

**Saudi Arabian Amiantit Company
(Saudi Stock Company)
Head Office – Dammam – C.R 2050002103
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**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 2015**

Amiantit

Date 06/05/1437H

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The annual report of the Board of Directors to the Ordinary General Assembly Meeting on the Fiscal Year of 2015

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

Introduction:

During the fiscal year of 2015, the Saudi Arabian Amiantit Company (Saudi Stock) referred to hereinafter as “the Company” has managed to achieve net sales of SR 2.75 Billion marking an increase of SR 24.3m or 0.9 % compared with the net sales of 2014. The net income increased by SR 18.8 Million compared to SR 82.6 Million in 2014. The net profit per share has reached SR 0.89 compared with SR 0.73 per share for the year 2014.

The current ratio as of December 31, 2015 amounts to 1.45 compared to 1.25 in 2014, and the debt-to-equity ratio amounts 2.04 Compared to 1.9 in 2014.

The Board of Directors is pleased to present its annual activity report for the year 2015 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 2015 & 2014.

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’s 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 22 pipe (and related products such as tanks, fittings, flanges, rubbers, manholes,) manufacturing facilities in the world, either fully owned or through joint ventures with local partners. This includes 13 plants in Saudi Arabia, the other premises mostly being

located in Western Europe, Turkey, Qatar, North Africa and Kazakhstan. It is also offering pipe design and installation services through its Saudi Company, ISECC.

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 a fully 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 through its company, ISECC. 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)	63%
Ductile iron pipes and fittings (DI)	26%
Concrete pipes and fittings (CP)	5%
Polyethylene pipes and fittings (PE)	2%
Rubber products (RP)	2%
Design and Installation services	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 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 85 research personnel and operate sophisticated research and testing equipment with a total value of SR 51.1 Million. The RD spending of the Group reached SR 53.4 Million in 2015 (2014: SR 61.3 Million). The Technology Centers are primarily focused around the GRP and GRE activities.

Key figures for this Segment are the following (in SAR ‘000) :

Manufacturing and sales of pipes and associated technologies	Net Sales	Profit (loss)	Total Assets
2015	2,425,833	127,026	4,286,468
2014	2,522,599	115,341	3,973,296

1.2 Water management activities:

1.2.1 EPC of Water treatment stations:

The Group fully owns 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, wastewater, solid material pollution, and of low and medium voltage technical, electrical and automation systems.

Over 2014, the Group increased its percentage of ownership from 80% to 100% by buying the shares from the minority partners.

This Company is presently concentrating on 2 markets, namely the Caspian Region (mostly Turkmenistan and Turkey) and the Gulf via a major project in Iraq, as it is building a water treatment plant and installing the related pipe network in Samawa (southern region). It also maintains a network of water treatment stations in Germany.

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 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.

The initial start-up phase of the three projects is over and the projects are operational. The Company has successfully increased the revenue and registered net profit of more than 7 Million in 2015.

The Sales tariff has been increased by MODON so the Company is looking at higher profits from 2016 and onwards which will be achieved through increase in volume and price. The Company is going through the scheduled repayments of loans to commercial banks and SIDF. Banks continue to support the Company in its operations and growth.

The Company is optimistically looking forward to new projects in Water and Waste Water Services especially with MODON.

Key figures for this Segment are the following) in SAR ‘000):

Year	Net Sale	Profit (loss)	Total Assets
2015	324,239	(25,652)	358,040
2014	203,188	(32,723)	438,832

2. Significant Decisions and Plans

2.1. Significant expansion plans and capital expenditure

During the year 2015, the group mainly continued the execution of the expansion plans initiated during the former years as follows:

2.1.1. Enhancement plans in Amiantit Fiberglass Industries Ltd. (AFIL)

The objective of this program is to upgrade the manufacturing equipment of this company to 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 has been revised upwards at SR 73 Million, out of which SR 19 Million is still to be spent over 2016.

Out of the 6 winders, 4 are now upgraded and 2 are in the process of upgrading. The cost savings expected from the program are materializing and explained for a part the improvement of the gross profit in 2015 over the prior year. The Company does not foresee any significant risk from the completion program. As the winders are being 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.

For 2016, AFIL has started a study to improve the productivity in its fitting fabrication departments in Dammam and Jeddah. A capital expenditure budget including water-jet cutting equipment of SR 3 Million has already been allocated to that effect.

The fitting fabrication departments occupy the highest number of employees as many tasks are still being done manually and could be automated. The results of the study are expected by mid-year 2016 and will be followed by a specific additional capital expenditure program.

2.1.2. Capital increase – AFIL

In 2015, AFIL (100% subsidiary) has increased its paid up capital by an amount of SR 40 Million, from SR 140 Million to SR 180 Million, by cash injection from the group. This was done in order to strengthen its balance sheet due to additional requirements in working capital. This operation was neutral in the consolidated financial statements of the Group.

2.1.3. SADIP Fittings Raw Cast and Jeddah Fittings plant

During 2014, SADIP invested in a new line for casting ductile-iron fittings, which enables the company to sell its own-made fittings instead of buying raw casted fittings on the market, thereby increasing its margin. The production started in August 2015, and volumes produced are steadily increasing.

2.1.4. DFPC Fittings coating plant

DFPC, a 100% owned subsidiary of SAAC, enlarged its product range by including a facility to coat ductile iron pipes and fittings. This facility is located in Dammam second industrial area. Production started in the last quarter 2014. The production range of this company will be enlarged to allow the production of Ductile iron Valves. To that effect, an agreement has been signed to share the technology of Armacon GmbH, a Germany Ductile Iron valves producer. The related capital expenditure program was estimated at SR 9 Million and has been started.

2.1.5. Amitech Morocco – New line

In 2014, Amitech Morocco, a 50% joint-venture located in Casablanca, Morocco, acquired a second GRP pipe production line from Amitech Spain, (a 100%-owned entity) as Morocco is experiencing a flourishing market, while capacities installed in Spain were excessive considering the local demand. This additional line came in operation during 2015.

2.1.6. Amiantit Qatar pipe Company – New line

Amiantit Qatar pipe Company, a 40% joint-venture located in Qatar, acquired in 2014 a second-hand GRP pipe production line from an Indian Company, as the local demand cannot be satisfied with the one line presently installed. Commissioning took place in 2015.

2.1.7. Development of ISECC

In 2014 the Group started the activities of a new company, ISECC (Infra-Structure Engineering and Construction Company) offering engineering services (pipe and tank design, drawings, stress and surge analysis, technical support, inspections, etc. ...) as well as installation services (installation of pipes and tanks, site consulting, site supervision, maintenance, shut-down, training, ...) in the industrial sector. The company sold for SR 53m in 2015 and is budgeting sales of SR 100 m in 2016. It is presently considering to set up subsidiaries or joint ventures in several GCC countries, starting with Qatar.

2.1.8. Litigation with a sub-contractor of PWT in Iraq

PWT Wasser- und Abwassertechnik GmbH (PWT) faced certain issues on its project in Iraq. PWT terminated the contract with one of its sub-contractors due to its non-performance of the required obligations under the contract. The sub-contractor has filed a claim against PWT with the competent court in Iraq for compensation of costs incurred prior to its termination. Subsequent to December 31, 2015, the court in Iraq awarded its judgement in favor of the sub-contractor for compensation of costs amounting to Iraqi dinars 31.5 billion (Saudi Riyals 106 million). This judgment was based on a report of a new group of experts as three previous reports issued by three previous groups of experts, who came with amounts ranging between Saudi Riyals 21 million and Saudi Riyals 27 million, had been earlier rejected by the court.

PWT and the Group management, based on the advice of their own experts and lawyers, believe that the value of the work executed by the sub-contractor would not exceed Saudi Riyals 27 million which has been covered by a provision recorded by the Group. Currently, PWT intends to file an appeal against the court judgement in favor of the sub-contractor at the available judiciary levels in Iraq. Management of PWT and the Group believe that the financial impact of such claim, upon ultimate settlement, would not be more than the amounts already been recorded.

2.2. Modifications to consolidation scope

The consolidation scope remained constant in 2015 compared to 2014. We briefly remind below the major changes of 2014 and the current status of related topics:

2.2.1 Deconsolidation of AFIL (India)

AFIL (India), a 70% owned subsidiary, has been put in liquidation. An official liquidator has been appointed in 2014 and has started his assignment.

The Corporation Bank (the bank of the AFIL (India)) took possession of the assets of the Company and continued liquidating 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).

Accordingly, the Amiantit Group has fully impaired all its assets on this subsidiary and de-consolidated it effective June 2013.

The Group does not expect material subsequent expenses to be incurred from this situation.

2.2.2 Disposal of the investment in CPIC

On June 25, 2014, the Group signed a Share Transfer Agreement for an amount of US\$ 27,487,500 (Approx. SAR 103.1 million), to the majority shareholder Yuntianhua Group Co., Ltd. The payment for the shares was scheduled by yearly installments, over the period from 2014 till 2016. The repayment occurs on schedule and the last installment of SR 33 Million remains to be paid at year-end 2016.

The Group secured a capital gain tax exemption on the deal in 2015, and a SR 4.1 Million provision was therefore reversed.

2.2.3 Acquisition of the remaining 20% of PWT and 25% of Ductech.

In October 2014, International Infrastructure Development Management & Operation Company Ltd., a 100% subsidiary of the Amiantit Group, acquired the remaining 20% shares of PWT Wasser- und Abwassertechnik GmbH (PWT) with registered seat in Zwingenberg (Germany), bringing its total investment in this company from 80% to 100 % of the shares.

In the same deal, the Amiantit Group acquired 25% of Ductile Technology Co. Ltd. (Dutch), with registered seat in Manama (Bahrain). Ductech is the company owning the premises of PWT in Germany.

Both share acquisition deals were self-financed by Amiantit and no condition precedent are attached to their validation.

2.3 General risks associated to the nature of the business of the Group

The pipes sold by the Company are used to transport liquids such as drinking water, raw water, sewage and other effluents. It is also involved in the execution of 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 usually 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 (Glass, Resins, Pig iron, steel and steel scrap, ...)
- Availability of certain imported raw materials in period of shortage (Ex: Glass fiber)
- Political instability on certain external markets (For instance Egypt, Libya, Syria, Iraq).
- Modifications in the budgeted spending by the Governments of the states in which the Group operates.

As the Group is developing its activities in the Water Management segment, its German subsidiary PWT GmbH (active in E.P.C. of water treatment stations) is involved in large contracts in Iraq, Turkmenistan, Azerbaijan, and Turkey. Risk factors associated to this segment are the following:

- While PWT is a renowned company with adequate technology and know-how, risks of not achieving the required performances of the installations are never to be totally excluded as many factors come into play.
- Further, the owners of the projects, usually government related, are not always complying to the originally agreed payment conditions.
- Change orders often generate modification in scopes which may influence the margin and profitability of the projects.
- Claims may be issued against or by sub-contractors who are executing the civil engineering work.
- The company may be exposed to foreign exchange risks as the parts imported to the project may have to be purchased in another currency than the billing currency.

3. Summary of Financial Data:

3.1. Financial data:

The consolidated figures and statements for the year 2015 cover the following segments sectors of the Company

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

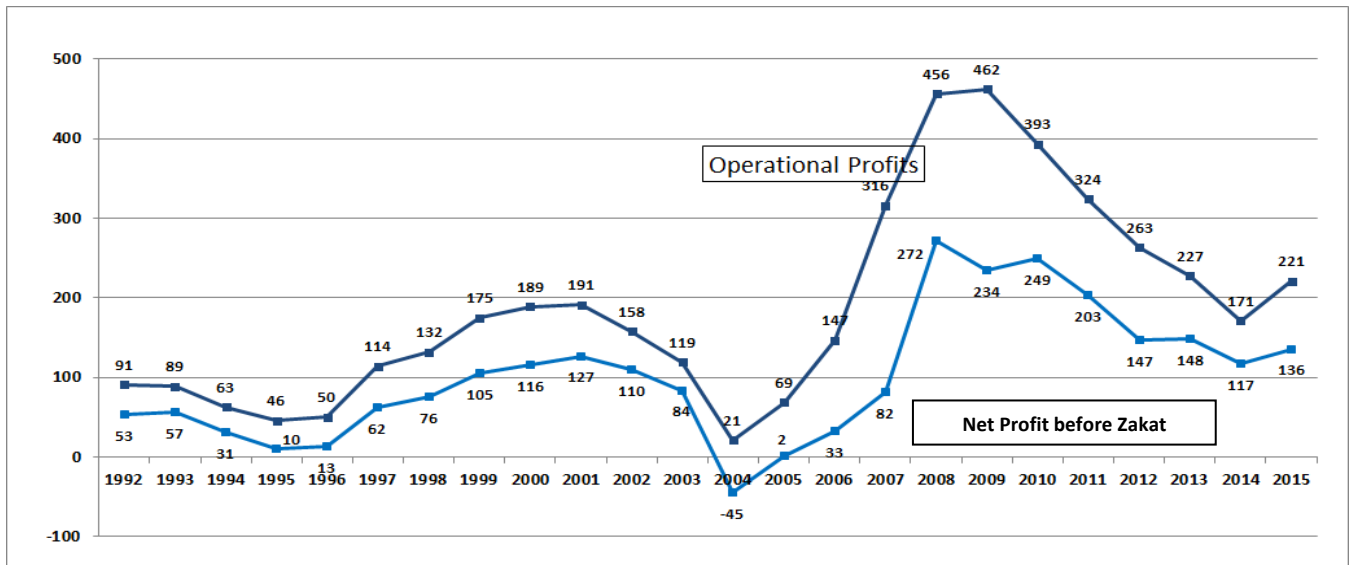
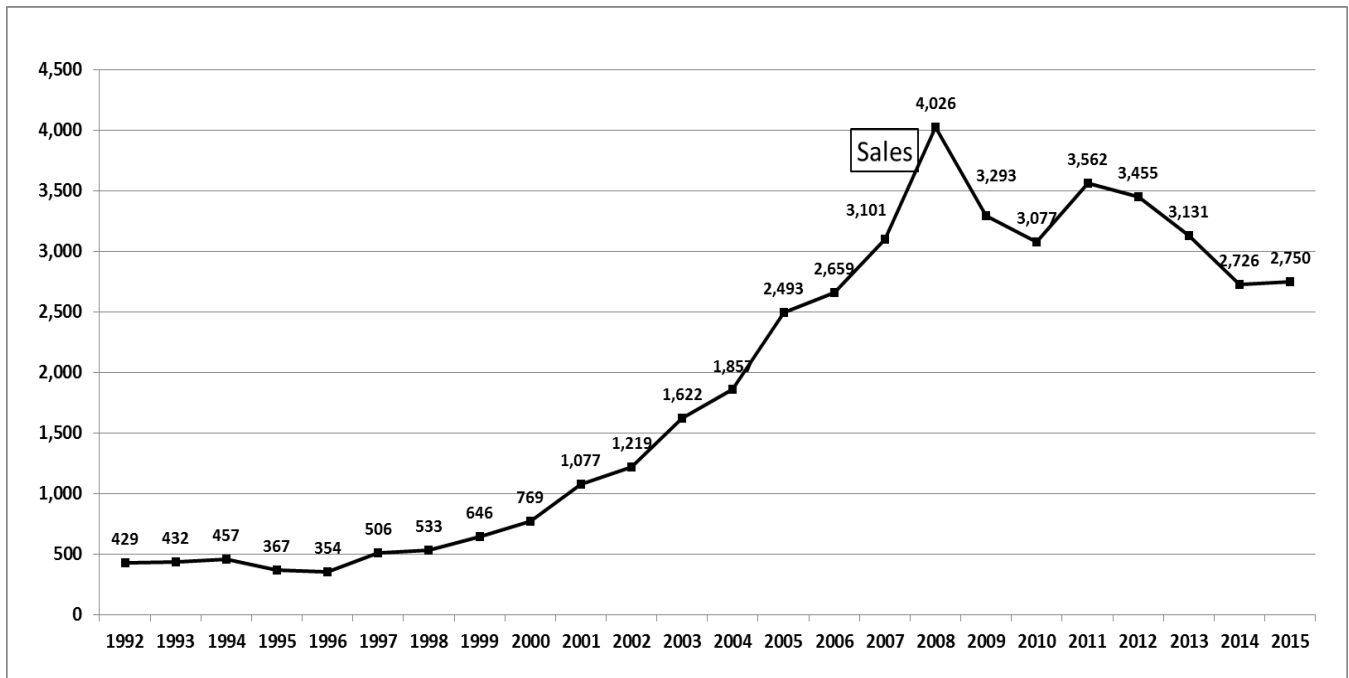
(*) including results in affiliated companies

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

Year	2015	2014	2013	2012	2011
Net Sales	2,750,072	2,725,787	3,130,672	3,454,795	3,562,631
Gross Margin percentage	16.8%	15.6%	15.0%	16.1%	18.0%
Operating expenses	240,880	253,571	242,543	293,274	318,609
Net Profit	101,374	82,618	112,614	111,338	151,248
Cash Flow from Operations	(136,866)	58,054	341,345	(425,524)	(171,208)
Capital Expenditure (purchase of PPE)	61,333	106,943	129,401	115,285	80,274
Total Assets	4,644,508	4,412,128	4,411,355	4,822,506	4,407,413
Total Liabilities	3,116,144	2,893,467	2,720,567	3,122,099	2,601,915
Total Equity	1,528,364	1,518,661	1,690,788	1,700,407	1,805,498
Paid Dividends	-	112,984	112,984	140,566	173,250

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 booming 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 imports from pipes from China, and as the activity level in emerging countries went down, such exporters became more aggressive in their pricing strategy too. A substantial improvement in volumes and profitability of the GRP and GRE was noted late 2014 and over 2015.
- 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- The Group also developed new product lines, such as :
 - a. Housing and Industrial tanks
 - b. Epoxy high-flow lines and threaded-joint pipes
 - c. Pipes for deep wells
 - d. Ductile iron valves and fittings
 - e. Design and installation services
 - f. Water treatment projects
- 4- 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 2014, the Group undertook a major effort in improving collections. Over 2014, the cash flow from operations remained positive. However in 2015, it was affected by increasing receivables as major contractors in Saudi Arabia saw their own cash inflows reduced over the year.
- 5- 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.
- 6- This strategy allowed the Group to weather the storm over all the years. The Directors are confident for the future of the Group.
- 7- The Group is increasingly involved in the Water Management activities, through its Germany subsidiary PWT and its Saudi joint venture Tawzea. While Tawzea crossed the break-even point in 2015, PWT is struggling with large contracts in Iraq and Turkey which situation explains the current losses of this segment.



Note: Detailed comments over the 2015 year performance are addressed under point 5.2.

4. Geographical Analysis of Gross revenues

The Net revenues are geographically divided as follows (SAR ‘ 000):

Net Sales	2015		2014	
	Amount	Percentage	Amount	Percentage
Saudi Arabia				
West	615,773	22.4%	667,177	24.5%
Central	232,025	8.4%	223,598	8.2%
East	486,031	17.7%	493,423	18.1%
North	23,482	0.9%	1,105	0.0%
South	30,113	1.0%	29,824	1.1%
Exports from KSA	326,739	11.9%	350,544	12.9%
Total Saudi Arabia	1,714,163	62.3%	1,765,671	64.8%
Other G.C.C.	180,192	6.6%	121,946	4.5%
Europe and Turkey	737,435	26.8%	795,163	29.1%
North Africa	99,791	3.6%	29,551	1.1%
Other countries	18,491	0.7%	13,456	0.5%
TOTAL	2,750,072	100%	2,725,787	100 %

- 4.1. The share of domestic sales during 2015 was 62.3% of total sales compared with 64.8% in 2014 while the pipe sector sales reached 88.2% of the total sales lower than 92.5% in 2014, the water management sector reached SR 324 Million compared with SR 203 Million in 2014 i.e. 11.8% of the total sales compared with (7.5% in 2014).

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

5.1. Summary results

	2015	2014	Difference	Percentage
Sales	2,750,072	2,725,787	24,285	0.9%
Cost of sales	(2,288,242)	(2,300,762)	12,520	-0.5%
Gross profit	461,830	425,025	36,805	8.7%
Operating expenses	(240,880)	(253,571)	12,691	-5.0%
Income from operations	220,950	171,454	49,496	28.9%
Share of net income in associates	5,667	2,673	2,994	112.0%
Financial charges, net	(85,804)	(85,235)	(569)	0.7%
Other income and expenses	(26,395)	18,321	(44,716)	-244.1%
Foreign income tax and Zakat	(39,161)	(47,103)	7,942	-16.9%
Non-controlling interests	26,117	22,508	3,609	16.0%
Net income for the year	101,374	82,618	18,756	22.7%

5.2. Explanation of differences:

Net Sales

- Over the year, sales increased by SR 24.3 million or 0.9 %. The sales decreased by SR 96.8 million or (3.8) % in the Pipe manufacturing segment. On the other hand, sales increased in the Water Management segment by SR 121.1 million or 59.6% with the execution of several large contracts by our German subsidiary PWT gmbH.

Pipe sales in the Arabian Peninsula decreased by SR 51.5 million or -2.9%, mostly in the Ductile iron and concrete pipe sub-segments, which represent the older pipe technologies. Regarding Ductile Iron pipes, the slower growth in the Chinese economy coupled with the high decrease of most of the raw material prices triggered aggressive imports of pipes to Saudi Arabia from Chinese competitors, while the domestic market in general did not grow, thereby further constraining the volumes.

However this decrease was partly compensated by an increase in sales of the GRP and GRE pipes, which represent more modern technologies, and also of sales of services by ISECC, a new company formed in 2014 and offering Engineering, Design, and Installation services relating to piping.

Pipes sales in our international decreased by SR 36 million or -4.9%, especially due to a slow-down in Germany, which was also observed in several other industries.

Cost of Sales

- Decrease in Cost of Sales is coming from lower sales volumes as described above, but the gross margin percentage continued to increase from 15.6 % in 2014 to 16.8% in 2015.

The improved gross profit and gross profit percentage compared to 2014 is explained by several factors:

- a- Pricing strategy: All Companies of the Group are carefully reviewing their sales prices and decline projects which are not yielding a satisfactory profit.
- b- Better diameter mix: Over 2015, we could sell large diameter pipes in our major segments (Ductile and GRP), which are more profitable than small diameter pipes. This comes from the nature of the projects which were serviced.
- c- Cheaper raw materials, mostly the pig iron and to some extent the resins and chemicals used in GRP and GRE sub-segments
- d- Good margins on services.

Operating expenses

- The net operating expenses for the year slightly decreased by -5%. This is mostly caused by the decrease of the Euro, Turkish Lira and Norwegian Krone vis a vis the Saudi Riyal (as the expenses booked by our foreign subsidiaries are translated at a lower exchange rate). A cost reduction program was also initiated in our Turkish joint-venture.
- Over the year, the group increased its bad debt expenses from SR 18.9 million in 2014 to SR 25.3 million in 2015, considering some defaulting customers as well as the more fragile financial general environment

Share in net income of Associates

The net income from affiliates includes profits from our joint-ventures in Qatar, Morocco and Tawzea. We noticed signs of improvements in our Egyptian joint ventures over the last months of 2015

Other income and expenses

- The other incomes and expenses show a net loss of SR (26.4) million mostly representing foreign exchange translation and transaction losses incurred by our Turkish and our Kazakh joint-ventures on their local currencies against the USD. Last year income mainly consisted of a capital and exchange gain of SR 21.1 million relating to the completion of the sale of the 5.4975 % investment in CPIC, a Chine glass fiber producer.

Foreign income taxes

- The decrease in foreign tax expenses is explained by the reversal of an income tax provision booked on the capital gain recorded on the sales of CPIC last year, as the Chinese tax authorities have advised that Amiantit could benefit from a tax exemption on the same.

6. Accounting standards.

6.1. Departure from accounting standards issued by SOCPA

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

6.2. IFRS Implementation

6.2.1. Introduction

In 2013, SOCPA announced that all listed companies will have to transition to International Financial Reporting Standards (IFRS) on January 1, 2017. Therefore, the Saudi Arabian Amiantit Company and Subsidiaries (Amiantit or “the Company”) will be required to prepare financial statements in accordance with IFRS effective for its year ending 31 December, 2017 with comparative information presented for 31 December, 2016.

In addition, an opening IFRS balance sheet will be required as at 1 January, 2016 (the ‘transition date’) in order to transition to IFRS.

2017 interim financials will also need to be prepared according to IFRS with comparative balance sheets and income statements.

On September 11, 2015, the Board of Directors of Amiantit have been informed, via its Executive Committee, of this requirement and of request by the CMA to prepare a report explaining the implementation strategy that Amiantit will follow to comply with this requirement.

As a result, an action plan has been adopted and is currently under execution. It includes the following steps:

- a- Identification of the gaps with current accounting policies
- b- Appreciation of the materiality of the gaps together with the statutory auditors
- c- For gaps with a potential significant impact, identify the necessary steps to bring the Company in compliance

1. Identification of the gaps with current accounting policies and action plan :

The Management of Amiantit had pro-actively requested the Statutory Auditors of the Group, PriceWaterhouseCoopers, to conduct a specific study in order to identify the gaps between the currently followed accounting policies and the IFRS-IAS.

The report has been delivered on August 3, 2015. After a review and meetings with the auditors, the major findings on the report likely to impact the Amiantit financials during the conversion process are believed to be the following:

a- Review of equity investees (subsidiaries, associates and joint-ventures)

Amiantit will be required to apply the requirements of IFRS 10, IFRS 11 or IAS 28 to its equity investees. These standards provide guidance on control, joint control or participating interest.

For one of the investments, (Subor), current circumstances indicate a possibility that this investment may have to be treated as a joint-venture under IFRS whereas it is currently fully consolidated.

As a result, a detailed assessment of the classification of this investment will be undertaken by Amiantit and by the statutory auditors considering the circumstances and contractual arrangements.

b- Property Plant and Equipment

- Costs ineligible for capitalization: The current Amiantit policy on fixed assets capitalization is silent on costs not eligible for capitalization and will need to be completed. However, the Company already applies the IFRS in that costs such as administration, indirect overheads, feasibility costs etc. are not capitalized.
- Component capitalization: Para 43 of IAS 16 requires each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item to be depreciated separately. As a result, the Group is reviewing the fixed assets ledgers of all its subsidiaries to ensure Compliance.

c- Measurement of financial liabilities

Financial liabilities including borrowings should be recognized initially at fair value plus transaction costs and subsequently carried at amortized cost using the effective interest method. However, the current accounting policy of Amiantit is to recognize the borrowings based on the proceeds received, net of transaction costs.

As most of the loans are short term based, the impact of the transition to IFRS is assessed to be immaterial for the consolidated financial statements. However, Amiantit will align its accounting policies on the subject matter at the occasion of the transition.

d- Employee end of services benefit (EOSB):

Under IFRS, EOSB meets the definition of a defined benefits scheme. Accordingly, Amiantit's current practice is not consistent with IAS 19, "Employee Benefits" which requires the present value of the EOSB liability to be determined using actuarial assumptions using the projected unit credit method (PUCM). In addition, the actuarial valuation impacts the recognition of costs on an annual basis and substantial disclosure requirements arise in respect of the recognition of the liability.

As a result, Amiantit is currently selecting a qualified actuary who will be entrusted to perform the computations leading to the alignment of the EOSB provision and the preparation of subject disclosures. Three actuaries have been contacted and requested to submit a quote.

e- IFRS 15 requirements

Amiantit will need to ensure that none of its current contract revenue recognition accounting policies conflicts with the principles of IFRS 15. For many contracts, such as many straightforward retail transactions, IFRS 15 will potentially have little, if any, effect on the amount and timing of revenue recognition.

For other contracts, such as long-term service contracts and multiple-element arrangements, IFRS 15 could result in some changes either to the amount or timing of the revenue recognized by the company. This could be for instance the case in two subsidiaries of the Group, namely ISECC (performing design and installation services) and PWT GmbH (Germany) (EPC of Water treatment stations).

A review of the contracts of these companies and the ensuing revenue recognition principle is currently performed to ensure IFRS compliance. The principles leading to revenue recognition in ISECC have been reviewed and refined at the occasion of the statutory audit of its 2014 financial statements. A visit to PWT in Germany by the Saudi Statutory auditor was carried in October 2015 to review the contracts of this Company. Further analysis will be carried over 2016.

f- Disclosures

Depending upon materiality, IFRS may require several additional disclosures in the consolidated financial statements, and a statement of comprehensive income will need to be prepared. The list of additional potential disclosures has been prepared by the auditors and their materiality will be investigated alongside the preparation of the 2015 financial statements. Such additional disclosures if any will be considered during the preparation of 2016 consolidated financials.

A statement of Comprehensive income and related disclosures will be added to the 2017 financial statements and to the 2016 comparative financials, which will be presented at that time. The Company is modifying its consolidation platform to accommodate this requirement.

6.2.2. Timed action plan

The above actions will be executed as per the below schedule:

<u>ACTIONS</u>	<u>DEADLINES</u>
Review of the accounting treatment of the investments in affiliates, for IFRS purposes	Done
Review of all fixed assets ledgers for suitable level of breakdown on items with material remaining net book value	Jun 30 2016

Alignment accounting policies fixed assets	In process
Alignment accounting policies on financial instruments	In process
Computation of Dec 31 2015 EOSB provision under IAS 19	Mar 31 2016
Implementation IFRS 15 ISECC	Done
PWT Review of contracts	Dec 31 2015 (will be pursued over 2016)
Restatement rev recognition on 2015 if applicable	Mar 31 2016
Review of disclosures checklist based on Dec 31 2015 financials and gathering missing information	June 30 2016
Modify consolidation platform to include statement of comprehensive income	March 31, 2016
Prepare restated 2015 balance sheet under full IFRS compliance	June 30 2016
Insert additional disclosures as applicable in the 2016 financial statements	Jan 2017
Prepare IFRS restated interim and year-end 2016 balance sheets and income statements and statements of comprehensive income, and related disclosures for each of the 2016 quarter-ends (to be shown for comparison purposes in 2017 financials)	Three interim financials (Mar, Jun, Sep) : Oct 2016 Complete Year-end 2016 financials: Jun 30 2017
Publish IFRS compliant interim balance sheets, income statements and statements of comprehensive income with comparative 2016 numbers	As per CMA publication deadlines.
Fully compliant IFRS financial statements applicable on December 31, 2017 financials with restated 2016 and 2015 balance sheets and 2016 IFRS income statement and comprehensive income for comparative purposes	Jan 2018 as per applicable CMA publication deadlines.

6.2.3. Conclusion

The Amiantit Board of Directors and its Executive and Audit Committees are very attentive to the proper information of the shareholders and the public in general, in accordance to the applicable legislation and practices. The implementation of IFRS will be followed-up by these instances and regular report will be requested to management on this process.

The Board is confident that Amiantit will fully comply with this new requirement.

7. Corporate Structure:

7.1 Branches (*) :

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

No	Company	Activity	Country	Establishment Place	Amiantit Share
1	Saudi Arabian Amiantit Co.	Riyadh Marketing Office	KSA	Riyadh-KSA	100%
2	Saudi Arabian Amiantit Co.	Jeddah Marketing Office	KSA	Jeddah-KSA	100%
3	Amiantit Polyolefin Piping System Factory	Polyolefin Piping	KSA	Jeddah-KSA	100%
4	Saudi Arabian Amiantit Co.	Riyadh - Khurais Marketing Office	KSA	Riyadh-KSA	100%
5	Yacoat Amiantit	Pipe painting, import of pipes, & building materials	KSA	Dammam-KSA	100%
6	Amiantit Polymer Co.	Trade in Polymers	KSA	Dammam-KSA	100%
7	Amiantit Plastic Products Co.	Plastic production	KSA	Dammam-KSA	100%
8	Epoxy Pipe Co. (Amipox)	Epoxy pipes	KSA	Dammam-KSA	100%
9	Amiantit Technology Services	Pipe Technology Services	KSA	Dammam-KSA	100%
10	Amiantit Research & Development Center	Research & Development	KSA	Dharan-KSA	100%
11	Saudi Arabian Amiantit Construction, Maintenance and operation Co.	General Contracting & Industrial Maintenance	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 Place	Capital	SAAC Share
1	Amiantit Fiberglass Industries Co. Ltd “AFIL”	Marketing the company product	KSA	Dammam-KSA	SR 180 million	100%
2	Factory of Amiantit Fiberglass Industries Co. / Branch of Amiantit Fiberglass Industries Co. Ltd “AFIL”	Pipes production	KSA	Jeddah-KSA	Branch of “AFIL”	100%
3	Factory of Amiantit Fiberglass Industries Co. / Branch of Amiantit Fiberglass Industries Co. Ltd “AFIL”	Pipes Production	KSA	Dammam-KSA	Branch of “AFIL”	100%
4	Amiantit Fiberglass Industries Co. LTD/ Brach of Amiantit Fiberglass Industries Co. Ltd. (AFIL)	Contracting	KSA	Dammam-KSA	Branch of “AFIL”	100%
5	Amiantit Rubber Industries Ltd. Co.	Rubber gaskets & pipe fittings	KSA	Dammam-KSA	SR 8.75 million	80%
6	Saudi Arabian Ductile Iron Pipes Co. Ltd	Marketing of Company products	KSA	Dammam-KSA	SR 180 million	100%
7	Factory of Saudi Arabian Ductile Iron Pipes Co. Ltd/ Brach of Saudi Arabian Ductile Iron Pipes Co. Ltd	Pipes production	KSA	Dammam-KSA	Branch of “SADIP”	100%
8	Brach of Saudi Arabian Ductile Iron Pipes Co. Ltd	Contracting	KSA	Dammam-KSA	Branch of “SADIP”	100%
9	Ameron Saudi Arabia Ltd. Co.	Pipes production	KSA	Dammam-KSA	SR 76.5 million	69.7%
10	Ameron Saudi Arabia Ltd. Co. / Branch	Pipes Production	KSA	Jubail-KSA	Branch of “ASAL”	69.7%

11	Ameron Saudi Arabia Ltd. Co. / Branch	Pipes Production	KSA	Jeddah-KSA	Branch of “ASAL”	69.7%
12	Factory of Bondstrand Co. Ltd	Pipes production	KSA	Dammam-KSA	SR 20 million	60%
13	Saudi Arabia Concrete Products Co. (SACOP)	Pipes production	KSA	Jeddah -KSA	SR 12.250 Million	58.8%
14	Fiberglass Pipes and Ductile Iron Pipes Co. Ltd.	Pipes and Valves production	KSA	Dammam-KSA	SR 15 million	100%
15	International Infrastructure Management and Operation Co. Ltd.	Management of water projects and plants and sub-Holding of companies operating in the same field	KSA	Dammam-KSA	SR 100 million	100%
16	The International Water Distribution Company Ltd (Tawzea).	Water Distribution	KSA	Jeddah-KSA	SR 101 million	50%
17	Amiantit International Holding Co. WLL	Holding Company	Bahrain	Manama-Bahrain	US\$ 2 million	100%
18	Ductile Technology Co. W.L.L.	Selling, buying, and rental of Real Estate	Bahrain	Manama-Bahrain	BD 20,000	100%
19	Flowtite Technology Bahrain W.L.L.	Acquisition of technology rights (sale of pipes & equipment)	Bahrain	Manama- Bahrain	US\$3.0 million	100%
20	Amiantit Germany GmbH	Pipes	Germany	Germany	Euro 5.0 million	100%
21	Amiantit Services GmbH	Management	Germany	Germany	Euro 300,000	100%
22	Aquamundo GmbH	Water Management	Germany	Germany	Euro 3 million	100%
23	P.W.T Wasser und- Abwassertechnik GmbH	Operation management & maintenance of water & sewage plants	Germany	Germany	Euro 3 million	100%
24	Amiantit Malta Holding Ltd.	Holding	Malta	Malta	Euro 49.03 million	100%
25	Amiantit Norway	Marketing	Norway	Norway	NOK 4.5 million	100%

26	Flowtite Technology AS	Technology acquisition	Norway	Norway	NOK 18.9 million	100%
27	Subor Boru Sanayi Ve Ticaret AS	Production of pipes	Turkey	Turkey	TRY 48.306 million	50%
28	Subor Gap Sanayi Ve Ticaret AS	Production of pipes	Turkey	Turkey	TRY 21.7 million	40%
29	Amiantit Poland	Production of pipes	Poland	Poland	PLN 21.1 million	100%
30	Amiantit Spain	Production of pipes	Spain	Spain	Euro 5.9 million	100%
31	Amitech Industrial Spain S. L.U. (under liquidation)	Pipe fitting production	Spain	Spain	Euro 3,000	100%
32	Amiantit France SAS	Marketing	France	France	Euro 280,000	100%
33	LLP Amitech Astana	Production of pipes	Kazakhstan	Kazakhstan	KZT 403 million	51%
34	Amitech Cyprus Holding Ltd.	Holding	Cyprus	Cyprus	Euro 2,000	100%
35	Amitech Switzerland AG	Holding	Switzerland	Switzerland	CHF 10.5 million	100%
36	Flowtite Engineering GmbH	Consulting / technology	Germany	Germany	Euro 30,000	100%
37	Amitech Pipe Systems SRL	Trading of Pipes	Romania	Romania	RON 327,620	50%
38	Amitech Pipes Romania SA (under liquidation)	Dormant	Romania	Romania	RON 116,000	50%
39	Saudi PWT Ltd.	Water Management	KSA	Dammam-KSA	SAR 500,000	89.8%
40	Arabian PWT	PWT Water Management Branch	Germany	Dammam- branch of PWT Germany	SAR 500,000	100%
41	PWT SUW OOO Turkmenistan	Water Management	Turkmenistan	Turkmenistan	USD 250,000	100%
42	Infrastructure Engineering Contracting Co. Ltd.	Design and Installation services	KSA	Dammam-KSA	SAR 500,000	100%
43	Saudi Arabian Amiantit Management Co. Ltd.	Management	KSA	Dammam-KSA	SAR 10,000	100%

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 122 million	50
5	Amiantit Qatar Pipes Co. W.L.L.	Pipe production	Qatar	Qatar	QR 37.2 million	40
6	Eastern Gas	Gas distribution	KSA	Dammam-KSA	SR 20 million	13
7	Sarplast S.A.	Pipes production	Switzerland	Switzerland	Euro 1.6 million	23.7
8	Amitech Libya	Pipes production	Libya	Libya	Din1.0 million	40
9	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.	180,000 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.	76,500 ordinary shares of each SR 1,000 per share	SAAC 69.7% Ameron International B.V. 31.3%
Amiantit Rubber Industries Ltd.	8,750 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 and Ductile Iron Pipes Co. Ltd	15,000 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 34% Gavrilov V 10% Listopadney G 5%
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	48,306,000 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	21,659,000 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%
Amiantit Poland	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%
Amiantit France SAS	2,800 ordinary shares of each EUR 100 per share	Amitech Switzerland A. G. 100%
Amiantit Spain	980,148 ordinary shares of each EUR 6 per share	Amitech Switzerland A. G. 100%
Amiantit Norway	4,500 ordinary shares of each NOK 1,000 per share	Amitech Switzerland A. G. 100%
Amiantit 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	Amiantit international Holding 10.71% Amiantit Malta Holding Ltd. 89.29%
Amiantit Malta Holding Ltd.	49,025 ordinary shares of each EUR 1,000 per share	Amiantit International Holding Co. WLL 100%
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%
Ductile Technology Co. W.L.L.	200 ordinary shares of each BHD 100 per share	SAAC 75% Amiantit International Holding 25%
Flowtite Engineering GmbH	1 ordinary share of EUR 30,000	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. 100%
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%
Infrastructure Engineering Contracting Co. Ltd.	500 ordinary shares of each SAR 1,000 per share	SADIP 45% AFIL 45% AMIWATER 10%
East Gas Co. Ltd.	4,000,000 ordinary shares of each SAR 10 per share	SAAC 13% GASCO 35% Saudi Papers 26%

		Arabian Papers 23% Rabiah & Nasar Group 3%
Saudi Arabian Amiantit Management Co. Ltd.	10 ordinary shares of each SAR 1,000	SAAC 90% AMIWATER 10%

Notes:

- *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.*
- *The entities under liquidation are mostly dormant entities, and the liquidation process will not have a material impact on the financial statements of the Group.*

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 or covenant.
- 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 31-12-2015, the major owners who own 5% and more of the capital are:

Shareholder	Percentage
HH Prince Khalid Ben Abdullah Ben Abdulrahman Al-Saud	7.47%
Abdullah Saleh Abdullah Al-Bassam	5.8%

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	1502624	0.28	1.30	No	No	No	No
2	Prince Turki Bin Mohammed	11,000	0.00952	11,000	0	0.00952	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	97425	0.08435	97425	0	0.08435	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	1,000	0.0008	1,000	0	0.0008	No	No	No	No
9	Dr. Solaiman A Al Twajiri	1,000	0.0008	1,000	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 Senior	%	Number of shares of Senior Executive	Change %	No of shares of wife &	%	No of shares of wife & minor	Change of shares of wife
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		Executive at Year's Start		at Year's end		minor children at beginning of the year		children at end of the year	& minor children
1-	Dr. Solaiman A Al Twaijri	1000	0.0008	1000	0	No	No	No	No
2-	Waleed Abu Kishk	No	No	7000	0.0061	No	No	No	No
3-	Mohammad Sabahat Khan	No	No	6000	0.0051	No	No	No	No
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	100	0.000086	No	No	No	No
7	Dilshad Ali	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 2015 except for 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, 2014 and 2015:

12.1.1. Long term Loans (in '000)

Borrower	Bank	Nature of lines	Repayment date	Amount Due as of December 31, 2014	New borrowings	Repay-ments	Reclassific-ation to ST loan (ST part of LT)	CTA	Amount due as of December 31, 2015
SAAC	Al-Inma Bank	Long-term	2017-2020	-	400,000	-	-		400,000
Amitech Astana	Mr. Abykayev	Minority Partners Loan	2017-2021	9,972	-	-	-	154	10,126
Subor	Ziraat Bankasi	Long-term	2016	9,307	2,221	-	(9,673)	(1,854)	-
Subor	Halkbank	Long-term	2016	5,584	1,333	-	(5,804)	(1,113)	-
Amiantit Spain	Banco Popular	Long-term	2017-2019	1,158	-	-	(314)	(119)	725
Amiantit Germany	Sachsen Bank and Sparkasse Leipzig	Long-term	2017	4,134	-	(1,810)	(90)	(424)	1,810
Ftech AS	Danske Bank	Long-term	2017-2033	17,640	-	(827)	-	(2,747)	14,067
	Total			47,795	403,554	(2,637)	(15,881)	(6,103)	426,728

12.1.2. Current maturity of Long term Loans (in '000)

Borrower	Bank	Nature of lines	Repayment date	Amount Due as of December 31, 2014	New borrowings	Repay-ments	Reclassific-ation to ST loan (ST part of LT)	CTA	Amount due as of December 31, 2015
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SADIP	SIDF	Loan	2015	3,600	-	(3,600)	-	-	-
Subor	Ziraat Bankasi	Loan	2016	-	-	-	9,673	-	9,673
Subor	Halkbank	Loan	2016	-	-	-	5,804	-	5,804
Amiantit Spain	Banco Popular	Loan	2016	336	-	(302)	314	(35)	314
Amiantit Germany	Sachsen Bank and Sparkasse Leipzig	Loan	2016	2,017	1,810	(1,810)	90	(207)	1,900
Ftech AS	Danske Bank	Loan	2016	1,035	-	(5)	-	(161)	869
	Total			6,988	1,810	(5,717)	15,881	(402)	18,560

12.1.3. Short term loans (in '000)

Borrower	Bank	Nature of lines	Amount Due as of December 31, 2014	New borrowings	Repayments	CTA	Amount due as of December 31, 2015
SAAC	Samba Bank	Short-term	43,750	239,597	(283,347)	-	-
SAAC	Bank Saudi Fransi	Short-term	-	120,000	(60,000)	-	60,000
SAAC	Riyad Bank	Short-term	25,000	25,000	(34,000)	-	16,000
SAAC	Saudi Bristish Bank	Short-term	-	33,327	(33,327)	-	-
SAAC	Saudi Hollandi Bank	Short-term	35,000	90,000	(95,000)	-	30,000
SAAC	Gulf Investment Bank	Short-term	35,000	61,000	(61,000)	-	35,000
SAAC	National Commercial Bank	Short-term	98,396	214,590	(203,396)	-	109,590
SAAC	Arab Banking Corporation	Short-term	143,915	243,494	(307,409)	-	80,000
SAAC	Bank Al-Jazeera	Short-term	20,000	245,512	(120,000)	-	145,512
SAAC	Al-Bilad Bank	Short-term	299,172	326,446	(430,214)	-	195,404
SAAC	Al-Inma Bank	Short-term	280,026	352,607	(370,544)	-	262,089
SAAC	Bank of Bahrain & Kuwait	Short-term	91,875	198,563	(196,688)	-	93,750
SAAC	Al-Baraka Islamic Bank	Short-term	-	75,000	(37,500)	-	37,500
SAAC	Samba Bank	Overdraft	147	-	(147)	-	-
SAAC	National Commercial Bank	Overdraft	455	-	(455)	-	-
SAAC	Saudi Hollandi Bank	Overdraft	1,248	-	(1,248)	-	-

AFIL	Riyad Bank	Short-term	24,623	50,377	(75,000)	-	-
AFIL	Gulf Investment Bank	Short-term	25,000	22,994	(47,994)	-	-
AFIL	National Commercial Bank	Short-term	29,173	92,248	(68,428)	-	52,994
AFIL	Al-Rajhi Bank	Short-term	-	64,995	(64,995)	-	-
SADIP	Al-Rajhi Bank	Short-term	13,998	-	(13,998)	-	-
SADIP	Bank Saudi Fransi	Short-term	117,845	60,000	(142,845)	-	35,000
SADIP	Gulf Investment Bank	Short-term	14,000	90,000	(69,000)	-	35,000
SADIP	National Commercial	Short-term	245,000	440,097	(488,597)	-	196,500
SADIP	Saudi Bristish Bank	Short-term	111,497	80,000	(151,497)	-	40,000
SADIP	Samba Bank	Short-term	52,309	169,768	(142,863)	-	79,214
SADIP	Bank Saudi Fransi	Overdraft	-	2,220	(2,220)	-	-
BSL	National Commercial Bank	Short-term	19,668	19,713	(19,668)	-	19,713
BSL	Samba Bank	Short-term	-	60,000	(30,000)	-	30,000
AMIPOX	Bank Al-Jazeera	Overdraft	-	239	(239)	-	-
SUBOR	VARIOUS	Short-term	75,503	49,999	(49,664)	(15,044)	60,793
Amiantit Spain	Banco Popular	Discount Line	1,017	-	(912)	(104)	-
Amiantit Spain	Banco Popular	Overdraft	3,346	204	(3,206)	(343)	-
Amiantit Germany	Sachsen Bank and Sparkasse Leipzig	Overdraft	126	1,355	(123)	(13)	1,345
Ftech AS	Danske Bank	Overdraft	2,737	1,242	(1,665)	(426)	1,889
PWT Germany	Bank Asya	Short-term	9,159	-	(7,335)	(940)	884
PWT Germany	Bank Asya	Overdraft	10	-	(9)	(1)	-
PWT Germany	Sparkasse Bensheim	Overdraft	5,008	-	(4,494)	(514)	-
PWT Germany	LBBW Bank	Overdraft	7,769	-	(6,972)	(797)	-
PWT Germany	Deutsche Bank	Overdraft	3,851	1,546	(5,002)	(395)	-
PWT Germany	Bank Standard Gabala	Overdraft	-	286	(286)	-	-
PWT Germany	Bank Transsilvania	Overdraft	118	191	(297)	(12)	-

	Total		1,835,613	3,432,138	(3,630,997)	(18,577)	1,618,177
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Most of the short term loans finance receivables and stock of raw materials, since these receivables have reach about SR 2.0 Billion at the end of the year (SR 1.90 billions 2014) while the total inventory value reached SR 1.3 Billion at the end of the year compared with (SR 1.2 billion in 2014).

12.3. Long-term loans: maturity profile and Creditors' names (in '000 Saudi Riyals) for the Group:

Borrower	Bank	2017	2018	2019	2020	2021 onwards	Total
SAAC	Al-Inma Bank	(100,000)	(100,000)	(100,000)	(100,000)	-	(400,000)
Amitech Astana	Mr. Abykayev (Partner's Loan)	(1,125)	(1,125)	(1,125)	(2,064)	(4,687)	(10,126)
Amiantit Spain	Banco Popular	(327)	(340)	(58)	-	-	(725)
Amiantit Germany	Sachsen Bank and Sparkasse Leipzig	(1,810)	-	-	-	-	(1,810)
Ftech AS	Danske Bank	(827)	(827)	(827)	(827)	(10,756)	(14,067)
	Total	(104,089)	(102,293)	(102,011)	(102,892)	(15,443)	(426,728)

The Group has paid back long terms loans of SR 6.5 million during 2015. The Group has obtained new long terms with a value of SR 403.5 Million during 2015.

The current ratio as of December 31, 2015 amounts to 1.45 compared to 1.25 in 2014, and the debt-to-equity ratio amounts to 2.04 compared to 1.90 in 2014.

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 2015.

14. Conversion or subscription rights

The Company did not issue conversion or subscription rights during 2015.

15. Redeemable debts

The Company does not owe or possess redeemable debts during 2015.

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 Ahmad 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	No
Bader A. Al Suwaidan	Member	No	Yes	Yes
Abdulaziz Ali Abu Al Saud	Member	No	Yes	Yes
Dr. Solaiman A Al Twaijri	Managing Director & CEO	Yes	No	No

16.2. Board of Directors meetings during 2015:

The nine-member Board of Directors has convened two meetings during the year of 2015 as follows:

<u>Attendance Record of the meeting of the Board of Directors during the fiscal year 2015.</u>			
Board member name	<u>First Meeting</u> <u>08/02/2015</u>	<u>Second Meeting</u> <u>29/11/2015</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 Board of Directors has adopted 4 resolutions by correspondence related to the approval of the interim results.

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 & Five senior executives :

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	4,021,500
Allowances	1,610,249
Yearly and periodical board fees and bonus			700,000
Motivation plans	2,282,750
Any other compensation or kind benefits paid on monthly or yearly basis	100,000	800,000	1,538,057

There is a recommendation raised to the General Assembly to pay Board fees for 2015 amounting SAR 1,800,000.

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.	<u>Listed</u>
	2- Chairman, Saudi Arabian Cooperative Insurance Co. (SAICO)	<u>Listed</u>
	3- American Express	<u>Not Listed</u>
Prince Turki Bin Mohammed	1- Chairman of Eastern Province Cement Co.	<u>Listed</u>

Bin Fahad		
Dr. Khalil A. Kordi	1- Aoudah Capital Co. 2- Saudi Telecom Co.	<u>Not listed</u> <u>Listed</u>
Dr. Abdulaziz Al Jarbou	1- Saudi Papers Co. 2- Riyadh Bank 3- Gulf Chemical & Industrial Oils Co. 4- United companies for Greasing	<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 4- Mulkiya Co.	<u>Listed</u> <u>Not listed</u> <u>Listed</u> <u>Not listed</u>

17. Transactions with related parties

Related party transactions

The Group has transactions with their respective non-consolidated affiliated companies as follows:

Sales to affiliated companies

Selling entity	Purchasing entity	Description of goods and services purchased	SAR '000
AFIL	Amiantit Qatar	Stress Analysis	42
AFIL	Sarplast Qatar	Sales of Resins	822
Amiantit Spain	Amitech Morocco	Sales of Pipes	320
Flowtite Technology AS	Amiantit Fiberglass Egypt Co.	Sales Services- royalties for 2015 and minor sale of PC parts	1,449
Flowtite Technology AS	Amiantit Qatar Pipes Company	Sale of spare parts and small machinery and Sales Services- technical support from FTEC AS and external consultant	1,152
Flowtite Technology AS	Amitech Morocco	Sale of spare parts and small machinery and Sales Services- technical support from FTEC AS and royalty	985
Flowtite Technology AS	Flowtite Eksport AS	Sales Services- accounting services supplied by Ftech AS	27
Flowtite Technology WLL	Amiantit Qatar Pipes Company	Know How fees income from Qatar for their financial year 2014	290

Subor Boru	Amitech Morocco	Sales of Pipes	4,961
Total			10,048

Purchases from affiliated companies

Selling Entity	Purchasing entity	Description of goods and services purchased	SAR '000
Amiantit Spain	Amiantit Qatar Pipes Company	Purchases to Qatar for project to be delivered in Bangladesh	6,614
Amiantit Spain	Amitech Morocco	Purchases related to Daewoo ODI Projects	1,949
Flowtite Technology AS	Amiantit Qatar Pipes Company	Cost of spare parts and technical support	863
Flowtite Technology AS	Amitech Morocco	Cost of spare parts, technical support, and warranty cost on previous deliveries	124
Subor Boru	Amitech Morocco	Purchases related to Safi Project- GRP Pipes	3,037
Total			12,587

Cash advances and loans to affiliated companies (In SAR,000)

Borrower	Nature of loan	Amount Due as of December 31, 2014	Additions	Repayments	Reclass to Investment	Financial Fees	Amount due as of December 31, 2015
Amiantit Qatar	KH Fees & Others Receivable	15,956	1,776	(15,948)	-	-	1,783
Sarplast Qatar	LT Loan	1,500	69	-	-	59	1,627
Amitech Algeria	LT Loan	835	1,017	-	-	-	1,852 (*)
Amitech Morocco	LT Loan	30,106	-	(3,085)	(4,821)	379	22,579
Amitech Libya	LT Loan	3,538	-	(264)	-	-	3,274(*)
Flowtite Eksport AS	Other receivable	-	18	-	-	-	18
TOTAL		51,934	2,880	(19,297)*	(4,821)	437	31,132

(*) Impairment provisions have been booked on such amounts due to the financial condition of these companies

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

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 2015.

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 2015.

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, 2015</i>	<i>Reason</i>
<i>Zakat</i>	70,218	<i>According to zakat & income law</i>
<i>Income Taxes due to Saudi Authorities</i>	247	<i>As per income tax on foreigners</i>
<i>Income Taxes due to Foreign authorities</i>	20,424	<i>As per foreign income tax rules, on foreign consolidated subsidiaries</i>
<i>DZIT</i>	90,889	
<i>GOSI contribution</i>	978	<i>According social insurance regulation</i>
<i>Total</i>	91,867	

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 at an acquisition cost of SR 16.60 per share . The shares are managed by a fund.

The purchased shares were registered in the name of the employees during 2011 and a first three-years program was started beginning 2012, according to which a total of 593,000 Shares were distributed to the employees and to the management over 2015.

A second program is under approval process, which will contemplate the distribution of 499,007 Shares in 2017. As subject shares are already in the portfolio, the Company does not contemplate to buy further shares over 2016.

23. Declarations

23.1. Books of accounts

The Directors declare that proper books of account have been maintained.

23.2. System of internal control

The Directors declare that the system of internal control is sound in design and has been effectively implemented.

23.3 Going-concern

The Directors declare that there are no significant doubts concerning the company'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

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 polices 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-Saud, 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: 5 (five) meetings.

Term: Three years starting 1st January 2015 ended 31ST December, 2017. The members of the executive Committee have attended all the meetings held by the Committee.

In addition, the Chairman is HH Prince Ahmad Bin Khaled Bin Abdullah Bin Abdulrahman Al-Saud, and Mr. Pierre Sommereijns as Secretary to 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.
- Study the annual 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, Chairman
- Mr. Sulaiman Abdullah Al Amro, Member
- Dr. Sulaiman Abdullah Al Sakran, Member

Number of Meetings: five (5) meetings.

During 2015 the Audit Committee has studied the interim & annual financial statements, and has raised them to the Board of Directors for ratification.

Term: Three years starting January 1, 2015 ended 31ST December, 2017. The members of the Audit Committee have attended all the meeting held by the Committee.

In addition, the Chairman is Dr. Khalil Abdul Fatah Kordi, and Mr. Dilshad Ali as Secretary to 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, Chairman.
- 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, 2015 ended 31st December, 2017.
The meeting of the Committee was attended by all members.

The Chairman is HRH Prince Turki Bin Mohammed Bin Fahad Bin Abdulaziz Al Saud and Mr. Waleed Abu Kishk as Secretary to the committee.

24.2. Compliance to Governance Regulations:

24.2.1. The following rules of Governance policy have been implemented:-

24.2.1.1. 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.

24.2.1.2 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.

24.2.1.3 Shareholders Rights regarding the General Assembly Meetings:

The Company held one General Assembly meeting:

The above meeting call had two invitations: first invitation called for a meeting on 15/03/2015 with the below agenda:

A-Agenda of the General Assembly

- 1. Approval of the external auditors report on the Company accounts for the year ended on 31/12/2014.
- 2. Approval of the financial position of the Company as of 31/12/2014 and the accompanying financial statements for the year ended on the same date.
- 3. Approval of Board of Directors report on Company activity for the year ending December 31, 2014
- 4. Approval on the recommendations of the Board of Directors related to not to declare dividends for the year ended on 31/12/2014.
- 5. Discharge of liability of the Board Members regarding their management of the Company as on 31/12/2014
- 6. Approval of the selection of Company external auditors from among the audit offices nominated by the Audit Committee to audit the Company accounts for the year 2015 and the quarterly financial statements and determining its fees.

However, the meeting was adjourned due to non-completion of the legal quorum, and second invitation called for a meeting on 29/03/2015.

A-Agenda of the General Assembly (for the second call)

- 1. The same as above.
- 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 31/12/2015 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 31/12/2015 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 Assemblies in Tadawul site and in the following newspapers:

C- 1 first invitation for “The General Assembly **Meeting**” (15/03/2015)

: (1) AlJazeera , Issue No. 15477 dated 23/04/1436H corresponding to 12/02/2015, (2) Al Sharq , issue No. 166 dated 23/04/1436H corresponding to 12/02/2015, (3) Um Ulqurah by publishing receipt No. 3621019158 dated 23/04/1436H. The Company published the invitation in its website on 12/02/2015.

C- 2 second invitation for “The General Assembly **Meeting**” (29/03/2015)

- (1) AlJazeera , Issue No. 15511 dated 27/05/1436H corresponding to 18/03/2015,
- (2) Al Sharq , issue No. 1200 dated 27/05/1436H corresponding to 18/03/2015, (3)

Um Ulqurah by publishing receipt No. 3621025038 dated 27/05/1436H. The Company published the invitation in its website on 16/03/2014.

- 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 Capital Market Authority was informed accordingly and provided with a copy of the Minutes of the Meeting of the first meeting on 15/03/2015, and Capital Market Authority was informed accordingly and provided with a copy of the Minutes of the Meeting of the second meeting on 29/03/2015.

24.2.1.4. 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) In the meeting of the General Assembly (29/3/2015), the Company did not use the accumulated voting system, as there are no items on the agenda of that 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 procedure relates 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.

24.2.1.5 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 has ratified the recommendation raised by the Board of Directors for non-distribution of the profits for the year 2014.

24.2.2. The following rules of Governance policy have not been implement.

- 1. Accumulated Voting:-

Reasons: 1. No election of Board of Members during 2015.

2. The By-Laws of the company doesn't dictate the accumulated voting.

- 2. Accordance with the Article 10.3 of Governance policy issued from CMA, and accordance with the Paragraph T of Article 12 of the "Corporate Governance Regulations" issued from CMA, which does not allow the Corporate Person to vote on the election of the other members, whereas the bylaws of the Company has no clause for the same (the Bylaws does not give Corporate Person to vote on the election of other members) and whereas there are no shareholders who were entitled to vote in such capacity, the above articles and clauses did not apply.

Reasons:

- 1. No Board election.
- 2. By-Laws does not dictate that.

24.3 polices related to the disclosure

The General assembly has adopted policies and procedures related to the disclosure which are still in practice

24.4. 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.

24.4.1 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.

24.4.2 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

24.4.3 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.

24.4.4 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:

- Streamlining the data collection and reporting in manufacturing facilities
- Replacing third party contractor employees with Company employees at critical positions in manufacturing facilities
- Improving purchasing processes to obtain better value for money for the Company
- Better controls over vendor management in Central Purchasing Department
- Sales returns policy & procedures
- Recording and maintenance of fixed assets
- Controls over finished goods inventory management

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. Emphasis of a matter by the auditors

The report of the auditors has included the following emphasis of a matter on the yearly financial statement of the year 2015

“We draw attention to Note 25 to the accompanying consolidated financial statements. At December 31, 2015, one of the wholly owned subsidiaries of the Group was defending a claim filed by one of its sub-contractors on a project in Iraq. Subsequent to December 31, 2015, the court in Iraq has awarded the judgement in favor of the sub-contractor for compensation of costs incurred by the sub-contractor on the project. The Group management is actively pursuing this case and the subsidiary has filed an appeal against the judgement at the available judiciary levels

in Iraq. Based on the reports from their own experts and lawyers, the Group management believes that they have recorded adequate provision against such claim and the ultimate outcome of the appeal process would not result in any additional financial impact on the Group's consolidated financial statements".

26. Imposition of penalty on the company by the Capital Market Authority.

During 2014 the Capital Market Authority has imposed penalty on the company amounting SAR 20,000/- based on the claim of violation clause (A) of Article (40) of the Listing Rules and clause (8) of the Instructions for companies' Announcements regarding company's financial results from the Instructions for the Announcements of Listed Companies in the Saudi Stock Exchange. CMA claimed that the company did not mention in its preliminary financial results announcement for the period ending on 31/12/2013 all of the reasons affecting the increase in the Net profit of the fourth quarter of 2013 compared to the previous quarter of the same year. CMA claimed, the company also violated clause (E) of the General Instructions that must be taken into Account by Companies when publishing its Announcements from the Instructions for the Announcements of Listed Companies in the Saudi Stock Exchange. The company announced an essential development in less than two hours before the market opens on 17/03/2014 without waiting to announce it after the market is closed. The company has filed a case against CMA's resolution under case no. 36/5 dated 17/01/1436H in front of the concerned authorities and the first session will be held on 28/01/2015.

27. Employees

27. 1. Management & Training:

3,272 Employees compared with 3,144 employees in 2014 distributed as follows:

Particulars	2015	2014	Increases/ (decrease)
Local sector	1,834	1,850	(16)
International sector	1,438	1,294	144
Total employees	3,272	3,144	128
Saudi employees	483	493	(10)
Saudization Rate	26.34%	26.64%	+2.89%

Over 2015, the following trainings were delivered:

Training	Participants
Basic skills in industrial security	41
Certified International Commercial Contracts Manager	1
Certified International Purchasing Professional (CIPP)	1
CERTIFIED INTERNATIONAL SUPPLY CHAIN PROFESSIONAL & MANAGER	1
Certified Purchasing Professional & Manager	4
Certified Supply Chain Professional Course (CSCP)	1
Cisco Certified Internetwork Expert (CCIE)	2
Diploma in Strategic Human Resource Management	1
English Course	38
Finance For Non-Financial Managers	17
Integrated Supply Chain Management	6
Procurement & contracting in logistics	5
Project Management Professional 5th Edition	2
SAP Procurement I & SAP Procurement II	2
Saudi Labor Law	16
Six Sigma - Green Belt	31
SHRM Certified Professional / SHRM Senior Certified Professional (SHRM CP/SCP)	2
Supply Chain Risk Management (SCRM)	1
Time Management	15
University Scholarship	2
Vmware vSphere: Install, Configure, Manage v6.0	2
Grand Total	191

28. 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.

The company invests heavily to comply with local environmental standard & obtained the presidency of metrology and environment (PME) permits for all plants.

29. Recommendation on Results of Year 2015:

The Board of Directors suggests allocation of results of 2015 as follows:

Particular	000 SR
• Net profits for 2015 after Zakat	101,374
• Balance accumulated Profits	<u>241,457</u>
• Net profits	342,831
• Less: Charge for employees shares program	<u>(504)</u>
• Less: Statutory reserve	<u>(10,137)</u>
• Net accumulated profits as on 2015	332,190
Less a first dividend representing 5% of the capital stock	(57,750)
Less Board of Directors fees	(1,800)
Less a second dividend of 1.5% of the capital stock	(17,325)
Net accumulated profits after dividends and Board of Directors fees	255,315

Best Regards,

Board of Directors