

**Saudi Arabian Amiantit Company
(Saudi Stock Company)
Head Office – Dammam – C.R 2050002103
P.O Box 589 Dammam 31421 Kingdom of Saudi Arabia**

**The Annual Report of the Board of Directors
To the Ordinary General Assembly Meeting
On the Company operations during the year ended on 31st December 2013**

Amiantit

Date 06/04/1435H

06/02/2014

The annual report of the Board of Directors to the Ordinary General Assembly Meeting on the Fiscal Year of 2013

*M/s Shareholders of Saudi Arabian Amiantit Company,,
Dear Shareholders,*

Introduction:

During the fiscal year of 2013, the Saudi Arabian Amiantit Company (Saudi Stock) referred to hereinafter as “the Company” has managed to achieve net sales of SR 3.1 Billion marking a drop of 9.38% compared with the net sales of 2012, but was nevertheless able to slightly increase its net income compared to the last year, at SR 112.6 Million compared to SR 111.3 Million in 2012, meaning an increase of 1.15%. The net profit per share has reached SR 1 compared with SR 0.99 per share for the year 2012.

These figures can be generally explained as follows:

- 1- The decrease in sales amounts to SR 324.1 Million. This is due for SR 121.5 Million by the fact that 2012 consolidation scope included the German Company Jos Hansen & Soehne GmbH which has been sold in 2013, and the Indian Company Amiantit Fiberglass Industries India Ltd, which has been deconsolidated in 2013 as it is expected to be liquidated. The balance of the decrease is explained by a slow-down of deliveries In Saudi Arabia, requested by several customers due to labor issues attributable to the crack-down on illegal immigration, during the second, third and fourth quarters.
- 2- The decrease in the gross profit percentage is mostly caused by the lower volume of sales as explained above, and also lower margins on some segments of the Saudi Arabian operations, as the Group executed contracts which were taken over the last years at low prices, due to high competition.
- 3- The decrease in the gross profit was for a part compensated by lower operating expenses, as the Group maintained tight control on those. Another reason of the decrease in operating expenses is that the Group technology support organization used internal resources to execute a major enhancement of the production equipment in specific plants of the Group, and these costs have therefore been capitalized into fixed assets.
- 4- The results on affiliated companies improved by SR 33.3 Million, explained by better results booked on the 5.5 % investment of the mother company into its Chinese affiliate CPIC and on the results in other affiliates, such as in Morocco, Qatar, in the Water Management segment.
- 5- During the year 2013, the Group focused on improving its cash flow from operations, by reducing its inventories and improving its collections in trade receivables. The cash flow from operations went from a negative SR 425.5 Million in 2012 to a positive of SR 341.3 Million over the year 2013, denoting an improvement of about SR 766.9 Million and

enabling self-financing of capital expenditures, payment of dividends and a reduction in bank borrowing.

The current ratio as of December 31, 2013 amounts to 1.38 compared to 1.35 in 2012, and the debt-to-equity ratio improved to 1.61 compared to 1.83 in 2012.

The Board of Directors is pleased to present its annual activity report for the year 2013 and the progress of the operations of the Company and its affiliates, including the production, marketing, and administrative performances of the Group. The report also covers the consolidated financial statements for the years ending 31st December of 2013 & 2012.

1. Company and Group Profile:

The Company was established in 1388H (1968) in Dammam, Kingdom of Saudi Arabia. It is a Joint stock Company with a paid up capital of SR 1.155 Billion, quoted on the Saudi Stock Exchange.

The Company main activity consists in the establishment and management of industrial projects especially the design, manufacturing, marketing and sales of pipes and water treatment installations, as well as the management of water projects. The Group also owns and licenses several pipe manufacturing technologies.

The Company is headquartered in Dammam (Saudi Arabia).

The Group operates 21 pipe manufacturing facilities in the world, either fully owned or through joint-ventures with local partners. This includes 9 plants in Saudi Arabia, the other premises mostly being located in Western Europe, Turkey, Qatar, North Africa and Kazakhstan. Its research and development activities are carried by two R&D centers, one in Norway and one in Dhahran – Saudi Arabia. It is also involved in EPC (Engineering – Procurement and Commissioning) of Water Treatment facilities through an 80 % owned German subsidiary and operates water management activities through a 50% Joint-venture in Saudi Arabia (Tawzea).

1.1. Manufacturing and Sale of Pipes and associated technologies:

The Group designs and manufactures standard or tailored-made pipes, tanks and fittings for transmission of water, covering all applications, such as potable water, irrigation, industrial water, sewage, sea water intakes, storm water, drainage, fire-fighting. It also offers to its customers design and installation advice and services. This segment represents the core business of the Group and the main source of its sales and profits.

The product range includes the following product families:

<u>Product Family</u>	<u>Consolidated percentage of sale</u>
Glass reinforced pipes, tanks and fittings, in Polyester and Epoxy (GRP and GRE)	58%
Ductile iron pipes and fittings (DI)	32%
Concrete pipes and fittings (CP)	4%
Polyethylene pipes and fittings (PE)	4%
Rubber products (RP)	2%
	100%

The Group owns and continuously develops associated technologies, covering the following aspects:

- Technical Support,
- Product Development
- Raw Material testing and qualification
- Optimization of Processing and manufacturing methods

The Group Technology organization operates two Research and Development centers, one located in Sandefjord (Norway), and one new center inaugurated in 2012 at King Abdullah Industrial Research Complex located in the Dhahran Technology Valley of King Fahad University for Petroleum and Minerals (Saudi Arabia). Both centers occupy in total 66 research personnel and operate sophisticated research and testing equipment with a total value of SR 63.3 Million. The RD spending of the Group reached SR 60.5 Million in 2013 (2012: SR 58.2 Million). The technology Centers are primarily focused around the GRP and GRE activities.

(Note : As the Technology activities are now mostly devoted to support the Pipe business development of the Group, and not representing a profit center, the financial statements are now considering “pipe and technology” as one single business segment, while in the past those activities were differentiated)

Key figures for this Segment are the following:

Manufacturing and sales of pipes and associated technologies	Net Sales	Profit (loss)	Total Assets
2013	2,780,187	118,071	3,921,318
2012	3,097,680	120,469	4,469,518

1.2 Water management activities:

1.2.1. EPC of Water treatment stations:

The Group owns an 80% investment in PWT Wasser-und Abwassertechnik GmbH (PWT), a German Company headquartered near Frankfurt and specialized in the Establishment, operation and maintenance of saline water purification plants, treatment of drinking water, waste water, solid material pollution, and of low and medium voltage technical, electrical and automation systems.

This Company is presently concentrating on 2 markets, namely Caspian Region (mostly Turkmenistan and Turkey) and the Gulf. It also maintains a network of water treatment stations in Germany.

The Saudi Arabian PWT Company was established and obtained the investment license in 2012 in which Amiantit owns 49% through its fully 100% owned holding Company Amiwater while the remaining share of 51% is owned by German PWT Company which is owned by Amiantit by 80%.

1.2.2. Water Management

Amiantit through its 100% owned subsidiary International Infrastructure Management & Operation Co Ltd (Amiwater) owns 50% of The International Water Distribution Company Ltd (Tawzea). Tawzea is principally engaged in offering services related to construction, operation, and maintenance of public water & sewage services. The paid up share capital of TAWZEA is SR 101 Million.

The Company has secured 30 years concession contracts from Saudi Industrial Property Authority (MODON). In accordance with the terms of the contracts, the Company is responsible for construction, rehabilitation, management & operation of water facilities in three industrial cities i.e. Riyadh, Jeddah & Qassim.

Supporting the capability of Tawzea Company in executing water management projects at industrial zones, especially in respect to the initial capital expenditures, Tawzea has increased its capital from SR 65 Million to SR 101 Million in 2012. During 2013, Amiwater further injected into Tawzea SR 22.5 Million as long term loan in order to support its rescheduling of its bank facilities.

This Segment also includes for a part the sales and net results of Jos Hansen & Soehne GmbH, a trading Company of which the shares held by the Group were sold during the year 2013.

Key figures for this Segment are the following:

Pipes production	Net Sale	Profit (loss)	Total Assets
2013	350,485	(5,457)	490,037
2012	357,115	(9,131)	352,988

2. Significant Decisions and Plans

2.1. Significant expansion plans and capital expenditure

2.1.1. Enhancement plans in AFIL

During 2013, AFIL started a major enhancement program of its manufacturing equipment, which will span over 2013 to 2015, and will enable an increase in speed and productivity as well as a decrease in Raw Material consumption. This program is a joint effort between the Company and the Technology department. The total cost of the program is estimated at SR 55 Million.

The Enhancement program is under execution and is currently meeting expectations. The Company does not foresee any significant risk from the completion program. As the winders will be upgraded one after the other, the Group will make sure that the necessary production capacity is kept available at any time to meet the market demand.

2.1.2. Expansion product range in Epoxy product line

Amipox and the Technology department have together developed specific technologies enlarging the product range in the Epoxy product line to high pressure flow lines and threaded joints, which will increase its penetration in the oil and gas sector.

The new products are presently under testing at our technology laboratories and some have already been qualified by our major customers. So far the tests have been positive. The Company will ensure that all products put on the market successfully qualify and passed the stringent quality criteria in order to minimize the risks.

2.2. Modifications to consolidation scope

2.2.1. Deconsolidation of AFIL (India)

AFIL (India), a 70% owned subsidiary, has incurred recurring losses over the last three years due to intense competition and a slow-down of the GRP market in the regions where it is established. As a consequence of its accumulated losses for the financial year ending March 31, 2013 having exceeded its net worth (i.e. paid up share capital and free reserves), and in accordance with the local legislation, the Company filed a reference act at the Board for Industrial and Financial Reconstruction (BIFR) as a sick Company.

Further, the bank of the AFIL (India) took possession of its assets and started auctioning them, under the Sec 13(2) and 13 (3) of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act 2002 (SARFAESI). This process will likely end-up in a liquidation. Accordingly, the Group has fully impaired all its assets on this subsidiary and de-

consolidated it effective June 2013. Over 2013, the Group booked losses on AFIL (India) for a total of SR 14.5 Million including impairment charges of SR 12.5 Million.

The Group does not expect material subsequent expenses to be incurred from this situation because of the following:

- 1- AFIL is a limited liability Company and the exposure of its shareholders is limited to their equity in the subsidiary;
- 2-Saudi Arabian Amiantit Company has already fully impaired its remaining equity investment and receivables on AFIL over the second quarter 2013;
- 3-AFIL was de-consolidated on June 30, 2013 interim financial statements;
- 4-This situation has no impact on the domestic and other international operations of the Amiantit Group.

2.2.2. Sale of Jos Hansen & Soehne GmbH (and JR)

On July 22, 2013, the Group sold its 70% ownership in Jos Hansen & Soehne, GmbH, a German trading Company established in Hamburg, for an amount of 4m Euros (Approx. SR 19.7 Million). The sold shares have been bought back by the subsidiary itself.

The sale was made at a price equivalent to the value of the investment in the books of the Group as of June 30, 2013, and no capital gain (losses) ensued in the third quarter. The disinvestment was motivated by the fact that neither the scope of activities of this Company nor the geographical territories in which it operates are aligned with the core lines of business of the Amiantit Group.

The sale was made with no recourse from the buyer on the seller and has been fully cashed, so no risks are attached to this operation.

2.2.3. Acquisition of 49% of FPC

In February 2013, the Group acquired the 49% of Fiberglass Pipes Company (FPC) which were previously held by the minority shareholders, for SR 6.4 Million. The scope of this Company, situated in Dammam Industrial Area 2, will be enlarged to include the coating of Ductile Iron pipes and fittings, under the management and guidance of SADIP.

The capital expenditure required by this enlargement is modest and the SADIP experience in this field minimizes any risk linked to this development.

2.2.4. CPIC offered for sale

On December 4, 2013 the Group has decided to offer for sale its 5.4975 % interests in Chongqing Polycomp International Corporation (CPIC), one of the leading global producers of fiberglass based in China. The Company called for to the services of an investment banker to identify candidate buyers. The reason for this decision is to create liquidities and value for the shareholders of the Group, as there is growing demand on the market for such investments from institutional investors around the world. While no specific buyers has yet been identified and no accurate sales value can be communicated at this stage, the Group is expecting the CPIC shares to be sold at a profit.

As a result of this decision, the investment was classified as asset hold for sale on the balance sheet of the Company as of fourth quarter 2013. The current book value of these shares is SR 96.7m, while their acquisition value is SAR 25.9 Million. The shares were acquired between 2001 and 2005. The period for offer is one year. The name of the investment bank in charge of the transaction is Grand Avenue Capital LLC.

2.3. Modification in the corporate management structure

The Corporate Management structure has been rationalized over 2013. The following positions now report directly to the Chef Executive Officer:

- Director of Sales and Marketing
- Director of Operations
- Director of Finance and Accounting
- Director of Corporate Services
- Director European Operations
- Director of Technology

As of February 3, 2013, the former VP Finance and Administration and Chief Finance Officer of the Company, Mr. Wehbe M. Rafih, retired as he had reached the regular retirement age as per the policy of the Company. He was replaced by Mr. Pierre M.J. Sommereijns in the function of Director of Finance and Accounting, and Mr. Osama Al-Onaize in the function of Director of Corporate Services.

2.4. General risks associated to the nature of the business of the Group

The Company pipes are used in transport of liquid such as drinking water, sewage and specific projects operated by mega-companies in Saudi Arabia such as SABIC. It is also involved in the execution of other water related projects.

Such products and services are closely linked with infrastructure projects which may be affected by different financial and political factors, usually falling out of control of the Group. The water and sewage projects in which the Group is active are often considered as strategic by their owners, who are often governments or government related. Therefore, the timing or the size of the projects put for execution may be modified by the owners during the execution, for instance due to financial, political or operating considerations. Such modifications may impact the scope of the sales of goods and services provided by the Group and thus its profits from one year to another.

Competition also plays an important role on the profitability of the Company. Especially since the 2008 global crisis, competition has increased both on domestic and international markets. To defend its market shares on its different territories, the Group had to reduce its prices while maintaining its production capacities.

Other risk factors specific to the business may be:

- Delayed collection of receivables due to delayed execution of the projects or delayed payment of the contractor by the owner (and associated increase of financial charges) ;

- Increase in interest rates ;
- Foreign currencies exchange rates fluctuations, which may impact the values at which foreign businesses are incorporated into the consolidation of the Group, as well as generate foreign currency gains / losses due to sales / purchases made in other currencies than the operating currencies of the Companies;
- Fluctuation of purchase prices of raw materials ;
- Political instability on certain external markets (For instance Egypt, Libya, Syria).

3. Summary of Financial Data:

3.1. Financial data:

The consolidated figures and statements for the year 2013 cover the following segments sectors of the Company

- Manufacturing and sales of pipes and associated technology (*)
- Water management (*)

* including results in affiliated companies

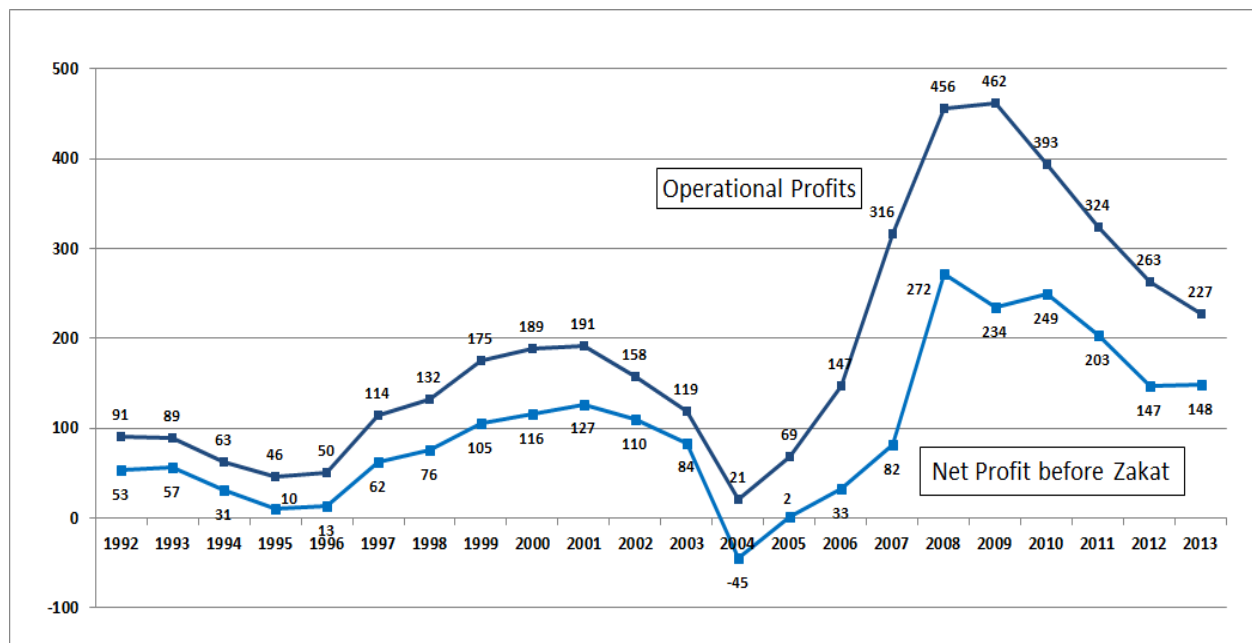
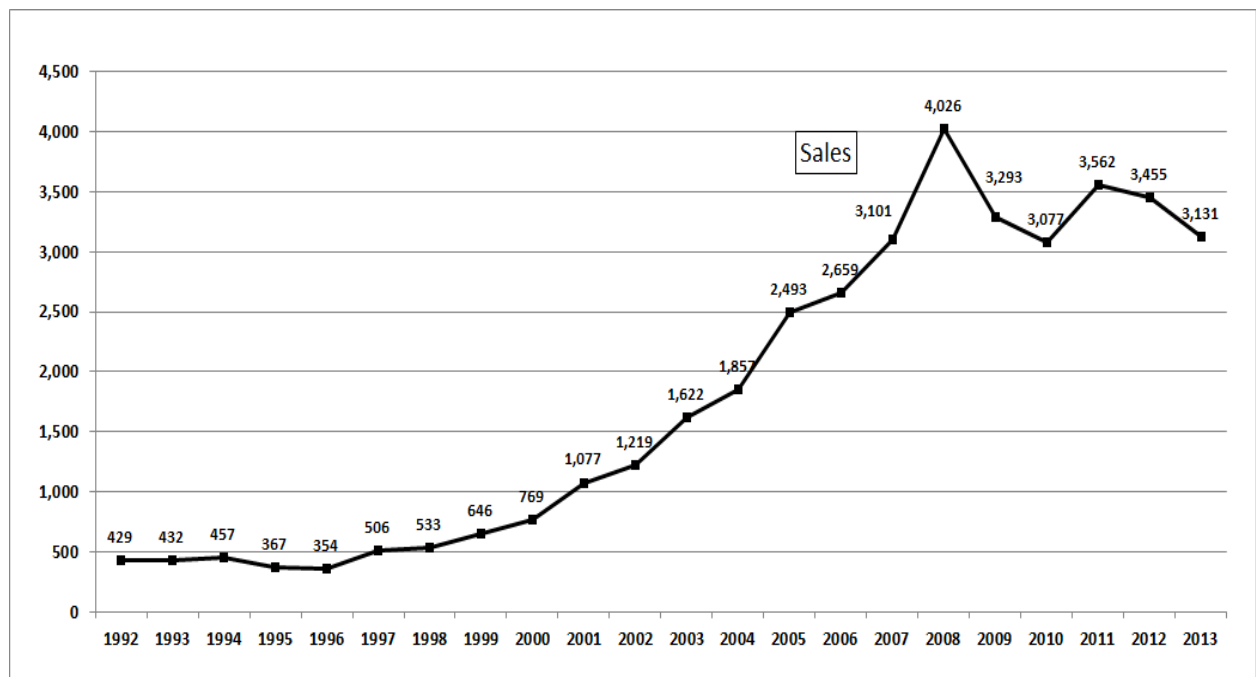
The following table contains a summary of most the important results of the Company during the last five years (In Thousands Saudi Riyals):

Year	2013	2012	2011	2010	2009
Net Sales	3,130,672	3,454,795	3,562,631	3,077,498	3,292,885
Gross Margin percentage	15.0%	16.1%	18.0%	23.6%	26.2%
Operating expenses	242,543	293,274	318,609	333,919	401,869
Net Profit	112,614	111,338	151,248	165,102	202,475
Cash Flow from Operations	341,345	(425,524)	(171,208)	146,506	879,769
Capital Expenditure (purchase of PPE)	129,401	115,285	80,274	48,709	103,250
Total Assets	4,411,355	4,822,506	4,407,413	4,070,904	4,056,103
Total Liabilities	2,720,567	3,122,099	2,601,915	2,191,643	2,169,847
Total Equity	1,690,788	1,700,407	1,805,498	1,879,261	1,886,256

Paid Dividends	112,984	140,566	173,250	115,500	57,750
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3.2. Comments on long term trends

- 1- The impact of the 2008 international financial crisis was felt starting the next year as illustrated in the graph below. Faced with a tremendously increased number of competitors, who had installed capacities during the boiling periods of 2007 and 2008, prices were under pressure, essentially in the GRP segment, both in Saudi Arabia and in the International markets. The Group fought hard and succeeded to keep its market shares, at the expense of lower profits. Also certain of the Saudi companies were confronted with exports of pipes from China, and, as the activity level in emerging countries went down, such exporters became more aggressive in their pricing strategy too.
- 2- The Group reacted by maintaining tight control on all expenses, both in manufacturing costs and operating expenses, and by investing in the state-of the-art technology, equipment and human resources, to provide the best quality products and services, at the most competitive conditions.
- 3- As the competition increased, the market went more competitive also in payment conditions, causing trade receivables to increase and putting pressure on cash flows. Over 2013, the Group undertook a major effort in improving collections and reducing working capital requirements, improving the cash flow from operations by a total amount of SR 766.9 Million over 2012.
- 4- During this period, the Group also disposed of investments and activities which were not aligned to its core business, either geographically or product-wise. At the same time, it undertook a major diversification by promoting water-management activities, which by nature need time to pay-off.
- 5- This strategy allowed the Group to weather the storm and maintain regular payments of dividends to its shareholders over all the years. The Directors are confident for the future of the Group.



Note: Detailed comments over the 2013 year performance are addressed under point 5.2.

4. Geographical Analysis of Gross revenues

The Gross revenues are geographically divided as follows:

Gross Sales	2013		2012	
	Amount	Percentage	Amount	Percentage
Saudi Arabia				
West	944,113	28.5%	1,119,407	30.7%
Central	235,560	7.1%	324,910	8.9%
East	464,632	14.0%	441,474	12.1%
North	2,718	0.1%	3,646	0.1%
South	69,097	2.1%	144,064	4.0%
Exports from KSA	415,345	12.6%	429,155	11.8%
Total Saudi Arabia	2,131,465	64.4%	2,462,656	67.6%
Other G.C.C.	100,976	3.1%	-	
Europe and Turkey	932,889	28.2%	1,117,802	30.7%
North Africa	112,189	3.4%	-	
Other countries	30,809	0.9%	61,985	1.7%
TOTAL	3,308,328	100%	3,642,443	100%

- 4.1. The share of domestic sales during 2013 was 64.4% of total sales compared with 67.6% in 2012 while the pipe sector sales reached 88.8% of the total sales quite equivalent with 89.7% in 2012, the water management sector reached SR 351 Million compared with SR 357 Million in 2012 i.e. 11.2% of the total sales compared with (10.3% in 2012).
- 4.2. For comparison purposes, we should exclude from the Amiwater segment the sales of Jos Hansen & Soehne GmbH which were included till June 2013 in the water management segment and disposed off in July, as this entity was sold. After such adjustment, the water management sector reached SR 319 million compared with SR 261 Million in 2012 i.e. 10.3% of the total sales compared with (7.8% in 2012).

5. Explanation of material differences in the operating results with prior year

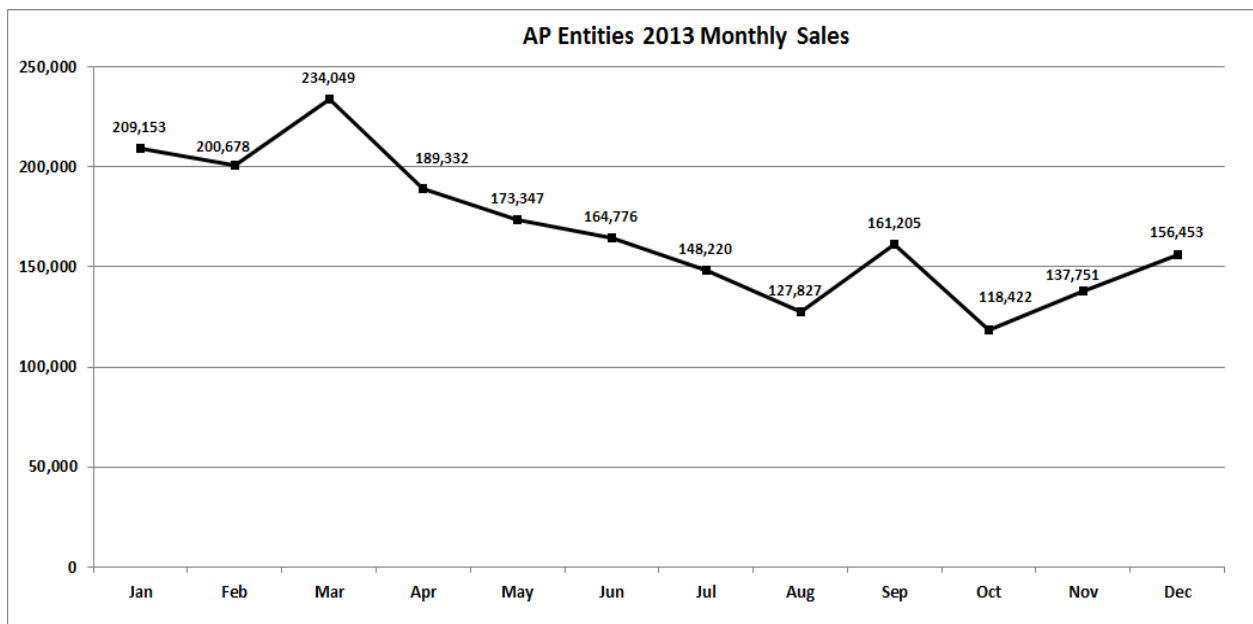
5.1. Summary results

	2013	2012	Difference	Percentage
Sales	3,130,672	3,454,795	(324,123)	-9.4%
Cost of sales	(2,660,667)	(2,898,211)	237,544	8.2%
Gross profit	470,005	556,584	(86,579)	-15.6%
Operating expenses	(242,543)	(293,274)	50,731	17.3%
Income from operations	227,462	263,310	(35,848)	-13.6%
Other income and expenses	(90,036)	(123,184)	33,148	26.9%
Foreign income tax and Zakat	(44,236)	(44,800)	564	1.3%
Non-controlling interests	19,424	16,012	3,412	21.3%
Net income for the year	112,614	111,338	1,276	1.1%

5.2. Explanation of differences:

Net Sales

- Impact on net sales of the deconsolidation of AFIL (India) and sale of JHS shares in 2013, amounting to SR 121.5 Million.
- Lower sales in the Arabian Peninsula by SR 331.0 Million, especially during the second half of the year, partly explained by a slow-down in installation activities at several customers due to the crackdown on illegal immigration. The situation started to improve in November 2013 and we expect it to be returning to normal over the year 2014, as illustrated by the graph below:



- European including Turkey sales were down in 2013 compared to 2012 by SR 185 Million as related business units have compensated for lower demand in Germany, France and Poland with new geographies. Expansion in Russia, Latvia and Ukraine produced additional SR 27.0 Million sales. France was the biggest challenge this year with weak infrastructure demand and inevitable price competition. Although domestic sales in Spain were flat, there was a 20% increase in government tenders and this will pull through by 2015, as well as exports to Morocco.

Cost of Sales

- Impact of deconsolidation AFIIL (India) and JHS amounting to SR 109.2 Million.
- Decrease in gross margin coming from lower sales volumes as described above, which lowered the absorption of the fixed manufacturing costs, and also explained by a highly competitive environment in the pipe business in Saudi Arabia , keeping pressure on sales prices
- The gross margin on European operations was also slightly lower than last year due to the fact that the lower demand on the domestic markets incentivized the companies to export, causing higher costs.

Operating expenses

- Decrease as the Group maintained tight control on spending.
- Another reason of the decrease is that the Group technology support organization used internal resources to execute a major enhancement of the production equipment in specific plants of the Group, and these costs have therefore been capitalized into fixed assets.

Other income and expenses

- They were impacted by the results on affiliated companies, which improved by SR 33.3 Million, explained by;
 - a- Better results booked on the 5.5 % investment of the mother Company into its Chinese affiliate CPIC. Indeed as the shares are now offered for sales, the Group investigated on possible realization prices and concluded that the investment could be valued at the level of the latest available audited financials of this affiliated Company, enabling us to reverse prior adjustments booked on this investment.
 - b- Better results in other affiliates, such as in Morocco, Qatar, in the Water Management segment.
- Positive exchange results, and accruals and provisions which could be reversed due to positive developments in 2013.

6. Departure from Accounting standards issued by SOCPA

The Group did not deviate from mandatory accounting standards issued by SOCPA.

7. Corporate Structure:

7.1 Branches (*) :

(*) branches of the mother Company (by industrial license or branch commercial registration certificate or both of them) 100 % owned. The branches do not represent separate legal entities.

No	Company	Activity	Country	Establishment Place	Amiantit Share
1	Yacoat Amiantit	Pipe painting, import of pipes, & building materials	KSA	Dammam-KSA	100%
2	Amiantit Polymer Co.	Trade in Polymers	KSA	Dammam-KSA	100%
3	Amiantit Plastic Products Co.	Plastic production	KSA	Dammam-KSA	100%
4	Epoxy Pipe Co. (Amipox)	Epoxy pipes	KSA	Dammam-KSA	100%
5	Amiantit Technology Services	Pipe Technology Services	KSA	Dammam-KSA	100%

- **Note: Branches do not have capital, and they do not issue financial instruments.**

7.2. Fully or partly owned Subsidiaries :

No	Company	Activity	Country	Establishment	Capital	SAAC
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				Place		Share
1	Amiantit Fiberglass Co. Ltd “AFIL”	Pipes production	KSA	Dammam-KSA	SR 32 million	100%
2	Amiantit Fiberglass Co. / Branch of Amiantit Fiberglass Co. Ltd “AFIL”	Pipes production	KSA	Jeddah-KSA	Branch of “AFIL”	100%
3	Amiantit Rubber Industries Ltd. Co.	Rubber gaskets & pipe fittings	KSA	Dammam-KSA	SR 4 million	80%
4	Saudi Arabian Ductile Iron Pipes Co.	Pipes production	KSA	Dammam-KSA	SR 180 million	100%
5	Ameron Saudi Arabia Ltd. Co.	Pipes production	KSA	Dammam-KSA	SR 76.5 million	69.7%
6	Bondstrand Co. Ltd	Pipes production	KSA	Dammam-KSA	SR 20 million	60%
7	Saudi Arabia Concrete Products Co. (SACOP)	Pipes production	KSA	Jeddah -KSA	SR 12.3 million	58.8%
8	Fiberglass Pipes Co.	Pipes production	KSA	Dammam-KSA	SR 5 million	100%
9	International Infrastructure Management and Operation Co. Ltd.	Management of water projects and plants	KSA	Dammam-KSA	SR 100 million	100%
10	The International Water Distribution Company Ltd (Tawzea).	Water Distribution	KSA	Jeddah-KSA	SR 101 million	50%
11	Amiantit International Holding Co. WLL	Holding Company	Bahrain	Manama-Bahrain	US\$ 2 million	100%
12	Ductile Technology Co. W.L.L.	Selling, buying, and rental of Real Estate	Bahrain	Manama-Bahrain	BD 20 million	75%
13	C-Tech Ltd. W.L.L.	Acquisition of technology rights (sale of pipes & equipment)	Bahrain	Manama- Bahrain	US\$ 3 million	100%
14	Amiantit Meyer Polycrrete Ltd. W.L.L.	Acquisition of technology rights (sale	Bahrain	Manama-Bahrain	US\$ 51,412	50%

		of pipes & equipment)				
15	Flowtite Technology Bahrain W.L.L.	Acquisition of technology rights (sale of pipes & equipment)	Bahrain	Manama- Bahrain	US\$3.0 million	100%
16	Amitech Germany GmbH	Pipes	Germany	Germany	Euro 3.5 million	100%
17	Amiantit Services GmbH	Management	Germany	Germany	Euro 300,000	100%
18	Aquamundo GmbH	Water Management	Germany	Germany	Euro 3 million	80%
19	P.W.T Wasser und-Abwassertechnik GmbH	Operation management & maintenance of water & sewage plants	Germany	Germany	Euro 3 million	80%
20	Amiantit Malta Holding Ltd.	Holding	Malta	Malta	Euro 49.3 million	100%
21	APS Norway AS	Marketing	Norway	Norway	NOK 4.5 million	100%
22	Flowtite Technology AS	Technology acquisition	Norway	Norway	NOK 18.9 million	100%
23	Subor Boru Sanayi Ve Ticaret AS	Production of pipes	Turkey	Turkey	TRY 31.6 million	50%
24	Subor Gap Sanayi Ve Ticaret AS	Production of pipes	Turkey	Turkey	TRY 21.7 million	40%
25	Amitech Poland Sp. z o.o.	Production of pipes	Poland	Poland	PLN 21.1 million	100%
26	Amitech Spain S.A.	Production of pipes	Spain	Spain	Euro 5.9 million	100%
27	Amiantit Fiberglass Industries India Pvt. Ltd.	Production of pipes	India	India	INR 250 million	70%
28	Amitech Industrial Spain S. L.U.	Pipe fitting production	Spain	Spain	Euro 3,000	100%
29	APS France SAS	Marketing	France	France	Euro 280,000	100%
30	LLP Amitech Astana	Production of pipes	Kazakhstan	Kazakhstan	KZT 403 million	51%
31	Amitech Western & Central	Holding	Nether-	Netherlands	Euro 6	100%

	Europe Holding BV		lands		million	
32	Amitech Cyprus Holding Ltd.	Holding	Cyprus	Cyprus	Euro 2,000	100%
33	Amitech Switzerland AG	Holding	Switzerland	Switzerland	CHF 10.5 million	100%
34	Flowtite Engineering GmbH	Consulting / technology	Germany	Germany	Euro 30,000	100%
35	Amitech Service AG	Management	Switzerland	Switzerland	CHF 100,000	100%
36	Amitech Pipe Systems SRL	Trading of Pipes	Romania	Romania	RON 327,620	50%
37	Amitech Pipes Romania SA	Production of Pipes	Romania	Romania	RON 116,000	50%
38	Saudi PWT Ltd.	Water Management	KSA	Dammam-KSA	SAR 500,000	89.8%
39	Arabian PWT	PWT Water Management Branch	Germany	Dammam- branch of PWT Germany	SAR 500,000	80%
40	PWT SUW OOO Turkmenistan	Water Management	Turkmenistan	Turkmenistan	USD 250,000	80%

7.3. Affiliated Companies:

No	Company	Activity	Country	Establishment Place	Capital	Amiantit Share%
1	Amiantit Fiberglass Egypt S.A.E., thru its affiliate Amiantit Fiberglass Co. Ltd.	Pipe production	Egypt	Egypt	EP 50 million	50
2	Ameron Egypt S.A.E., owns this shares thru its affiliate Ameron Saudi Arabia Ltd. Co.	Pipe production	Egypt	Egypt	EP 19.3 million	34.2

3	SPA Amitech Algerie	Pipe production	Algeria	Algeria	Alg. Dinar 262.8 million	50
4	Amitech Maroc	Pipe production	Morocco	Morocco	MAD 72 million	50
5	Amiantit Qatar Pipes Co. W.L.L.	Pipe production	Qatar	Qatar	QR 37.2 million	40
6	Chongqing Polycomp Int'l Co. Ltd.	Manufacturing of fiberglass	China	China	Yuan 1.9 billion	5.495
7	Eastern Gas	Gas distribution	KSA	Dammam-KSA	SR 20 million	13
8	Sarplast S.A.	Pipes production	Switzerland	Switzerland Italy	Euro 1.6 million	23.7
9	Amitech Libya	Pipes production	Libya	Libya	Din1.0 million	40
10	Sarplast Qatar W.L.L., thru the Amiantit Qatar Pipes Co. W.L.L.& Sarplast Italy	Pipes production	Qatar	Qatar	QR 200,000	26.21

In addition to the above, the Company has several commercial representation offices inside Saudi Arabia and abroad.

8. Particulars of issued shares and debt instruments of every subsidiary

The issued shares of the subsidiaries are as follows:

Subsidiary	Issued shares	Shareholders
Amiantit Fiberglass Industries Ltd.	32,000 ordinary shares of each SR 1,000 per share	SAAC 99% Saudi Arabian Ductile Iron Pipes Co. 1%
Saudi Arabian Ductile Iron Pipe Co. Ltd.	180,000 ordinary shares of each SR 1,000 per share	SAAC 95% Amiantit Fiberglass Industries Ltd. 5%
Bondstrand Ltd.	20,000 ordinary shares of each SR 1,000 per share	SAAC 60% Ameron International B.V. 40%
Ameron Saudi Arabia Ltd.	76,5000 ordinary shares of each SR 1,000 per share	SAAC 69.7% Ameron International B.V. 31.3%
Amiantit Rubber Industries Ltd.	4,000 ordinary shares of each SR 1,000 per share	SAAC 80% Deccan Enterprises Pvt. Ltd. 20%

Saudi Arabia Concrete Products Ltd.	24,500 ordinary shares of each SR 500 per share	SAAC 4% Ameron Saudi Arabia Ltd. 78.6% Ameron International B.V. 17.4%
Fiberglass Pipes Co. Ltd.	5,000 ordinary shares of each SR 1,000 per share	SAAC 51% Amiantit Fiberglass Ind. Ltd. 49%
LLP Amitech Astana	Charter Capital of KZT 406 Million- Limited Liability Partnership	Flowtite Engineering GmbH 51% Abykayev M 29% Gavrilov V 10% Aubanov A 5% Listopadney G 5%
Amiantit Fiberglass Industries India Pvt. Ltd.	25 Million ordinary shares of each INR 10 per share	Amitech Cyprus Holding 70% Mr. Shivanand V. Salgaocar 4.2% Ms. Ranjana S. Salgaocar 8% Ms. Swati S. Salgaocar 4% Mr. Vivek S. Salgaocar 4% Mahadhan Real Estates LLP 7.8% Pyramid Finance Private Ltd. 2%
Amiantit Service GmbH	1 ordinary shares of each EUR 1.375 Million per share	Amitech Switzerland A. G. 100%
Amitech Pipe Systems SRL	1,000 ordinary shares of each RON 328 per share	Subor Boru Sanayi Ve Ticaret 100%
Amitech Pipes Romania SA	1,000 ordinary shares of each RON 116 per share	Subor Boru Sanayi Ve Ticaret 98.4% Yapi Merkezi Insaat Ve Sanayi 0.8% Amitech Switzerland A. G. 0.8%
Subor Boru Sanayi Ve Ticaret AS	31,605,735 ordinary shares of each TRY 1 per share	Amitech Switzerland A. G. 50% Yapi Merkezi Insaat Ve Sanayi 49.994% Ersin Arıoğlu 0.004% Emre Aykar 0.001% Erdem Arıoğlu 0.001%
Subor Gap Sanayi Ve Ticaret AS	21,658,075 ordinary shares of each TRY 1 per share	Subor Boru Sanayi Ve Ticaret 78% Fernas Insaat San.A.S. 20% Yapi Merkezi Insaat Ve Sanayi 0.99% Amitech Switzerland A. G. 1% Ersin Arıoğlu 0.01%
Amiantit International Holding Co. WLL	32,000 ordinary shares of each USD 1,000 per share	SAAC 99.94% Amiantit Fiberglass Ind. Ltd .06%
Amitech Western & Central Europe Holding BV	6,018 ordinary shares of each EUR 1,000 per share	Amitech Cyprus Holding 100%
Amitech Poland Sp. z o.o.	30,140 ordinary shares of each PLN 700 per share	Amiantit International Holding Co. WLL 94% Amitech Switzerland A. G. 6%
Amitech Industrial Spain S. L.U.	30 ordinary shares of each EUR 100 per share	Amitech Switzerland A. G. 100%

APS France SAS	2,800 ordinary shares of each EUR 100 per share	Amitech Switzerland A. G. 100%
Amitech Spain S.A.	980,148 ordinary shares of each EUR 6 per share	Amitech Switzerland A. G. 100%
APS Norway AS	4,500 ordinary shares of each NOK 1,000 per share	Amitech Switzerland A. G. 100%
Amitech Germany GmbH	1 ordinary shares of each EUR 10.585 Million per share	Amitech Switzerland A. G. 100%
Amitech Cyprus Holding Ltd.	2,000 ordinary shares of each EUR 1 per share	Amiantit International Holding Co. WLL 100%
Amitech Switzerland AG	2 ordinary shares of each CHF 56,000 per share	Amitech Western & Central Europe Holding 10.71% Amiantit Malta Holding Ltd. 89.29%
Amitech Service AG	100 ordinary shares of each CHF 1,000 per share	Amitech Switzerland A. G. 100%
Amiantit Malta Holding Ltd.	49,025 ordinary shares of each EUR 1,000 per share	Amiantit International Holding Co. WLL 100%
Amiantit Meyer Polycrete Ltd. W.L.L.	400 ordinary shares of each BHD 50 per share	SAAC 50% Thomas D. Bloomfield 8.5% Mihael Welzel 8.5% Edeltraut Gerlach 3.0% Heike Meyer 30%
Flowtite Technology Bahrain W.L.L.	11,375 ordinary shares of each BHD 100 per share	Amiantit International Holding Co. WLL 99% Mansour Mohammed Qasem 1%
C-Tech Ltd. W.L.L.	3,000 ordinary shares of each USD 1,000 per share	SAAC 50% Amiantit International Holding Co. WLL 50%
Ductile Technology Co. W.L.L.	200 ordinary shares of each BHD 100 per share	SAAC 75% Ruediger Boeckle 25%
Flowtite Engineering GmbH	1 ordinary shares of each EUR 30,000 per share	Amitech Switzerland A. G. 100%
Flowtite Technology AS	18,925 ordinary shares of each NOK 1,000 per share	Amitech Cyprus Holding 100%
Aquamundo GmbH	10 ordinary shares of each EUR 300,000 per share	P.W.T Wasser Co. 100%
P.W.T Wasser und- Abwassertechnik GmbH	10 ordinary shares of each EUR 300,000 per share	International Infrastructure Management and Operation Co. Ltd. 80% Ruediger Boeckle 12% Klaus Dickhoff 8%
PWT Saudi Arabia Co.	500 ordinary shares of each SAR 1,000 per share	P.W.T Wasser Co. 51% International Infrastructure Management and Operation Co. Ltd. 49%
PWT SUW OOO Turkmenistan	1 ordinary shares of each USD 250,000 per share	P.W.T Wasser Co. 99% Aquamundo Co. Ltd. 1%

International Infrastructure Management and Operation Co. Ltd.	100,000 ordinary shares of each SAR 1,000 per share	SAAC 80 % Amiantit Fiberglass Industries Ltd. 20%

Note: The Subsidiaries have not issued marketable debt instruments. The only external financial debts of the subsidiaries are represented by bank loans, which are covered under point 12.

9. Dividend policy :

The Company distributes the profits according to the following policy:

- The Company distributes the net profits after deducting all general expenses and other cost as follows:
 - a) 10% of the net profits shall be set aside to constitute the legal reserve The General Assembly may cease allocation of such rate once the reserve reached the half of the capital.
 - b) The Company allocate of any percentage of the net profit to be determined by the General Assembly in order to form another reserve to be allocated to the discretion of the General Assembly. The Company may cease allocation of this reserve once the amount reached a certain percentage of the capital approved by the General Assembly.
 - c) The balance of profits shall be distributed among the shareholders as a first payment equaling (5%) of the paid up capital.
 - d) The Board of Directors will be given their annual remunerations from the balance after allocation of the 5% profit taking into consideration the decisions and instructions issued by the competent authorities in this matter. Then the balance shall be paid as additional dividends to the shareholders. The profits which is decided to be distributed among the shareholders will be paid on places and dates defined by the Board of Directors.

The Company will pay the dividends in accordance to the below policy which adhere to the by-laws.

- The net profits after calculating the legal reserves and amortizing any losses must generate a positive balance to be sufficient for distribution.
- The Company possesses or should be able to generate or borrow the necessary liquidities
- The distribution of profit shall not violate any bank agreement.
- The distribution of profit shall not affect the Company ability to continue its development and utilize the available resources.
- The dividends shall be distributed to the shareholders by depositing the same directly in their portfolios in coordination with Tadawul.

10. Major External Shareholders

As per Tadawul records, as on 31-12-2013, the major owners who own 5% and more of the capital are:

Shareholder	Percentage
Al-Mawarid Investment Company Ltd	9.4%
HH Prince Khalid Ben Abdullah Ben Abdulrahman Al-Saud	7.4%
Abdullah Saleh Abdullah Al-Bassam	5.8%

- The Company has not been notified of any change of such shareholdings during the year 2013, pursuant to Art. 45. of the listing rules.

11. Major internal Shareholders

11.1. Ownership by Board of Directors members, wives and minor children in the shares of Saudi Arabian Amiantit Company:

No	Member's name	Number of shares of Board member at Year's Start	%	Number of shares of Board member at Year's end	% of Change	% at Year-end	Number of shares of wife & minor children at beginning of the year	%	Number of shares of wife & minor children at end of the year	Change of shares of wife & minor children
1	Prince Ahmed Bin Khalid Abdullah Abdurrahman	1.825.244	1.58	1.825.244	0	1.58	No	No	No	No
2	Prince Turki Bin Mohammed	8.000	0.0069	8.000	0	0.0069	50.000	0.0432	50.000	0
3	Dr. Khalil A. Kordi	3.365	0.0029	3.365	0	0.0029	No	No	No	No
4	Dr. Abdulaziz Al Jarbou	8.600	0.00744	8.600	0	0.00744	No	No	No	No
5	Shaik Sulaiman A. Al Suhaimi	320.570	0.2775	320.570	0	0.2775	No	No	No	No
6	Sulaiman A. Al Amro	1.570	0.001359	1.570	0	0.001359	No	No	No	No
7	Bader A. Al Suwaidan	23.085	0.01998	23.058	0	0.01998	No	No	No	No
8	Abdulaziz Ali Abu Al Saud	1000	0.0008	1000	0	0.0008	No	No	No	No
9	Dr. Solaiman A Al Twaijri	1000	0.0008	1000	0	0.0008	No	No	No	No

11.2. Ownership of Senior Executives of the Company and wives and minor children in the shares of Saudi Arabian Amiantit Company:

No	Executive Name	Number of shares of Board member at Year's Start	%	Number of shares of Board member at Year's end	Change %	No of shares of wife & minor children at beginning of the year	%	No of shares of wife & minor children at end of the year	Change of shares of wife & minor children
1-	Dr. Solaiman A Al Twaijri	1000	0.0008	1000	0	No	No	No	No
2-	Waleed Abu Kishk	No	No	No	No	No	No	No	No
3-	Ejaz Malik 1-5-2012	No	No	No	No	No	No	No	3-
4-	Othman Saqur	No	No	No	No	No	No	No	No
5-	Pierre Sommereijns	No	No	No	No	No	No	No	No
6-	Osama J. Al-Onaize	No	No	No	No	No	No	No	No

The Company declares that there is no other interests in shares, subscription rights, debt instruments by any Board Members or Senior Executives and their wives and minor children in shares or debt instruments in the Company or any of its affiliated companies and any change in these rights during the year 2013 except what is mentioned in paragraph 22 of this report on granting of Company shares to its employees.

12. Borrowings

12.1. Borrowings of the issuer

The Borrowings of the Company were as such as of December 31, 2012 and 2013:

12.1.1. Long term Loans

Bank	Nature of lines	Repayment date	Amount Due as of December 31, 2012	New borrowings	(Repay-ments)	Amount due as of December 31, 2013
Samba Bank	Long-term	2014	206,250	-	(75,000)	131,250

12.1.2. Short term loans

Bank	Nature of lines	Amount Due as of December 31, 2012	New borrowings	(Repay-ments)	Amount due as of December 31, 2013
Bank Saudi Fransi	Short-term	39,000	125,000	(129,000)	35,000
RiyadRiyadh Bank	Short-term	25,000	50,000	(50,000)	25,000

Gulf Investment Bank	Short-term	25,000	71,000	(72,000)	24,000
Alinma Bank	Short-term	135,680	494,375	(390,263)	239,791
Al-Jazeera Bank	Short-term	79,000	328,000	(272,000)	135,000
National Commercial Bank	Short-term	50,000	169,000	(195,000)	24,000
Al-Bilad Bank	LC	19,998	60,653	(80,651)	-
Al-Bilad Bank	Short-term	74,504	255,296	(168,439)	161,362
Al-Rajhi Bank	Short-term	199,993	266,992	(366,985)	100,000
Saudi Hollandi Bank	Short-term	5,000	198,000	(154,000)	49,000
Arab Banking Corporation	Short-term	60,000	98,000	(123,000)	35,000
Saudi British Bank	Short-term	-	30,223	(19,043)	11,180
Samba Bank	Short-term	-	10,000	(10,000)	-
Riyadh Bank	Overdraft	35	-	(35)	-
Bank Saudi Fransi	Overdraft	-	9,361	(9,361)	-
Al-Rajhi Bank	Overdraft	-	23	(23)	-
Total		713,210	2,165,923	(2,039,800)	839,333

12.2. Aggregate Borrowings of the Issuer and its Subsidiaries

The table below summarizes the borrowings of the Issuer and its subsidiaries:

Company	Amount due as of December 31, 2012	New borrowings	(Repayments)	Amount due as of December 31, 2013
Amiantit Fiberglass Industries Ltd.	185,991	347,998	(416,989)	117,000
Saudi Arabian Ductile Iron Pipe Co. Ltd.	576,036	1,212,547	(1,328,735)	459,848
Bondstrand Ltd.	38,947	120,225	(110,944)	48,228
Ameron Saudi Arabia Ltd.	10,000	2	(10,002)	-
Amiantit Rubber Industries Ltd.	-	206	(206)	-
Amiantit Plastic Products Co.	-	432	-	432
Epoxy Pipe Co. (Amipox)	325	29	(325)	29
LLP Amitech Astana	9,791	-	(1,710)	8,081
Amiantit Fiberglass Industries India Pvt. Ltd.	31,080	4,783	(35,863)	-
Subor Boru Sanayi Ve Ticaret AS	77,745	84,150	(80,588)	81,307
Amitech Poland Sp. z o.o.	-	1,802	-	1,802
Amitech Industrial	-	138	(138)	-

Spain S. L.U.				
Amitech Spain S.A.	37,676	3,541	(12,118)	29,099
Amitech Germany GmbH	11,207	287	(2,308)	9,186
Flowtite Technology AS	1,618	24,776	(2,153)	24,241
International Infrastructure Management and Operation Co. Ltd.	40	-	(40)	-
P.W.T Wasser und- Abwassertechnik GmbH	-	50,376	(21,258)	29,118
Total Subsidiaries	980,456	1,851,292	(2,023,377)	808,371
Issuer	919,460	2,165,923	(2,114,800)	970,583
Total Issuer and Subsidiaries	1,899,916	4,017,215	(4,138,177)	1,778,954

Most of the short term loans finance receivables and stock of raw materials, since these receivables have reach about SR 1.83 billion at the end of the year (SR 2 billions 2012) while the total inventory value reached SR 1.24 billion at the end of the year compared with (SR 1.482 billion in 2012).

12.3. Long-term loans: maturity profile and Creditors' names (million Saudi Riyals) for the Group:

Year/ Creditor	2015	2016	2017	2018	2019 onwards	Total
Samba Bank	50.0					50.0
Saudi Industrial Dev. Fund	3.6					3.6
Minority Partners Loan- Amitech Astana	3.4	3.4	1.3			8.1
Banco Popular- Spain	4.3	0.4	0.4	0.4	0.1	5.6
Sachsen Bank and Sparkasse Leipzig-Germany	2.3	2.3	2.3			6.9
Danske Bank-Norway	1.2	1.2	1.2	1.2	18.1	22.9
Total	64.8	7.3	5.2	1.6	18.2	97.1

The Group has paid back long terms loans of SR 90.48 million during 2013. The Group has obtained new long terms with a value of SR 24.8 million during 2013.

The current ratio as of December 31, 2013 amounts to 1.38 compared to 1.34 in 2012, and the debt-to-equity ratio improved to 1.61 compared to 1.84 in 2012.

13. Convertible Debt instruments

The Company did not issue convertible debt instruments. Further the Company declares that there are no recoveries, purchase, or cancellation by the Company of any debts instruments liable for redemption during 2013.

14. Conversion or subscription rights

The Company did not issue conversion or subscription rights during 2013.

15. Redeemable debts

The Company does not owe or possess redeemable debts during 2013.

16. Board of Directors composition and Committees

16.1. Board of Directors composition

The Board of Directors is composed of (9) members:

Name	Title	Executive	Non-Executive	Independent
Prince Ahmed Bin Khalid Abdullah Abdulrahman	Chairman	No	Yes	No
Prince Turki Bin Mohammed Bin Fahad	Vice Chairman	No	Yes	No
Dr. Khalil A. Kordi	Member	No	Yes	No
Dr. Abdulaziz Al Jarbou	Member	No	Yes	No
Shaik Sulaiman A. Al Suhaimi	Member	No	Yes	Yes
Sulaiman A. Al Amro	Member	No	Yes	Yes
Bader A. Al Suwaidan	Member	No	Yes	Yes
Abdulaziz Ali Abu Al Saud	Member	No	Yes	No
Dr. Solaiman A Al Twaijri	Managing Director & CEO	Yes	No	No

16.2. Board of Directors meetings during 2013:

The nine-member Board of Directors have convened two meetings during the year of 2013 as follows:

Attendance Record of the meeting of the Board of Directors during the fiscal year 2013.

Board member name	<u>First Meeting</u> <u>03/02/2013</u>	<u>Second Meeting</u> <u>04/12/2013</u>	Total
Prince Ahmed Bin Khalid Abdullah Abdulrahman	<u>Attended</u>	<u>Attended</u>	2
Prince Turki Bin Mohammed Bin Fahad	<u>Attended</u>	<u>Attended</u>	2
Dr. Khalil A. Kordi	<u>Attended</u>	<u>Attended</u>	2
Dr. Abdulaziz Al Jarbou	<u>Attended</u>	<u>Attended</u>	2
Shaik Sulaiman A. Al Suhaimi	<u>Attended</u>	<u>Attended</u>	2
Sulaiman A. Al Amro	<u>Attended</u>	<u>Attended</u>	2
Bader A. Al Suwaidan	<u>Attended</u>	<u>Attended</u>	2
Abdulaziz Ali Abu Al Saud	<u>Attended</u>	<u>Attended</u>	2
Dr. Solaiman A Al Twaijri	<u>Attended</u>	<u>Attended</u>	2

The Issuer and the Group do not have any related party transaction to report, which could cause a conflict of interest between the issuer or any of its subsidiaries and affiliates, and board members or members of the Management.

The Board of Directors confirmed that the Company maintained proper accounting records and the internal control system was based on sound basis and is executed effectively. There are no any remarks on the Company going concern position.

16.3. Board of Directors and Nomination and Compensation Committee.

This Nomination and compensation Committee covers salaries, wages and annual bonus related to performance and incentive plans (schemes) or any other benefits in kind.

Board of Directors:

Details	Board's Executive Members	Non-Executive/ Independent Members	Five senior executives who received bonuses and compensation including the Chief Executive Officer and Finance Manager
Salary & compensation	.....	.....	3,603,630
Allowances	.....	.....	1,797,118
Yearly and periodical board fees and bonus	200,000	1,600,000	850,000
Motivation plans	.....	.....	.....
Any other compensation or kind benefits paid on monthly or yearly basis	100,000	800,000	.....

16.4. Directors Mandates of Members of the Board of Directors:

Board Member Name	Name of Stock Company	Listed (Not listed)
Prince Ahmed Bin Khalid Abdullah Abdulrahman	1- Chairman of Saudi Chemical Co. 2- Chairman, Saudi Arabian Cooperative Insurance Co. (SAICO)	<u>Listed</u> <u>Listed</u>
Prince Turki Bin Mohammed Bin Fahad	Chairman of Eastern Province Cement Co.	<u>Listed</u>
Dr. Khalil A. Kordi	1- Aoudah Capital Co. 2- General Lighting Co	<u>Not listed</u> <u>Not listed</u>
Dr. Abdulaziz Al Jarbou	1- Saudi Papers Co. 2- Riyadh Bank 3- Gulf Chemical & Industrial Oils Co. 4- General Lighting Co.	<u>Listed</u> <u>Listed</u> <u>Not listed</u> <u>Not listed</u>
Shaik Sulaiman A. Al Suhaimi	Suhaimi Holding Co.	<u>Not listed</u>
Sulaiman A. Al Amro	1- Nama Chemical Co. 2- Falcom Financial Co. 3- Stores & Transport Services Co. 4- Amthal Finance & Rent Co.	<u>Listed</u> <u>Not listed</u> <u>Not listed</u> <u>Not listed</u>
Bader A. Al Suwaidan	None	None
Abdulaziz Ali Abu Al Saud	1- Saudi Chemical Co. 2- Saudi Arabian Cooperative Insurance Co (SAICO)	<u>Listed</u> <u>Listed</u>
Dr. Solaiman A Al Twaijri	1- Wala Insurance Co. 2- Chemical Development 3- Takwin Industrial Development	<u>Listed</u> <u>Not listed</u> <u>Listed</u>

17. Transactions with related parties

The Group does not have related party transactions to report here

18. Businesses or contracts with Chief Executive Officer, Chief Finance Officer or related individuals

The Board of Directors assures that there is no business or contracts between the Company or the Group and the CEO or CFO or any related party during 2013.

19. Waiver of salary or compensation by Directors or Senior Executives

The Company declares that there were no waivers, arrangements, assignment or other modifications by any Board Member or Senior Executives of any salary or compensation rights or any profit rights in 2013.

20. Waiver by any shareholder of rights to dividends

No shareholders of the issuer have waived any right to dividend.

21. Amounts due by the Group to Zakat, tax authorities, and other legal fees

<i>Particular</i>	<i>Amounts due (SR 000) as of December 31, 2013</i>	<i>Reason</i>
<i>Customs Duties</i>	-	<i>Imposed on import of goods</i>
<i>Zakat</i>	76,251	<i>According to zakat & income law</i>
<i>GOSI contribution</i>	756	<i>According social insurance regulation</i>
<i>Income Taxes due to Saudi Authorities</i>	555	<i>As per income tax on foreigners</i>
<i>Income Taxes due to Foreign authorities</i>	15,702	<i>As per foreign income tax rules, on foreign consolidated subsidiaries</i>
<i>Total</i>	93,264	

No amounts are over-due.

22. Employee share-option funds

In an effort to motivate employees and enhance their loyalty to the Company, while letting them benefit from the Company performance, the Company requested from the Saudi Capital Market Authority to approve a share-plan attributing numbers of shares to the employees.

Pursuant to the Capital Market Authority, the Company purchased 2,515,691 shares with a total market value of SR 38,615,857 at the end of 2013, estimated at the market value of the shares at that date, i.e. SR 15.35 per share.

The purchased shares were registered in the name of the employees during 2011 and the program was started beginning 2012. The shares are managed by a fund.

The provision related to this program amounts to SR 8.1 Million as of December 31, 2013 (2012 SR 4.3 Million).

23. Declarations

23.1. Books of accounts

The Directors declare that the books of accounts have been properly maintained according to the Saudi accounting standards.

23.2. System of internal control

The Directors declare that the system of internal controls has been soundly designed and is effectively implemented and regularly checked for proper compliance and possible improvements.

23.3 Going-concern

The Directors have no doubts concerning the issuer's ability to continue as a going concern.

24. Corporate Governance

During the year 2009, the General Assembly of the Company has approved the Governance Regulations of the Saudi Arabian Amiantit Company "Internal Governance Regulations". Accordingly, the Company laid down the following rules and mechanism for establishing the main Committees of the Board of Directors and their duties as follows:

24.1. Committees

24.1.1. Executive Committee

24.1.1. Executive Committee

Duties & Authorities:

- The Executive Committee shall exercise all authorities and play the role of the Board of Directors during the intervals between two Board of Directors meetings.
- The Committee shall discuss and adopt the decisions in relation to subjects requiring top urgent decisions on emergency matters.
- The responsibilities of the Committee include adopting the routine decisions relating to regular Company work.

Regarding the Company strategy and targets, the Executive Committee shall do the following:

- 1- Check the strategic plans of the Company in cooperation with the Managing Director or the Chief Executive Officer.
- 2- Confirm that the strategic plans are actually put to execution and actual work to achieve the Company's objectives
- 3- Check the recommendations of the Managing Director and Chief Executive Officer regarding the allocation of the Company resources aimed at harmoniously balancing the strategic plans with the long terms operational goals.
- 4- Periodical check the strategic plans and the operational goals of the Company and its affiliates to ensure their concurrence with the goals and mission of the Company.
 - Regarding the operational priorities of the Company, the Executive Committee shall check and prepare the required recommendations for the Board of Directors regarding the strategic plan and Company's operational priorities including the expansion in or retrenchment from into or new markets or new countries

- Regarding the financial planning of the Company and profit distribution policy the Executive Committee shall:
 - 1- Prepare and check the recommendations to the Board of Directors regarding the long term annual financial strategies and related performance indicators.
 - 2- Check the important financial matters of the Company and its affiliates such as the matters related to the capital, credit classification, cash flow, borrowings, investment deposits, in coordination with the Company management and the audit Committee.
 - 3- Check and prepare the recommendations to be submitted to the Board of Directors on distribution of profits policies and how to implement them.
 - 4- Periodical and regular verification of the actual capital expenditure and their pre-approved budgets.
- Regarding the productivity of the Company in the long term and the effectiveness of its operational process, the Committee shall check and prepare the required recommendation to the Board of Directors regarding the strategic decisions on the possibilities for the Company to improve the quality of its products and services.

Duties:

- Requests the documents, reports, clarifications and other information from Company officials and executives.
- Invites the Company officials, executives and employees to attend its meetings for questioning them or hear to their clarifications.
- Takes help of outside experts and consultants.
- Presents any other services required by the Board of Directors within the jurisdiction of the Executive Committee.
- The Committee will annually check and evaluate its operating regulations to ensure smooth functioning in its work and completion of duties and raise any necessary revisions for the consideration of the Board of Directors.
- The Committee shall present a periodical report to the Board of Directors at least once every six months. In addition, the Executive Committee members shall do the following:
 - 1- Participate in the activities of the Committee and attend its meetings.
 - 2- Keep full awareness of all developments of the operating environment of the Company
 - 3- Keep all information obtained by the members as a result of being Committee member as confidential.
 - 4- Inform the Board of Directors of any conflict of interest that may arise as a result of any decision adopted by the Company.
 - 5- Perform annual preparation, checking and evaluation of the Committee activities and their members including the checking of the Company's compliance to the above implementation Rules.

Names of Committee Members:

- (1) HH Prince Ahmed Bin Khalid Bin Abdullah Bin Abdulrahman Al Saudi, Executive Committee President
- (2) HRH Prince Turki Bin Mohammed Bin Fahad Bin Abdulaziz Al Saud
- (3) Dr. Khalil Abdul Fatah Kordi, Member
- (4) Dr. Abdulaziz Saleh Al Jarbou, Member
- (5) Dr. Solaiman Abdulaziz Al Twaijri, Member.

Number of Meetings: 2 meetings.

Term: Three years starting 1st January 2012. The members of the executive Committee have attended all the meetings held by the Committee.

24.1.2. Audit Committee:

Jurisdictions:

- Review of the accuracy of accounts, financial reports according to the accepted accounting standards and the accounting policies adopted by the Company in a manner to achieve the transparency of the financial information disclosed by the Company.
- Identify and investigate the accounting problems affecting the preparation of financial reports and understand their impact on the accuracy of these reports.
- Study the quarterly financial statement before publication and submit them to the Board of Directors for their opinion and recommendations as applicable.
- Issue Recommendations to the Board of Directors regarding the suitability of the applicable accounting policies considering the nature of the Company and evaluate the appropriateness of the financial reports issued by the Company.
- Prepare the necessary recommendations to the Board of Directors regarding the annual report of the Company prior to its approval by the Board of Directors.
- Regarding the internal control and risks management:
 - 1- Study the main risks facing the Company including the financial, operational and legal risks and audit the policies adopted by the Company regarding the identification, evaluation and handling of these risks.
 - 2- Prepare recommendations on creation, improvement and implementation of the control environment inside the Company.
 - 3- Prepare and evaluate the internal control and risk management policies. The audit Committee duties shall evaluate the adequacy of the budgets and of the employees responsible for internal control and risk management and the level of response by the Company management to the observations made by the internal or external auditors.

Regarding the Certified Public Accountant:

- 1- Present its recommendations on the selection of external auditor encompassing a check of the auditor's professional competency, independence, expected risks of conflict of interests and the fees.
- 2- Perform an annual verification of performance of the external auditor and prepare the required recommendations on the appointment, re-appointment or termination of his contract with the Company.
- 3- Work with the external auditor and coordinate with him in preparing the annual audit plan and procedures taking into consideration the current Company circumstances and any changes occurred on the conditions set forth by the legal supervisory authorities.
- 4- Solve the problems that may be faced by the external auditor regarding the audit work or the difficulties in obtaining the required information.
- 5- Discuss the important results and recommendations of the external auditor and the adequacy of the response of the management to these recommendations as well as the corrective actions suggested by the Company in response to the auditor's recommendations

- 6- Meet with the external auditor separately to discuss the important information and recommendations made by the Committee and ensure that the statutory auditor has a direct access to the president of Audit Committee at any time.
- 7- Prepare the necessary recommendations on the Company policy on the non-audit services rendered by the external auditor including the consultations and training programs etc. which may affect the independence of his audit work.
- 8- Prepare the required recommendation on defining the mandate period of the statutory auditor of the Company.

Regarding the internal auditing:

- 1- Prepare the recommendation for the creation of an internal audit department in the Company and define its budget, the way to select his department head and the degree of independence of internal auditors.
- 2- Prepare an evaluation of performance of the internal audit department including the evaluation of its objectives, the reports prepared by the internal auditors, and preparation of the audit plan for the next year.
- 3- Discuss the deviations and issues contained in the monthly report made by the audit department and ensure that the Company management has adopted the necessary and suitable corrective procedures.

Commitment to rules and policies:

- 1- Confirm the existence of the necessary procedures to allow reporting of issues regarding internal controls and preparation of financial statements.
- 2- Confirm the existence of procedures enabling the employees to report, in full confidentiality, any complaint, and audit the disclosure procedure put in place to allow reporting of any deviation or violations from Company's procedures committed by management or any employee of the Company.

Duties:

- Request the necessary documents, reports, clarifications and other information from executive managers and Company officials and employees
- Request the executive managers, officials and Company employees to attend the audit Committee meetings for investigation and present any necessary clarifications or interpretations.
- Take help of outside experts and consultants.
- Discharge any duties assigned to them from the Board of Directors within the Committee's jurisdictions.
- Check and evaluate the internal regulation and prepare the necessary recommendation if necessary to the Board of Directors on amendment of the same or any part thereof.
- Prepare its reports to the Board of Directors on regular basis according to the work requirements.

The audit Committee members shall do the following:

- 1- Participate in all Committee activities and attend its meetings.
- 2- Deal with the information they may obtain as a result of their membership in the Committee in full confidentiality.

- 3- Inform the Board of Directors of any developments affecting their independence or conflict of interest with the decisions taken by the Committee.
- 4- Prepare annual evaluation and verification of the Committee activity and on the Committee members containing compliance to the audit Committee regulation.
- 5- Study the internal control policies and prepare a written report containing its opinions and recommendations.
- 6- Follow up on the work of external auditors and approve any non-audit work assigned to them during their audit mandate.

Names of Audit Committee Members:

- Dr. Khalil Abdul Fatah Kordi, President
- Mr. Sulaiman Abdullah Al Amro, Member
- Dr. Sulaiman Abdullah Al Sakran, Member

Number of Meetings: Six (6) meetings.

Term: Three years starting January 1, 2012. The members of the audit Committee have attended all the meeting held by the Committee.

24.1.3. Nomination and Compensation Committee

Jurisdictions:

*This subject fall within the jurisdictions of the Nomination and Compensation Committee:
Regarding the nomination of Board of Directors members, executive managers, the Committee shall be responsible with the following:*

- 1- Annual review of the competency requirements for Board of Directors membership and description of abilities and qualifications needed for the board membership including the time to be allocated by each member for the board work.
- 2- Check the composition of Board of Directors and submit the necessary recommendations on the required amendments.
- 3- Assess weaknesses and strengths of the Board of Directors and suggest solutions in the interest of the Company.
- 4- Define the necessary criteria determining the independence of the board members, confirm of independence of the board members on annual basis and lay down the necessary mechanism to inform the shareholders of any circumstance likely to impair the independency of any member, and ensure that no conflict of interest would arise if a member occupies a seat in any other Company.
- 5- Prepare the necessary directives and instruction programs for any new independent non-executive board members about the nature of work of the Company and provide a detailed description of their duties as board members.
- 6- Prepare recommendations to the Board of Directors on defining certain criteria to select the person who will assume the position of Managing Director, Chief Executive Officer or head a major department in the Company.
- 7- Prepare initial evaluation of persons nominated for Managing Director, Chief Executive Officer or heads of department and section in the Company
- 8- Prepare a job description of positions, contractual terms for each of the Chief Executive Officer and the department managers in the Company.
- 9- Lay down of suitable standards and procedures to evaluate the performance of the Chief Executive Officer and the department managers in the Company.
- 10- Prepare regular evaluation of the performance of the Chief Executive Officer and department managers in the Company.

- 11-Conduct training programs for the Executive Directors on governance of the Company, ethical behavior, and draft policies on continuous improvement of performance of the employees at the top management level.

Regarding the compensation of Board of Directors and Executive Directors, the Committee shall:

- 12-Lay down the reward and bonuses policy for board members and executive directors in the Company aiming at increasing the Company value and optimize the personal efforts for each Board Member and Executive Director in executing the strategic goals of the Company. The Committee shall evaluate the personal performance against the goals set by the Board of Directors.
- 13-Regarding the compensation of the Board's Members, the Committee shall draft the required criteria for compensation, and check them regularly, enabling the Company to achieve excellent performance without affecting the member's independence
- 14-Regarding the compensation of the Managing Director, Executive Directors or Department Managers in the Company, the Committee shall draft the required criteria for compensation to be checked regularly and applied on the annual fixed salaries, as increments, based on evaluation of the financial and non-financial performance, and draft special criteria for the long term incentives and bonuses aimed at aligning the directors' and managers interests with the interest of the shareholders.
- 15-Continuously ensure the adequacy of the incentive criteria considering the performance of the Company, its financial position, and the main trends on the employment market.
- 16-Follow up on the decisions adopted by the General Assembly of the Company on the compensation of the Board of Directors' members and the disclosure of these remunerations in the annual report.

Duties:

- Request the documents, reports, clarifications and other information from Company officials and executives.
- Invite the Company officials, executives and employees to attend its meeting for questioning them or hear to their clarifications.
- Take help of outside experts and consultants.
- Perform the duties assigned to the Committee by the Board of Directors within the jurisdiction of the Committee.
- The Committee shall make an annual revision and evaluate its regulations to ensure smooth functioning of its work and adequacy of its duties and raise any necessary amendments to the Board of Directors for approval.

Committee Members & Meetings

The members of Nomination and Compensation Committee are:

- 1- HRH Prince Turki Bin Mohammed Bin Fahad Bin Abdulaziz Al Saudi, President.
- 2- Shaikh Sulaiman Al Suhaimi, Member
- 3- Mr. Badr Abdullah Al Suwaidan, Member
- 4- Mr. Abdulaziz Ali Abu Al Saud, Member

Number of Meetings : (1) Meeting per year.

Term of Committee : Three Years starting January 1st, 2012. The meeting of the Committee was attended by all members.

24.2. Compliance to Governance Regulations:

24.2.1. Shareholders' & General Assembly Rights:

The Bylaws and internal rules and policies of the Company has affirmed the general rights of the shareholders including all share rights particularly on cashing dividends distributed by the Company, right to obtain a portion of Company assets when the Company is liquidated, the right of attending General Assembly meetings, participate in deliberations, voting, right of disposing of his shares, right of monitoring the Board of Directors work, filing of responsibility action on Board Members, right to inquiry, right of obtaining information not affecting the interest of the Company in a manner not to violate the Capital Market Regulations and its Implementation Rules.

24.2.1.1 Facilitate practicing of rights by the shareholders and obtaining the required information:

- a) The internal policies of the Company have affirmed the procedures and precautions necessary for all shareholders to practice their legal rights.
- b) Provision of all information for all shareholders to enable them practices their rights properly. The required information shall be clear and sufficient and updated regularly in the due timing.

The Company shall be keen to present all required information regular according to the disclosure standards by preparing and publishing the annual reports in Tadawul and website of the Company, visual and reading media accurately.

- c) The Company shall confirm the provision of information to the shareholders properly without any discrimination.

24.2.1.1. Facilitating the exercise of rights by the shareholders and obtaining the required information:

- a) The internal policies of the Company have affirmed the procedures and precautions applying to all shareholders in the exercise of their legal rights.
- b) Provide all necessary information for all shareholders to enable them to exercise their rights properly. The required information shall be clear and sufficient and updated regularly and timely.

The Company shall be keen to present all required information regularly according to the applicable disclosure standards by accurately preparing and publishing the annual reports in Tadawul and on the website of the Company, and in suitable visual and written media.

- c) The Company shall provide information to the shareholders properly without any discrimination.

24.2.1.2 Shareholders Rights regarding the General Assembly Meetings:

The Company held one General Assembly meeting on **09/03/2013** with the below agenda :

A-Agenda of the General Assembly

- 1. Approval of the external auditors about the financial statements of the year ended on 31/12/2012.
- 2. Approval of Company Balance Sheet, Profit and Loss statement for the year 2012,
- 3. Approval of Board of Directors report on Company activity for the year ending December 31, 2012
- 4. Approval of the distribution of profit at SR 1 per share with a total distributed amount of SR 115,500,000 representing 10% of the capital Shareholders ' right to receive profits to be recorded in the Register of Shareholders of Tadawul on the date of the General Assembly .
- 5. Discharge of liability of the Board Members regarding their management of the Company as on 31/12/2012
- 6. Approve the selection of Price Water House Coppers Office "Ex-Al Juraid & Co." (Certified Public Accountants) for the audit of Company accounts during the fiscal year 2013 as well as quarterly financial statements and determine the auditor's fees.
- 7. Approval of payment of the Board of Directors' fees for the year 2012 amounting to SAR 1,800,000.
- 8. Approval of the standards and procedures to nominate to the Board of Directors members.

B- Agenda of Extra Ordinary General Assembly

- Approval to modify item (3) of the by-laws of the Company. to include research and development centers in its scope of activities
-
- Further the Company confirms the following
 - a) The Company confirms that it has not received a request from the external auditor to convene the General Assembly during the year ended on 31/12/2013 and no such General Assembly meeting was convened. The Company also confirmed that it has not received from shareholders owning 5% of the Company capital or more, a request to convene a General Assembly meeting during the year ended on 31/12/2013 and not such meeting was held.
 - b) The Company declared the date of General Assembly meeting and the place of meeting by at least 25 days before the meeting date.
 - c) The Company published the invitation to attend the General Assembly in Tadawul site and in the following newspapers: : (1) AlJazeera , Issue No. 14744 dated 28/03/1434H corresponding to 09/02/2013, (2) Al Sharq , issue No. 433 dated 28/03/1434H corresponding to 09/02/2013, (3) Um Ulqurah by publishing receipt No. 3421012606 dated 28/03/1434H. The Company published the invitation in its website on 09/03/2013.
 - d) The shareholders were briefed about the rules governing the General Assembly meeting and voting procedures by distribution of the written procedures during the meeting and the chance was availed for the shareholder to participate effectively in the meeting of the General Assembly.
 - e) The Company facilitated the attendance of the maximum number of shareholders to attend the General Assembly, by choosing the Company head quarter in Dammam, and selecting the time of the meeting as 4:30 PM.

- f) The shareholders owning 5% of the capital or more did not request addition of any other issue to the agenda of the General Assembly meeting so no topic was added to the agenda of the meeting by shareholders owning 5% of shares or more.
- g) The shareholders were enabled to practice their rights in discussing the topics of the agenda and direct their questions to the Board Members and the legal auditor but the auditor recited his report without receiving any question.
- h) All topics tabled before the General Assembly meeting were supported by sufficient information enabling the shareholders to adopt the decision.
- i) The shareholders were enabled to review the minutes of the General Assembly meeting by consultation of the minutes of the meeting as posted on the website. The Saudi Capital Market Authority has been informed with the results of the meeting just after the end of the meeting. The Authority was informed accordingly and provided with a copy of the Minutes of the Meeting on 27/4/1434\ corresponding to 09/03/2013.

24.2.1.3. Voting Rights:

- a) The Company confirmed that no obstacles prevented the shareholders to exercise their voting rights and the Company made all efforts to facilitate this possibility.
- b) The Company did not use the accumulated voting systems as there are no items on the agenda of the General Assembly regarding the selection of Board Members. In addition, the by-laws of the Company does not endorse the adoption of this system.
- c) The Company confirmed that all power of attorney by the shareholder to attend the meeting were submitted in writing for persons other than board member or Company employees.
- d) It is not of the Company policy to review the annual report of investors from legal entities who dispose on behalf of others, of such investment, since the Company considers that this procedures relate to the investors themselves and do not form part of the Company responsibility. In addition, the Company is considered as one of the largest companies in terms of free shares.
- e) The Company confirmed that the powers of attorney submitted for attendance of the meeting were done so in writing, duly attested for persons other than board member or Company employees.

24.2.1.4 Shareholders Rights in Dividends:

- a) The Company reviewed the profit distribution policy provided for in Article (10) which was reviewed by the Board of Directors and approved it. This will be referred annually in the Board of Directors report.
- b) The General Assembly approved the distribution of the suggested profits of (SR 115,500,000) representing 10% of the capital at SR 1 per share. The eligibility will be for the shareholders registered in the shareholders register of Tadawul at the date of the meeting of the General Assembly i.e. 09/03/2013

24.3. Results of Annual Auditing for Effective Internal Control:

The Board of Directors has been assigned the responsibility to ensure that management maintains an effective system of internal controls, which provides reasonable assurance in all material respects of efficient and effective operation of controls.

24.3.1 Independence and authority

The overall objective of the Internal Audit department is to provide at all levels of Management and the Board of Directors with an independent assessment of the quality of the Company's internal controls and administrative procedures and make recommendations for continuous improvement. The Internal Audit department is not subject to any influence from the executive management and has the required unrestricted access to all records (manual or electronic), Company assets and employees, required for performing its duties.

24.3.2 Responsibility

The responsibilities of the Internal Audit department encompass the following:

- 1- Preparing the annual risk based audit plan
- 2- Executing the audit work according to the annual plan
- 3- Presenting its reports on the result of audit work performed
- 4- Assessing the financial and operational risks and coordinating with management to provide the necessary means at suitable cost to mitigate the identified risks.
- 5- Coordinating with different departments of the Company and external parties such as external auditors.
- 6- Developing the policies and procedures for executing the audit work in accordance with the best practices
- 7- Using the available resources according to the approved internal audit budget

24.3.3 Scope of work

The Internal Audit department has adopted a well-organized approach to evaluate and recommend improvements for the efficiency of the internal controls in a manner that will enable the Company to achieve its objectives and protect its assets.

The scope of internal auditing covers examining the sufficiency and efficiency of internal control system in the Company and quality of management in order to verify whether the internal policies & procedures provide a reasonable confirmation to achieve the Company objectives.

24.3.4 Annual results of internal audits

During the year, the Internal Audit department carried out its activities in accordance with its approved Audit Plan, which is designed in a way to cover all major areas and functions over a period of several years, giving priority to high risk areas. The Internal Audit department made its recommendations for value addition and improvement in existing internal controls. Further,

particular emphasis was placed on Operational Audit of the manufacturing facilities, highlighting areas of improvement in operational efficiencies.

Based on the audit work carried out, the Internal Audit department was able to give a reasonable assurance that the overall system of internal controls was sound and no major deficiencies were noted during the year. However, all findings were presented to the Audit Committee for timely cognizance of the observations/ recommendations concerning the system of internal controls. These observations/ recommendations were also discussed with management and an action plan was agreed to address the issues.

Recommendations were issued in the following areas:

- Following the production standards in the manufacturing process
- Time efficiency in job changes on machines in production plants
- Segregation of duties in the production planning module of the ERP system
- Manpower budgets vs. actual comparisons
- Warehouse controls in raw material flows
- Bank reconciliation statements
- Payments to custom clearing agents

The Audit Committee has held six meetings during the year in which it discussed the work of the internal audit department and also approved quarterly financial results of the Company.

Further,

- 1- The Internal Control Department has adopted all procedures necessary to solve the issues contained in the auditing report.
- 2- The internal auditing work was directed towards the high risk activities and positions and to increase the efficiency and profitability of the Company.
- 3- The Internal Audit Department has completely coordinated its work with the external auditor satisfactorily.

25. Employees

25. 1. Management & Training:

The total number of Company employees and its affiliates companies has reached 3,157 employees compared with 3,023 employees in 2012 distributed as follows:

Particulars	2013	2012	Increases/ decrease
Local sector	1,772	1,521	251
International sector	1,385	1,502	(127)
Total employees	3,157	3,023	134
Saudi employees	523	587	(64)
Saudization Rate	29.51%	38.59%	-9.08%

The employment market faces a great challenge in provision of manpower in general and the professional and trained employees in particulars in order to meet the challenge of the current boom. The Company has solved the problem by adopting the following policies:

- a) Increase the salaries of some skilled and trained employees by 5-10%
- b) Determine the minimum rate of salaries of Saudi employees as SR 3,000 per month.
- c) Qualify and train Saudi employees: The Company will continue its efforts to qualify the Saudi employees and maintain their existence in the Company by offering them more training and qualification programs and provision of the appropriate work environment and other incentives and privilege to the Saudi employees. The Group will follow up the performance of the employees and development of their skills and enable them to obtain the necessary skills to achieve the Company targets.
- d) Training and qualification of young Saudis: Based on its firm responsibility towards the country and Saudi community, the Company has decided to participate in the community service by training and qualification of the Saudi young employees, availing them the required chances to find a job in the Company or complete their education. The training program is considered as one of the Company project to serve the Saudi youth which include intensive training for three months in English language and computer. The Company established an inter-Company training center in 2011 for training of the Saudi youth on the principles of administrative and technical work according to which the Company has achieved the following trainings:

2011			2012			2013		
Number of Trainees	Graduated	Hired	Number of Trainees	Graduated	Hired	Number of Trainees	Graduated	Hired
200	136	101	383	248	243	50	50	50

The Company will continue these programs in 2014.

26. Safety & Security:

The Company factories continued their high level of safety and security thanks to the regular training and qualification programs and training courses in all factories for all employees. The Company continued to approve new standards to maintain the safety and linked the incentive given to employees by achieving high safety level in their place of work. The safety efforts made by the Company have reflected in the drop of work incidents remarkably over the years.

27. Recommendation on Results of Year 2013:

The Board of Directors suggests allocation of results of 2013 as follows:

Particular	000 SR
• Net profits for 2013 after Zakat	112,614
• Balance accumulated Profits	<u>183,048</u>
• Net profits	295,662
• Less: Legal reserve	<u>(11,261)</u>
• Net accumulated profits as on 2013	284,401
• Profits suggested to be distributed at 5% of paid capital at (SR 0.5 per share)	<u>(57,750)</u>
• Remunerations of Board of Directors	(1,800)
• Additional profits for distribution (SR 0.5 per share)	<u>(57,750)</u>
• Retained Profits after allocation and distribution of dividends	<u>167,101</u>

28. Invitation for Annual Ordinary General Assembly Extra-ordinary Assembly Meetings:

In terms of Article 22 of the By-laws of the Company, the Board of Directors of Saudi Arabian Amiantit Company (Saudi Stock Company) is pleased to invite all shareholders to attend the Annual Ordinary General Assembly meeting which will be held at the Company head office at the 1st Industrial Zone in Dammam (Dammam – Khobar Road) at 4:30 p.m. on Thursday 12.05.1435 H corresponding to 13.03.2014 (according to Um Al Qora Calendar) to look into the following agenda:

Agenda of the Annual General Assembly Meeting

- First:** Approval of the External Auditors Report on the Company accounts for the year ended on 31/12/2013.
- Second:** Approval of the financial position of the Company as of 31/12/2013 and the accompanying financial statements for the year ended on the same date.
- Third:** Approval of the Board of Directors report of the Company activity for the year ended on 31/12/2013.
- Fourth:** Approval of the distribution of dividends for the year 2013 amounting to SR 115,500,000 representing 10% of the capital at 1 Saudi Riyal per share.
- Fifth:** Discharge the Board of Directors from responsibilities as regard to the management of the Company during the year ended on 31/12/2013.
- Sixth:** Approval of the selection of Company external auditor from among the audit offices nominated by the Audit Committee to audit the Company accounts for the year 2014 and the quarterly financial statements and determining its fees.
- Seventh:** Approval of the Board of Directors' remuneration for the year 2013 amounting to SR 1,800,000.

Best Regards,

Board of Directors