATED PARTIES TRANSACTIONS AND BALANCES (continued)

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any Director (whether executive or otherwise).

The remuneration of directors and other members of key management during the year were as follows:

Transactions with	Nature of transaction	2013	2012
Key management	Salaries, allowances and related benefits	6,624,133	7,405,331

23. RISK MANAGEMENT

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of the financial instruments. The Group is subject to interest rate risk on its interest bearing assets and liabilities mainly bank overdraft and bank facilities. The management limits the Group's interest rate risk by monitoring changes in interest rates.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial liabilities. Liquidity requirements are monitored on a regular basis and management ensures that sufficient funds are available to meet any commitments as they arise.

The Group's financial current liabilities consist of the current portion of bank facilities, trade accounts payables and accrued expenses and other liabilities. All the financial liabilities are expected to be settled within 12 months of the balance sheet date and the Group expects to have adequate funds available to do so.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Cash and cash equivalents of the Group standing at the balance sheet date are placed with foreign and local banks with sound credit ratings. Trade receivables are mainly due from local customers, 72% as of December 31, 2013 (2012: 22%) of the Group's trade receivables are due from 7 main customers (2012: 6 customers). Trade receivables are stated at their estimated realizable values.

Currency risk

Currency risk is the risk that value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group is not exposed to fluctuations in foreign exchange rates during its ordinary course of business, since all significant transactions of the Group during the year are in Saudi Riyal and US Dollars and there is no significant risks related to balance stated at US Dollars since the exchange of Saudi Riyal against the US Dollar is fixed.

23. RISK MANAGEMENT (continued)

Fair values of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction. The company's financial assets consist of cash and cash equivalent, accounts receivables and other assets, its financial liabilities consist of bank facilities, trade accounts payables, accrued expenses and other liabilities.

The fair values of financial instruments are not materially different from their carrying values.

Expressed in Saudi Riyals

24. SEGMENT REPORT

The Group carries its activities in the Kingdom of Saudi Arabia through the following main segments:

a) Steel Pipelines Production
b) Electric Poles Factory
c) Frames Factory
d) Electric Power Tower Factory
e) Al Yamamah Company for Reinforcing Steel Bars (subsidiary)
f) Others, which represents the property of the head office and investment returns

First : Operating Segments							
Description	Pipelines Factory	Electric Poles Factory	Frames factory	Electric Power Towers Factory	Al Yamamah for Reinforcing Steel Bars	Others	Total
September 30, 2013							
-Property, plant and equipment	67,804,392	33,808,892	5,162,040	38,869,401	282,135,866	21,182,616	448,963,207
- Net sales	458,250,244	140,890,121	13,557,116	127,879,280	1,034,687,542	--	1,775,264,303
-Net income	23,883,563	20,009,259	186,297	5,017,939	56,557,336	--	105,654,394
September 30, 2012							
-Property, plant and equipment	26,283,788	37,741,235	5,773,483	41,339,698	296,693,236	52,747,868	460,579,308
- Net sales	480,320,650	125,528,222	17,514,424	58,486,056	1,259,969,259	--	1,941,818,611
-Net income	19,635,224	11,365,561	(3,858,878)	919,818	47,281,139	(4,582,259)	70,760,605

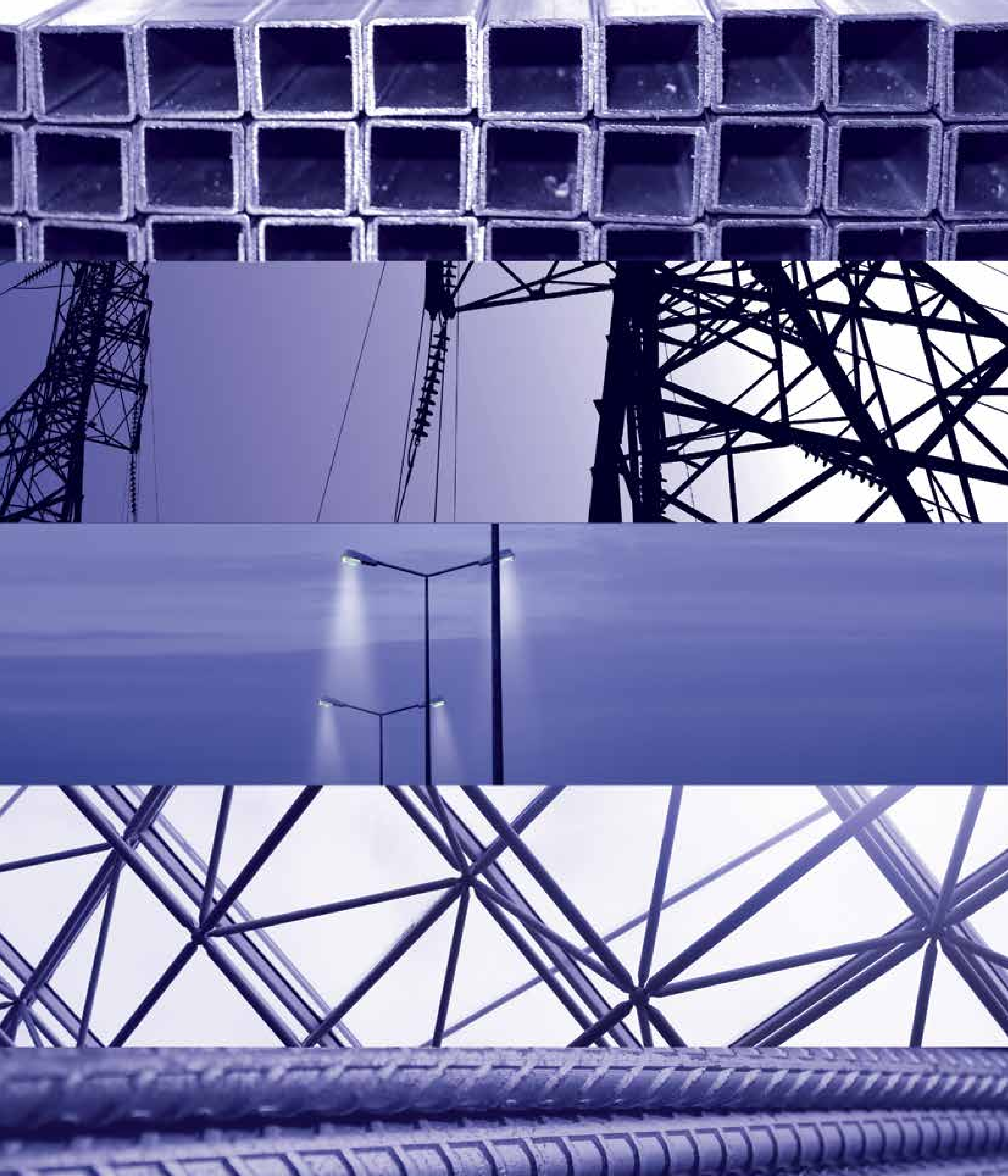
Some other assets and liabilities were not disclosed according to their operating segment as these information are not available on the operational level.

25. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved for issuance by the Board of Directors on Muharram 6, 1435H, corresponding to November 10, 2013.

شركة اليمامة للصناعات الحديدية

Al Yamamah Steel Industries Company



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