

Annual Report 2009



التمنيـة TASNEE
National Industrialization Company



بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

التمني TASNEE



The Crown Prince, Deputy Premier and Minister of
Defense & Aviation and Inspector General
HRH Prince Sultan Bin Abdul Aziz Al-Saud

Custodian of the Two Holy Mosques
King Abdullah Bin Abdul Aziz Al-Saud

The Second Deputy Premier and Minister of Interior
HRH Prince Naif Bin Abdul Aziz Al-Saud





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التمني TASNEE

The National Industrialization Company was established in the year 1405H (1985G), as a first Saudi Joint-Stock Company wholly owned by the private sector. The company was set up with a strong belief that industrial business is the right choice for diversification of the economic base and pushing forward the development cycle in the Kingdom.



Vision:

To be a leader in its industries and keen on responsibility towards its stakeholders and society at large.

Mission:

Achieving profitable and sustainable growth through the development of best business practices.

Board of Directors





Eng. Mubarak Bin Abdullah Al-Khafra
Chairman of The Board



Dr. Moayyed Bin Issa Al Qurtas
Vice Chairman and CEO



Dr. Talal Bin Ali Al-Sha'er
Deputy CEO for Cristal Global
& Nabaa TASNEE



Dr. Ihsan Bin Ali Buhlaigah



Dr. Saleh Bin Jameel Malaikah



Eng. Talal Bin Ibraheem Al Mayman



Dr. Nazeeh Bin Hassan Naseef



Eng. Salah Bin Abdulwahab Al Terkait



Eng. Mohamed Bin Owaith Al Joaid



Mr. Hisham Sayed Abdulrazzaq Al Rouzouki



A Word from The Chairman

Since the last quarter of 2008 and through 2009, the world economy has been experiencing one of the most dangerous financial crises. This crisis had its impact on the economic activity worldwide. But we, in Saudi Arabia, managed to overcome its consequences due to the wise policies adopted by the government. The effects of such crisis were limited on our economy which is evidenced in the State general balance, including the highest expenditure in its history and launching a great number of developmental projects all over the country while many countries in the world are still suffering from economic recession.

It is true that the world crisis had its effect on TASNEE activities due to decrease in prices and demand for some of our products, yet we managed to overcome this crisis which coincided with our most significant project (Saudi Ethylene & Polyethylene Company, owned by TASNEE with local and global partners) entering the commercial operation stage which enabled us to achieve great growth in TASNEE profits in the second half of 2009 despite reduction in this year's profits due to the crisis effects on the first half of 2009.

We are looking forward to a new decade of developments which TASNEE will witness by enhancing its industrial activities and acquiring and developing advanced techniques that would serve its markets and customers in Saudi Arabia and worldwide, taking into consideration its social and environmental responsibility.

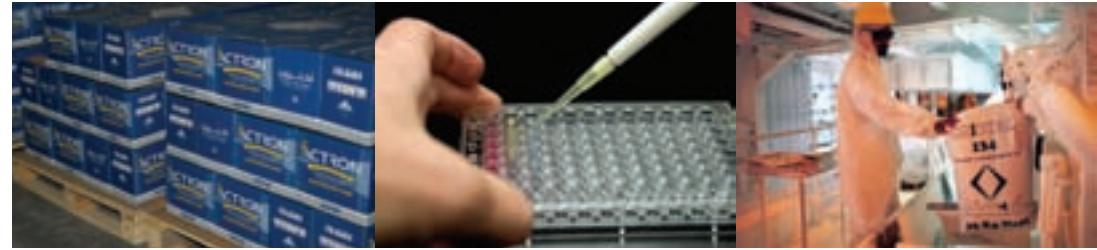
Every year we used to have an exclusive feature that distinguishes our business; Last year, we have launched our Ethylene & High - and low - Density Polyethylene projects with productive capacity reaching one million tons of ethylene per year. This year we launched the Acrylic Acid and its derivatives project. We will cope with developments and interact with variables, with the aim of entering into partnerships and alliances that would increase TASNEE strength and ability to continue and grow.

Finally, I would like to offer my thanks and appreciation to my colleagues, Board members, for the efforts they exerted and will continue to exert for the success of TASNEE business. My thanks and appreciation is also extended to TASNEE employees as well as to its shareholders for their trust and support seeking Almighty Allah to help us for more success.

Engineer/ Mubarak Bin Abdallah Al Khafra



Board of Directors Report



The Board of Directors in National Industrialization Company is pleased to present to stakeholders its annual report for the fiscal year from 1/1/2009 till 31/12/2009 accompanied by audited financial statements and including the most important developments, results and activities of projects.

At a Glance

During the year 2009, the world economies experienced hard times and great challenges. However, TASNEE managed to maintain its gains and realize significant accomplishments where the company continued promoting its performance and enhancing its position and strength, completion and expansion of its projects as well as attaining advanced stages of planning and studying a number of new projects.

Below is a preview of the company's most important developments and achievements:

First: The Company Capital

The capital of the company is SAR 4.606.846.860 after increasing its capital during 2008 from SAR 3.495.735.750 to SAR 4.606.846.860, divided into 460.684.686 shares by a nominal value of 10 riyals per share.

Second: Types of the Company's Main Activities

The activity of the company headquarters is represented in the investments in industrial field, transferring industrial advanced technology to Saudi Arabia in the field of manufacturing and processing of petrochemicals and chemicals, engineering and mechanical industries, management and acquisition of industrial projects and marketing their products. For the activity of affiliated companies, it is represented in the field of manufacturing and marketing the industrial products, and the activity of petrochemicals in the field of producing ethylene and polyethylene, propylene and polypropylene. The industrial field activity includes production and marketing of titanium dioxide and production of liquid batteries for cars as well as production of lead, plastics products of various kinds and production of acrylic sheets. For the other activities, they are represented in marketing plastics products and batteries, rendering technical services, performing technical tests to equipment and industrial installations, chemical, petrochemical and metallic factories and desalination and power generating plants.



Below is a table showing the impact of each of said activities on the volume of the company's works:

	Industrial Sector	Petrochemicals Sector	Headquarters & Other Activities	Total
Percent of sales	64%	35%	1%	100%

Third: Performance of Affiliates:

1 National Titanium Dioxide Co. "CRISTAL GLOBAL":

A limited liability company based in Jeddah.

Due to slow world demand for the product especially in the first half of 2009, production was reduced by about 7% less than 2008 in CRISTAL. Yet, the world demand witnessed improvement in the second half, and it is expected to witness further improvement during 2010. The Company in Yanbu has completed expansion works in its plants where the average production reached about 180,000 tons per year, as was planned. It is known, that CRISTAL owns and operates factories for Titanium Dioxide in North America and South America, Europe and Australia in addition to its plants in Yanbu.

2 Saudi Polyolefins Company (SPC):

A limited liability company based in Jubail Industrial City.

In 2009, Polypropylene production totaled about 408,000 tons with a reduction of 15% compared to that of the year 2008. This reduction is due to reduction in production during the first and second quarters resulting from periodical maintenance works to complete linkage required by expansion works at polypropylene factory for raising the annual production capacity to about 700,000 tons. It is worth mentioning that all these works have been completed.

3 TASNEE & SAHARA Olefins Company:

A closed joint stock company – based in Riyadh.

Its issued shares are (48,000,000) forty-eight million shares of equal value; the nominal value of each is 50 riyals. TASNEE owns (directly and indirectly) 60.45% of the shares.

TASNEE & SAHARA Olefins Company practices its activities through its affiliates as follows:



3-1 Saudi Ethylene and Polyethylene Company:

A limited liability company operating through the following two factories:

3-1-1 Ethylene Factory:

Its total production since the beginning of 2009 until its end amounted to about 850,000 tons. The production of Propylene was about 190.000 tons. The production in Ethylene factory started in August 2008.

3-1-2 Polyethylene Factory:

Total production of Low-Density Polyethylene (LDPE) in this factory has totaled 165,000 tons, while its total production of High-Density Polyethylene (HDPE) reached about 310.000 tons. Production of Low-Density Polyethylene (LDPE) started in March 2009, while Production of High-Density Polyethylene (HDPE) started in November 2008.

The commercial operation of the company was declared as from 1 June 2009.

3-2 Saudi Acrylic Acid Company and its Derivatives:

A limited liability company based in Riyadh.

It was established in April 2009 in partnership between TASNEE & SAHARA Olefins Company and National Industrialization Co. (TASNEE), and SAHARA Petrochemicals Co. for the establishment, production and acquisition of Acrylic Acid and its derivatives. A company has also been established for the first project under the name "Saudi Acrylic Monomers Company" (SAMCO) in partnership between Saudi Acrylic Acid Co. and the American "Dow Chemical Co." which acquired Rom & Hass Co. with which negotiations has been started. Work is currently in progress for the implementation of this project.

4 The National Lead Smelting Company "RASASS"

A limited liability Company based in Riyadh.

It is considered as the largest factory for lead material in the region having two factories, one in Riyadh and an other in Jeddah. It is the main provider for battery factories with lead material in Saudi Arabia. It has its own expansion plans in the field of mining and producing metals. It is keen on maintaining a clean environment in all its businesses.



5 Rowad National Plastics Company "ROWAD"

A limited liability company based in Riyadh.

It is one of the largest specialized producers of plastic sheets in Saudi Arabia. It has diversified production through its different projects for producing plastic sheets and plastic products using injection method in addition to expanding plastic recycling. It participated in the first project of its kind in the Kingdom for producing plastic membranes of special specifications used largely in water projects, in addition to Bi-axially Oriented Polypropylene (BOPP) project. The products of this project which is under construction, are used for several applications, the most important of which is wrapping and preserving foods.

6 National Batteries Company "BATTARIAT"

A limited liability company, based in Riyadh.

It is one of the largest manufacturers of auto batteries in the region with its design production capacity exceeding 2 million batteries per annum. The company produces a wide variety of high-quality batteries that meets the requirements of different customers. Besides, it has introduced its new product (SMF), batteries that do not require maintenance, into markets.

7 National Inspection and Technical Testing Company "FAHSS":

A limited liability company, based in Dammam.

It is a leading company in the field of technical inspection and testing of industrial installations, granting world (ISO) quality certificates. It has signed contracts with a great number of leading companies in KSA among which are Saudi Aramco and Saudi Electricity Company and others. FAHSS has expanded its activities in the Gulf area through its affiliate "TUV – Middle East", which signed contracts with several leading companies and organizations in GCC States.

8 National Industrialization Petrochemicals Marketing Company

A limited liability company, based in Riyadh.

It is one of the most important private-sector companies whose activity is marketing and selling Polypropylene products of all kinds as well as High-Density and Low-Density Polyethylene. The strength points of the company are represented in technical and marketing skills, caring for customers' needs and ensuring quality and reliable and timely delivery, which contributed to the company's occupying a leading position among competing companies where products being marketed are exported to more than 25 countries.



9 National Operation and Industrial Services Company "KHADAMAT":

A limited liability company, based in Riyadh.

It is one of the largest companies in marketing plastic sheets and auto batteries. It has achieved good growth in its profits from its investments and marketing activities locally and globally. The company is continuously working to achieve integration between TASNEE affiliates and its common interests. TASNEE in the middle of the year 2009 increased its share in the National Operation and Industrial Services Company (KHADAMAT) to 85% when TASNEE assigned its share in the National Environmental Preservation Co. "BEE'AH" to a partner in the company against this partner assigning his share in KHADAMAT to TASNEE.

10 Uniqueness of the Company:

- TASNEE obtained the Transparency Award for Saudi joint stock companies for the year 2009 granted by the BMG Company for financial consultancies. It has also been honored among ten Saudi joint stock companies that won the award. TASNEE attained the fifth place among these companies which include top Saudi joint stock companies.
- TASNEE got the first place as "the best Saudi business environment for 2009 in petrochemicals sector". It has also got the fourth place as the best business environment in Saudi Arabia for 2009 among ten big Saudi companies. According to a survey carried out by "Team One Company for Consultancies" in cooperation with Al-Eqtisadia newspaper for the best Saudi business environment for 2009,

Fourth: Risks:

The main activities of the company are generally focused on petrochemical industries and titanium dioxide which could be affected by the following risks:

- Change in world economy regarding recession and stagnation affecting in turn reduction of demand for the company's products of petrochemicals and titanium dioxide, and consequently reduction of prices of such products.
- Change in prices of raw materials of products on which the company depends greatly.
- Competition risks: the company sells its products in competitive markets where selling transactions are subject to world factors of supply and demand. Such markets have cyclic nature of prices and the level of demand for products.



- Managing of the company and its affiliates is conducted by a choice of the best Saudi and world efficient personnel; the stability of these leaderships is among the most important elements influencing the development and continuity of the company's performance.
- The company is working hard for developing and establishing a number of expansion projects consistent with its strategic plans; these projects may be subject to postponing or increase in cost.

Fifth: Prospective Projects:

- The company is currently holding discussions with some of the companies specialized in certain areas and evaluating options available at present which will be declared when the company reaches agreements for executing them.
- TASNEE Center for developing plastics products:

This center has been designed according to a world mode such that it will be a support for the manufacturing processes in the company and to assist downstream industries in the area which are based on plastic industries. The center will contribute to developing such industries in addition to training its personnel on duty and customers ,through cooperation and communication with universities and world technical institutes. Works of establishing the center are expected to be completed in 2010.

Sixth: Sister Companies:

TASNEE is participating in several industrial companies, the most important of which are the following:

	Name of Company	Main Activity	Activity Location	TASNEE ownership percentage
1	National Metal Manufacturing & Casting Company "Maadaniyah"	Wires and metal castings	Jubail/ Dammam	35.46%
2	National Packing Products Company "Watan Pac"	Carton production and marketing	Riyadh	42.6%



Seventh: Business outputs for the last five fiscal years:

TASNEE occupies a strong financial position and positive financial parameters that support its projects for expansion in investments and strategic alliances which help in continuous growth and strengthening its position in local and world markets. The table below shows its business outputs for the last five fiscal years:

Year	Amount in SAR millions				
	Total assets	Total liabilities	Shareholders' rights	Sales	Net profits
31 March 2006	6.839	3.018	2.067	2.846	370
31 December 2006	10.357	3.118	5.567	3.241	693
31 December 2007	24.653	16.093	5.939	7.227	661
31 December 2008	30.419	20.426	7.350	10.037	601
31 December 2009	33.168	21.708	7.790	10.863	519
Growth during 5 years	385%	619%	277%	282%	40%

Eighth: Financial Outputs:

The growth of the company and its affiliates operations is reflected on the financial position of the company, as follows:

Geographic Analysis for Revenues:

Region	KSA	Other GCC	Middle East	Africa	Indian continent	East Asia	Europe	USA
Sales percentage	12%	3%	8%	9%	7%	24%	19%	18%



Profits:

Net profits for the period from 1/1/2009 to 31/12/2009 amounted to SAR 519.486.000, with a decrease of 13.5% from last year, bearing in mind that the operational profits grew by 50.3% to SAR 1.516.558.000 against SAR 1.009.541.000 in 2008 as a result of increase in returns of the company's sales of Saudi Ethylene and Polyethylene Company which started commercial operation as from 1 June 2009.

Shareholders' rights:

Shareholders' rights by the end of December 2009 amounted to SAR 7.789.752.000 with an increase of 6% from last year.

Total Assets:

By the end of December, assets totaled SAR 33.167.722.000 with an increase of 9% from last year.

Borrowings:

During this year, the company obtained facilitations of SAR 625 million all of which are consistent with the Islamic Shariaa, bearing in mind that these facilitations don't include financing its affiliates projects and the banking facilitations obtained directly by the affiliates which have been disclosed in the audited consolidated financial statements for the year 2009.

Ninth: Profit Distribution Policy:

The Decision of profit distribution is within the powers of the General Assembly pursuant to a recommendation by the company Board of Directors. It is based mainly on the amount of net profits realized in each year and the size of expenditure expected on future investment projects and on expected cash flows.

The company distributed cash profits to shareholders for the year 2008 at a rate of one (1) Riyal per share, i.e. (10%) of nominal capital. This distribution was approved by the general assembly on 28/3/2009.

The general policy for the distribution of profits pursuant to Article 17-4 of the Company's Statutes provides for distributing the net annual profits of the company after deducting all general expenses and the other costs as follows:



- Exclusion of Zakat imposed by law.
- Exclusion of 10% as a regular reserve which the General Assembly may suspend whenever it reaches half the capital.
- Distribution of a first increment to shareholders equaling 5% of paid capital.
- Distribution of the remaining amount as an additional share.

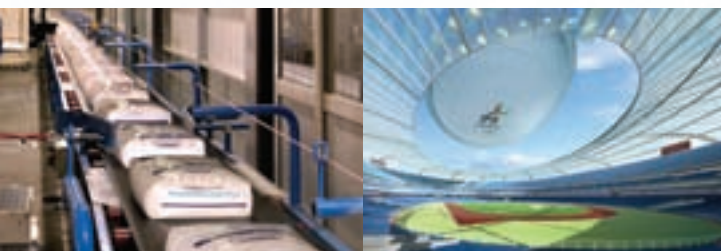
Tenth: The Board of Directors Recommendations regarding 2009 profits:

- The Board of Directors recommends a distribution of profits in cash of SAR 345.513.515 to shareholders at a rate of (75) halalah per share, i.e. (7.5%) of capital, which was forwarded to the general assembly for approval.

The table below shows the profits balance:

Amounts in thousand riyals	Description
1,100,351	Profits carried over from last year
519,486	Current year profits after exclusion of amounts designated for legitimate Zakat
(51,948)	Amounts transferred to regular reserve
(345,513)	Profits proposed for distribution
(2000)	Benefits payable proposed for distribution to members of the Board of Directors
1,220,376	Total balance for profits as on 31 December 2009.

- The Board of Directors recommends raising the company's capital from SAR 4.606.846.860 to SAR 5.067.351.550 by granting one free share to each 10 shares, the value of this increase to be paid from the issuance allowance item. The percent of change in capital is 10% and the number of shares before the increase in capital is 460.684.686 shares, and the number of shares after increasing the capital is 506.753.155 shares.



- c. Shareholders registered in the company's records at Saudi Stock Exchange (TADAWUL) at the end of the day of holding the assembly are entitled to profits and free shares.

Eleventh: Formation of the Board:

The Board is constituted from ten members whose membership expires on 5/7/2010AD, as follows:

Name	Membership class	The other listed Joint companies in which he subscribed to membership of their Boards of Directors
Eng/ Mubarak bin Abdallah Al Khafra – Chairman of the Board	Executive member	- Saudi Hollandi Bank - Malath Insurance Company
Dr/ Moayyed bin Issa Al Qurtas – Vice-Chairman and Chief Executive	Executive member	- National Metal Manufacturing and Casting Co. (MAADANIYAH) - Saudi Potter Pipes Production Co. - Alrajihi Coperative Insurance Co.
Dr/ Talal bin Ali Alsha'er Deputy CEO for CRISTAL affairs	Executive member	- Saudi Iak Company
Dr/ Ihsan bin Ali Buhlaigah	Independent member, & non-executive	- Malath Insurance Company
Dr/ Saleh bin Jameel Malaikah	Independent member, & non-executive	- Saudi Iak Company
Eng/ Talal bin Ibraheem Al Mayman	Independent member, & non-executive	- Safola company - Kingdom Holding Company
Dr/ Nazeeh bin Hassan Naseef	Independent member, & Eng/ non-executive	- Saudi Pharmaceutical Industries and Medical Appliances Corporation (SPIMACO)
Eng/ Salah bin Abdulwahab Al Terkait)	Independent member, & Eng/ non-executive	



Name	Membership class	The other listed Joint companies in which he subscribed to membership of their Boards of Directors
Mr. Sabah Tayseer Barakat (as from 28/12/2009 instead of Eng. Mohammad bin Owaidh Al Joaid)	Independent member, & non-executive	
Mr/ Hisham Sayyed Abdulrazzaq Al Rouzouki	Independent member, & non-executive	- Al Zamil Company Industrial Investment Company

Twelfth: the Board of Directors Meetings:

During 2009, the Board held five (5) meetings with attendance as follows:

Meeting	Date	Meeting No.	The Board members
First	17/02/2009	1/142/2009	Eng/ Mubarak bin Abdallah Al Khafra, Dr/ Moayyed bin Issa Al Qurtas, Dr/ Talal bin Ali Alsha'er, Dr/ Ihsan bin Ali Buhlagah, Dr/ Saleh bin Jameel Malaikah, Eng/ Talal bin Ibraheem Al Mayman, Dr/ Nazeeh bin Hassan Naseef, Eng/ Salah bin Abdulwahab Al Terkait, Eng/ Mohammad bin Owaidh Al Joaid, Mr/ Hisham Sayyed Abdulrazzaq Al Rouzouki
Second	13/04/2009	2/143/2009	Eng/ Mubarak bin Abdallah Al Khafra, Dr/ Moayyed bin Issa Al Qurtas, Dr/ Talal bin Ali Alsha'er, Dr/ Ihsan bin Ali Buhlagah, Dr/ Saleh bin Jameel Malaikah, Eng/ Talal bin Ibraheem Al Mayman, Dr/ Nazeeh bin Hassan Naseef, Eng/ Salah bin Abdulwahab Al Terkait, Eng/ Mohammad bin Owaidh Al Joaid.
Third	02/06/2009	3/144/2009	Eng/ Mubarak bin Abdallah Al Khafra, Dr/ Moayyed bin Issa Al Qurtas, Dr/ Talal bin Ali Alsha'er, Dr/ Ihsan bin Ali Buhlagah, Dr/ Saleh bin Jameel Malaikah, Dr/ Nazeeh bin Hassan Naseef, Eng/ Salah bin Abdulwahab Al Terkait, Mr/ Hisham Sayyed Abdulrazzaq Al Rouzouki



Meeting	Date	Meeting No.	The Board members
Fourth	18/10/2009	4/145/2009	Eng/ Mubarak bin Abdallah Al Khafra, Dr/ Moayyed bin Issa Al Qurtas, Dr/ Talal bin Ali Alsha'er, Dr/ Saleh bin Jameel Malaikah, Dr/Nazeeh bin Hassan Naseef, Eng/ Salah bin Abdulwahab Al Terkait, Eng/ Mohammad bin Owaidh Al Joaid,
Fifth	28/12/2009	5/146/2009	Dr/ Moayyed bin Issa Al Qurtas, Dr/ Talal bin Ali Alsha'er, Dr/ Ihsan bin Ali Buhlagah, Dr/ Saleh bin Jameel Malaikah, Dr/ Nazeeh bin Hassan Naseef, Eng/ Salah bin Abdulwahab Al Terkait, Mr/ Hisham Sayyed Abdulrazzaq Al Rouzouki, Sabah Tayseer Barakat (first meeting after being appointed on 28/12/2009).

Thirteenth: Indemnities & Benefits of the Board Members and CEOs:

In riyal	Executive Members of the Board	Non-Executive Members of the Board/ independent	Five CEOs who received highest benefits & indemnities including executive manager & finance manager
Salaries & indemnities	-	-	2.825.000
Allowances	315.344	348,422	71.760
Periodical & annual premiums	5.037.500	-	2.630.250
Incentive plans	-	-	-
Indemnities & real benefits	108.541	-	105.583

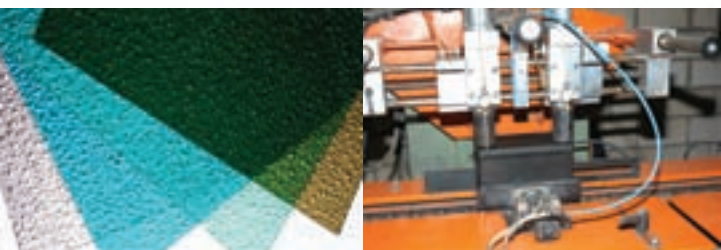
Fourteenth: Corporate Governance:

The Board approved the corporate governance guide which the company observes its items and adheres thereto. It also applies most of the rules contained in the corporate governance regulations issued by the financial market commission in KSA and is completing setting a number of policies and procedures in the form of regulations.



Rules of the corporate governance regulation that have not been applied in the company are detailed as follows:

Article No.	Its content	Reasons for non-application
6/b	Accumulative voting for electing the Board members	Voting for election of members of the Board according to the Statutes of the Company shall be made pursuant to traditional method consistent with the corporate system.
6/d	Reviewing annual reports for investors having judicial capacity such as investment funds in order to be acquainted with their policies in voting..	Difficulty of application due to its connection with other persons' policies which were not disclosed publicly
10/z	Setting written policies that organize relation with stakeholders for protecting them and their rights	Contracts guarantee that, and there was no need for the Company to set written policies for that.
12/p	Commitment of the person having judicial capacity with the right - according to the company Statutes - to nominate his representatives in the Board, not to vote on election of other members	This provision is not applicable to the Company because there is not a provision in the Statutes giving the judicial bodies the right to nominate their representatives in the Board.
14/8	The audit committee being busy studying the initial annual financial statements before being forwarded to the Board.	This rule has been applied relating to auditing annual financial statements; but as to initial or quarterly financial statements, the multiple of the affiliates and the short duration available make it difficult for the audit committee to accomplish that within regular durations



Fifteenth: Disclosures:

1. The Capital Market Authority issued its decision No. (5-33-2009) dated 10/1/1431 AH (27/12/2009AD) imposing a financial fine on the Company of SAR 50,000 fifty thousand for not having declared the resignation of the Senior Vice-President of investment and finance.
2. **Conflict of Interests:** The Company declares that no member in the Board has any direct or indirect interest in business and contracts made for the Company, and that all members in the Board do not have any participation in any business causing competition against the Company, or trading in any of the branches of the activity it is practicing. Besides, the company did not impose or guarantee any of the Board members against any loan or commitment whatsoever.
3. **Transactions with related parties:** There were no contracts with parties having relations with the Board members or the delegated member or finance manager or any of his relatives.

Sixteenth: the Board Committees:

The Board of Directors approved regulations for: the executive committee, audit committee, nominations and awards committee & administrative committee. These regulations defined the formation of all these committees, its membership duration, tasks, powers, procedures and work method and meetings, and liabilities awards of its members. These committees are formed as follows:

A) The Executive Committee:

It is concerned mainly with taking all serious executive and strategic decisions in accordance with the powers designated to it and approved by the Board. It is formed as follows:

1	Eng/ Mubarak bin Abdallah Al Khafra	Chairman
2	Dr/ Moayyed bin Issa Al Qurtas	Member
3	Dr/ Talal bin Ali Alsa'er	Member
4	Eng/ Talal bin Ibraheem Al Mayman	Member

This committee held 8 meetings during 2009.



B) Audit Committee:

This committee practices its powers pursuant to applicable regulations and standards. It also internal control system while adhering to audit standards approved in the Kingdom in addition to the company's regulations. However, the annual audit results of the internal control procedures showed that TASNEE internal control system was prepared on sound basis and was implemented during 2009 professionally and efficiently. The Company is committed with the corporate internal audit guide approved by the Board. The Audit Committee is composed of:

1	Dr/ Ihsan bin Ali Buhlegah	Chairman
2	DR/ Saleh bin Jameel Mala'ikah	Member
3	Mr. Ali bin Mohammad Alshashaa'	Member
4	Eng/ Mohammad bin Owaidh Al Joaid	Member

Mr. Sabah Tayseer Barakat was appointed as a Committee member instead of Eng./ Al Joaid as from 28/12/2009.

The Audit Committee held 3 meetings during 2009.

C) Nominations and Awards Committee:

It is concerned with recommending to the Board all matters relating to nominations for the Board membership, reviewing the needs, required qualifications and skills, reviewing the Board structure and determining its strength and weakness points, ensuring the independence of independent members and ensuring that there is no conflict in interests, setting compensation and awards for the Board members and senior executives. The nominations and Awards is composed of:

1	Eng/ Mubarak bin Abdallah Al Khafra	Chairman
2	Dr/ Moayyed bin Issa Al Qurtas	Member
3	Dr/ Nazeeh bin Hassan Nasseef	Member
4	Mr/ Hisham Sayyed Abdulrazzaq Al Rouzouki	Member

This committee held 2 meetings during 2009.



D) Administrative Committee:

It undertakes the powers delegated to it according to approved powers regulations. Its tasks include contribution to drafting the company's strategy and coordination between the company's projects and following up and reviewing the administrative systems, studying its labour and administrative needs, formation of committees concerned in the company's business fields and appointing and issuing recommendations for appointing Board members for affiliates. The administrative Committee is composed of"

1	Dr/ Moayyed bin Issa Al Qurtas	Chairman
2	Dr/ Talal bin Ali Alsa'er	Member
3	Eng/ Saleh bin Fahad Alnazha	Member

This committee held 17 meetings during 2009.

Seventeenth: Ownership of the Board of Directors members & senior executives in the company's shares:

Name	No. of shares owned in the company as on 31/12/2008	No. of shares owned in the company as on 31/12/2009
Eng/ Mubarak bin Abdallah Al Khafra	2.100.661	2.100.661
Dr/ Moayyed bin Issa Al Qurtas	495.482	495.482
Dr/ Talal bin Ali Alsa'er	63.590	1,000
Dr/ Ihsan bin Ali Buhlegah	3.162	3.162
Dr/ Saleh bin Jameel Mala'ikah	63.392	63.392
Eng/ Talal bin Ibraheem Al Mayman	14.919	14.919
Dr/ Nazeeh bin Hassan Naseef Share of SPIMACO	24.171.469	24.171.469



Name	No. of shares owned in the company as on 31/12/2008	No. of shares owned in the company as on 31/12/2009
Eng/ Salah bin Abdulwahab Al Terkait Share of National Industrialization Group (NIG)	24.369.185	24.369.185
Eng/ Mohammad bin Owaidh Al Joaid	38.310	5,000
Mr/ Hisham Sayyed Abdulrazzaq Al Rouzouki Share of Gulf Investment Corporation (GIC)	36.853.188	36,459,246

Eighteenth: the Company Auditors:

The ordinary General Assembly agreed in its meeting held on 28/3/2009 upon nominating Messrs/ Bakr Abulkhair & Co. Bureau (Deloitte & Touche Certified Accountants) as auditors of the company's accounts for the fiscal year ending 31/12/2009.

Nineteenth : Zakat and statutory payments:

Zakat due on National Industrialization Company alone amounted to SAR 28,551,000 for 2009, and payments for social insurances subscriptions totaled SAR 14,188,384.

Twentieth: Social Contribution:

The Company made a contribution to social, charity and developmental activities, for the Saudi society and its people. The company was very keen on diversifying the beneficent bodies and categories where several charity societies in different parts of the Kingdom benefited from the contributions made by the company, besides contributing to a variety of social responsibility projects. Amounts approved for this year, 2009, totaled SAR 6,000,000 six millions.

Twenty First: Manpower & Training:

The personnel of the company as on 31/12/2009 amounted to 962 employees, of whom 546 are Saudis. This also includes the company's employees in petrochemical factories in Jubail but it does not include the affiliates' employees.



Twenty Second: Representations of the Board of Directors Members:

Based on information that has come to our knowledge, and according to auditors' report and results and data of local market and prospective indications, we declare the following:

1. Accounts registers have been prepared properly.
2. The internal control system has been established on sound foundations and executed efficiently.
3. There is no doubt at all regarding the company's ability to resume its activity.

Following this review, the Board of Directors forwards the following agenda to the ordinary General Assembly:

1. Approving the Board's report for the year ending 31/12/2009.
2. Approving the report of external auditors and general balance of the company as in 31/12/2009 and computing and approving the profits and losses for the period from 01/01/2009 till 31/12/3/2009.
3. Agreeing upon the appointment of accounts controller from candidates nominated by the audit committee for auditing the financial statements for the year 2010, and quarterly financial statements, and determining his fees.
4. Approving the Board's recommendation for raising the company's capital from SAR 4,606,846,860 to SAR 5,067,531,550 by granting one free share per ten shares, the amount of this increase will be paid from issuance allowance. The percent of change in capital is 10% and the number of shares before the increase of the capital is 460,684,686 shares, and the number of share after the increase of the capital is 506,853,155 shares. Shareholders registered in the company's records at Saudi Stock Exchange (TADAWUL) shall be entitled to the free shares by the end of circulation on the day of holding the General Assembly, in addition to amendment of Article (1-5) of the company's Statutes in accordance with the proposed increase in capital.
5. Approving the Board's recommendation for distributing cash profits to shareholders at a rate of 75 halalas per share, i.e. 7.5% of nominal capital, provided that priority in profits shall be given to shareholders registered in the company's records at Saudi Stock Exchange (TADAWUL) by the end of circulation of the day of holding the general assembly.



6. Approving the appointment of Mr. Sabah Tayseer Barakat in place of Eng. / Mohammad Owaidh Al Joaid as a representative of Olayan Finance as from 11/01/1431AH (28/12/2009) till the date of current session.
7. Release of the members of the Board of Directors for the fiscal year ending 31/12/2009.
8. Electing Board members for the next three years to undertake its duties as from 25/7/1431AH (06/07/2010) according to Article 12 of the Company's Statutes.

Acknowledement

The Board Chairman and members would like to extend their sincere thanks and appreciation to the Custodian of the Two Holy Mosques King Abdullah Bin Abdulaziz Al-Saud, and his loyal Crown Prince, HRH Prince Sultan bin Abdulaziz Al-Saud and to HRH Prince Nayef bin Abdulaziz Al-Saud for what they render to promote our national industries.

Our thanks are also due to The Ministry of Industry & Commerce, The Ministry of Petroleum & Mineral Resources, ARAMCO, Saudi Industrial Development Fund , Royal Commission for Jubail & Yanbu, Capital Market Authority, Economic Offset Program, General Investment Commission, Saudi Development Fund, General Investment Authority, and to all other governmental sectors for their continuous support.

The Board also extends its gratitude to esteemed shareholders for their support and confidence, and to the company employees for their fruitful efforts.



A Word from The Vice-Chairman and CEO

The world economic and financial crisis has doubtlessly had its effects on the economic activities worldwide since the last quarter of 2008, yet most of the indicators show that the world economy has passed it. There are indicators that the world economy has resumed its growth. TASNEE has overcome most of the crisis effects. Despite the 13.5% decrease in profits in 2009 compared to 2008 (519.5 compared to SAR 600.9 million), TASNEE could achieve after its largest project had reached the commercial operation stage, i.e. the project of Saudi Ethylene and Polyethylene Company owned by TASNEE with domestic and world partners, good profits in the second half of 2009 totaled 453 million Saudi riyals and represented a growth of 95.5% compared to the profits achieved in the second half of 2008 totaling 232 million Saudi riyals.

At the level of the existing projects, our largest project (Saudi Ethylene and Polyethylene Co.) that started the commercial operation in June 2009 is considered as a qualitative leap in the company's businesses. Besides, TASNEE launched its works for the establishment of TASNEE Plastic & Research Center designed according to world standards for developing our products and supporting processing industries. Furthermore, the National Titanium Dioxide Co, (CRISTAL) has completed the expansion works at its factory in Yanbu, and all our projects have achieved substantial progress whether in production or marketing capacity.

On the other hand, further achievements were accomplished during the year. Through partnership between TASNEE & SAHARA Olefins Company and SAHARA Petrochemicals Company, Saudi Acrylic Acid Company was established. With the American "Dow Chemical Co.", Saudi Acrylic Monomers Company was established. TASNEE is negotiating with companies specialized in strategic growth areas for reaching agreements which will be declared in due course.

The year 2009 is distinguished by TASNEE obtaining the "Saudi Joint Companies Transparency Award" in addition to first-place award as the best Saudi environment in petrochemicals sector and fourth-place award as the best business environment among top ten companies in Saudi Arabia.

Dr. Moayyed Bin Issa Al Qurtas



Company Directory





National Titanium Dioxide Company Ltd. «CRISTAL Global»

Establishment Date	: 20 / 03 / 1409 H
Major Shareholders	: National Industrialization Company 66% Gulf Investment Corporation 33% Dr. Talal Bin Ali Al Sha'er 1%
Objective & Activities	: Producing Titanium Dioxide pigment to produce a group of products, like; CRISTAL 100, CRISTAL 113, CRISTAL 121, CRISTAL 122, CRISTAL 128, and CRISTAL 134.
Products	: Titanium Dioxide is the major substance used in painting, inks, plastic, rubber, paper, textile, ceramic tiles, cosmetics, pharmaceutical preparations and other industries.
Markets	: Industrial countries in Asia, Europe, America, Africa, Arab Region and Australia.
Location	: The headquarter is situated in Al Mustaqbal Towers 9 & 10 - Jeddah. P.O.Box 13586 - Jeddah 21414, Kingdom of Saudi Arabia Tel.: 02 652 9966, Fax: 02 652 9933
E-mail	: info@crystalglobal.com
Website	: www.crystalglobal.com
Location of factory	: Yanbu Industrial City, P.O.Box 30320, Tel.No.: 321 2800, Fax No.: 396 1018

Saudi Polyolefins Company (SPC)



Establishment Date	:	15/4/1422 AH.	
Major Shareholders	:	National Industrialization Company	75%
	:	Basell Moyen Orient Investissements	25%
Products and Production Capacity	:	Propylene	455,000
	:	Polypropylene	720,000
Commercial Operation	:	Since Jul 2004	
Products Usage	:	It is basic raw material for plastic carpets, containers, filling boxes, plastic bags, and textile industries.	
Markets	:	30% Local and GCC countries	
	:	70% World market	
Total project cost	:	SR 3.3 Billion (including expansion project)	
Employment	:	400 Direct Employees	
Address	:	P.O. Box 35579 - Al Jubail 31961, Kingdom of Saudi Arabia	
	:	Tel.: 03 358 2000, Fax: 03 358 2558	
E-mail	:	general@tasnee.com	
Website	:	www.tasnee.com	



TASNEE & SAHARA Olefins Co.

Establishment Date	: 8/4/1427 H.
Major Shareholders	: National Industrialization Company 60.45%
	Sahara Petrochemical Company 32.55%
	General Organization for Social Insurance Est. 7%
Objective & Activities	: Establishments, managements, operations and acquisition of Petrochemical & Chemical projects, marketing their products and assume all relevant activities
Location	: The headquarter is situated in Riyadh Sitteen Street - Malaz New Aqaria Building - Second Tower - 7th Floor. P.O.Box 26707 - Riyadh 11496, Kingdom of Saudi Arabia Tel.: 01 476 7166, Fax: 01 477 0898
E-mail	: general@tasnee.com
Website	: www.tasnee.com

Saudi Ethylene and Polyethylene Company (SEPC)



Establishment Date	: 16/4/1427 H.	
Major Shareholders	: TASNEE & SAHARA Olefins Co.	75 %
	: Basell ME Holding Co.	25 %
Objective & Activities	: Producing million tpa of Ethylene & 285.000 Propylene	
Products	: 400,000 HDPE	
	: 400,000 LDPE	
Markets	: 30% Local and GCC countries	
	: 70% World Market	
Total Project Cost	: SAR 9.7 billion	
Employment	: 550 Direct Employees	
Address	: The plant is located in the principal petrochemical complex constructed by TASNEE in Al-Jubail Industrial City.	
	: P.O.Box 35579 - Al Jubail 31961, Kingdom of Saudi Arabia	
	: Tel.: 03 358 2000, Fax: 03 358 2558	
E-mail	: general@tasnee.con	
Website	: www.tasnee.com	



TASNEE التمنية National Industrialization Petrochemical Marketing Company

Establishment Date	: 6 / 9 / 1422 H
One of TASNEE Affiliates	
Objective & Activities	: Marketing for others, Trading & Distribution agencies, Inspection & Survey Services, Packing Services, and its main activity is Marketing polypropylene and Polyethylene.
Markets	: Kingdom of Saudi Arabia, Gulf States, India, Pakistan, Iran, Middle East, and Africa.
Location	: The headquarter is situated Riyadh Sitteen Street - Malaz Aqaria Building - First Tower - 2nd Floor. P.O.Box 26707 - Riyadh 11496, Kingdom of Saudi Arabia Tel.: 01 473 4559, Fax: 01 473 4580
E-mail	: Info@tasneemarketing.com
Website	: www.tasneemarketing.com

Saudi Acrylic Acid Company (SAAC)



Establishment Date	:	4/4/2009.	
Major Shareholders	:	TASNEE & SAHARA Olefins Co.	65 %
		National Industrialization Co.	20 %
		SAHARA Petrochemicals Co.	15 %
Objective & Activities	:	Establishing, Managing, Operating and Acquiring of Acrylic Acid and its Derivatives Projects.	
Address	:	The Headquarters is situated in Riyadh P.O.Box 26707 - Riyadh 11496, Kingdom of Saudi Arabia Tel.: 01 476 7166, Fax: 01 477 0898	
E-mail	:	general@tasnee.com	
Website	:	www.tasnee.com	



Saudi Acrylic Monomers Company (SAMCO)

Establishment Date

: 5/7/2009.

Major Shareholders

: Saudi Acrylic Acids Company (SAAC) 75 %
Dow Chemical Company (Acquired American Rohm & Haas) 25 %

Objective & Activities

: Producing Acrylic Acid, Row Acrylic Acid, and Beutail Acrylate.

Address

: The Headquarters is located in Jubail Industrial City
P.O.Box 35579 - Al Jubail 31961, Kingdom of Saudi Arabia
Tel.: 03 358 2000, Fax: 03 358 2558

E-mail

: general@tasnee.com

Website

: www.tasnee.com



ROWAD National Plastic
Company Ltd. "ROWAD"



Establishment Date	: 1992.
One of TASNEE Affiliates	
Objective & Activities	: Plastic converters and specialized engineering polymer products manufacturers.
Products	: "ROWAD PLASTIC" core business activities are in manufacturing the plastic sheets (such as polycarbonate, acrylic, ABS, polystyrene sheets), manufacturing the injection products (such as automotive batteries cases & covers, paint pails & covers), recycling waste plastic materials (such as recycling of Polypropylene (PP) automotive batteries.
Markets	: Kingdom of Saudi Arabia, GCC, most of Middle East, some of Asia, Europe and South Africa countries.
Location	: Headquarter and factories are located at Second Industrial City in Riyadh P.O. Box 29452 Riyadh 11457, Kingdom of Saudi Arabia Tel.: +966 1 265 1966, Fax: +966 1 265 1973
E-mail	: info@rowadplastic.com
Website	: www.rowadplastic.com



ROWAD International Company For artificial membrane Ltd.

Establishment Date

: 2006.

Major Shareholders

: Rowad National Plastic Co. Ltd. 70%
Specialized Foreign Companies 30%

Objective & Activities

: Specialized Industrial Insulation materials.

Products

: "ROWAD GEO" core business activities are in manufacturing the Polyethylene (PE) Geo-membrane Liners in high density polyethylene (HDPE) and low density polyethylene (LDPE) rolls as single or double smooth & textured sided liners used for protection, transportation, collection and containment of liquids, solids and gases in a variety of construction applications.

Markets

: Kingdom of Saudi Arabia, GCC, most of Middle East, some of Asia, Europe and South Africa countries.

Location

: Headquarter is located at Second Industrial City in Riyadh
P.O. Box 29452 Riyadh 11457, Kingdom of Saudi Arabia
Tel.: +966 1 265 1966, Fax: +966 1 265 1973
Factory is located at Second Industrial City in Dammam

E-mail

: info@rowadplastic.com

Website

: www.rowadplastic.com



ROWAD Global Packaging Company
Ltd. "ROWAD BOPP Films"



Establishment Date	: 2008
Major Shareholders	: Rowad National Plastic Co. Ltd. "ROWAD PLASTIC" 50%
	National Industrialization Petrochemical Marketing Co. 37.5%
	DMT Technology Inc. from Austria 12.5%
Objective & Activities	: Packaging Films.
Products	: "ROWAD BOPP Films" core business activities are in manufacturing the Bi-axially Oriented Polypropylene (BOPP) films for printing, lamination, packaging and coating in a wide range.
Markets	: Kingdom of Saudi Arabia, GCC, most of Middle East, some of Asia, Europe and South Africa countries.
Location	: Headquarter is located at Second Industrial City in Riyadh P.O. Box 29452 Riyadh 11457, Kingdom of Saudi Arabia Tel.: +966 1 265 1966, Fax: +966 1 265 1973 Factory is located at Second Industrial City in Dammam
E-mail	: info@rowadplastic.com
Website	: www.rowadplastic.com



National Batteries Company (BATTARIAT)

Establishment Date

: 08 / 05 / 1413 H

Major Shareholders

: National Industrialization Company 80%
Local Partners 20%

Objective & Activities

: Production of automotive and industrial batteries.

Products

: Trade marked automotive batteries.

Markets

: Kingdom of Saudi Arabia and the neighbouring countries.

Location

: 2nd Industrial City 3rd Stage - Riyadh
P.O.Box 177 - Riyadh 11383, Kingdom of Saudi Arabia
Tel.: 01 265 0019, Fax: 01 265 0057

E-mail

: nbc@battariat.com

Website

: www.battariat.com



National Lead Smelting Co. (RASASS)



Establishment Date	: 25 / 10 / 1410 H
Major Shareholders	: National Industrialization Company 74.90% Local Partners 25.10%
Objective & Activities	: Recycling of used car batteris, and production of Lead, Polypropylene, and Sodium Sulphate from the recycled batteries.
Products	: Lead and Sodium Sulphate.
Markets	: Saudi Arabia, GCC countries, Yemen, Jordan and Pakistan.
Location	: 2nd Industrial City 3rd Stage - Riyadh
Address	: P.O.Box: 43169 Riyadh 11561, Kingdom of Saudi Arabia Tel.: 01 265 2424, Fax: 01 265 2223
E-mail	: info@rasass.com.sa
Website	: www.rasass.com.sa



National Operation and Industrial Services Co. (KHADAMAT)

Establishment Date	: 29 / 07 / 1406 H
Major Shareholders	: National Industrialization Company 85% Local Partners 15%
Objective & Activities	: Marketing, Sale and distribution of industrial products, including car batteries, plastic sheets, imports & exports, trading agencies for industrial products, investment in industrial services fields including environment preservation services, quality services and technical testing.
Markets	: Domestic & Regional markets.
Location	: New Aqaria Building First Tower Sitteen Street - Malaz
Address	: P.O.Box: 86868 Riyadh 11632, Kingdom of Saudi Arabia Tel.: 01 476 2800, Fax: 01 476 0088
E-mail	: khadamatbp@hotmail.com



National Technical Inspection and Testing Ltd. Co. (FAHSS)



Establishment Date	: 29 / 07 / 1406 H
Major Shareholders	: National Industrialization Co. and Khadamat Co. 74.89% TUV NORD International German Co. 25.11%
Objective & Activities	: Provision of industrial services in Testing & Inspection, Calibration & Maintenance, Quality and Environment Management Systems (ISO), Foods Management Services (HACCP) Health & Safety and Information Technology, Environmental Evaluation and Training.
Services	: Quality Management Systems (ISO 9001) Environment Management Systems (ISO 14001), Occupational and Heath Safety Systems (OHSAS 18001), Food Safety Management Systems (HACCP), Technical Inspection and Testing of boilers, compressors, cranes and lifting equipment, inspection and examination of the safety equipment, providing engineering consultations for qualification (ASME), performing non-harmonious tests (NDT), measurement and standardization of the measuring equipment and systems, and training on all these services.
Markets	: Kingdom of Saudi Arabia.
Address	: Head quarter: P.O. Box 3998, Dammam 31481, Kingdom of Saudi Arabia. Tel.: 03 828 1835, Fax: 03 828 1267
E-mail	: info@fahss.com - sales@fahss.com
Website	: www.fahsstuv.com
Branches	: Technical Inspection and Testing Branch (FAHSS / TUV AL Jubail) P.O. Box 10771, Al Jubail 31961, Kingdom of Saudi Arabia Tel.: 03 340 7607, Fax: 03 340 7605 E-mail: info@fahsstuv.com Website: www.fahsstuv.co Gulf Lab for Measurements and Standardization (GEMS) P.O. Box 10166, Al Jubail 31961, Kingdom of Saudi Arabia Tel.: 03 341 9453 / 03 341 9452 / 03 341 9451, Fax: 03 341 7628 E-mail: info@gems-calibration.com Website: www.gems-calibration.com



TUV Middle East "TUV-ME"

Establishment Date	: 08 / 03 / 1425 H	
Major Shareholders	: National Industrialization Co. and Khadamat Co.	74.89%
	TUV NORD International German Co.	25.11%
Objective & Activities:	Providing technical inspection and testing, Quality and Environment Management Systems (ISO), Food Safety Management Systems (HACCP), Health & Safety, Information Technology, Environment Evaluation & Training.	
Services	: Quality Management Systems (ISO 9001) Environment Management Systems (ISO 14001), Occupational and Health Safety Systems (OHSAS 18001), Food Safety Management Systems (HACCP), Technical Inspection and Testing of boilers, compressors, cranes and lifting equipment, inspection and examination of the safety equipment, providing engineering consultations for qualification (ASME), performing non-harmonious tests (NDT), providing specialized training services in several technical, engineering and managerial domains through the academy of distinguished level (TUV Academy).	
Markets	: GCC countries and some other Arab countries.	
Location	: Head Quarter: P.O. Box 26674, Manama, Kingdom of Bahrain Tel.: +973 1 787 7391, Fax: +973 1 787 7392	
E-mail	: samsonb@tuv-nord.com	
Website	: www.tuv.me.com	
Branches	: Abu Dhabi Branch: P.O. Box 46030, Abu Dhabi – UAE Tel: +971 2 447 8500, Fax: +971 2 447 8600 E-mail: abudhabi@tuv-nord.com Dubai Branch: P.O. Box 79123, Dubai – UAE Tel: +971 4 345 6431, Fax: +971 4 345 6373 E-mail: dubai@tuv-nord.com Qatar Branch: P.O. Box 24922, Doha – Qatar Tel: +974 4 620 186, Fax: +974 4 620 216 E-mail: qatar@tuv-nord.com Kuwait Branch: P.O. Box 29643, Al Safat 13157, Kuwait Tel: +965 246 5962, Fax: +965 246 5964 E-mail: kuwait@tuv-nord.com Syria Branch: Tel: +963 11 331 1997 / +963 11 331 3837 E-mail: syria@tuv-nord.com	



National Metal Manufacturing & Casting Co. (MAADANIAH)

Listed joint-stock company in TADAWUL



Establishment Date	: 16 / 05 / 1411 H	
Major Shareholders	: National Industrialization Company	35.46%
	: Other Shareholders	64.54%
Objective & Activities	: Manufacturing wires & metal products.	
Products	: Steel wires for precast concrete, high carbonated galvanized wires, low carbonated galvanized wires, iron frames & spring wires for mattresses, welding wires, screws, various kinds and sizes of nails, truck axles, casting, and spare parts.	
Markets	: Kingdom of Saudi Arabia, GCC Countries, Arab Countries, UK, Italy, Pakistan and Iran	
Location	: Al-Jubail Industrial City	
Address	: P.O.Box: 10882 Al-Jubail Industrial City 31961. Tel.: 03 358 8000 Fax: 03 358 3831	
E-mail	: natmetal@natmetalco.com	
Website	: www.natmetalco.com	



National Packing Products Company LTD. (WATAN PAC)

Establishment Date

: 19 / 04 / 1404 H

Major Shareholders

: Asir Company	50.40%
National Industrialization Company	42.60%
Domestic Partners	07.00%

Objective & Activities

: Production and marketing of corrugated cartons.

Products

: Production of corrugated carton for all sectors and usages.

Markets

: Kingdom of Saudi Arabia, GCC Countries and Arab Countries (Jordan, Syria and Yemen).

Location

: 2nd Industrial City - Riyadh

Address

: P.O.Box: 25817 Riyadh 11476.
Tel.: 01 265 2211 Fax: 01 265 2483

E-mail

: info@watanpac.com.sa

Website

: www.watanpac.com.sa



Achievements And Activities

Al Khafra Thanks Prince Sattam for Honoring TASNEE

TASNEE sponsored in 12th of October 2009 the first mass wedding party of the handicapped in Saudi Arabia. The Event was held in King Fahad Cultural Center and was organized by Adults Motor Impairment Association "HARAKIA", through an integrated program to help those handicapped adults who are planning to get married.

TASNEE has financed the event with SR 300.000 through sponsoring the program which targeted 102 beneficiaries in its first version. The program also offered financial and in-kind aids to allow them to start their future life and solve some of their financial problems.



Eng. Mubarak Abdullah Al-Khafra, chairman of Tasnee, highly appreciated HRH Prince Sattam Bin Abdelaziz, deputy Governor of Riyadh Region for sponsoring of the mass wedding party and honored TASNEE as the golden sponsor of the event.

TASNEE becomes a new member in Prince Salman Center for Disability Research



TASNEE has joined the membership of Prince Salman Center for Disability Research in 11th of October 2009, and supported it with 5 million Saudi Riyals on a period of 5 years. TASNEE has introduced a cheque of SR 1.000.000 as the installment for this year.

HRH Prince Sultan Bin Salman Bin Abdelaziz, Chairman of Prince Salman Center for Disability Research expressed his thanks and appreciations to Eng. Mubarak Abdullah Al-Khafra, TASNEE Chairman, for TASNEE membership in Prince Salman Center for Disability Research. Prince Sultan highly appreciated and thanked the representatives of TASNEE, and he highly praised the company efforts and its effective role in social responsibility programs in general and the handicapped in particular.

Eng. Al-Khafra highly praised the prominent role of Prince Salman Center for Disability Research in serving of the handicapped and for its distinctive researches in the field, which was positively reflected on the society in general and the handicapped in particular.

Tasnee sponsors Hail Rally 2009

TASNEE participated as a golden sponsor of Hail Rally for 2009, in its annual session entitled “The Great Challenge” under the patronage of HRH Prince Saud Bin Abdulmohsen Bin Abdelaziz, Hail Prince, and which took place on Monday 26th of January 2009 and lasted for three days, and which is organized by The Higher Commission for Development of Hail, in collaboration with the World Auto Association. The rally was approached by many Arab, local regional and international participants and was heavily covered by the media.

Eng. Mubarak Abdullah Al-Khafra , TASNEE Chairman, highly praised the efforts of HRH Prince Saud Bin Abdulmohsen Bin Abdelaziz and Prince Abdelaziz Bin Saad Al-Saud, the deputy prince of Hail, which contributed towards success of this important event, and for giving the private sector companies the chance to exercise their social responsibility through support of the international sports events that take place in our beloved country, which enrich the knowledge and experience of the young Saudis and qualify them to participate in similar sports events. Eng. Al-Khafra reiterated that “ Tasnee sponsoring of the rally is a part of its incessant efforts to play an effective role in serving of the society, and also a part of its support of the society in general and the young Saudis in particular.

Prince Abdullah Bin Khalid Al-Saud, vice-president of the Higher Commission for Development of Hail and head of the executive committee of Hail International Rally, highly praised Tasnee role in serving the society in general and sponsoring of the rally in particular. This commendation came after His Excellency’s visit to TASNEE booth at the exhibition which coincided with the rally events, and which was inaugurated by HRH Prince of Hail and his deputy. Tasnee also sponsored the lunch party on the second day of the event , in addition to sponsoring of many other events in the rally



TASNEE Sponsors a Study for Developing Social Responsibility Programs

TASNEE supported Social Responsibility Committee in the Chamber of Commerce and Industry in Riyadh in the 30th of December 2009, to issue a study for developing social responsibility programs within the private sector. This is an initiative to activate the role of private sector companies in the social responsibility and to urge them to pay attention to social aspects and encourage them to fund activities which may not realize a direct return, but they form a guarantee for the continuity of companies in their business over the long term.

Husein Al-Athel, RCCI General Secretary, praised the rapid response of TASNEE for this initiative and its keenness to play its role on the research level through support of developmental studies in the field of social responsibility along with its interest to engage in the implementation of a distinguished group of social responsibility programs.

Wael Al-Aqeel, announced that this study comes within the framework of the fruitful partnership between the government and the private sector and cooperation to eliminate poverty , preserve the environment and achieve sustainable development. This will reflect TASNEE keenness to contribute to qualifying the Saudi citizen, and release his creative abilities through the support of charitable work and sponsorship of various social, cultural and economical activities forums.



TASNEE Sponsors "Security is All's Responsibility"



TASNEE Sponsored the second security forum under the slogan "Security is All's Responsibility" which has been held from 1-3 March 2009 in Riyadh. The forum discussed the quality in security training as an important requirement for competitiveness in the 21st century reaching the targeted standard of development and high productivity.

The forum witnessed multiple papers and participation of specialists and experts in the field of security and quality.

TASNEE was honored in the event and Eng. Fayez A. Al Asmari received an emblem as an appreciation of TASNEE efforts which has a positive influence through financing social programs and developing the society and its individuals.

TASNEE Sponsors Nephrology Awareness Campaign



TASNEE sponsored and participates in the medical awareness campaign of kidney diseases, organized by Prince Salman Center for Kidney Disease, opened on Sunday 14th of March and lasted for 3 days, by His Royal Highness Prince Abdul Aziz bin Salman bin Abdulaziz, the supervisor of the Prince

Fahd bin Salman Charity for the Care of Patients with Kidney Failure, and under the slogan "Control Diabetes and Keep Your Kidneys". The campaign includes a number of events coincides with the celebration of World Kidney Day which has been held for the fifth consecutive year and organized by the regional and international kidney associations in more than 66 countries, including Saudi Arabia.

The campaign examined students of 100 Preparatory and secondary schools in Riyadh to discover earlier kidney diseases and to deal with the problem between students. Consequently, SMS awareness messages were sent and medical courses were organized with accompanying exhibition.

TASNEE Sponsors Second National Competitiveness Program Organized by SITEC

TASNEE Sponsored the National Program "The Second National Competitiveness for entrepreneurship working plans" which was organized by Sultan Ibn AbdulAziz Science and Technology Center "Scitech under King Fahad University of Petroleum & Minerals.

The program is targeting the enhancement of entrepreneurship culture and building the basic knowledge between the Saudi youth to develop their investing ideas, and support the government concept of steer their efforts from searching for jobs to finding jobs and establishing the small projects to add value to the national economy.

The program lasted for nearly 10 months from November 2008 to August 2009, and it was highly attended by young men and women. The young women participation reached 60% of the whole participants.

TASNEE Sponsors 4th Euromoney Conference 2009

The National Industrialization Company (Tasnee) sponsored the fourth Euro-Saudi (Euromoney) conference which took place in Riyadh during the period from 19-20 of May. The event was inaugurated by the H.E. Dr. Ibrahim A. Al-Assaf, the Minister of Finance, with participation of their Excellencies: Dr. Mohammed Al-Jasser, SAMA governor, Abdullah Zenel, Minister of Commerce and Industry, Dr. Abdulrahman Atiya, secretary of GCC, and engineer Mubarak Abdullah Al-Khafra, chairman of Tasnee who has addressed a speech to the conference, as well as other VIPs.

The conference for this year focused on the reactions of Saudi financial sector, private sector, other economic sector, real estate sector and major infrastructure projects to the international economic challenges and the current world financial crisis and recession and how to pass through such crisis with the minimum damages and losses. Richard Panx, the manger of Euromoney conferences in the Middle East, thanked all sponsors and highly praised Tasnee for its achievements and efforts, commending the role played by sponsors in the success of this important economic event.



For sponsorship of Tasnee of this conference, engineer Mubarak Al-Khafra commended Tasnee for its support and ongoing sponsorship of the various economic events, in recognition of the role of such conference in enriching of the economic arena and raising of awareness of the international current and future problems. Engineer Al-Khafra also reiterated the effective played by Tasnee in development of the society, as a part of its leading role in development of Saudi economy.

Eng. Al Khafra to address the Arab Industrialists Speech in the 4th Arab Conference for Industrial Information and Networks



Eng. Mubarak A. Al Khafra, TASNEE Chairman, has participated in the 4th Arab Conference for Industrial Information and Networks which has been held in Riyadh on Sunday 20th of December 2009 and lasted for 3

days. The conference has been attended by a great deal of Arab Ministers of Industry and Commerce, Communications, and experts. The conference was held under the slogan "The Industrial Information with Advanced Technologies (The Way to Developed Arab Industry)". It was organized by Saudi Standards, Metrology and Quality Organization, with cooperation of The Arab Industrial Development and Mining Organization, The Islamic Development Bank, and Saudi Ministry of Trade and Industry.

In his speech which he has addressed as a representative of the Arab Industrialists, Eng. Al Khafra pointed to the importance of industry and its main role in development. He mentioned also the importance of industrial information and its role in establishments' growth, performance development, and raising its competitiveness. In the conclusion, he urged the construction of an Arab Industrial Integration Center to enhance the Arabic united vision towards industry and constructing a set of comprehensive industrial information to be as a coordinator among the industrial sector in the Arab world.

TASNEE participated the Fourth GPCA Forum



TASNEE sponsored and participated in the Fourth Forum of the Gulf Petrochemicals and Chemicals (GPCA) which began in Dubai in 8th of December 2009 and lasted for three days. It was organized by Gulf Petrochemicals and Chemicals Association in cooperation with Chemical Week magazine, and participation of a large number of eminent experts in the sectors of petrochemicals and chemicals at the regional and international levels. It discussed the future of the industry under the global financial crisis.

TASNEE has participated in the forum and co-sponsored it as a founding and

prominent member in the union, which was founded in March 2006. Now it includes in its membership 141 companies from 20 countries, and increasingly it becomes important and plays a prominent role in supporting the petrochemicals and chemicals industry and addresses the challenges faced at all levels.

The Forum took place in a period witnesses the transfer of the international petrochemical sector weight to the Gulf region by entering the phase of operation sooner by many factories in the region phase and declining levels of production

in the rest of the world by the closure of a number of factories in the traditional areas of production in Europe and the United States of America. Arabian Gulf region plays an increasing role in the international petrochemical industry. Currently it produces 11% of the total petrochemical production in the world, and it is expected to reach 16% in the coming period due to new investments in the region, which will be fruitful in the coming years. It is expected that the region's production of ethylene will be doubled by about 19 million metric tons per year which is major unit of construction in the petrochemical sector.

Al Nazha to be appointed as TASNEE President and COO

TASNEE Board has appointed Eng. Saleh F. Al Nazha as TASNEE President and COO. TASNEE Board decided the appointment of Eng. Al Nazha in its meeting held on Sunday 18th October 2009. Eng. Al Khafra assured that this appointment is coming as a result of the growth of the company business and the widening of its operations.



Al Nazha is considered as one of the prominent chief executives in Saudi petrochemicals sector, holding B.Sc Degree in Chemical Engineering from King Saud University in Riyadh.

Al Nazha has worked in many of the leading positions as; president of TASNEE Petrochemical Complex since 2001, Chief Executive of Saudi Polyolefins Company, Chief Executive of Saudi Ethylene and Polyethylene Company, Chairman of National Technical Inspection and Testing Ltd Co. (FAHSS), and Chairman of Saudi Mono acrylic Company.

Eng. Al Nazha also is member of the board in many companies like; National Industrialization Petrochemical Marketing Co., ROWAD National Plastic Co., TASNEE & SAHARA Olefins Co., National Metal Manufacturing and Casting Co. (MAADANIYAH).

Eng. Al Nazha started his career as an engineer of operating communication in KEMIA, in which he took other important positions like; Engineer of Poly Section, Head of Polymerization Section, President of Operation Engineering Section, Manager of Polymerization and facilities. Then Al Nazha transferred to the National Industrial Gases Co (GAS), then as General Manager for Operating and Maintenance in The Eastern Petrochemicals Company (SHARQ), and then as a Senior Vice President for Petrochemicals in TASNEE since 1999 up till now.

Al Qurtas the best CEO in the Industrial sector in 2009



Dr. Moayyad Issa Al-Qurtas, vice chairman and chief executive of TASNEE was honored with the award of the best CEO in the Saudi industrial sector for 2009. This award is usually granted by the jury of the CEO Magazine Middle East, which is published by (ITP) company. This was announced in an award ceremony that took place in Riyadh on Sunday 22nd of March 2009 in Riyadh.

The award is granted to Dr. Al Qurtas for the tremendous achievements of the company over the year 2008 and early 2009 under his leadership, despite of the global economy economy slowness and financial crisis which plagued petrochemicals industry.

TASNEE ranked as the 4th best Saudi Work Environment 2008



TASNEE was keen to invest in human resources considering it as the real investment. TASNEE always been mindful of its image as an employer. The Management has taken several concomitant measures to brand itself as a preferred employer and has been able to attract talents from all over the globe.

During the year 2008, we decided to put ourselves to test of time by participating in the survey conducted by Saudi Research and Publishing Group through Al-Eqtessadiah Newspaper in partnership with Team One Consulting for registering the place in the list of "Best Saudi Companies to Work for".

To be listed as one of the best work environment Saudi companies, the participating companies are evaluated on various criteria such as Management Style & Leadership, Job Role, Evaluation & Development, Corporate Culture & Values, Training & Development Programs, Communication, Compensation & Benefits, Rewards, Recognition & Performance Management, HR Policies & Procedures, and Work Life Balance etc.

TASNEE has been placed on 4th rank among the large companies of the Kingdom. On 4th of May 2009, Eng. Saleh F. Al-Nazha, TASNEE President & COO, received the trophy from HRH Prince Faisal bin Salman bin Abdulaziz.

TASNEE participated in PetroChem Arabia Forum in Eastern Region

Tasnee participated, with a unique booth, in the First Saudi International Petrochemicals Forum which closed its activities at the International Exhibitions Center at Dhahran, Eastern Region, from 4-6th of October 2009, with participation of more than (150) local, regional and international companies.

The exhibition was sponsored by HRH Prince Mohammed Bin Fahad Bin Abdelaziz Al-Saud, prince of the Eastern Region, and was inaugurated by HE Solaiman Al-Thinayan, governor of Khobar, and lasted for three days.

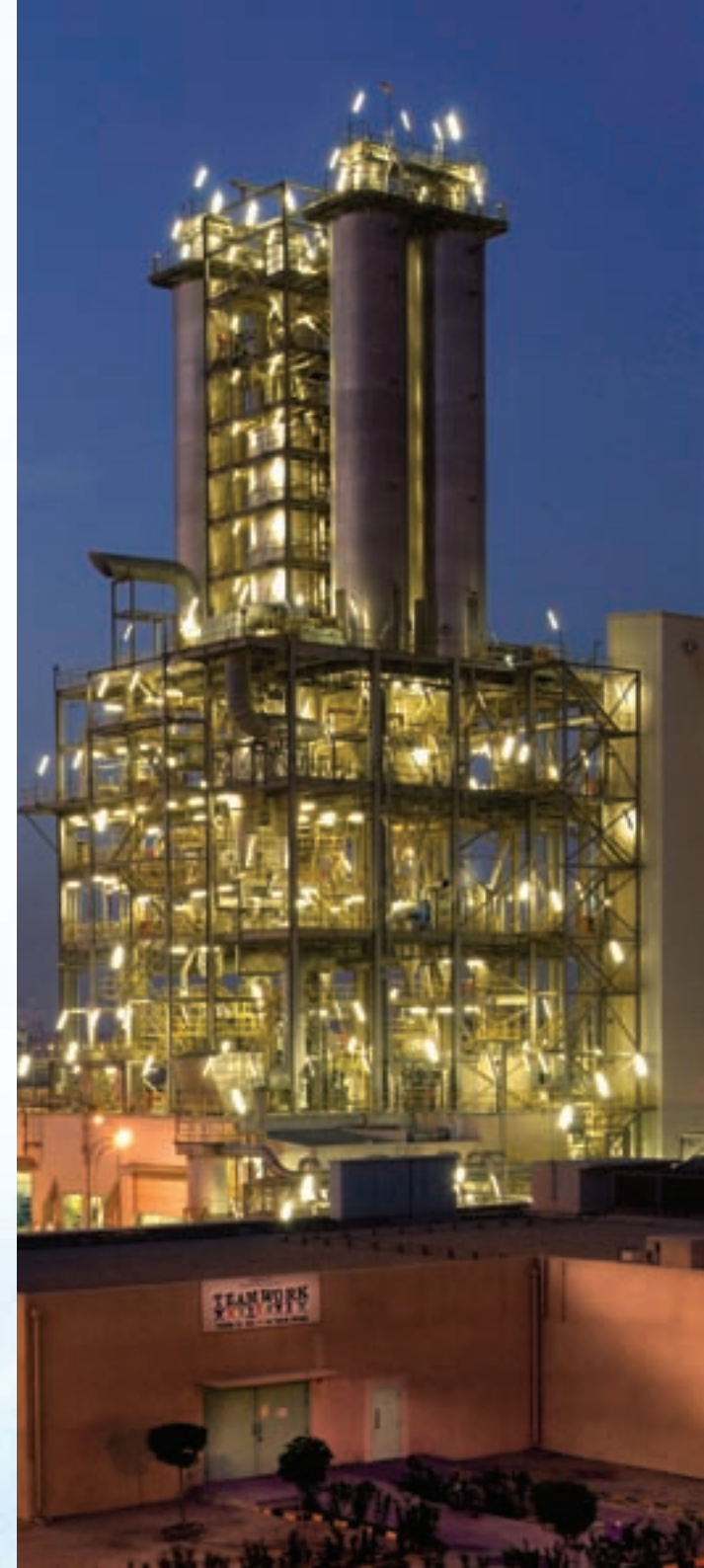
The forum embraced more than (100) researchers and petrochemicals experts, who discussed the developments in this sector and the current and future challenges it faces.

Dr. Moayyad I. Al-Qurtas, TASNEE Vice-Chairman and Chief Executive, participated in the forum as a speaker. He addressed a presentation about "Developments in Petrochemicals Industries and Estimated Demand in Transportation". Dr. Al Qurtas concentrated on his paper mainly on; Developments of Polymers Production Capacities in Saudi Arabia and the Region, Growth of Diversified Industries, the Basic Needs for Transportation, Distribution Split (TASNEE Petrochemicals as an example), Dammam Port and Challenges, Jubail Port, Jeddah Port, Land Transportation, Logistic Service Providers. He concluded his paper in what is needed for the future.



National Industrialization Company (A Saudi Joint Stock Company)

**Consolidated Financial Statements
And Auditors' Report
Year Ended December 31, 2009**





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AUDITORS' REPORT

To the shareholders
National Industrialization Company
(A Saudi Joint Stock Company)
Riyadh, Kingdom of Saudi Arabia

Scope of Audit

We have audited the accompanying consolidated balance sheet of National Industrialization Company (A Saudi joint stock company) as of December 31, 2009, and the related consolidated statements of income, cash flows and changes in shareholders' equity for the year then ended, and notes 1 to 34 which form an integral part of these consolidated financial statements as prepared by the Company in accordance with Article 123 of the Regulations for Companies and presented to us with all the necessary information and explanations. These consolidated financial statements are the responsibility of the Company's management. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting standards used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Unqualified Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2009, and the consolidated results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting standards appropriate to the nature of the Company, and comply with the relevant provisions of the Regulations for Companies and the articles of the Company as they relate to the preparation and presentation of these consolidated financial statements.

Deloitte & Touche
Bakr Abulkhair & Co.


Bakr A. Abulkhair
(License No. 101)
Rabi Al Awd 8, 1431
February 22, 2010

Member of
Deloitte Touche Tohmatsu

National Industrialization Company
(A Saudi Joint Stock Company)

Consolidated balance sheet
As of december 31, 2009

	Note	2009 SR'000	2008 SR'000
ASSETS			(Restated)
Current assets			
Cash and cash equivalents	3	3,585,465	3,613,449
Accounts receivable	4	3,032,878	1,849,897
Inventories	5	2,715,605	2,542,368
Prepaid expenses and other assets	6	533,062	473,707
Total current assets		9,867,010	8,479,421
Non-current assets			
Investments in available for sale securities		78,691	6,230
Investments in associated companies and other	7	406,484	864,786
Property, plant and equipment, net	8	18,057,195	8,066,907
Projects under progress	9	448,303	9,142,294
Intangible assets, net	10	3,697,009	3,394,531
Other non-current assets	11	613,030	465,202
Total non-current assets		23,300,712	21,939,950
TOTAL ASSETS		33,167,722	30,419,371

	Note	2009 SR'000	2008 SR'000
LIABILITIES AND EQUITY			(Restated)
Current liabilities			
Short-term facilities and Murabaha	12	2,235,227	1,083,254
Current portion of long-term loans	13	891,780	542,153
Current portion of deferred gains on a sale and lease back transactions	14	28,433	28,433
Current portion of obligation under capital lease contracts	15	168,750	112,500
Accounts payable	16	1,011,023	990,184
Accrued charges and other liabilities	17	1,445,982	1,498,009
Total current liabilities		5,781,195	4,254,533
Non-current liabilities			
Long-term loans	13	12,887,659	12,976,826
Interest rates Swaps		307,923	387,605
Derivative financial instruments		187,654	249,767
Deferred gains on a sale and lease-back transactions	14	120,839	149,272
Obligation under capital lease contracts	15	1,218,750	1,387,500
End-of-service indemnities	18	112,229	90,380
Other non-current liabilities	19	1,091,993	930,585
Total non-current liabilities		15,927,047	16,171,935
Total liabilities		21,708,242	20,426,468

National Industrialization Company
(A Saudi Joint Stock Company)

Consolidated balance sheet (continued)
As of december 31, 2009

	Note	2009 SR'000	2008 SR'000
EQUITY			(Restated)
Shareholders' equity			
Share capital	1	4,606,847	4,606,847
Share premium	1	1,763,929	1,763,929
Statutory reserve	20	349,277	297,329
Change in fair value of investments in available for sale securities		33,737	-
Retained earnings		1,220,376	1,100,351
Proposed dividends	21	345,513	460,685
Other reserves	22	(529,927)	(879,579)
Total shareholders' equity		7,789,752	7,349,562
Minority interests		3,669,728	2,643,341
Total equity		11,459,480	9,992,903
TOTAL LIABILITIES AND EQUITY		33,167,722	30,419,371

The accompanying notes form an integral part of these consolidated financial statements

National Industrialization Company
(A Saudi Joint Stock Company)

Consolidated statement of income
For the year ended december 31, 2009

	Note	2009 SR'000	2008 SR'000
Sales		10,862,955	10,037,141
Cost of sales		(8,404,020)	(7,986,985)
Gross profit		2,458,935	2,050,156
Selling and marketing expenses	24	(597,380)	(687,696)
General and administrative expenses	25	(367,766)	(396,349)
Company's share in net income of associated companies		22,769	43,430
Income from operations		1,516,558	1,009,541
Investment income and other	26	172,569	215,087
Impairment of other investments		(38,919)	-
Financing expenses		(586,072)	(522,851)
Income before zakat, income tax and minority interests		1,064,136	701,777
Zakat and income tax of subsidiaries	27	(63,202)	55,988
Minority interests		(452,717)	(156,526)
Income before zakat		548,217	601,239
Zakat	27	(28,731)	(388)
NET INCOME FOR THE YEAR		519,486	600,851
Earnings per share (in Saudi Riyals)			
Income from operations	28	3.29	2.46
Net income for year	28	1.13	1.47

The accompanying notes form an integral part of these consolidated financial statements

National Industrialization Company
(A Saudi Joint Stock Company)

Consolidated statement of cash flows
For the year ended december 31, 2009

	2009 SR'000	2008 SR'000
		(Restated)
OPERATING ACTIVITIES		
Net income for the year	519,486	600,851
Adjustments:		
Depreciation	876,302	697,381
Amortization	106,820	84,273
Amortization of deferred gains	(28,433)	(24,551)
Company's share in net income of associated companies	(22,769)	(43,430)
End-of-service indemnities	25,122	10,404
Changes in operating assets and liabilities:		
Short-term investments	-	25,000
Accounts receivable	(1,182,981)	248,065
Inventories	(173,237)	(233,708)
Prepaid expenses and other assets	(59,355)	15,379
Other non-current assets	(147,828)	(88,622)
Accounts payable	20,839	(603,110)
Accrued charges and other liabilities	(54,027)	166,608
Deferred gains on a sale and lease – back transactions	-	33,641
Other non-current liabilities	161,408	(155,662)

	2009 SR'000	2008 SR'000
		(Restated)
End-of-service indemnities paid	(3,273)	(4,490)
Net cash provided by operating activities	38,074	728,029
INVESTING ACTIVITIES		
Purchase of available for sale securities	(38,724)	(6,230)
Acquisition of subsidiaries	-	(706,905)
Investments in associated companies and other	830,723	(1,136,179)
Investment in Governmental development bonds	-	316,055
Additions to property, plant and equipment	(1,579,332)	(1,467,492)
Additions to projects under progress	(616,078)	(2,281,355)
Additions to intangible assets	(420,748)	(8,052)
Net disposal of property, plant and equipment	34,261	489,540
Net cash used in investing activities	(1,789,898)	(4,800,618)
FINANCING ACTIVITIES		
Increase in share capital	-	1,111,111
Share premium	-	875,850
Short-term facilities and Murabaha	1,151,973	614,566
Long-term loans and interest rate Swaps	118,665	3,019,968
Dividends paid	(460,685)	(349,574)
Obligation under capital lease contracts	(112,500)	187,500
Minority interests	1,026,387	21,746
Net cash provided by financing activities	1,723,840	5,481,167

National Industrialization Company
(A Saudi Joint Stock Company)

Consolidated statement of cash flows (continued)
For the year ended december 31, 2009

	2009 Sr'000	2008 Sr'000
		(Restated)
Net change in cash and cash equivalents	(27,984)	1,408,578
Cash and cash equivalents, january 1	3,613,449	2,204,871
Cash and cash equivalents, december 31	3,585,465	3,613,449
Non-cash transactions		
Transfer of projects under progress to property, plant and equipment	9,322,986	-
Other reserves	(349,652)	(825,214)
Change in fair value of investments in available for sale securities	33,737	-
Property, plant and equipment acquired on capital lease	-	187,500
Deferred gains on a sale and lease – back transactions	-	33,641
Amortization on intangible assets deferred as a part of projects under progress	11,450	27,482
Depreciation on projects under progress	1,467	2,277

The accompanying notes form an integral part of these consolidated financial statements

National Industrialization Company
(A Saudi Joint Stock Company)

Consolidated statement of changes in shareholders' equity
For the year ended december 31, 2009

	Note	2009 Sr'000	2008 Sr'000
Share capital			(Restated)
Balance, january 1		4,606,847	3,495,736
Increase in share capital	1	-	1,111,111
Balance, december 31		4,606,847	4,606,847
Share premium			
Balance, january 1		1,763,929	888,079
Share premium	1	-	875,850
Balance, december 31		1,763,929	1,763,929
Statutory reserve			
Balance, january 1		297,329	237,244
Transfer from net income	20	51,948	60,085
Balance, december 31		349,277	297,329
Change in fair value of investments in available for sale securities		33,737	-
Retained earnings			
Balance, january 1		1,100,351	1,022,270
Net income for the year		519,486	600,851
Transfer to statutory reserve	20	(51,948)	(60,085)
Proposed dividends	21	(345,513)	(460,685)

	Note	2009 Sr'000	2008 Sr'000
			(Restated)
Board of directors' remuneration	21	(2,000)	(2,000)
Balance, december 31		1,220,376	1,100,351
PROPOSED DIVIDENDS	21	345,513	460,685
OTHER RESERVES			
Change in fair value cash flow hedge position	22	(310,950)	(327,929)
Foreign currency translation adjustments	22	(106,870)	(333,741)
Pension liability adjustments	19	(110,425)	(109,925)
Unrealized losses from interest rate swaps		-	(139,785)
Prior year adjustments	32	-	31,801
Others		(1,682)	-
Balance, december 31		(529,927)	(879,579)
Total shareholders' equity		7,789,752	7,349,562

The accompanying notes form an integral part of these consolidated financial statements

National Industrialization Company (A Saudi Joint Stock Company)

Notes to the consolidated financial statements For the year ended december 31, 2009

1. Organization And Activities

National Industrialization Company is a Saudi joint stock company registered in Riyadh on Shawwal 7, 1405H (corresponding to June 25, 1985) under Commercial Registration No. 1010059693. The Company was formed pursuant to the Ministerial Resolution No. 601 dated Thul Hijjah 24, 1404H. On May 26, 2008 the Extraordinary General Assembly approved the increase of the Company's share capital from SR 3,495,736 thousand to SR 4,606,847 thousand, divided into 460,685 thousand shares, by issuing 111,111 thousand shares of SR 10 each with a share premium SR 8 each.

The principal activities of the Company and its subsidiaries are investing in industrial projects, transfer of advanced industrial technology to the Kingdom, in particular, and to the Arab region, in general, in the areas of manufacturing, and transforming petrochemicals, and chemical, mechanical and engineering industries, and the management and ownership of petrochemical and chemical projects and marketing their products. The activities also include providing technical industrial services and manufacturing of steel and non-steel castings, producing towed wires, spring wires, steel wires for cables, twisted re-enforcement wires to carry the electrical conductors, twisted re-enforcement wires for concrete and welding wires. They also include production and marketing of liquid batteries for vehicles and for various industrial uses and the production and marketing of lead and sodium sulfate. They also include conducting technical tests on industrial facilities, chemical, petrochemical and metal plants, and water desalination and electricity generating plants; setting up all types of plastic industries and production and marketing acrylic boards; the production and marketing of titanium dioxide and the production of ethylene, propylene, polypropylene and polyethylene, the Company has specialized mines and operations for the production of Al-Rutayl which is the raw material for producing the Titanium Dioxide.

2. Summary of Significant Accounting Policies

The accompanying consolidated financial statements have been prepared in accordance with the accounting standards issued by the Saudi Organization for Certified Public Accountants (SOCPA). The significant accounting policies applied by the Company are as follows:

Basis of consolidation

The consolidated financial statements include the accounts of National Industrialization Company (the "Company") and its subsidiaries (the "Group") in which the Company owns more than 50% equity interest or has control. For the purposes of preparing the consolidated financial statements, all significant inter-company transactions and balances between the subsidiaries and the Company have been eliminated. The consolidated financial statements as at December 31, 2009 and 2008 include the following subsidiaries:

Company's Name	Legal Structure	Ownership percentage	
		2009	2008
Al-Rowad National Plastic Co. (Rowad) and its subsidiaries (1)	Limited liability	100	100
National Industrialization Petrochemical Marketing Co.	Limited liability	100	100
National Worldwide Industrial Advancement Ltd. Company	Limited liability	100	100
National Gulf Company for Petrochemical Technology	Limited liability	100	100
National Industrialization Company for Industrial investments	Limited liability	100	100
Saudi Global Makasib for Trading and Industry	Limited liability	100	-
National Petrochemical Industrialization Company	Limited liability	100	-
National Operation and Industrial Services Co. (Khadamat)	Limited liability	85	61.66
National Batteries Co. (Battariat)	Limited liability	80	80
Saudi Polyolefins Co.	Limited liability	75	75
National Lead Smelting Ltd. Co. (Rassas) and its Subsidiary (2)	Limited liability	74.90	74.90
The National Titanium Dioxide Ltd. Co. (Cristal) and its Subsidiaries (3)	Limited liability	66	66
Tasnee & Sahara Olefins Co. and its subsidiaries (4)	Saudi joint stock	60.45	60.45
National Inspection and Technical Testing Co. Ltd. (Fahs)	Limited liability	57.94	57.94
TUV – Middle East	Limited liability	57.94	57.94

(1) Al-Rowad National Plastic Co. (Rowad)

Al-Rowad National Plastic Co. owns 70% of the share capital of the Rowad International Geosynthetics Co. Ltd. which is a Saudi limited liability company registered in Riyadh.

During 2008, the company had invested 50% in Rowad International for Enfolding Ltd. (Limited liability company), which has a capital amounting to SR 65 million. The financial statement of Al Rowad International for Enforlding Ltd. and Al-Rowad International Plastic Company have been consolidated in the fourth quarter of year 2009.

(2) National Lead Smelting Co. (Rassas)

National Lead Smelting Co. owns 100% of the share capital of the Technical Tetravalent Company for Lead Recycling, which is a limited liability company registered in Jeddah.

(3) The National Titanium Dioxide Company Limited (Cristal)

The National Titanium Dioxide Company Limited (Cristal) is a Saudi limited liability company, organized in accordance with the regulations for companies in the Kingdom of Saudi Arabia with its head office located in Jeddah.

Cristal owns 100% of subsidiaries namely, Cristal Inorganic Chemicals Ltd. located in Cayman Island, Cristal Australia P.T.Y. Ltd. located in Australia and Cristal U.S.A., located in the United States of America.

The objective of the Company and its subsidiaries is manufacturing and marketing Titanium Dioxide.

(4) Tasnee & Sahara Olefins Co.

Tasnee & Sahara Olefins Co. owns 75% of Saudi Ethylene and Polyethylene Company's share capital; a limited liability Company registered at Al-Jubail Industrial city. The commercial production of the Company started in June, 2009.

During the first quarter of 2009 the Company has formed the Saudi Acrylic Acid Company, a Saudi limited liability company registered in Riyadh, having a capital of SR 550 million. Further, during the third quarter of 2009, the Saudi Acrylic Acid Company formed the Saudi Acrylic Monomer Company, a limited liability company having capital of SR 733 million of which the Company share is 75%.

Accounting convention

The consolidated financial statements are prepared under the historical cost convention except for the measurement of available for sale securities and derivative financial instruments at fair value, and accounting for investments in associated companies using the equity method.

Use of estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities. Although these estimates are based on management's best knowledge of current events and conditions, actual results ultimately may differ from those estimates.

Sales

Sales are recognized upon delivery of goods to customers and represent the invoiced value of goods supplied and are stated net of trade or quantity discounts.

Some of subsidiary companies markets its products through other subsidiaries owned by the shareholders (referred hereto as "the Marketers"). Sales are made directly to the end customers and to the Marketers in Europe. Sales made through distribution channels of the Marketers are recorded at provisional prices at the time of shipment of goods, and are subsequently adjusted based on actual selling prices received by the Marketers from their end customers, after deducting the cost of shipping, distribution and marketing.

Expenses

Selling and marketing expenses principally comprise of costs incurred in the marketing and sale of the subsidiaries products. All other expenses are classified as general and administrative expenses.

General and administrative expenses include direct and indirect costs not specifically part of cost of sales as required under generally accepted accounting standards. Allocations between general and administrative expenses and cost of sales, when required, are made on a consistent basis.

Borrowing costs

Borrowing costs directly attributable to the project under construction relating to a subsidiary for the period until such time when the project is ready for its intended use are capitalized. Investment income earned on investments of specifically borrowed funds that are pending expenditure on the projects under construction is deducted from the capitalized borrowing costs.

Cash and cash equivalents

Cash and cash equivalents include cash, Islamic Murabaha deposits and highly liquid investments with maturities of three months or less from acquisition date.

Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined, for finished goods and work-in-process, on the weighted average cost basis and includes cost of materials, labor and an appropriate proportion of direct overheads. All other inventories are valued on a weighted average cost basis.

Investments in available for sale securities

Investment in securities are classified based on management intention of acquiring such investments. Available for sale securities are stated at fair value in shareholders' equity. Where the fair value is not readily determinable, such financial instruments are stated at cost.

Investments in associated companies and other

Investments in companies which are at least 20% owned and in which the Company exercises significant influence are accounted for using the equity method of accounting, under which the investment is stated initially at cost and adjusted thereafter for the post acquisition change in the Company's share of the net assets of the investee companies. These are referred to as associated companies. The group share in the associated companies' net income/losses for the year is included in the consolidated statement of income.

Investments of less than 20% for which there is no readily available market are stated at cost. The carrying amount of investments is reduced to recognize other than temporary diminution in value. Revenue is recognized from these investments upon declaration of dividends by the investee companies.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation. Expenditure on maintenance and repairs is expensed, while expenditure for improvement is capitalized. Depreciation is provided over the estimated useful lives of the applicable assets using the straight-line method. The estimated useful lives of the principal classes of assets are as follows:

	Years
Buildings and constructions	30-33
Machinery and equipment	5-20
Tools	4-14
Furniture, fixtures and office equipment	3-10
Vehicles	4-5
Computers	3
Mine development	5-30
Catalysts	1.5

Projects under progress

Projects under progress represents all costs relating directly and indirectly to the projects in progress and are capitalized as property and equipment when the project is completed.

Impairment of assets

The Company reviews the carrying amounts of its property, plant and equipment and its intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognized as an expense immediately at the consolidated statement of income.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized as income immediately at the consolidated statement of income.

Intangible assets

Intangible assets comprise the costs of obtaining financing loans, computer software, incorporation and pre-operating, goodwill, research and development, trademarks, technology, and customer relationships

Computer software costs are amortized using the straight-line method over a period of five years from the date of commencement of full operation.

Incorporation and pre-operating costs include lawyers' fees relating to the registration of companies, pre-production costs, recruitment expenses, and salaries of employees involved in the preparation of the production processes. These costs are amortized using the straight-line method over a period of 7 years.

Cost of research and development are charged to the consolidated statement of income once incurred, except for the clear and specified projects, in which their development costs can be recovered through the commercial activity generated by these projects. In this case, the development costs are considered intangible assets and are amortized using the straight-line method over a period of 7 years.

Goodwill represents the excess of the investment cost over the Company's share in the fair value of net assets of the investee company at the date of acquisition.

The carrying amount of goodwill is reviewed annually to determine whether there is any indication of impairment. If any such indication exists, the goodwill is reduced to the estimated recoverable amount and an impairment loss is recognized in the consolidated statement of income.

Deferred debt issue costs

Deferred debt issue costs incurred in connection with the Senior Secured Credit Facilities are being amortized using the straight line method over the term of the related debt.

Provisions

A provision is recognized in the consolidated balance sheet upon the existence of a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

End-of-service indemnities

End-of-service indemnities, required by the Saudi Arabian Labor Law, are provided in the consolidated financial statements based on the employees' length of service by the Company and by its subsidiaries as of the consolidated balance sheet date. The Company has pension schemes for its eligible employees in relevant foreign jurisdictions.

Zakat and taxes

In accordance with the Regulations of the Department of Zakat and Income Tax (DZIT) in the Kingdom of Saudi Arabia, zakat is provided for on accruals basis. The provision is charged to the consolidated statement of income. Any differences resulting from the final zakat assessments are adjusted in the year of their finalization. Foreign shareholders in subsidiaries are subject to income tax which is included in minority interest in the consolidated financial statements.

For subsidiaries outside the Kingdom of Saudi Arabia, tax liabilities are provided for in accordance with relevant tax jurisdictions.

Lease contracts

Lease contracts are classified as capital lease contracts whenever the terms of the lease transfer substantially all of the risks and rewards of ownership to the lessee. All other leases are classified as operating lease contracts.

Assets held under capital leases are recognized as assets of the Company at the lower of the present value of the minimum lease payments or the fair market value of the assets at the inception of the lease.

Finance costs, which represent the difference between the total leasing commitments and the lower of the present value of the minimum lease payments or the fair market value of the assets at the inception of the lease, are charged to the consolidated statement of income over the term of the relevant lease in order to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

Rentals payable under operating leases are charged to income on a straight line basis over the term of the operating lease. In the case of operating leases, substantially all the risks and rewards of ownership of the relevant assets in the lease agreement remain with the lessor.

Minority interests

Minority interests in the net assets (excluding goodwill) of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination and the minority interest's share of changes in equity since the date of the acquisition. Losses applicable to the minority interest in excess of its share in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority interest has a binding obligation and is able to make an additional investment to cover the losses.

Derivative financial instruments and hedge accounting

The Company and its consolidated subsidiaries use derivative financial instruments to hedge the exposure to certain portions of interest rate risks arising from financing activities. The Company designates these as cash flow hedges of interest rate risk. The use of financial derivatives is governed by the Company's policies approved by the Board of Directors, which provide written principles on the use of financial derivatives consistent with the Company's risk management strategy. The Company does not use derivative financial instruments for speculative purposes. Derivative financial instruments are initially measured at fair value on the contract date and are re-measured to fair value at subsequent reporting dates.

Changes in the fair value of derivative financial instruments that are designated as effective hedges of future cash flows are recognized directly in equity and the ineffective portion is recognized immediately in the consolidated statement of income. If the cash flow hedge of a firm commitment or forecasted transaction results in the recognition of an asset or a liability, then, at the time the asset or liability is recognized, the associated gain or loss on the derivative that had previously been recognized in equity is included in the initial measurement of the asset or liability. For hedges that do not result in the recognition of an asset or a liability, amounts deferred in equity are recognized in the statement of income in the same period in which the hedged item affects net profit or loss. Changes in fair value of derivative financial instruments that do not qualify for hedge accounting are recognized in statement of income as they arise. Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting.

At that time, for forecast transactions, any cumulative gain or loss on the hedging instrument recognized in equity is retained in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognized in equity is transferred to consolidated statement of income for the period.

Foreign currency translation

Foreign currency transactions are translated into Saudi Riyal at the rates of exchange prevailing at the time of the transactions. Monetary assets and liabilities denominated in foreign currencies at the consolidated balance sheet date are translated into Saudi Riyal at the exchange rates prevailing at that date. Gains and losses from settlement and translation of foreign currency transactions are included in the consolidated statement of income.

Upon consolidation, the financial statements of foreign operations are translated into Saudi Riyals at exchange rates prevailing on the consolidated balance sheet date for assets and liabilities, and the average exchange rates for income and expenses. Translation adjustments are classified as equity and transferred to the translation reserve account. Such differences are recognized in the income statement upon sale of the foreign subsidiaries.

3. Cash And Cash Equivalents

	2009 SR'000	2008 SR'000
Cash on hand and at bank balances	1,108,440	800,902
Short-term deposits and murabaha	2,477,025	2,812,547
	3,585,465	3,613,449

Cash and cash equivalents as of December 31, 2009 include restricted cash balance of SR 73 million (2008: SR 217 million) held as security for banking facilities utilized by subsidiaries.

4. Accounts Receivable

	2009 SR'000	2008 SR'000
Trade receivables	2,043,693	1,532,423
Due from related parties (Note 23)	1,018,957	343,460
Allowance for doubtful accounts	(29,772)	(25,986)
	3,032,878	1,849,897

5. Inventories

	2009 SR'000	2008 SR'000
Finished goods	1,221,332	1,221,795
Raw materials	614,606	589,784
Supplies and spare parts	611,542	418,831
Work-in-process	259,861	216,800
Goods-in-transit	8,264	95,158
	2,715,605	2,542,368

6. Prepaid Expenses And Other Assets

	2009 SR'000	2008 SR'000
Prepaid expenses	116,955	106,770
Advances to suppliers	98,945	154,671
Employees' receivables	22,349	21,058
Accrued revenues	7,512	14,527
Refundable deposits	3,717	5,796
Other debit balances	283,584	170,885
	533,062	473,707

7. Investments In Associated Compaies And Other

Investments in associated companies and other as at December 31 are as follows:

	% of ownership		2009 SR'000	2008 SR'000
	2009	2008		
International Titanium Powder (ITP)	100	100	-	396,345
National Metal Manufacturing and Casting Co. (Maadania)	35.45	35.45	122,188	120,672
Factory major mining company	8	-	55,080	-
National Environmental	17	32.33	21,059	40,109
Rowad International for Enfolding Ltd.	87.5	87.5	-	71,415
National Packing Products Co. Ltd. (Watan-Pac)	42.6	42.6	33,675	25,303
Total investments in associated companies			232,002	653,844
Add: Investments in other companies			174,482	210,942
Total investments in associated companies and other			406,484	864,786

On July 17, 2008, Cristal (a subsidiary), through its wholly own subsidiary Cristal USA, has acquired International Titanium Powder (ITP) at a cost of US\$ 110 million (SR 412.5 million), which is an American Company that has research center and testing laboratory for producing Titanium Powder. In addition, the company has a patent for the production of high purity Titanium at low production cost. The financial statements of International Titanium Powder (ITP) and Cristal financials have been consolidated on December 31, 2009.

During the year, the Company swap its share in National Environmental Company of 20% in return for access to an additional share in National Operation and Industrial Services Co. (Khadamat) of 23,34% to become its share 85%.

Both Al-Rowad National Plastic Limited Co. and National Industrialization Petrochemical Marketing Co. invested in 87.5% of Rowad International for Enfolding Co. Ltd. (a limited liability company), which has share capital of SR 65 million. The financial statements of Rowad International for Enfolding have been consolidated with the financial statements of Al Rowad National Plastic on December 31, 2009.

8. Property, Plant And Equipment, Net

	Buildings and constructions SR'000	Machinery and equipment SR'000	Tools SR'000	Furniture, fixtures and office equipment SR'000	Vehicles SR'000	Computers SR'000	Mine development SR'000	Catalysts SR'000	Capital expenditure in progress SR'000	Total SR'000
Cost										
January 1, 2009 as previously reported	697,579	6,727,820	11,830	288,753	39,989	37,293	765,034	49,865	1,210,845	9,829,008
Prior year adjustments	598,120	(605,554)	(3,452)	(194,068)	-	(19,868)	-	-	237,253	12,431
January 1, 2009 as restated	1,295,699	6,122,266	8,378	94,685	39,989	17,425	765,034	49,865	1,448,098	9,841,439
Additions	34,134	190,668	450	4,949	6,380	1,763	114,761	53,782	757,500	1,164,387
Disposals	(3,540)	(37,708)	-	(2,929)	(2,001)	(922)	-	(49,864)	(40,959)	(137,923)
Currency translation adjustment	82,541	518,564	-	753	-	-	125,708	-	23,725	751,291
Transfers from project under progress	263,345	9,410,190	-	2,502	15,456	-	-	-	(368,507)	9,322,986
December 31, 2009	1,672,179	16,203,980	8,828	99,960	59,824	18,266	1,005,503	53,783	1,819,857	20,942,180
Depreciation										
January 1, 2009 as previously reported	95,824	1,450,854	5,761	29,618	23,016	24,390	96,424	49,864	-	1,775,751
Prior year adjustments	54,196	(42,856)	(2,511)	1,495	-	(11,543)	-	-	-	(1,219)
January 1, 2009 as restated	150,020	1,407,998	3,250	31,113	23,016	12,847	96,424	49,864	-	1,774,532
Charge for the year	48,551	744,646	390	4,409	8,245	2,215	44,663	24,650	-	877,769
Currency translation adjustments	29,275	300,361	-	6,710	-	-	-	-	-	336,346
Disposals	(135)	(9,674)	-	(41,469)	(1,598)	(922)	-	(49,864)	-	(103,662)
December 31, 2009	227,711	2,443,331	3,640	763	29,663	14,140	141,087	24,650	-	2,884,985
Net book value										
December 31, 2009	1,444,468	13,760,649	5,188	99,197	30,161	4,126	864,416	29,133	1,819,857	18,057,195
December 31, 2008	1,145,679	4,714,268	5,128	63,572	16,973	4,578	668,610	1	1,448,098	8,066,907

As of December 31, 2009 property, plant and equipment includes plant of SR 1.5 billion (2008: SR 1.5 billion) and accumulated depreciation of SR 207.9 million (2008: SR 118.8 million) that had been sold and leased back (note 15).

- Capital expenditure in progress as of December 31, 2009 and 2008 consists mainly of the cost of Polyolefins Factory expansion Project, other factories owned by some subsidiaries, and the expansion of the facilities of production lines. The financial costs that have been capitalized during the year amounted to SR 32.4 million (2008: SR 18.2 million).
- Some lands have some subsidiaries' plants on-site which are rented at nominal prices for periods up to 30 years.

9. Projects Under Progress

Projects under progress balance as at December 31 are as follows:

	2009 SR'000	2008 SR'000
Ethylene and Polyethylene project (A)	-	9,056,948
Saudi Acrylic Munmrat Company (B)	207,694	-
Al-Rowad International for Enfolding Ltd. (C)	169,728	-
Research Center Product (D)	51,531	38,917
Other Projects (E)	19,350	46,429
	448,303	9,142,294

- A. At the beginning of June 2009, the commercial production for Ethylene and Polyethylene Project started. At December 31, 2009, the total revenues of the project reached SR 2,252,246 thousand. The balance of the project as of June 30, 2009 was transferred to property, plant and equipment.
- B. Saudi Acrylic Monomer Company's project is represent the costs incurred by a subsidiary to set up a factory for Acrylic Acid in Al Jubail Industrial City. The cost of the project as at December 31, 2009 consists of license fees, consulting office cost and purchase of project's equipment.
- C. At December 31, 2009, project under construction represents the costs incurred by AlRowad International for Enfolding (a subsidiary) for the construction of the Company's factory and related facilities in Dammam City, Kingdom of Saudi Arabia, costs under various agreements and direct costs incurred to bring the asset to the location and condition set by the operating requirements of the management in a manner intended by the management. Direct costs include employee benefits, site preparation costs, installation costs, licensing fees, professional fees and borrowing costs. The Company has leased a land (that has its factory built on it) from Al Rowad National Plastic Company Ltd. This lease expires in 2018, with an option for renewal.
- Financial costs capitalized during the year amounted to SR 1.5 million.
- D. The cost of research center project represents the cost of setting up a research center for plastic manufacturing in Al Jubail city for the purpose of supporting plastic manufacturing in the Kingdom and to provide assistance to domestic and subordinate industries which rely upon using plastic produced by the Company. The project costs as at December 31, 2009 consist of pre-operating costs, equipments, tools and cost of the consultant supervising the establishment of the center.
- E. Other projects balance as at December 31, 2009 consists of payments by the Company for studying and developing future projects.

10. Intangible Assets, Net

	Pre-operating costs SR'000	Deferred Costs SR'000	cost SR'000	Software implementation costs SR'000	Technology and others SR'000	Goodwill SR'000	Total SR'000
Cost							
January 1, 2009 as previously reported	32,344	3,296	412,099	10,379	700,759	2,429,146	3,588,023
Prior year adjustments	-	-	-	-	43,500	-	43,500
January 1, 2009 as restated	32,344	3,296	412,099	10,379	744,259	2,429,146	3,631,523
Additions	6,192	-	-	5,557	341,757	67,242	420,748
Disposals	(13,045)	(2,819)	-	-	-	-	(15,864)
December 31, 2009	25,491	477	412,099	15,936	1,086,016	2,496,388	4,036,407
Amortization							
January 1, 2009 as previously reported	20,282	2,677	70,855	7,583	93,620	25,115	220,132
Prior year adjustments	-	-	-	-	16,860	-	16,860
January 1, 2009 as restated	20,282	2,677	70,855	7,583	110,480	25,115	236,992
Disposals	(13,046)	(2,818)	-	-	-	-	(15,864)
Charge for the year	4,458	288	35,344	2,092	76,088	-	118,270
December 31, 2009	11,694	147	106,199	9,675	186,568	25,115	339,398
Net book value							
December 31, 2009	13,797	330	305,900	6,261	899,448	2,471,273	3,697,009
December 31, 2008 – After adjustment	12,062	619	341,244	2,796	633,779	2,404,031	3,394,531

11. Other Non Current Assets

	2009 SR'000	2008 SR'000
Deferred income taxes (A)	400,403	237,375
Exploration and evaluation costs, net (B)	130,050	109,740
Deferred debt issue costs, net (C)	38,996	60,789
Security deposits	6,083	2,775
Other	37,498	54,523
	613,030	465,202

- F. Deferred income taxes relate to subsidiaries of Cristal operating in various tax jurisdictions.
- G. Exploration and evaluation costs are stated net of the impairment losses of SR 21.99 (2008: SR 33.19 million).
- H. The amortization of loan issue cost which amounted to SR 9.4 million (2008: SR 8.4 million) was included under financing expense in the consolidated statement of income.

12. Short-Term Facilities And Murabaha

The subsidiaries have been granted short-term credit facilities of SR 2,569 million (2008: SR 1,190 million), the outstanding balance as at December 31, 2009 amounted to SR 2,235 million (2008: SR 1,083 million), these facilities were guaranteed by personal guarantees from the shareholders and signed promissory notes for banks and some financial commitments.

13. Long-Term Loans

	2009 SR'000	2008 SR'000
Saudi Industrial Development Fund (SIDF)	1,626,158	1,402,680
Public Investment Fund Loan	1,500,000	1,500,000
Commercial banks	10,653,281	10,616,299
	13,779,439	13,518,979
Less: Current portion	(891,780)	(542,153)
Non-current portion	12,887,659	12,976,826

The subsidiaries have been granted facilities and long-term loans from Saudi Industrial Development Fund amounted to SR 2,760 million (2008: SR 3,060 million), the outstanding balance as December 31, 2009 amounted to SR 1,626 million (2008: SR 1,402 million).

Payments of Saudi Industrial Development Fund's loans are made at unequal semi-annual installments started in different dates. Loan origination fees were paid up front and was classified as deferred expense to be amortized over the life of the loans.

The subsidiaries have mortgaged, to the order of SIDF, all the property and equipment of the Company, together with joint and personal guarantees from the shareholders. The SIDF debt agreement includes certain covenants which provide, amongst other items, restrictions relating to capital expenditures, maintains a minimum level of tangible net worth and a minimum current ratio as of December 31, 2009.

On April 20, 2007, Public Investment Fund agreed to grant one of subsidiaries a term loan of US\$ 400 million (SR 1,500 million). This loan carries interest at LIBOR plus 0.5% and is repayable in twenty equal semi-annual installments commencing from June 30, 2011. As at December 2009, the Company has withdrawn, the full amount which approximates to SR 1,500 million.

The Company and the subsidiaries companies have obtained long-term loans from commercial banks amounted to SR 14,280 million (2008: SR 14,810 million), the outstanding balance as at December 2009 amounted to SR 10,653 million (2008: SR 10,616 million).

These loans are guaranteed by promissory notes and mortgage of subsidiary's properties and equipments and personal and joint guarantees from the shareholders.

The facilities include certain covenants which provide amongst other items, maintenance of a minimum level of net worth and leverage ratio as of December 31, 2009. Also its contain certain covenants that, subject to exception, restrict, among other things, dividends and other distributions, debt incurrence, lien incurrence, sale and leaseback transactions, certain payments, sales of assets, affiliate transactions and mergers or acquisitions. The Company is also limited to maximum capital expenditure per year, and is required to maintain specified financial ratios.

14. Deferred Gains On A Sale And Lease-Back Transactions

	2009 SR'000	2008 SR'000
Deferred gains	149,272	177,705
Less current portion	(28,433)	(28,433)
Non current portion	120,839	149,272

15. Obligations Under Capital Leases

Commitments for minimum lease payments under capital leases are as follows:

	2009 SR'000	2008 SR'000
Within one year	168,750	112,500
Year two	187,500	168,750
Year three	187,500	187,500
Year four	187,500	187,500
Year five	187,500	187,500
Later than five years	468,750	656,250
Net minimum lease payments	1,387,500	1,500,000
Less: current portion	(168,750)	(112,500)
Non-current portion	1,218,750	1,387,500
Rental costs from capital leases recognized as an expense during the year	35,293	57,979

16. Accounts Payable

	2009 SR'000	2008 SR'000
Trade payables	982,262	966,773
Due to related parties	407	2,300
Others	28,354	21,111
	1,011,023	990,184

17. Accrued Charges And Other Liabilities

	2009 SR'000	2008 SR'000
Accrued liabilities	724,114	602,215
Other payables	350,849	561,028
Accrued employees' benefits	186,361	197,278
Provision for zakat (Note 27)	103,634	60,229
Dividends	79,915	74,741
Others	1,109	2,518
	1,445,982	1,498,009

18. End-Of-Service Indemnities

	2009 SR'000	2008 SR'000
Balance, January 1	90,380	71,127
Payments during the year	(3,273)	(4,490)
Charge for the year	25,122	23,743
Balance, December 31	112,229	90,380

19. Other Non-Current Liabilities

	2009 SR'000	2008 SR'000
Pension and post retirement pension	424,706	492,499
Deferred income tax liabilities	305,858	112,042
Asset retirement	207,986	261,649
Environmental liability	115,313	23,704
Others	38,130	40,691
	1,091,993	930,585

20. Statutory Reserve

In accordance with Regulations for Companies in Saudi Arabia and the Company's articles of association, the Company has established a statutory reserve by appropriation of 10% of net income until the reserve equals 50% of the share capital. This reserve is not available for dividend distribution.

21. Proposed Dividends

The Board of Directors has proposed the following distributions from retained earnings:

- Distribution of cash dividends to the shareholders amounting to SR 345,513 thousand, which represent 7.5% of the share capital (SR 0.75 per share).
- Payment of SR 2 million as Board of Directors' remuneration.
- Distribution of 1 share for each 10 shares amounting to SR 460,685 thousand, from the premium.

22. Other Reserves

Changes in cash flows hedge positions with a total of SR 311 million (2008: SR 327 million) represents the difference arising from the translation of the long-term outstanding loans denominated in foreign currencies to Saudi Riyal at the rates of exchange prevailing at the consolidated balance sheet date. Such loans were considered as hedging instruments against expected future income of the same currency. The changes in cash flow hedge positions fair value also include the difference arising from fair value measurements of the effective portion of derivative financial instruments (profit rate swap contracts) at the consolidated balance sheet date, which is a hedging instrument against the designated hedges item, being foreign currency loans based on LIBOR rates. These differences are treat as unrealized differences in shareholder's equity as per accounting policies.

Foreign currency translation adjustments amounting to SR 107 million (2008: SR 334 million) comprise all foreign exchange differences arising from translation of the financial statements of foreign subsidiaries, as well as from the translation of liabilities that hedge the Group's net investments in foreign subsidiaries.

23. Related Party Transactions And Balances

Saudi Polyolefin's Company (subsidiary) has signed marketing and sales agreement with its foreign partner (referred to as the "Marketer"), whereby the Marketer have agreed to market its product quantities at specified prices in accordance with such an agreement. The agreement specify the marketing responsibilities, quantities to be marketed by the Marketer, geographical territories in which the products are to be sold, the price calculation formula, payment terms and others obligations.

Significant related party transactions consists of the following:

	2009 SR'000	2008 SR'000
Sales to marketer	2,296,903	1,566,404
Due from related party balances as of December 31 are as follows:		
	2009 SR'000	2008 SR'000
Basell International Trading (FZE)	983,502	251,974
Al-Waha Petrochemical Company	35,455	-
Basell Polyolefins Company NV	-	91,486
	1,018,957	343,460

24. Selling And Marketing Expenses

	2009 SR'000	2008 SR'000
Freight charges	414,984	460,883
Salaries, wages and other benefits	101,102	113,548
Distributors' commissions	47,936	38,314
Rent	9,444	10,520
Transportation and travel expenses	7,322	40,270
Advertising, publicity and printing	5,248	9,291
Telephone and postage	2,491	3,348
Depreciation and amortization	2,250	2,353
Others	6,603	9,169
	597,380	687,696

25. General And Administrative Expenses

	2009 SR'000	2008 SR'000
Salaries, wages and other benefits	168,379	211,573
Research and development	88,218	91,573
Professional fees and legal consultations	43,053	44,626
Depreciation and amortization	22,496	6,670
Travel expenses	8,336	5,121
Rent	8,002	12,138
Charitable contributions and social acts	6,635	7,170
Others	22,647	17,478
	367,766	396,349

26. Investment Income And Other

	2009 SR'000	2008 SR'000
Gain from sale of assets and investments	109,536	6,449
Amortization of deferred gains	28,433	24,551
Gain from Murabaha and other	16,035	61,237
Dividends received	7,703	8,337
Foreign exchange differences	1,869	74,807
Compensations from insurance company	-	29,897
Technology rights and other	-	4,215
Others	8,993	5,594
	172,569	215,087

27. Zakat

The Company which is Saudi joint stock company and its subsidiaries, which are a Saudi limited liability companies, present their financial statements and their zakat and income tax declarations to the Department of Zakat and Income Tax on an individual basis.

The principal elements of the zakat base pertaining to National Industrialization Company are as follows:

	2009 SR'000	2008 SR'000
Share capital	4,606,847	3,495,736
Statutory reserve	297,329	237,244
Share premium	1,763,929	888,079
Retained earnings	1,100,351	1,022,270
Loan	550,000	-
Adjusted net loss (income)	(7,449)	23,327
Provisions	25,784	17,285
Property and equipment	(64,241)	(64,577)
Investments	(5,387,332)	(4,520,797)
Projects under progress	(70,881)	(141,346)
Intangible assets	(1,672,317)	(1,672,317)
	1,142,020	(715,096)

The movement in zakat provision of the National Industrialization Company is as follows:

	2009 SR'000	2008 SR'000
Balance, January 1	407	4,184
Payments during the year	(587)	(4,165)
Provision for the year	28,731	388
Zakat provision for National Industrialization Company	28,551	407
Zakat and income tax provision for the subsidiaries	75,083	59,822
Balance, December 31	103,634	60,229

The zakat and income tax charge for the year that relating to subsidiaries are as follows:

	2009 SR'000	2008 SR'000
Zakat and income tax charge of subsidiaries	73,691	62,273
Income tax benefit	(10,489)	(118,261)
	63,202	(55,988)

The Company received the final zakat assessment for fiscal year 2005 which showed an additional zakat liability of SR 5,150 thousand, against which the Company has filed an objection. The Company has paid the zakat due for the fiscal years 2006 through 2008 based on zakat declarations but has not yet received the final zakat assessments from DZIT.

28. Earnings Per Share

Earnings per share from main operations and net income for the year are calculated by dividing the income from main operations and net income for the year by the weighted average number outstanding as of December 31, 2009 amounting to SR 460,685 thousand (2008: SR 409,683 thousand).

29. Segment Information

The main activity of the Company (Head office) is in investments while subsidiary companies operate in the industrial and petrochemical sectors. The accounting policies adopted by these sectors are the same as stated in the significant accounting policies. The main markets of the petrochemical sector are in the Kingdom of Saudi Arabia, Europe, Middle East, and Asia, while the other sectors are in the Kingdom of Saudi Arabia, U.S.A., Europe, Asia, Middle East and Australia. The following is selected financial information for these sectors:

	Industrial segment SR'000	Petrochemical segment SR'000	Head office & other SR'000	Eliminations SR'000	Total SR'000
The year ended December 31, 2009					
Total assets	12,840,924	17,286,777	8,881,439	(5,841,418)	33,167,722
Total liabilities	9,659,494	11,775,023	855,079	(581,354)	21,708,242
Sales	6,982,904	4,855,131	246,257	(1,221,337)	10,862,955
Gross profit	1,191,525	1,214,232	56,616	(3,438)	2,458,935
Depreciation and amortization	521,216	457,594	4,312	-	983,122
Operating income	431,698	1,063,158	643,708	(622,006)	1,516,558
Capital expenditures	1,254,473	949,920	29,936	(38,919)	2,195,410
The year ended December 31 2008					
Total assets	12,398,134	14,002,791	8,258,116	(4,239,670)	30,419,371
Total liabilities	10,098,016	9,860,778	739,159	(271,485)	20,426,468
Sales	7,579,024	3,303,722	255,607	(1,101,212)	10,037,141
Gross profit	1,327,886	671,750	48,631	1,889	2,050,156
Depreciation and amortization	588,418	189,711	3,525	-	781,654
Operating income	430,062	539,514	610,828	(570,863)	1,009,541
Capital expenditures	583,331	3,118,391	47,125	-	3,748,847

30. Financial Instruments And Risk Management

Financial instruments carried on the consolidated balance sheet principally include cash and cash equivalent, accounts receivables, other assets, accounts payable, borrowings and accrued and other liabilities.

Credit risk is the risk that one party will fail to discharge an obligation and cause the other party to incur a financial loss. The Company has no significant concentration of credit risk. Cash is placed with banks with sound credit ratings.

Commission rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market commission rates. The subsidiaries have no significant commission bearing assets but have commission-bearing liabilities at December 31, 2009. The Company manages its borrowings made at floating rates by using floating-to-fixed interest rate swaps. Such commission rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Under the interest rate swaps, the Company agrees with the counter party to exchange, at specified intervals (mainly quarterly), the difference between fixed contract rate and floating rate commission amounts calculated by reference to the agreed notional principal amounts.

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available to meet any future commitments.

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company transactions are principally in Saudi Riyals, Euro and U.S. Dollars. Management monitors the fluctuations in currency exchange rates.

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. As the Company's financial instruments are compiled under the historical cost convention, differences can arise between the book values and fair value estimates. Management believes that the fair values of the Company's financial assets and liabilities are not materially different from their carrying values.

31. Commitments And Contingencies

Capital commitments

	2009 SR'000	2008 SR'000
Capital commitments for the acquisition of property and equipment	142,900	548,900
Operating lease arrangements		
	2009 SR'000	2008 SR'000
Payments under operating leases recognized as an expense during the year	130,533	327,573

Operating lease payments represent rent accrued by the Group of subsidiaries for renting land and residential units and sites for factories. The rate of the lease agreed upon, ranging from 1 to 3 years.

Cristal Inorganic Chemicals Ltd. leases various land property, facilitates and equipment under non-cancelable operating lease arrangements for varying periods.

As of December 31, 2009 future minimum lease payments relating to all non-cancellable operating leases with terms in excess of one year were as follows:

	2009 SR'000	2008 SR'000
One year	86,345	12,923
Two to four years	148,901	235,279
More than four years	162,510	102,248
Total minimum lease payments	397,756	350,450

Commitments

	2009 SR'000	2008 SR'000
Letters of credit and guarantee	1,380,891	834,619

Cristal Company has various agreements for the purchase of ore used in the production of TiO₂ and certain other agreements to purchase raw materials, utilities and services with various terms extending through 2020. As of December 31, 2009, estimated future minimum payments under these contracts with non-cancelable contract terms were as follows:

	2009 SR'000	2008 SR'000
One year	1,629,752	640,313
Two to four years	4,624,993	4,377,488
More than four years	1,009,274	485,021
Total minimum lease payments	7,264,019	5,502,822

32. Prior Year Adjustments

	Current assets SR'000	Non-current assets SR'000	Current liabilities SR'000	Non-current liabilities SR'000	Other reserves SR'000
Balance as of December 31, 2008 as previously reported	8,454,805	21,967,854	4,304,321	16,173,619	(911,380)
Prior year adjustments and reclassifications	24,616	(27,904)	(49,788)	(1,684)	31,801
Balance as of December 31, 2008 as reasted	8,479,421	21,939,950	4,254,533	16,171,935	(879,579)

33. Reclassifications

Certain figures for 2008 have been reclassified to conform to 2009 presentation.

34. Approval Of Consolidated Financial Statements

These financial statements have been approved by the Board of Directors on February 22, 2010.

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