



بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ



His Royal Highness  
**Mohamed Ben Salman Ben Abdulaziz Al-Saud**  
Second Crown Prince,  
Second Deputy Prime Minister, Minister of Defence

His Royal Highness  
**Prince Mohamed Ben Nayef Ben Abdulaziz Al-Saud**  
Crown Prince,  
Deputy Prime Minister, Minister of Interior

Custodian of the Two Holy Mosques  
**King Salman Ben Abdul Aziz Al-Saud**

## The Board Members



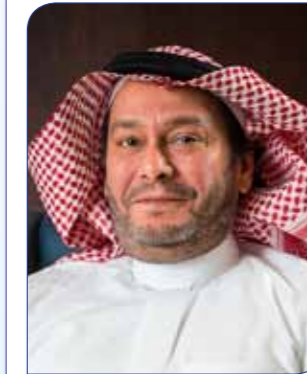
Eng. Mubarak Ben Abdullah Al-Khafrah  
Chairman



Dr. Talal Ben Ali Al-Shair  
Vice Chairman



Dr. Nazeeh Ben Hassan Naseef



Eng. Talal Ben Ibrahim Al-Mayman



Eng. Salah Ben Abdulwahab Al-Terkait



Eng. Bader Ben Ali Al-Dakhil



Mr. Suliman Ben Abdulqader Al-Muhaideb



Mr. Sabah Tayseer Barakat



Mr. Ibrahim Ben Ali Al Qadhi



Mr. Saud Ben Suliman Al Juhani

## 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.

## Message from The Chairman

## Message from The Chairman



**Eng. Mubarak Ben Abdullah Al-Khafrah**

In the past few years, the global economy has witnessed many consecutive waves of growth, slowdowns and recessions. Similarly, 2015 came with a whole new level of economic crisis such as the Chinese economic crisis coupled with a sudden acute deceleration in the economic growth and trust. The average economic growth went from more than 10% for the period from 2006 till 2014 to end up with only 6.8% in the year 2015 which led to a significant recession of the emerging economies.

This was caused by multiple factors including, the US subprime mortgage crisis that led to the financial crisis in 2008, followed by the decelerating economic growth in Japan, the Euro Crisis, the possibility of Greece's exiting the Eurozone, the Middle East continued conflicts and the adverse impact on the Arab economies caused by the so-called "Arab Spring", and the Russian-Ukrainian clash and its adverse impact on the world trade.

In 2016, the picture of the global economy is still hazy, due to the conflicting data and figures, the economists' fear from the growing tendency toward savings and reduction of investments, it is predicted that the US dollar will keep rising against the leading currencies while the European and the Japanese economies are still undergoing slowdown.

All these realities have had an adverse impact on the global economy in general and the Gulf economy in particular as the oil price hit the lowest levels for the past 13 years going all the way down to USD 26 in Feb 2016. This was caused by the pressures of an abundance of oil supplies and the low demand arising from the slowdown suffered by the emerging economies.

The drop in oil prices has had its impact on the national budget of Saudi Arabia in 2016, with a deficit of SAR 367 billion compared to budget surpluses in the past two years. As a result, the government started to increase the non-petroleum earnings which increased by 29% (SAR 163.5 billion). Saudi Arabia started to decontrol fuel

prices by late 2015; this is expected to have significant impact on increasing the cost of production with the increased prices of gas being the feedstock for the petrochemical industries. Subsequently, such competitive advantage will be missed by the Saudi petrochemical industries, which have faced many challenges over the past period caused by the US producing of Shale Gas, which led to huge decrease in propane prices in the US market compared to the prices in Saudi Arabia.

Tasnee's management is working hard to reduce all the adverse impact on the company position and turn all the challenges into opportunities that can be used to subject all the capabilities of Tasnee. The goal is to improve its position in a way that serves the Saudi national income and Tasnee's customers around the world, especially that the company has already started the restructuring process, reducing expenditures and enhancing efficiency and effectiveness of all processes and products. This will undoubtedly pay off after the recession of the slowdown wave that afflicted the global economy and its increased growth rates. It is expected that the prices of products will improve as a result of oil prices improvements, thanks to balanced supply and demand.

I would like to send my best regards and appreciation from me and my colleagues in the board of directors to all Tasnee employees for all efforts that led to its success. We ask Allah to keep the good and welfare in our country with peace and stability under the wise leadership of the Custodian of the Two Holy Mosques King Salman bin Abdulaziz..

**Mubarak Ben Abdullah Al-Khafrah**



Yanbu - Saudi Arabia.



Tasnee Partners Meeting - GPCA 2015.



## Board of Directors' Report for 2015

Pariba - Brazil.

## Board of Directors' Report for 2015

Dear Respected  
TASNEE Shareholders,

The Board of Directors of the National Industrialization Company (TASNEE) is pleased to present to shareholders its annual report which is prepared in accordance with the Corporate Governance Rules, Listing Rules, and the Company's Bylaws, to comprehend the activities and performance of the Company for the fiscal year ending on December 31, 2015, accompanied by the audited financial statements and notes attached thereto, including the most important developments in the performance and activities of the Company as per the following details:

### First: Composition and Business

The National Industrialization Company (TASNEE) is a Saudi joint stock company, established by the Ministerial Resolution No. 601 of 24 Dul'Hijjah, 1404H (19 September 1984), under CR No. 1010059693 dated 7 Shawal, 1405H (25 June 1985) with capital of SAR 6,689,141,660.

The Company's major activities involve investing in industrial field, transferring industrial advanced technology to Saudi Arabia in manufacturing and processing of petrochemicals and chemicals, engineering and mechanical industries, management and possession of industrial projects and marketing its products.

Furthermore, Tasnee's subsidiaries activities involve the production of ethylene, polyethylene, propylene and polypropylene and acrylics, production

and marketing of titanium dioxide, dry and liquid vehicle batteries, lead, plastic products and acrylic sheets, marketing plastic products and batteries, providing technical services, conducting technical testing to equipment, and industrial, chemical, petrochemical and metallurgical plants and water desalination and power generation plants. Below is a table showing the impact of each activity on the volume of the Company's business:

	Petrochemical Sector	Industrial Sector and other activities	Total
Percent of sales	51%	49%	100%

### Second: Total Production and Sales\*

Sector	Production		Sales	
	2015	2014	2015	2014
Petrochemical Sector	3,615	3,403	2,295	2,244
Industrial Sector and other activities	743	799	798	790
Total	4,358	4,202	3,093	3,034

\*Production includes quantities used inside the Company's factories.

### Third: Future Plans and Prospects, Risks, and New Projects

#### a. Future Plans and Prospects:

In general, the Company is planning to continue improving performance, enhancing its gains, and developing capabilities, which in turn will help in maintaining the growth of profits and shareholders' equity. However, it is difficult to precisely predict future prospects for the petrochemicals and chemicals future product prices in global markets, as they are linked to a number of changing global economic data and factors.

#### b. Risks:

The Company may be exposed to fluctuations in petrochemical and industrial products prices, hence the Company is working on reducing such effects through cutting down production costs and increasing the quantities produced, thus increasing the quantities sold and revenues.



Moreover, The Company is also exposed to fluctuations of foreign exchange rates on its assets and properties, including bank deposits, Murabaha and term loans. The Company is working to manage these risks in line with those deposits and loan agreements concluded with lenders.

As petrochemical products come with safety risks, Tasnee has highly trained staff on all safety procedures, and retain the appropriate insurance on its assets and business.

The Company gets part of the feed-stock from the main supplier (Saudi Aramco) at prices similar to those of petrochemical companies in Saudi Arabia, and any change in feedstock prices would affect its profitability. Council of Ministers Resolution was issued on Monday Rabea Awal 17, 1437H (December 28, 2015), amending the prices of energy products and electricity consumption, and based on the average production and current prices of propane, the Company expects to have financial impact during 2016 in the range of SAR190 million due to the effect of such increase on production costs at the Company's factories in Saudi Arabia. Additionally, the Company is continuing the implementation of performance improvement and rationalization of expenditure programs to reduce such impact.

All those risks affect the Company's ability to achieve its strategic goals; in order to reduce such effect, the company is working on identifying, analyzing and evaluating the risks faced, to avoid or minimize the negative impact on the business, and to be ready to deal with any potential future risks.

### c. New Projects

The Company continues working on a range of projects that will help in achieving higher growth rates, as follows:

#### 1) Butanol project:

The project is jointly-owned by Sadara Chemical Company, Saudi Kayan Company, and Saudi Acrylic Acid Company which is 52.3 % owned by TASNEE. The trial operation started on October 2015, where the plant equipment and the efficiency of production have been tested by technical licensing and execution contracts. The testing period is expected to take from three to six months to ensure that the plant is completed and is ready for commercial production, which is expected during the first half of 2016.

#### 2) Ilmenite Project for Titanium Slag:

The project is equally-owned by Tasnee and Cristal (79% owned by Tasnee). Tests and examination are undertaken in preparation for the trial operation. After the initial preparations, the first furnace faced technical issues, which required executing necessary repairs and adjustments. The trial operation was delayed to the first half of 2016, while working to avoid the previous issues in the operation of the second furnace.

#### 3) Titanium Sponge Project

The project is jointly owned by Tasnee, Cristal, and Toho Titanium Company as 32.5%, 32.5%, 35% respectively. The implementation of engineering, construction and supply contracts have been awarded. Phase 1 of the titanium sponge project capacity is 15,600 MT/year of titanium sponge used in producing titanium metal alloy. The plant is located at Yanbu Industrial City, it is a major downstream project in Tasnee's fully integrated titanium value chain. The project is progressing as planned; the trial startup is scheduled for the second half of 2017.

#### 4) Tasnee Projects in Hail:

A number of downstream projects, owned by ROWAD Company in Hail have been launched in November, 2012. These projects will produce packaging films, greenhouses and plastic pallets projects. Such projects reflect the Company's efforts towards enhancing the value-added approach and diversifying the production base of the national economy. It also increases Tasnee downstream sector capabilities and provides more job opportunities for the people of the region within the Company's efforts to invest in various areas of infrastructure and cultural development. It is expected that the commissioning of some of these projects will start in the first half of 2016.

### Fourth: Loans obtained by the Company

Granting Entity	Issuance Date	Principal	Repaid during the year	Loan balance	Payment Period	Due Date
Local banks	2013	4,000,000,000	533,333,333	3,200,000,000	8 years	2021
Sukuk	2012	2,000,000,000	None	2,000,000,000	7 years	2019
Local banks	2015	1,200,000,000	None	1,200,000,000	6 years	2021

### Fifth: Description of debt instruments activities

#### Convertible debt instruments:

During 2015, the Company did not issue or grant any debt instruments convertible into shares, any option rights, subscription memorandums, or any similar rights.

#### Conversion or subscription rights under the debt instruments

During 2015, the Company did not issue or grant any conversion or subscription rights under the debt instruments convertible into shares, any option rights, subscription memorandums, or any similar rights.

### Sixth: Operational Results:

Net loss for the fiscal year ending on December 31, 2015 amounted to 1.423 million Saudi Riyals compared to a net profit of 1.071 Million Saudi Riyals for the same period last year. The loss is due mainly to the sharp decrease in the average of the selling prices of titanium dioxide products and continuing decline in the average of selling prices of petrochemical products, especially, acrylic acid complex products, in addition to increasing the general and administrative expenses as a result of the restructuring of the Company's business, performance improvement programs and the cost of compensation for the terminated employees who are in excess of work requirements. A decrease in non-current assets value in one of the subsidiary companies worth 392 million riyals was also recorded, in addition to the increase in other expenses as a result of

recording the negative fair value of the hedging contracts and derivatives entered into by a subsidiary with some local banks to reduce the risk of fluctuations in foreign exchange rates, taking into account that these costs are not recurring and will positively contribute to the Company's future results, God willing.

The total shareholders' equity at the end of December 2015 amounted to 7.968 million riyals, with a 31.5% decrease from last year. The assets at the end of December 2015 amounted to 44.975 million Saudi Riyals, with a 6% decrease from last year.

The Company prepares its financial statements in accordance with the accounting standards issued by the Saudi Organization for Certified Public Accountants, appropriated to the circumstances of the Company, and consistent with the Companies Law and Company's bylaws.

As for the transformation project to the International Financial Reporting Standards (IFRS), the Company has contracted at the beginning of 2015 with one of the professional expertise houses to provide support and advice on studying the impact of the transformation and the requirements of that transformation. The first phase has been completed, and it includes identifying the differences and the requirements to address it through the work plan that includes preparation and training in the workshops that have been held for most of the Company's departments. The second phase will start including the evaluation of information systems in the Company and its subsidiaries and to identify the change or amendments required, so the Company believes it's in good position to apply those standards properly by the date approved for actual application at the beginning of fiscal year 2017.

### Seventh: Assets, Liabilities and Business Results of Activities for the Last Five Fiscal Years

TASNEE has a strong financial position and positive financial indicators. The table below shows its business outputs for the last five fiscal years:

Year	Amount in SR million				
	Total assets	Total liabilities	Shareholders' equity	Sales	Net profits
Dec. 31, 2011	39,928	22,151	11,023	19,649	2,441
Dec. 31, 2012	45,575	25,966	12,067	17,922	1,764
Dec. 31, 2013	47,270	27,687	12,006	18,199	1,177
Dec. 31, 2014	47,892	28,913	11,626	18,693	1,071
Dec. 31, 2015	44,975	31,227	7,968	15,146	(1,423)

### Eighth: Geographic Analysis of Revenues

The achieved revenues of the Company mainly result from the marketing of petrochemical, chemical and industrial products, as follows:

Region	KSA & Middle East	Africa	Asia	Europe	USA	Other
Sales Ratio	29%	12%	23%	15%	11%	10%

### Ninth: The Material Differences in the Operating Results:

	2015	2014	Changes	Changes Percentage
Sales	15,146	18,693	(3,547)	(19%)
Sales Cost	(12,933)	(14,080)	1,147	8%
Net Profit	(1,423)	1,071	(2,494)	(233%)

The reason for lower revenues and net profit is mainly due to the sharp decline in the average selling prices of products, non-current assets impairment and the cost of restructuring.

### Tenth: Affiliates and Sister Companies

No	Name	Location	Activity	Capital (SAR)	Kind	Stake
1	National Titanium Dioxide Co. (CRISTAL)	Based in Jeddah, with its operation facilities located in Yanbu Industrial City, in addition to its plants based in USA ,Europe and Australia,	Producing and marketing of titanium dioxide to be used in paints, coatings and paper industry	2,362,500,000	A limited liability company	79%
2	Advanced Minerals Industries Company (AMIC)	Based in Jeddah	Establishing and managing industrial projects related to titanium and other materials	3,000,000	A limited liability company	89.5%
3	Saudi Poly Olefins Company (SPC)	Based and exercises its operations in Jubail Industrial City	Producing Polypropylene which is used as a basic raw material in plastic carpets ,and other industries.	600,000,000	A limited liability company	75%

No	Name	Location	Activity	Capital (SAR)	Kind	Stake
4	TASNEE & Sahara Olefins Company	Based in Riyadh, with its main operation office located in Jubail Industrial City	Establishing, managing, operating and acquiring of Petrochemical & Chemical projects, and marketing their products	2,830,000,000	A Saudi joint stock company	60.45%
5	Saudi Ethylene and Polyethylene Company (SEPC)	Based and exercises its operations in Jubail Industrial City	Producing Ethylene and Propylene to be used in plastic industries	2,737,520,000	A limited liability company	45.34%
6	Saudi Acrylic Acid Company and its Derivatives (SAAC)	Based in Riyadh, with the main office of its operations located in Jubail Industrial City	Establishing and operating a number of projects to produce acrylic acid and its derivatives	1,777,000,000	A limited liability company	52.29%
7	Saudi Acrylic Monomers Company (SAMCO)	Based and exercises its operations in Jubail Industrial City	Producing Acrylic Acid, Row Acrylic Acid, and Butyl Acrylate	733,000,000	A limited liability company	39.22%
8	Saudi Acrylic Polymers Company (SAPCO)	Based and exercises its operations in Jubail Industrial City	Producing super absorbent polymers	416,400,000	A limited liability company	39.22%
9	Saudi Butanol Co. Ltd	Based and exercises its operations in Jubail Industrial City	Producing butanol	486,000,000	A limited liability company	17.43%
10	National Lead Smelting Company (RASASS)	Based and exercises its operations in Riyadh	Recycling of used car batteries, and producing lead, polypropylene, Sodium Sulphate from the recycled batteries	44,000,000	A limited liability company	100%
11	Rowad National Plastics Company (ROWAD)	Based and exercises its operations in Riyadh	Establishing plastic, transformational manufacturing proejcts	268,000,000	A limited liability company	100%
12	ROWAD Global Packaging Company Ltd. (ROWAD BOPP Films)	Based in Riyadh and exercises its operations in Dammam	Manufacturing packaging films	65,000,000	A limited liability company	100%

No	Name	Location	Activity	Capital (SAR)	Kind	Stake
13	ROWAD International Geosynthetics Co.Ltd (RIG)	Based in Riyadh and exercises its operations in Dammam	Specialized Industrial Insulation materials	7,000,000	A limited liability company	100%
14	National Batteries Company (BATTARIAT)	Based and exercises its operations in Riyadh	Producing automotive batteries	34,000,000	A limited liability company	90%
15	National Inspection and Technical Testing Company (FAHSS)	based in Dammam	Providing technical inspection and testing, Maintenance and Calibration, Quality Management Systems in KSA	7,170,000	A limited liability company	74.89%
16	TVU Middle East Company	Based in Kingdom of Bahrain	Providing technical inspection and testing, Maintenance and Calibration, Quality Management Systems in GCC countries.	300,000 (BD)	A limited liability company	74.89%
17	National Industrialization Petrochemicals Marketing Company (TASNEE Marketing)	based and exercises its operation form Riyadh	Marketing of chemical, petrochemical and plastic materials	5,000,000	A limited liability company	100%
18	National Operation and Industrial Services Company (KHADAMAT)	Based and exercises its operation form Riyadh	Marketing, sale and distribution of industrial products	30,000,000	A limited liability company	88.33%
19	National Metal Manufacturing & Casting Co. (MAADANIAH)	Based and exercises its operations in Jubail Industrial City	Basic transformational and engineering iron industries	281,120,890 distributed into 28,112,089 issued shares with equal nominal value of SAR 10	A Saudi joint stock company	35.47%

In addition to nonoperational companies for other investments which include the following:

No	Name	Location	Activity	Capital (SAR)	Kind	Stake
1	National Worldwide Ind. .Advancement Co	Based in Riyadh	Investment in industrial projects related to Tasnee	500,000	A limited liability company	100%
2	National Gulf Company for Petrochemical Technology	Based in Riyadh	Investment in industrial projects related to Tasnee	500,000	A limited liability company	100%
3	National Industrialization Company for Industrial Investments	Based in Riyadh	Investment in industrial projects related to Tasnee	500,000	A limited liability company	100%
4	Saudi Makaseb International Company for Trading and Industry	Based in Riyadh	Investment in industrial projects related to Tasnee and did not practice any activity during the stated period	6,500,000	A Saudi joint stock company	100%
5	National Petrochemicals .Industrialization Co	Based in Riyadh	Investment in industrial projects related to Tasnee and did not practice any activity during the stated period	500,000	A limited liability company	100%

### Eleventh: Dividends Distribution Policy

The decision of dividends distribution is one of the powers of the General Assembly upon the Board of Directors' recommendation. It is mainly based on the amount of net profits generated every year and the volume of expected spending on the future investment projects and the expected cash flows.

The general policy of dividends distribution is summarized as per Article (17/4) of the Company's Bylaws in that the Company's annual net profits after deduction of all overheads and other expenses are distributed as follows: A) Allocation for the Zakat imposed by Islamic Sharia, B) 10% statutory reserve that may be excluded when it amounts to half the capital, C) Distribution of an initial payment of (5%) of the paid-up capital, (D) Distribution of the remaining balance to shareholders as an additional share of profits subject to Article (13/10) and Article (17/5).

Based on the Company's financial results and cash flows, the Board of Directors did not recommend the General Assembly to distribute cash profits for the year ended 31 December 2015.

### Twelfth: Shareholders' Relations

The Company pays much attention to its shareholders. It provides them with all means that enable them to be informed and updated about whatever relating to the activities of the Company, its investments, external relations, consolidated financial results and whatever concerns the investor. This is achieved through a set of means of communication including the Board of Directors' Report, the General Assembly meetings, the continuous disclosures published on the ad page of the Company on the website of Capital Market Authority (TADAWUL), the information released on the Internet and via other media. The Company is also very keen to answer all their queries received by the Company-Investor Relation Department.

### Thirteenth: Formation of the Board of Directors

Subject to Article (12/1) of the Company's Bylaws, the Board of Directors consists of ten members. The 19th Ordinary General Assembly elected board members for the tenth forum, period of which is three years from 06/07/2013 until 05/07/2016. They are as follows:

	Name	Membership class	Board Membership in Other Joint Stock Companies
1	Eng. Mubarak Ben Abdallah Al Khafrah Chairman of the Board	Executive member	<ul style="list-style-type: none"> <li>• Saudi Hollandi Bank</li> <li>• Malath Cooperative Insurance &amp; Reinsurance Company</li> <li>• TASNEE &amp; SAHARA Olefins Company</li> </ul>
2	Dr. Talal Ben Ali Al-Shair Vice Chairman	Executive member	<ul style="list-style-type: none"> <li>• Salam Co.</li> <li>• Al Masane Al Kobra Mining Company</li> <li>• Fiber Glass Oasis Co.</li> <li>• Al-Madina Co. for Industrial Investments</li> <li>• TASNEE &amp; SAHARA Olefins Company</li> </ul>
3	Eng. Talal Ben Ibrahim Al Mayman	Independent member	<ul style="list-style-type: none"> <li>• Kingdom Holding Company</li> <li>• Saudi Researches and Marketing Group</li> <li>• Flynas</li> </ul>

	Name	Membership class	Board Membership in Other Joint Stock Companies
4	Dr. Nazeeh Ben Hassan Naseef	Non-Executive Member	• Saudi Pharmaceutical Industries and Medical Appliances Corporation (SPIMACO)
5	Eng. Salah Ben Abdulwahab Al Terkait	Independent Member	• IKARUS Petroleum Industries Company (Kuwait) • United Stainless Steel Co (Bahrain) • Foulath Holding Company (Bahrain) • Bahrain Steel Company
6	Eng. Sabah Tayseer Barakat	Independent Member	• Aluminum Product Companies (ALUPCO)
7	Mr. Suliman Ben Abdulqader Al-Muhaideb	Independent Member	• Middle East Paper Company (MEPCO) • Abdulqader Muhaideb & Sons Co. • Almarai • Savola Group • SABB
8	Mr. Badr Ben Ali Al-Dakhil	Non-Executive Member	-
9	Mr. Ibrahim Ben Ali Al-Qadhi	Non-Executive Member	• Kuwait Clearing Company (Kuwait) • Emirates Rawbi (Dubai)
10	Mr. Saud Ben Suliman Al-Juhani	Independent Member	• Tabuk Cement Co. (TCC) • The National Commercial Bank

#### Fourteenth: Interests of the Board Members, the Bodies They Represent and Senior Executives in the Company's Shares

	Name	Representing	No. of shares Owned			
			As of Jan. 1, 2015		Dec. 31, 2015	
			For the Board Member	For the entity the member represents	For the Board Member	For the entity the member represents
1	Eng. Mubarak Ben Abdallah Al-Khafrah	Himself	1,443,196	-	1,302,290	-
2	Dr. Talal Ben Ali Al-Shair	Himself	1,452	-	1,452	-
3	Eng. Talal Ben Ibrahim Al Mayman	Himself	271,661	-	21,661	-
4	Dr. Nazeeh Ben Hassan Naseef	SPIMACO	19,000 108*	35,096,971	*108	35,096,971
5	Eng./ Salah Ben Abdulwahab Al Terkait	Himself	52,280	-	71,533	-
6	Eng. Sabah Tayseer Barakat	Himself	1,000	-	1,000	-
7	Mr. Suliman Ben Abdulqader Al-Muhaideb	Himself	1,452	-	1,452	-
8	Mr. Badr Ben Ali Al-Dakhil	GOSI	1,800	58,147,209	1,800	58,147,209
9	Mr. Ibrahim Ben Ali Al-Qadhi	Gulf Inv. Corp.	-	43,833,665	-	43,833,665
10	Mr. Saud Ben Suliman Al-Juhani	Public Pension Agency	-	27,208,636	-	27,208,636
* For Dependents						
Senior executives	Mutlaq Ben Hamad Al Morished	Chief Executive Officer	*1,950	-	*1,950	-
	Fawaz Ben Mohammad Al Fawaz	Executive VP for Finance	-	-	5000	-
	Mazyad Ben Serdah Al Khaldi	Executive VP ,Petrochemicals	-	-	5000	-
	Christian Walter Gunther	Executive VP, Strategy & Growth	-	-	-	-
	Omar Ben Mohammad Seraj Najjar	Executive VP, Downstream	-	-	-	-
	Qais Abdulwahid Al Sultani	Executive VP, Technology & Innovation	-	-	-	-

## Fifteenth: Board of Directors' Meetings

The Board of Directors held five (5) meetings during 2015. Below is the minutes record of each of these meetings:

Meeting	Date	Attendance of the Board Members
First	Feb. 17, 2015	Eng. Mubarak Ben Abdullah Al Khafrah; Dr. Talal Ben Ali Al Shair; Eng. Talal Ben Ibrahim Al Mayman; Dr. Nazeeh Ben Hassan Naseef; Eng. Salah Ben Abdul Wahab Al Terkait; Eng. Sabah Tayseer Barakat; Eng. Bader Ben Ali Al Dakhil; Mr. Ibrahim Ben Ali Al Qadhi; Mr. Saud Ben Suliman Al Juhani.
Second	April 8, 2015	Eng. Mubarak Ben Abdullah Al Khafrah; Dr. Talal Ben Ali Al Shair; Eng. Talal Ben Ibrahim Al Mayman; Dr. Nazeeh Ben Hassan Naseef; Eng. Salah Ben Abdul Wahab Al Terkait; Mr. Suliman Ben Abdulqader Al Muhaideb; Eng. Sabah Tayseer Barakat; Eng. Bader Ben Ali Al Dakhil; Mr. Ibrahim Ben Ali Al Qadhi; Mr. Saud Ben Suliman Al Juhani.
Third	June 02, 2015	Eng. Mubarak Ben Abdullah Al Khafrah; Eng. Talal Ben Ibrahim Al Mayman; Dr. Nazeeh Ben Hassan Naseef; Eng. Salah Ben Abdul Wahab Al Terkait; Mr. Suliman Ben Abdulqader Al Muhaideb; Eng. Sabah Tayseer Barakat; Eng. Bader Ben Ali Al Dakhil; Mr. Saud Ben Suliman Al Juhani.
Fourth	Sept. 8, 2015	Eng. Mubarak Ben Abdullah Al Khafrah; Dr. Talal Ben Ali Al Shair; Eng. Talal Ben Ibrahim Al Mayman; Dr. Nazeeh Ben Hassan Naseef; Eng. Salah Ben Abdul Wahab Al Terkait; Mr. Suliman Ben Abdulqader Al Muhaideb; Eng. Sabah Tayseer Barakat; Eng. Bader Ben Ali Al Dakhil; Mr. Ibrahim Ben Ali Al Qadhi; Mr. Saud Ben Suliman Al Juhani.
Fifth	Dec. 28, 2015	Eng. Mubarak Ben Abdullah Al Khafrah; Dr. Talal Ben Ali Al Shair; Dr. Nazeeh Ben Hassan Naseef; Eng. Salah Ben Abdul Wahab Al Terkait; Mr. Suliman Ben Abdulqader Al Muhaideb; Eng. Sabah Tayseer Barakat; Eng. Bader Ben Ali Al Dakhil; Mr. Ibrahim Ben Ali Al Qadhi; Mr. Saud Ben Suliman Al Juhani.

## Sixteenth: The Board Members and Senior Executives' Indemnities and Benefits (\*)

In Saudi Riyals	Executive Members of the Board	Non-Executive/ independent Members of the Board	Six Senior Executives who received higher remunerations and compensations including the CEO and CFO
Salaries & indemnities	-	-	13,882,666
Allowances	126,510	335,224	
Periodical & annual Remunerations	4,300,000	1,600,000	13,636,271
Incentive Schemes	-	-	-
Indemnities & real benefits	158,915		286,353

\* The Board of Directors' above-mentioned remunerations for the fiscal year 2014, were paid in 2015 upon the General Assembly's approval. The Board of Directors did not receive annual remuneration for the fiscal year 2015 because the Board of Directors did not recommend that profits be distributed to shareholders.

## Seventeenth: The Board Committees

The regulations of each of the Executive Committee, Audit Committee, Nomination and Remuneration Committee include a description of the powers of each one of them, the provisions of its formation, the period of its membership, duties, authorities, the procedures of its work style and meetings and its members' obligations and remunerations. Such committees' composition as follows:

### Executive Committee:

The Executive Committee is responsible for studying the Company's Strategic Plan and the estimated annual budget. The Executive Committee is also responsible for submitting a recommendation to the Board of Directors in order to approve such plan and budget. It is also responsible for the approval of policies, procedures, debt instruments and the subsidiaries' loans as per the powers specified for it by the Board of Directors in addition to appointing vice-presidents and representatives of the Company in the subsidiaries' boards of directors. The Committee can also seek help of external professional advisors and consultants when necessary.

The Executive Committee consists of the following:

Eng. Mubarak Ben Abdullah Al Khafrah (Head of the Committee)

Dr. Talal Ben Ali Al Shair

Eng. Talal Ben Ibrahim Al Mayman

Dr. Nazeeh Ben Hassan Naseef

The Committee held five (5) meetings in 2015.

### Audit Committee:

The Audit Committee exercises its powers as per the regulations, bylaws and standards follows. The Audit Committee assesses the internal control system and complies with the approved auditing standards in the Kingdom of Saudi Arabia. The Committee supervises the internal audit administration and verifies its effectiveness in performing its duties and activities; follows up the execution of the corrective procedures, submit recommendation to the Board of Directors for appointing or dismissing chartered accountants and determining their fees, in compliance with the guiding criteria of external auditors' selection in case of joint-stock companies listed in the Capital Market Authority; verifies that the external auditors are independent; follows up the chartered accountants' activities; approves any activity outside the scope of auditing they are assigned to; studies the auditing plan with the chartered accountant and presents any comments about them; studies the comments of the chartered accountant on the financial statements and follows up the procedures taken in this regard; studies the initial and annual financial statements before submitting them to the Board of Directors; gives opinion and recommendations in this regard; studies the followed accounting policies and gives opinion and presents recommendation to the Board of Directors in this regard.

The Audit Committee consists of the following:

Eng. Sabah Tayseer Barakat (Head of the Committee)

Eng. Bader Ben Ali Al Dakhil

Mr. Mohamed Ben Ali Abdul Aziz Al Karida

Mr. Rashid Ben Ibrahim Sharif

The Committee held four (4) meetings in 2015.

### The Nomination and Remuneration Committee:

This Committee submits recommendations to the Board of Directors regarding the candidacy for the membership of the Board and reviews the requirements, qualifications and skills required as per the policies and standards adopted. This includes the determination of the time needed to be allocated by the member for the activities of the Board and taking into consideration not to recommend any person who has been convicted of a crime involved a breach of honor or trust. The Committee is also concerned with reviewing the structure of the Board of Directors; determination of its strengths and weaknesses; suggestion of the way to deal with weaknesses in a way that is in the best interest of the Company; verification that the Board members' are independent and that there is no conflict of interests; and setting clear policies for compensating and remunerating the Board members and senior executives.

The Nomination and Remuneration Committee consists of the following:

Mr. Suliman Ben Abdulqader Al Muhaideb (Head of the Committee)

Dr. Talal Ben Ali Al Shair

Eng. Salah Ben Abdul Wahab Al Terkait

Mr. Ibrahim Ben Ali Al Qadhi

Mr. Saud Ben Suliman Al Juhani

The Committee held one (1) meeting in 2015.

### Eighteenth: The Results of Annual Audit Review on Internal Control Environment

The Internal Audit Department reviews the activities of TASNEE and its affiliates and subsidiaries to provide the Audit Committee with an independent opinion on the effectiveness of the company's internal control environment and efficiency of business operations for the achievements of TASNEE's strategic objectives.

The Internal Audit is adopting a risk-based audit approach for the development of its annual audit plan. The Audit Plan is presented to the Audit Committee for approval. The approved audit assignments are executed by using comprehensive and special audit programs prepared according to the best Internal Audit international practices.

The Internal Audit plan for 2015 was implemented by the Internal Audit Department and the audit reports were submitted to the Audit Committee for reviews and approvals. The Audit Committee has also prepared its annual summary report on the results of its activities to the Board of Directors. The Audit Committee indicated that there were no material issues in the internal audit reports, and the internal control environment within the company is adequate to protect the assets and other resources of TASNEE.

### Nineteenth: Zakat and Statutory Payments

In 2015, the Zakat owed by the National Industrialization Company alone amounted to SAR 49,693 thousands. The payments of social insurance contributions amounted to SAR 3,556 thousands.

### Twentieth: Corporate Governance

In implementation of the principle of disclosure and transparency, the Board of Directors has adopted, applied and maintained the Corporate Governance Guide. The Board of Directors has also applied the Corporate Governance Code issued by the Capital Market Authority. The Company continues its completion of the policies and procedures necessary for compliance with the provisions included in the Corporate Governance Code issued by the Capital Market Authority. The provisions that have yet to be applied in the Company are as follows:

Article No.	Content	Reasons for non-application
3	The right to obtain a share from the Company's assets upon liquidation thereof	The Company's Bylaws does not contain any provision in this regard, and it is a provision stipulated by the Companies Act.
6 (B)	Cumulative voting for selecting the board members	Voting for the purpose of selecting the Board Members is performed by following the conventional voting method in alignment with the Company's Bylaws, knowing that the amendment of the Articles of Association was proposed to the General Assembly by adding the method of cumulative voting when selecting the Board Members, but the assembly refused to apply it.
6 (d)	Investors of legal personality who act on behalf of others shall disclose their policies in voting and their actual voting in their annual reports and shall disclose the way in which they deal with any substantial conflict of interests that may affect the practice of the fundamental rights of their investments.	There is no provision in the Company's Bylaws that authorizes the Company to obligate investors to disclose this.
10 (E)	Setting a written policies that govern the relationship with the stakeholders for protection and conservation of their rights.	The contracts guarantee this and the Company is keen to set suitable policies for such purpose.
12 (D)	Prohibition of conjoining the chairman position and any executive position	The company's practicality and interest requires the chairman to undertake some of the executive duties.
12 (I)	The person of legal capacity who has the right as per the Company's articles of association, to appoint representatives thereof in the board of directors may not vote when selecting other board members.	This is non-applicable since there is no provision in the Company's Bylaws regarding private rights of legal personalities by appointing representatives thereof in the Board of Directors.

## Twenty First: Disclosures and Acknowledgements

### 1. Conflict of Interests:

The Board of Directors acknowledges that no Board Member has any interest either direct or indirect in the works and contracts executed for the benefit of the Company. The Company did not lend or guarantee any of the Board Members for any loan or liability of whatever kind.

### 2. Transactions with relating parties:

There were no contracts with parties related with the Board Members, the CEO, his deputies, the CFO, or any of their relatives.

### 3. The Board of Directors acknowledges that:

3-1 The accounting records were prepared in the right way.

3-2 The internal control system was based on sound foundations and was effectively executed.

3-3 There are no doubts that the Company is able to continue its business.

### 4. The Auditor's Opinion about Financial Statements:

The Auditor's report revealed that the Company's financial statements are free from any substantial errors or reservations.

## Twenty Second: The Company's Auditors

The 17th Extraordinary General Assembly of the Company acknowledged in its meeting held on 08/04/2015 upon a recommendation from the Auditing Committee the choice of Messrs. Ernst and Young (Chartered Accountants) for auditing the Company's consolidated, quarterly and annual financial statements and determining their fees for the year ended 31 December 2015. The Board of Directors did not recommend the replacement of the chartered accountant before the period for which it was appointed.

## Twenty Third: Penalties and Sanctions Applied to the Company

No penalties or sanctions were applied to the Company in 2015.

## Twenty Fourth: Corporate Social Responsibility

The Company is very keen to assume its corporate social responsibility out of its sense of responsibility and recognition of gratitude dictated by national feelings and ethical values. To this end, the Company allocated a fixed portion of its annual profits for the benefit of the community where it was established and where it has invested. The Company supports a number of cultural and awareness programs, qualification and training programs, social and medical programs. The Company has played a prominent role in training the secondary school students on its 3D training program designed to teach them how to design three dimensional models and raise the society awareness of this new technology. The Company complies with the professional safety standards and provides the appropriate work environment for its employees for more productivity and excellence. It is also very keen to conserve environment out of its interest in achieving sustainable development that does not jeopardize life on earth.

The Company plays its essential role in diversifying the production base of the national economy and adding value to the national products. To this end, it plays a vital role in research and development, Saudization of technologies, continuous upgrading of production and administrative methods required to achieve such goal. The Company is very keen to qualify, train, and employ the national workforce, invest in remote areas in order to participate in the development of the civilizational and cultural infrastructure of the society. In appreciation of its efforts, the Company was honored by a number of the corporate social responsibility partners for the Company's partnership and support of their activities in service of the society. This includes the Disabled Children Association, Harakia (Motor Disability) Society for Adults, Ibn Baz Youth Marriage Support Charity Project, Saudi Cancer Society, Honna Exhibitions and Conferences (Young Trader Program), Hail International Rally, Hand Crafts Association, Patients' Friends Committee in Arar, Ita'am Society, Kafeef Society, Sanad Charitable Association and Bahrain Society of Engineers at the Corporate Social Responsibility Conference in Bahrain.

## Twenty Fifth: Technology and Innovation

The Company has been very keen to raise its technological capabilities and reinforce its potentials in research and development in a way that supports its mission of achieving sustainable development and its endeavor to develop the infrastructure and cultural aspects and raise the level of productivity. Since its inception, the Company has been very keen to localize many technologies to use in its new projects whether by buying them or by giving the technology owner a share in the capital of new projects to ensure the use of those technologies in Saudi Arabia, having the required training and incorporating them into its multiple projects. The Company has depended on its advanced capabilities by owning a number of research centers that ensure ongoing development of its applications and support its future activities through innovation, product development, availability of technical support and know-how support, quality customer service, training users and educating contractors. This includes technical and educational training by coordinating the efforts of three research centers based in Industrial Jubail in Kingdom of Saudi Arabia, Baltimore in the USA and Stalling borough in United Kingdom. The Technology and Innovation Unit has displayed prominence and excellence during 2015

as it obtained the best researcher award in 2015 within the activities of the 10th Gulf Petrochemicals & Chemicals Association Forum 2015. The Unit's researchers worked in cooperation with the Ministry of Education in KSA on the implementation of the Tasnee 3D training Program for modeling the three-dimensional models aimed at enhancing the awareness of secondary school male and female students and providing them with the latest developments in the field. It is also aimed at directing their interests to the new engineering and technological fields. The number of registered patents obtained by the Company reached 48 after it obtained 18 new patents in 2015 in addition to 30 patents which had been registered over the past years.

#### **Sustainable Development:**

Tasnee strives to achieve the highest performance rates and operational efficiency, and subject all resources to this end. In parallel, the Company conserves such resources by rationalizing the use of them and optimally utilizing them and by reducing waste in natural resources, energy, materials and time through ensuring the safe operation of systems and equipment, ensuring the safety of human resources and environment in all its operations.

#### **Twenty Sixth: Human Resources and Training**

The Company has paid much attention to its human resources being the most precious resource of the elements of the production process. It has been very keen to attract the best cadres and provide the appropriate work environment for developing their performance and reinforce their capabilities in order to do their best in service of the Company. This has played a vital role in building the necessary work system for developing the Company's activities and raising its growth rate. It also has qualified the Company for getting awards over several years as the best work environment among its counterparts, which has permanently enabled it to attract the best cadres.

The Company's management has adopted a program for accommodation loans designed to help Saudi employees own their suitable accommodation by obtaining soft loans from the Company in order to establish a positive relationship with its employees and raise the level of their loyalty and belonging to the Company in a way that serves its ambitions and develop its balanced relationship with its employees built on the principle of reinforcing mutual interest. Within the Tasnee Excellence Program, the Company has initiated a process designed to restructure its administrative and operational sectors and set a number of programs aimed at improving performance in order to attain the optimal administrative structure for achieving the Company's mission, improve its performance and increase its productivity along with working on reducing the operational expenses and production. The new organizational structure was announced in early 2015 and it is expected that the process of restructuring will have been completed by the end of the first half of 2016.

#### **Conclusion:**

In conclusion of our report, Chairman and Board Members are pleased to give thanks and appreciation to the honorable shareholders for their support and precious trust; to all employees of the National Industrialization Co. (Tasnee) for their fruitful efforts and to all our partners and clients in Kingdom of Saudi Arabia and around the world for their trust and cooperation.



## **Message from The CEO**

## Message from The CEO



**Eng. Mutlaq Ben Hamad Al-Morished**

In view of the global economy slowdown which gained momentum in 2015, the investments growth declined in developing economies and led to a slump in demand of products in their main markets. Petrochemical products faced tough competition after great investments were pumped into the Chinese petrochemical sectors, and the US shale gas production, which increased its petrochemicals competing capabilities, especially in the US market.

Tasnee witnessed slowdown in 2015 due to limited profits, as a natural consequence experienced by majority of companies with rapid-pace growth in merging periods. The petrochemical companies faced big challenges last year causing a drop in prices of many petrochemical products and titanium dioxide. Tasnee also lost an important portion of its revenues generated from titanium dioxide due to prices decline in global markets. These results have been reflected in Tasnee's financial results of 2015, the net consolidated loss amounted to SAR1,437 million; while the shareholders rights amounted to SAR 7,954 million and Tasnee's assets amounted to SAR 45,055 million.

Tasnee continues to develop its plans in order to take advantage of the predicted future demand growth of petrochemical and titanium dioxide products, along with benefiting from a number of new projects which are expected to start production during the coming period. In addition, Tasnee is taking actions towards reducing the operational and administrative expenses within its plan of restructuring its sectors, which expected to be completed in the first half of 2016.

We have achieved positive results in raising the operational efficiency of some of our factories to higher levels of production at a relatively less expenses.

At the technological and innovation level, Tasnee has continued its prominence in the Saudization of technology and reached new technologies and inventions as it registered 18 patents this year. In this way, its total patents registered under the

name of Tasnee amounted to 48 patents.

In regards to a number of developments of new projects, the trial operation of the Butanol Project started in October 2015 and the commercial production phase is expected to be during the first half of 2016. As for the Ilmenite Project in Jizan, work is ongoing as the trial operation is planned to take place during the first half of 2016. Additionally, many of Tasnee's projects in Hail are expected to commission during the first half of 2016 as well. For the Titanium Sponge Project in Yanbu Industrial City, it is planned that the trial operation will be during the second half of 2017.

We aspire to the promising future of Tasnee with confident steps; our concerted efforts will guide us as we are on the threshold of a new evolution process of Tasnee. We look forward to a better future to attain Tasnee's ambitions in pushing the development ahead while playing a role in proving that the industrialization is the best diversification option for the national economy.

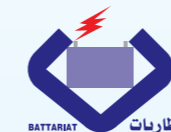
In conclusion, we ask Allah to grant all of us success in making use of our energies and capabilities to achieve better developmental rates for the company and its shareholders in order for Tasnee to continue its march towards development and prosperity. The Board of Directors is working diligently to reinforce the shareholders' confidence and cooperation. Finally, I would like to thank and appreciate all members who have played a role in Tasnee's success during the current phase. .

**Mutlaq Ben Hamad Al-Morished**



Henderson Plant, North Shore - Australia.

## Company Directory





### National Titanium Dioxide Company Ltd. "CRISTAL"

<b>Establishment Date</b>	: 1988.
<b>Major Shareholders</b>	: National Industrialization Company 66% Gulf Investment Corporation 33% Dr. Talal Ben Ali Al Sha'er 1%
<b>Objective &amp; Activities</b>	: Producing Titanium Dioxide pigment and using it in producing a group of products.
<b>Products</b>	: Titanium Dioxide is the major substance used in painting, inks, plastic, rubber, paper, textile, ceramic tiles, cosmetics, pharmaceutical preparations and other industries.
<b>Markets</b>	: Industrial countries in Asia, Europe, America, Africa, Arab Region and Australia.
<b>Location</b>	: The headquarter is situated in the 16th & 17th floors, King Road Tower, King Abdulaziz Street, Beach district, Jeddah. P.O.Box 13586 - Jeddah 21414, Kingdom of Saudi Arabia Tel.: 0096612 652 9966, Fax: 0096612 652 9933
<b>E-mail</b>	: <a href="mailto:info@cristalglobal.com">info@cristalglobal.com</a>
<b>Website</b>	: <a href="http://www.cristalglobal.com">www.cristalglobal.com</a>
<b>Location of factory</b>	: <b>Yanbu Industrial City,</b> P.O.Box 30320, Tel.No.: 014 321 2800, Fax No.: 014 396 1018



### Advanced Minerals Industries Company (AMIC)



<b>Establishment Date</b>	: 2013.
<b>Major Shareholders</b>	: National Industrialization Company 50% National Titanium Dioxide Co Ltd (CRISTAL) 50%
<b>Objective &amp; Activities</b>	: Establishing industrial projects related to Titanium and other materials, making use of Ilmenite produced from mines producing high purity Ilmenite to be used in Titanium Dioxide production.
<b>Products</b>	: Titanium Slag 500,000 ton High Purity Pig Iron (HPPI) 235,000 ton
<b>Location</b>	: The 16th & 17th floors, King Road Tower, King Abdulaziz Street, Beach district, Jeddah. P.O.Box 13586 - Jeddah 21414, Kingdom of Saudi Arabia Tel.: 0096612 224 800, Fax: 0096612 606 9087
<b>E-mail</b>	: <a href="mailto:ccom@cristal.com">ccom@cristal.com</a>
<b>Website</b>	: <a href="http://www.cristal.com">www.cristal.com</a>
<b>Location of factory</b>	: <b>Jazan Industrial City,</b> P.O.Box 411 Beech 45971 Kingdom of Saudi Arabia



### Saudi Polyolefins Company (SPC)

<b>Establishment Date</b>	: 2001.
<b>Major Shareholders</b>	: National Industrialization Company 75% Basell Moyen Orient Investissements 25%
<b>Objective &amp; Activities</b>	: Producing Polypropylene which is used as a basic raw material in plastic carpets, containers, filling boxes, plastic bags, and textile industries.
<b>Products and Production Capacity</b>	: Propylene 455,000 ton Polypropylene 720,000 ton
<b>Markets</b>	: 30% Local and GCC countries 70% World market
<b>Location</b>	: TASNEE Petrochemical Complex in Jubail.
<b>Address</b>	: P.O. Box 35579 - Al Jubail 31961, Kingdom of Saudi Arabia Tel.: 0096613 358 2000, Fax: 0096613 358 2558
<b>E-mail</b>	: <a href="mailto:general@tasnee.com">general@tasnee.com</a>
<b>Website</b>	: <a href="http://www.tasnee.com">www.tasnee.com</a>



### TASNEE & SAHARA Olefins Co.

<b>Establishment Date</b>	: 2006.
<b>Major Shareholders</b>	: National Industrialization Company 60.45% Sahara Petrochemical Company 32.55% General Organization for Social Insurance. 7%
<b>Objective &amp; Activities</b>	: Establishments, managements, operations and acquisition of Petrochemical & Chemical projects, marketing their products and assume all relevant activities
<b>Location</b>	: The headquarter is situated in Riyadh Business Gate, Building C3, Cordoba, eastern ring road. P.O.Box 26707 - Riyadh 11496, Kingdom of Saudi Arabia Tel.: 0096611 222 2205, Fax: 0096611 400 2255
<b>E-mail</b>	: <a href="mailto:general@tasnee.com">general@tasnee.com</a>
<b>Website</b>	: <a href="http://www.tasnee.com">www.tasnee.com</a>



### Saudi Ethylene and Polyethylene Company (SEPC)

<b>Establishment Date</b>	: 2006.	
<b>Major Shareholders</b>	: TASNEE & SAHARA Olefins Co.	75 %
	Basell ME Holding Co.	25 %
<b>Objective &amp; Activities</b>	: Producing Ethylene Propylene to be used in plastic industries.	
<b>Products</b>	: 400,000 HDPE	
	400,000 LDPE	
	285,000 Propylene	
<b>Markets</b>	: 30% Local and GCC countries	
	70% World Market	
<b>Address</b>	: TASNEE Petrochemical Complex in Jubail.	
	P.O.Box 35579 - Al Jubail 31961, Kingdom of Saudi Arabia	
	Tel.: 0096613 358 2000, Fax: 0096613 358 2558	
<b>E-mail</b>	: <a href="mailto:general@tasnee.com">general@tasnee.com</a>	
<b>Website</b>	: <a href="http://www.tasnee.com">www.tasnee.com</a>	



### Saudi Acrylic Acid Company (SAAC)

<b>Establishment Date</b>	: 2009.	
<b>Major Shareholders</b>	: TASNEE & SAHARA Olefins Co.	65 %
	National Industrialization Co.	13 %
	SAHARA Petrochemicals Co.	22 %
<b>Objective &amp; Activities</b>	: Establishing, Managing, Operating and Acquiring of Acrylic Acid and its Derivatives Projects.	
<b>Address</b>	: The Headquarters is situated in Riyadh	
	P.O.Box 26707 - Riyadh 11496, Kingdom of Saudi Arabia	
	Tel.: 0096611 476 7166, Fax: 0096611 477 0898	
<b>E-mail</b>	: <a href="mailto:general@tasnee.com">general@tasnee.com</a>	
<b>Website</b>	: <a href="http://www.tasnee.com">www.tasnee.com</a>	



### Saudi Acrylic Monomers Company (SAMCO)

<b>Establishment Date</b>	: 2009.
<b>Major Shareholders</b>	: Saudi Acrylic Acids Company (SAAC) 75 % Dow Chemical Company (Acquired American Rohm & Haas) 25 %
<b>Objective &amp; Activities</b>	: Producing Acrylic Acid, Row Acrylic Acid, and Butyl Acrylate.
<b>Products</b>	: 230,000 Acrylic Acid and Butyl Acrylate
<b>Markets</b>	: 30% Local and GCC countries 70% World Markets
<b>Address</b>	: The Headquarters is located in Jubail Industrial City P.O.Box 35579 - Al Jubail 31961, Kingdom of Saudi Arabia Tel.: 0096613 358 2000, Fax: 0096613 358 2558
<b>E-mail</b>	: <a href="mailto:general@tasnee.com">general@tasnee.com</a>
<b>Website</b>	: <a href="http://www.tasnee.com">www.tasnee.com</a>



### Saudi Acrylic Polymers Company (SAPCO)

<b>Establishment Date</b>	: 2009.
<b>Major Shareholders</b>	: Saudi Acrylic Acids Company (SAAC) 75 % EVONIK 25 %
<b>Objective &amp; Activities</b>	: Producing Superabsorbent Polymers.
<b>Products</b>	: 80,000 SAP
<b>Markets</b>	: 30% Local and GCC countries 70% World Market
<b>Address</b>	: The Headquarters is located in Jubail Industrial City P.O.Box 35579 - Al Jubail 31961, Kingdom of Saudi Arabia Tel.: 00966133582000, Fax: 00966133582558
<b>E-mail</b>	: <a href="mailto:general@tasnee.com">general@tasnee.com</a>
<b>Website</b>	: <a href="http://www.tasnee.com">www.tasnee.com</a>



### Saudi Butanol Company (SAPCO)

<b>Establishment Date</b>	:	2013.	
<b>Major Shareholders</b>	:	Saudi Acrylic Acids Company (SAAC)	33.33 %
	:	Saudi Kayan Company	33.33 %
	:	Sadara Chemical Company	33.33 %
<b>Objective &amp; Activities</b>	:	Producing Butanol.	
<b>Products</b>	:	240,000 Butanol	
<b>Markets</b>	:	30% Local and GCC countries	
	:	70% World Markets	
<b>Address</b>	:	The Headquarters is located in Jubail Industrial City	
	:	P.O.Box 35579 - Al Jubail 31961, Kingdom of Saudi Arabia	
	:	Tel.: 0096613 358 2000, Fax: 0096613 358 2558	
<b>E-mail</b>	:	<a href="mailto:general@tasnee.com">general@tasnee.com</a>	
<b>Website</b>	:	<a href="http://www.tasnee.com">www.tasnee.com</a>	



### National Industrialization Petrochemical Marketing Company



<b>Establishment Date</b>	:	2001.
<b>One of TASNEE Affiliates</b>	:	
<b>Objective &amp; Activities</b>	:	Marketing Chemicals and Petrochemicals.
<b>Markets</b>	:	Kingdom of Saudi Arabia, Gulf States, India, Pakistan, Iran, Middle East, Africa, and far East.
	:	
<b>Location</b>	:	The headquarter is situated Riyadh
	:	Business Gate, Building C3,
	:	Cordoba, eastern ring road.
	:	P.O.Box 26707 - Riyadh 11496, Kingdom of Saudi Arabia
	:	Tel.: 0096611 222 2205, Fax: 0096611 417 4198
<b>E-mail</b>	:	<a href="mailto:info@tasneemarketing.com">info@tasneemarketing.com</a>
<b>Website</b>	:	<a href="http://www.tasneemarketing.com">www.tasneemarketing.com</a>



ROWAD National Plastic Company Ltd. "ROWAD"

<b>Establishment Date</b>	: 1992.
<b>One of TASNEE Affiliates</b>	
<b>Objective &amp; Activities</b>	: Plastic converters and specialized engineering polymer products manufacturers.
<b>Products</b>	: "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.
<b>Markets</b>	: Kingdom of Saudi Arabia, GCC, most of Middle East, some of Asia, Europe and South Africa countries.
<b>Location</b>	: Headquarter and factories are at Second Industrial Zone in Riyadh P.O. Box 29452 Riyadh 11457, Kingdom of Saudi Arabia Tel.: 00966 11 265 1966, Fax: 00966 11 265 1973
<b>E-mail</b>	: <a href="mailto:info@rowadplastic.com">info@rowadplastic.com</a>
<b>Website</b>	: <a href="http://www.rowadplastic.com">www.rowadplastic.com</a>



ROWAD International Geosynthetics Co.Ltd.



<b>Establishment Date</b>	: 2006.
<b>One of ROWAD affiliates</b>	
<b>Objective &amp; Activities</b>	: Specialized Industrial Insulation materials.
<b>Products</b>	: "ROWAD GEO" core business activities are in manufacturing the Polyethylene (PE) Ge o-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.
<b>Markets</b>	: Kingdom of Saudi Arabia, GCC, most of Middle East, some of Asia, Europe and South Africa countries.
<b>Location</b>	: Headquarter is located at Second Industrial City in Riyadh P.O. Box 29452 Riyadh 11457, Kingdom of Saudi Arabia Tel.: 00966 11 265 1966, Fax: 00966 11 265 1973 Factory is located at Second Industrial Zone in Dammam
<b>E-mail</b>	: <a href="mailto:info@rowadplastic.com">info@rowadplastic.com</a>
<b>Website</b>	: <a href="http://www.rowadplastic.com">www.rowadplastic.com</a>



## ROWAD Global Packaging Company Ltd. "ROWAD BOPP Films"

<b>Establishment Date</b>	: 2008.
<b>Major Shareholders</b>	: Rowad National Plastic Co. Ltd. "ROWAD PLASTIC" 62.5% National Industrialization Petrochemical Marketing Co. 37.5%
<b>Objective &amp; Activities</b>	: Packaging Films.
<b>Products</b>	: "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.
<b>Markets</b>	: Kingdom of Saudi Arabia, GCC, most of Middle East, some of Asia, Europe and South Africa countries.
<b>Location</b>	: Headquarter is located at Second Industrial Zone in Riyadh P.O. Box 29452 Riyadh 11457, Kingdom of Saudi Arabia Tel.: 00966 11 265 1966, Fax: 00966 11 265 1973 Factory is located in Dammam
<b>E-mail</b>	: <a href="mailto:info@rowadplastic.com">info@rowadplastic.com</a>
<b>Website</b>	: <a href="http://www.rowadplastic.com">www.rowadplastic.com</a>



## National Batteries Company (BATTARIAT)



<b>Establishment Date</b>	: 1993.
<b>Major Shareholders</b>	: National Industrialization Company 90% Local Partners 10%
<b>Objective &amp; Activities</b>	: Production of automotive.
<b>Products</b>	: Trade marked automotive batteries.
<b>Markets</b>	: Kingdom of Saudi Arabia and the neighbouring countries.
<b>Location</b>	: 2nd Industrial City 3rd Zone - Riyadh P.O.Box 177 - Riyadh 11383, Kingdom of Saudi Arabia Tel.: 00966 11 265 0019, Fax: 00966 11 265 0057
<b>E-mail</b>	: <a href="mailto:nbc@battariat.com">nbc@battariat.com</a>
<b>Website</b>	: <a href="http://www.battariat.com">www.battariat.com</a>



## National Lead Smelting Co. (RASASS)

<b>Establishment Date</b>	: 1990.
<b>One of TASNEE Affiliates</b>	
<b>Objective &amp; Activities</b>	: Recycling of used car batteries, and production of Lead, Polypropylene, and Sodium Sulphate from the recycled batteries.
<b>Products</b>	: Lead and Sodium Sulphate.
<b>Markets</b>	: Saudi Arabia, GCC countries.
<b>Location</b>	: 2nd Industrial City 3rd Zone - Riyadh
<b>Address</b>	: P.O.Box: 43169 Riyadh 11561, Kingdom of Saudi Arabia Tel.: 00966 11 265 2424, Fax: 00966 11 265 2223
<b>E-mail</b>	: <a href="mailto:info@rasass.com.sa">info@rasass.com.sa</a>
<b>Website</b>	: <a href="http://www.rasass.com.sa">www.rasass.com.sa</a>



## Technical Tetraivalent Lead Smelting Plant (TTLSP)



<b>Establishment Date</b>	: 2004.
<b>One of RASASS Affiliates</b>	
<b>Objective &amp; Activities</b>	: Producing Lead.
<b>Products</b>	: Lead.
<b>Markets</b>	: Saudi Arabia, GCC countries.
<b>Location</b>	: Industrial City 5th Zone - Jeddah
<b>Address</b>	: P.O.Box: 20497 Jeddah 21455, Kingdom of Saudi Arabia Tel.: 00966 12 608 0242, Fax: 00966 12 637 1755
<b>E-mail</b>	: <a href="mailto:info@rasass.com.sa">info@rasass.com.sa</a>
<b>Website</b>	: <a href="http://www.rasass.com.sa">www.rasass.com.sa</a>



## National Operation and Industrial Services Co. (KHADAMAT)

<b>Establishment Date</b>	: 1986.
<b>Major Shareholders</b>	: National Industrialization Company 88.3% Local Partners 11.7%
<b>Objective &amp; Activities</b>	: 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.
<b>Markets</b>	: Domestic & Regional markets.
<b>Location</b>	: New Aqaria Building First Tower Sitteen Street - Malaz
<b>Address</b>	: P.O.Box: 86868 Riyadh 11632, Kingdom of Saudi Arabia Tel.: 011 476 2800, Fax: 011 476 0088
<b>E-mail</b>	: <a href="mailto:khadamatbp@hotmail.com">khadamatbp@hotmail.com</a>



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



<b>Establishment Date</b>	: 1986
<b>Major Shareholders</b>	: National Industrialization Co. 30.68% National Operation and Industrial Services Co (Khadamat) 44.21% TUV NORD International German Co. 25.11%
<b>Objective &amp; Activities</b>	: Providing technical inspection and testing, Maintenance and Calibration, 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), measurement and standardization of the measuring equipment and systems, and training on all these services.
<b>Markets</b>	: Kingdom of Saudi Arabia.
<b>Address</b>	: Head quarter: P.O. Box 3998, Dammam 31481, Kingdom of Saudi Arabia. Tel.: 0096613 840 8333, Fax: 0096613 840 6476
<b>E-mail</b>	: <a href="mailto:info@fahss.com">info@fahss.com</a> - <a href="mailto:sales@fahss.com">sales@fahss.com</a>
<b>Website</b>	: <a href="http://www.fahsstuv.com">www.fahsstuv.com</a>
<b>Branches</b>	: Technical Inspection and Testing Branch (FAHSS / TUV AL Jubail) P.O. Box 10771, Al Jubail 31961, Kingdom of Saudi Arabia Tel.: 0096613 340 7607, Fax: 0096613 340 7605 <a href="mailto:info@fahsstuv.com">E-mail: info@fahsstuv.com</a> <a href="http://www.fahsstuv.co">Website:www.fahsstuv.co</a> Gulf Lab for Measurements and Standardization (GEMS) P.O. Box 10166, Al Jubail 31961, Kingdom of Saudi Arabia Tel.: 0096613 341 9453 / 0096613 341 9452 / 0096613 341 9451, Fax: 0096613 341 7628 <a href="mailto:info@gems-calibration.com">E-mail: info@gems-calibration.com</a> <a href="http://www.gems-calibration.com">Website: www. gems-calibration.com</a>



## TVU Middle East Company

<b>Establishment Date</b>	: 2004
<b>Major Shareholders</b>	: National Industrialization Co. 30.68%
	National Operation and Industrial Services Co (Khadamat) 44.21%
	TUV NORD International German Co. 25.11%

**Objective & Activities** : Providing technical inspection and testing, 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.: 00973 1 787 7391, Fax: 00973 1 787 7392

**E-mail** : [samsonb@tuv-nord.com](mailto:samsonb@tuv-nord.com)

**Website** : [www.tuv.me.com](http://www.tuv.me.com)

**Branches** : Abu Dhabi Branch: P.O. Box 46030, Abu Dhabi – UAE Tel: 00971 2 447 8500, Fax: 00971 2 447 8600  
[E-mail: abudhabi@tuv-nord.com](mailto:abudhabi@tuv-nord.com)  
Dubai Branch: P.O. Box 79123, Dubai – UAE Tel: 00971 4 345 6431, Fax: 00971 4 345 6373  
[E-mail: dubai@tuv-nord.com](mailto:dubai@tuv-nord.com)  
Qatar Branch: P.O. Box 24922, Doha – Qatar Tel: 00974 4 620 186, Fax: 00974 4 620 216  
[E-mail: qatar@tuv-nord.com](mailto:qatar@tuv-nord.com)  
Kuwait Branch: P.O. Box 29643, Al Safat 13157, Kuwait Tel: 00965 246 5962, Fax: 00965 246 5964  
[E-mail: kuwait@tuv-nord.com](mailto:kuwait@tuv-nord.com)



## National Metal Manufacturing & Casting Co. (MAADANIAH)



<b>Establishment Date</b>	: 1991
<b>Major Shareholders</b>	: National Industrialization Company 35.46%
	Other Shareholders 64.54%

**Objective & Activities** : Manufacturing wires & metal products.

**Products** : Various kinds of steel wires, various kinds of truck axles, casting, and spare parts.

**Markets** : Kingdom of Saudi Arabia, GCC Countries, Arab Countries.

**Location** : Al-Jubail Industrial City

**Address** : P.O.Box: 10882 Al-Jubail Industrial City 31961.  
Tel.: 0096613 358 8000 Fax: 0096613 358 3831

**E-mail** : [natmetal@natmetalco.com](mailto:natmetal@natmetalco.com)

**Website** : [www.natmetalco.com](http://www.natmetalco.com)

# Consolidated Financial Statements

31 December 2015

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س.ت. ١٠١٠٢٨٤٢٦١

إرست و يونغ  
مسابكون قانونيون  
٧٧٧٧  
الطابق ٦ و ١١، برج الفيصلية  
شارع الملك فهد  
الرياض ١١٤٦٦، المملكة العربية السعودية



## AUDITORS' REPORT TO THE SHAREHOLDERS OF NATIONAL INDUSTRIALIZATION COMPANY (A SAUDI JOINT STOCK COMPANY)

### Scope of audit

We have audited the accompanying consolidated balance sheet of National Industrialization Company (the "Company") – a Saudi Joint Stock Company - and its subsidiaries (the "Group") as at 31 December 2015 and the related consolidated statements of income, cash flows and changes in equity for the year then ended. These consolidated financial statements are the responsibility of the Group's management and have been prepared by them in accordance with the provisions of Article 123 of the Regulations for Companies and submitted to us together with all the information and explanations which we required. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the Kingdom of Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable degree of assurance to enable us to express an opinion on the consolidated financial statements.

### Unqualified opinion

In our opinion, the consolidated financial statements taken as a whole:

- present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2015 and the results of its operations and cash flows for the year then ended in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia.
- comply with the requirements of the Regulations for Companies and the Company's by-laws in so far as they affect the preparation and presentation of the financial statements.

for Ernst & Young

Fahad M. Al Toaimi  
Certified Public Accountant  
Registration No. 354



Riyadh: 16 Jamada Awal 1437H  
(25 February 2016)



**CONSOLIDATED BALANCE SHEET**  
AS AT DECEMBER 31, 2015 (SR'000)

	Note	2015	2014
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	4	3,819,070	4,086,687
Investments in held for trading securities	5	-	477,387
Accounts receivable	6	3,214,500	4,136,519
Inventories	7	4,816,171	5,781,491
Prepayments and other current assets	8	1,169,035	1,408,924
<b>TOTAL CURRENT ASSETS</b>		<b>13,018,776</b>	15,891,008
<b>NON-CURRENT ASSETS</b>			
Investments in available for sale securities	10	751,696	764,749
Investments in associates and others	11	1,174,319	989,037
Property, plant and equipment	12	22,749,453	23,992,638
Projects under progress	13	3,734,207	2,077,787
Intangible assets	14	2,945,584	3,275,549
Other non-current assets	15	601,013	900,946
<b>TOTAL NON-CURRENT ASSETS</b>		<b>31,956,272</b>	32,000,706
<b>TOTAL ASSETS</b>		<b>44,975,048</b>	47,891,714
<b>LIABILITIES AND EQUITY</b>			
<b>CURRENT LIABILITIES</b>			
Short term facilities and murabaha	16	2,017,770	1,217,349
Accounts payable	17	1,758,048	1,402,906
Accrued expenses and other current liabilities	18	1,796,980	2,083,611
Current portion of long term loans	20	4,401,400	2,872,140
<b>TOTAL CURRENT LIABILITIES</b>		<b>9,974,198</b>	7,576,006

**CONSOLIDATED BALANCE SHEET(CONTINUED)**  
AS AT DECEMBER 31, 2015 (SR'000)

	Note	2015	2014
<b>NON-CURRENT LIABILITIES</b>			
Sukuk and long term loans	20	19,913,368	19,948,116
Employees' terminal benefits		354,059	329,564
Other non-current liabilities	21	985,312	1,059,745
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>21,252,739</b>	21,337,425
<b>TOTAL LIABILITIES</b>		<b>31,226,937</b>	28,913,431
<b>EQUITY</b>			
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	22	6,689,142	6,689,142
Statutory reserve		1,141,862	1,141,862
Retained earnings		2,249,167	4,343,178
Unrealized gains on revaluation of investments in available for sale securities	10	161,507	192,180
Other reserves	24	(2,273,513)	(740,077)
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>7,968,165</b>	11,626,285
Minority interests	35	5,779,946	7,351,998
<b>TOTAL EQUITY</b>		<b>13,748,111</b>	18,978,283
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>44,975,048</b>	47,891,714

\* The attached notes 1 to 37 form an integral part of these consolidated financial statements.



**CONSOLIDATED STATEMENT OF INCOME**  
FOR THE YEAR ENDED DECEMBER 31, 2015 (SR'000)

	Note	2015	2014
Sales		15,145,511	18,692,580
Cost of sales		(12,932,764)	(14,080,096)
<b>GROSS PROFIT</b>		<b>2,212,747</b>	<b>4,612,484</b>
Selling and marketing expenses	25	(948,363)	(939,679)
General and administrative expenses	26	(1,274,292)	(897,237)
Company's share in net income of associates, net	11	28,981	18,553
Impairment of non-current assets	27	(391,989)	(5,000)
<b>(LOSS) INCOME FROM MAIN OPERATIONS</b>		<b>(372,916)</b>	<b>2,789,121</b>
Other (expenses) income, net	28	(280,663)	55,784
Financial charges	16&20	(648,336)	(759,216)
<b>(LOSS) INCOME BEFORE ZAKAT, INCOME TAX AND MINORITY INTEREST</b>		<b>(1,301,915)</b>	<b>2,085,689</b>
Zakat and income tax of subsidiaries	19	(304,922)	(187,161)
Minority interests	35	233,433	(777,226)
<b>(LOSS) INCOME BEFORE ZAKAT</b>		<b>(1,373,404)</b>	<b>1,121,302</b>
Zakat	19	(49,693)	(50,757)
<b>NET (LOSS) INCOME FOR THE YEAR</b>		<b>(1,423,097)</b>	<b>1,070,545</b>
<b>(Loss) Earnings per share for the year (SR):</b>	30		
(Loss) income from main operations		(0,56)	4,17
Net (loss) income for the year		(2,13)	1,60

\* The attached notes 1 to 37 form an integral part of these consolidated financial statements.

**CONSOLIDATED STATEMENT OF CASH FLOWS**  
FOR THE YEAR ENDED DECEMBER 31, 2015 (SR'000)

	2015	2014
<b>OPERATING ACTIVITIES</b>		
Net (loss) income for the year	(1,423,097)	1,070,545
Adjustments for:		
Company's share in net income of associates	(28,981)	(18,553)
Depreciation	1,651,403	1,574,482
provision for doubtful debts	123,394	4,676
Provision for slow moving inventory	128,769	9,962
Reversal of provision for impairment of projects under progress, net	-	(31,863)
Amortization and Impairment of non-current assets	568,328	148,564
Amortization of deferred gains	(7,016)	(28,066)
Minority interests	(233,433)	777,226
Employees' terminal benefits, net	24,495	58,909
Cash from operations	803,862	3,565,882
Changes in operating assets and liabilities:		
Accounts receivable, prepayments and other current assets	1,038,514	(689,952)
Inventories	836,551	70,940
Other non-current assets	299,933	16,451
Accounts payable, accrued expenses and other current liabilities	73,527	(263,762)
Other non-current liabilities	(74,433)	(157,795)
<b>Net cash from operating activities</b>	<b>2,977,954</b>	<b>2,541,764</b>

\* The attached notes 1 to 37 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2015 (SR'000)

	2015	2014
<b>INVESTING ACTIVITIES</b>		
Investments in held for trading securities, net	477,387	(477,387)
investments in available for sale securities, net	(17,620)	(17,086)
Investments in associates and others, net	(167,330)	(232,314)
Additions of property, plant and equipment	(719,965)	(1,483,220)
Disposal of property, plant and equipment, net	231,225	54,527
Projects under progress, net	(1,756,420)	(938,318)
Intangible assets, net	8,987	(98,537)
<b>Net cash used in investing activities</b>	<b>(1,943,736)</b>	<b>(3,192,335)</b>
<b>FINANCING ACTIVITIES</b>		
Short term facilities and murabaha, net	800,421	241,554
Sukuk, long term loans and derivative financial instruments	813,359	1,970,769
Obligations under capital leases	-	(650,804)
Dividends paid	(668,914)	(1,003,371)
Minority interests	(2,246,701)	(1,002,606)
<b>Net cash (used in) from financing activities</b>	<b>(1,301,835)</b>	<b>(444,458)</b>
<b>DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(267,617)</b>	<b>(1,095,029)</b>
Cash and cash equivalents at the beginning of the year	4,086,687	5,181,716
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<b>3,819,070</b>	<b>4,086,687</b>
<b>NON-CASH TRANSACTIONS:</b>		
Projects under progress transferred to property, plant and equipment	-	6,701,629
Projects under progress transferred to inventory	-	66,318
property, plant and equipment transferred to Intangible assets	-	1,337
Unrealized gains on revaluation of investments in available for sale securities	(30,673)	(124,222)
Other reserves	(1,533,436)	(320,800)

\* The attached notes 1 to 37 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED DECEMBER 31, 2015 (SR'000)

	Shareholders' equity								
	Note	Share capital	Statutory reserve	Retained Earnings	Unrealized gains (losses) on revaluation of investments in available for sale securities	Other Reserves	Total shareholders' equity	Minority interests	Total equity
Balance at 31 December 2013		6,689,142	1,034,807	4,385,059	316,402	(419,277)	12,006,133	7,577,378	19,583,511
Net income for the year		-	-	1,070,545	-	-	1,070,545	-	1,070,545
Net movement during the year	35	-	-	-	-	-	-	(225,380)	(225,380)
Transfer to statutory reserve		-	107,055	(107,055)	-	-	-	-	-
Board of directors remuneration	23	-	-	(2,000)	-	-	(2,000)	-	(2,000)
Dividends paid	23	-	-	(1,003,371)	-	-	(1,003,371)	-	(1,003,371)
Net change during the year from:									
- Cash flow hedges	24	-	-	-	-	96,432	96,432	-	96,432
- Foreign currency translation adjustments	24	-	-	-	-	(317,394)	(317,394)	-	(317,394)
- Pension liability adjustments	24	-	-	-	-	(15,791)	(15,791)	-	(15,791)
- Difference in acquisition of Minority interest	2&24					(84,047)	(84,047)		(84,047)
- Unrealized loss		-	-	-	(124,222)	-	(124,222)	-	(124,222)
Balance at 31 December 2014		6,689,142	1,141,862	4,343,178	192,180	(740,077)	11,626,285	7,351,998	18,978,283
Net income for the year		-	-	(1,423,097)	-	-	(1,423,097)	-	(1,423,097)
Net movement during the year	35	-	-	-	-	-	-	(1,572,052)	(1,572,052)
Transfer to statutory reserve		-	-	-	-	-	-	-	-
Board of directors remuneration	23	-	-	(2,000)	-	-	(2,000)	-	(2,000)
Dividends paid	23	-	-	(668,914)	-	-	(668,914)	-	(668,914)
Net change during the year from:									
- Cash flow hedges	24	-	-	-	-	(1,784)	(1,784)	-	(1,784)
- Foreign currency translation adjustments	24	-	-	-	-	(613,789)	(613,789)	-	(613,789)
- Pension liability adjustments	24	-	-	-	-	(9,781)	(9,781)	-	(9,781)
- Difference in acquisition of Minority interest	2&24	-	-	-	-	(908,082)	(908,082)	-	(908,082)
- Unrealized loss		-	-	-	(30,673)	-	(30,673)	-	(30,673)
Balance at 31 December 2015		6,689,142	1,141,862	2,249,167	161,507	(2,273,513)	7,968,165	5,779,946	13,748,111

\* The attached notes 1 to 37 form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT  
31 DECEMBER 2015

**1. ORGANIZATION AND ACTIVITIES**

National Industrialization Company (the “Company”) is a Saudi Joint Stock Company registered in Riyadh under Commercial Registration no. 1010059693 dated 7 Shawwal 1405H (corresponding to 25 June 1985). The Company was formed pursuant to the Ministerial Resolution no. 601 dated 24 Dhul Hijja 1404H (corresponding to 19 September 1984).

The principal activities of the Company and its subsidiaries comprise of industrial investment, transfer of advanced industrial technology to the Kingdom in particular, and to the Arab region in general, in the areas of manufacturing and transforming petrochemical and chemical, engineering and mechanical industries, management and ownership of petrochemical and chemical projects and marketing their products. The activities also comprise rendering technical industrial services and manufacturing of steel and non-steel castings, producing towed steel wires, spring wires, and steel wires for cables, twisted reinforcement wires to carry the electrical conductors, twisted re-enforcement wires for concrete and welding wires. It also includes production and marketing of liquid batteries for vehicles and for industrial usage and the production and marketing of lead and sodium sulfate. It also includes 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 of acrylic boards; the production and marketing of titanium dioxide and the production of ethylene, polyethylene, propylene and polypropylene, owning mines and specialized operations for the production of Al-Rutayl which is the raw material for producing the Titanium Dioxide.

**2. BASIS OF CONSOLIDATION**

These consolidated financial statements include assets, liabilities and the results of operations of National Industrialization Company and its subsidiaries (the “Group”) mentioned below. A subsidiary company is that in which the Group has, directly or indirectly, long term investment comprising an interest of more than 50% in the voting capital or over which it exerts practical control. A subsidiary company is consolidated from the date on which the Group obtains control until the date that control ceases.

Minority interest has been calculated and reflected separately in the consolidated balance sheet and consolidated statement of income. All significant inter-group balances and transactions have been eliminated at consolidation.

All subsidiaries were incorporated in the Kingdom of Saudi Arabia, except for TUV – Middle East, which was incorporated in the Kingdom of Bahrain.

The following are the subsidiaries included in these consolidated financial statements and the direct and indirect ownership percentages:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)  
31 DECEMBER 2015

Company's name	Legal form	Ownership (%)	
		2015	2014
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	100
National Petrochemical Industrialization Company	Limited liability	100	100
National Lead Smelting Ltd. Co. (Rassas) and its subsidiary (2)	Limited liability	100	74.90
National Marketing and Industrial Services Co. (Khadamat)	Limited liability	100	100
National Operation and Industrial Services Co. (Khadamat)	Limited liability	88.33	88.33
National Batteries Co. (Battariat)	Limited liability	90	90
Saudi Polyolefins Co.	Limited liability	75	75
The National Titanium Dioxide Ltd. Co. (Cristal) and its subsidiaries (3)	Limited liability	79	66
Advanced Metals Industries Complex Co., Ltd (4)	Limited liability	89.5	83
Tasnee and Sahara Olefins Co. and its subsidiaries (5)	Saudi closed joint stock	60.45	60.45
Saudi Acrylic Acid Company Ltd. Co. (SAAC) (5)	Limited liability	52.29	52.29
National Inspection and Technical Testing Co. Ltd. (Fahs)	Limited liability	69.73	69.73
TUV – Middle East	Limited liability	69.73	69.73



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)  
31 DECEMBER 2015

**2. BASIS OF CONSOLIDATION (continued)**

**2.1 Al-Rowad National Plastic Co. (Rowad)**

Al-Rowad National Plastic Co. owns 97% and 62.5% of equity interests in Rowad International Geosynthetics Co. Ltd. and Rowad Global Packing Co. Ltd. respectively, which are Saudi limited liability companies registered in Riyadh.

**2.2 National Lead Smelting Co. (Rassas)**

National Lead Smelting Co. owns 100% (direct and indirect ownership) of equity interest in Technical Tetravalent Company for Lead Recycling, a Saudi Limited Liability Company registered in Jeddah

During the year ended 31 December 2014, National Industrialization Company made an acquisition of the remaining shares from the minority partners of National Lead Smelting Company for a price of SR 170 million, after that it became 100% of ownership (direct and indirect). The result of that acquisition was an amount of SR 84 million represents the difference in acquisition of minority interest. This has been classified among other reserves under equity.

**2.3 The National Titanium Dioxide Company Limited (Cristal)**

The National Titanium Dioxide Company Limited (Cristal) is a Saudi limited liability company with its head office based in Jeddah. . The main activity of the company and its subsidiaries is producing and marketing of titanium dioxide.

Cristal owns 100% of equity interest of the following subsidiaries: Cristal Inorganic Chemicals Ltd (Subsidiary). located in Cayman Island, Cristal Australia P.T.Y. Ltd (Subsidiary). Located in Australia and Cristal U.S.A. (Subsidiary) located in the United States of America.

During December 2014, National Industrialization Company signed an agreement of purchasing an additional share of 13% from the minority partners in Cristal for a total amount of SR 1,809 million, and the legal formalities were already completed during the current year. The result of that acquisition was an amount of SR 908 million represent the difference in acquisition of minority interest. This has been classified among other reserves under equity.

During the first quarter of 2015, Cristal has acquired 100% of Hong Kong Titanium Company – limited liability company- equity shares which wholly owns Jiangxi Tico Titanium company – limited liability company - registered in People's Republic of China which operates the same main activity as of Cristal for a total amount of SR 158 million (USD 42 million) resulting in a goodwill amounting to SR 7.7 million.

**2.4 Advanced Metals Industries Complex Co., Ltd**

During the year ended 31 December 2014, Advanced Metals Industries Complex Co., Ltd. was established by direct ownership of 50% for each of the National Industrialization and Cristal Company, which is a Saudi limited liability company registered in Jeddah with a capital of SR 3 million. The purposes of the company are the establishment of industrial projects related to different kinds of titanium metal and related materials.

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**2.5 Tasnee and Sahara Olefins Co.**

Tasnee and Sahara Olefins Co. owns 75% of equity interest in Saudi Ethylene and Polyethylene Company, a Saudi limited liability company registered in Al-Jubail.

Tasnee and Sahara Olefins Co. owns 65% of equity interest in Saudi Acrylic Acid Company, a Saudi limited liability company registered in Riyadh, with a capital of SR 1,777 million. Furthermore, Saudi Acrylic Acid Company owns 75% of equity interest in Saudi Acrylic Monomer Company, a limited liability company with a capital of SR 1,084 million. and 75% of equity interest in Saudi Polymor Arcylic Company (a Saudi limited liability company), a company registered in Jubail Industrial City, with a capital of SR 416.4 million. The commercial operations of Saudi Polymor Arcylic Company and Saudi Acrylic Monomer Company, as well as their utilities and services, have commenced in 2014.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The consolidated financial statements have been prepared in accordance with the accounting standards generally accepted in the Kingdom of Saudi Arabia. The significant accounting policies are as follows:

**Accounting convention**

These consolidated financial statements are prepared under the historical cost convention except for the measurement at fair value of Investments in held for trading securities and investment in available for sale securities and derivative financial instruments.

**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 and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Although these estimates and judgments are based on management's best knowledge of current events and actions, actual results may differ from those estimates.

**Cash and cash equivalents**

Cash and cash equivalents consist of cash, demand deposits and investments readily convertible into known amounts of cash and have an original maturity of three months or less.

**Accounts receivable**

Accounts receivable are stated at original invoice amount less allowance for any uncollectible amounts. An estimate for doubtful debts is made when the collection of the full amount is no longer probable. Bad debts are written off as incurred.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)  
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**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Inventories**

Inventories are stated at the lower of cost and market value. Cost of raw materials, consumables, spare parts and finished goods is determined on a weighted average cost basis. Cost of work in progress and finished goods includes cost of material, labor and an appropriate allocation of indirect overheads.

**Investments**

**Investments in held for trading securities**

Investments in readily marketable securities which are bought for trading purposes are stated at fair value. Change in fair value of these investments is recognized in the consolidated statement of income

**Investments in available for sale securities**

Investments in available for sale securities that are bought neither with the intention of being held to maturity nor for trading purposes, are stated at their fair values. Differences, if material, between the fair value and the cost are shown separately in the shareholders' equity. Any impairment in value, considered to be other than temporary, is charged to the consolidated statement of income.

Fair value is determined by reference to the market value if an open market exists, or the use of other alternative method. Otherwise, cost is considered to be the fair value.

**Investments in associates**

Associates are entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the capital. Investments in associates are accounted for using the equity method of accounting. The Group's share in the financial results of the investees is reflected in the consolidated statement of income.

**Investments in a jointly controlled entity**

A jointly controlled entity is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control. The Group accounts for these entities in the consolidated financial statements using the equity method of accounting. The Group's share in the financial results of the investees is reflected in the consolidated statement of income.

**Investments in other companies**

Investments in other companies are the Group's investments of less than 20% of the capital of the investee companies. Investments in other companies are shown at fair value or at cost if the fair value is not available, less any other than temporary impairment in value.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)  
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**Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and impairment in value, except for freehold land and capital works in progress which are stated at cost and are not depreciated. Expenditures on maintenance and repairs are considered operating expenses, while expenditure for improvements are considered capital expenditure. Depreciation is calculated over the estimated useful lives of the applicable assets using the straight-line method. Leasehold improvements are depreciated on a straight-line basis over the shorter of the estimated useful life of the improvements or lease period. Assets held under capital leases are depreciated over the shorter of the useful life of the asset or the lease period.

The estimated useful lives of the principal classes of assets are as follows:

	Years
Buildings and constructions	10-40
Leasehold improvements	Shorter of the lease term or useful life.
Machinery and equipment	5-20
Tools	4-14
Furniture, fixtures and office equipment	3-10
Vehicles	4-5
Computers	3
Wells development	5-30
Catalysts	1.5

**Projects under progress**

Projects under progress include costs that are directly and indirectly related to the projects and are capitalized when the project is completed.

**Intangible assets**

**Goodwill**

The excess of consideration paid over the fair value of net assets acquired is recorded as "goodwill". Goodwill is periodically tested for impairment and reported in the consolidated financial statements at carrying value, adjusted to the extent of the impairment in its value, if any. The carrying amount of negative goodwill, if any, is netted off against the fair value of non-current assets.

**Pre-operating costs**

Pre-operating costs are deferred or capitalized during the development and trial operation period of the new projects which are expected to generate future economic benefits. These costs are amortized as of the date of the commencement of the commercial operations using the straight-line method over the shorter of the estimated useful life or 7 years.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)  
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**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Computer softwares operation costs**

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

**Research and development costs**

Research and development costs are charged to the consolidated statement of income during the year incurred, except for the clear and specified projects, in which development costs can be recovered through the commercial activities 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.

**Other intangible assets**

Other intangible assets, consist primarily of trademarks, trade names, technology and customer relationships, are valued at fair value with the assistance of independent appraisers, effective from the date of acquisition of the subsidiary. Trade name is considered an intangible asset with indefinite life and is not being amortized but instead, it is annually tested for impairment, or when events indicate that an impairment may exists.

Other intangible assets also include patents and license costs. These assets are amortized using the straight line method over the shorter of their estimated useful lives or the terms of the related agreements.

**Deferred financing costs**

Deferred financing costs are amortized using the straight line method over the term of the related loans.

**Exploration costs**

Pre-licensing costs are charged to the consolidated statement of income when incurred. Exploration costs including licensing cost are capitalized as exploration cost based on an area in which the benefit is derived and subject to technical and commercial feasibility of the project. When a license is cancelled, the related costs are charged directly to the consolidated statement of income.

Once a technical and commercial viability of extracting mineral resources is determined, then the related exploration cost will be capitalized and then amortized over the estimated period of benefits.

**Turnaround costs**

Periodic turnaround costs are capitalized and amortized using the straight-line method over the period extended until the next periodic turnaround. In case of an early turnaround, unamortized costs are charged directly as expense to the consolidated statement of income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)  
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**Impairment of non-current assets**

The Group periodically reviews the carrying amounts of its long term tangible and intangible assets to determine whether there is any indication that those assets have suffered any 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. Where it is not possible to estimate the recoverable amount of an individual asset, the Group 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 or cash generating unit is reduced to its recoverable amount. Impairment is recognized in the consolidated statement of income.

Except for goodwill, where impairment subsequently reverses, the carrying amount of the asset or the cash generating unit is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognized for the asset or cash generating unit in prior years. A reversal of impairment is recognized in the consolidated statement of income.

**Borrowing costs**

Borrowing costs that are directly attributable to the construction of an asset are capitalized up to a stage when substantially all the activities necessary to prepare the qualifying asset for its intended use are completed. 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.

**Accounts payable and accrued expenses**

Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

**Dividends**

Final dividends are recorded as liabilities when approved by the general assembly of shareholders.

**Provisions**

Provisions are recognized when the Group has an obligation (legal or constructive) arising from a past event, and there will be a need to settle this obligation.

**Zakat and income tax**

**Zakat**

National Industrialization Company and its wholly owned subsidiaries provide zakat returns to the Department of Zakat and Income tax (DZIT) based on the consolidated financial statements that are just made for this purpose. The non-wholly owned subsidiaries provide zakat returns individually for each company.

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Income tax

Foreign shareholders in subsidiaries are subject to income tax which is included in minority interest in the consolidated financial statements. For the subsidiaries that are outside the Kingdom of Saudi Arabia, tax liabilities are provided in accordance with relevant tax jurisdictions in these countries and the Company's share is included in the consolidated statement of income.

#### Deferred tax assets and liabilities

Deferred tax assets and liabilities are recognized for all temporary differences at the taxation rates applicable in the relevant jurisdiction. The carrying amount of deferred tax assets is reviewed at each consolidated balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available in the near future to allow all or part of the deferred tax asset to be utilized.

#### Leases

##### Operating leases

Rentals payments under operating leases are charged to consolidated statement of income on a straight line basis over the term of the operating lease.

##### Capital leases

Leases, sale and leaseback transactions are classified as capital leases 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 leases.

Assets held under capital leases are recognized as assets of the Group within property, plant and equipment at the lower of the present value of the minimum lease payments and the fair market value of the assets at the inception of the lease.

Finance costs, which represent the difference between the total lease commitments and the lower of the present value of the minimum lease payments and 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 return on the remaining balance of the obligations for each accounting period.

Gains from increase of selling price over the book value of sale and leaseback transactions are deferred and amortized using the straight line method over the lease term.

#### Derivative Financial Instruments

The Group uses derivative financial instruments such as currency options and interest rate swaps to hedge the exposure to foreign exchange risks arising from operating, financing and investing activities and certain portions of interest rate risks arising from financing activities. The Group designates these as cash flow hedges of interest rate risk. The use of financial derivatives is governed by the Group's policies approved by the Board of Directors, which provide written principles on the use of financial derivatives consistent with the Group's risk management strategy. The Group does not use derivative financial instruments for speculative purposes. Derivative financial instruments are initially measured at fair value on the contract inception date and are re-measured subsequently at fair value.

Changes in the fair value of derivative financial instruments that are designated as effective cash flows hedges are recognized in other reserves under shareholder's equity, if material, while the ineffective portion is recognized 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, the associated gain or loss on the derivative that had previously been recognized in shareholder's 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 shareholder's equity are recognized in the consolidated statement of income in the same period in which the hedged item affected net profit or loss.

Changes in fair value of derivative financial instruments that do not qualify for hedge accounting are recognized in the consolidated statement of income as they arise. Hedge accounting is discontinued when the hedging instrument expires or is sold 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 shareholder's equity is retained in shareholder's equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognized in shareholder's equity is transferred to the consolidated statement of income for the year.

#### Employees' terminal benefits

Provision is made in the consolidated financial statements for amounts payable under the Saudi Arabian Labor Law applicable to employees' accumulated periods of service at the consolidated balance sheet date. The Company has pension schemes for its eligible employees in relevant foreign jurisdictions.

#### Statutory reserve

In accordance with the Saudi Arabian Regulations for Companies, the Company must transfer 10% of the net income in each year to the statutory reserve until it has built a reserve equal to one half of the capital. This reserve is not available for distribution.

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Sales

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

Some of subsidiary companies market their products through subsidiaries owned by the shareholders (referred hereto as "the marketers"). Sales are made directly to the final customers and to the off-takers in Europe. Sales made through distribution stations of the off-takers are recorded at provisional prices at the time of shipment of goods, and are subsequently adjusted based on actual selling prices received by the off-takers from the final customer after deducting the cost of shipping, distribution and marketing.

#### Expenses

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

General and administrative expenses include direct and indirect costs not specifically attributable to cost of sales. Allocations between general and administrative expenses and cost of sales, when required, are made on a consistent basis.

#### Minority interests

Minority interests in the net assets (excluding goodwill) of consolidated subsidiaries are identified separately from the Group's equity therein. Losses applicable to the minority interest in excess of its share in the subsidiary's equity are allocated against the interest 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.

#### Foreign currencies translation

Transactions in foreign currencies are recorded in Saudi Riyals at the rate ruling on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the exchange rate ruling at the consolidated balance sheet date. Gains and losses from settlement and translation of foreign currency transactions are included in the consolidated statement of income.

Financial statements of foreign subsidiaries are translated into Saudi Riyals using the exchange rate at each consolidated balance sheet date for assets and liabilities, and the average exchange rates for each year for revenues and expenses. Components of equity, other than retained earnings, are translated at the rate ruling at the date of occurrence of each component. Translation adjustments are included under other reserves within shareholder's equity.

#### Segmental reporting

A segment is a distinguishable component of the Group that is engaged either in selling/providing products or services (a business segment) or in selling/providing products or services within a particular economic environment (a geographic segment), which is subject to risks and rewards that are different from those of other segments.

### 4. CASH AND CASH EQUIVALENTS

	2015 SR'000	2014 SR'000
Bank balances and cash	3,134,797	1,222,363
Short term deposits and murabaha	684,273	2,864,324
	3,819,070	4,086,687

Short-term deposits and murabaha are placed for different periods (varying from one day to three months), based on the cash requirements of the Group and earn a commission at normal commercial rates.

### 5. INVESTMENTS IN HELD FOR TRADING SECURITIES

Investments in held for trading securities represent investment in mutual funds in local banks, these investments are stated at market value and the unrealized gains or losses on revaluation on these investments are recognized in the consolidated statement of income under other (expenses) income. All investments in held for trading securities have been sold in 2015.

### 6. ACCOUNTS RECEIVABLE

	2015 SR'000	2014 SR'000
Trade accounts receivable	1,876,532	2,481,066
Amounts due from related parties (note 9)	1,436,573	1,746,086
Less: provision for doubtful debts	(98,605)	(90,633)
	3,214,500	4,136,519

Movements in the allowance for doubtful debts were as follows:

	2015 SR'000	2014 SR'000
At the beginning of the year	90,633	96,175
Provided during the year	123,394	4,676
Written-off during the year	(115,422)	(10,218)
At the end of the year	98,605	90,633

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)  
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**7. INVENTORIES**

	2015 SR'000	2014 SR'000
Finished goods	2,091,359	2,733,136
Raw materials	1,422,801	1,818,570
Spare parts	915,892	815,014
Work in progress	600,066	499,949
	5,030,118	5,866,669
Less: provision for slow moving inventories	(213,947)	(85,178)
	4,816,171	5,781,491

**8. PREPAYMENTS AND OTHER CURRENT ASSETS**

	2015 SR'000	2015 SR'000
Non-trade receivables	476,018	332,431
Prepaid expenses	406,028	427,243
Employees' receivables and housing loans	212,381	182,971
Advances to suppliers	49,727	82,626
Advances to acquire an additional share of minority partners in a subsidiary (note2)	-	375,000
Other current assets	24,881	8,653
	1,169,035	1,408,924

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)  
31 DECEMBER 2015

**9. RELATED PARTY TRANSACTIONS AND BALANCES**

Some of the subsidiaries have signed marketing and sales agreements with their foreign partners ( referred to as the "marketers"), whereby the marketers agreed to market the Companies products at pre-agreed prices in accordance with the agreements. The agreements specify the marketing responsibilities, quantities to be marketed by the marketers, geographical territories in which the products are to be sold, the price calculation formula, payment terms and other obligations.

The following are the details of major related party transactions during the year:

Related party	Nature of transaction	Amount of transaction	
		2015 SR'000	2014 SR'000
Affiliate	Sales to the marketers	4,769,178	6,254,109
Board of directors, committees and senior personnel	Allowances, expenses, salaries and benefits	27,805	21,229

Amounts due from related parties as at 31 December are as follows:

	2015 SR'000	2014 SR'000
Bassel Asian Pacific Company	511,149	653,148
Bassel International for Trading ( F.Z.E)	511,103	555,398
Sahara and ma'aden Petrochemical Company	146,968	103,714
Bassel for Sales and Marketing Company	105,737	242,658
Evonik Industries AG	95,835	46,402
Dow Chemical Pacific affiliates	42,956	56,055
Evonik & Tasnee Marketing Company LTD.	15,575	63,502
Oasis for Chemicals Company	7,250	16,922
Other	-	8,287
	1,746,086	1,358,828

Amounts due from / to related parties are shown in notes 6 and 17, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)  
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**10. INVESTMENTS IN AVAILABLE FOR SALE SECURITIES**

This represents the Groups' investments in local quoted companies for an amount of SR 410 thousands (2014: SR 490 thousands) and international companies for an amount of SR 341 thousands (2014: 274 thousands).

The movement of the investments during the year was as follows:

	2015 SR' 000	2014 SR' 000
Cost:		
At the beginning of the year	572,569	555,483
Additions	17,620	33,706
Disposals	-	(16,620)
At the end of the year	590,189	572,569
Unrealized gains"		
At the beginning of the year	192,180	316,402
Unrealized losses during the year	(30,673)	(101,290)
Disposals	-	(22,932)
At the end of the year	161,507	192,180
Net book value	751,696	764,749

Dividends received from investments in available for sale securities amounted to SR 37.9 million (2014: SR 47.6 million), also the realized gain from sale of available for sale securities amounted to SR nil (2014: SR 19.8 million) which was recorded under other income in the consolidated statement of income (note 28).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)  
31 DECEMBER 2015

**11. INVESTMENTS IN ASSOCIATES AND OTHERS**

Investments in associates and others as at 31 December were as follows:

	Ownership Percentage		2015 SR'000	2014 SR'000
	2015	2014		
<b>Associated companies</b>				
National Metal Manufacturing and Casting Co. (Maadania)	35.45%	35.45%	143,156	137,950
National Packing Products Co. Ltd (Waten-Pac)	-	42.60%	-	30,567
Clariant Masterbatches Saudi Arabia Ltd	40.00%	40.00%	126,974	123,894
Total investments in associates			270,130	292,411
<b>Jointly controlled entity</b>				
Saudi butanol Co. Ltd	33.33%	33.33%	491,313	449,850
Other investments			412,876	246,776
Total investments in associates and others			1,174,319	989,037

The movement of investments in associates and others was as follows:

	2015 SR'000	2014 SR'000
Balance at the beginning of the year	989,037	743,170
Company's share in net income for the year	28,981	18,553
Additions during the year (*)	213,116	238,956
Disposals during the year (**)	(36,801)	-
Dividends received	(8,985)	(6,642)
Impairment of investments in associates and others	(11,029)	(5,000)
Balance at the end of the year	1,174,319	989,037

(\*) Additions during 2015 mainly consist of an increase of SR 168 million in the share capital of Industrialization and Energy Services Company (Taqa).

(\*\*) During the fourth quarter of 2015, the Company sold all its shareholding in the equity of National Packing Products Co. Ltd (Waten-Pac), resulting in capital gains amounting to SR 31 million (note28).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)  
31 DECEMBER 2015

**12. PROPERTY, PLANT AND EQUIPMENT**

	Land, buildings and constructions	Machinery and equipment	Tools	Furniture, fixtures and office equipment	Motor vehicles	Computers	Wells development	Catalysts	Capital works in progress	Total 2015	Total 2014
SR'000											
<b>Cost:</b>											
At the beginning of the year	3,855,853	24,629,723	7,607	135,811	76,320	24,906	1,201,023	57,721	2,611,423	<b>32,600,387</b>	24,722,711
Additions	55,829	229,801	12	6,561	2,875	751	-	-	424,136	<b>719,965</b>	1,642,317
Disposals	(8,529)	(64,162)	-	(2,296)	(3,737)	(25)	-	-	(108,315)	<b>(187,064)</b>	(125,470)
Transfers	41,889	315,945	-	-	200	-	1,232	-	(359,266)	-	6,701,629
Foreign currency translation adjustments, net	(34,502)	43,275	-	(36,868)	-	-	(90,769)	-	(9,281)	<b>(128,145)</b>	(340,800)
At the end of the year	3,910,540	25,154,582	7,619	103,208	75,658	25,632	1,111,486	57,721	2,558,697	<b>33,005,143</b>	32,600,387
<b>Depreciation and impairment:</b>											
At the beginning of the year	652,847	7,247,720	3,419	107,518	61,393	20,197	486,373	28,282	-	<b>8,607,749</b>	7,285,913
Additions	163,552	1,421,442	41	13,085	5,089	1,926	25,771	20,497	-	<b>1,651,403</b>	1,574,482
Disposals	(1,335)	(8,606)	-	(1,770)	(3,290)	(15)	-	-	-	<b>(15,016)</b>	(70,943)
Impairment of assets	9,959	70,563	-	-	-	-	-	-	-	<b>80,522</b>	-
Foreign currency translation adjustments, net	(50,583)	66,288	-	(41,080)	-	-	(43,593)	-	-	<b>(68,968)</b>	(181,703)
At the end of the year	774,440	8,797,407	3,460	77,753	63,192	22,108	468,551	48,779	-	<b>10,255,690</b>	8,607,749
<b>Net book value:</b>											
<b>At 31 December 2015</b>	3,136,100	16,357,175	4,159	25,455	12,466	3,524	642,935	8,942	2,558,697	<b>22,749,453</b>	
At 31 December 2014	3,203,006	17,382,003	4,188	28,293	14,927	4,709	714,650	29,439	2,611,423		23,992,638

- Included in land, buildings and constructions a non-depreciable land with a total cost of SR 109 million (2014: SR 109 million).
- Included in land, buildings and constructions the cost of leasehold improvements with a net book value of SR 7.3 million as of 31 December 2015 (2014: SR 12.7 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)  
31 DECEMBER 2015

- During the year ended 31 Dec 2015, certain subsidiaries of Cristal Metals has recognized impairment in assets as it was proved that they were not economically feasible (note 27).
- Capital work in progress as at 31 December 2015 and 2014 mainly consist of costs of expansion of housing project for employees, safety and environment improvement costs, competency costs, cost saving and other factories owned by some of the subsidiaries, and expansion of facilities of production lines. The capitalized borrowing costs during 2015 amounted to SR 5.6 million (2014: SR 1.1 million).
- Certain lands on which certain factories and facilities of the subsidiaries are situated was leased from the Royal Commission for Jubail and Yanbu at nominal rents, for periods up to 30 years, renewable for further periods.
- Certain subsidiaries' property, plant and equipment are mortgaged as security against loans extended to those companies (notes 16 and 20).

**13. PROJECTS UNDER PROGRESS**

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

	2015 SR'000	2014 SR'000
Advanced Metals Industries Complex Co. Ltd (a)	<b>2,828,622</b>	1,858,658
The National Titanium Dioxide Company (Cristal) (b)	<b>406,330</b>	-
Other projects	<b>499,255</b>	219,129
	<b>3,734,207</b>	2,077,787

- A. Advanced Metals Industries Complex projects as at 31 December 2015 and 2014 mainly consist of costs of establishing a factory for processing of Almnit as an additional source of the raw-materials for the production of Titanium Dioxide at Jizan. The total estimated cost of the project is SR 2.8 billion, and it is anticipated that the project will commence production in the second half of 2016.
- B. Cristal projects as at 31 December 2015 and 2014 mainly consist of costs of establishing a project for producing titanium sponge. The total estimated cost of the project is SR 1.1 billion, and it is anticipated that the project will commence the commercial production in the second half of 2017.

During 2015, an amount of SR 44.6 million (2014: SR 26 million) has been capitalized, representing borrowing cost directly related to the projects under progress.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)  
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**14. INTANGIBLE ASSETS**

The intangible assets as at 31 December comprise of the following:

	2015 SR'000	2014 SR'000
Goodwill (a)	2,410,745	2,538,181
Software implementation, technology and other intangible assets, net (b)	532,592	731,195
Pre-operating expenses and deferred costs, net	2,247	6,173
	2,945,584	3,275,549

**A. Goodwill**

**Impairment review**

Goodwill is tested annually for any impairment by the Group's management. To perform that, cash generating units are identified. As a result of the goodwill assessment test performed at the level of the Group during the year ended 31 December 2015, the management found out that the carrying amount of goodwill was higher than its recoverable amount at the year ended 31 December 2015 for a subsidiary of Cristal Company amounting to SR 67.2 million. This impairment was recorded in the consolidated statement of income (note 27). The recoverable amount was determined based on the information used in calculating the present value of expected cash flows for fifteen years based on financial budget approved by the management, the estimated growth rate of 3% has been applied on cash flows in excess of the duration of the financial budget. Management believes that the estimated growth rates do not exceed the average growth rates over the long term on the company's activities.

A. During the year ended 31 December 2015, a subsidiary of Cristal Company recognized impairment in the other non-intangible assets amounting to SR 133.19 million (2014: SR nil). The management believes that they have no benefits in the future (note 28).

**15. OTHER NON-CURRENT ASSETS**

	2015 SR'000	2014 SR'000
Deferred taxes	307,334	547,330
Exploration and evaluation costs, net	229,815	244,087
Others	63,864	109,529
	601,013	900,946

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)  
31 DECEMBER 2015

**16. SHORT TERM FACILITIES AND MURABAHA**

During 2015, the Group obtained short-term credit facilities with a total amount of SR 2,295 million (2014: SR 1,449 million). The outstanding balance of these facilities as at 31 December 2015 amounted to SR 2,018 million (2013:SR 1,217 million). These facilities are secured by promissory notes issued to banks and financial institutions, and certain financial covenants, and carry commissions at prevailing commercial rates.

**17. ACCOUNTS PAYABLE**

	2015 SR'000	2014 SR'000
Trade payables	1,739,650	1,400,365
Amounts due to related parties (note 9)	160	365
Other payables	18,238	2,176
	1,758,048	1,402,906

**18. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES**

	2015 SR'000	2014 SR'000
Accrued expenses	922,087	931,080
Provision for zakat and tax	358,350	286,039
Other payables	180,381	418,513
Accrued employees' benefits	176,877	200,054
Dividends payable	93,811	76,235
Provision for research and development	31,175	-
Derivative financial instruments	-	120,946
Deferred gains on sale and leaseback transactions	-	7,016
Other current liabilities	34,299	43,728
	1,796,980	2,083,611

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)  
31 DECEMBER 2015

**19. ZAKAT**

**Charge for the year**

Zakat charge for the year amounting to SR 49.7 million consists of the provision for the current year (2014: SR 50.8 million).

During 2015, the Company received approval from the Department of Zakat and income(DZIT) to consolidate zakat returns of the holding companies and wholly-owned subsidiaries by the beginning of 2008. The Company will prepare the Group's consolidated financial statements and the adjusted zakat returns from 2008 and up to 2014. The Company will review the zakat provisions that were previously recognized upon receiving the final zakat assessment for the consolidated financial statements. The non-wholly owned subsidiaries provide their zakat returns individually for each company.

**The movement in the provision during the year**

The movement in zakat provision during the year was as follows:

	2015 SR'000	2014 SR'000
At the beginning of the year	89,891	51,112
Paid during the year	(35,533)	(11,978)
Provided during the year	49,693	50,757
Zakat provision	104,051	89,891

**Status of zakat assessments**

The Company received the zakat assessments for all years up to 2007. The Company has paid the zakat due for the fiscal years 2008 up to 2014 based on zakat returns but has not yet received the final zakat assessments from DZIT.

During 2013, some of the subsidiaries received revised assessments from the DZIT for several years, which showed additional zakat differences amounted to SR 192 million. The subsidiaries submitted an appeal against these assessments, and management believes that no material liability is likely to arise.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)  
31 DECEMBER 2015

**20. SUKUK AND LONG TERM LOANS**

	2015 SR'000	2014 SR'000
<b>Sukuk:</b>		
First issue	2,000,000	2,000,000
<b>Loans:</b>		
Saudi Industrial Development Fund (a)	2,554,377	1,799,290
Commercial banks and others (b)	20,168,494	19,377,147
Total sukuk and long term loans	24,722,871	23,176,437
Less: current portion	(4,401,400)	(2,872,140)
Deferred financing costs, net	(408,103)	(356,181)
Non-current portion	19,913,368	19,948,116

**Sukuk**

On 30 Jumada Thani 1433H (corresponding to 21 May 2012), the Company issued its first Sukuk amounting to SR 2 billion at a par value of SR 1,000,000 each with no discount or premium. This is the first issuance of sukuk under Sukuk program approved to be issued on various periods. The Sukuk issuance bears a variable rate of return at (SIBOR) plus a pre-determined margin, payable semi-annually in advance. The Sukuk is due at maturity at par value on its expiry date of 16 Ramadan 1440H (corresponding 21 May 2019).

**Loans**

**A. Saudi Industrial Development Fund**

The Group obtained long term facilities from the Saudi Industrial Development Fund for an amount of SR 3,597 million (2014: SR 2,399 million). The total outstanding balance of these loans as at 31 December 2015 amounted to SR 2,554 million (2014: SR 1,799 million). Saudi Industrial Development Fund received as collateral against these loans mortgages on all property, plant and equipment of the subsidiaries, for which loans were granted, promissory notes and guarantees from the partners. The loan agreements contain certain covenants which among others, require that the Company maintains a ceiling for capital expenditures and minimum level for the net worth and current ratio.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)  
31 DECEMBER 2015

**20. SUKUK AND LONG TERM LOANS (continued)**

**B. Commercial banks and others**

The Group obtained long term loan facilities from commercial banks for a total amount of SR 25,304 million (2014: SR 23,586 million). The outstanding balance of these loans as at 31 December 2015 amounted to SR 20,168 million (2014: SR 19,377). These loans are secured by promissory notes, mortgages on certain assets and property, plant and equipment of subsidiaries and guarantees of the partners. These facilities include credit facilities agreements with first degree of guarantee amounting to SR 3,300 million.

During 2015, the Company signed Sharia-complaint murabaha financing agreement with a group of local banks for an amount of SR 1.2 billion. These loans are repayable in six years by equal semi-annual instalments, and are secured by promissory notes.

These loans carry commission at normal commercial rates.

Credit facilities above include some of the commitments that restrict certain elements, subject to exception, such as seizing, sales and leaseback transactions and certain payments, sales of assets and transactions of associates and mergers or acquisitions. The company is also restricted to a maximum of capital expenditures in the year and required to maintain specific financial ratio levels.

Some covenants of the loan agreements of the Group contain a specific performance ratio, given that the Group is in breach with some of these covenants, waver have been received the banks to wave such breach until 30 June 2016.

**21. OTHER NON-CURRENT LIABILITIES**

	2015 SR'000	2014 SR'000
Deferred income tax liabilities	460,788	612,876
Provision for maintenance and mine closure	134,510	128,063
Pension and other post-retirement benefits	133,079	101,926
Asset retirement obligation	79,173	84,653
Others	177,762	132,227
	985,312	1,059,745

**22. SHARE CAPITAL**

Share capital amounting to SR 6,689,142 thousands as at 31 December 2015 (2014: SR 6,689,142 thousands) consisting of 668,914 thousand shares (2014: 668,914, thousands shares) of SR 10 each.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)  
31 DECEMBER 2015

**23. DIVIDENDS**

The Company's Extraordinary General Assembly meeting held on 19 Jumad Thani 1436H (corresponding to 8 April 2015) approved the, Board of Directors' recommendation to distribute cash dividends for the year 2014 amounting to SR 1 per share and Board of Directors remuneration amounting to SR 2 million.

The Company's Extraordinary General Assembly meeting held on 1 Jumad Thani 1435H (corresponding to 1 April 2014) approved the Board of Directors' recommendation to distribute cash dividends for the year 2013 amounting to SR 1.5 per share, and Board of Directors remuneration amounting to SR 2 million.

**24. OTHER RESERVES**

Other reserves consist of the following principal items :

**A. Cash Flow Hedges**

The change in cash flow hedges represents the difference arising from transfer of the outstanding long term loans denominated in foreign currencies to Saudi Riyal at exchange rates ruling at the consolidated balance sheet date and are considered as hedging instruments against expected future income denominated in the same currency. This also includes the difference arising from fair value estimates of the effective portion of derivative financial instruments (interest rate swaps) at the consolidated balance sheet date, which is a hedging instrument against the designated hedged item, being foreign currency loans based on LIBOR rates. These differences are treated as unrealized differences in equity as per accounting policies.

**B. Foreign currency translation adjustment**

Foreign currency translation adjustments 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.

**C. Post-retirement liabilities adjustments**

This represents adjustments to the pension fund liabilities in the foreign subsidiaries arising from pension programs for qualified staff in the relevant foreign jurisdictions.

**D. Difference in acquisition of minority interests**

This represents the amount paid in excess of the fair value of the net assets in the additional interest acquired from minority interest of subsidiaries. This amount represents mainly the difference in acquisition of minority interests of Cristal Company (note 2).



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)  
31 DECEMBER 2015

**25. SELLING AND MARKETING EXPENSES**

	2015 SR'000	2014 SR'000
Freight and transportation	596,852	715,716
Provision for doubtful debts	123,394	4,676
Employees' salaries and related benefits	109,079	124,227
Distributors' incentives	32,637	44,361
Others	86,401	50,699
	<b>948,363</b>	<b>939,679</b>

**26. GENERAL AND ADMINISTRATIVE EXPENSES**

	2015 SR'000	2014 SR'000
Employees' salaries, related benefits and travel	481,812	474,046
Restructuring and professional fees	353,715	90,288
Research and development	278,469	125,395
Depreciation and amortization	62,204	58,920
Rent	26,863	23,214
Charitable contributions and social activities	5,648	34,543
Others	65,581	90,831
	<b>1,274,292</b>	<b>897,237</b>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)  
31 DECEMBER 2015

**27. IMPAIRMENT OF NON-CURRENT ASSETS**

	2015 SR'000	2014 SR'000
Impairment of non-current assets (note 14)	133,196	-
Impairment of projects under construction	100,000	-
Impairment of property, plant and equipment (note 12)	80,522	-
Impairment of goodwill (note 14).	67,242	-
Impairment of investments in associates and others	11,029	5,000
	<b>391,989</b>	<b>5,000</b>

**28. OTHER (LOSS) INCOME, NET**

	2015 SR'000	2014 SR'000
Dividends received	38,848	47,601
Proceeds from murabaha and others	12,354	26,013
Realized gain from sale of investment in associates (note 11)	31,119	-
Amortization of deferred gains	7,016	28,066
Trial operation revenue and reversal of provision for impairment of projects under progress (*)	-	46,288
Reversal of increase in provision for research and development	-	26,836
Realized gain from sale of available for sale securities (note 10)	-	19,846
Loss from sale of property, plant and equipment	(15,183)	(46,741)
(Loss) gain from Foreign exchange differences	(16,562)	(26,391)
Financial derivatives and forward contracts (note 34)	(363,943)	(120,946)
Others	25,688	55,212
	<b>(280,663)</b>	<b>55,784</b>

(\*) In previous years before 2014, One of the subsidiaries of Cristal Company made a provision of SR 56 million against impairment of projects under progress. During 2014, those projects were re-reviewed. Accordingly, the Company's management decided to reverse SR 46 million of the provision.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)  
31 DECEMBER 2015

**29. LEGAL LITIGATIONS**

One subsidiary of Cristal company (a subsidiary) is involved in extraordinary legal litigations in the United States of America, and during 2013, the Company offered a proposal for settlement which has been accepted by the plaintiffs of some of these legal litigations. Accordingly, the Company has made the required provision for the offered proposal. The amount was settled during 2014.

**30. (LOSS) EARNINGS PER SHARE**

The earnings per share attributable to income from main operations and net income for the year are calculated based on total number of shares issued, amounting to 668,914 thousand shares as at 31 December 2015 and 2014.

**31. SEGMENT INFORMATION**

The main activity of the Company (Head Office) is investments, while subsidiary companies operate in the industrial and petrochemical sectors. The main markets of the petrochemical sector are the Kingdom of Saudi Arabia, Europe, Middle East, and Asia, the other segments are the Kingdom of Saudi Arabia, North and South of USA, Europe, Australia, Middle East and Asia. The following is selected financial information for these segments.

The Group consists of the following main business segments:

<b>Industrial sector:</b>	includes the production of titanium dioxide, production processes and specialized production operation of Rutile which is the raw material for the production of titanium dioxide, the production of liquid batteries for cars, production of lead and sodium sulfate, all kinds of plastic productions and the production of acrylic panels.
<b>Petrochemical sector:</b>	includes basic chemicals, and polymers.
<b>Head Office and other:</b>	includes the operations of the head office, and technical centers, innovations and investment activities, and provision of technical and industrial services.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)  
31 DECEMBER 2015

	Industrial sector SR'000	Petrochemical Sector SR'000	Head office and other SR'000	Adjustments SR'000	Total SR'000
<b>As at and for the year ended 31 December 2015</b>					
Total assets	21,275,941	22,507,024	16,518,315	(15,326,232)	44,975,048
Total liabilities	13,150,631	12,325,567	7,180,721	(1,429,982)	31,226,937
Sales	7,344,098	10,905,344	400,583	(3,504,514)	15,145,511
Gross profit	50,331	2,081,919	79,511	986	2,212,747
Depreciation and amortization	653,394	1,132,282	42,066	-	1,827,742
(Loss) income from main operations	(1,505,648)	1,382,633	(1,298,754)	1,048,853	(372,916)
Capital expenditures	1,526,331	565,698	35,353	-	2,127,382
<b>As at and for the year ended 31 December 2014</b>					
Total assets	19,412,722	23,746,816	18,449,393	(13,717,217)	47,891,714
Total liabilities	10,721,676	13,178,547	6,411,530	(1,398,322)	28,913,431
Sales	8,953,197	13,887,197	413,682	(4,561,496)	18,692,580
Gross profit	1,601,190	2,933,817	77,068	409	4,612,484
Depreciation and amortization	672,696	978,928	40,110	-	1,691,734
Income from main operations	438,879	2,439,012	1,190,269	(1,279,039)	2,789,121
Capital expenditures	1,745,094	638,086	38,358	-	2,421,538

**32. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

Financial instruments principally include cash and cash equivalents, investments in held for trading securities, accounts receivable, prepayments and other current assets, investments in available for sale securities, short term loans, murabaha, accounts payable, accrued expenses and other current liabilities, long term loans, and derivative financial instruments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)  
31 DECEMBER 2015

**32. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)**

**Credit risk**

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 Group has no significant concentration of credit risk. Cash is placed with national banks with sound credit ratings. Trade accounts receivable are shown net of provision for doubtful debts.

**Interest rate risk**

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The Group has no significant interest-bearing assets but has interest-bearing liabilities as at 31 December 2015 and 2014. The Group manages its borrowings made at floating rates by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Under the interest rate swaps, the Group agrees with the counterparty to exchange, the difference between fixed and variable rate contracts at specified intervals (mainly quarterly) by reference to the agreed notional principal amounts.

**Liquidity risk**

Liquidity risk is the risk that the Group 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 to ensure that sufficient funds are available to meet any future commitments.

**Currency risk**

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group is subject to the risk of fluctuations in foreign exchange rates through its normal course of business. The Group monitors the fluctuations in currency exchange rates and charge the effects on the consolidated financial statements accordingly. The Group covers the foreign currency risks by using derivative financial instruments.

**Fair value of financial instruments**

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction. As the consolidated financial statements have been prepared under the historical cost convention, differences may arise between the carrying amounts and fair value estimates. Management believes that the fair value of the financial assets and liabilities is not materially different from its carrying value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)  
31 DECEMBER 2015

**33. CAPITAL COMMITMENTS AND CONTINGENCIES**

**A. Capital commitments**

The Group has the following capital commitments:

	2015 SR'000	2014 SR'000
Capital commitments for projects under progress and purchase of property, plant and equipment	762,331	1,567,140
Commitments for consulting contracts	227,000	338,000

**Operating leases commitments**

	2015 SR'000	2014 SR'000
Payments under operating leases charged to expenses during the year	110,002	114,099

Operating leases payments represent rents accrued by the Group for renting land and residential units and sites for factories. The average period of the lease agreed upon, ranges from 1 to 30 years.

Cristal Inorganic Chemicals Ltd. (a subsidiary) leases various lands, property, facilities and equipment under irrevocable operating lease arrangements for varying periods.

The future minimum lease payments relating to all irrevocable operating leases with terms in excess of one year are as follows:

	2015 SR'000	2014 SR'000
One year	75,575	110,939
Two to four years	166,826	230,473
More than four years	16,828	74,107
Total minimum lease payments	259,229	415,519



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)  
31 DECEMBER 2015

**33. CAPITAL COMMITMENTS AND CONTINGENCIES (continued)**

**B. Contingences**

	2015 SR'000	2014 SR'000
1- Letters of credit and guarantee	2,128,458	2,710,681

Cristal Company has various agreements for the purchase of raw materials used in the production of titanium dioxide and certain other agreements for the purchase of raw materials, general utilities and services with various terms extending through the year 2020. As at consolidated balance sheet date, estimated future minimum payments under these irrevocable contracts were as follows:

	2015 SR'000	2014 SR'000
One year	1,271,059	2,167,460
Two to four years	1,162,977	1,646,955
More than four years	56,956	273,638
Total future minimum payments	2,490,992	4,088,053

- The Company has issued corporate guarantees to commercial banks and Saudi Industrial Development Fund by its share owned in share capital of some subsidiary and associate companies against the loans which have been obtained from such parties. As at 31 December 2015, these guarantees amounted to SR 8,408 million (2014: SR 7,456 million).
- The Group is involved in legal litigation claims in the ordinary course of business, other than what has been disclosed in (note 29), which are being defended, there are also some claims under the process of final settlement. The ultimate results of these claims cannot be determined with certainty as of the date of preparing the consolidated financial statements, the Group's management does not expect that these claims will have a material adverse effect on the Group's consolidated financial statements.

**34. DERIVATIVE FINANCIAL INSTRUMENTS**

The Group, during the ordinary course of its business, hedges the foreign currency risk and interest rate risk. The Group uses derivative financial instruments (such as interest rate swaps, forward foreign exchange contracts, derivatives of other foreign currencies, and natural hedges) to mitigate its exposure to interest rate risk and currency risk on sales, purchases, cash deposits, and loans denominated in the local currency of the subsidiary. These hedges are qualified to be designated as cash flow hedges. The Group's share in the post-acquisition changes of cash flows hedge reserves, which are identified



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)  
31 DECEMBER 2015

as effective is recognized under other reserves within shareholders' equity.

As of 31 December 2015, the Group had derivative financial instruments with notional amount of SR 2,087 million (2014: SR 3,312 million) and the Group's share in the net fair value change of cash flow hedge is SR 1.7 million (2014: SR 96.5 million) and represents the fair value. The cash flow hedge reserves represent the effective portion of the hedges. Deferred accumulated gain or loss from hedge is recognized in the consolidated statement of income when hedged transactions affect the consolidated statement of income.

During 2014 and the first quarter of 2015, Cristal Company (a subsidiary) entered into forward derivative financial instruments contracts to reduce the risk of fluctuations in currency exchange rates with local banks. As at 31 December 2014, the difference between the spot rate and the forward rate of outstanding forward contracts amounted to SR 121 million. During 2015, the Group's management believed that retaining these contracts was non-viable, thus it was agreed with the relevant financial institutions to terminate and settle these contracts. This has resulted in recording net negative fair value of these contracts amounting to SR 387 million, within net other income and expenses (note 28).

**35. MINORITY INTERESTS**

The movements in minority interests are as follows:

	2014 SR'000	2013 SR'000
Balance at the beginning of the year	7,351,998	7,577,378
Share in net earnings of subsidiaries for the year	(233,433)	777,226
Dividends	(538,911)	(871,101)
Minority interest acquired	(771,576)	(83,317)
Other, net	(28,132)	(48,188)
Balance at the end of the year	5,779,946	7,351,998

**36. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS**

The Board of Directors has approved the consolidated financial statements on 16 Jamada Awal 1437H (corresponding to 25 February 2016).

**37. COMPARATIVE FIGURES**

Certain prior year figures have been re-classified to conform to the presentation of the current year.



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