





بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ





**HRH Prince Naif Bin Abdulaziz Al-Saud**

Second Deputy Prime Minister  
and Minister of Interior



Custodian of the Two Holy Mosques

**King Abdullah Bin Abdulaziz Al-Saud**



**HRH Prince Sultan Bin Abdulaziz Al-Saud**

Crown Prince & Deputy Prime Minister,  
Minister of Defense & Aviation & Inspector General

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



### **The Vision:**

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

### **The Mission:**

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



## Board of Directors



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



Dr. Moayyad Bin Issa Al-qurtas  
Vice Chairman & CEO



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



Dr. Nazeeh Bin Hassan Naseef



Eng. Talal Bin Ibraheem Al-Mayman



Eng. Salah Bin Abdulwahab Al-Terkait



Mr. Hisham Sayed Abdulrazzaq Al-Rouzouki



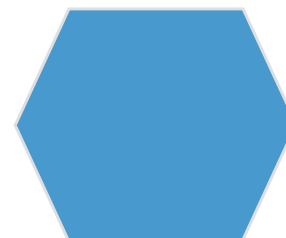
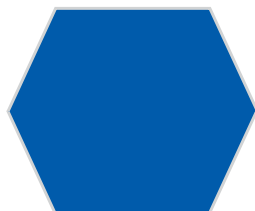
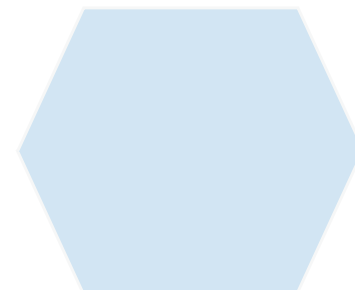
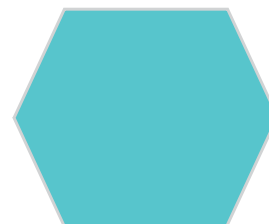
Mr. Badr Bin Ali Al-Dakheel



Mr. Solaiman Bin Abdulqader Al-Mohaideb



Mr. Sabah Tayseer Barakat



## The Chairman's Message



It was before 25 years that Tasnee was launched and established pursuant to the resolution of HE the Minister of Trade No. (601) dated Dul Hijjah 24, 1404, corresponding to September 20, 1984. The company was then established as the first Saudi Joint Stock Company wholly owned by the private sector. It is an experience and a challenge at one time. Experience is a success and failure. Likewise, challenge is based on gain or loss. Tasnee has now completed 25 years of operation ... was the challenge a success and gain or loss and failure?.

In this year (2010), we confirm that Tasnee has succeeded, excelled and became the second largest industrial company in the region in the field of producing petrochemicals through the establishment of the largest group for the production of Polypropylene, Ethylene and Polyethylene. Nowadays, another group for the production of Acrylic Acid and its derivatives has been established which represents a landmark in the region. We also confirm that we have become the second largest company in the world for the production of Titanium Dioxide.

Yes, we have achieved success after success and Tasnee has become a model to be imitated in the world of industry and became an important figure that cannot be overlooked in any of the industry's patterns in the region. We are also part of this world, influencing it and influenced by it and the significant proof for that is our response to the changes that have reflected on the global economic climate.

We now look forward to the new decade of developments with which Tasnee will keep pace in order to support its career and continuity as a civilized face of the Kingdom of Saudi Arabia. Tasnee has taken upon itself the responsibility of developing the industrial sector with the aim of promoting our economy into the ranks of industrialized countries, relying firstly on God and benefiting from our potentials, capabilities and unlimited resources.

We are used to; and have accustomed ourselves to having a unique advantage each year. In the past we were distinguished by the Ethylene and Polyethylene project, and this year we have the Acrylic Acid and its derivatives. We will keep pace with ongoing development and will interact with changes by supporting Tasnee to enter into alliances and mergers that would increase its strength and ability toward permanence and growth.

In conclusion, I would like to extend my thanks and gratitude to my colleagues in the Board of Directors for their past and future efforts which contribute to the success of Tasnee march. I would also like to extend my thanks and appreciation to all employees of Tasnee, asking Allah to help and guide all of us.

May God help and Guide us all.

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





**Board of Directors Report for 2010 AD.**

The Board of Directors of the National Industrialization Company (Tasnee) is pleased to present to shareholders its annual report related to the activities and performance of the company for the fiscal year extending from 01/01/2010 till 31/12/2010 accompanied by the audited financial statements and the notes attached thereto and including the most important developments in the performance and activities of the company as per the following details:

#### Overview

Tasnee was established pursuant to the Ministerial resolution No. (601) dated Dul Hijjah 24, 1404 H.

The company's capital amounts to SAR 5.067.531.550 after the extraordinary General Assembly decided capital increase in its meeting held on 26/04/2010.

During 2010, Tasnee was able to maintain its gains and realize many significant achievements such as the company's continuity to improve its performance and strengthen its local, regional and global position, finalizing the implementation and expansion of its projects and reaching advanced stages in planning and studying a number of new projects.

#### First: Types of the main Activities of the Company:

The activity of the company (Head Office) is represented by investing in industrial fields, transferring advanced industrial technology to Saudi Arabia in the field of manufacturing and processing of petrochemicals and chemicals, engineering and mechanical industries, management and acquisition of industrial projects and marketing their products. The activity of affiliated companies is represented by manufacturing and marketing of industrial products which include the manufacturing of petrochemicals such as the production of Ethylene, Polyethylene, Propylene and polypropylene, the production and marketing of Titanium Dioxide and liquid batteries for cars and other industrial uses and the production of lead, various kinds of plastic products and Acrylic sheets. Other activities include marketing of plastics products and batteries, rendering technical services, conducting technical tests on equipment, industrial facilities, chemical, petrochemical and metallic factories, desalination and power generation plants. Below is a table showing the impact of each of the aforementioned activities on the volume of the company's activities:

	Industrial Sector	Petrochemicals Sector	Head Office & other Activities	Total
Percent of sales	64%	35%	1%	100%



## **Second: Future Plans and Prospects and Risks:**

### **A. Future Plans and Prospects**

The company works on a number of studies related to expanding the production capacity of some production lines in a number of existing plants as well as other studies related to establishing and founding new industrial projects. Likewise, work is under way to establish Tasnee Plastic Research Centre. This center has been designed in accordance with international standard to be a pillar for the manufacturing process in the company and to assist the manufacturing industries in the region which are based on plastics industry. The Center will contribute to the development of the aforementioned industries as well as providing on-the-job training for staff and customers through cooperation and liaison with universities and international technical institutes. It is expected that the Center will officially be opened during the year 2011.

In general, the company plans to continue in improving its performance, strengthening its gains and developing its capabilities which, in turn, will help in sustaining the growth of profits and shareholders' equity. However, with regard to expectations of future prices of the company's products such as petrochemical and chemical products in international markets, it is difficult to accurately predict their status as they relate to a number of changing global economic data.

### **B. Risks**

The risks to which the company may be exposed are represented by the changes that may affect the global economy in terms of deflation and stagnation, which may in turn lead to a decline in the demand for the company's products or a reduction of their prices.

Additionally, the company may be exposed to the risks of changing prices of raw materials on which it substantially relies, fluctuation of exchange rates of foreign currency, anti-dumping laws or competition.

## **Third: Assets and Liabilities of the Company and the Results of its Activities for the last five Fiscal Years:**

Tasnee enjoys a strong financial position and positive financial indicators which support its plans to expand in strategic investments and alliances which, in turn, will help in sustainable growth and consolidate the company's position in local and international markets. The following table shows the results of the company's activities for the last five fiscal years:

Year Ending	Amount in millions SAR				
	Total Assets	Total Liabilities	Shareholders' Equity	Sales	Net Profits
31/12/2006	10,357	3,118	5,567	3,241	693
31/12/2007	24,653	16,093	5,939	7,227	661
31/12/2008	30,419	20,426	7,350	10,863	601
31/12/2009	33,168	21,703	7,790	10,863	519
31/12/2010	34,746	20,349	9,262	15,989	1,473
Growth in 5 years	235%	553%	66%	393%	113%

#### Fourth: Geographic Analysis of Revenues:

Region	KSA	GCC	ME	Africa	Indian subcontinent	East Asia	Europe	America
Percentage of Sales	12%	3%	8%	9%	7%	24%	19%	18%

#### Fifth: Operating Results:

**Net profit for the period from 1/1/2010 until 31/12/2010  
amounted to thousand SAR 1,472,606, with an increase of 184% from last year.**

Noting that operating profit grew by 102% to reach thousand SAR 3.064.884 in 2010 compared to thousand SAR 1.515.878 IN 2009.

Basically, the reasons for the rise of net annual profit in 2010 compared to previous year are the growth of subsidiaries' sales, rise of prices and the increase of revenues resulting from the sales of the Saudi Company for Ethylene and Polyethylene, which began commercial operation on June 1, 2009.

Shareholders' equity amounted to thousand SAR 9.261.647 at the end of December 2010 with an increase of 19% from previous year.





During the year 2010, the company has obtained Sharia'h-compliant facilities, which amounted to SAR 500.000.000, noting that such facilities did not include funding the projects of affiliates and their banking facilities, which are directly obtained by such affiliates. These facilities have been disclosed in the audited and consolidated financial statements for the year 2010. The total sums paid by Tasnee against direct loans during fiscal year 2010 amounted to Thousand SAR 204.763. Note (12) of the financial statements of the company includes information about due and outstanding loans.

The company prepares its financial statements in accordance with the accounting standards issued by the Saudi Organization for Certified Public Accountants which are appropriate to the circumstances of the company and comply with the Saudi Companies Act and the Articles of Association of the company.

## **Sixth: Affiliates:**

### **1. National Titanium Dioxide Company "CRISTAL":**

**A limited Liability Company based in Jeddah**

**Tasnee owns 66% of the company's shares.**

During 2010, world demand for Titanium Dioxide witnessed an improvement which led to the rise of the company's sales. The prices of Titanium Dioxide in 2010 also increased by 15% compared with 2009 prices and hence contributed to the increase of the company's profits. It is expected that the company's results will witness further improvement during 2011. The Company considers increasing its production capacity. As is well known, the company owns and operates plants in America, Europe, Australia, in addition to its facilities in Yanbu.

### **2. Saudi Poly Olefins Company (SPC):**

**A limited Liability Company based in Jubail Industrial City - Tasnee owns 75% of the company's shares.**

During 2010, the company's production of Polypropylene increased by 38% due to the completion of the expansion works. This increase and the rise of Polypropylene prices in international markets in 2010. These two factors contributed to the growth of the company's profits.

### **3. TASNEE & SAHARA Olefins Company: ( T S O C )**

**A closed Joint Stock Company based in Riyadh.**

The number of issued shares of the company is 56,600,000. The shares are of equal value and the nominal value of each share is SAR 50. TASNEE owns (directly and indirectly) 60.45% of the shares.

TASNEE & SAHARA Olefins Company exercises its activities through its affiliates, namely:

#### **3.1 Saudi Ethylene and Polyethylene Company: ( SEPC )**

A limited Liability Company operating through the following two factories:



A. Ethylene Factory:  
It produces Ethylene and Propylene.

B. Polyethylene Factory:

It produces Low-Density Polyethylene (LDPE) and High-Density Polyethylene (HDPE). Production of Low-Density Polyethylene (LDPE) started in March 2009, while production of High-Density Polyethylene (HDPE) started in November 2008.

### **3.2 Saudi Company for Acrylic Acid and its Derivatives: (S A A C)**

A limited Liability Company based in Riyadh.

It was established in April 2009 as partnership between TASNEE & SAHARA Olefins Company, National Industrialization Company (TASNEE) and SAHARA Petrochemicals Company to establish, produce and own the projects of Acrylic Acid and its derivatives. Such projects are currently being implemented through three affiliates. One of these affiliates (the "Saudi Acrylic Monomers Company ("SAMCO)") has already been established and the other two are under formation. These projects constitute an integrated complex that includes three factories; one for Acrylic Monomers (which produces Acrylic Acid), the other for Butyl Acrylate, Butanol and the last factory produces super absorbent Polymers. The Agreements related to commencing engineering works of Acrylic Acid and its derivatives project have been signed and the production of these projects will start in 2013.

### **4. National Lead Smelting Company "RASASS"**

A limited Liability Company based in Riyadh – Tasnee owns 74.9% of the company's shares (directly and indirectly)

The company is the largest lead company in the region and owns two factories, one in Riyadh and the other in Jeddah. It has continued in improving and developing its operations and it is the main provider of battery factories with lead in Saudi Arabia. It has expansion plans in the field of mining and metal production and is keen on maintaining clean environment in all its businesses.

### **5. Rowad National Plastics Company "ROWAD"**

A limited Liability Company based in Riyadh - Tasnee owns 100% of the company's shares (directly and indirectly)

The company is one of the largest specialized producers of plastic sheets in the Kingdom. It has diversified production through its different projects for producing plastic sheets and plastic products by using the injection method and expanding plastic recycling works. The company participates in the industrial membranes project (which is the first of its kind in the Kingdom) which produces plastic membranes with special specifications largely used in water projects. The company also participates in a project for producing Bi-axially Oriented Polypropylene ( B O P P ) which is used for several applications, the most important of which is wrapping and preserving foods.

### **6. National Batteries Company "BATTARIAT"**

A limited Liability Company based in Riyadh – Tasnee owns 80% of the company's shares.

The company is one of the largest manufacturers of auto batteries in the region and markets its products in the local, GCC and other markets. Its production capacity has exceeded 2.000.000 batteries per annum. The company produces a wide range of high-quality batteries to meet the requirements of different segments of customers. The company also produces a new type product of batteries (SMF) that do not require maintenance.



#### **7. National Inspection and Technical Testing Company “FAHSS”:**

A limited Liability Company based in Dammam – Tasnee owns 68.26% of the company’s shares (directly and indirectly).

The company is one of the leading companies in the field of technical inspection and testing of industrial facilities and granting ISO certificates. It has signed contracts with several leading companies in KSA, such as Saudi Aramco and Saudi Electricity Company. The company has also expanded its activities in the Gulf region through its sister company “TUV Middle East”, which signed contracts with several leading companies and organizations in the Gulf.

#### **8. National Industrialization Petrochemicals Marketing Company**

A limited Liability Company based in Riyadh – Tasnee owns 100% of the company’s shares.

The company is one of the most important private-sector companies which markets and sells all kinds of Polypropylene products as well as marketing Polyethylene products. The strength points of the company are represented by its technical and marketing skills, good relations with its customers and caring about their needs, quality assurance and reliable and timely delivery. All these factors have enabled the company to have a leading position among competing companies and it exports its products to more than 25 countries.

#### **9. National Operation and Industrial Services Co. “KHADAMAT”**

A limited Liability Company based in Riyadh  
Tasnee owns 85% of the company’s shares.

The company is one of the largest marketing companies in the field of plastic sheets and auto batteries. It has achieved good growth in its profits from its investments and marketing activities. The company plays an important role in achieving integration between TASNEE affiliates and realizing their common interests. TASNEE and one of its affiliates are working to finalize the procedures related to the acquisition of KHADAMAT.

#### **10. National Metal Manufacturing and Casting Company “MAADANIAH”**

A joint Stock Company based in Jubail - Tasnee owns 35.48% of the company’s shares (directly and indirectly).

The issued shares of the company amount to 25.556.445 shares of equal value with a nominal value of SAR 10 per share.

The main activity of the company is represented by the production and marketing of steel wire for precast concrete, spring wire, cable wire, reinforcing retardant wire for carrying electrical conductors, welding wire, different bolts, nuts and nails. The foregoing products are produced through the Wire Drawing and Related Products Factory (ASLAK) in Jubail Industrial City. The company also owns two other factories in the second industrial zone in Dammam, one for the production and marketing of trucks and trailers axles and spare parts and the other for producing all metal castings. The company achieved a net profit of Thousand SAR 16.713 for THE fiscal year 2010 with an increase of 7.6% on the profits realized in fiscal year 2009.

### 11. National Packing Products Company Ltd. “WATAN PAC”

A limited Liability Company based in Riyadh – Tasnee owns 42.6% of the company’s shares.

The main activity of the company is the production and marketing of cardboard.

#### Seventh: Profit Distribution Policy:

Profit distribution decision lies within the powers of the General Assembly pursuant to a recommendation made by the company’s Board of Directors. The decision depends mainly on the amount of net profits realized each year and the size of expected expenditure on future investment projects and expected cash flows. The company has distributed cash profits to shareholders for the year 2009 at a rate of 75 halalas per share, which represents 7.5% of the capital.

Pursuant to Article 17-4 of the Company’s Articles of Association, distribution of the company’s net annual profits shall take place after deducting all general expenses and other costs as follows:

- a. Allocation of Zakat funds as required by Sharia’h.
- b. Allocation of 10% as statutory reserve and the General Assembly may suspend such allocation when such reserve reaches half of the capital.
- c. Distribution of initial dividend (5% of the paid-up capital) to shareholders.
- d. Distribution of the remaining balance to shareholders as an additional share.









### **Eighth: Formation of the Board of Directors:**

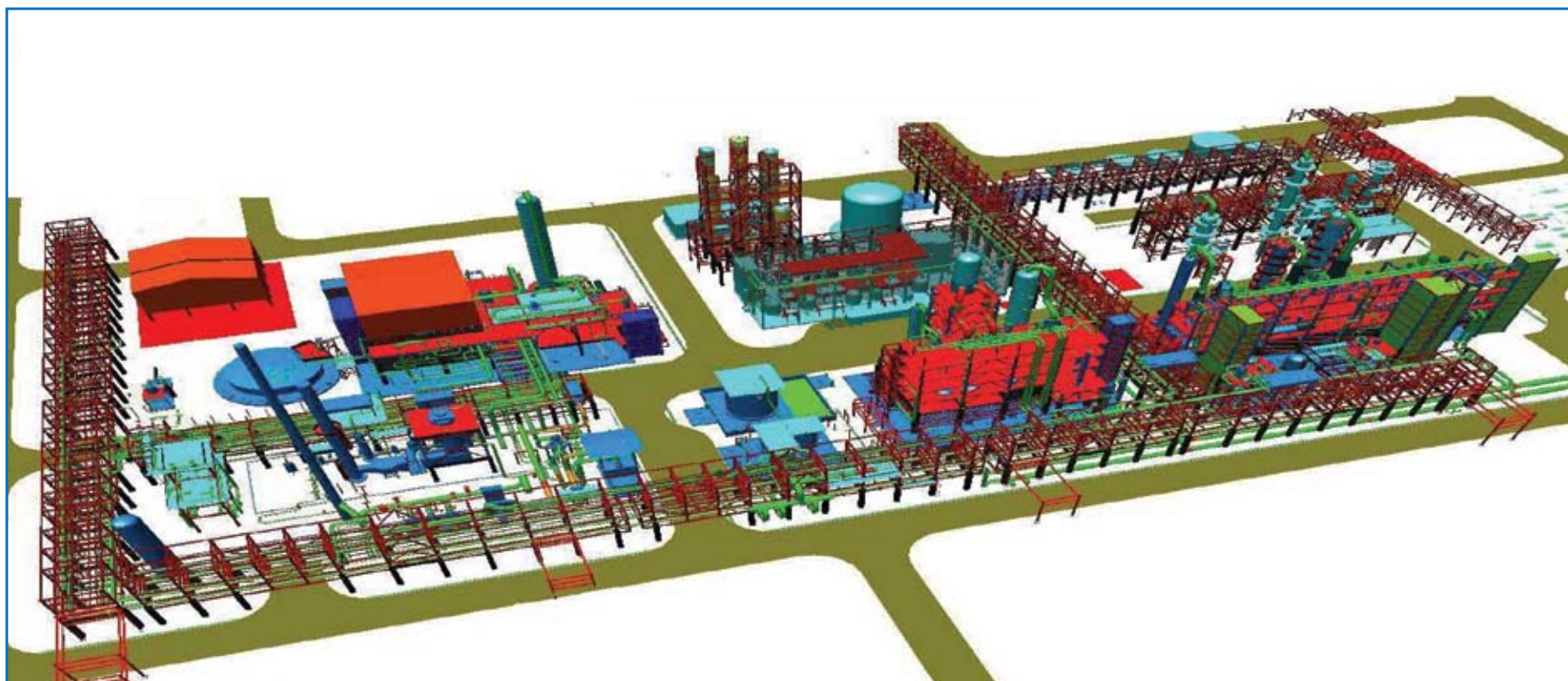
Pursuant to Article (12 – 1) of the Company's Articles of Association, the Board is composed of ten (10) members. The fourteenth extraordinary General Assembly, held on Monday (12/05/1431 – 26/04/2010), has elected the members of the Board of Directors for the ninth session for the coming three (3) years as of 06/07/2010 and up to 05/07/2013. The following table shows details of the Board members:

	<b>Name</b>	<b>Membership Class</b>	<b>Board Membership in other Joint Stock Companies</b>
1	Eng. Mubarak bin Abdallah Al Khafra Board's Chairman	Executive member	Saudi Hollandi Bank Malath Insurance Company Gulf Chemicals and Oils Co.
2	Dr. Moayyad bin Issa Al Qurtas Vice-Chairman and Managing Director	Executive member	Saudi Potter Pipes Production Co. Alrajhi Cooperative Insurance Co.
3	Dr. Talal bin Ali Alsha'er Deputy Managing Director for CRISTAL Affairs	Executive member	Saudi Iak Cooperative Insurance Co. Al Masane Al Kobra Mining Co. Fiber Glass Oasis Co.
4	Eng. Talal bin Ibrahim Al Mayman	Non-executive	Safola Co. Kingdom Holding Co.
5	Dr. Nazeeh bin Hassan Naseef	Non-executive	Saudi Pharmaceutical Industries & Medical Appliances Co. (SPIMACO)
6	Eng. Salah bin Abdulwahab Al Terkait	Independent member	Icarus Company for Oil Industries
7	Mr. Hisham Sayyed Abdulrazzaq Al Rouzouki	Non-executive	Gulf Industrial Investment Co. Gulf Electronic Tawasul Co.
8	Mr. Sabah Tayseer Barakat	Non-executive	
9	Mr. Suliman bin Abdulqader Almohaideb,	Independent member	Arab Company for Pipes Yamama for Iron Industries Abdulqader Almohaideb & Sons. Swicorp Bridges
10	Mr. Badr bin Ali Aldakheel	Non-executive	

## Ninth: Activity on Stocks and Debt Instruments:

A. for Authorities that have Notified the Company During 2010

Related Authority	Notification Type	Date	Statement
Icarus Industrial Holding Co.	Notification related to ownership 7 (A)	15/08/2010	Owns 26.806.103 shares (5.2%)
Gulf Investment Est.	Notification related to change of proportion or purpose of ownership 7 (B)	20/10/2010	Reducing the number of shares from 40,150,170 (7.914%) to 39,615,170 (7.817%)





B. for Board's members, the authorities they represent and Senior Executives

			Number of Owned Shares			
			At the beginning of the year 01/01/2010		At the end of the year 31/12/2010	
	Board's Members	Representing	For the Board's member	For the Authority the member represents	For the Board's member	For the Authority the member represents
1	Mubarak bin Abdallah Al Khafra	himself	2,100,661	--	2,310,727	--
2	Dr. Moayyad bin Issa Al Qurtas	himself	495,482	--	545,030	--
3	Dr. Talal bin Ali Alsha'er	himself	1000	--	1100	--
4	Eng. Talal bin Ibrahim Al Mayman	Kingdom Holding	14,919	28,701,374	226,410	31,571,511
5	Dr. Nazeeh bin Hassan Naseef	Saudi Pharmaceutical Industries & Medical Appliances Corporation	--	24,171,469	--	26,588,615
6	Eng. Salah bin Abdulwahab Al Terkait	National Industries Group Holding	--	24,369,185	19,498	--
7	Mr. Hisham Sayyed Abdulrazzaq Al Rouzouki	Gulf Investment Est.	--	36,459,246	--	37,704,610
8	Mr. Sabah Tayseer Barakat	Olayyan Financial Co.	--	26,695,000	--	29,460,000
9	Mr. Suliman bin Abdulqader Almohaideb	Abdulqader Almohaideb & Sons	--	431,750	1100	534,025
10	Mr. Badr bin Ali Aldakheel	General Organization for Social Insurance	--	25,793,806	--	31,705,368
Senior Executives:						
1	Saleh bin Fahad Alnazha	President/Chief Operation Officer	--	--	--	--
2	Tariq bin Abdulrahman bin Rayyis	Vice –President for Strategic Planning	--	--	--	--
3	Fayez bin Abdullah Alasmari	Vice –President for Finance	26,636	--	29,299	--
4	Ahmed bin Mohammed Albassam	Vice –President for Business Development	15,626	--	13,888	--
5	Fahad bin Abdulaziz Albahooth	Secretary of the Board of Directors	--	--	--	--

### Tenth: Board's Meetings:

The Board of Directors held five (5) meetings during 2010 and the attendance was as follows:

Meeting	Date	Meeting No.	Attendance Record
First	22/02/2010	1/147/2010	Eng. Mubarak bin Abdallah Al Khafra, Dr. Moayyad bin Issa Al Qurtas, Dr. Talal bin Ali Alsha'er, Eng. Talal bin Ibrahim Al Mayman, Dr. Ihsan bin Ali Bohilaqa, Dr. Nazeeh bin Hassan Naseef, Dr. Saleh bin Jameel Malaika, Mr. Sabah Tayseer Barakat, Eng. Salah bin Abdulwahab Al Terkait
Second	26/04/2010	2/148/2010	Eng. Mubarak bin Abdallah Al Khafra, Dr. Moayyad bin Issa Al Qurtas, Dr. Talal bin Ali Alsha'er, Eng. Talal bin Ibrahim Al Mayman, Dr. Nazeeh bin Hassan Naseef, Mr. Sabah Tayseer Barakat, Eng. Salah bin Abdulwahab Al Terkait
Third	07/06/2010	3/149/2010	Eng. Mubarak bin Abdallah Al Khafra, Dr. Moayyad bin Issa Al Qurtas, Dr. Talal bin Ali Alsha'er, Dr. Nazeeh bin Hassan Naseef, Eng. Salah bin Abdulwahab Al Terkait, Mr. Hisham Sayyed Abdulrazzaq Al Rouzouki, Mr. Sabah Tayseer Barakat, Mr. Suliman bun Abdulqader Almohaidib, Mr. Badr bin Ali Aldakheel
Fourth	28/09/2010	4/150/2010	Eng. Mubarak bin Abdallah Al Khafra, Dr. Moayyad bin Issa Al Qurtas, Dr. Talal bin Ali Alsha'er, Eng. Talal bin Ibrahim Al Mayman, Dr. Nazeeh bin Hassan Naseef, Eng. Salah bin Abdulwahab Al Terkait, Mr. Hisham Sayyed Abdulrazzaq Al Rouzouki, Mr. Sabah Tayseer Barakat, Mr. Suliman bun Abdulqader Almohaidib, Mr. Badr bin Ali Aldakheel
Fifth	21/12/2010	5/151/2010	Eng. Mubarak bin Abdallah Al Khafra, Dr. Moayyad bin Issa Al Qurtas, Dr. Talal bin Ali Alsha'er, Dr. Nazeeh bin Hassan Naseef, Eng. Salah bin Abdulwahab Al Terkait, Mr. Hisham Sayyed Abdulrazzaq Al Rouzouki, Mr. Sabah Tayseer Barakat, Mr. Suliman bun Abdulqader Almohaidib, Mr. Badr bin Ali Aldakheel

## Eleventh: Indemnities & Benefits of the Board's Members and Senior Executives:

In SAR	Executive Members of the Board	Non-Executive/ independent Members of the Board	Five Senior Executives who have received the highest benefits and indemnities, including Executive and Finance Managers
Salaries & Indemnities	--	--	4,115,459
Allowances	261,820	417,026	51,000
Periodical & Annual Premiums	11,537,500	600,000	1,902,316
Incentive Plans	--	--	--
Indemnities & In-kind Benefits	172,500	--	--



## Twelfth: The Board's Committees:

The Board of Directors has approved the regulations related to the Executive Committee, Audit Committee, Nominations and Awards Committee. The said regulations include description of the jurisdictions of each committee, terms of formation, membership duration, tasks and powers, method of work and meetings and liabilities and awards of its members. These committees are formed as follows:

### The Executive Committee:

The Executive committee shall take all executive and strategic resolutions in accordance with the powers designated to it and approved by the Board. It is formed of:

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

The committee held seven (7) meetings during 2010.

### The Audit Committee:

The main functions of this committee include exercising of its powers as per applicable rules, regulations and standards, assessing the internal control system while adhering to audit standards approved in the Kingdom and other functions specified by the company's regulations. The annual audit results of the internal control procedures showed that TASNEE internal control system has been prepared on sound basis and has professionally and efficiently been implemented during 2010. The Company is committed to the corporate internal audit guide approved by the Board. The Audit Committee is composed of:

1. Dr. Nazeeh bin Hassan Naseef	Chairman
2. Mr. Sabah Tayseer Barakat	Member
3. Mr. Ali bin Mohammad Alshashaa'	Member
4. Mr. Mohammed bin Ali Abdulaziz Alkirada	Member

The Audit Committee held three (3) meetings during 2010.

### Nominations and Awards Committee:

The committee is concerned with recommending to the Board of Directors all issues related to nomination to the Board membership, reviewing

the required needs, qualifications and skills, reviewing the Board structure and determining its strength and weakness points, ensuring the independence of independent members and that there is no conflict of interests and developing policies for compensating and awarding the Board's members and senior executives. The Nominations and Awards committee is composed of:

1. Dr. Moayyed bin Issa Al Qurtas	Chairman
2. Dr. Nazeeh bin Hassan Naseef	Member
3. Mr. Hisham Sayyed Abdulrazzaq Al Rouzouki	Member
4. Mr. Suliman bun Abdulqader Almohaidib	Member

This committee held three (3) meetings during 2010.

#### **Thirteenth: Zakat and Regulatory Payments:**

Zakat payable by Tasnee alone for 2010 amounted to SAR 17,146,546, while payments of social insurance subscriptions amounted to SAR 1,228,402.

#### **Fourteenth: Corporate Governance:**

The Board approved the corporate governance guide and the company observes its items and adheres thereto. The company also applies most of the rules contained in the corporate governance regulations issued by the Saudi Capital Market Authority and in the process of finalizing the development of a number of policies and procedures in the form of regulations.

Corporate governance provisions that have not been applied by the company along with reasons for non-application are detailed below:



Article No.	Article's Content	Reason for non-Application
2	The right to receive a share from the company's assets upon liquidation	There is no provision to that effect in the company's Articles of Association. It is a provision established under the Corporate Regulation.
5/C	Posting the invitation for the meeting of the General Assembly in the company's website	The invitation has been posted in TADAWUL's website and in three widespread newspapers. The invitation for the coming meeting of the General Assembly will be posted in the company's website.
6/b	Cumulative voting for selecting the Board's members	According to the company's Articles of Association, voting for selecting the Board's members shall be made in accordance with the traditional method that is consistent with Corporate Regulation.
10/Z	Developing written policies that organize relation with stakeholders for protecting them and preserving their rights	Contracts guarantee that. Besides, there was no need for the company to develop written policies for that purpose.
11/E	Contract of Loans in excess of 3 years	Some amendments in Article 14- 1 of the Articles of Association related to granting the Board such right will be submitted to the coming meeting of the General Assembly.
12/E	The number of independent members of the Board of Directors should not be less than two (2), or one third of the Board's members, whichever is great.	This provision is achieved and applied in accordance with the above definition of the independent member. However; and based on the new definition of independent member which became effective as of 01/01/2011, the number of independent members in the Board of Directors has been confined to two (2) members only.
12/P	Commitment of the person having judicial capacity with the right - according to the company Statutes – to nominate his representatives in the Board not to vote on election of other members	This provision is not applicable to the Company as there is no a provision in the Articles of Association that grants legal personalities the right to nominate their representatives in the Board of Directors.
14/B	Issuing of rules pertaining to selecting members of the Audit Committee, their membership term and the Committee's mechanism of action by the General Assembly.	Such rules have already been approved by the Board of Directors and shall be submitted to the General Assembly in the coming meeting for approval.
14/C/8	Studying the initial and annual financial statements by the Audit Committee prior to submitting them to the Board of Directors.	This provision shall be applied with respect to auditing annual financial statements. As for the quarterly financial statements, it is difficult for the audit committee to accomplish such task within the specified period due to the multiplicity of affiliates and the short time available.
15/B	Issuing of rules pertaining to selecting members of the Nominations and Awards Committee, their membership term and the Committee's mechanism of action by the General Assembly of the company and based on a recommendation made by the Board of Directors.	Such rules have already been approved by the Board of Directors and shall be submitted to the General Assembly in the coming meeting for approval.

### **Fifteenth: The Company's Auditors:**

The 18th Ordinary General Assembly agreed in its meeting held on 26/04/2010 to nominate Messrs. Bakr Abulkhair & Co. (Deloitte & Touche Certified Accountants) as the auditors of the company's accounts for the fiscal year ending on 31/12/2010.

### **Sixteenth: The Company's Excellence:**

During the past years, Tasnee attained the second place among Saudi petrochemical companies in the list of the top 100 Saudi companies according to the study conducted annually by Al-Eqtisadia and Arab News. This reflects the enormous development that has been reached by the company in its business areas, which include chemicals, petrochemicals, metals, services and other products.

The company also won the award of the fastest growing company in 2009 from the General Authority for Investment and the Social Responsibility Award for 2010 from Arabian Business magazine. These awards have been added to the list of awards previously received by the Tasnee.

### **Seventeenth: Social Contribution**

Tasnee has been keen to invest in Social Responsibility programs through its established policy of allocating 1% of its profits for this purpose. Tasnee's leading and significant role in community service is not less than its role in the development and diversification of the Saudi economy as it supports the different programs and activities of charitable and humanitarian projects in various parts of the Kingdom, including, for example, supporting the Charitable Society for Orphans Care (ENSAN) to improve the orphans skills in computer and English language, supporting Prince Salman Center for Disability Research and IRADA Association and the Family Committee (emanating from the Muslim World League), supporting the programs of the General Organization for Technical and Vocational Education, TAIBA Association and the Charitable Association in Jubail Industrial City. Tasnee has also sponsored the Second National Competitiveness Program for the preparation of action plans of small projects in collaboration with Prince Sultan Ibn Abdulaziz Center for Science and Technology (SITEC). Tasnee has also supported Sugya project in collaboration with Albir Association in Yanbu by funding the creation of water tanks and secure a tank to transport desalinated water from Yanbu to neighboring villages. Tasnee has participated as a founding member of Prince Salman Center for Disability Research and to work on the development of disability research inside the Kingdom and provides SAR 5 million for the center paid over 5 years. Tasnee has also sponsored, for the second year, the collective marriage ceremony of physically disabled persons in cooperation with the Motor Disability Association (HARAKEYYA), which is a unique project of its kind in the Middle East. In order to enhance its support for youth programs and its concern and keenness to do its duty towards them, Tasnee has sponsored for the second consecutive year Hail Rally as one of the youth and sporting events.

### **Eighteenth: Manpower & Training:**

The personnel of the company as on 12/31/2010 amounted to 935 employees, of whom 544 are Saudis. This number includes the petrochemical plants' employees in Jubail but it does not include the affiliates' employees.

## **Nineteenth: Tasnee Program for Real Estate Loans**

During the year 2010, the company's management approved a program for housing loans designed to help employees to own adequate housing through getting interest-free loans from the company. An amount of SAR 17,000,000 has been approved for housing loans in 2010 estimated budget.

## **Twentieth: Disclosures and Acknowledgements:**

**1. The Capital Market Authority** issued its resolution No. (10-14-2010) dated 02/06/1431 - 16/05/2010 imposing a financial fine on Tasnee amounted to SAR 50,000 for not announcing the resignation of the Vice-President.

### **2. Conflict of Interests:**

Tasnee acknowledges that no member in the Board of Directors has any direct or indirect interest in the businesses and contracts made in favor of the Company; and that all members in the Board of Directors are neither engaged in any business that may lead to competition with the Company nor trade in any activity exercised by the Company. Furthermore, Tasnee has not lent or guaranteed any of the Board's members against any loan or commitment whatsoever.

### **3. Transactions with Related Parties:**

There were no contracts with parties having relations with the Board's members, the Managing Director or his deputies, the Finance Manager or any of their relatives.

**4. Based on the information with which we have become acquainted and the auditor's report, market's results and current data and future indicators, we acknowledge that:**

4.1 The accounting records have properly been prepared.

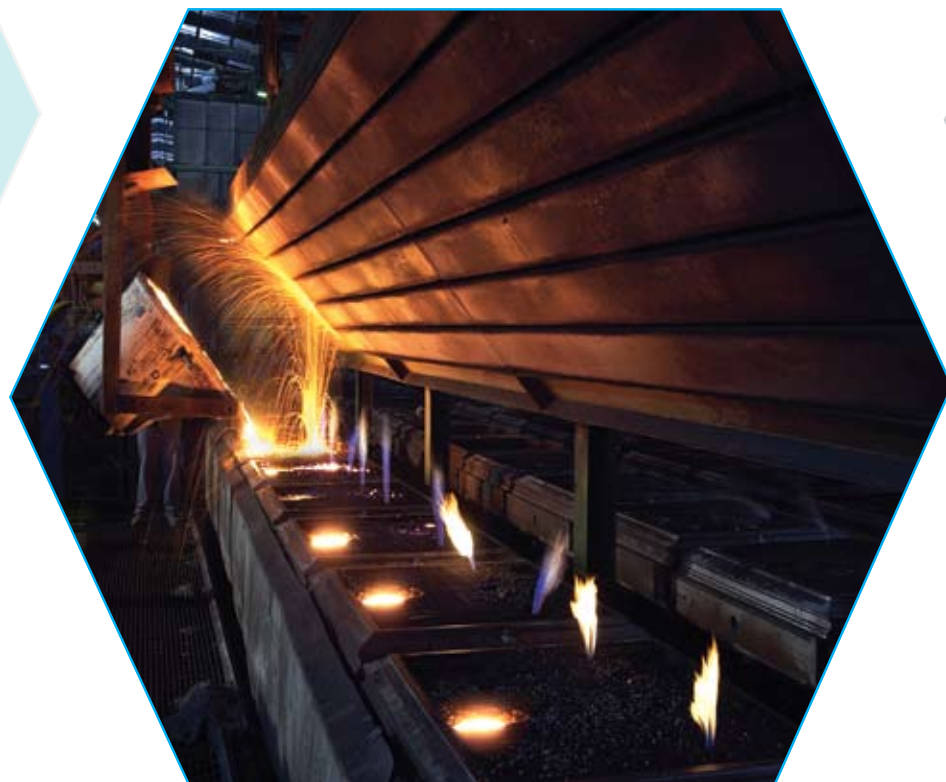
4.2 The internal control system has been prepared on sound basis and has been implemented effectively.

4.3 There is no any doubt regarding the company's ability to continue its activity.

## **Conclusion**

At the end of report, the Chairman and members of the Board of Directors would like to extend their thanks and appreciation to esteemed shareholders for their support and confidence, and to the employees of Tasnee for their fruitful efforts and to our partners and clients in the Kingdom of Saudi Arabia and worldwide for their trust and kind cooperation.





## Speech of the Vice- Chairman and CEO



By the grace of Allah, the global economy has recovered from the recession that has accompanied it for few years, and Tasnee was able to keep pace with global developments during 2010, and such developments were reflected positively on Tasnee march. This was evident in Tasnee's continuity to improve its performance and enhance its position and strength whether locally, regionally or globally and the growth of its sales and the significant expansion of its markets.

Tasnee has worked to complete, implement and expand its projects in response to the global and local growth and the increased demand for many of its projects products, which requires continuous review our production and export strategy as well as future studies related to new industrial projects.

On the ground and from the financial results achieved by Tasnee, the net profit at the end of December 2010 amounted to thousand SAR 1.472.606, with an increase of 184% from previous year. Likewise, shareholders equity at the end of December 2010 stood at thousand SAR 9.261.647, and total assets at the end of December 2010 amounted to thousand SAR 34.745.941. Currently, Tasnee is executing acrylic acid and derivatives projects at an integrated complex that includes a plant for Acrylic Monomers which produces Acrylic Acid and Acrylate Butyl and another factory for butanol and a third one for absorption polymer products. Production in the aforementioned plants will start in 2013.

Tasnee Plastic Research Centre has been established. It has been designed in accordance with global pattern to be a pillar for the manufacturing process in the company as well as aiding manufacturing industries in the region based on the plastics industry. The Centre will contribute to the development of such industries and will provide on-the-job training for staff and customers by cooperating with universities and international technical institutes. It is expected that the establishment works and official opening of the Center will take place during 2011.

Tasnee will not stop at this point but will increase the pace of its activity and development and make a challenge with its reality through studying more opportunities and creating strategic high-tech projects with international standards in order to continue improving its performance, strengthening its gains, developing its current projects and work on their expansion as required by the reality of global and local markets.

**Dr. Moayyad bin Isa Al Qurtas**





## Company`s Directory





## National Titanium Dioxide Company Ltd. “CRISTAL Global”

### Establishment Date

: 20/03/1409 H

### Major Shareholders

: National Industrialization Company 66%  
Gulf Investment Corporation 33%  
Dr. Talal Bin Ali Al Sha'er 1%

### Objectives & Activities

: Producing Titanium Dioxide pigment and using it in producing a group of products like; CRISTAL 100, CRISTAL 113, CRISTAL 121, CRISTAL 122, CRISTAL 128, AND CRISTAL 134.

### Products

: Titanium Dioxide is the major substance used in painting, inks, plastic, rubber, paper, textile, ceramic tiles, cosmetics, pharmaceutical preparations and other industries.

### Markets

: Industrial countries in Asia, Europe, America, Africa, Arab Region and Australia.

### Location

: The headquarter is situated in Al Mustaqbal Towers 9&10 floors.  
P.O.Box 13586 - Jeddah 21414 Tel : 02 652 9966 Fax : 02652 9933

### E-mail

: [info@cristalglobal.com](mailto:info@cristalglobal.com)

### Website

: [www.cristalglobal.com](http://www.cristalglobal.com)

### Location of Factory

: Yanbu Industrial City  
P.O.Box 30320 Tel No: 3212800 Fax No : 3961018



## Saudi Polyolefins Company (SPC)

<b>Establishment Date</b>	: 15/4/1422 AH
<b>Major Shareholders</b>	: National Industrialization Company 75% Basell Moyen Orient Investissements 25%
<b>Products and Production Capacity</b>	: Propylene 455,000 ton. Polypropylene 450,000 ton.
<b>Commercial Operation</b>	: Since Jul 2004
<b>Products Usage</b>	: It is basic raw material for plastic carpets, containers, filling and textile industries.
<b>Markets</b>	: 30% Local and GCC Countries 70% World Market.
<b>Total Project Cost</b>	: SR 3.3 Billion (Including expansion project)
<b>Employment</b>	: 400 Employees.
<b>Address</b>	: P.O.Box 35579 - Al Jubail 31961 Tel : 03 358 2000 Fax : 03 358 2558
<b>E-mail</b>	: <a href="mailto:general@tasnee.com">general@tasnee.com</a>
<b>Website</b>	: <a href="http://www.tasnee.com">www.tasnee.com</a>





## TASNEE & SAHARA Olefins Co.

<b>Establishment Date</b>	: 8/4/1427 H.	
<b>Major Shareholders</b>	: National Industrialization Company	60.45%
	Sahara Petrochemical Company	32.55%
	General Organization for Social Insurance Est.	7%
<b>Objectives &amp; Activities</b>	: Establishment, management, operation and acquisition of Petrochemcial & Chemical projects,marketing their products and assume all relevant activities.	
<b>Location</b>	: The Headquarter is situated in Riyadh Sitteen Street - Malaz New Aqaria Building - Second Tower - 7th Floor. P.O.Box 26707 - Riyadh 11496 Tel : 01 476 7166 Fax : 01 477 0898	
<b>E-mail</b>	: <a href="mailto:general@tasnee.com">general@tasnee.com</a>	
<b>Website</b>	: <a href="http://www.tasnee.com">www.tasnee.com</a>	



## Saudi Ethylene and Polyethylene Company (SEPC)

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





## National Industrialization Petrochemical Marketing Company

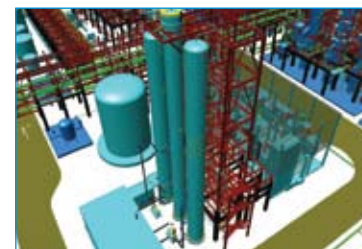
<b>Establishment Date</b>	: 6/9/1422 H
<b>One of TASNEE Affiliates</b>	
<b>Objective &amp; Activities</b>	: Marketing for others, Trading & Distribution agencies , Inspection & Survey Services, Packing Services ,and its main activity is marketing Polypropylene and Polyethylene.
<b>Markets</b>	: Kingdom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





## Saudi Acrylic Acid Company (SAAC)

<b>Establishment Date</b>	: 4/4/2009.
<b>Major Shareholders</b>	: TASNEE & SAHARA Olefins Co. 65 % National Industrialization Co. 13 % SAHARA Petrochemicals Co. 22 %
<b>Objective &amp; Activities</b>	: Establishing, Managing, Operating and Acquiring of Acrylic Acid and its Derivatives Projects.
<b>Address</b>	: The Headquarters is situated in Riyadh P.O.Box 26707 - Riyadh 11496, Kingdom of Saudi Arabia Tel.: 01 476 7166, Fax: 01 477 0898
<b>E-mail</b>	: <a href="mailto:general@tasnee.com">general@tasnee.com</a>
<b>Website</b>	: <a href="http://www.tasnee.com">www.tasnee.com</a>



## Saudi Acrylic Monomers Company (SAMCO)

### Establishment Date

: 5/7/2009.

### Major Shareholders

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

### Objective & Activities

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

### Address

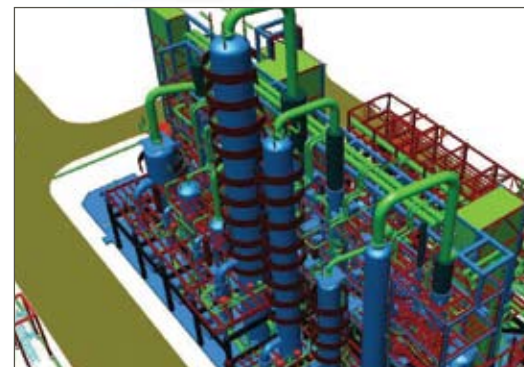
: The Headquarters is located in Jubail Industrial City  
P.O.Box 35579 - Al Jubail 31961, Kingdom of Saudi Arabia  
Tel.: 03 358 2000, Fax: 03 358 2558

### E-mail

: [general@tasnee.com](mailto:general@tasnee.com)

### Website

: [www.tasnee.com](http://www.tasnee.com)



## **ROWAD National Plastic Company Ltd. "ROWAD"**

**Establishment Date** : 1992

**One of TASNEE Affiliates**

**Objective & Activities**

**Products**

: Plastic converters and specialized engineering polymer products manufacturers.  
: "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 African countries.

**located**

: Headquarter and factories are at Second Industrial Zone in Riyadh  
P.O.Box 29452 Riyadh 11457 Kingdom of Saudi Arabia

Tel: +966-1-2651966

Fax: +966-1-2651973

**E-mail**

: [info@rowadplastic.com](mailto:info@rowadplastic.com)

**Website**

: [www.rowadplastic.com](http://www.rowadplastic.com)







## ROWAD International Comapany For Artificial Membrane Ltd.

### Establishment Date

: 2006

### Major Shareholders

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

### Objective & Activities

: Specialized Industrial insulation materials

### Products

: “ROWAD GEO” core business activities are in manufacturing the Polyethylene (PE) Geo-membrane Liners in high density polyethylene (HDPE) and low density polyethylene (LDPE) roll 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 Zone in Riyadh

P.O.Box 29452 Riyadh 11457 Kingdom of Saudi Arabia

Tel : +966-1-2651966 Fax: +966-1- 2651973

Factory is located at Second Industrial Zone in Dammam

### E-mail

: [marketing@tasneepetrochemicals.com](mailto:marketing@tasneepetrochemicals.com)

### Website

: [www.tasneepetrochemicals.com](http://www.tasneepetrochemicals.com)





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

### Establishment Date

: 2008

### Major Shareholders

: Rowad National Plastic Co. Ltd. "ROWAD PLASTIC"	50%
National Industrialization Petrochemical Marketing Co.	37.5%
DMT Technology Inc from Austria	12.5%

### Objective & Activities

: Packaging Films.

### Products

: "ROWAD BOPP Films" core business activities are in manufacturing the Bi-axially Oriented Polypropylene (BOPP) films for printing, lamination, packaging and coating in a wide range.

### Markets

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

### Location

: Headquarter is located at Second Industrial Zone in Riyadh

P.O.Box 29452 Riyadh 11457 Kingdom of Saudi Arabia

Tel : +966-1-2651966 FAX : +966-1-2651973

Factory is located at Second Industrial Zone in Dammam.

### E-mail

: [marketing@tasneepetrochemicals.com](mailto:marketing@tasneepetrochemicals.com)

### Website

: [www.tasneepetrochemicals.com](http://www.tasneepetrochemicals.com)





## National Batteries Company (BATTARIAT)

### Establishment Date

: 08/05/1413 H

### Major Shareholders

: National Industrialization Company 80%  
Local Partners 20%

### Objective & Activities

: Production of automotive and industrial batteries.

### Products

: automotive batteries

### Markets

: Kingdom of Saudi Arabia and the neighbouring countries

### Location

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

### E-mail

: [nbc@battariat.com](mailto:nbc@battariat.com)

### Website

: [www.battariat.com](http://www.battariat.com)







## National Lead Smelting Co. (RASASS)

<b>Establishment Date</b>	: 25/10/1410 H
<b>Major Shareholders</b>	: National Industrialization Company 74.90% Local Partners 25.10%
<b>Objective &amp; Activities</b>	: Recycling of used car batteries and production of Lead, Polypropylene , and Sodium Sulphate from the recycled batteries.
<b>Products</b>	: Lead and Sodium Sulphate.
<b>Markets</b>	: Saudi Arabia, GCC countries, Yemen, Jordan and Pakistan.
<b>Location</b>	: 2nd Industrial City 3rd Stage - Riyadh 11383 P.O.Box : 43169 Riyadh 11561 Kingdom of Saudi Arabia Tel : 01 265 2424 Fax: 01 265 2223
<b>E-mail</b>	: <a href="mailto:info@rasass.com.sa">info@rasass.com.sa</a>
<b>Website</b>	: <a href="http://www.rasass.com.sa">www.rasass.com.sa</a>





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

### Establishment Date

: 29/07/1406 H

### Major Shareholders

: National Industrialization Company 61.67%  
Local Partners 38.33%

### Objective & Activities

: Marketing , Sale and distribution of industrial products, including car batteries, plastic sheets, imports & exports, trading agencies for industrial products, investment in industrial services fields including environment preservation services , quality services and technical testing .

### Markets

: Domestic & Regional markets..

### Location

: New Aqaria Building First Tower  
Sitteen Street - Malaz  
P.O.Box : 86868 Riyadh 11632  
Kingdom of Saudi Arabia

### E-mail

Tel : 01 476 2800 Fax: 01 476 0088  
: [khadamatbp@hotmail.com](mailto:khadamatbp@hotmail.com)





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

### Establishment Date

: 29/07/1406 H

### Major Shareholders

: National Industrialization co. and Khadamat Co. 74.89%  
TUV NORD International German Co. 25.11%

### Objective & Activities

: Provision of industrial services in Testing & Maintenance ,Caliberation & Quality and Environment Management Systems (ISO), Foods Management Services (HACCP), Technical Inspection and Testing of boilers ,compressors,cranes and lifting equipment,inspection and examination of the safety equipment,providing engineering consultations for qualification (ASME),performing non-harmonious tests (NDT), measurement and standardization of the measuring equipment and systems,and training on all these services.

### Markets

: Kingdom of Saudi Arabia.  
: Headquarter : P.O Box 3998,Dammam 31481, Kingdom of Saudi Arabia.  
Tel: 03 828 1835 Fax: 03 828 1267.

### Location

New Aqaria Building First Tower - Sitteen Street - Malaz  
P.O.Box : 86868 Riyadh 11632 Kingdom of Saudi Arabia  
Tel : 01 476 2800 Fax: 01 476 0088  
[info@fahss.com](mailto:info@fahss.com) -[sales@fahss.com](mailto:sales@fahss.com)  
[www.fahsstuv.com](http://www.fahsstuv.com)

### E-mail

: Technical Inspection and Testing Branch (FAHSS/TUV AL Jubail) P.O.Box 10771 ,  
Al Jubail 31961 , Kingdom of Saudi Arabia

### Website

Tel : 03 340 7607 / Fax : 03 340 7605

### Branches

E-mail:[info@fahsstuv.com](mailto:info@fahsstuv.com)

Website:[www.fahsstuv.co](http://www.fahsstuv.co)

: Gulf Lab for Measurements and Standard ization (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-caliberation.com](mailto:info@gems-caliberation.com)

Website:[www.gems-caliberation.com](http://www.gems-caliberation.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 Systems (ISO),Food Safety Management Systems (HACCP),Health & Safety, Information Technology,Environment Evaluation & training.

### Services

: Quality Management Systems (ISO 9001) Environment Management Systems (ISO 14001),Occupational and Health Safety Systems (OHSAS 18001),Occupational and Health Safety Systems (OHSAS 18001), Food Safety Management Systems (HACCP),Technical Inspection and Testing of boilers,compressors,cranes and lifting equipments,inspection and examination of the safety equipment ,providing engineering consultations for qualification (ASME) performing non-harmonious test (NDT),providing specialized training services in several technical ,engineering and managerial domains through the academy of distinguished level (TUV Academy).

### Markets

: GCC countries and some other Arab countries.

### Location

: Headquarter P.O.Box: 26674 , Manama,Kingdom of Bahrain

Tel : +973 1 787 7391 Fax: +973 787 7392

### E-mail

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

### Website

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

### Branches

: AbuDhabi Branch P.O.Box: 46030,AbuDhabi - UAE

Tel : 971 2 447 8500 , Fax : 971 2 447 8600 E-mail: [abudhabi@tuv-nord.com](mailto: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](mailto: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](mailto:qatar@tuv-nord.com)

: Kuwait Branch : P.O.Box: 29643 , al Safat 13157 , Kuwait

Tel : 965 246 5962 , Fax : 965 246 5964 E-mail: [kuwait@tuv-nord.com](mailto:kuwait@tuv-nord.com)

: Syria Branch

Tel : 963 11 331 1997 / 963 11 331 3837 E-mail: [syria@tuv-nord.com](mailto:syria@tuv-nord.com)





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

Listed joint-stock company in TADAWUL

### Establishment Date

: 16/05/1411 H

### Major Shareholders

: National Industrialization Company 35.46%  
Other Shareholders 65.54%

### Objective & Activities

: Manufacturing wires & metal 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.

### Products

: GCC countries and some other Arab countries.  
: Kingdom of Saudi Arabia, GCC Countries, Arab Countries, UK, Italy, Pakistan and Iran.

: Al-Jubail Industrial City

P.O.Box : 10882 Al-Jubail industrial City 31961

Tel: 03 358 8000 Fax: 03 358 3831

: [natmetal@natmetalco.com](mailto:natmetal@natmetalco.com)

### Markets

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

### Location

: Abu Dhabi Branch P.O.Box: 46030, Abu Dhabi - UAE

Tel : 971 2 447 8500 , Fax : 971 2 447 8600 E-mail: [abudhabi@tuv-nord.com](mailto: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](mailto: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](mailto:qatar@tuv-nord.com)

: Kuwait Branch : P.O.Box: 29643 , al Safat 13157 , Kuwait

Tel : 965 246 5962 , Fax : 965 246 5964 E-mail: [kuwait@tuv-nord.com](mailto:kuwait@tuv-nord.com)

: Syria Branch

Tel : 963 11 331 1997 / 963 11 331 3837 E-mail: [syria@tuv-nord.com](mailto:syria@tuv-nord.com)





## National Packing Products Company LTD (WATAN PAC)

<b>Establishment Date</b>	: 19/04/1404 H	
<b>Major Shareholders</b>	: Asir Company	50.40%
	National Industrialization Company	42.60%
	Domestic Partners	07.00%
<b>Objective &amp; Activities</b>	: Production and marketing of corrugated cartons.	
<b>Products</b>	: Production of corrugated carton for all sectors and usages.	
<b>Markets</b>	: Kingdom of Saudi Arabia ,GCC Countries and Arab Countries (Jordan,Syria and Yemen).	
<b>Location</b>	: 2nd Industrial City 3rd Stage- Riyadh P.O.Box: 25817 Riyadh 11476 Tel: 01 265 2211 Fax: 01 265 2483	
<b>E-mail</b>	: <a href="mailto:info@watanpac.com.sa">info@watanpac.com.sa</a>	
<b>Website</b>	: <a href="http://www.watanpac.com.sa">www.watanpac.com.sa</a>	





The background of the entire page is a dense, repeating pattern of small, white, three-dimensional spheres. These spheres are arranged in a grid-like fashion, creating a textured, 3D effect that recedes into the distance. The lighting is soft, casting subtle shadows between the spheres.

**TASNEE NEWS**

## Prince Sultan Bin Abdulaziz honors Tasnee



HRH Prince Sultan bin Abdulaziz Al Saud, Crown Prince, Deputy Prime Minister and Minister of Defense and Aviation and Inspector General, honored Tasnee in the framework of honoring the sponsors of the Second National Competitiveness for preparing the action plans of small projects as well the partners of the National Programme for Driving and the winners in the Second National Competitiveness and the strategic partners on March 22, 2010. Eng. Mubarak bin Abdullah Al-Khafrah, Chairman of the Board of Directors of Tasnee, received an honorary shield from Prince Sultan for the support provided by the company to Prince Sultan bin Abdulaziz Center for Science and Technology and its belief in the importance of social development and the necessity and importance of serving the local community.

Since its establishment, Prince Sultan bin Abdulaziz Center for Science and Technology aimed at achieving the goal of Prince Sultan bin Abdul Aziz, Crown Prince, Deputy Prime Minister and Minister of Defense and Aviation and Inspector General and President of Sultan Bin Abdulaziz Charitable Foundation represented by supporting the evolution of the Saudi society in particular and the Gulf society in general to develop education and provide scientific and cultural benefits to children as well as serving the Kingdom through educational means that keeps pace with scientific and technical progress.

## Tasnee finances the National Charity Society for Orphans Care (ENSAN) with SR 500.000.

Prince Salman bin Abdulaziz received a delegation from Tasnee headed by Eng. Mubarak bin Abdullah Al-Khafrah, Chairman of the Board of Directors of Tasnee, with the presence of Dr. Hamoud Al-Bader, Secretary- General of ENSAN. The delegation of the Tasnee donated the financing and operating business incubation inside the headquarters of ENSAN to train orphans on skills of using and maintaining computers which will be punctuated by the preparation of the incubation beneficiaries for the labor market and strengthen their English language skills.

Pursuant to this donation, Tasnee provided SAR 500.000 which will be dedicated to the operation of the incubator for the second year and to cover its operating expenses for a full year.







## Al-Khafrah.. the Best Board's Chairman in the Industrial Sector in the Kingdom

The ITP Publishing Group has granted its Award for 2009 to Eng. Mubarak bin Abdullah Al-Khafrah, Chairman of the Board of Directors, as the Best Board's Chairman in the industrial sector in the Saudi Arabia. This Award is classified as one of the best prizes awarded for the business sector and is one of 16 awards including the Best CEO and Best Company of the Year.

Eng. Al-Khafrah has been selected according to several considerations, most notably leading Tasnee and emphasizing its role as one of the biggest international companies in the field of petrochemicals and chemicals. Under his leadership, Tasnee has achieved quantum leaps which led it to be a strong competitor to major international companies, attain the second place worldwide in the production of Titanium Dioxide, own two major projects for petrochemicals in the region, its products invade most regions of the world and own a number of factories in Europe, North and South America and Australia.

The Award ceremony took place on Sunday March 21, 2010, Buraydah Hall, Riyadh Intercontinental Hotel and was attended by a number of industry, economy, and finance and trade experts.



## Tasnee the sixth fastest growing company in Saudi Arabia

Tasnee has been ranked as the sixth fastest growing company in the Kingdom in 2010

After it managed to make a breakthrough in its growth and strengthened its presence at the regional and global levels surpassing the negative impact of the global financial crisis. Tasnee has achieved breakthroughs in its growth and profits, especially in the third and fourth quarters of 2009. In the third quarter the company's growth increased by 58.2% compared to the same period of 2008 and reached SAR 227.2 million, while in the fourth quarter the rate of growth in the company's profits was 171%, increasing from that of the same period of 2008 by SAR 222.1 million.

Tasnee was qualified this award due to the increase of return of its affiliate, the Saudi Company for ethylene and polyethylene, which strengthened its growth during the second half of 2009.

Tasnee has been honored and Dr. Moayyad bin Isa Qurtas Vice Chairman and chief executive received an honorary shield during the ceremony which was held on the sidelines of the fourth Global Competitiveness Forum meetings, held in Riyadh on January 28, 2010 in the presence of more than 3000 persons representing business leaders, academics and government officials from Saudi Arabia and abroad. The award of the 100 fastest Saudi growing companies is the largest international prize in the field of business and the largest domestic award in Saudi Arabia.



## Held in Bahrain for 3 days

### Tasnee sponsors and participates in the second version of Shipping and Supply Conference

Tasnee sponsored and participated for the second year in the second Supply Chain Conference organized by Gulf Petrochemicals and Chemicals Association (GPCA) in the Bahraini capital Manama in the period from 24 to 26 October 2010. The conference and participants aimed at reaching the best practices that should be applied and approved to make the method of distributing products to consumers fast, safe, affordable and socially responsible.

The conference was supported by Mr. Abdul Hussain Mirza, Minister of Oil and Gas and Chairman of the Board of Directors of the National Authority for Oil and gas in the Kingdom of Bahrain. Tasnee participated with a distinct booth in the exhibition accompanying the conference in addition to the participation of Dr. Abdulaziz Albati, Vice Chairman of Supply Chain Committee in Gulf Petrochemicals and Chemicals Association and the General Manager of supply chain in Tasnee Complex with a paper within a distinct group of keynote speakers and participants in the field of shipping and supplies to exchange views and experiences over the three days of the Conference



## Saudi Acrylic Acid Co. and German Evonik sign Heads of agreement related to Super absorbent Polymers Project

Tasnee announced that the Saudi Acrylic Acid Co. Ltd., an affiliate of Tasnee and Sahara Olefins Co., signed on Monday April 26, 2010 Heads of agreement with Evonik Co. from Germany in order to establish a plant for the production of 80 thousand tons per year of superabsorbent polymer in Jubail Industrial City, noting that the Saudi Acrylic Acid Co Ltd. had previously signed a joint venture agreement with Dow U.S. to establish a factory for the production of Acrylic Acid and Acrylates, and these plants are the first of their kind in the region.

Super absorbent Polymers are used as a basic materials for manufacturing sanitary towels papers, diapers and the Acrylic Acid and Acrylates materials are used in a variety of uses such as paints industry, gum materials, and other industrial uses. It is expected that the production of the super absorbent polymers project will begin in the first quarter of 2013. The project provides about 100 direct jobs, which will increase with the gradual expansion of the project.







**Tasnee supports  
IRADA Charitable  
Waqf Project with  
SAR 1.000.000**

Tasnee has supported the Charitable Society for Special Needs in Jubail Industrial City (IRADA) with SAR 1.000.000 to be dedicated for the construction of a large commercial complex in Jubail Industrial City. The returns of this complex will be directed to serve the purposes of IRADA. Eng. Saleh bin Fahd AlNazha, the Chief operating Officer at Tasnee, handed over a check with the amount to Dr. Mohammed bin Jassim Al-Ansari, member of Majlis Ash Shourah and Chairman of IRADA, at IRADA headquarters in Jubail Industrial City.

This project provides aid to individuals with special needs served by IRADA of all age groups through early intervention to integrate and enable such individuals to effectively participate in society. IRADA provides educational and specialized comprehensive rehabilitation services. Furthermore, this project aims at achieving the objectives of the Association in raising awareness about disability among members of the community and to educate and train family members on how to deal with individuals with special needs, establishing a data, information and statistics base on disability in Jubail, encourage and support disability studies and research, which will contribute to the development of plans and directions to promote the rehabilitation and educational and health services for individuals with special needs.

## **Tasnee supports the creation and processing of the first and largest anti-smoking clinic in the Kingdom**

Mr. Fahad bin Muammar, Governor of Taif, launched the first and largest mobile clinic and awareness exhibition to combat smoking and spreading awareness of the harmful effects of drugs which was supported by Tasnee in collaboration with the Charitable Society for Combating Smoking and Drugs (KAFA) within «ignite a hope by stopping it, » campaign launched by KAFA at Alsalam Hall which lasted for five days with the participation of a group of doctors, scientists and thinkers.

Tasnee provided a financial support of SAR 500.000 to be dedicated to the establishment and equipment of the clinic and mobile exhibition, operated by IRADA to treat smokers in the Kingdom, help them to quit smoking, and provide them with medical and awareness information and Sharia'h provisions related to smoking.



## Being Aware of its Social Responsibility

Tasnee sponsors the Awareness meetings related to the benefits of Joining World Trade Organization



Tasnee Company took the initiative of supporting and sponsoring three awareness meetings related to the gains of joining the World Trade Organization held over 3 days in the three major cities of Riyadh and Dammam and Jeddah from January 8 -10, 2010, during which experts from the World Trade Organization were attracted to raise awareness of avoiding anti-dumping issues and how to access international markets. The meetings targeted company officials and those interested in industry and exportation and access to international markets.

The three cities have been selected as they are the largest ones in terms of trade and economic weight, which allows to target a variety of actors in the business sector as chairmen of major producing companies and executives of producing and exporting companies and officials of chambers of commerce in the three cities together with senior government officials and relevant officials in the public sector. The main purpose of these meetings was to raise awareness among Saudi private sector of the benefits the Kingdom can get from joining the World Trade Organization through ensuring the access of their exports to more than 152 member countries as well as avoiding the problems of anti-dumping. The meetings also aimed at maximizing the gains of joining the organization and enhancing the efficiency of public and private sectors officials and to stimulate their ability to face the challenges imposed by the areas of international trade and enhance their potential to benefit from opportunities available for national products and development of Saudi Exports.

## Tasnee the Diamond Sponsor of the Hail Rally 2010

After proving its success in previous years, Tasnee sponsored the fourth session of Hail International Rally, which lasted from 16 - 18 February 2010 and was organized by the Supreme Commission for the Development of Hail in cooperation with the International Federation for Motor Show. This participation represents the third one and was marked by the participation of Tasnee's team in the event by a professional driver.

The sponsorship Agreement was signed by Eng. Abdullah bin Ibrahim Al-Abdulkarim, representing the Supreme Commission for the Development of Hail, and Eng. Saleh bin Fahad AlNazha, Chief Operating Officer at Tasnee. The Rally witnessed considerable regional, Arab and international participations and significant popular attendance as well as intense media coverage that coincided with this event as it has proved to be successful over the past years.



## In Collaboration with the International Commission of Muslim Woman and Family Tasnee contributes to addressing Family Problems and supports Training on Management of Small Enterprises

Tasnee has signed two cooperation Agreements with the International Commission of Muslim Woman and Family. Tasnee was represented in signing the said Agreement by Dr. Talal bin Ali Alsa'er, Deputy Managing Director for Cristal Affairs, while the Commission was represented by Dr. Baheja Baha Azzi, Secretary-General of the Commission. The signing ceremony took place at Cristal Headquarters on Tuesday, February 16, 2010.

The fund of the first project, which is related to treating family problems, amounted to SAR 250.000. This project aimed at establishing training courses to promote the concept of family safety and cohesion, raising awareness about , and protecting them from, disintegration and developing and identifying a concept of three dimensions for family building: love, serenity and compassion. The project contained 5 facts: happy hearts, creative hearts, shining hearts, hearts with no problems, warm hearts.

Total financing of the second project, which related to business incubations for training on managing small enterprises, amounted to SAR 200.000. The project aimed at providing an opportunity for girls to possess the best skills in order to participate in community development, promoting and educating girls and empowering them to manage their businesses efficiently, reducing unemployment and raising the qualification level of local inhabitants in a professional manner. The project consists of 5 stages: preparation, planning, application, assessment and ceremony.



## With half a million Riyals Tasnee finances Women's Charitable Society in Jubail

On Wednesday, February 3, 2010, Tasnee signed a cooperation Agreement with Women's Charitable Society in Jubail, pursuant to which Tasnee provided a fund of SAR 500.000 to the Society. This cooperation is the first of its kind between Tasnee and Jubail society. The fund amount has been dedicated to the establishment of three business incubations to train girls on three occupations: tailoring and dressmaking, beauty care, and Secretariat works. The incubations aim at developing skills of trainees and qualifying them to get decent jobs.

On June 6, 2010, the Jubail society celebrated the graduation of first group of trainees at a ceremony held at the headquarters of the society and sponsored by the Spouse of Saleh Bin Fahad Al Nazha, Chief Operating Officer at Tasnee. She delivered the graduation certificates to graduates and appreciation certificates to the program trainers.



Opened by Prince Abdulaziz bin Salman bin Abdulaziz

### Tasnee Sponsors the Awareness Campaign of Kidney Diseases

Tasnee sponsored the medical awareness campaign of kidney diseases organized by Prince Salman Center for Kidney Diseases under the auspices of HRH Prince Abdulaziz bin Salman bin Abdulaziz, the supervisor of Prince Fahad bin Salman Charity Association for the Care of Renal Failure Patients from the

14th to the 16th of March 2010 under the slogan "Control Diabetes and Keep your Kidneys." The campaign included a number of events which coincided with the celebration of the World Kidney Day which was held for the fifth year and organized by regional and international kidney associations in more than 66 countries, including Saudi Arabia.

The campaign was executed with the aim of creating societal awareness about kidney and spreading concepts to the effect that kidney disease is widespread and has great and negative impacts but can be cured. There are about 500 million people with kidney diseases across the world, of whom 1.000.000 die annually due to heart disease associated with chronic kidney disease.

The campaign examined students from more than 100 schools in the intermediate and secondary stages for the early diagnosis of kidney disease to determine the size of the problem among students of the said phases. To achieve such purpose, the campaign urged citizens to participate in its activities, sent a large number of text messages, organized a number of medical and awareness-raising lectures, and organized an exhibition which included a number of agencies that provide services for patients with renal failure in addition to other medical entities and pharmaceutical companies.





Under the slogan:  
«Together we keep the Blessings»

### Tasnee Supports Samir Al Najjar Waqf with 4 Cars

Tasnee provided a financial support to Samir Al Najjar Waqf for keeping blessings in Taif which has been directed to the purchase of 4 vehicles to be used in transferring foods to poor and needy people as well as to the completion of the Waqf construction. The vehicles were handed over at a ceremony held on the first of August 2010 in the presence of Mr. Ali Al-Ghamdi, Advisor of Taif Governor, Al Sheikh Ahmed Mubarak, member of Senior Scientists Commission, the Secretary-General of Taif Chamber of Commerce and Industry and neighborhood residents. Mr. Samir Al Najjar received the vehicles keys from Mr. Wael Al-Aqeel, Community Service Executive at Tasnee.

Samir Al Najjar Waqf performs different activities, the most important of which is the collection of surplus food from wedding galleries and keep them in a healthy manner and then distribute them to the needy and poor people in Taif province. This project is the second one provided by Tasnee in the province of Taif. The first project was executed in collaboration with the Charitable Society for Combating Smoking «KAFA» by launching the largest mobile clinic in the Middle East for smoking treatment and raising awareness regarding the dangers of drugs. The launch of this clinic was in the presence of Taif Governor.



### Tasnee funds TAWASUL Third Forum with SAR 250.000 for the Third Time



Within its responsibilities to serve the community, Tasnee sponsored the social and cultural campaign carried out by the Commission for Social Development in Jubail for the third year (TWASUL Third Forum). The campaign included a number of attractive, useful and funny social, cultural and sporting programs in which youths meet at interactive and competitive atmosphere and spend useful and entertaining time. The forum aims at strengthening and disseminating the culture of dialogue and debate and promoting the culture of volunteerism among members of the community as well as inviting community members to bear their responsibilities in crises times, spreading awareness of intellectual and social dangers facing them and the importance of rallying around the leadership and that security is the responsibility of all.

## Tasnee gets the Social Responsibility Award

Tasnee got on Tuesday, June 1, 2010 the Excellence Award in Social Responsibility programs which is presented annually by the ITV group and the Arabian Business magazine within a range of other awards for the business sectors in Saudi Arabia. The nomination of Tasnee to get this Award come as a result of the great response the company has shown in social responsibility programs as well as its constant keenness to excel in such field as well as its excellance in the field of industrial investments. Tasnee has allocated a fixed percentage of its profits each year to fund social responsibility programs which is disbursed through partnership with concerned authorities and managed through a specialized unit created in community service established by Tasnee especially for this purpose.

Tasnee has supported and sponsored a wide range of projects which targeted the development, rehabilitation, treatment and awareness of Saudis through the provision of rehabilitation and training programs, supporting of business incubations and small institutions, providing training courses for young men and women seeking employment. Tasnee has provided support to training and rehabilitation programs to inmates of prisons and reformatories to prepare them for effective reintegration into society. Furthermore, Tasnee has supported Suqya projects and the provision of drinking water in remote villages as well as supporting charities, Birand Orphans societies, disabled and research centers, disability and health and social awareness campaigns and finally sporting, cultural and scientific events and conferences and forums that aim at community development, enlightenment and education.



## With half a million Riyals Tasnee Finances Taiba Charitable Society in Madinah

On Tuesday, April 27, 2010, Tasnee signed a cooperation Agreement with Taiba Charitable Society in Madinah pursuant to which Tasnee provided a fund of SAR 500.000 to Taiba Society.

This cooperation is the first of its kind between Tasnee and Taiba Society. The fund amount has been dedicated to the establishment of three business incubations to train girls on three occupations: tailoring, dressmaking and beauty care in order to develop skills of trainees and qualifying them to get decent jobs.





## Tasnee Finances Al Bir Association with SAR 500.000 for Equipping a Group of Business Incubations

Under the fruitful cooperation between the private sector and charitable societies in our country; and to supplement the role played by Tasnee in advancing economic development in the Kingdom, Tasnee has signed a partnership Agreement with Al Bir and Social Services Society in Yanbu which will continue for one year. Pursuant to this Agreement, Tasnee financed Al Bir Society with SAR 500. 000 which has been dedicated to complete the construction and preparing a group of business incubations to train beneficiaries on tailoring, dressmaking, beauty care, gift wrapping using punching equipment and computers. The agreement was signed by Dr. Moayyad bin Isa Al Qurtas, Vice Chairman and Managing Director of Tasnee, Mr. Zari bin Awad Al-Shami, Director General of the Society. The Agreement aims at contributing to the preparation of trained manpower and enabling them to acquire the best skills as well as providing them with up-to-date information on computers and its accessories, tailoring, dressmaking and beauty care in order to meet the community's needs



## With half a million Riyals Tasnee Finances Taiba Charitable Society in Madinah

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This cooperation is the first of its kind between Tasnee and Taiba Society. The fund amount has been dedicated to the establishment of three business incubations to train girls on three occupations: tailoring, dressmaking and beauty care in order to develop skills of trainees and qualifying them to get decent jobs.



# Financial Statements



## AUDITORS' REPORT

Shareholders  
National Industrialization Company  
(A Saudi Joint Stock Company)  
Riyadh, Kingdom of Saudi Arabia

### Scope of Audit

We have audited the accompanying consolidated balance sheet of National Industrialization Company (A Saudi joint stock company) as at December 31, 2010, and the related consolidated statements of income, cash flows and changes in shareholders' equity for the year then ended, and notes 1 to 33 which form an integral part of these consolidated financial statements as prepared by the Company in accordance with Article 123 of the Regulations for Companies and presented to us with all the necessary information and explanations. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with 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 consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting standards used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

### Unqualified Opinion

In our opinion, the overall accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2010, and the consolidated results of its operations and its cash flows for the year then ended in conformity with accounting standards generally accepted in the Kingdom of Saudi Arabia appropriate to the nature of the Company, and comply with the relevant provisions of the Regulations for Companies and Company's bylaws as those relate to the preparation and presentation of these consolidated financial statements.

Deloitte & Touche  
Bakr Abulkhair & Co.



Bakr A. Abulkhair  
(License No. 101)

Rabi Al-Awal 18, 1432  
February 21, 2011

Audit, Tax, Consulting, Financial Advisory.

Member of  
Deloitte Touche Tohmatsu

CONSOLIDATED BALANCE SHEET  
AS AT DECEMBER 31, 2010

	Note	2010 SR'000	2009 SR'000
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	3	3,886,113	3,585,465
Accounts receivable	4	3,262,860	3,018,813
Inventories	5	2,889,216	2,708,559
Prepaid expenses and other assets	6	582,187	543,603
<b>Total current assets</b>		<b>10,620,376</b>	<b>9,856,440</b>
<b>Non-current assets</b>			
Investments in available for sale securities		194,184	78,691
Investments in associated companies and other	7	387,712	406,484
Property, plant and equipment, net	8	18,059,375	18,062,222
Projects under progress	9	1,125,958	448,303
Intangible assets, net	10	3,592,250	3,638,110
Other non-current assets	11	766,086	671,931
<b>Total non-current assets</b>		<b>24,125,565</b>	<b>23,305,741</b>
<b>Total Assets</b>		<b>34,745,941</b>	<b>33,162,181</b>
<b>Liabilities AND Equity</b>			
<b>Current liabilities</b>			
Short-term facilities and Murabaha	12	2,030,747	2,235,229
Current portion of long-term loans	13	1,384,668	891,780
Current portion of deferred gains on sale and leaseback transactions	14	28,433	28,433
Current portion of obligations under capital lease contracts	15	187,500	168,750
Accounts payable	16	824,889	1,009,022
Accrued expenses and other liabilities	17	1,651,853	1,440,099
<b>Total current liabilities</b>		<b>6,108,090</b>	<b>5,773,313</b>



	Note	2010 SR'000	2009 SR'000
<b>Non-current liabilities</b>			
Long-term loans	13	11,353,278	12,887,663
Interest rates swap		344,986	307,923
Derivative financial instruments		157,052	181,091
Deferred gains on sale and leaseback transactions	14	92,406	120,839
Obligations under capital lease contracts	15	1,031,250	1,218,750
End-of-service indemnities	18	140,391	112,229
Other non-current liabilities	19	1,121,550	1,100,893
<b>Total non-current liabilities</b>		<b>14,240,913</b>	<b>15,929,388</b>

<b>Total liabilities</b>		<b>20,349,003</b>	<b>21,702,701</b>
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## EQUITY

### Shareholders' equity

Share capital	1	5,067,532	4,606,847
Share premium	1	1,303,244	1,763,929
Statutory reserve	20	496,537	349,277
Change in fair value of investments in available for sale securities		126,959	33,737
Retained earnings		2,036,969	1,220,376
Proposed dividends	21	506,753	345,513
Other reserves	22	( 276,347 )	( 529,927 )
<b>Total shareholders' equity</b>		<b>9,261,647</b>	<b>7,789,752</b>
Minority interest		5,135,291	3,669,728
<b>Total equity</b>		<b>14,396,938</b>	<b>11,459,480</b>

<b>Total LIABILITIES and Equity</b>		<b>34,745,941</b>	<b>33,162,181</b>
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The accompanying notes form an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF INCOME  
FOR THE YEAR ENDED DECEMBER 31, 2010

		SR'000	SR'000
	Note	2010	2009
Sales		15,989,374	10,862,925
Cost of sales		( 11,449,325 )	( 8,406,420 )
<b>Gross profit</b>		<b>4,540,049</b>	<b>2,456,505</b>
Selling and marketing expenses	24	( 730,490 )	( 597,349 )
General and administrative expenses	25	( 763,094 )	( 366,047 )
Company's share in net income of associated companies		18,419	22,769
<b>Income from operations</b>		<b>3,064,884</b>	<b>1,515,878</b>
Investment income and other	26	252,368	168,984
Impairment of other investments		( 11,163 )	( 38,919 )
Financing expenses		( 669,938 )	( 584,506 )
<b>Income before zakat, income tax and minority interest</b>		<b>2,636,151</b>	<b>1,061,437</b>
Zakat and income tax of subsidiaries	27	( 65,074 )	( 60,502 )
Minority interest		( 1,081,325 )	( 452,718 )
<b>Income before zakat</b>		<b>1,489,752</b>	<b>548,217</b>
Zakat	27	( 17,146 )	( 28,731 )
<b>Net income FOR THE YEAR</b>		<b>1,472,606</b>	<b>519,486</b>
<b>Earnings per share (in Saudi Riyals)</b>			
Income from operations	28	6,05	2,99
Net income for the year	28	2,91	1,03

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

**CONSOLIDATED STATEMENT OF CASH FLOWS**  
FOR THE YEAR ENDED DECEMBER 31, 2010

	<b>2010</b>	<b>2009</b>
	<b>SR'000</b>	<b>SR'000</b>
<b>Operating Activities</b>		
Net income for the year	<b>1,472,606</b>	519,486
Adjustments:		
Depreciation	<b>1,185,302</b>	876,302
Amortization	<b>118,236</b>	106,820
Amortization of deferred gains	<b>( 28,433 )</b>	( 28,433 )
Company's share in net income of associated companies	<b>( 18,419 )</b>	( 22,769 )
Impairment in projects under progress	<b>11,163</b>	
End-of-service indemnities	<b>32,859</b>	25,122
<b>Changes in operating assets and liabilities:</b>		
Accounts receivable	<b>( 244,047 )</b>	( 1,182,981 )
Inventories	<b>( 180,657 )</b>	( 173,237 )
Prepaid expenses and other assets	<b>( 38,584 )</b>	( 59,355 )
Other non-current assets	<b>( 94,155 )</b>	( 147,828 )
Accounts payable	<b>( 184,133 )</b>	20,839
Accrued expenses and other liabilities	<b>226,292</b>	( 54,027 )
Other non-current liabilities	<b>20,657</b>	161,408
End-of-service indemnities paid	<b>( 4,697 )</b>	( 3,273 )
<b>Net cash available from operating activities</b>	<b>2,273,990</b>	38,074



2010

2009

### Investing Activities

Purchase of available for sale securities	--	( 38,724 )
Investments in associated companies and others	14,920	830,723
Additions to property, plant and equipment	( 1,288,610 )	( 1,579,332 )
Net additions to projects under progress	( 688,818 )	( 616,078 )
Additions to intangible assets	( 63,228 )	( 420,748 )
Net disposal of property, plant and equipment	76,934	34,261
<b>Net cash used in investing activities</b>	<b>( 1,948,802 )</b>	<b>( 1,789,898 )</b>

### Financing Activities

Short-term facilities and Murabaha	( 204,482 )	1,151,973
Long-term loans and interest rates swap	( 771,358 )	118,665
Dividends paid	( 345,513 )	( 460,685 )
Obligations under capital lease contracts	( 168,750 )	( 112,500 )
Minority interest	1,465,563	1,026,387
<b>Net cash (used in) available from financing activities</b>	<b>( 24,540 )</b>	<b>1,723,840</b>

<b>Net change in cash and cash equivalents</b>	<b>300,648</b>	<b>( 27,984 )</b>
Cash and cash equivalents, January 1	3,585,465	3,613,449
<b>Cash and cash equivalents, DECEMBER 31</b>	<b>3,886,113</b>	<b>3,585,465</b>

2010

2009

### Non-cash transactions

Increase in share capital through share premium – Note 1	<b>460,685</b>	--
Other reserves	<b>253,580</b>	( 349,652 )
Change in fair value of investments in available for sale securities	<b>93,222</b>	33,737
Adjustments for reversal of excess in accruals against property and equipment	<b>16,538</b>	--
Adjustments for debt acquisition and costs arrangement against long-term loans, net	<b>3,535</b>	--
Transfer from property and equipment to intangible assets, net	<b>1,054</b>	--
Investments in associated companies and others transferred to available for sale securities	<b>22,271</b>	--
Transfer of property and equipment to intangible assets	<b>12,683</b>	--
Transfer of projects under progress to property, plant and equipment	--	9,322,986
Amortization of intangible assets capitalized to projects under progress	--	11,450
Depreciation charged to projects under progress	--	1,467

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

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY  
FOR THE YEAR ENDED DECEMBER 31, 2010

	Note	2010	2009
<b>Share capital</b>			
Balance, January 1		4,606,847	4,606,847
Increase in share capital through share premium	1	460,685	--
<b>Balance, December 31</b>		<b>5,067,532</b>	4,606,847
<b>Share premium</b>			
Balance, January 1		1,763,929	1,763,929
Transfer to increase in share capital	1	( 460,685 )	--
<b>Balance, December 31</b>		<b>1,303,244</b>	1,763,929
<b>Statutory reserve</b>			
Balance, January 1		349,277	297,329
Transfer from net income	20	147,260	51,948
<b>Balance, December 31</b>		<b>496,537</b>	349,277
<b>Change in fair value of investments in available for sale securities</b>		<b>126,959</b>	33,737



	Note	2010	2009
<b>Retained earnings</b>			
Balance, January 1		1,220,376	1,100,351
Net income for the year		1,472,606	519,486
Transfer to statutory reserve	20	( 147,260 )	( 51,948 )
Proposed dividends	21	( 506,753 )	( 345,513 )
Board of directors' remuneration	21	( 2,000 )	( 2,000 )
<b>Balance, December 31</b>		<b>2,036,969</b>	<b>1,220,376</b>
<b>Proposed dividends</b>	21	<b>506,753</b>	<b>345,513</b>
<b>Other reserves</b>			
Change in cash flow hedge positions	22	( 164,986 )	( 310,950 )
Foreign currency translation adjustments	22	( 6,597 )	( 106,870 )
Pension liability adjustments	19	( 104,764 )	( 110,425 )
Others		-	( 1,682 )
<b>Balance, December 31</b>		<b>( 276,347 )</b>	<b>( 529,927 )</b>
<b>Total Shareholders' Equity</b>		<b>9,261,647</b>	<b>7,789,752</b>

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2010

### 1. ORGANIZATION AND ACTIVITY

National Industrialization Company is a Saudi joint stock company registered in Riyadh on Shawwal 7, 1405H, corresponding to June 25, 1985 under Commercial Registration No. 1010059693. The Company was formed pursuant to the Ministerial Resolution No. 601 dated Thul Hijjah 24, 1404H. on April 26, 2010. The Company's Extraordinary General Assembly approved the increase of the Company's share capital from SR 4,606,847 thousand to SR 5,067,532 thousand, divided into 506,753 thousand shares, by granting one free share for every ten shares with a total amount of SR 460,685 thousand through the share premium as of December 31, 2009.

The principal activities of the Company and its subsidiaries comprise 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 petrochemicals and chemical, engineering and mechanical industries, and the management and ownership of petrochemical and chemical projects and marketing their products. The activity also comprises rendering technical industrial services and manufacturing of steel and non-steel castings, producing towed steel wires, spring wires, and steel wires for cables, twisted re-enforcement 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 uses 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

#### **Basis of consolidation of consolidated financial statements**

The consolidated financial statements include the accounts of National Industrialization Company (the "Company") and its subsidiaries (the "Group") in which the Company owns more than 50% of equity interest or has control over those subsidiaries. For the purposes of preparing the consolidated financial statements, all significant inter-company transactions and balances between the Company and these subsidiaries have been eliminated. The consolidated financial statements as at December 31, 2010 and 2009 include the following subsidiaries:

		Ownership percentage	
Company's Name	Legal Form	2010	2009
Al-Rowad National Plastic Co. (Rowad) and its subsidiaries (1)	Limited liability	<b>100</b>	100
National Industrialization Petrochemical Marketing Co.	Limited liability	<b>100</b>	100
National Worldwide Industrial Advancement Ltd. Company	Limited liability	<b>100</b>	100
National Gulf Company for Petrochemical Technology	Limited liability	<b>100</b>	100
National Industrialization Company for Industrial investments	Limited liability	<b>100</b>	100
Saudi Global Makasib for Trading and Industry	Limited liability	<b>100</b>	--
National Petrochemical Industrialization Company	Limited liability	<b>100</b>	--
National Operation and Industrial Services Co. (Khadamat)	Limited liability	<b>85</b>	85
National Batteries Co. (Battariat)	Limited liability	<b>80</b>	80
Saudi Polyolefins Co.	Limited liability	<b>75</b>	75
National Lead Smelting Ltd. Co. (Rassas) and its Subsidiary (2)	Limited liability	<b>74.90</b>	74.90
The National Titanium Dioxide Ltd. Co. (Cristal) and its Subsidiaries (3)	Limited liability	<b>66</b>	66
Tasnee & Sahara Olefins Co. and its subsidiaries (4)	Saudi joint stock	<b>60.45</b>	60.45
National Inspection and Technical Testing Co. Ltd. (Fahs)	Limited liability	<b>68.26</b>	68.26
TUV – Middle East	Limited liability	<b>68.26</b>	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, which is 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 established in compliance with the regulations for companies in the Kingdom of Saudi Arabia with its head office located in Jeddah.

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

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

#### **(4) Tasnee & Sahara Olefins Co.**

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

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

#### **Accounting convention**

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



## Use of estimates

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

## Sales

Sales represent the invoiced value of goods supplied and are recognized upon delivery of goods to customers 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 Marketers in Europe. Sales made through distribution channels of the Marketers are recorded at provisional prices at the time of shipment of goods, and are subsequently adjusted based on actual selling prices received by the Marketers from their final customers after deducting the cost of shipping, distribution and marketing.

## Expenses

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

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

## Borrowing costs

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

## Cash and cash equivalents

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

## Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined, for finished goods and work-in-process, on the weighted

average cost basis and includes cost of materials, labor and an appropriate proportion of direct overheads. All other inventories are valued on a weighted average cost basis.

### Investments in available for sale securities

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

### Investments in associated companies and other

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

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

### Property, plant and equipment

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

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

## Projects under progress

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

## Impairment of assets

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

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

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

## Intangible assets

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

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

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

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

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

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

## Deferred debt issue costs

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

## Provisions

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

## End-of-service indemnities

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

## Zakat and taxes

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 accruals basis. The provision is charged to the consolidated statement of income. Any differences resulting from the final zakat assessments are adjusted in the year of their finalization. Foreign shareholders in subsidiaries are subject to income tax which is included in minority interest in the consolidated financial statements.

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

## Lease contracts

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

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

Finance costs, which represent the difference between the total leasing commitments and the lower of the present value of the minimum lease payments or the fair market value of the assets at the inception of the lease, are charged to the consolidated statement of income over the term of the relevant lease in order to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Rentals payable under operating leases are charged to consolidated statement of income on a straight line basis over the term of the operating lease. In the case of operating leases, substantially all the risks and benefits of ownership of the relevant assets in the lease agreement remain with the lessor.

## Minority interest

Minority interests in the net assets (excluding goodwill) of consolidated subsidiaries are identified separately from the Group's equity therein.



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

### **Derivative financial instruments and hedge accounting**

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

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

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

### **Foreign currency translation**

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

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

### **Contribution to a research center and development of plastic**

Contribution to a research center and development of plastic is recorded as expense when it is incurred.

### 3.CASH AND CASH EQUIVALENTS

	SR'000	SR'000
	2010	2009
Cash on hand and at bank balances	2,717,614	1,112,440
Short-term deposits and Murabaha	1,168,499	2,473,025
	3,886,113	3,585,465

Cash and cash equivalents as at December 31, 2010 include restricted cash balance of SR Nil million (2009: SR 73 million) held as security for banking facilities utilized by subsidiaries.

### 4.ACCOUNTS RECEIVABLE

	SR'000	SR'000
	2010	2009
Trade receivables	2,133,486	2,030,556
Due from related parties (Note 23)	1,154,520	1,018,957
Provision for doubtful accounts	( 25,146 )	( 30,700 )
	3,262,860	3,018,813

## 5. INVENTORIES

	SR'000	SR'000
	2010	2009
Finished goods	1,141,519	1,227,690
Raw materials	824,272	701,425
Supplies and spare parts	584,087	518,720
Work-in-process	329,211	259,861
Goods-in-transit	10,127	863
	2,889,216	2,708,559

## 6. PREPAID EXPENSES AND OTHER ASSETS

	SR'000	SR'000
	2010	2009
Prepaid expenses	113,081	128,398
Advances to suppliers	78,435	99,680
Employees' receivables	33,082	21,853
Accrued revenues	8,246	6,890
Refundable deposits	2,291	3,763
Other debit balances	347,052	283,019
	582,187	543,603

## 7.INVESTMENTS IN ASSOCIATED COMPANIES AND OTHER

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

	% of ownership		SR`000	
	2010	2009	2010	2009
National Metal Manufacturing and Casting Co. (Maadania)	<b>35,45</b>	35,45	<b>123,583</b>	122,188
Factory Major Mining Company	<b>8</b>	8	<b>55,080</b>	55,080
National Environmental Preservation Co. (Beea'h)	<b>17</b>	17	<b>25,995</b>	21,059
National Packing Products Co. Ltd. (Watan-Pac)	<b>42,6</b>	42,6	<b>30,840</b>	33,675
<b>Total investments in associated companies</b>			<b>235,498</b>	232,002
Add: Investments in other companies			<b>152,214</b>	174,482
<b>Total investments in associated companies and other</b>			<b>387,712</b>	406,484



## 8.PROPERTY, PLANT AND EQUIPMENT, NET

	Buildings and constructions	Machinery and equipment	Tools	Furniture, fixtures and office equipment	Vehicles	Computers	Mine development	Catalysts	Capital expenditure in progress	Total
	SR`000	SR`000	SR`000	SR`000	SR`000	SR`000	SR`000	SR`000	SR`000	SR`000
<b>Cost</b>										
January 1, 2010 as previously reported	1,672,179	16,203,980	8,828	99,960	59,824	18,266	1,005,503	53,783	1,826,902	20,949,225
Prior year adjustments	16,183	--	--	--	--	--	--	--	(18,201)	(2,018)
January 1, 2010 as restated	1,688,362	16,203,980	8,828	99,960	59,824	18,266	1,005,503	53,783	1,808,701	20,947,207
Additions	81,596	57,982	464	16,077	6,766	954	377,363	--	604,711	1,145,913
Disposals	(21,399)	(172,502)	10	725	(2,240)	(253)	--	--	(14,269)	(209,928)
Currency translation adjustment	13,436	94,500	--	1,526	--	--	81,379	--	1,311	192,152
Transfers from project under progress	38,759	1,371,786	--	5,299	--	--	1,496	--	(1,417,340)	--
Transfers to intangible assets (Note 10)	--	--	--	--	--	--	--	--	(12,683)	(12,683)
Adjustments	--	(16,538)	--	--	--	--	--	--	--	(16,538)
December 31, 2010	1,800,754	17,539,208	9,302	123,587	64,350	18,967	1,465,741	53,783	970,431	22,046,123
<b>Accumulated depreciation</b>										
January 1, 2010 as previously reported	227,711	2,443,331	3,640	763	29,663	14,140	141,087	24,650	--	2,884,985
Prior year adjustments	--	(41,872)	--	41,872	--	--	--	--	--	--
January 1, 2010 as restated	227,711	2,401,459	3,640	42,635	29,663	14,140	141,087	24,650	--	2,884,985
Charge for the year	60,727	984,573	456	22,576	10,665	2,310	77,104	26,891	--	1,185,302
Currency translation adjustments	2,048	61,991	--	-14,584	--	--	--	--	--	49,455
Disposals	(5,460)	(113,416)	(81)	(11,799)	(2,056)	(182)	--	--	--	(132,994)
December 31, 2010	285,026	3,334,607	4,015	38,828	38,272	16,268	218,191	51,541	--	3,986,748
<b>Net book value</b>										
December 31, 2010	1,515,728	14,204,601	5,287	84,759	26,078	2,699	1,247,550	2,242	970,431	18,059,375
December 31, 2009	1,460,651	13,802,521	5,188	57,325	30,161	4,126	864,416	29,133	1,808,701	18,062,222

As of December 31, 2009 property, plant and equipment includes plant of SR 1.5 billion (2009: SR 1.5 billion) and accumulated depreciation of SR 197 million 2009: SR 207.9 million) that had been sold and leased back (note 15).

- Capital expenditure in progress as at December 31, 2010 and 2009 consists mainly of cost of expansion of Polypropylene Factory project, housing project for employees and other factories owned by some subsidiaries, and the expansion of the facilities of production lines. The financial costs that have been capitalized during the year amounted to SR Nil million (2009: SR 10.4 million).
- Some land on which subsidiaries plants are constructed have been leased at nominal prices for periods up to 30 years.

## 9. PROJECTS UNDER PROGRESS

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

	SR'000	SR'000
	2010	2009
Saudi Acrylic Acid Company Ltd. and its subsidiaries (A)	841,600	207,694
Al-Rowad International for Enfolding Ltd. (B)	199,400	169,728
Research Center Product (C)	84,305	51,531
Other Projects (D)	653	19,350
	<b>1,125,958</b>	<b>448,303</b>

A. Saudi Acrylic Acid Company's project represents the costs incurred by subsidiaries to set up a plant for Acrylic Monomers Plant, Butanol Plant, and Superabsorbent Polymer Plant in Al-Jubail Industrial City. The cost of these projects as at December 31, 2010 consists of license fees, costs of consulting office supervising the projects and purchase of projects' equipments.

B. At December 31, 2010, project under construction represents the costs incurred by Al-Rowad International for Enfolding (a subsidiary) for the construction of the Company's factory and related facilities in Dammam City, Kingdom of Saudi Arabia, costs under various agreements and direct costs incurred to bring the asset to the location and condition set by the operating requirements of the management in a manner intended by the management. Direct costs include employee benefits, site preparation costs, installation costs, licensing fees, professional fees and borrowing costs. The Company has leased a land on which its plants are constructed from Al Rowad National Plastic Company Ltd. This lease expires in 2018, with an option for renewal.

Financing costs capitalized during the year amounted to SR 2.7 million (2009: SR 1.5 million).

C.The cost of research center project represents the cost of setting up a research center for plastic manufacturing in Al Jubail city for the purpose of supporting plastic manufacturing in the Kingdom and to provide assistance to domestic and subordinate industries which rely upon plastic produced by the Company. The project costs as at December 31, 2010 consist of pre-operating costs, equipments, tools and cost of the consultant who supervised the establishment of the center.

D.Other projects balance as at December 31, 2010 consists of payments by the Company for studying and developing future projects.



## 10.INTANGIBLE ASSETS, NET

	Pre-operating costs	Deferred Costs	Finance cost	Software implementation costs	Technology and others	Goodwill	Total
	SR`000	SR`000	SR`000	SR`000	SR`000	SR`000	SR`000
<b>Cost</b>							
January 1, 2010 as previously reported	25,491	477	412,099	15,936	1,086,016	2,496,388	4,036,407
Prior year adjustments	--	--	--	--	( 95,739 )	--	( 95,739 )
<b>January 1, 2010 as restated</b>	25,491	477	412,099	15,936	990,277	2,496,388	3,940,668
<b>Additions</b>	13,570	--	34,000	5,807	9,851	--	63,228
<b>Disposals</b>	--	--	( 4,232 )	--	--	--	( 4,232 )
<b>Transfer – Note 8</b>	--	--	11,490	1,193	--	--	12,683
<b>December 31, 2010</b>	39,061	477	453,357	22,936	1,000,128	2,496,388	4,012,347

### Amortization

January 1, 2010 as previously reported	11,694	147	106,199	9,675	186,568	25,115	339,398
Prior year adjustments	--	--	--	--	( 36,840 )	--	( 36,840 )
<b>January 1, 2010 as restated</b>	11,694	147	106,199	9,675	149,728	25,115	302,558
<b>Disposals</b>	--	--	( 697 )	--	--	--	( 697 )
<b>Charge for the year</b>	2,435	68	41,914	2,577	71,242	--	118,236
<b>December 31, 2010</b>	14,129	215	147,416	12,252	220,970	25,115	420,097

### Net book value

<b>December 31, 2010</b>	24,932	262	305,941	10,684	779,158	2,471,273	3,592,250
December 31, 2009 – After adjustment	13,797	330	305,900	6,261	840,549	2,471,273	3,638,110



## 11.OTHER NON CURRENT ASSETS

	SR'000	SR'000
	2010	2009
Deferred taxes (A)	484,227	400,403
Exploration and evaluation costs, net (B)	156,139	130,050
Deferred debt issue costs, net (C)	29,781	49,640
Conversion costs	53,569	44,629
Other	42,370	47,209
	766,086	671,931

A)Deferred taxes are related to subsidiaries of Cristal operating in various tax jurisdictions.

B)Exploration and evaluation costs are stated net of the impairment losses of SR 17.11 (2009: SR 21.99 million).

C)The amortization of loan arrangements cost which amounted to SR 11.81 million (2009: SR 11.15 million) was included under financing expense in the consolidated statement of income.

## 12.SHORT-TERM FACILITIES AND MURABAHA

The subsidiaries have been granted short-term credit facilities of SR 2,572 million (2009: SR 2,569 million), the outstanding balance as at December 31, 2010 amounted to SR 2,030 million (2009: SR 2,235 million), these facilities were guaranteed by personal guarantees from the shareholders and signed promissory notes for banks and some other financial commitments.

### 13.LONG-TERM LOANS

	SR'000	SR'000
	2010	2009
Saudi Industrial Development Fund (SIDF)	1,664,300	1,626,158
Public Investment Fund Loan	1,500,000	1,500,000
Commercial banks	9,573,646	10,653,285
	12,737,946	13,779,443
<b>Less: Current portion</b>	<b>( 1,384,668 )</b>	<b>( 891,780 )</b>
<b>Non-current portion</b>	<b>11,353,278</b>	<b>12,887,663</b>

The subsidiaries have been granted facilities and long-term loans from Saudi Industrial Development Fund amounted to SR 1.931 million (2009: SR 2,760 million), the outstanding balance as December 31, 2010 amounted to SR 1.664 million (2009: SR 1,626 million). Payments of SIDF loans are made at unequal semi-annual installments started in different dates. Loan origination fee was paid up front and was classified as deferred expense to be amortized over the life of the loans.

The subsidiaries have mortgaged, to the order of SIDF, all the property and equipment of the subsidiaries companies, together with joint and personal guarantees from the shareholders. The SIDF debt agreement includes certain covenants which provide, among other items, restrictions relating to capital expenditures, maintaining a minimum level of tangible net worth and a minimum current ratio as at December 31, 2010.

On April 20, 2007, Public Investment Fund agreed to grant one of subsidiaries a term loan of US\$ 400 million (SR 1.500 million). This loan carries interest at LIBOR plus 0.5% and is repayable in twenty equal semi-annual installments commencing from June 30, 2011. As at December 2010, the Company has withdrawn the full amount which approximates to SR 1,500 million.

The Company and the subsidiaries companies have obtained long-term loans from commercial banks amounted to SR 14.114 million (2009: SR 14.280 million), the outstanding balance as at December 2010 amounted to SR 9.574 million (2009: SR 10.653 million). These loans are guaranteed by promissory notes and mortgage of subsidiary's properties and equipments and personal and joint guarantees from the shareholders.

The facilities include certain covenants which provide among other items, maintenance of a minimum level of net worth and leverage

ratio as at December 31, 2010. Also it includes certain covenants, subject to exception, restrict the Company from, dividends and other distributions, obtaining loans, lien, sale and leaseback transactions, certain payments, sales of assets, affiliate transactions and mergers or acquisitions. The Company is also limited to maximum capital expenditure per year, and is required to maintain specified financial ratios.

#### 14.DEFERRED GAINS ON SALE AND LEASE-BACK TRANSACTIONS

	SR'000	SR'000
	2010	2009
Deferred gains	120,839	149,272
Less: Current portion	( 28,433 )	( 28,433 )
<b>Non-current portion</b>	<b>92,406</b>	<b>120,839</b>

## 15.OBLIGATIONS UNDER CAPITAL LEASES

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

	SR'000	SR'000
	2010	2009
Within one year	187,500	168,750
Year two	187,500	187,500
Year three	187,500	187,500
Year four	187,500	187,500
Year five	468,750	187,500
More than five years	--	468,750
Net minimum lease payments	1,218,750	1,387,500
Less: Current portion	( 187,500 )	( 168,750 )
Non-current portion	1,031,250	1,218,750
Rental costs from capital leases charged to expenses during the year	15,357	35,293

## 16.ACCOUNTS PAYABLE

	SR'000	SR'000
	2010	2009
Trade payables	797,504	971,668
Due to related parties (Note 23)	15,816	34,016
Others	11,569	3,338
	824,889	1,009,022



## 17. ACCRUED EXPENSES AND OTHER LIABILITIES

	SR'000	SR'000
	2010	2009
Accrued liabilities	797,578	756,181
Other payables	324,418	338,536
Accrued employees' benefits	228,588	192,962
Provision for research and development	113,541	„
Provision for zakat (Note 27)	112,747	99,064
Dividends distribution	72,621	51,066
Others	2,360	2,290
	1,651,853	1,440,099

Provision for research and development represents expenses incurred by subsidiaries companies as contribution in research and development of plastic center.

## 18. END-OF-SERVICE INDEMNITIES

	SR'000	SR'000
	2010	2009
Balance, January 1	112,229	90,380
Payments during the year	( 4,697 )	( 3,267 )
Charge for the year	32,859	25,122
Balance, December 31	140,391	112,229

## 19.OTHER NON-CURRENT LIABILITIES

	SR'000	SR'000
	2010	2009
Pension and post retirement other benefits	394,642	424,706
Deferred tax liabilities	356,561	305,858
Liability against the stoppage of manufacturing location	148,875	207,986
Environmental liability	106,260	115,313
Others	115,212	47,030
	1,121,550	1,100,893

## 20.STATUTORY RESERVE

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

## 21.PROPOSED DIVIDENDS

The Board of Directors has proposed the following distributions from retained earnings and premium share as follows:

- Distribution of cash dividends to the shareholders amounting to SR 506,753 thousand, which represent 10% of the share capital (SR 1 per share).
- Payment of SR 2 million as Board of Directors' remuneration.
- Distribution of 1 share for each 10 shares amounting to SR 506,753 thousand to increase the share capital through premium share.

## 22.OTHER RESERVES

This item represents changes in cash flows hedge positions with a total amount of SR 165 million (2009: SR 311 million) represents the difference arising from the translation of the long-term outstanding loans denominated in foreign currencies to Saudi Riyal at the rates of exchange prevailing at the consolidated balance sheet date. Such loans were considered as hedging instruments against expected future income of the same currency. The changes in cash flow hedge positions fair value also include the difference arising from fair value measurements of the effective portion of derivative financial instruments (profit rate swap contracts) at the consolidated balance sheet date, which is a hedging instrument against the designated hedges item, being foreign currency loans based on LIBOR rates. These differences are treated as unrealized differences in shareholder's equity as per accounting policies.

Foreign currency translation adjustments amounting to SR 7 million (2009: SR 107 million) comprise of all foreign exchange differences arising from translation of the financial statements of foreign subsidiaries, as well as from the translation of liabilities that hedge the Group's net investments in foreign subsidiaries.

## 23.RELATED PARTY TRANSACTIONS AND BALANCES

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

Significant related party transactions as at December 31 consist of the following:

	SR'000	SR'000
	2010	2009
Sales to marketer	4,577,321	2,296,903

Due from related party balances as at December 31 are as follows:

	SR'000	SR'000
	2010	2009
Basell International Trading (FZE)	826,557	983,502
Basell Asia Pacific Limited	158,187	--
Basell Sales and Marketing Company	136,494	--
Al-Waha Petrochemical Company	33,282	35,455
	1,154,520	1,018,957

## 24.SELLING AND MARKETING EXPENSES

	SR'000	SR'000
	2010	2009
Freight and transport charges	512,701	418,073
Salaries, wages and other benefits	111,966	101,283
Distributors' incentives	57,161	47,760
Rents	7,265	9,444
Travel and transportation expenses	8,348	6,855
Advertising, publicity and printing	7,224	4,949
Telephone and postage	2,417	2,384
Depreciation and amortization	2,204	926
Others	21,204	5,675
	730,490	597,349



## 25. GENERAL AND ADMINISTRATIVE EXPENSES

	SR'000	SR'000
	2010	2009
Salaries, wages and other benefits	243,382	154,058
Research and development	203,626	70,082
Costs of discontinued operations (A)	91,463	--
Professional fees and legal consultations	66,921	85,390
Depreciation and amortization	63,009	6,762
Impairment of assets value	12,776	--
Travel expenses	11,019	9,409
Rents	6,555	7,999
Charitable contributions and social acts	6,330	6,364
Others	58,013	25,983
	<b>763,094</b>	<b>366,047</b>

The National Titanium Dioxide Company (Cristal), (a subsidiary) decided to discontinue its operation in some production lines in one of its plants of Titanium Dioxide production. As a result, the Company recognized costs from discontinued operations. Also, it represents written-off property and equipment, spare parts, costs of dismantling, and discontinuing some production lines, employee benefits, and costs of un-depreciated assets.

## 26. INVESTMENT INCOME AND OTHER

	SR'000	SR'000
	2010	2009
Proceeds from an insurance company (A)	171,709	--
Amortization of deferred gains	28,433	28,433
Foreign exchange differences	24,645	5,290
Gains from Murabaha and other	15,812	14,250
Dividends received	8,342	7,703
Gains from sale of assets and investments	259	109,540
Others	3,168	3,768
	<b>252,368</b>	<b>168,984</b>

Insurance proceeds represent the amounts collected from insurance companies against subsidiaries' claims relating to business interruption.

## 27.ZAKAT

The Company, a Saudi Joint Stock Company, and its subsidiaries, Saudi limited liability companies, present their financial statements and their zakat and income tax returns to the Department of Zakat and Income Tax on an individual basis.

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

	SR'000	SR'000
	2010	2009
Share capital	4,606,847	4,606,847
Statutory reserve	349,277	297,329
Share premium	1,763,929	1,763,929
Retained earnings	1,220,376	1,100,351
Loan	420,238	550,000
Dividends distribution	80,934	--
Adjusted net loss	( 36,018 )	( 7,449 )
Provisions	37,455	25,784
Property and equipment	( 65,169 )	( 64,241 )
Investments	( 6,140,636 )	( 5,387,332 )
Projects under progress	( 84,958 )	( 70,881 )
Intangible assets	( 1,672,317 )	( 1,672,317 )
	479,958	1,142,020

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

	SR'000	SR'000
	2010	2009
Balance, January 1	28,551	407
Paid during the year	( 33,540 )	( 587 )
Provision for the year	17,146	28,731
Zakat provision for National Industrialization Company	12,157	28,551
Zakat and income tax provision for the subsidiaries	100,590	70,513
Balance, December 31	112,747	99,064

The zakat and income tax charges of subsidiaries for the year are as follows:

	SR'000	
	2010	2009
Zakat and income tax charge of subsidiaries	80,869	73,691
Income tax benefit	( 15,795 )	( 13,189 )
	65,074	60,502

The Company received the final zakat assessments until 2005. The Company has paid the zakat due for the fiscal years 2006 through 2009 based on zakat returns but has not yet received the final zakat assessments from DZIT.



## 28.EARNINGS PER SHARE

Earnings per share from operations and net income for the year ended December 31, 2010 are calculated based on the weighted average number of shares for the period, amounting to SR 506,753 thousand shares (2009: SR 506,753 thousand shares).

## 29.SEGMENT INFORMATION

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

	Industrial segment	Petrochemical segment	Head office & other	Eliminations	Total
	SR'000	SR'000	SR'000	SR'000	SR'000
<b>The year ended December 31, 2010</b>					
Total assets	13,429,604	18,828,617	10,600,587	( 8,112,867 )	<b>34,745,941</b>
Total liabilities	8,916,397	11,200,752	1,051,916	( 820,062 )	<b>20,349,003</b>
Sales	8,129,395	9,863,964	299,361	( 2,303,346 )	<b>15,989,374</b>
Gross profit	1,988,132	2,492,441	59,228	248	<b>4,540,049</b>
Depreciation and amortization	541,532	757,318	4,688	--	<b>1,303,538</b>
Operating income	955,449	2,116,587	1,569,146	( 1,576,298 )	<b>3,064,884</b>
Capital expenditures	1,116,435	824,851	36,142	--	<b>1,977,428</b>

	Industrial segment	Petrochemical segment	Head office & other	Eliminations	Total
	SR'000	SR'000	SR'000	SR'000	SR'000
<b>The year ended December 31 2009</b>					
Total assets	12,835,383	17,286,777	8,881,439	( 5,841,418 )	33,162,181
Total liabilities	9,653,953	11,775,023	855,079	( 581,354 )	21,702,701
Sales	6,982,874	4,855,131	246,257	( 1,221,337 )	10,862,925
Gross profit	1,189,095	1,214,232	56,616	( 3,438 )	2,456,505
Depreciation and amortization	521,216	457,594	4,312	--	983,122
Operating income	431,018	1,063,158	643,708	( 622,006 )	1,515,878
Capital expenditures	1,254,473	949,920	29,936	( 38,919 )	2,195,410

### 30.FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments carried on the consolidated balance sheet principally include cash and cash equivalents, accounts receivable, other assets, accounts payable, loans and accruals and other liabilities.

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

**Commission rate** risk is the risk that the value of financial instruments will fluctuate due to changes in market commission rates. The subsidiaries have no significant commission bearing assets but have commission-bearing liabilities as at December 31, 2010. The Company manages its borrowings made at floating rates by using floating-to-fixed interest rate swaps. Such commission rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Under the interest rate swaps, the Company agrees with the counterparty to exchange, at specified intervals (mainly quarterly) by reference to the agreed notional principal amounts.

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

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

**Fair value** is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction. As the Company's financial instruments are compiled under the historical cost convention, differences can arise between the book value and fair value estimates. Management believes that the fair value of the Company's financial assets and liabilities is not materially different from its carrying value.

### 31.COMMITMENTS AND CONTINGENCIES

	SR'000	SR'000
Capital commitments	2010	2009
Capital commitments for purchase of property, plant and equipment	1,981,125	142,900

	SR'000	SR'000
Operating lease arrangements	2010	2009
Payments under operating leases charged to expenses during the year	88,970	97,692

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

Cristal Inorganic Chemicals Ltd. (a subsidiary) leases various lands, property, facilities and equipments under non-cancelable operating lease arrangements for varying periods.

As at December 31, 2010 future minimum lease payments relating to all non-cancellable operating leases with terms in excess of one year were as follows:

	SR'000	SR'000
	2010	2009
One year	79,843	86,345
Two to four years	215,038	148,901
More than four years	145,444	162,510
Total minimum lease payments	440,325	397,756

Commitments	SR'000	SR'000
	2010	2009
Letters of credit and guarantee	330,739	397,275



Cristal Company has various agreements for the purchase of are used in the production of titanium dioxide and certain other agreements to purchase raw materials, general utilities and services with various terms extending through 2020. As at December 31, 2010, estimated future minimum payments under these contracts with non-cancelable contract terms were as follows:

	SR'000	SR'000
	2010	2009
One year	1,589,692	1,629,752
Two to four years	3,603,083	4,624,993
More than four years	693,488	1,009,274
Total minimum lease payments	5,886,263	7,264,019

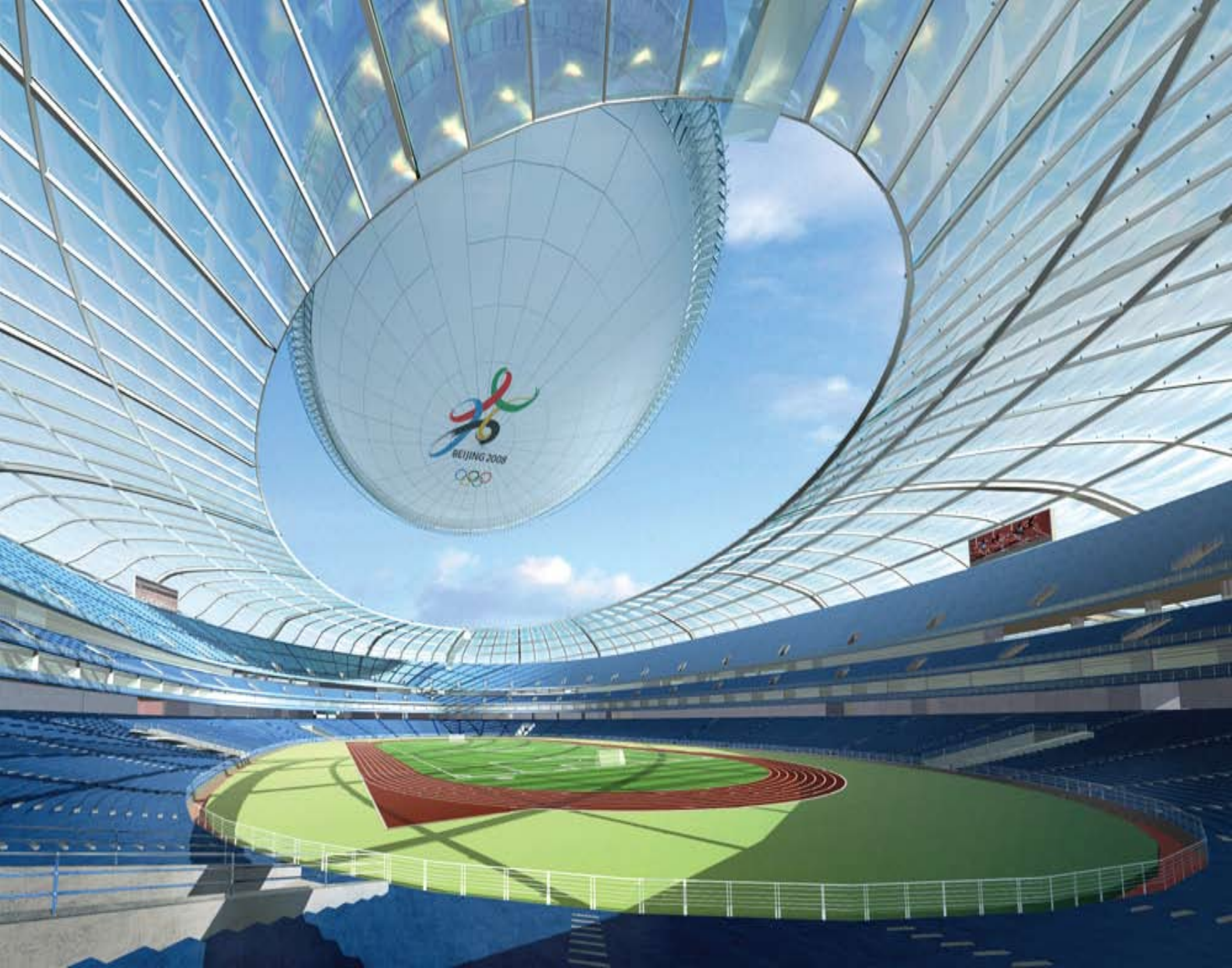
### 32.PRIOR YEAR ADJUSTMENTS

Certain figures for 2009 have been reclassified to conform to 2010 presentation.

	SR'000	SR'000	SR'000	SR'000	SR'000
	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Other reserves
Balance as at December 31, 2009 as previously reported	9,867,010	23,300,712	5,781,195	15,927,047	( 529,927 )
Prior year adjustments and reclassifications	( 10,570 )	5,029	( 7,882 )	2,341	--
Balance as at December 31, 2009 as readjusted	9,856,440	23,305,741	5,773,313	15,929,388	( 529,927 )

### 33.APPROVAL ON FINANCIAL STATEMENTS

These financial statements have been approved by the Board of Directors on February 21, 2011.







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