

TASNEC التصني Annual Report





Denmark

Sermany

Austria

Liby

Italy

Nice

Igeria

Bela

Roman

Greece

DR

Congo

Zam

Zim

Botswana

Angola

Namibia

Poland

Contributed broad alliances between National Industrialization Company and some local and international companies in the field of chemicals and petrochemicals in the growth of its investments and its shareholders, and after its acquisition of international companies working in the field of titanium dioxide, has become the second largest producer of this material in the world.

From here came the idea of this year's report 2012, to confirm the growth and spread of the company represented by light horizon that goes beyond the geographical boundaries of the Kingdom of Saudi Arabia to other geographic locations around the world, to confirm the extent of horizontal extension of the work of National Industrialization Company and its growth, as one of the Saudi companies that show the strength and durability and the size of the national economy of Saudi Arabia and its image in the world.

From the Saudi capital Riyadh, where its headquarters, and industrial cities of Jubail and Yanbu, where the biggest projects of petrochemical and chemical inside, TASNEE flew on the horizon from the Far East in Brisbane, Australia to the Far West in Ottawa, Canada and acquired productive projects and major sites for producing raw materials and marketing centers for marketing around the world.

Website : www.gems-calibration.com

E-mail	: samsonb@tuv-nord.com
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Website	: www.tuv.me.com

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E-mail : info@gems-calibration.com

TUV Middle East Company

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nail	: kuwait@tuv-nord.com
bsite	: www.tuv.me.com

National Metal Manufacturing & Casting Co. 'MAADANIAH' Listed Joint stock company in TADAWUL E-mail : natmetal@natmetalco.com Website : www.natmetalco.com

National Packaging Products Co., Ltd. (WATAN PAC)

Mexico

E-mail : general@tasnee.com Website : www.tasnee.com

TASNEE and Sahara Olefins Co.

National Industrialization Company

P.O.Box 26707 - Riyadh 11496 Kingdom of Saudi Arabia

The headquarter

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National Titanium Dioxide Co., Ltd. Crystal Global

Tel.: +966 1 222 2205, Fax: +966 1 400 2255

E-mail : info@cristalglobal.com Website : www.cristalglobal.com

Saudi Polyolefins Company (SPC)

E-mail : general@tasnee.com Website : www.tasnee.com

Saudi Ethylene and Polyethylene Company (SEPC) E-mail : general@tasnee.com Website : www.tasnee.com

National Industrialization petrochemicals Marketing Co. E-mail : info@tasneemarketing.com Website : www.tasneemarketing.com

Saudi Acrylic Acid Company (SAAC) E-mail : general@tasnee.com Website : www.tasnee.com

Saudi Acrylic Monomers Company (SAMCO): E-mail : general@tasnee.com Website : www.tasnee.com

Concept: Together le Grow

ROWAD National Plastic Company Ltd. "ROWAD"

ROWAD International Co. for Artificial Membrane Ltd.

ROWAD Global Packaging Co., Ltd. "ROWAD BOPP Films"

National Operation and Industrial Services Co. 'KHADAMAT'

National Technical Inspection and Testing Ltd Co. 'FAHSS'

E-mail : info@rowadplastic.com

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Website : www.rowadplastic.com

E-mail : info@rowadplastic.com

Website : www.rowadplastic.com

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Website : www.battariat.com

E-mail : info@rasass.com.sa

Website : www.rasass.com.sa

E-mail : info@fahsstuv.com

Website : www.fahsstuv.com

National Batteries Company (BATTARIAT)

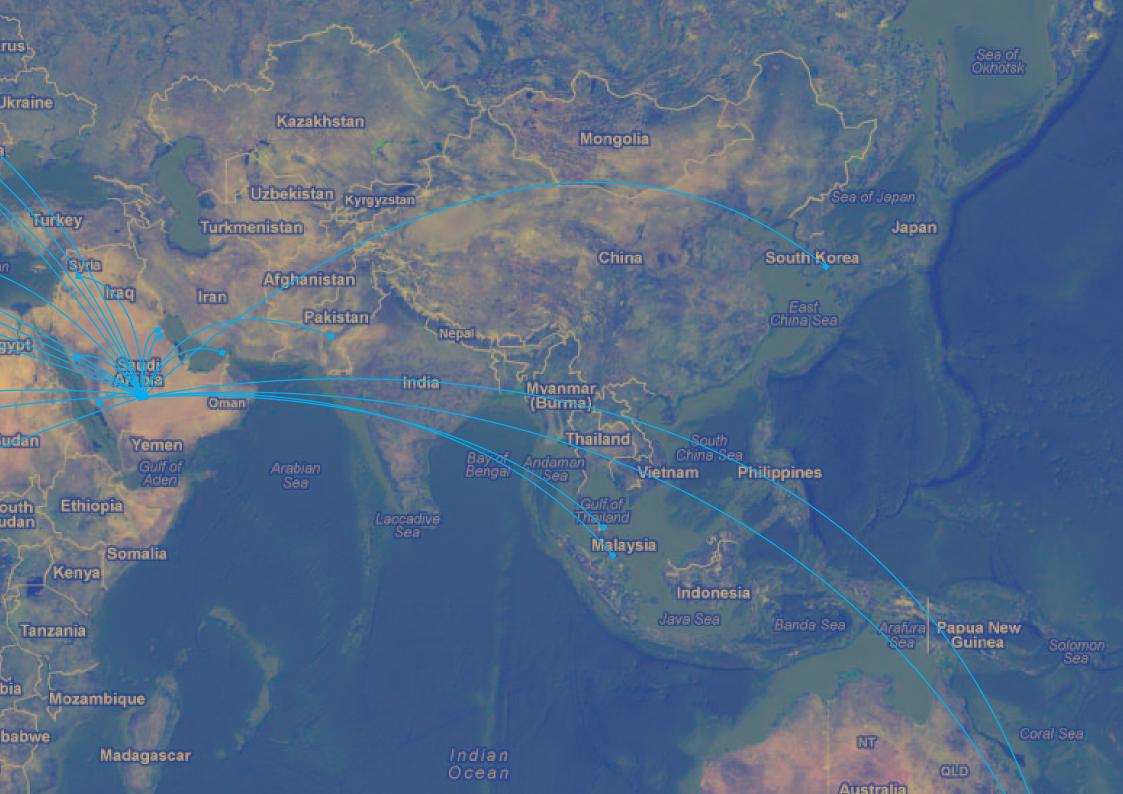
National Lead smelting Co. (RASASS)

E-mail : khadamatbp@hotmail.com

E-mail : sales@fahss.com info@fahss.com



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Prince Salman Ben Abdulaziz Al-Saud Crown Prince, Deputy Prime Minister, Minister of Defense

> Goa Kamataka

Bangalore Chennai

- Mysore

His Royal Highness Prince Muqrin Ben Abdulaziz Al-Saud Second Deputy Prime Minister

Bi



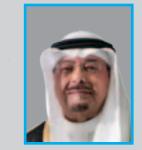
Members of the Board of Directors

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

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



Dr. Moayyad Ben Issa Al-qurtas Vice Chairman



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



Dr. Nazeeh Ben Hassan Naseef



Eng. Mubarak Ben Abdullah Al-Khafra Chairman of the Board



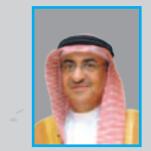
Eng. Talal Ben Ibraheem Al-Mayman



Mr. Badr Ben Ali Al-Dakheel



Eng. Salah Ben Abdulwahab Al-Terkait



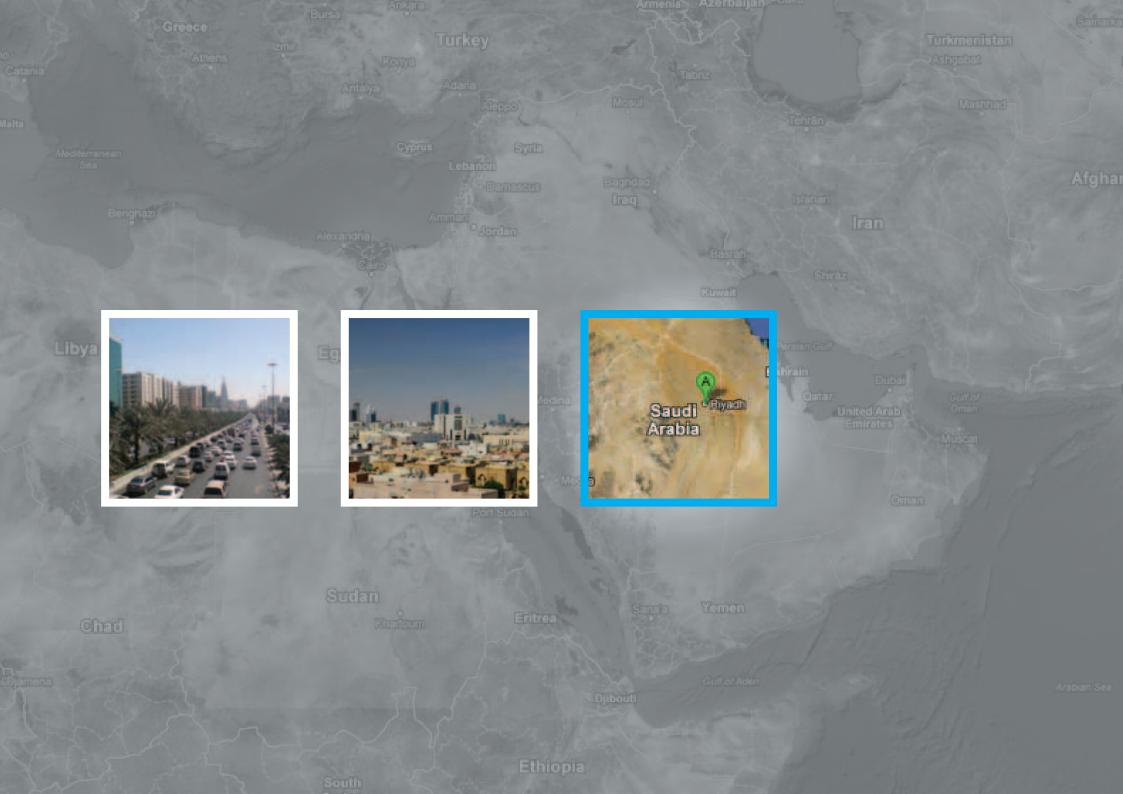
Mr. Solaiman Ben Abdulqader Al-Mohaideb



Mr. Hisham Sayed Abdulrazzaq Al-Rouzouki



Mr. Sabah Tayseer Barakat



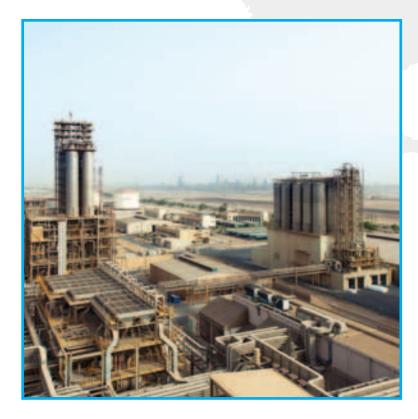




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Sri Lanka

Speech of the Chairman



Recovery of the world economy still continues in spite of the low growth of advanced economies and slowdown of emerging economies within uncertain atmosphere, and this is due mostly to the economic and political events which occurred in the world during the last five years.

In the meantime, Saudi economy remains quietly reinforced against such negative attitudes thanks to the policies taken by the Saudi government as it used oil revenues for infrastructure and property projects. Saudi economy achieved growth of 6.8% in the last year 2012 with expectations to achieve moderate growth in 2013 after the state general unprecedented budget which focused on development expenses with revenues of US \$ 330 billions and expected expenditure bulk US \$ 218.

In the midst of all this, TASNEE maintained its gains and could accomplish many important achievements. It continued improving its performance, reinforce its status and power locally and internationally. TASNEE could complete execution and expansion of its projects as it used many related studies to expand the productivity of some production lines in many existing factories and it could reach advanced stages in planning and study of the new projects.

TASNEC

In consideration to the low world demand of Titanium dioxide in spite of its high average price last year, low profit margin in petrochemicals sector and low selling price in spite of the increase of quantity of sales, TASNEE's annual profits decreased to an amount SR 1,763,837,000 for the fiscal year ended December 31, 2012.

Our trust in Allah as well as our strong economy continues and we think it will not be affected by the slowdown of the world economy growth because at all events the world will grow and the world demand on many chemical and petrochemical products will increase as these products constitute the backbone of the world economy as well as of TASNEE national investment. Our trust in our ability to grow and satisfy needs of the market.

Finally, I and the Board members present our thanks and appreciation to all the staff in National Industrialization Group for their efforts to achieve the prosperity of the course of National Industrialization Group and its affiliate companies and we pray to Allah to grant our country prosperity, development, security and stability under our wise leadership.



Eng. Mubarak Ben Abdullah Al-Khafrah







Board of Director's Report 2012

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Board of Director's Report 2012

Board of Directors of National Industrialization Co. is pleased to present to the shareholders its annual report about works and performance of the company during the fiscal year from 1/1/2012 to 31/12/2012 accompanied by the audited financial statements and enclosed notes and including the most important developments of the Company's performance and activities as follows:

Overview:

National Industrialization Co. was associated under the Ministerial resolution No. 601, dated 24/12/1404H.

The corporate capital is fixed at SR 6.689.141.660 after the extraordinary general assembly decided in its meeting on 4/4/2012 to increase the capital of the Company through issuing one free stock for each (5) stocks and this increase shall be paid from premium and retained profits.

Thanks to Allah, National Industrialization Co. could, during 2012, maintain its profits and accomplish many important achievements as the company continued to improve its performance, reinforce its status and power, whether locally, regionally or internationally, complete execution and expansion of its projects in addition to achieving advanced stages in planning and study of many new projects.



TASNE

First: Types of main activities of the company

The company engages in investment in industrial fields, transfer of advanced industrial technology to the Kingdom in petrochemicals, chemicals, engineering and mechanical industry, management and possession of industrial projects and marketing its products. The activity of subsidiaries includes manufacture and marketing industrial projects. The activity of petrochemical industry includes production of ethylene, polyethylene, propylene and polypropylene. The activity of industrial field also includes production and marketing of Titanium dioxide , production of liquid batteries for vehicles, industrial uses, production of lead, plastic industries of all types and production of acrylic plates. Other activities include marketing of plastic products, batteries, provision of technical services, conduct of technical inspection on industrial corporations, equipments, chemical, petrochemical and metal factories, water desalination plants and power generation. The following is the influence of all those activities on the Company's bulk of business:

	Industrial sector	Petrochemicals Sector	Head Office and other activities	Total
Percentage of sales	47.8%	50%	2.2%	100%

Second: Future plans, expectations and risks

1. Future plans and expectations

The Company conducts many studies related to expansion of productivity of some production lines in many existing factories as well as studies related to construction of new industrial projects and participate therein.

The Company plans in general to continue in improvement of its performance, to reinforce its gains, develop its capabilities which would help, if Allah wills, to continue growth of profits and shareholders' equity. Regarding the future expectations of the price of company's products such as petrochemical and chemical products in the world markets, it is difficult to predict the same accurately as this is related to many variable world economic data.

2. Risks

The risks confronting business of the Company are summarized in the changes of the world economy in terms of recession which may, in turn, lead to reduce demand on the Company's products or the low prices of these products. The company may, as well, confront risks of change of price of raw materials which the Company depends on largely. In addition, the Company's performance depends on the level of operational performance of the factories which include many techniques and equipments and it may confront damages and breakdown. The Company may also confront risks of fluctuation of prices of foreign exchange or the risks related to dumping fight laws or competition.

Third: Assets and liabilities of the Company and its business results for the last five financial years:

National Industrialization Co. has strong financial position and positive financial indicators which support its plans of expansion in strategic investments and alliances which help to continuous growth, reinforce its position in the local and international markets. The following table indicates results of works for the last five financial years:

	Amount SR Millions					
Year	Total assets	Total liabilities	Shareholders' equity	Sales	Net profits	
31 December 2008	30,419	20,426	7,350	10,863	601	
31 December 2009	33,162	21,703	7,790	10,863	519	
31 December 2010	34,704	20,248	9,262	15,993	1,473	
31 December 2011	39,928	22,151	11,023	19,649	2,441	
31 December 2012	45,575	25,966	12,067	17,921	1,764	
Growth during 5 years	49.8%	27.1%	64.2%	64.97%	193.5%	

Fourth: Geographic analysis of revenues

Territory	KSA	GCC	ME	Africa	Indian Continent	East Asia	Europe	USA
Sales percentage	12%	4%	4%	7%	8%	29%	17%	19%

Fifth: Loans obtained by the Company

Grantor	Principal amount	Paid during the year	Balance	Repayment period
Local banks	3,025,000,000	701,785,000	2,323,215,000	years 6
Instruments	2,000,000,000	NIL	2,000,000,000	years 7



Sixth: Operational Results:

Net profits of the period from 1/1/2012 up to 31/12/2012 was SR 1,763,837 thousand with reduction of 27.8% comparing to the last year knowing that operational profit is low by 24% to reach SR 4,110,655 thousand in 2012 against SR 5,406,968 thousand in 2011. Cause of reduction in annual net profits during 2012 comparing to the previous year to low sales quantity at Titanium dioxide sector for shortage of the world demand in spite of the high average price in addition to reduction of profit margins in petrochemicals sector for reduction of sale prices in spite of the increase of sales quantity.

Shareholders' equity by the end of December 2012 was SR 12,067,377 thousand. i.e. with an increase of 9.48% comparing to the last year. Assets by the end of December 2012 was SR 45,575,346 thousand, i.e. with an increase of 14.2% comparing to the last year.

The Company prepares its financial statements according to the accounting standards of Saudi Organization of Chartered Accountants as proper to the Company's circumstances and pursuant to Company's articles of association.

Seventh: Subsidiaries

1) National Titanium Dioxide Co. (CRISTAL):

Limited Liability Co., located in Jeddah, and its head office is in Yanbu Industrial City in addition to its factories in USA, Europe and Australia. TASNEE owns 66% of the corporate capital.

2) Saudi Polyolefins Co.

Limited Liability Co., located in Jubail Industrial City. TASNEE owns 75% of the corporate capital.

3) TASNEE and Sahara Olefins Co.

Saudi Joint Stock Co., located in Riyadh, and its operation head office is in Jubail Industrial City. Its issued stocks are 56,600,000 of equal amount, each stock is SR 50. TASNEE owns (directly and indirectly) 60.45% of Company stocks.

TASNEE and Sahara Olefins Co. engages in its activity through its subsidiaries:

3-1 Saudi Ethylene and Polyethylene Co.

Limited Liability Co., located in Jubail Industrial City. TASNEE and Sahara Olefins Co. owns 75% of the corporate capital.

3-2 Saudi Acrylic Acid & Derivatives Co.

Limited Liability Co., located in Riyadh, with head office in Jubail Industrial City. TASNEE and Sahara Olefins Co. owns 65% of the corporate capital and TASNEE directly owns 13% of the capital.

4) TASNEE & Advanced Polyol & Derivatives Co.

Limited Liability Co., located in Riyadh, and its head office is in Rabigh and TASNEE owns 50% of the corporate capital.

5) National Lead Smelting Co. (RASASS)

Limited Liability Co., located in Riyadh, and TASNEE directly and indirectly owns 74.90% of the corporate capital.

6) Al Rowad National Plastic Co. (ROWAD)

Limited Liability Co., located in Riyadh, and TASNEE directly and indirectly owns 100% of the corporate capital.

7) National Batteries Co. (Battariat)

Limited Liability Co., located in Riyadh, and TASNEE owns 90% of the corporate capital.

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

Limited Liability Co., located in Dammam and its main business in Saudi Arabia in addition to its activities in GCC countries through its affiliate (TUV Middle East Co.), and TASNEE directly and indirectly owns 69.73% of the corporate capital.

9) National Petrochemical Industrialization Marketing Co. (Tasnee Marketing)

Limited Liability Co., located in Riyadh, and TASNEE directly and indirectly owns 100% of the corporate capital.

10) National Operation and Industrial Services Co. (Khadamat)

Limited Liability Co., located in Riyadh, and TASNEE owns 88.3% of the corporate capital.

11) National Metal Manufacturing and Casting Co. (Maadaniyah)

Saudi Joint Stock Co., located in Riyadh, and its head office is in Jubail Industrial City. Its issued stocks are 28,112,089 of equal amount, each stock is SR 10. TASNEE owns (directly and indirectly) 35.47% of Company stocks.

12) National Packaging Products Co. Ltd. (Watan Pac).

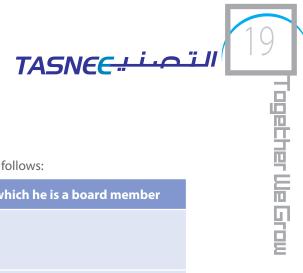
Limited Liability Co., located in Riyadh, and TASNEE owns 42.6% of the corporate capital.

Eighth: Policy of profits distribution

General assembly has the power to take the decision related to distribution of profits based on recommendation of Board of Directors and this decision depends mainly on the net profits achieved in every year, the bulk of expected expenditures on the future investment projects and expected cash flow.

The general policy of distribution of profits pursuant to article 17-4 of the Company's articles of association indicates that annual net profits of the Company shall be distributed after deduction of all general as well as other costs as follows:

A) Set aside the due Zakat, B) Set aside 10% as legal reserve and the General assembly may stop setting aside if it reaches half corporate capital, C)
Distribute first payment to stockholders equal to 5% o the paid capital,
D) the rest to be distributed to shareholders as additional share of profits pursuant to articles 13-10 (B) & 15-7.



Ninth: Composition of The Board of Directors

Pursuant to article (12-1) of articles of association of the Company, Board of Directors is composed of ten members as follows:

	Name	Membership Category	Other joint stock companies in which he is a board member
1	Eng Mubarak Abdullah Al Khafrah Chairman	Executive Officer	 Saudi Hollandi Bank Malath Insurance Co. TASNEE and Sahara Olefins Co.
2	Dr. Moayyed Issa Al Qurtas, Deputy Chairman & Managing Director up to 31 December 2012	Executive officer	 Saudi Vitrified Clay Pipe co. Al Rajhi Cooperative Insurance Co. TASNEE and Sahara Olefins Co. National Metal Manufacturing and Casting Co (Maadaniyah) Industrialization and Energy Services Co.
3	Dr. Talal Ben Ali Al Shaaer, Deputy CEO for Cristal and Nabee	Executive Officer	 Salama Co. Major Factories Mining Co. Glass Fiber Oasis Al Madina For Industrial Investments TASNEE and Sahara Olefins Co.
4	Eng./Talal Ibrahim Al Mayman	Non-executive	• Kingdom Holding Co.
5	Dr. Nazeeh Hassan Naseef	Non-executive	• Saudi Pharmaceutical Manufacturing Co.
6	Eng. Salah Abdulwahab Al Terkait	Independent	-Icaros Oil Industries Co. (Kuwait) -Joint National Power Industries Holding Co. (Kuwait) -United Gulf For Steel Holding Co. (Bahrain) -Gulf Industrial Investment (Bahrain) -United Stainless Steel Co. (Bahrain)

	Name	Membership Category	Other joint stock companies in which he is a board member
7	Mr. Hisham Sayed Abdulrazzaq Al Rozouki	Non-executive	_
8	Eng. Sabah Taisir Barakat	Non-executive	_
9	Mr. Sulaiman Abdulqader Al Muhaideb	Independent	 International Power & Water Works Co. Middle East For Paper Co. Swicorp Abdulqader Al Muhaideb & Sons Co. First Co. For Property Development Maraai Co. Safola Group SAAB
10	Mr. Badr Ali Al Dakheel	Non-executive	_

** Upon appointment of the current Board of Directors, whose office term started on 6/7/2010, the number of independent members exceeds the required number as per clause (E) of article (12) of corporate governance regulations. After amendment of definition of the independent member through the resolution of CMA Board No. 1-10-2010 which includes that independence shall not include (that a member represents corporate person owning 5% or more of the company stocks, the number of independent members in TASNEE Board of Directors is less than provided

in clause (E) of article (12) of corporate governance regulations. According to the last clause of CMA resolution No. 1-10-2010, the definition of (Independent Member) shall apply upon appointment any member of the Board as from 1/1/2011. Therefore, the company is committed that the appointment of any member as from 1/11/2011 shall agree with the required percentage of independent members as per the new definition of the independent member.



Tenth: Interests of Board Members, the authorities they represent and senior executives of the capital stocks:

			No. of stocks he owns			
	Board Members	Representative of		ing of the year 1/2012	End of the year 31/12/2012	
			For Director of the Board	For the Authority he represents	For Director of the Board	For the Authority he represents
1	Mubarak Abdullah Al Khafrah	Himself	2,541,557		1,233,996	
2	Dr. Moayyed Ben Issa Al Qurtas	Himself	332,157	-	233,248	-
3	Dr. Talal A. Al Shaer	Himself	1210	-	1,452	-
4	Eng. Talal I. Al Mayman	Kingdom Holding Co.	15,245	34,728,662	299,015	41,674,394
5	Dr. Nazeeh Hassan Naseef	Saudi Pharmaceutical Manufacturing Co.	*2528	29,247,476	19,000	35,096,971
6	Eng. Salah Abdulwahab Al Terkait	National Industries Group Holding Co.	31,597	-	52,280	-
7	Mr. Hisham Sayed Abdulrazzaq Al Rozouki	Gulf Investment Est.	-	40,631,438	-	49,018,278
8	Eng. Sabah Taisir Barakat	Al Olyan Capital Co.	-	31,605,000	-	39,000,000
9	Mr. Sulaiman Abdulqader Al Muhaideb					
10	Mr. Badr Ali Al Dakheel	GOSI	-	45,876,978	1,800	58,147,209

				No. of stocks he owns				
		Board Members	Representative of		ing of the year 1/2012	End of the year 31/12/2012		
				For Director of the Board	For the Authority he represents	For Director of the Board	For the Authority he represents	
	1 Saleh E Al Nazha		Chairman/ Chief Operational Officer	-	-	-	-	
S	2	Tariq Abdulrahman Ben Rayes	Vice President for Strategic Planning up to 31/7/2012	-	-	-	-	
Senior Executives	3	Abdulrahman A. Al Salem	Vice President for Strategic Planning effective 1/8/2012	-	-	-	-	
enior Ex	4	Fayez A. Al Asmari	Vice President for Finance	32,228	-	38,673	-	
Ň	5	Ahmed Mohammed Al Bassam	Vice President for Business Development	15,276	-	18,331	-	
	6	Fahad Abdulaziz Al Bahooth	Secretary of Board of Directors	-	-	-	-	

Together We Grow

Eleventh: Meetings of the Board

Board of Directors held (5) meetings during 2012 and the following is the presence record of these meetings:

Meeting	Date	Presence Record
1 st .	19/2/2012	Eng./ Mubarak Abdullah Al Khafrah, Dr. Moayyed Ben Issa Al Qurtas, Dr. Talal A. Al Shaer, Dr. Nazeeh Hassan Naseef, Eng. Salah Abdulwahab Al Terkait, Mr. Hisham Sayed Abdulrazzaq Al Rozouki, Mr. Sulaiman Abdulqader Al Muhaideb, Eng. Sabah Taisir Barakat, Mr. Badr Ali Al Dakheel
2 nd .	4/4/2012	Eng./ Mubarak Abdullah Al Khafrah, Dr. Moayyed Ben Issa Al Qurtas, Dr. Nazeeh Hassan Naseef, Eng. Talal Al Mayman, Mr. Sulaiman Abdulqader Al Muhaideb, Mr. Hisham Sayed Abdulrazzaq Al Rozouki, Eng. Sabah Taisir Barakat, Mr. Badr Ali Al Dakheel
3 rd .	14/5/2012	Eng./ Mubarak Abdullah Al Khafrah, Dr. Moayyed Ben Issa Al Qurtas, Dr. Talal A. Al Shaer, Dr. Nazeeh Hassan Naseef, Eng. Salah Abdulwahab Al Terkait, Mr. Sulaiman Abdulqader Al Muhaideb, Eng. Sabah Taisir Barakat, Mr. Badr Ali Al Dakheel
4 th .	17/9/2012	Eng./ Mubarak Abdullah Al Khafrah, Dr. Moayyed Ben Issa Al Qurtas, Dr. Talal A. Al Shaer, Dr. Nazeeh Hassan Naseef, Eng. Salah Abdulwahab Al Terkait, Mr. Hisham Sayed Abdulrazzaq Al Rozouki, Mr. Sulaiman Abdulqader Al Muhaideb, Eng. Sabah Taisir Barakat, Mr. Badr Ali Al Dakheel
5 th .	24/12/2012	Eng./ Mubarak Abdullah Al Khafrah, Dr. Moayyed Ben Issa Al Qurtas, Dr. Talal A. Al Shaer, Eng. Talal Al Mayman, Dr. Nazeeh Hassan Naseef, Eng. Salah Abdulwahab Al Terkait, Mr. Hisham Sayed Abdulrazzaq Al Rozouki, Mr. Sulaiman Abdulqader Al Muhaideb, Eng. Sabah Taisir Barakat, Mr. Badr Ali Al Dakheel

Saudi Riyals	Executive Officers	Non-executive/ Independent officers	Five senior executives who received high remunerations including executive Manager and Financial Manager
Salaries & Remunerations	-	-	7,044,159
Allowances	181,222	324,451	-
Periodical and annual rewards	24,537,500	1,180,000	3,326,295
Incentive plans	-	-	-
In -kind advantages	164,813	-	104,123

Twelfth: Remunerations of Directors of the Board and Senior executives

Thirteenth: Committees of The Board of Directors

The regulations of: Executive Committee, auditing committee, nomination and rewards committee include description of specialties of these committees, terms of composition, its membership term, duties, powers, its work method, meetings, obligations of its members and remunerations as follows:

Executive Committee:

It is concerned basically with taking all important executive and strategic decisions according to the powers approved by the Board, The committee consists of:

Eng. Mubarak Abdullah Al Khafrah	Chairman
Dr. Moayyed Ben Issa Al Qurtas	Member
Dr. Talal A. Al Shaer	Member
Eng. Talal Al Mayman	Member

The committee held (5) meetings during the year 2012.

Audit Committee

The committee engages in its power pursuant to the established regulations and standards. It assesses the internal audit with the



Fourteenth: Results of the annual audit of the internal control procedures

Internal audit department at the Company adopts the method of operational audit to check business of the Company and its subsidiaries. The department prepares the annual audit plan with consideration to risks of work environment and the time period of audit cycle, then this plan will be presented to the audit committee for approval. Following that, the audit team shall pay field visits to the target departments to interview the officers, inspect samples of its operations according to professional audit program to cover all details of the audited operations. Then the team will prepare his notes and discuss them in detail with the related parties and get certified replies of each note, then the team will present its recommendation to take the necessary corrective procedure. The final report will be issued and submitted to officers in the audited department and higher management in TASNEE. The report will be sent as well to the audit committee and it will be discussed at meetings of the committee, and at the same time, correction operations are followed and reports of the same shall be sent periodically to the audit committee.

According to the above, the audit plan approved for the fiscal year 2012 was executed and the reports were sent as indicated above. The audit committee presented its report of the results of its works during the year to The Board of Directors. Audit department confirms that there are no substantial notes in the reports of internal audit and its assessment of internal audit of the company confirms that it is sufficient and able to maintain assets and properties of the company as well as the correctness of its operations.

Fifteenth: Zakat and due payments

Zakat due on National Industrialization Co. for the year 2012 was SR 20.089.000 and GOSI paid subscriptions were SR 2,150,931.

commitment to the approved audit standards in Saudi Arabia and regulations of the Company. The audit committee consists of:

Dr. Nazeeh Hassan Naseef	Chairman
Eng. Sabah Taisir Barakat	Member
Mr. Ali M. Al Shaasha	Member
Mr. Mohammed Ali Abdulaziz Al Karida	Member
Mr. Badr Ali Al Dakheel	Member
The committee held (5) meetings during the year 207	12.

Nominations and Rewards Committee

The committee is concerned with recommendation to the Board with every thing related to nomination for membership of the Board, check the required qualifications and skills, check the structure of the Board, define weak and strong aspects therein , ensure independency of the independent members, set remuneration and rewards policy of directors of the Board and senior executives.

The nominations and rewards committee consists of:

Dr. Talal A. Al Shaer	Chairman
Dr. Nazeeh Hassan Naseef	Member
Mr. Hisham Sayed Abdulrazzaq Al Rozouki	Member
Mr. Sulaiman Abdulqader Al Muhaideb	Member
Eng. Salah Abdulwahab Al Terkait	Member

The committee held (1) meeting during the year 2012.

Sixteenth: Governance of the Company

The Board of Directors approved Corporate Governance Manual and the Company adheres to its articles. The Company follows most terms of Corporate Governance Regulations issued by Capital Market Authority and it complete setting many policies and procedures as regulations. Unapplied terms by the company regarding Corporate Governance Regulations and the related causes are as follows:

Article No.	Provision	Cause of non-application
3	The right to take share of company's assets upon liquidation	There is no provision of the same in articles of incorporation as provided under Companies' Act.
6/B	Accumulated voting to select directors of the Board	Vote to select directors of the Board as per company's articles of incorporation is conducted as per the traditional method provided in Companies' Act, and it was offered to the general assembly, dated 4/4/2012, to amend the articles of incorporation by adding accumulated vote method upon selection of members of the Board, but it did not approve the amendment.
10-d	Set clear policies, criteria and procedures for membership of the Board and apply the same after being declared by the General assembly	Draft of policies, standards and procedures of membership of the Board was prepared and it will be offered to the next general assembly for approval.
10-е	Set written policies to arrange the relation with stakeholders to protect their rights	Contracts guarantee the same and the company does not need to set written policies.
12-d	Prohibit the collection between chairman title and any executive title	The need and interest of the company requires the chairman to do some executive duties.
12-е	Number of independent directors of the Board shall not be less than (2) members or one-third of the members, whichever is more.	This provision is applied according to the previous definition of the independent member, but based on the new definition of the independent member which is applicable from 1/1/2011, the number of independent directors of the Board shall be limited to (2) members only.

Seventeenth: Company's auditors

16th. Extraordinary general assembly decided in its meeting held on 4/4/2012 to appoint M/s Ernest Young (Chartered Accountants) as auditors of the Company for the financial year ended 31 December 2012.

Eighteenth: Social Participation

The Company was keen to invest in the programs of social responsibility through allocating 1% of the company profits for this purpose. The Company plays an important part in serving the society which is not less in importance than its part to develop and diversify the Saudi economy as a lot of human and charitable projects are support all over Saudi Arabia for different programs and activities. During the year 2012, the Company supported and participated in a large number of programs such as:

"Profession and Empowerment - Mehna watamkeen" Programs: It is training and qualifying program for a group of professions in cooperation with public benefit associations in different Saudi regions which target productive families and youth. This includes:

- Training personnel of charitable associations
- Training 150 women to computer skills
- Training and qualifying 20 girls to nursing
- Establishing a center under the name of TASNEE to train and qualify 120 girls of productive families

"Communication and Love Twasul wa Mahabba" Program: Social programs which reinforce communication between the society individuals in cooperation with public benefit associations which target productive families and youth. This includes:

- Supporting Insan Club for Orphans
- Supporting works of the charitable society in Jubail
- Sponsoring Rikaz For Enhancing Good Manners (Positive auto change)

- Supporting Mass Wedding Celebration in Madinat
- Building (7) housing units for the needy of Charitable Society, Amlaj
- Completing exhibition of health education
- Supporting the endowment of many charitable associations in different Saudi regions

Awareness programs and sponsorship: It is a project for support of education and awareness at all health or social fields in cooperation with the competent authorities in different Saudi regions which target all sections of the society. This includes:

- Supporting the electronic gate specialized in Quran studies and researches
- Supporting works of the Protection of Drugs Association (Wiqaia)
 Health programs/Your health is our focus: It is project of health and education programs through cooperation with public benefit associations in different Saudi regions. This includes:
 - Supporting health store and operation of charitable clinic of Inaya Society
 - Supporting additional chairs for dialysis, Jeddah
 - Preparing mobile ambulance for early inspection of diabetes
 - Supporting handicapped children

Nineteenth: Manpower and training

Employees of the Company as on 31 December 2012 was 1.243, of them 786 Saudis. This includes company's employees in petrochemicals factories in Jubail, but it does not include employees of subsidiaries.

Twentieth: TASNEE Housing Loans Program

The company management adopted housing loans program which targets the assistance of Saudi employees to own the proper housing through getting loan without interest from the company. During the year 2012, the programs spent SR 38 Millions and for the year 2013, an amount SR 55 was allocated for this program in the budget.

Twenty one: Company's distinction

TASNEE acquired golden distinction award in social responsibility according to classification of Arab Organization of Social Responsibility The award was delivered in the ceremony which was held in this occasion in Dubai, UAE, on 15 December 2012.

Twenty two: Disclosures and declarations

1- Conflict of Interests

Board of Directors declares that no member of the Board has any direct or indirect interest in the works or contracts concluded in favor of the company and all directors of the Board have no part in any work which may compete with the Company or trade in one of the activity branches it engages in. In addition, the company did not give loans or guarantee any member of the Board for any loan or obligation of whatever kind.

2-Transactions with related parties

There are no contracts with parties related to Board Members, chief executive, vice presidents, financial controller or any of their relatives.

- 3- Based on the information we have, auditors' report , current results and data of the market and future indicators, we declare of the following:
- 3-1 Accounts records were prepare correctly.
- 3-2 Internal audit was prepared on sound bases and executed actively.
- 3-3 There is no doubt that the company can continue its activity.





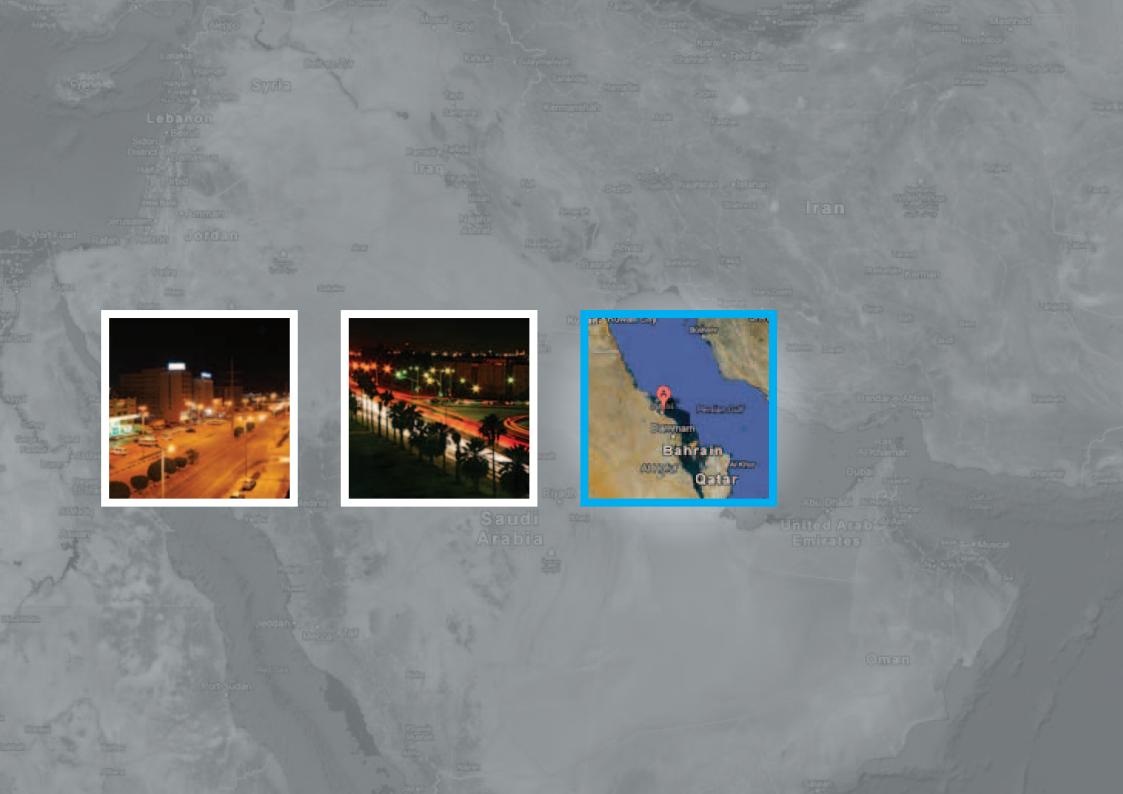
29 Together We Grow

Conclusion:

At the end of our report, Chairman and the Board Members are pleased to present their thanks and appreciation to The Custodian of The Two Holy Mosques King Abdullah Ben Abdulaziz AL Saud and his Crown Prince HRH Prince Salman Ben Abdulaziz AL Saud for their efforts to advance the national industries. We also thank Ministry of Commerce & Industry, Ministry of Petroleum & Mineral Wealth, SAUDI ARAMCO, SIDF, Royal Commission in Jubail & Yanbu, SAGIA, Public Investment Fund, and all other governmental sectors for their continuous support.

Moreover, Chairman and the Board Members present their thanks and appreciation to stockholders of the Company for their precious trust and support, all employees of National Industrialization Group for their fruitful efforts and to our partners and clients in Saudi Arabia and all over the world for their trust and good cooperation.









Speech of the CEO

Chhailinganh Israint Chhailinganh Israint Isra

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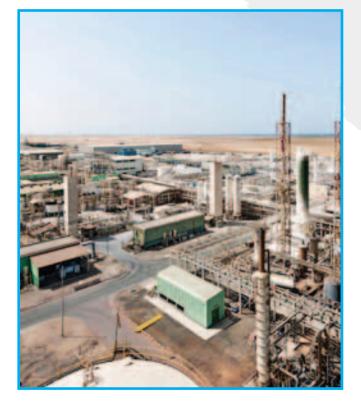
Speech of the CEO

In spite of the world events, atmosphere of uncertainty, low demand of advanced economies and slow down of economic activities of emerging and developing economies, during the last year, TASNEE could accomplish more achievements which we are all proud of at the level of production, operation, making profits or at incorporation and expansion as well as participation at the social responsibility.

At the level of operation and production, TASNEE achieved net profits during 2012 in amount SR 1,763,837,000, while shareholders' equity reached SR 12,067,377,000 with an increase 9.38% during the past year. Company's assets by the end of 2012 reached SR 45,575,346,000 with an increase 14.2% comparing to the last year.

At the level of expansion and incorporation and within projects of Acrylic Acid and its derivatives, we are in the process of completion of mechanical works of the first project of Acrylic Acid which will be completed on 27 March 2013 and the mechanical works of high absorption polymers project which will be completed on 278 September 2013.

In chemicals sector, Cristal Co, signed in June 2012 the agreement of design, installation and construction works of Ilmenite in Jazan which will take (2) years up to 2014 during which the project will go



التصني*: TASNE*



We Grow

into operation with productivity 500 thousand tons with expansion to produce one million ton of Titanium.

TASNEE started its first project in Hail through Al Rowad Co. fully -owned by TASNEE with investments SR 500 Million which are expected to start its works in the first quarter of 2014 and it will provide 350 job opportunities for Saudi nationals in the region.

During 2012, TASNEE performed prominent part at the social responsibility to complete its part which it took over beside its economic part through investment in Saudi Citizen and the interest to educate, care and treat him within complete system of social work which gets over national borders to win the golden prize of Arab social responsibility.

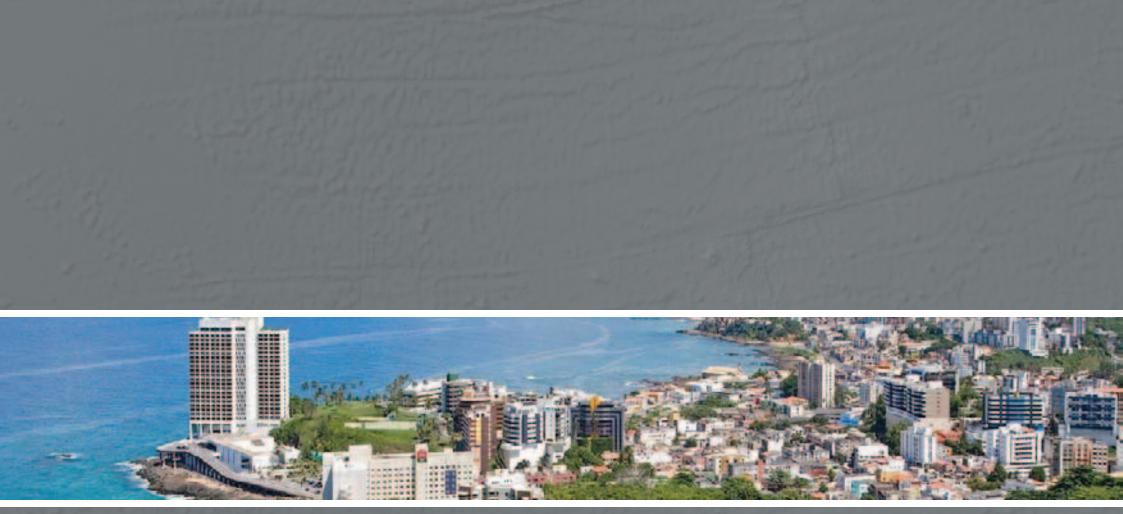
Our ambition and work will continue for this promising entity so that we can all participate to make our products reach more consumers around the world supported with Allah's assistance to us and all colleagues in the Company so that we will gain the confidence of our stockholders and work together for the best of our country.

I can not but thank The Board of Directors for their precious confidence and we wish assistance from Allah.



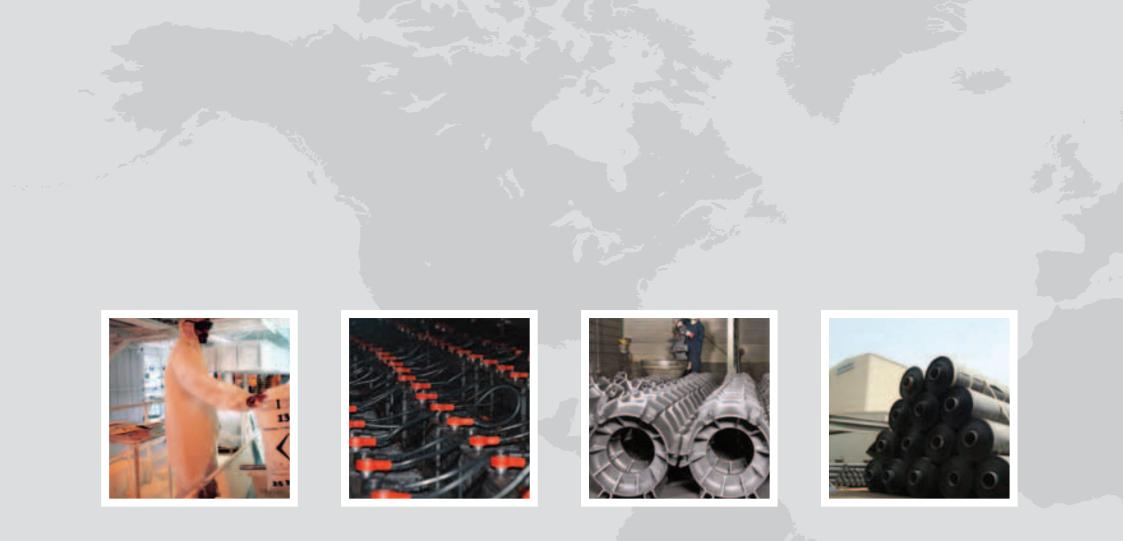
Saleh Fahad Al Nazha





Company Directory

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اکریلیک SPC SEPC Acrylic اکریلیک SPC SEPC Acrylic اکریلیک (RISTAL SPC SEPC Acrylic



Company Directory















الحــمن FAHSS



National Titanium Dioxide Company Ltd. "CRISTAL Global"

Establishment Date	:	20 / 03 / 1409 H	
Major Shareholders	:	National Industrialization Company	66%
		Gulf Investment Corporation	33%
		Dr. Talal Ben Ali Al Sha'er	1%
Objective & Activities	:	Producing Titanium Dioxide pigment and using it ir group of products, like; CRISTAL 100, CRISTAL 113, CRISTAL 122, CRISTAL 128, and CRISTAL 134.	
Products	:	Titanium Dioxide is the major substance used in p plastic, rubber, paper, textile, ceramic tiles, cosmetics, p preparations and other industires.	J
Markets	:	Industrial countries in Asia, Europe, America, Africa, Ara Austrialia.	ab Region and
Location	:	The headquarter is situated in the 16th & 17th floo Tower, King Abdulaziz Street, Beach district, Jeddah.	rs, King Road
		P.O.Box 13586 - Jeddah 21414, Kingdom of Saudi Arabi	a
		Tel.: 02 652 9966, Fax: 02 652 9933	
E-mail	:	info@cristalglobal.com	
Website	:	www.cristalglobal.com	
Location of factory	:	Yanbu Industrial City,	
		P.O.Box 30320, Tel.No.: 321 2800, Fax No.: 396 1018	





TASNEC III

Saudi Polyolefins Company (SPC)

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





TASNEE & SAHARA Olefins Co.

Establishment Date	: 8/4/1427 H.	
Major Shareholders	: National Industrialization Company 60.45%)
	Sahara Petrochemical Company 32.55%)
	General Organization for Social Insurance Est. 7%)
Objective & Activities	 Establishments, managements, operations and acquisition o Petrochemical & Chemical projects, marketing their products and assume all relevant activities 	
Location	: 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.: 01 222 2205, Fax: 01 400 2255	
E-mail	: general@tasnee.com	
Website	: www.tasnee.com	



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TASNEC III

Saudi Ethylene and Polyethylene Company (SEPC)

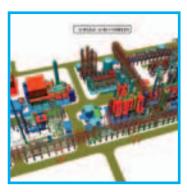
Establishment Date	:	16/4/1427 H.	
Major Shareholders	:	TASNEE & SAHARA Olefins Co.	75 %
		Basell ME Holding Co.	25 %
Objective & Activities	:	Producing million tpa of Ethylene & 285.000 ton of Propylene	e
Products	:	400,000 HDPE	
		400,000 LDPE	
Markets	:	30% Local and GCC countries	
		70% World Market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





Saudi Acrylic Acid Company (SAAC)

Establishment Date	:	4/4/2009.	
Major Shareholders	:	TASNEE & SAHARA Olefins Co.	65 %
		National Industralization Co.	13 %
		SAHARA Petrochemicals Co.	22 %
Objective & Activities	:	Estalblishing, Mannaging, Operating and Acquiring of Ac and its Derivatives Projects.	rylic Acid
Address	:	The Headquarters is situated in Riyadh	
		P.O.Box 26707 - Riyadh 11496, Kingdom of Saudi Arabia	
		Tel.: 01 476 7166, Fax: 01 477 0898	
E-mail	:	general@tasnee.com	
Website	:	www.tasnee.com	



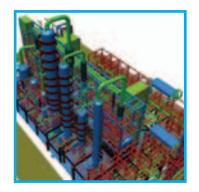


TASNEC التصني⁴³

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Saudi Acrylic Monemers Company (SAMCO)

: 5/7/2009.
: Saudi Acrylic Acids Company (SAAC) 75 %
Dow Chemical Company (Acquired American Rohm & Haas) 25 %
: Producing Acrylic Acid, Row Acrylic Acid, and Beutail Acrylate.
: The Headquarters is located in Jubail Industrial City
P.O.Box 35579 - Al Jubail 31961, Kingdom of Saudi Arabia
Tel.: 03 358 2000, Fax: 03 358 2558
: general@tasnee.com
: www.tasnee.com





National Industrialization Petrochemical Marketing Company

Establishment Date One of TASNEE Affiliates	:	6 / 9 / 1422 H
Objective & Activities	:	Marketing for others, Trading & Distribution agencies, Inspection & Survey Services, Packing Services, and its main activity is Marketing polypropylene and Polyethylene.
Markets	:	Kingdom of Saudi Arabia, Gulf States, India, Pakistan, Iran, Middle East, and Africa.
Location	:	The headquarter is situated Riyadh
		Business Gate, Building C3,
		Cordoba, eastern ring road.
		P.O.Box 26707 - Riyadh 11496, Kingdom of Saudi Arabia
		Tel.: 01 222 2205, Fax: 01 417 4198
E-mail	:	info@tasneemarketing.com
Website	:	www.tasneemarketing.com



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ROWAD National Plastic Company Ltd. "ROWAD"

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



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ROWAD International Comapany For Artificial Membrane Ltd.

Establishment Date One of ROWAD affiliates	:	2006.
Objective & Activities	:	Specialized Industrial Insulation materials.
Products	:	"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.
Markets	:	Kingdom of Saudi Arabia, GCC, most of Middle East, some of Asia, Europe and South Africa countries.
Location	:	Headquarter is located at Second Industrial City in Riyadh
		P.O. Box 29452 Riyadh 11457, Kingdom of Saudi Arabia
		Tel.: +966 1 265 1966, Fax: +966 1 265 1973
		Factory is located at Second Industrial Zone in Dammam
E-mail	:	info@rowadplastic.com
Website	:	www.rowadplastic.com









ROWAD Global Packaging Company Ltd. "ROWAD BOPP Films"

Establishment Date	:	2008	
Major Shareholders	:	Rowad National Plastic Co. Ltd. "ROWAD PLASTIC"	62.5%
		National Industrialization Petrochemical Marketing Co.	37.5%
Objective & Activities	:	Packaging Films.	
Products	:	"ROWAD BOPP Films" core business activities are in manuf the Bi-axially Oriented Polypropylene (BOPP) films for lamination, packaging and coating in a wide range.	5
Markets	:	Kingdom of Saudi Arabia, GCC, most of Middle East, some Europe and South Africa countries.	e of Asia,
Location	:	Headquarter is located at Second Industrial Zone in Riyadh	
		P.O. Box 29452 Riyadh 11457, Kingdom of Saudi Arabia	
		Tel.: +966 1 265 1966, Fax: +966 1 265 1973	
		Factory is located at Second Industrial Zone in Dammam	
E-mail	:	info@rowadplastic.com	
Website	:	www.rowadplastic.com	



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Establishment Date :	08 / 05 / 1413 H	
Major Shareholders :	National Industrialization Company	90%
	Local Partners	10%
Objective & Activities :	Production of automotive and industrial batteries.	
Products :	Trade marked automotive batteries.	
Markets :	Kingdom of Saudi Arabia and the neighbouring count	ries.
Location :	2nd Industrial City 3rd Stage - Riyadh	
	P.O.Box 177 - Riyadh 11383, Kingdom of Saudi Arabia	
	Tel.: 01 265 0019, Fax: 01 265 0057	
E-mail :	nbc@battariat.com	
Website	www.battariat.com	





TASNEC ILI 49



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



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National Operation and Industrial Services Co. (KHADAMAT)

Establishment Date	: 29 / 07 / 1406 H	
Major Shareholders	: National Industrialization Company	88.3%
	Local Partners	11.7%
Objective & Activities	ties : Marketing, Sale and distribution of industrial products, includ car batteries, plastic sheets, imports & exports, trading agencies industrial products, investment in industrial services fields includ environment preservation services, quality services and techn testing.	
Markets	: Domestic & Regional markets.	
Location	: New Aqaria Building	
	First Tower	
	Sitteen Street - Malaz	
Address	: P.O.Box: 86868 Riyadh 11632, Kingdom of Saudi Arabia	
	Tel.: 01 476 2800, Fax: 01 476 0088	
E-mail	: khadamatbp@hotmail.com	







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National Technical Inspection and Testing Ltd Co. (FAHSS)

Establishment Date	:	29 / 07 / 1406 H		
Major Shareholders	:	National Industrialization Co. and Khadamat Co. 74.89	1%	
		TUV NORD International German Co. 25.11	%	
Objective & Activities	:	Provision of industrial services in Testing & Inspection, Calibration & Maintenance, Quality and Environment Management Systems (ISO), Foods Management Services (HACCP) Health & Safety and Information Technology, Environmental Evaluation and Training.		
Services	:	Quality Management Systems (ISO 9001) Environment Management Systems (ISO 1400 Occupational and Heath Safety Systems (OHSAS 18001), Food Safety Management Systems (HACC Technical Inspection and Testing of boilers, compressors, cranes and lifting equipment, inspectior and examination of the safety equipment, providing engineering consultations for qualificative (ASME), performing non-harmonious tests (NDT), measurement and standardization of t measuring equipment and systems, and training on all these services.	IP), on on	
Markets	:	Kingdom of Saudi Arabia.		
Address	:	Head quarter: P.O. Box 3998, Dammam 31481, Kingdom of Saudi Arabia. Tel.: 03 828 1835, Fax: 03 8 1267	28	
E-mail	:	info@fahss.com - sales@fahss.com		
Website	:	www.fahsstuv.com		
Branches	:	Technical Inspection and Testing Branch (FAHSS / TUV AL Jubail) P.O. Box 10771, Al Jubail 31961,		
		Kingdom of Saudi Arabia Tel.: 03 340 7607, Fax: 03 340 7605 E-mail: info@fahsstuv.com		
		Website:www.fahsstuv.co		
		Gulf Lab for Measurements and Standardization (GEMS) P.O. Box 10166, Al Jubail 31961,		
		Kingdom of Saudi Arabia Tel.: 03 341 9453 / 03 341 9452 / 03 341 9451, Fax: 03 341 7628		
		E-mail: info@gems-calibration.com		
		Website: www. gems-calibration.com		







TVU Middle East Company

Establishment Date	:	08 / 03 / 1425 H	
Major Shareholders	:	National Industrialization Co. and Khadamat Co.	74.89%
		TUV NORD International German Co.	25.11%
Objective & Activities:		Providing technical inspection and testing, Quality and Environment Management System Food Safety Management Systems (HACCP), Health & Safety, Information Technology, Envi Evaluation & Training.	,
Services	:	Quality Management Systems (ISO 9001) Environment Management Systems (ISO Occupational and Heath Safety Systems (OHSAS 18001), Food Safety Management Systems (Technical Inspection and Testing of boilers, compressors, cranes and lifting equipment, in: and examination of the safety equipment, providing engineering consultations for qual (ASME), performing non-harmonious tests (NDT), providing specialized training services in technical, engineering and managerial domains though the academy of distinguished let Academy).	(HACCP), spection lification n several
Markets	:	GCC countries and some other Arab countries.	
Location	:	Head Quarter: P.O. Box 26674, Manama, Kingdom of Bahrain	
		Tel.: +973 1 787 7391, Fax: +973 1 787 7392	
E-mail	:	samsonb@tuv-nord.com	
Website	:	www.tuv.me.com	
Branches	:	AbuDhabi Branch: P.O. Box 46030, Abu Dhabi – UAE Tel: +971 2 447 8500, Fax: +971 2 447 8	3600
		E-mail: abudhabi@tuv-nord.com	
		Dubai Branch: P.O. Box 79123, Dubai – UAE Tel: +971 4 345 6431, Fax: +971 4 345 6373	
		E-mail: dubai@tuv-nord.com	
		Qatar Branch: P.O. Box 24922, Doha – Qatar Tel: +974 4 620 186, Fax: +974 4 620 216	
		E-mail: qatar@tuv-nord.com	
		Kuwait Branch: P.O. Box 29643, Al Safat 13157, Kuwait Tel: +965 246 5962, Fax: +965 246 596	54
		E-mail: kuwait @tuv-nord.com	







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National Metal Manufacturing & Casting Co. (MAADANIAH) Listed joint-stock company in TADAWUL

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







National Packing Products Company LTD (WATAN PAC)

Establishment Date	: 19 / 04 / 1404 H		
Major Shareholders	: Asir Company	50.40%	
	National Industrialization Company	42.60%	
	Local Partners	07.00%	
Objective & Activities	ve & Activities : Production and marketing of corrugated cartons.		
Products	roducts : Production of corrugated carton for all sectors and usages.		
Markets	rkets : Kingdom of Saudi Arabia, GCC Countries and Arab Countries.		
Location	cation : 2nd Industrial City - Riyadh		
Address	ress : P.O.Box: 25817 Riyadh 11476.		
	Tel.: 01 265 2211 Fax: 01 265 2483		
E-mail	: info@watanpac.com.sa		
Website	site : www.watanpac.com.sa		







Al Nazha, Chief Executive Officer



The Board of Directors, in its meeting on Monday, 24 December 2012, issued resolution for appointing Eng. Saleh Fahad Al Nazha Chief Executive Officer of the Company as successor of Dr. Moayyed Ben Issa Al Qurtas who prefers to be only Vice Chairman and Board Member.

Eng. Mubarak Abdullah Al Khafrah, Chairman of the Board indicated that Dr. Moayyed Ben Issa Al Qurtas has requested from Board of Directors during the meeting on Monday to release him of the duties of Chief Executive Officer of the Company and he will continue to act as Vice Chairman and Board Member. Al Khafrah added that accordingly the Board agreed to appoint Eng. Saleh Ben Fahad Al Nazha as TASNEE Chief Executive Officer.

Dr. Moayyed congratulated Eng. Al Nazha and wished him success at his future duties. Dr. Moayyed praised Al Nazha's distinctive role in the last years and his participation with the senior management to transfer TASNEE from local to international status.

Eng. Al Nazha praised the trust of the Board of Directors and he expressed his pride of each role and responsibility assigned to him as he thinks of himself as soldier of TASNEE with the honor to serve it and achieve its progress to complete its success course and continuous growth at all levels.

Eng. Al Nazha said: I feel proud for the trust of The Board in me and in the meantime I feel the huge responsibility which I bear, especially I am successor of one of the most prominent chief executive officers in Saudi Arabia and appreciate his efforts to develop and grow the company during the last years. I pray to Allah to grant him success.

Eng. Al Nazha is one of the prominent chief executive officers at Saudi petrochemicals sector. He was born in Hail in 1959 and awarded Bachelor of Chemical Engineering, King Saud University, Riyadh in 1982.

Al Nazha's life is full of parts which he preformed successfully and the duties he engaged in and experiences he acquired as he held many leading positions; the latest is TASNEE President & Chief Operation Officer, since September 2009. Before that position, he was president of TASNEE National Petrochemicals Complex since 2011. Al Nazha joined TASNEE in 1999 as the CEO of Saudi Polyolefins Co., the first of TASNEE projects in petrochemicals and the CEO of Saudi Ethylene and Polyethylene Co. He was Chairman of National Technical Inspection

TASNEC

and Testing Co., Saudi Acrylic Monomers Co., Al Rowad National Plastic Co. and National Industrialization Petrochemicals Marketing Co.

Al Nazha is a board member at National Titanium Dioxide Co. (CRISTAL), Saudi Polyolefins Co, Saudi Ethylene and Polyethylene Co., TASNEE and Sahara Olefins Co., National Metal Manufacturing and Casting (Maadaniyah) and Saudi Acrylic Acid Co.

Al Nazha started his career as Operation Engineer in a SABIC affiliate (Chemia). He held many positions in the Company including production engineer of Poly department, Manager of Polymer Department, Head of Operation Engineering Dept. and Manager of Polymer and Facilities Dept. He moved to National Industrial Gases Co. (Gas), then General Manager of Operation and Maintenance, Eastern Petrochemicals Co. (Sharg) before he moves into TASNEE on 1999.

In order to diversify its financing sources,

TASNEEissues Shariaacompliant instruments



TASNEE succeeded to offer the first program of local Sharia-compliant instruments in amount SR 2 Billions on 21 May 2012 to diversify financing sources to support plan of the Company for expansion. Bulk of demand was SR 5.2 Billions with covering 260%. Period of instruments is 7 years of issuance date with variable return. These instruments are part of special offer to group of investors in Saudi Arabia. A lot of governmental organizations, insurance companies, investment funds, financial banking institutions and companies participated in the offering which reflects the company's financial solvency, trust of investors and the power of Saudi economy.

Board of Directors agreed to the management's plan and financial consultants were appointed to complete the necessary procedures and apply to the competent authorities to take the required consents, define proper times, amounts and conditions for the company plans and business.

SR 5 Billions to finance Acrylic Acid projects TASNEE signed financing agreement with Saudi banks

TASNEE signed an agreements for financing Acrylic Acid projects in Riyadh, on 8th May 2012, with group of Saudi banks: Al Rajhi Bank, Inma Bank, Riyad Bank, Samba Financial Group, Saudi British Bank, Al Saudi Al Fransi Bank, NCB, Saudi Hollandi Bank and Al Jazirah Bank, in the presence of senior officers of TASNEE and Sahara Olefins Co.

The total financing in the agreements which is Sharia-compliant is SR 5 Billions and 85 Millions. This amount will be used to finance the investments of projects of Acrylic Acid and derivatives in TASNEE Petrochemicals Complex in Jubail Industrial City and this is handled by group of companies affiliate to TASNEE and Sahara Olefins Co. with participation of Dow Co. , USA and Evonik Co., Germany. These companies includes Saudi Acrylic Acid Co .Ltd., Saudi Acrylic Monomers Co. Ltd. and Saudi Acrylic Polymers Co. TASNEE owns 52.3% directly and indirectly of Saudi Acrylic Acid Co. and 39% (indirect) of Saudi Acrylic Monomers Co. and Saudi Acrylic Polymers Co.

Period of loans with banks is 16 years and payment shall be paid under biannual installments. Loan agreements were signed with participation of Saudi banks only which reflects trust in the ability of partners to execute these distinctive projects. It is expected that production in the Complex will start in the first quarter of the year 2013.

Eng. Mubarak ben Abdullah Al Khafra, TASNEE chairman, appreciated the great support TASNEE received from its partners

in TASNEE and Sahara petrochemicals Co., and cooperation from international partners in Dow Chemicals and Evonik. Eng. Al Khafra also praised the Saudi Banks participation in financing the project that reflected trust in the national financial sector and the strength of national economy.

Also he referred to the effective participation of the SIDF (Saudi Industrial Development Fund) and the PIF (Public Investment Fund) which assured the ongoing Saudi Government support for the private sector.





It comes in the first three ranks, TASNEE wins the first rank at Environmental Performance Award-2011

TASNEE wins the first rank as the best Environmental Performance for the year 2011 from Royal Commission, Jubail. Eng. Saleh Fahad Al Nazha, Chief Executive Officer, received the Award from Mr. Musaed Ali Al Meser, Chief Executive Officer, Royal Commission, Jubail in the annual celebration held by the Commission with the celebration of International Environment Day on 5th. June 2012 under the slogan "Green Economy". The celebration witnessed delivery of the award to the first three companies, and TASNEE came in the first rank and maintained its place in the first three ranks for the third year consecutively.

TASNEE secured the first rank of the Award at the level of basic industries for its excellence in interest of the environment and its part which confirms its care to the environment in addition to excellence in its industrial works. During the few last years, TASNEE performed distinctive part in its interest of the environment which qualified it to win rank three of the Award of the Royal Commission of Environmental distinction for 2009 and the second rank in 2010 though setting the best systems which ensure the application of environmental systems of Royal Commission. TASNEE was keen to be interested in the environment in addition to the interest in industrial sectors, and it could win ISO 14001 at Environment Management Systems since the start of operation of the petrochemical complex in Jubail Industrial City.





TASNEE sponsors 7th. EUROMONEY Conference, Riyadh

TASNEE sponsored and participated actively in the 7th. EUROMONEY Conference which launched and lasted for two days in Riyadh on 23 May 2012, and it was opened by H.E. Minister of Finance Dr. Ibrahim Al Assaf with participation of group of ministers, senior officials of the state and businessmen in addition to professionals in local and international banking and spokesmen from senior experts and decision makers locally, regionally and internationally.

The Conference at its 7th. edition issues of stability, growth and positions in Saudi Arabia. It presented many important and strategic issues which are important to society and economists, and it attained higher standard of the present and participants who represent large part of economic sectors. Makers of the conference re-design its structure to focus on live meetings with an elite of Saudi and international financial experts. A lot of constructive dialogs and promotion offers which show the growth of Saudi economy and the challenges he confronts.



TASNEE inaugurates projects about SR 500 Millions in Hail

HRH Prince Saud Ben Abdolmohsen Ben Abdulaziz, Governor of Hail, Chairman of the Supreme Authority for Development of the Region, on 14 Nov. 2012, inaugurated many industrial projects for TASNEE in Hail in the presence of HRH Prince Abdullah Ben Khaled Ben Abdullah Al Saud, Deputy Chairman of the Supreme Authority for Development of the Region, Minister of Commerce & Industry, Dr. Tawfik Ben Fawzan Al Rabiaa, Eng. Mubarak Abdullah Al Khafrah, Chairman of TASNEE, Dr. Moayyed Ben Issa Al Qurtas, Vice Chairman, Eng. Saleh Fahad Al Nazha, Chief Executive Officer, Eng./ Ahmed Abdulaziz Al Ohali, Chief Executive Officer of (Sepchem Co.).

Eng. Mubarak Abdullah Al Khafrah, Chairman of the Board, expressed his thanks to HRH Hail Governor for his patronage of the celebration and praised his permanent support and encouragement of the private sector to develop Hail city "The Bride of The North".

Al Khafrah indicated the launch of (4) projects in the region in amount SR 500 millions which include: Agricultural films, water treatment tanks, plastic platforms and Bopp films as he indicated that these projects will be constructed on 100.000 m2 in the industrial area in Hail.

As representative of the Saudi economy,

TASNEE sponsors and participates in Hanover Industries Exhibition

TASNEE, sponsored and participated in Hanover Industries Exhibition, held in Hanover, Germany during the period 23-27 April 2012 with participation of companies from 69 countries. The Exhibition was opened by Mrs Angela Merkel, Chancellor of Germany. The Exhibition witnessed standard participation in many participating companies which was increased by 80% comparing to the last two years as around 5 thousand companies around the world presented the latest inventions of industrial products which aim at sustained development and environment conservation.

TASNEE participated in the exhibition as representative of the Saudi economy under the umbrella of MODON and among a group of pioneering companies which were selected to



represent the Saudi economy. The Saudi stand was opened by Saudi Ambassador in Germany, Dr. Usama Abdulmajeed Shobokshi who praised the Saudi presence in the exhibition. The conference and exhibition were held under the slogan "Green Intelligence" to promote the idea of concentrating of companies on smart integration, organized operations, optimum use of resources and sustained products and this style promises long-term competitiveness. It was found out not only the latest solutions in all industrial technologies, but also group of plans for what will be offered in the future.



In order to achieve more employment safety, TASNEE constructs 367 houses for its staff

TASNEE signed a contract with Rakan Contracting co. and Abdullah Al Meshel General Contracting Co. The contract includes building 367 villas for the staff in Jalmodah district, Jubail Industrial City, using the latest engineering methods. It is planned to complete execution of these housing units within 24 months. The contract was signed by Eng. Saleh Ben Fahad Al Nazha, TASNEE Chief Executive Officer, Eng. Salah M. Al Seleem, General Manager for Rakan Contracting Co., and Abdullah Mubarak Al Meshel from Abdullah Al Meshel General Contracting Co.

Eng. Al Nazha said that this step by TASNEE confirms its interest to achieve its vision, commitment to mission towards employees and to reinforce the benefits provided by the Company to its employees to provide better work environment and achieve their job stability. The infrastructure of the project was prepared with the completion of its first and second phases. It included extensions, roads, lighting and plantation. Projects Department



in TASNEE in coordination with the concerned departments of Royal Commission, Jubail, connect and provide public utilities such as electricity, potable water, connection of sanitary networks to the general network in the city. House possession program in TASNEE will include all Saudi staff on the job.

Nebras organizes class for higher studies students in King Fahad University For Petroleum & Minerals



Within the curriculum of Master students at King Fahad University For Petroleum & Minerals, TASNEE Academy held at Research Center (Nebras) a class during the period from 11- 17 December 2012 at TASNEE Plastic Research Center (Nebras) in Jubail Industrial City.

The class included lectures around petrochemical industries and its outputs along with downstream industries, methods of inspection and analysis of raw materials and plastic products. The crew of scientists and technicians in Nebras taught theoretical and practical lessons about all scientific updates in this industry. The number of participants was 22 students of Master program at all specializations of operations engineering and oil refinement facilities. The program included sight of units of petrochemical industries, thermal formation of plastics and equipments included in analysis and inspection labs in the center.

Al Rowad wins Award of Sustained products and work methods of plastics Industry

Al Rowad National Plastics Co. Ltd. (ROWAD), one of TASNEE affiliates, won the Award of Sustained products and work methods of plastics Industry for its distinction in recycling acid lead batteries during Jebca Plastics Summit , held in Dubai during the period 3-5 April 2012. Eng. Mohammed Zamel Laaboon, General Manager, received the award within a group of awards which honors creative companies and individuals in appreciation for their promising innovations and participations towards sustained development and support of plastic industries sector within the initiatives which aims at aspiration to promising future for the plastic industries sector regionally and internationally.



BATTARIAT honors its distinctive distributors in Saudi Arabia

Within the development of its strong relations and reinforcement of its ties with its distributors in Saudi Arabia, National Batteries Company (Battariat); one of TASNEE affiliates, held a celebration to honor its distinctive distributors in western region of Saudi Arabia on March 17th., 2012 in Movenpick Hotel, Jeddah. The celebration was held in the presence of Mr.



Ahmed Al Othaimin, Managing Director and General Manager of Battariat, Mr. Ibrahim Al Deheish, Managing Director and General Manager of Khadamat, and Eng. Naif Al Degheither, Projects Manager, TASNEE. Winners were honored within the promotional plan of Actron Plus Battery which was launched in the second half of 2011. The celebration included distributors of western region who won cars:

No	Client Names	Car Model	City
1	Hassan Al Yafei (Al Basha) Est.	Toyota-Brado	Jeddah
2	Jawhara Al Tahlia Center	Toyota- Camry	Makkah
3	Mohammed Thabet Al Yafei Est.	Toyota-Corolla	Jeddah
4	Fadaq Stores	Hyundai-Accent	Jeddah
5	Abdullah Al Amri	Hyundai-Accent	Jeddah

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National Industrialization Co. signs 25 agreements in the field of social responsibility



Eng. Saleh Al Nazha among the charities executives after signing

TASNEE signed 25 agreements in the field of social responsibility with a group of active Charitable Societies in Saudi Arabia. TASNEE provided financial support for societies exceeding SR 10 Millions.

This was done during the celebration held by the Company in this occasion in Equestrians' Club, Riyadh, in the presence of Eng. Saleh Fahad Al Nazha, Chief Executive Officer of the Company and representatives of the concerned societies.

After signing the agreements, Eng. Al Nazha expressed his happiness of what has been provided to society and he confirms the Company's commitment towards programs of social responsibility.

Eng. Al Nazha said: "TASNEE's programs of social

responsibility have clear attitude and they include a number of sectors such as education, health and general social programs. He indicated that the Company crowned its distinction of society service through winning the first rank and the Golden Award in the field of social responsibility according to classification of Arab Organization.

Eng. Al Nazha continued: We are proud that we are active in serving civil society which we belong to as TASNEE cares to execute distinctive programs of social responsibility through the concerned authorities and societies or through programs which reflect our care to achieve the benefit of the Saudi national, support their rehabilitation, training, awareness and treatment through programs of training, rehabilitation, health programs, support cultural and sporting events within a strategy which aims at presence in all Saudi regions with concentration on the needy places. Eng. Al Nazha ended his statement saying: TASNEE provides distinctive model for investment in Saudi nationals through serving the society out of its gratitude of the society's favor to the Company through which it succeeded in many fields.



The societies which signed with TASNEE are:

Health Charitable Society for Patients' care (Inaya) (SR 1 Million), Ihsan Medical Charitable Society, Jazan (SR 1 Million), Charitable Society For Memorization of Quran (SR 1 Million), Saudi Diabetes Society, Riyadh (SR 1 Million), Zamzam Health Service Society (SR 500 thousand), Charitable Society For Learning Difficulties (SR 500 thousand), Rikaz For Good Manners (SR 500 thousand), Cultural Attaché, Saudi embassy, UAE, The 4th. Creativity Meeting of Saudi Students (SR 400 thousand), Bonian Women Charitable Society for Family Development (SR400 thousand), Productive Families Society (SR447 thousand), Charitable Society For Marriage and Family Care, Madinat (SR 300 thousand), Charitable Society of Health Education (SR 300 thousand), Charitable Society For Care of Orphans (INSAN) (SR 250 thousand), Al Jubail Charitable Society (SR 250 thousand) Charitable Society, Mastoura (SR 250 thousand), Princess Nora Bint Abdulrahman University (SR 230 thousand), international Center For Researches & Studies (MIDAD) (SR 220 thousand), Tafseer Center For Quran Studies (SR 200 thousand), villages Charitable Society, Ashwag, (SR 200 thousand), Coordination Council Between Charitable Societies (Tanseeg) (SR 199 thousand), Social Development Society, Hail (SR 150 thousand), World Body of Scientific Miracles in Quran and Sunna (SR 105 thousand), Social Development Committee, Hail (SR 150 thousand), Sudanese Plan Society (SR 100 thousand).

TASNEE is considered one of the first companies which allocated 1% of its profits to support program of social responsibility out of its belief in the importance of its social part towards society knowing that many companies followed the same attitude.

TASNEE supports 180 Charitable Societies with (SR 3.5 Millions)

TASNEE gave donation of SR 3.5 Millions as support of charity inside Saudi Arabia. TASNEE support included (180) societies of charity, health care, prisoners' rehabilitation, education offices and societies of



Quran memorization in 13 regions inside Saudi Arabia.

Eng. Mubarak Abdullah Al Khafrah, Chairman of TASNEE, confirmed TASNEE's care to be present at all Saudi regions to perform its social part and responsibility through defined set of standards to serve the society. TASNEE selected that time of the year to support Charitable Societies with the coming of Eid Al Fitr, the new year and in this period the activity of societies increases which increases its need for support and care. To reduce the suffering of 5000 families from winter coldness and with (SR 2 Millions),

TASNEE supports campaign of distributing blankets to the needy families in the North of Saudi Arabia

TASNEE adopted the initiative to distribute more than 25000 single and double blankets to the needy and poor families in villages and cities of Hail, Hafral Batin, Skaka, Arar, Qurayat and Turaif to reduce the suffering of the needy families in Hail & northern regions due to the cold wave in January 2012 out of support and sympathy with those people.

In order to reach the needy families actively through comprehensive database to ensure that support reached to the needy, TASNEE signed cooperative and partnership agreement with the International Symposium of Islam Youth, signed by Eng./Saleh Fahad Al Nazha, Chief Executive Officer, TASNEE and Dr. Saleh Sulaimn Al Wihibi, Secretary General of The International Symposium. Through the agreement, TASNEE supported the campaign of distribution of blankets against (SR 2 Millions) to be used to reduce the suffering of more than 5000 poor families; 5 blankets for each family provided from national production, and at the same time TASNEE could benefit from the experience of The International Symposium and the spread of its offices in the regions to be supported. Caravan of 15 trucks launched from Riyadh and were distributed through the Symposium offices in the target regions.







TASNEE Offers products of 100 families in 26 commercial centers in Riyadh



TASNEE supervised the participation and distribution of 100 Saudi producer families in 26 commercial centers in Riyadh Festival For Shopping & Amusement in 1433H through support and provision of all facilities related to their products and provide them with the opportunity to offer their products to the public during the festival with

view to secure an important economic source to it.

Some ladies of the producer families who participated in the festival indicated that they received invitations to attend similar exhibitions in both UAE and Bahrain. Om Abdulrahman who draws on cloth, designs clothes and draws on leather that fabrics differ between silk, cotton etc., while the prices of its products differs from one product to another. She added that there are offers from UAE and Bahrain to participate in its exhibitions.

Sarah Al Deribi, fashion designer, indicated that children's orders (Qarqiaan) was the highest demand during the festival and she received an invitation to Okaz Festival in Jeddah and another festival in Bahrain in addition to her participation in Al Hokair Land and Panorama Commercial Center.

For SR 500 thousand and for the second year consecutively,

TASNEE supports Zamzam chairs for dialysis

TASNEE signed an agreement with Zamzam Society for volunteer health services, Makkah, through which TASNEE supports the operation of two chairs for dialysis for the needy families in amount SR 500 thousand for one full year during which more than 1900 operations were conducted.

In this occasion, Assistant General Manager of Zamzam Society for Volunteer Health services, Mr. Fahad Mohammed Al Zahrani, expressed his happiness for TASNEE's support of dialysis program of the society and he confirmed that TASNEE participates to support charity projects of the Society which includes many fields.



Al Zahrani indicated that partnership with TASNEE participates to push the course of medical, protective and qualifying projects provided by the Society to the needy through its branches and caravans and he indicated that the Society seeks through its different programs to provide medical, surgical and qualifying care to the poor patients as thousands of needy patients benefit from programs of the Society since its incorporation up to this day.

According to the classification of Arab Organization For Social Responsibility,

TASNEE wins the Golden Distinctive Award of Social Responsibility in 2012

TASNEE won the Golden Distinctive Award of Social Responsibility according to Arab Organization For Social Responsibility in the celebration held by the Organization for delivery of awards in Dubai, UAE, on 15 December 2012 in the presence of group of Arab characters and representatives of chambers of commerce and industry and companies of the private sector , businessmen and organization of civil society in the Arab world. In this occasion, Eng. Mubarak Abdullah Al Khafrah, Chairman of the Board in TASNEE, received the Award and Golden Shield from Mr. Pierre Macarzel, President of Arab Organization of Social Responsibility.



Eng. Al Khafrah said in his comment: "Winning the Award reflects what is provided by TASNEE and its interest towards social responsibility on the Arab level after its distinction in this activity locally, TASNEE participated and encourages its employees to participate in the campaign of support of Somali brothers, and the campaign of support of Palestinian brothers in Gaza and lately campaign of support of Syrian brothers.

TASNEE supports Kafif with SR 400 thousand



Blind Charitable Society in Riyadh (KAFIF), received support from TASNEE in amount (SR 400 thousand) under the cooperation agreement between both parties and TASNEE supports many developing projects of the Society.

Chairman of the Society, Dr. Nasser Al Mussa, praised TASNEE's support as he said: Personally and on behalf of all personnel and beneficiaries of Blind Society, I thank TASNEE for this support and I am not surprised as their charitable hands were provided to a lot of charity associations all over Saudi Arabia and at the same time he appealed companies and banks to support the blind through providing the required equipments.

General Manager of the society, Dr. Abdullatif Ben Mohsen, asserted: the Blind need trust and completion of missing requirements so that they can move to participate actively in building the society.

This donation amount from TASNEE will be used to provide vehicle to transport the blind from and to Society, and execute many training programs of computer, Brille for reading and orientation and movement for the blind of both sexes.

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69 Together We Grow

TASNEE sponsors The First Meeting of Employment and Business for the People with Special Needs

TASNEE sponsored the First Meeting of Employment and Business for the People with Special Needs which was held in Prince Sultan Ben Abdulaziz Center for Science & Technology, eastern region, during the period 3-5 April 2012 under the patronage of Prince Abdulaziz Ben Mohammed Ben Fahad. The meeting was arranged by Nama Al Dorar of Volunteer work society under the logo "Limitless Donations" with view to complete the Saudi pioneering part to serve the people of special needs, push the economic and social development wheel to raise their living standard and offer the job opportunities to select what is proper to their disability.

The meeting included many proceedings such as: Exhibition of companies interested in employment, offer of the training opportunities, offer of the support systems of the people with special needs, offer of industries and handworks of people with special needs, many lectures on the people with special needs, workshop for the related parties such as Ministry of Health & Social Affairs, Ministry of Labor, Sub-municipality of eastern region as well as other companies. For the second year consecutively, TASNEE is the formal exclusive sponsor of the 2nd. Exhibition of Social Responsibility

TASNEE sponsored the 2nd. Exhibition of Social Responsibility , which was held under the patronage of HRH Prince Faisal Ben Salman Ben Abdulaziz, Chairman of Social Responsibility Council, in Intercontinental Hotel, Riyadh, during the period 15-17 April 2012 and it was sponsored by TASNEE for the second year consecutively. TASNEE sponsored the first copy of the Exhibition in the last year and it witnessed in its two copies distinctive presence from

companies, governmental bodies as well as all stakeholders in civil society organization, media and specialized researchers.

The Exhibition aimed at building communication ties between the private sector corporations, social and charitable sector and the concerned bodies as the Exhibition provides companies with the opportunity to present its experiments in the field of social responsibility and identify the society's most important needs of sustained development projects and cooperate with the governmental bodies to execute them in addition to present the German experiment in social responsibility.



To accredit 10.000 Gulf inventors, TASNEE is the platinum sponsor of Gulf inventors 2012

TASNEE sponsored the first gulf campaign for inventors (Gulf Inventors- 2012) which was launched on September 1st., 2012 to concentrate on gulf young men and women to prepare them as qualified inventors to enter in to the market with their projects to be pioneers of invention in Arab Gulf. The campaign was executed by Astarlab Center and organized by Union of Chambers of GCC Countries under direct support from King Abdulaziz City For Science & Technology, academic care from the United Nations and cooperation with Saudi Council of Chambers.

The campaign aimed at accreditation of 10.000 gulf investors to participate in the support of cognitive economy, build promising future for gulf countries, develop pioneering works and investment opportunities in technology, explore the capabilities, develop the skills of young gulf talents in innovation, integrate academic and search efforts with the private sector corporations, reinforce the culture of invention, redefine the concept of social responsibility, update sustained interactive channels to enable active developing initiatives. (48) Exclusive public proceedings were executed to spread the ideas of the campaign, training suitcases between the concerned youth and train them to use its instruments so that they can pass the test (Invention License).



Mohannad Abu Daya, Astarlab President.

For the 4th. time consecutively, TASNEE is the official sponsor of Hail International Rally 2012

TASNEE participated as official sponsor of the proceedings of Hail International Rally 2012 whose seventh edition was held during 21-23 March 2012, Hail, Saudi Arabia.

TASNEE supported the Rally with amount SR 500.000 for the diamond patronage of the Rally. The patronage included this year TASNEE's care of the proceeding of public market of producer families through making 50 partitions for marketing the products of producer families in the region which enables TASNEE to address the public and provide special services to them such as anti-smoking clinic and provide group of education lectures to young men.

This is the fourth time consecutively in which TASNEE sponsors Hail International rally which forms an economic, social and tourist value for Hail people. TASNEE supported the racer Tariq Saleh Al Rimah, one of the team of desert knights and who participates in Hail rally according to Saudi laws of motor races, with fully-equipped vehicle according to conditions of the race and FIA international standards.

Both parties signed an agreement to arrange their rights and ensure providing modern vehicle with full equipments which joined the rally under the name "TASNEE team" along with defining specifications of the race team, technical and maintenance teams.





'ogether We Grow

Through its affiliate company (FAHSS), **TASNEE qualifies the first Charitable Society to** get ISO in eastern region

be awarded ISO 9001.

The agreement was signed in the society's location at Dammam Faisaliah in February 2012. The agreement was signed by Dr. Mohammed Al Abdulgader, WEAM General Manager and Mr. Jamal Al Beijan, Chief Executive Officer, FAHSS and TUV, Middle East. This is considered the first step of its kind in eastern region to qualify Charitable Society to be awarded ISO. This agreement is part of serious steps taken by TASNEE and

National Technical Inspection & its sister companies to perform a positive part Testing Co. (FAHSS), one of TASNEE in serving Saudi society and support of social affiliates, signed an agreement responsibility programs. Accordingly, TASNEE with Charitable Society of Family and its companies provide unique model to Care, Dammam, (WEAM) through support charity works trough qualifying some which FAHSS will qualify WEAM to associations to be awarded ISO certificates which makes new future of charity associations, increase professionalism and perfection.



It signed an agreement with Charitable Society For Anti-Smoking (Naga), **TASNEE** provides mobile clinic and exhibition for treatment of smokers

TASNEE signed cooperation agreement with Charitable Society For Anti-Smoking (Naga) to establish mobile

clinic and exhibition for anti-smoking which coincides with the World Dav for Anti-smoking on 31 May of every year. The Society received check in amount SR 2 Millions as costs of the project. TASNEE donated



two new buses, Hyundai (50 passengers) which will be professionally transferred to clinic including recent medical systems with high capacity to stop smoking along with an exhibition which includes monitor, manuals, brochures about dangers of smoking.

This agreement is the second experiment of TASNEE after the success of its first experiment with KAFA Society in eastern region.





Indonesia

Banda Sea



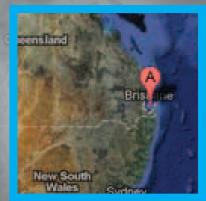
apua New Guinea

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The Consolidated Financial Statements and Auditors' Report for the Year Ended December 31, 2011

The Consolidated Financial Statements and Auditors' Report for the Year Ended December 31, 2012

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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 2012 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 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 2012 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 bye-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: 13 Rabi Thani 1434H (February 2013 23)

CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31, 2012 (SR'000)

	Note	2012	2011
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	4	6,455,713	4,636,675
Accounts receivable	5	3,855,066	4,140,320
Inventories	6	5,514,485	3,692,54
Prepayments and other current assets	7	622,990	391,013
TOTAL CURRENT ASSETS		16,488,254	12,860,558
NON-CURRENT ASSETS			
Investments in available for sale securities	9	571,201	337,489
Investments in associated companies and others	10	457,458	471,62
Property, plant and equipment	11	17,746,115	17,830,489
Projects under progress	12	5,850,145	4,105,03
Intangible assets	13	3,608,429	3,569,12
Other non-current assets	14	853,744	753,25
TOTAL NON-CURRENT ASSETS		29,087,092	27,067,02
TOTAL ASSETS		45,575,346	39,927,579
	· · ·		
LIABILITIES AND EQUITY CURRENT LIABILITIES			
Short term facilities and murabaha	15	828,571	3,387,118
Accounts payable	16	1,341,924	1,027,61
Accrued expenses and other current liabilities	17	1,803,792	1,737,50
Current portion of long term loans	19	2,414,854	1,586,77
Current portion of deferred gains on sale and leaseback transactions	20	28,066	28,06
Current portion of obligations under capital leases	21	187,500	187,50
TOTAL CURRENT LIABILITIES		6,604,707	7,954,58

CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31, 2012 (SR'000)

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	Note	2012	2011
NON-CURRENT LIABILITIES			
Sukuk and long term loans	19	16,935,194	11,363,330
Derivative financial instruments	26	126,351	411,491
Deferred gains on sale and leaseback transactions	20	35,082	63,148
Obligations under capital leases	21	656,250	843,750
Employees' terminal benefits		209,839	170,371
Other non-current liabilities	22	1,398,420	1,344,472
TOTAL NON-CURRENT LIABILITIES		19,361,136	14,196,562
TOTAL LIABILITIES		25,965,843	22,151,142

EQUITY

SHAREHOLDERS' EQUITY

Share capital	23	6,689,142	5,574,285
Share premium	23	-	796,491
Statutory reserve		917,063	740,679
Retained earnings		4,665,194	4,232,250
Unrealized gains (losses) on revaluation of investments in available for sale securities	9	31,535	(22,177)
Other reserves	26	(235,557)	(298,702)
TOTAL SHAREHOLDERS' EQUITY		12,067,377	11,022,826
Minority interest		7,542,126	6,753,611
TOTAL EQUITY		19,609,503	17,776,437
TOTAL LIABILITIES AND EQUITY		45,575,346	39,927,579

45,575,346

CONSOLIDATED STATEMENT OF INCOME

FOR THE YEAR ENDED DECEMBER 31, 2012 (SR'000)

	Note	2012	2011
Sales		17,921,025	19,648,743
Cost of sales		(12,352,228)	(12,657,082)
GROSS PROFIT	-	5,568,797	6,991,661
Selling and marketing expenses	27	(720,035)	(779,983)
General and administrative expenses	28	(754,751)	(817,413)
Company's share in net income of associated companies	10	16,644	12,703
INCOME FROM MAIN OPERATIONS	-	4,110,655	5,406,968
Other income, net	30	249,355	80
Financial charges	15,19	(793,826)	(692,656)
NCOME FROM CONTINUING OPERATIONS	-	3,566,184	4,714,392
Provision for costs of discontinued operations	31	-	(758)
NCOME BEFORE ZAKAT, INCOME TAX AND MINORITY INTEREST		3,566,184	4,713,634
Zakat and income tax of subsidiaries	18	(469,571)	(539,393)
Minority interest		(1,312,687)	(1,725,751)
NCOME BEFORE ZAKAT	-	1,783,926	2,448,490
Zakat	18	(20,089)	(7,067)
NET INCOME FOR THE YEAR	-	1,763,837	2,441,423
Earnings per share for the year (SR)	32		
Attributable to:			
ncome from main operations	_	6.15	8.08
Net income for the year	-	2.64	3.65

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2012 (SR'000)

	2012	2011
OPERATING ACTIVITIES		
Net income for the year	1,763,837	2,441,423
Adjustments for:		
Minority interest	1,312,687	1,725,751
Depreciation and amortization	1,392,022	1,325,743
Amortization of deferred gains (note 20)	(28,066)	(29,625)
Company's share in net income of associated companies, net (note 10)	(16,644)	(12,703)
Impairment of assets (note 29)	12,883	120,375
Provision for costs of discontinued operations	-	758
Employees' terminal benefits	39,468	29,980
Cash from operations	4,476,187	5,601,702
Changes in operating assets and liabilities:		
Accounts receivable, prepayments and other current assets	13,283	(776,916)
Inventories	(1,821,941)	(806,534)
Other non-current assets	(100,488)	12,830
Accounts payable, accrued expenses and other current liabilities	380,593	378,813
Other non-current liabilities	53,948	222,922
Net cash from operating activities	3,001,582	4,632,817
INVESTING ACTIVITIES		
Purchase of available for sale securities	(180,000)	(292,441)
Investments in associated companies and others, net	30,808	(71,207)
Additions to property, plant and equipment, net	(1,022,538)	(1,040,348)



TASNEC

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2012 (SR'000)

	2012	2011
Projects under progress, net	(1,954,509)	(3,060,192)
Intangible assets, net	(170,127)	(99,814)
Disposal of property, plant and equipment	42,234	79,407
Net cash used in investing activities	(3,254,132)	(4,484,595)
FINANCING ACTIVITIES		
Short term facilities and murabaha, net	(2,558,547)	1,356,371
Sukuk, long term loans and derivative financial instruments	6,177,949	99,255
Obligations under capital leases	(187,500)	(187,500)
Dividends paid	(836,143)	(499,028)
Minority interest	(524,172)	(166,758)
Net cash from financing activities	2,071,587	602,340
INCREASE IN CASH AND CASH EQUIVALENTS	1,819,038	750,562
Cash and cash equivalents at the beginning of the year	4,636,675	3,886,113
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	6,455,713	4,636,675
NON-CASH TRANSACTIONS:		
Increase in share capital (note 23)	1,114,857	506,753
Utilized from share premium (note 23)	(796,491)	(506,753)
Transferred from retained earnings to share capital increase	(318,366)	-
Other reserves	63,144	(22,355)
Unrealized gains on revaluation of investments in available for sale securities	53,712	(149,136)
Projects under progress transferred to property, plant and equipment	209,402	84,305



CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED DECEMBER 31, 2012 (SR'000)

Shareholders' equity										
	Note	Share capital	Share premium	Statutory reserve	Retained earnings	Unrealized gains (losses) on revaluation of investments in available for sale securities	Other reserves	<i>Total</i> shareholders' equity	Minority interest	Total equity
Balance at 31 December 2010		5,067,532	1,303,244	496,537	2,543,722	126,959	(276,347)	9,261,647	5,194,618	14,456,265
Transfer to share capital	23	506,753	(506,753)	-	-	-	-	-	-	-
Net income for the year		-	-	-	2,441,423	-	-	2,441,423	-	2,441,423
Net movement during the year		-	-	-	-	(149,136)	-	(149,136)	1,558,993	1,409,857
Transfer to statutory reserve	23	-	-	244,142	(244,142)	-	-	-	-	-
Dividends paid		-	-	-	(506,753)	-	-	(506,753)	-	(506,753)
Board of directors' remuneration	24	-	-	-	(2,000)	-	-	(2,000)	-	(2,000)
Net movement during the year from:										
- Cash flow hedges	26	-	-	-	-	-	51,598	51,598	-	51,598
- Foreign currency translation adjustments	26	-	-	-	-	-	(75,077)	(75,077)	-	(75,077)
- Pension liability adjustments	26	-	-	-	-	-	1,124	1,124	-	1,124
Balance at 31 December 2011		5,574,285	796,491	740,679	4,232,250	(22,177)	(298,702)	11,022,826	6,753,611	17,776,437
Transfer to share capital	23	1,114,857	(796,491)	-	(318,366)	-	-	-	-	-
Net income for the year		-	-	-	1,763,837	-	-	1,763,837	-	1,763,837
Net movement during the year		-	-	-	-	53,712	-	53,712	788,515	842,227
Transfer to statutory reserve	23	-	-	176,384	(176,384)	-	-	-	-	-
Dividends paid		-	-	-	(836,143)	-	-	(836,143)	-	(836,143)
Net movement during the year from:										
- Cash flow hedges	26	-	-	-	-	-	51,535	51,535	-	51,535
- Foreign currency translation adjustments	26	-	-	-	-	-	725	725	-	725
- Pension liability adjustments	26	-	-	-	-	-	10,885	10,885	-	10,885
Balance at 31 December 2012		6,689,142	-	917,063	4,665,194	31,535	(235,557)	12,067,377	7,542,126	19,609,503

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT 31 DECEMBER 2012

1. ORGANIZATION AND ACTIVITIES

National Industrialization 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 1404 (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 the assets, the liabilities and the results of operations of National Industrialization Company and its subsidiaries (the "Group"). 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 on 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:

		TAS	SNE C	33 Together We Grow
		Owners	ship (%)	Ę
npany's name	Legal form	2012	2011	μ
owad) and its subsidiaries (1)	Limited liability	100	100	
nemical Marketing Co.	Limited liability	100	100	
lvancement Ltd. Company	Limited liability	100	100	-
chemical Technology	Limited liability	100	100	
ny for Industrial Investments	Limited liability	100	100	
and Industry	Limited liability	100	100	
lization Company	Limited liability	100	100	
Il Services Co. (Khadamat)	Limited liability	88.33	85	
	Limited liability	90	80	
	Limited liability	75	75	
Rassas) and its subsidiary (2)	Limited liability	74.90	74.90	

Company's name	Legal form	2012	2011
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 Operation and Industrial Services Co. (Khadamat)	Limited liability	88.33	85
National Batteries Co. (Battariat)	Limited liability	90	80
Saudi Polyolefins Co.	Limited liability	75	75
National Lead Smelting Ltd. Co. (Rassas) and its subsidiary (2)	Limited liability	74.90	74.90
The National Titanium Dioxide Ltd. Co. (Cristal) and its subsidiaries (3)	Limited liability	66	66
TASNEE and Sahara Olefins Co. and its subsidiaries (4)	Saudi joint stock	60.45	60.45
Saudi Acrylic Acid Company Ltd. Co. (SAAC) (4)	Limited liability	52.29	52.29
National Inspection and Technical Testing Co. Ltd. (Fahs)	Limited liability	69.73	68.26
TUV – Middle East	Limited liability	69.73	68.26

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

Al-Rowad National Plastic Co. owns 70% and 50% of equity interest in Rowad International Geosynthetics Co. Ltd. and Rowad Global Packing Co. Ltd. respectively, which are Saudi Limited Liability Companies registered in Riyadh.

(2) National Lead Smelting Co. (Rassas)

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

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

The National Titanium Dioxide Company Limited (Cristal) is a Saudi Limited Liability Company with its head office based in Jeddah.

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

The main objectives of the Company and its subsidiaries are the production and marketing of Titanium Dioxide.

(4) TASNEE and Sahara Olefins Co.

TASNEE and Sahara Olefins Co. owns 75% of equity interest in Saudi Ethylene and Polyethylene Company, which is a Saudi Limited Liability Company registered in Al-Jubail.

TASNEE and Sahara Olefins Co. owns 65% of equity interests in Saudi Acrylic Acid Company, which is a Saudi Limited Liability Company registered in Riyadh, with a capital amounting to 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 amounting to SR 1,084 million.

During the year ended 31 December 2012, Saudi Polymor Arcylic Company (a Saudi Limited Liability Company in which a company holds 75% of equity) has been established at Jubail Industrial City, with a capital of SR 416.4 million. These companies have not commenced their operations yet as at the consolidated balance sheet date.

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 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 year. 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, bank balances 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.

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 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 decline 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.

Interest 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.

Investment in a jointly controlled entity is presented in the consolidated financial statements under investments in associated companies and others

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 there is no readily available market exists, less any other than temporary decline in value. These investments are classified as non-current assets.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment in value except for land and capital

expenditures in progress which are stated at cost. Expenditure on maintenance and repairs is expensed, while expenditure for improvement is capitalized. Depreciation is calculated over the estimated useful lives of the applicable assets using the straight-line method.

Leasehold improvements are amortized on a straight-line basis over the shorter of the estimated useful life of the improvements or remaining 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	30-33
Machinery and equipment	5-20
Tools	4-14
Office furniture, fixtures and 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 re-measured and reported in the consolidated financial statements at carrying value, adjusted for impairment in 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 benefit. These costs are amortized as of the date of the commencement of the commercial operations using the straightline method over the shorter of the estimated useful life or 7 years.

Computer softwares

Computer softwares operation costs are amortized using the straightline 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 period 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.



Deferred debt issue costs

Deferred debt issue costs are amortized using the straight line method over the term of the related debt.

Other intangible assets

Other intangible assets, consist primarily of trademarks, know-how 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 of Cristal and inorganic Chemicals, a subsidiary of Cristal (a subsidiary), which is considered an intangible asset with indefinite life and is not being amortized but instead, annually is measured 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 agreement.

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 cost is charged directly to the consolidated statement of income.

Impairment

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.

Payables 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 meeting of shareholders.

Provisions

Provisions are recognized in the consolidated balance sheet when an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and can be reliably measured

Zakat and income tax

Zakat

Zakat is provided in accordance with the Regulations of the Department of Zakat and Income Tax (DZIT) in the Kingdom of Saudi Arabia and on an accrual basis. The provision is charged to the consolidated statement of income. Differences, resulting from the final assessments are adjusted in the year of their finalization.

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 and, 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 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 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 equity is included in the initial measurement of the asset or liability. For hedges that do not result in the 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 equity is retained in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognized in equity is transferred to 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 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.

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 interest

Minority interest 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

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. All differences are taken to 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 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

	2012 SR'000	2011 SR'000
Bank balances and cash on hand	3,008,842	2,337,973
Short term deposits and murabaha	3,446,871	2,298,702
	6,455,713	4,636,675

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. ACCOUNTS RECEIVABLE

	2012 SR'000	2011 SR'000
Trade accounts receivable	2,341,688	2,626,643
(Amounts due from related parties (note 8	1,604,585	1,599,991
Less: provision for doubtful debts	(91,207)	(86,308)
	3,855,066	4,140,326

6. INVENTORIES

	2012 SR'000	2011 SR'000
Finished goods	2,722,681	1,637,738
Raw materials	1,609,830	998,186
Spare parts	632,002	564,100
Work in progress	554,825	453,762
Goods in transit	197	40,700
	5,519,535	3,694,486
Less: Provision for slow moving inventories	(5,050)	(1,942)
	5,514,485	3,692,544

7. PREPAYMENTS AND OTHER CURRENT ASSETS

	2012 SR'000	2011 SR'000
Non-trade receivables	254,725	143,676
Prepaid expenses	158,517	138,912
Employees' receivables	89,961	44,478
Advances to suppliers	127,245	26,314
Other assets	32,542	37,633
	662,990	391,013

8. RELATED PARTY TRANSACTIONS AND BALANCES

Saudi Polyolefins Company and Saudi Ethylene and Polyethylene Company (both subsidiaries) have signed a marketing and sales agreement with their foreign partner (Bassel Company) (referred to as the "marketer"), whereby he has agreed to market the Companies products at pre-agreed prices in accordance with the agreement. The agreement specifies the marketing responsibilities, quantities to be marketed by the marketer, geographical territories in which the products are to be sold, the price calculation formula, payment terms and other obligations.

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

		Amount of	transaction
Related party	Nature of transaction	2012 SR'000	2011 SR'000
Affiliate Amounts due from related partie	Sales to the marketer s as at 31 December are as follows:	4,690,412	5,655,436
	Bassel International for Trading (F.Z.E)	684,909	406,532
	Bassel Asian Pacific Company	723,770	887,383
	Bassel for Sales and Marketing Company	180,012	297,677
	Oasis for Chemicals Company	15,894 8,399	
		1,604,585	1,599,991

Amounts due from / to related parties are shown in notes 5 and 16, respectively.

9. INVESTMENTS IN AVAILABLE FOR SALE SECURITIES

This represents the Groups' investments in local quoted companies for an amount of SR 393,182 thousands (2011: SR 207,405 thousands) and international companies for an amount of SR 178,019 thousands (2011: 130,084 thousands).

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

	2012 SR'000	2011 SR'000
Cost:		
At the beginning of the year	359,666	67,225
Additions	180,000	292,441
At the end of the year	539,666	359,666
Unrealized gains (losses):`		
At the beginning of the year	(22,177)	126,959
Unrealized gains (losses) during the year	53,712	(149,136)
At the end of the year	31,535	(22,177)
Net book value	571,201	337,489



10. INVESTMENTS IN ASSOCIATED COMPANIES AND OTHERS

Investments in associated companies and others as at 31 December were as follows:

	Ownership Percentage		2012	2011
	2012	2011	SR'000	SR'000
National Metal Manufacturing and Casting Co. (Maadania)	35.45	35.45	126,798	124,713
National Packing Products Co. Ltd (Waten-Pac)	42.6	42.6	32,270	31,079
TASNEE and SAIC Polyol and Derivatives Company (*)	50	50	70,000	70,000
Total investments in associated companies			229,068	225,792
Add: other investments			228,390	245,830
Total investments in associated companies and others			457,458	471,622

(*) During the year ended 31 December 2011, the Company and Saudi Advanced Industries Co. established TASNEE and SAIC Polyol and Derivatives Company (with an ownership of 50% each), a Saudi Limited Liability Company registered in Rabigh with a capital of SR 140 million.

The main objectives of the company is the production of polyether - Polyol, which is used in the production of Polyurethane used in manufacturing furniture, automotive and thermal insulation materials. The project will be established at Petro Rabigh site, at Rabigh City.

As at 31 December 2012, the partners of the company have decided to reduce the company's capital to SR 30 million, since this is in excess of the company's requirements at present – the difference will be repaid to the partners after the completion of the legal formalities of the capital reduction. The movement of investments in associated companies and others was as follows:

	2012 SR'000	2011 SR'000
At the beginning of the year	471,622	387,712
Share in net income for the year, net	16,644	12,703
Additions during the year	-	85,207
Disposals during the year	(13,042)	-
Dividends received from associated companies	(17,766)	(14,000)
At the end of the year	457,458	471,622

Dividends received from other investee companies amounted to SR 25,989 million (2011: SR 6,309 million) and is included under other income (note 30).

	Land, buildings and constructions	Machinery and equipment	Tools	Office, furniture, fixtures and equipment	Motor vehicles	Computer equipments	Wells development	Catalysts	Capital works in progress	Total 2012	Total 2011
					SR′000						
Cost:											
At the beginning of the year	1,781,676	17,970,119	7,701	135,539	67,685	23,896	1,566,652	52,371	1,255,548	22,861,187	22,046,123
Additions	45,622	216,074	110	9,328	6,367	854	47,355	3,008	655,412	984,130	978,473
Disposals	(2,603)	(64,891)	-	(3,153)	(2,774)	(2,666)	-	-	(4,459)	(80,546)	(202,451)
Transferred from projects in progress	92,616	1,062,336	-	4,754	-	600	(289,733)	-	(661,171)	209,402	84,305
Foreign currency translation adjust- ments, net	9,128	2,749	-	-	-	-	22,016	-	4,515	38,408	22,969
At the end of the year	1,926,439	19,186,387	7,811	146,468	71,278	22,684	1,346,290	55,379	1,249,845	24,012,581	22,961,419
Depreciation:											
At the beginning of the year	398,402	4,204,572	3,183	49,711	48,505	18,310	286,194	21,821	-	5,030,698	3,986,748
Charge for the year	77,101	1,064,892	156	11,222	10,346	2,300	81,326	26,737	-	1,274,080	1,212,257
Disposals	(969)	(28,723)	-	(2,986)	(2,666)	(2,664)	(304)	-	-	(38,312)	(100,075)
At the end of the year	474,534	5,240,741	3,339	57,947	56,185	17,946	367,216	48,558	-	6,266,466	5,098,930
Net book value:											
At 31 December 2012	1,451,905	13,945,646	4,472	88,521	15,093	4,738	979,074	6,821	1,249,845	17,746,115	
At 31 December 2011	1,383,274	13,765,547	4,518	85,828	19,180	5,586	1,280,458	30,550	1,255,548		17,830,489

11. PROPERTY, PLANT AND EQUIPMENT

2011

- During 2011, the Group recorded an impairment loss on property, plant and equipment of SR 61.875 million as a result of ceasing the operations in a production unit in one of its factories (note 29).
- During 2007, the Group signed sale and leaseback agreements with a group of lenders. Property, plant and equipment as at 31 December 2012 include sold and leased back assets for purpose of ownership with a net book value of SR 835 million (2011: SR 1,031 million) (note 20). In addition, as at 31 December 2012, property, plant and equipment include leased assets held under capital leases with a book value of SR 10.7 million (2011: SR 12 million) (note 21).
- Included in land, buildings and constructions an un-depreciated land with a total cost of SR 109 million (2011: SR 101 million).
- Capital work in progress as at 31 December 2012 and 2011 consist

12. PROJECTS UNDER PROGRESS

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

mainly of costs of the housing project for employees, safety and environment improvement costs, competency costs, cost saving and other factories owned by some of the subsidiaries, and the expansion of the facilities of production lines and Poly - Propylene Factory. The capitalized borrowing costs during the year 2012 amounted to SR 4.9 million (2011: SR 5,5 Million).

- A number of the factories and facilities owned by the subsidiaries are constructed on leased land from the Jubail and Yanbu Royal Commission with nominal rates for periods up to 30 years, renewable for further period.
- Certain subsidiaries property, plant and equipment are mortgaged as security against loans extended to those companies (notes 15 and 19).

2012

	SR′000	SR'000
Saudi Acrylic Acid Company Ltd and its Subsidiaries (a)	5,534,979	3,894,404
The National Titanium Dioxide Company(Cristal) (b)	311,377	-
Al-Rowad National plastic Ltd.(Al Rowad) and its Subsidiaries (c)	-	209,402
Other Projects	3,789	1,232
	5,850,145	4,105,038

- a. The projects of Saudi Acrylic Acid Company Ltd (a subsidiary) consists of costs incurred by its subsidiaries to set up Acrylic Monomers plant, Putanol Plant and Acrylic Polymers Plant in Jubail Industrial City and the project of public utilities for industrial plants. The project costs as at 31 December 2012 consist of employees costs, site preparation costs, installation costs, professional fees, borrowing costs, license fees, consulting fees and purchase of equipment for projects. It is expected that these projects will commence production during 2013 and 2014.
- b. Cristal projects as at 31 December 2012 consist of cost of establishing a factory for processing of Alminit as an additional source of the rawmaterials for the production of Titanium Dioxide at Jizan. The total estimated cost of the project is SR 2 billion, and it is anticipated that the project will commence production during 2014.

13. INTANGIBLE ASSETS

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

c. Construction costs as at 31 December 2011 comprise cost of establishing Al Rowad International for Enfolding (a subsidiary of Al Rowad Company) in Dammam, Kingdom of Saudi Arabia, costs incurred on various projects and direct costs incurred to bring the assets for the purpose it is intended for, as per operation requirements specialized by the management. The factory commenced production during the year ended 31 December 2012, and consequently transferred to property, plant and equipment.

Total amounts capitalized during 2012 amounted to SR 23 Million (2011: SR 41.5 million) representing borrowing cost directly related to the projects under progress.

	2012 SR'000	2011 SR'000
Goodwill (a)	2,565,601	2,543,968
Software implementation, technology and other intangible assets, net (b)	668,852	725,880
Deferred finance cost, net	357,238	276,144
Pre-operating expenses and deferred costs, net	16,738	23,135
	3,608,429	3,569,127



a. Goodwill

1) Impairment

Goodwill is tested annually for any impairment by the Group's management. To perform that, each subsidiary and associate company is considered as a cash-generating unit. As a result of the goodwill test performed at the level of the Group during the year ended 31 December 2012, no impairment loss was recognized.

2) Basis of determining the recoverable amount

Goodwill's recoverable amount is determined using the present value calculations using discounted cash flows based on projected cash flows of cash generating units and approved by management for a period of five years. An estimated growth rate was used for the period of cash flows over 5 years. The management believes that the growth rate does not exceed the estimated average growth rate for the long term that is used in the activities practiced by the respective subsidiary. The discount rate used was pre-tax and reflect specific risks relating to the activities in which the respective subsidiary operates. From reviewing the present value, it was found that the recoverable value is sensitive to changes in the rates of long-term growth, terminal growth rate, discounted rate, assumptions relating to working capital and capital expenditures during the period.

b. Other intangible assets

As per management review of one of the Group's subsidiaries value of its intangible assets, an impairment was determined on those assets amounting to SR 12.9 million (2011: SR 58,5 million). Therefore, this amount is recorded as an impairment loss on other intangible assets (note 29), and these assets have been presented net of impairment loss.

14. OTHER NON-CURRENT ASSETS

	2012 SR'000	2011 SR′000
Deferred taxes	480,005	476,039
Exploration and evaluation costs, net	268,331	160,781
Turnaround costs, net	57,919	50,318
Others	47,489	66,118
	853,744	753,256

15. SHORT TERM FACILITIES AND MURABAHA

During 2012, the Group obtained short-term credit facilities with a total amount of SR 848 million (2011: SR 3,579 million). The outstanding balance of these facilities as at 31 December 2012 amounted to SR 829 million (2011: SR 3,387 million). These facilities are secured by guarantees provided by the partners, signed promissory notes to banks and financial institutions, certain financial covenants, a mortgage over certain plant, property and equipment and pledge of certain available for sale securities. These facilities carry commissions at prevailing commercial rates.

16. ACCOUNTS PAYABLE

	2012 SR'000	2011 SR'000
Trade payables	1,336,988	1,017,325
Amounts due to related parties (note 8)	1,778	1,559
Other payables	3,158	8,730
	1,341,924	1,027,614

17. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	2012 SR'000	2011 SR'000
Accrued expenses	822,737	857,199
Other payables	290,037	149,995
Accrued employees' benefits	246,447	267,586
Provision for zakat and tax	168,739	80,566



	2012 SR'000	2011 SR'000
Provision for research and development	112,357	179,074
Dividends payable	64,008	58,644
Derivative financial instruments	11,277	22,538
Other current liabilities	88,190	121,907
	1,803,792	1,737,509

18. ZAKAT

Charge for the year

Zakat charge for the year amounting to SR 20,089 thousand consists of the provision for the current year (2011: SR 7,067 thousand). The Company and its subsidiaries, submit their financial statements and zakat and tax returns to the Department of Zakat and Income Tax "DZIT" separately.

The movement in the provision during the year

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

	2012 SR′000	2011 SR'000
At the beginning of the year	7,293	12,157
Paid during the year	-	(11,931)
Provided for the year	20,089	7,067
Zakat provision	27,382	7,293

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 through 2011 based on zakat returns but has not yet received the final zakat assessments from DZIT.

19. SUKUK AND LONG TERM LOANS

	2012 SR′000	2011 SR'000
Sukuk:		
First issue	2,000,000	-
Loans:		
Saudi Industrial Development Fund (a)	1,518,300	1,509,435
Public Investment Fund (b)	-	1,500,000
Commercial banks and others (c)	15,831,748	9,940,668
Total sukuk and long term loans	19,350,048	12,950,103
Less: current portion	(2,414,854)	(1,586,773)
Non-current portion	16,935,194	11,363,330

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 since the total value of this program equals the paid up capital of the Company as at 31 March 2012. The Sukuk issuance bears a variable rate of return at (SIBOR) plus a predetermined margin, payable semiannually in advance. The Sukuk is due at maturity at par value on its expiry date of 16 Ramadan 1440 H (corresponding 12 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 1,941 million (2011: SR 1,773 million). The total outstanding balance of these loans as at 31 December 2012 amounted to SR 1,518 million (2011: SR 1,509 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 personal and joint guarantees from the partners. The loan agreement contain covenants which among others, require that the Company maintains a ceiling for capital expenditures and minimum level for the net worth and current ratio.



Saudi Industrial Development Fund's loans are repayable on unequal semi-annual installments, starting from different dates. The upfront fees being considered as deferred financing costs are amortized over the loan periods (note 13).

b. Public Investment Fund's Loan

On 20 April 2007, Public Investment Fund agreed to grant one of the subsidiaries a term loan for an amount of SR 1,500 million (equivalent to USD 400 million) at LIBOR plus 0.5% and repayable over 20 equal semi-annual installments starting from 30 June 2011. As at 31 December 2010, the amount has been fully withdrawn equivalent to SR 1,500 million. During 2012, the amount was settled in full by the utilization of portion of proceeds from Murabaha loans obtained from the refinancing referred to in (c) below.

c. Commercial banks and others

The Group obtained long term loan facilities from commercial banks for a total amount of SR 26,456 million (2011: SR 19,239 million). The outstanding balance of these loans as at 31 December 2012 amounted to SR 15,832 million (2011: SR 9,941). These loans are secured by promissory notes, mortgages on certain property, plant and equipment of subsidiaries and personal and corporate guarantees of the partners. These facilities include credit facilities agreements with first degree of guarantee amounting SR 3,300 million.

Saudi Ethylene and Polyethylene Ltd. Company signed interest rate swap agreement with local and foreign commercial banks to hedge the risk of change in interest rates with a estimated amounts ranging from USD 21 million to USD 127 million and from Euro 29 million to Euro 102 million with no premium .The chosen interest rates are 5.19% and 3.80% annually for USD and Euro respectively, and actually applied on December 2006 on quarterly basis until March 2015.

As at 31 December 2012, Saudi Ethylene and Polyethylene refinanced its remaining loans which were obtained on the year 2006 from different local and foreign commercial banks with a different currencies. As a result of the refinancing, the current loans have been transferred to long-term facilities denominated in Saudi Riyals in accordance with the Islamic regulation with 8 local banks in addition to some of the foreign bank with an amount of SR 4.8 billion bearing variable Murabaha rate and extending the loans, settlement period to the year 2021, on

semi-annually installments. The facility's guarantees includes promissory notes. As a result of the refinance, a loss of SR 141 million was recorded as a result of closing the interest rate swap agreements with local and foreign commercial banks referred to above. This loss was charged under financial charges in the consolidated statement of income.

Credit facilities include some of the commitments that restrict certain elements, subject to exception, such as seizing, sales and lease back transactions and certain payments, sales of assets and transactions associated companies 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.

On 6 July 2007, one of the subsidiaries collected an amount of SR 656.25 million (equivalent to USD 175 million) of debt securities from major bonds which are not guaranteed bearing interest at 9.375% and due on July 15 2014 with interest on these securities due on 15 January and 25 July of each year. These securities are traded in the Singapore Stock Exchange and the book value of these bonds have been shown net of borrowing costs capitalized.

20. DEFERRED GAINS ON SALE AND LEASEBACK TRANSACTIONS

This represents deferred gains resulting from sale and leaseback of the property, plant and equipment of one of the subsidiaries (note 11) where these gains are amortized on a straight-line basis over the lease period.

	2012 SR'000	2011 SR'000
Total deferred gains at the beginning of the year	91,214	120,839
Gains recognized during the year (note 30)	(28,066)	(29,625)
Total deferred gains at end of the year	63,148	91,214
Less: current portion	(28,066)	(28,066)
Non-current portion	35,082	63,148

21. OBLIGATIONS UNDER CAPITAL LEASES

The minimum lease payments for the five years subsequent to 2012 and in aggregate are as follows:

	2012 SR'000	2011 SR'000
Within: one year	187,500	187,500
two years	187,500	187,500
three years	468,750	656,250
Net minimum lease payments	843,750	1,031,250
Less: current portion	(187,500)	(187,500)
Non-current portion	656,250	843,750

2011 SR'000 557,784 385,572

22. OTHER NON-CURRENT LIABILITIES

	2012 SR'000	2011 SR'000
Deferred income tax liabilities	713,592	557,784
Pension and other post-retirement benefits	310,050	385,572
Provision for maintenance and mine closure	111,570	117,529
Asset retirement obligation	108,656	110,621
Le Havre restructuring accruals	21,143	51,668
Others	133,409	121,298
	1,398,420	1,344,472

23. SHARE CAPITAL

Share capital amounted to SR 6,689,142 thousands as at 31 December 2012 (2011: SR 5,574,285 thousands) consisting of 668,914 thousand shares (2011: 557,429 thousands shares) of SR 10 each.

The Company's Extraordinary General Assembly meeting held on 12 Jumada Awal, 1433H (corresponding to 4 April 2012) approved the increase of the Company's share capital from SR 5,574,285 thousand to SR 6,689,142 thousand, by issuing one bonus share for every five shares with a total amount of SR 1,114,857 thousands, through the utilization of share premium of SR 796,491 thousand and retained earnings of SR 318,366 thousand as at 31 December 2011.

The Company's extraordinary general meeting held on 30 Rabi Thani 1432 (corresponding to 4 April 2011) has approved the increase of the Company's share capital from SR 5,067,532 thousand to SR 5,574,285

Thousand, dividend into 557,429 thousand shares, by issuing one bonus share for every ten shares, with a total amount of SR 506,753 thousand through the utilization of premium shares as at 31 December 2010.

24. DIVIDENDS

The Company's Extraordinary General Assembly meeting held on 12 Jumada Awal 1433H (corresponding to 4 April 2012) approved the Board of Directors' recommendation to distribute annual cash dividends for 2011 amounting SR 1.5 per share and to disburse Board of Directors remuneration amounting to SR 2 million

The Company's Extraordinary General Assembly meeting held on 30 Rabi Thani 1432H (corresponding to 4 April 2011) approved the Board of Directors' recommendation to distribute cash dividends for 2010 amounting SR 506,753 thousand for shareholders (SR 1 per share) and Board of Directors remuneration amounting to SR 2 million

25. PROPOSED DIVIDENDS

The Board of Directors recommended in its meeting held on 11 Safar 1434H (corresponding to 24 December 2012) to distribute annual cash dividends to shareholders for the year 2012 of SR 2 per share. The cash dividends and bonus shares will be distributed to the share holders registered in the financial securities deposit center at the close of the trading day after holding a meeting of the Company's Extraordinary General Assembly. The Board also proposed a disbursement of SR 2 million as Board of Directors' remuneration.

26. OTHER RESERVES

The details of other reserves as follows:

a. Cash Flow Hedges

The change in cash flow hedges represents the difference arising from transfer of the outstanding long term loans as at the consolidated balance sheet date 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

27. SELLING AND MARKETING EXPENSES

Freight and transportation		
Salaries and related benefits		
Distributors' incentives		
Depreciation and amortization		
Others		

in the same currency. This also includes the difference arising from fair value measurements 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 hedges item, being foreign currency loans based on LIBOR rates. These differences are treated as unrealized differences in shareholder's 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. Pension liability adjustments

Amendments to pension funds represents obligations in outside subsidiaries arising from pension programs set up for eligible staff in the areas of foreign jurisdictions.

2012 SR'000	2011 SR'000
532,316	552,416
114,677	116,136
38,443	63,275
2,354	2,390
32,245	45,766
720,035	779,983

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28. GENERAL AND ADMINISTRATIVE EXPENSES

	2012 SR'000	2011 SR'000
Employees' salaries and benefits	344,828	279,197
Research and development	83,738	170,090
Professional fees	96,791	78,462
Depreciation and amortization	52,054	61,007
Charitable contributions and social activities	25,621	13,800
Travel	19,673	17,614
Rent	17,896	7,228
Impairment of assets (note 29)	12,883	120,375
Others	101,267	69,640
	754,751	817,413

29. IMPAIRMENT OF ASSETS

This item comprise following:

	2012 SR'000	2011 SR'000
Impairment of intangible assets (a)	12,883	58,500
Impairment of property, plant and equipment (b)	-	61,875
	12,883	120,375

a. During the year ended 31 December 2012, the management of a subsidiary has reviewed the carrying value of the intangible assets and determined that one of the items of other intangible assets (note 13) has been impaired, therefore it has recognized an amount of SR 12,883 thousand (2011: SR 58,500 thousand) as impairment loss in other intangibles.

b. Following the formal closure of a main production unit in one of the Group's factories during 2010 (note 31), the Group's management decided in the year ended 31 December 2011 to close an old production unit, since the operations were no longer considered cost effective. The closure of the old production unit was not considered discontinued operation, as it was not deemed to be a separate cash generating unit. Therefore, the Company recorded an impairment loss amounting to SR 61,875, representing the value of property, plant and equipment and spare parts to be written off as a result of the closure (note 11).

30. OTHER INCOME, NET

	2012 SR'000	2011 SR'000
Foreign exchange differences	63,859	4,733
Compensation from insurance companies	44,651	62,314
Amortization of deferred gains (note 20)	28,066	29,625
Dividends received from investments in other companies (note 10)	25,989	6,309
Income from murabaha and other	23,107	11,032
Recovery (provision) of restructuring production lines (a)	15,409	(88,125)
Gains (losses) from sale of assets	6,151	(15,206)
Others	42,123	(10,602)
	249,355	80

a. This represents provisions for expected cost that relates to closure of a production unit in one of the subsidiaries factory. It includes disassembling, removal, employee termination costs and environmental cost (note 29).



31. PROVISION FOR DISCONTINUED OPERATIONS

During 2010, one of the subsidiaries of The National Titanium Dioxide Ltd. Co. (Cristal) (a subsidiary) have decided to discontinue one of its main production units in the United States of America. Since then, it has been decided that the sub production line will continue in its operations for the purpose of other affiliates companies. During the year ended 31 December 2011 the sub-production line was also closed (note 29).

The results of the discontinued operations included in the consolidated statements of income and cash flows are as follows:

	2012 SR'000	2011 SR'000
Loss from discontinued operation		
Sales	-	-
Cost of sales	-	(758)
Total loss	-	(758)
Other expenses (a)	-	-
Loss from discontinued operations	-	(758)

- (a) The cost of restructuring included in the loss from discontinued operations during the year ended 31 December 2011 amounting to SR 74 million are as follows:
- Write-off of property, plant and equipment and spare parts.
- Cost of disassembly and removal.
- Cost of employees benefits and other unamortized assets.

Cash flows from discontinued operations represents cash flows used in

operating activities for 2012 amounting to SR nil (2011: SR 13.4 million).

32. 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 2012 (31 December 2011: 668,914 thousand shares).

The earnings per share for the comparative year have been adjusted retroactively to reflect the effect of the bonus share issue (note 23).

33. 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, South and North of U.S.A., Europe, Australia, Middle East and Asia. The following is selected financial information for these segments.

Group consists of the following main business segments:

- Industrial includes the production of titanium dioxide, production processes and specialized production operation of Rutay 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.
- **Petrochemical** includes basic chemicals, and polymers.
- Head Office & Other includes the operations of the head office, and technical centers, innovations and investment activities, and provision of technical and industrial services.







	Industrial SR'000	Petrochemical SR'000	Head office & other SR'000	Adjustments SR'000	Total SR'000
As at and for the year ended 31 December 2012					
Total assets	16,849,158	23,568,125	17,370,363	(12,212,300)	45,575,346
Total liabilities	8,999,722	13,312,039	4,936,974	(1,282,892)	25,965,843
Sales	8,933,188	11,331,237	357,253	(2,700,653)	17,921,025
Gross profit	3,114,335	2,396,332	59,589	(1,459)	5,568,797
Depreciation and amortization	607,115	759,217	25,690	-	1,392,022
Income from operations	2,109,172	2,068,852	1,838,168	(1,905,537)	4,110,655
Capital expenditures	1,157,051	1,773,227	46,769	-	2,977,047
As at and for the year ended 31 December 2011					
Total assets	14,894,536	22,886,666	13,361,886	(11,215,509)	39,927,579
Total liabilities	8,273,321	13,405,931	2,009,621	(1,537,731)	22,151,142
Sales	10,367,915	11,825,370	352,866	(2,897,408)	19,648,743
Gross profit	4,129,800	2,802,146	59,402	313	6,991,661
Depreciation and amortization	565,601	745,345	14,797	-	1,325,743
Income from operations	3,038,221	2,414,205	2,503,412	(2,548,870)	5,406,968
Capital expenditures	852,030	3,210,629	37,881	-	4,100,540

34. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

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 investment 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 subsidiaries have no significant interest bearing assets but have interest-bearing liabilities as at 31 December 2012. The Company 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 Company agrees with the counterparty to exchange, the difference 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 Company will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. Liquidity risk is managed by monitoring on a regular basis 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 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.



35. CONTINGENCIES AND COMMITMENTS

a.Capital commitments

One of the Company's subsidiaries has the following capital commitments as at 31 December:

	2012 SR'000	2011 SR'000
Capital commitments for purchase of property, plant and equipment	1,517,440	3,067,000

Operating lease obligations

	2012 SR'000	2011 SR'000
Payments under operating leases charged to expenses during the year	127,424	113,759

- Operating lease 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 3 years.
- Cristal Inorganic Chemicals Ltd. (a subsidiary) leases various lands, property, facilities and equipment under non-cancelable operating lease arrangements for varying periods.
- As at 31 December 2012, the future minimum lease payments relating to all non-cancellable operating leases with terms in excess of one year were as follows:

	2012 SR'000	2011 SR′000
One year	117,943	112,002
Two to four years	321,725	282,036
More than four years	192,102	85,601
Total minimum lease payments	631,770	479,639

b. Contingences

	2012 SR'000	2011 SR'000
Letters of credit and guarantee	3,294,298	839,506

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 December 31 2012, estimated future minimum payments under these non-cancelable contracts were as follows:

	2012 SR'000	2011 SR'000
One year	1,282,154	2,927,993
Two to four years	740,278	1,733,492
More than four years	393,290	281,765
Total future minimum payments	2,415,722	4,943,250



36. DERIVATIVE FINANCIAL INSTRUMENTS

The Group, during the ordinary course of business, hedges the foreign exchange rate risk and interest rate risks. The subsidiaries use 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 risks and currency risk on sales, purchases, and 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 cash flows hedge reserves for the post of acquisition is included within equity.

On 31 December, 2012, the Group had derivative financial instruments with notional amount of SR 1,366 million (2011: SR 2,841 million) and the Group's share in the net fair value change of cash flow hedge is SR 51,5 million (2011: SR 52 million) and represents the market 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.

37. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

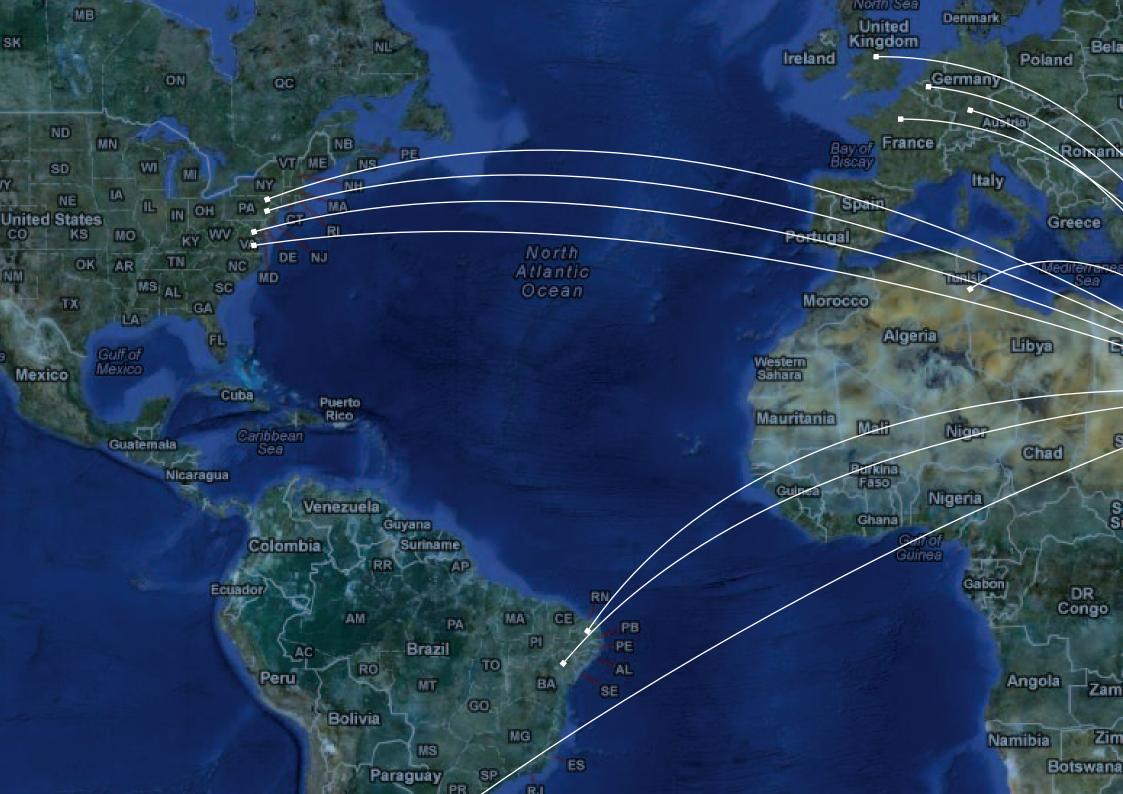
The Board of Directors has approved the financial statements on 13 Rabi Thani 1434H (corresponding to 23 February 2013).

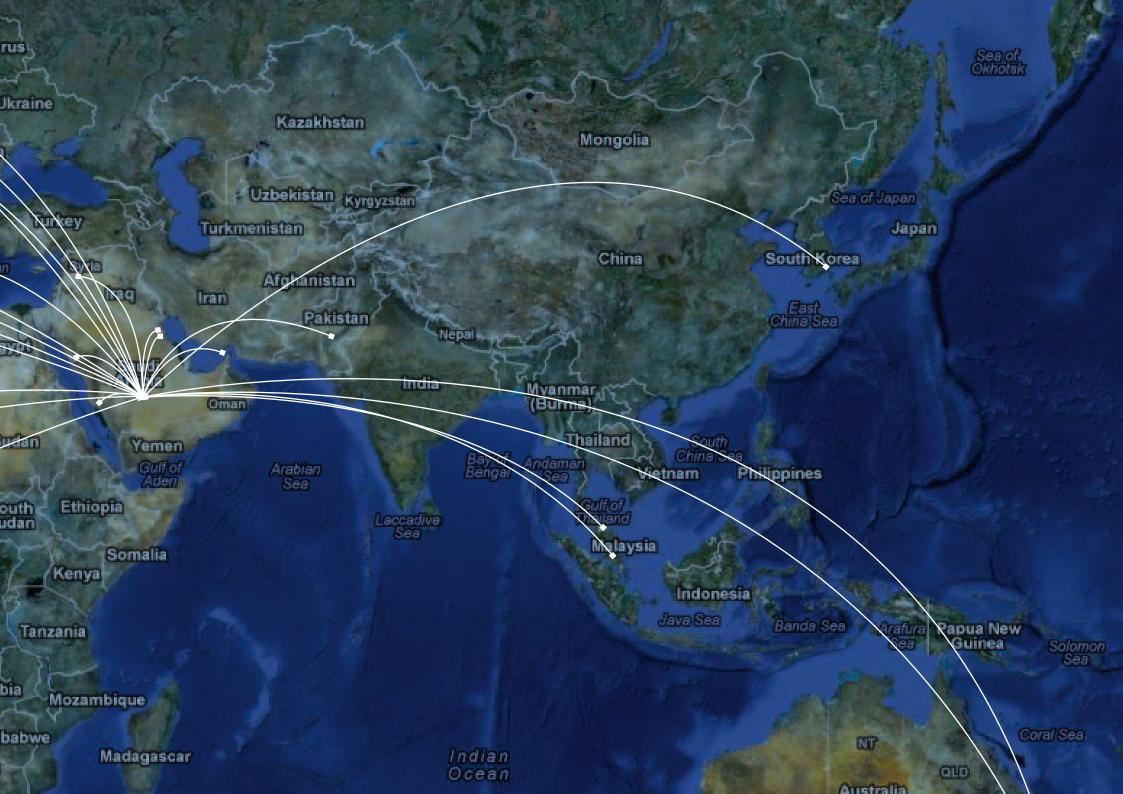
38. COMPARATIVE FIGURES

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











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