

التصنيع TASNEE

National Industrialization Company



Clear Vision & Expanding Horizon

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ



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Custodian of the Two Holy Mosques
King Abdullah Bin Abdul Aziz Al-Saud



HRH Crown Prince Sultan Bin Abdul Aziz Al-Saud
Crown Prince & Deputy Prime Minister,
Minister of Defense & Aviation and Inspector General

TASNEE التمنية

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



VISION:

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

MISSION:

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



B o a r d o f



Board of Directors



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



Dr. Moayyed Bin Issa Al Qurtas
Vice Chairman and CEO



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



Dr. Ihsan Bin Ali Buhlaigah



Dr. Saleh Bin Jameel Malaikah



Eng. Talal Bin Ibraheem Al Mayman



Dr. Nazeeh Bin Hassan Naseef



Eng. Salah Bin Abdulwahab Al Terkait



Eng. Mohamed Bin Owaith Al Joaid



Mr. Hisham Sayed Abdulrazzaq Al Rouzouki



A tall industrial distillation column stands prominently at night, its structure illuminated by a dense network of bright blue lights. The column is surrounded by a complex web of pipes, scaffolding, and structural steel, creating a highly detailed and industrial scene. The lighting highlights the metallic surfaces and the intricate framework, giving the image a futuristic or high-tech appearance. The background is a deep blue, suggesting a clear night sky. The overall composition emphasizes the scale and complexity of the industrial facility.

A Word from



A Word from The Chairman

Since its establishment, 25 years ago, TASNEE has been progressing in steady and firm steps, which confirm its sound approach and the comprehensiveness of its strategy that deals with global and regional changes with responsibility and care.

We, in Saudi Arabia in particular and in the Arab region in general, are within the global system which is affected positively and negatively by such changes whose impact differ from a country to another according to its economic, financial, and human capabilities.

TASNEE, despite the current economic crisis, is going ahead in careful and considered steps towards the achievement of its goals and the execution of its projects at the national and global levels. Our factories and operations have extended worldwide and our activities have covered petrochemical, chemical and mining industries as well as down stream industries with the needed marketing activities. Besides, we have more than one center for research and development to support our industries with advanced technologies.

TASNEE has, in response to the requirements of this new stage of growth and global outlook, further developed its vision "To be a leader in its industries and keen on responsibility towards its stakeholders and society at large". Moreover, it has developed the theme of its mission to be "Achieving profitable and sustainable growth through the development of best business practices".

Our confidence is great in God the Almighty and then in our strong economy which will not be affected too much by the world recession, as the world demand is growing on the long run for the petrochemical and chemical products which are essential building blocks for the world economy together with other non-petroleum commodities.

In conclusion, I and my colleagues, the members of the Board of Directors express our thanks and appreciation to all personnel working for TASNEE Group for the efforts they exerted and will exert for the success of TASNEE and its sister companies.

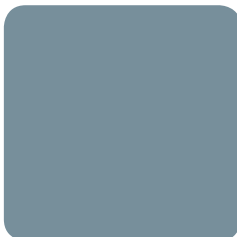
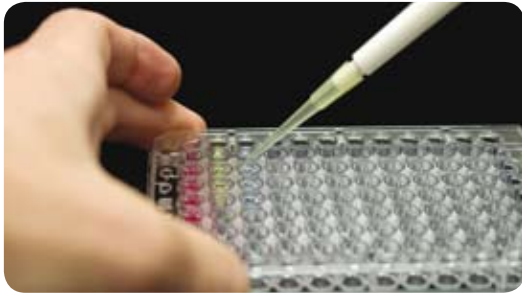
Engineer/ Mubarak Bin Abdallah Al-Khafra

Board of Directors Report for 2008AD.



The Board of Directors of National Industrial Company is pleased to present to the shareholders its annual report from January 1, 2008 until December 31, 2008, accompanied by audited financial statements and including the most important developments, results and activities of projects.

By the grace of God, the year 2008 was a distinguished one as to performance and realizing significant accomplishments where the company continued enhancing its position and power, completion of its projects as well as studying new projects despite prevailing global conditions and recession of world economy. Following, is a preview of the most important developments and achievements:



First: The corporate capital

Based on the approval of the company's extraordinary general assembly in its session held on 21/5/1429AH, corresponding to 26/5/2008AD, the company increased its capital from SAR (3.495.735.750) to SAR (4.606.846.860) SAR by issuing 111.111.111 priority equity shares limited to the company stakeholders listed in its records at the closing of stock exchange of the day of holding the extraordinary general assembly.

Second: Types of the company's main activities

The activity of the company (the headquarters) is represented in investments in industrial field, transferring advanced industrial technology to Saudi Arabia in the field of manufacturing and processing petrochemicals and chemicals, engineering and mechanic industries, management and acquisition of industrial projects and marketing their products. For the activity of the affiliated companies, it is represented in the field of manufacturing and marketing the industrial products, and the activity of petrochemicals includes the field of producing ethylene, polyethylene, propylene and polypropylene. The industrial field activity includes producing and marketing titanium dioxide and production of liquid batteries for cars as well as industrial uses and production of lead, plastic products of all kinds and production of acrylic sheets. For the other activities, they are represented in marketing plastic products and batteries, rendering technical services, performing technical tests to equipment and industrial installations, chemical, petrochemical and metallic factories and plants of desalination and generating electric power.

Below is a table showing the impact of each of said activities on the volume of the company's works:

	Industrial sector	Petrochemicals sector	Main center & other activities	Total
Percentage of sales	74%	24%	2%	100%

Third: Performance of Affiliates:

1- National Titanium Dioxide "Cristal Global":

It is a limited liability company based in Jeddah province

Due to slow world demand for the product especially in the last quarter of this year, production was reduced to about 140.000 tons in 2008 in Yanbu CRIYAL. In the other factories of the company, production amounted to about 600.000 tons while the company in Yanbu is still continuing the expansion in production capacity with a view to attain a capacity of 180.000 tons per year. As it is known, CRIYAL owns and operates factories for this product in North America and South America, Europe and Australia in addition to its facilities in Yanbu.

2- Saudi Polyolefins Company:

It is a limited liability company based in Jubail Industrial City.

In 2008, production of polypropylene totaled about 484.000 tons compared to the design capacity of 450.000 tons a year. However, the company is

striving to expand the production capacity to reach 720.000 tons of which it completed about 87.9%. Additionally, the company completed 2.4 million working hours without injuries by the end of the year 2008.

3- TASNEE and SAHARA Olefins Company:

It is a closed joint stock company – based in Riyadh:

It practices its activities through its affiliates:

3-1 Saudi Ethylene and Polyethylene Company (SEPC):

3-1-1 Ethylene factory:

The initial production started in August 2008. The operation is going on reaching 50% to 60% of design capacity. Total production as from the beginning of operation till 31 December amounted to about 190.000 tons of ethylene and about 42.000 tons of propylene.

3-1-2 Polyethylene Factory:

Production of high-density polyethylene (HDPE) started in this factory in November 2008 with a production capacity amounted to 65% to 70% of design capacity. Operation of low-density polyethylene (LDPE) factory is expected to start early in the year 2009AD.





3-2 Saudi Acrylic Acid Company:

A limited liability company (under establishment):

Memos of Understanding have been signed with the foreign partner regarding technology and contribution in the establishment of the project. Work is in progress for establishing the company.

4- The National Lead Smelting Company "RASASS": it is a limited liability company, based in Riyadh City:

It is considered as the largest producer of lead material in the region having two factories, in Riyadh and Jeddah. RASASS has been busy striving to improve and develop its operations, and it became the main lead supplier for battery factories in Saudi Arabia.

5- Rowad National Plastic Company "ROWAD": a limited liability company based in Riyadh City:

It is considered one of the largest producer of specialized plastic sheets in the Kingdom. It has diversified production through its different projects producing plastic sheets, geo-membranes, and plastic products using injection molding in addition to expanding plastic recycling. Work progress in new projects is detailed as follows:

- Work has started in geo-membrane liner project which is the first project of its kind in Saudi Arabia producing plastic membranes of special specifications used largely in water projects.
- The equipment has begun arriving for the Bi-axially Oriented Polypropylene Films Project (BOPP), and the project is expected to start operation by the end of the third quarter of 2009. BOPP Films are used for several uses, and mainly for wrapping and preserving foods.

6- National Batteries Company "BATTARIAT":

a limited liability company, based in Riyadh City:

It is considered as one of the largest manufacturers of auto batteries in the region with its design productive capacity exceeding 2 million batteries per annum. BATTARIAT has launched its new batteries that do not need maintenance (SMF), in markets.

7- National Inspection & Technical Testing Company "FAHSS":

a limited liability company, based in Dammam city:

It is one of the leading companies in the field of technical inspection and testing of industrial facilities, granting world quality and standardization certificates (ISO). FAHSS has signed contracts with many leading companies in KSA such as: Saudi Aramco, Saudi Electricity Company, and others. It has expanded its activities in the Gulf Region through its affiliate "TUV - Middle East", which signed contracts with several leading companies and organizations in GCC States.

8- National Industrialization Petrochemicals Marketing Company:

a limited liability company, based in Riyadh City:

It is considered as one of the most important private-sector companies in marketing and selling polypropylene products of all kinds. It has recently started marketing and selling polyethylene. The strength points of the company are represented in technical and marketing skills, caring for customers' needs and ensuring quality and reliable and timely delivery; this helped the company to

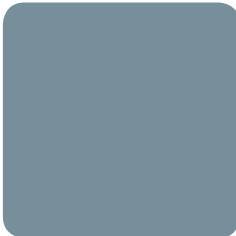
occupy a leading position among competitive companies. Moreover, the company is marketing and exporting products to its customers in more than 25 countries.

9- National Operation & Industrial Services Company "KHADAMAT":

a limited liability company, based in Riyadh City:

It is considered as one of the largest companies in marketing plastic sheets and auto batteries

- Change in world economy regarding recession and stagnation affecting in turn reduction of demand for the company's products of petrochemicals and titanium dioxide, and consequently reduction of prices of such products.
- Change in prices of raw materials of products on which the company depends greatly.



in Saudi Arabia. It has realized good growth in its profits from its investments and marketing activities. Work is going on well in local market.

10- The company's uniqueness:

TASNEE obtained the Award for "The Company of the Year in Saudi Arabia" in 2008 granted annually by The Arabian Business Magazine. TASNEE also achieved the position of the second largest Saudi petrochemical company in all sectors in classification of Saudi top 100 companies for the year 2008. It advanced to the 14th position in 2008 progressing from the 16th position in 2007 general classification of the Top 100 Saudi companies, by The Saudi Company for Research and Publishing.

Fourth: Risks:

The main activities of the company are generally focused on petrochemical industries and titanium dioxide which could be affected by the following risks:

- Competition risks: the company sells its products in competitive markets where selling transactions are subject to world factors of supply and demand. Such markets have periodical nature at the level of demand for products and prices.
- The company and its affiliates is managed by a choice of the best Saudi and international efficient personnel, and the stability of this leadership is one of the most important elements influencing the development and continuity of the company's performance
- The company is keen on developing and establishing a number of expansion projects consistent with its strategic plans; these projects may be subject to postponing or increase in cost.

Fifth: Future Projects:

- The company is currently holding discussions with some of the companies specialized in certain areas. Those discussions will be declared after studying the available options and reaching an agreement for executing them.
- **TASNEE Center for Plastic Products Development:** This center has been designed on a world standard such that it will be a support for the manufacturing process in the company and to assist supporting industries based on plastic industries in the area. The center will contribute in developing such industries in addition to training the personnel on duty and customers by opening the door of cooperation and communication with universities and world technical institutes. Works of establishing the center are expected to be completed in 2009.

Sixth: Sister Companies:

TASNEE is participating in several industrial companies the most important of which are the following:

	Name of Company	Main Activity	Activity Location	TASNEE Ownership Percent %
1	National Metal Manufacturing & Casting Co. "MAADANIAH"	Wires and Metallurgy	Jubail/ Dammam	35.46%
2	National Packing Products Company "WATAN PAC"	Carton Production and Marketing	Riyadh	42.6%
3	National Environmental Preservation Co. "BEE' AH"	Treatment of Hazardous Wastes	Jubail	32.33%

Seventh: Work Outputs For Last Five Fiscal Years:

TASNEE occupies a strong financial position and positive financial indexes that support its projects for expansion in investments and strategic alliances which help in continuous growth and strengthening its position in local and world markets. The table below shows the work outputs of the last five fiscal years:

Year	Amount in SAR millions				
	Total Assets	Total Liabilities	Shareholders' Equity	Sales	Net Profits
31 March 2005	5.269	2.765	1.815	1.541	317
31 March 2006	6.839	3.018	2.067	2.846	370
31 December 2006	10.357	3.118	5.567	3.241	693
31 December 2007	24.653	16.093	5.939	7.227	661
31 December 2008	30.423	20.478	7.318	10.037	601
Growth during 5 years	477.4%	640.6%	303.2%	551.3%	89.6%

Eighth: Financial Outputs:

The growth of the operations of the company and subsidiary companies is reflected on the financial position of the company, as follows:

Geographic Analysis for Revenues:

Region	KSA	GCC	Middle East	Africa	Indian continent	East Asia	Europe	USA
Sales percent	14%	7%	11%	9%	3%	17%	22%	16%



Profits:

Net profits for the period from 1/1/2008 to 31/12/2008AD amounted to SAR (600.851.000), a reduction of 9% less than last year.

Shareholders' Equity:

Shareholders' equity by the end of December 2008 amounted to SAR (7.317.761.000) by an increase of 23.20% more than last year.

Total Assets:

By the end of December 2008, they totaled SAR (30.422.659.000) by an increase of 23.40% than last year.

Borrowings:

By the start of 2008, the company did not have direct facilitations and, during the year, it obtained facilitations of (550) million riyals, and all such facilitations are complying with the Islamic Shariaa bearing in mind that these facilitations do not include financing the affiliated companies projects and their banking facilitations obtained directly by the company and disclosed in audited consolidated financial statements for the year 2008.

Ninth: Profit Distribution Policy:

Decision of profit distribution falls under the jurisdiction of the general assembly according to a recommendation by the company Board of Directors. It relies mainly on the amount of net profits realized in each year and the size of expenditure expected on future investment projects and on expected cash flows.

The company distributed cash profits to shareholders for the year 2007 at a rate of one (1) riyal per share, i.e. (10%) of nominal capital. This distribution was approved by the general assembly on 26/5/2008.

Tenth: The Board Of Directors Recommendation Regarding Profits For The Year 2008:

The Board of Directors recommends a dividends of SAR (460.684.686) at a rate of one (1) Riyal per share, i.e. (10%) of nominal capital, which was forwarded to the general assembly for approval. The table below shows the profits balance:

Amounts in thousands riyals	Description
1.022.270	Returned Earning
600.851	Net income for the year
(60.085)	Amounts transferred to statutory reserve
(460.685)	Proposed dividends
(2.000)	Board of Directors remuneration
1.100.351	Balance

Eleventh: Formation of the Board:

The Board is constituted from ten members whose membership expires on 5/7/2010AD, as follows:

Name	Membership Type	The other listed Joint companies in which he subscribed to membership of their Boards of Directors
Eng/Mubarak bin Abdallah Al-khafra Chairman of the Board	Executive member	- Malath Insurance Company
Dr/ Moayyed bin Issa Al-Qurtas Vice Chairman and CEO	Executive member	- National Manufacturing & Casting Co (Maadaniyah) - Saudi Potter Pipes Production Co.
Dr/ Talal bin Ali Al-Sha'er Deputy CEO for Cristal Global	Executive member	- Saudi Iak Company
Dr/ Ihsan bin Ali Buhlaigah	Independent member, & Non-executive	- Malath Insurance Company
Dr/ Saleh bin Jameel Malaikah	Independent member, & Non-executive	- Saudi Iak Company
Eng/ Talal bin Ibraheem Al-Mayman	Independent member, & Non-executive	- Safola Company - Kingdom Holding Company
Dr/Nazeeh bin Hassan Naseef	Independent member, & Non-executive	- Saudi Drug Industries & Medical Supplies Co. (SPIMACO)
Eng/Salah bin Abdulwahab Al-Terkait	Independent member, & Non-executive	
Eng/Mohammad bin Owaidh Al-Joaid	Independent member, & Non-executive	
Mr/ Hisham Sayed Abdulrazzak Al-Rourzouki	Independent member, & Non-executive	- Alzamil industrial investment Company

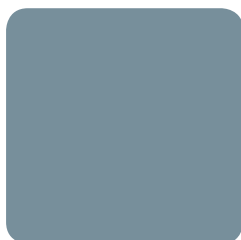
Twelfth: The Board of Directors Meetings:

During 2008, the Board held seven (7) meetings with attendance as follows:

The Board members	Total attendances
Eng/Mubarak Bin Abdallah Al-Khafra	6
Dr/ Moayyed Bin Issa Al-Qurtas	7
Dr/ Talal Bin Ali Al-Sha'er	7
Dr/ Ihsan Bin Ali Buhlaigah	7
Dr/ Saleh Bin Jameel Malaikah	3
Eng/ Talal Bin Ibraheem Al-Mayman	3
Dr/Nazeeh Bin Hassan Naseef	7
Eng/Salah Bin Abdulwahab Al-Terkait	7
Eng/Mohammad Bin Owaidh Al-Joaid	5
Mr/ Hisham Sayed Abdulrazzak Al-Rourzouki	2

Thirteenth: Compensations & Bonuses of the Board of Directors Members and CEOs:

	Executive Members of the Board	Non-Executive Members of the Board/ Independent	Five CEOs who received highest bonuses & compensations including executive manager & finance manager
Salaries & Compensations	-	-	3.031.000
Allowances	85.391	229.907	12.000
Periodical & Annual Bonuses	5.037.500	-	1.793.000
Incentive Plans	-	-	-
Compensations & Real Benefits	151.375	-	71.000



Fourteenth: Corporate Governance:

The Board approved the corporate governance guide which the company observes its items and adheres thereto. It also applies most of the rules contained in the corporate governance regulation issued by the Capital Market Authority in KSA and is completing setting a number of policies and procedures in the form of regulations.

Rules of the corporate governance regulation that are not applicable in the company are detailed as follows:

Article No.	Its content	Reasons for non-application
6/b	Accumulative voting for electing the Board members	Voting for election of members of the Board according to the Articles of the Company shall be made pursuant to traditional method consistent with the corporate system.
6/d	Reviewing annual reports for investors having judicial capacity such as investment funds in order to be acquainted with their policies in voting..	Difficulty of application due to its connection with other persons' policies which were not stated publicly
10/z	Setting written policies that organize relation with stakeholders for protecting them and their rights	Contracts guarantee that, and there was no need for the Company to set written policies for that.
12/d	Commitment not to combine between the post of the Board Chairman and any executive post	The company's present need requires benefiting from capabilities of the Board's chairman in its executive tasks
12/p	Commitment of the person, having judicial capacity with the right- according to the company Articles- to nominate his representatives in the Board, not to vote on election of other members	This provision is not applicable to the Company because there is not a provision in the Articles giving the judicial bodies the right to nominate their representatives in the Board.
14/8	Revision committee to perform a study of the initial annual financial statements before being forwarded to the Board	This rule has been applied relating to auditing annual financial statements; but as to initial or quarterly financial statements, the multiple of the affiliates and the short duration available make it difficult for the review committee to accomplish that within regular durations
15/c/3	The Nominations and awards committee to review the structure of the Board and forward recommendations regarding changes that can be made	The committee is newly formed and it did not see it necessary to perform changes in the Board structure.
15/c3	The Nominations and awards committee to define the weakness and strength points in the Board and to propose remedy	The committee was formed after the start of the preset Board session, and it will discuss this matter before elections of nomination for next session.

Fifteenth: Disclosures:

1. The Company declares that no penalty or precautional restriction have been imposed on the company by the Capital Market Authority or by any other judicial, supervisory or regulatory authority.
2. The Company declares that no member in the Board has any direct or indirect interest in business and contracts made for the Company, and that all members in the Board do not have any participation in any business causing competition against the Company, or trading in any of the branches of the activity it is practicing. Besides, the company did not impose or guarantee any of the Board members against any loan or commitment whatsoever.



- 3. Transactions with related parties:** There were no contracts with parties having relations with the Board members or the delegated member or finance manager or any of his relatives.
4. The Capital Market Authority has been informed and the Company has been notified – according to Article 30 of Registration and Listing Rules – of the rights of the company “Swicorp Jousour”, where ratio of shares owned by it or it has interest in it increased from 2.4% on 31/12/2007 to 6.7% on 31/12/2008.

Sixteenth: The Board of Directors Committees:

The Board of Directors approved regulations for each of: the Executive Committee, Auditing Committee, Nominations and Bonuses Committee and Management Committee. These regulations defined the formation of each of these committees, its membership duration, tasks, powers, procedures and work method and meetings, and liabilities awards of its members. These committees are formed as follows:

A) The Executive Committee:

1	Eng/ Mubarak Bin Abdallah Al-Khafa	Chairman
2	Dr/ Moayyed Bin Issa Al-Qurtas	Member
3	Dr/ Talal Bin Ali Al-Sha'er	Member
4	Eng/ Talal bin Ibraheem Al-Mayman	Member
This committee held 8 meetings during 2008.		

B) Audit Committee:

1	Dr/ Ihsan Bin Ali Buhlaigah	Chairman
2	Dr/ Saleh bin Jameel Malaikah	Member
3	Eng/ Mohammad Bin Oawaidh Al-Joaid	Member
4	Mr/ Ali Bin Mohammad Al-Sashaa	Member
This committee held 2 meetings during 2008.		

The Company is committed to its internal audit guide approved by the Board of Directors. This committee practices its powers according to rules, standards and regulations applicable, and it performs assessment of the internal control system and complies with approved criteria for auditing in Saudi Arabia in addition to requirements of the company's regulations. The results of the annual review of the efficiency of the internal control procedures showed that the internal control system of TASNEE had been prepared on sound foundations and had been accomplished during 2008 professionally and efficiently.

C) Nominations and Awards Committee:

1	Eng/ Mubarak Bin Abdallah Al-Khafa	Chairman
2	Dr/ Moayyed Bin Issa Al-Qurtas	Member
3	Dr/ Nazeeh Bin Hassan Nasseef	Member
4	Mr/ Hisham Sayed Abdulrazzak Al-Rouzouki	Member
This committee held 3 meetings during 2008.		

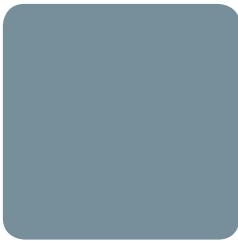
D) Management Committee:

1	Dr/ Moayyed Bin Issa Al-Qurtas	Chairman
2	Dr/ Talal Bin Ali Al-Sha'er	Member
3	Eng/ Saleh Bin Fahad Al-Nazha	Member
4	Mr/ Farraj Bin Mansour Abu Ethnain	Member
This committee held 8 meetings during 2008.		

Seventeenth: Property of the Board of Directors members & senior executives in the company's shares:

Name	No, of shares owned in the company as on 31/12/2007	No, of shares owned in the company as on 31/12/2008
Eng/ Mubarak Bin Abdallah Al-Khafra	1.802.061	2.100.661
Dr/ Moayyed Bin Issa Al-Qurtas	372.924	495.482
Dr/ Talal Bin Ali Al-Sha'er	48.253	63.590
Dr/ Ihsan Bin Ali Buhlaigah	2.400	3.162
Dr/ Saleh Bin Jameel Malaikah	42.300	63.392
Eng/ Talal Bin Ibraheem Al-Mayman	13.600	14.919
Dr/Nazeeh bin Hassan Naseef Share of SPIMACO	18.341.400	24.171.469
Eng/ Salah Bin Abdulwahab Al-Terkait Share of National Industrialization Group (NIG)	18.341.400	24.369.185
Eng/ Mohammad Bin Owaidh Al-Joaid	21.000	38.310
Mr/ Hisham Sayed Abdulrazzak Al-Rouzouki Share of Gulf Investment Corporation (GIC)	27.680.850	36.853.188





Eighteenth: The Company Auditors:

The extraordinary General Assembly agreed in its thirteenth meeting held on 26/5/2008 upon nominating Messrs./ Bakr Abulkhair & Co. Bureau (Deloitte & Touche Certified Accountants) as auditors of the company's accounts for the fiscal year ending on 31/12/2008.

Nineteenth: Zakat and statutory payments:

Zakat due on National Industrialization Company alone amounted to SAR (388.000) for 2008, and payments for social insurances subscriptions totaled SAR (976.861).

Twentieth: Social Contribution:

The Company made a contribution to social, charity and developmental activities, for the service of the country and its people. The company was very keen on diversifying the beneficent bodies and categories where several charity societies in different parts of the Kingdom benefited from the contributions made by the company, besides contributing to a variety of social service projects. Amounts approved for this year totaled SAR (4.559.000).

Twenty First: Manpower & Training:

The number of the company employees as on 31/12/2008 was (964) employees, of whom (532) are Saudis. This also includes the company's employees in petrochemical factories in Jubail but it does not include the affiliates' employees.

Twenty Second: Confirmation of the Board of Directors Members:

Based on information that has come to our knowledge, and according to auditors' report and results and data of local market and prospective indications, we declare the following:

1. Accounts registers have been prepared properly.
2. The internal control system has been established on sound foundations and executed efficiently.
3. There is no doubt at all regarding the company's ability to resume its activity.

Following this review, the Board of Directors forwards the following agenda to the ordinary General Assembly:

1. Approving the Board's report for the fiscal year ending on 31/12/2008.
2. Approving the report of the external auditors report and balance sheet of the company as on 31/12/2008 and computing and approving the profits and losses for the period from 01/01/2008 till 31/12/2008.
3. Agreeing upon the appointment of the independent auditors from candidates nominated by the auditing committee for auditing the financial statements for the year 2009, and quarterly financial statements, and determining his fees.
4. Approving the Board's recommendation for distributing cash profits to shareholders at a rate of one riyal per share, i.e. 10% of nominal capital, provided that priority in profits shall be given to shareholders registered in the company's records at Saudi Stock Exchange (TADAWUL) by the end of closing market of the day of holding the general assembly.
5. Release of the members of the Board of Directors for the fiscal year ending in 31/12/2008.

Gratitude & Appreciation:

Chairman and members of the Board of Directors would like to extend their gratitude and appreciation to the Custodian of the Two Holy Mosques King Abdullah Bin Abdulaziz Al Saud and his Loyal Crown Prince, HRH Prince Sultan bin Abdulaziz Al-Saud for what they rendered to promote our national industries. Our thanks are also extended to The Ministry Industry & Commerce, The Ministry of Petroleum & Mineral Resource, Saudi ARAMCO, Saudi Industrial Development Fund, Royal Commission for Jubail & Yanbu, Capital Market Authority, Economic Offset Program, General Investment Authority, Saudi Development Fund, The Public Investment Fund, and to all other governmental sectors for their continuous support. The Board also extends its gratitude to esteemed shareholders for their support, confidence, and to company employees for their fruitful efforts.



A Word from The an CEO



A Word from The Vice-Chairman and CEO

Whatever the designations given to the current world economy status, recession, contraction or stagnation; they are indications of the new stage the world economy is passing through. They appeared clearly towards the end of the past year, 2008, but their early symptoms appeared in different proportions during last years in different regions of the world.

Nevertheless, achievements, which we are proud of, have been accomplished during the elapsed year whether in relation to projects construction and expansions or production and sales as well as at the level of realized profits.

At the level of projects, the new ethylene plant in our large petrochemical complex at Jubail industrial city started production, its annual capacity is one million tons of ethylene and 285 thousand tons of propylene. Additionally, 400 thousand tons of high-density polyethylene and 400 thousand tons of low-density polyethylene per annum will be produced. The National Titanium Dioxide Company (Cristal Global), through its factories worldwide, is going ahead with expanding and integrating its activities. Moreover, work is proceeding on the acrylic acid project and its derivatives where a memorandum of understanding has been signed with the foreign partner regarding partnership and technology licensing in preparation for the establishment of the project company. Also, TASNEE is currently holding discussions with some foreign companies specialized in certain areas and evaluating relevant available options which will be declared when the company reaches agreements for their execution.

At the financial level, TASNEE has achieved profits amounting to 601 million SAR, and the company shareholders' equity totaled 7,318 million SAR in 2008, while the assets amounted to 30,423 million SAR.

Furthermore, TASNEE has been recognized as "The Company of The Year 2008" by "Arabian Business Magazine". TASNEE has also been ranked as the second largest Saudi petrochemical company, in the annual classification by the Saudi Company for Research and Publishing. TASNEE has also obtained the post 14 in the general classification for all sectors carried out for "The Top 100 Saudi Companies".

All these achievements could have not been realized without the grace of God then the support of shareholders and devotion of the employees at TASNEE and its affiliated and sister companies.

Dr. Moayyed Bin Issa Al Qurtas

National Industrial (Saudi Joint-St



lization Company
(Public Company)



Financial Statement

As of 31st December 2008

INDEPENDENT AUDITORS' REPORT

To the shareholders
National Industrialization Company
(A Saudi Joint Stock Company)
Riyadh, Saudi Arabia

Scope of Audit

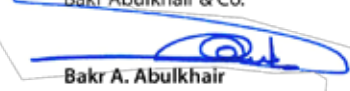
We have audited the consolidated balance sheet of National Industrialization Company (A Saudi joint stock company) as of December 31, 2008, and the related consolidated statements of income, changes in shareholders' equity and cash flows for the year then ended, and notes 1 to 36 which form an integral part of these consolidated financial statements as prepared by the Company in accordance with Article 123 of the Regulations for Companies and presented to us with all the necessary information and explanations. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

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

Unqualified Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the National Industrialization Company as of December 31, 2008, and the consolidated results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting standards appropriate to the nature of the Company, and comply with the relevant provisions of the Regulations for Companies and the articles of the Company as these relate to the preparation and presentation of these consolidated financial statements.

**Deloitte & Touche
Bakr Abulkhair & Co.**



Bakr A. Abulkhair
(License No. 101)
Safar 22, 1430
February 17, 2009

Member of
Deloitte Touche Tohmatsu

Consolidated Balance Sheet
As Of December 31, 2008

	Note	2008 SR'000	2007 SR'000
ASSETS			
Current assets			
Cash and cash equivalents	3	3,613,989	2,204,871
Short term investments		-	25,000
Accounts receivable	4	1,720,836	2,001,666
Inventories	5	2,545,169	2,116,277
Prepaid expenses and other assets	6	574,811	426,735
Total current assets		8,454,805	6,774,549
Non-current assets			
Investments in financial instruments available for sale		6,230	-
Investments in associated companies and other	7	850,341	510,391
Investments in Governmental Development Bonds		-	316,055
Property, plant and equipment, net	8	8,053,256	6,506,112
Projects under construction	9	9,198,294	6,860,939
Intangible assets, net	10	3,367,890	3,470,750
Other non-current assets	11	491,843	214,569
Total non-current assets		21,967,854	17,878,816
TOTAL ASSETS		30,422,659	24,653,365
LIABILITIES AND EQUITY			
Current liabilities			
Short-term facilities and murabaha	12	1,090,796	468,688
Current portion of long-term loans	13	535,153	403,661
Current portion of deferred gains on a sale and lease back transactions	14	28,433	23,257
Current portion of obligation under capital leases	15	112,500	-
Accounts payable	16	943,781	1,481,038
Accrued liabilities and other	17	1,593,658	1,286,207
Total current liabilities		4,304,321	3,662,851

	Note	2008 SR'000	2007 SR'000
Non-current liabilities			
Long-term loans	13	12,976,829	9,990,011
Interest rate Swaps		637,374	91,954
Deferred gains on a sale and lease back transactions	14	149,272	145,358
Obligation under capital leases	15	1,387,500	1,312,500
End-of-service indemnities	18	90,380	71,127
Other non-current liabilities	19	932,264	819,431
Total non-current liabilities		16,173,619	12,430,381
Total liabilities		20,477,940	16,093,232
Equity			
Shareholders' equity			
Share capital	1	4,606,847	3,495,736
Share premium	1	1,763,929	888,079
Statutory reserve	20	297,329	237,244
Retained earnings		1,100,351	1,022,270
Proposed dividends	21	460,685	349,574
Other reserves	22	(911,380)	(54,365)
Total shareholders' equity		7,317,761	5,938,538
Minority interests		2,626,958	2,621,595
Total equity		9,944,719	8,560,133
TOTAL LIABILITIES AND EQUITY		30,422,659	24,653,365

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

Consolidated Statement Of Income
For The Year Ended December 31, 2008

	Note	2008 SR'000	2007 SR'000
Sales		10,037,141	7,226,696
Cost of sales		(7,982,949)	(5,381,306)
Gross profit		2,054,192	1,845,390
Selling and marketing expenses	24	(688,227)	(451,544)
General and administrative expenses	25	(391,540)	(275,475)
Company's share in net income of associated companies		43,430	30,572
Income from operations		1,017,855	1,148,943
Income from investments and other	26	214,941	114,927
Diminution in value of other investments		-	(38,229)
Financing charges		(529,750)	(324,807)
Income before zakat and income tax and minority interests		703,046	900,834
Zakat and income tax on subsidiaries	28	55,988	(21,077)
Minority interests		(157,795)	(214,383)
Income before zakat		601,239	665,374
Zakat	28	(388)	(4,238)
NET INCOME FOR THE YEAR		600,851	661,136
Earnings per share in Saudi Riyals			
From operations	29	2,48	3,29
From net income for the year	29	1,47	1,89

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

Consolidated Statement Of Changes In Shareholders' Equity
For The Year Ended December 31, 2008

	Note	2008 SR'000	2007 SR'000
Share capital			
Balance, January 1		3,495,736	2,330,491
Transfer from share premium		-	1,165,245
Increase in share capital	1	1,111,111	-
Balance, December 31		4,606,847	3,495,736
Share premium			
Balance, January 1		888,079	2,053,324
Share premium	1	875,850	-
Transfer to share capital		-	(1,165,245)
Balance, December 31		1,763,929	888,079
Statutory reserve			
Balance, January 1		237,244	171,130
Transfer from net income	20	60,085	66,114
Balance, December 31		297,329	237,244
Retained earnings			
Balance, January 1		1,022,270	778,822
Net income for the year		600,851	661,136
Transfer to statutory reserve	20	(60,085)	(66,114)
Proposed dividends	21	(460,685)	(349,574)
Board of directors' remuneration	21	(2,000)	(2,000)
Balance, December 31		1,100,351	1,022,270
Proposed dividends	21	460,685	349,574
Other reserves			
Change in fair value cash flow hedge position	22	(327,929)	(112,828)
Foreign currency translation adjustments	22	(333,741)	70,606
Pension liability adjustments	19	(109,925)	(29,334)
Unrealized losses from interest rate Swaps		(139,785)	-
Prior year adjustments	34	-	12,623
Others		-	4,568
Balance, December 31		(911,380)	(54,365)
TOTAL SHAREHOLDERS' EQUITY		7,317,761	5,938,538

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

Consolidated Statement Of Cash Flows
For The Year Ended December 31, 2008

	2008 SR'000	2007 SR'000 (Restated)
OPERATING ACTIVITIES		
Net income for the year	600,851	661,136
Adjustments:		
Depreciation	697,381	368,809
Amortization	84,273	50,321
Amortization of deferred gains	(24,551)	(11,629)
Company's share in net income of associated companies	(43,430)	(30,572)
End-of-service indemnities	11,956	19,454
Changes in operating assets and liabilities:		
Short term investments	25,000	(19,241)
Accounts receivable	377,126	104,799
Inventories	(236,509)	(283,212)
Prepaid expenses and other assets	(85,725)	(195,745)
Other non-current assets	(115,263)	66,172
Accounts payable	(649,513)	(217,209)
Accrued liabilities and other	295,898	950,291
Other non-current liabilities	(153,981)	107,475
End-of-services indemnities paid	(6,042)	(3,176)
Net cash from operating activities	777,471	1,567,673
INVESTING ACTIVITIES		
Purchase of financial instruments available for sale	(6,230)	-
Acquisition of subsidiaries	(706,905)	(4,220,128)
Investments in associated companies and other	(1,153,535)	1,936,276
Investment in Governmental Development Bonds	316,055	(316,055)
Additions to property, plant and equipment	(1,453,841)	(2,107,665)
Additions to projects under construction	(2,337,355)	(6,765,218)
Additions to intangible assets	(37,907)	(751,425)
Net disposal of property, plant and equipment	489,540	1,198,819
Net disposal of intangible assets	56,494	-
Net cash used in investing activities	(4,833,684)	(11,025,396)
FINANCING ACTIVITIES		
Increase in share capital	1,111,111	-
Share premium	875,850	-
Short-term facilities and Murabaha	622,108	181,747

Consolidated Statement Of Cash Flows (Continued)
For The Year Ended December 31, 2008

	2008 SR'000	2007 SR'000 (Restated)
Long-term loans	3,012,973	8,204,848
Obligation under capital leases	187,500	1,312,662
Dividends paid	(349,574)	(233,049)
Minority interests	5,363	801,230
Net cash from financing activities	5,465,331	10,267,438
Net change in cash and cash equivalents	1,409,118	809,715
Cash and cash equivalents, January 1	2,204,871	1,395,156
CASH AND CASH EQUIVALENTS, DECEMBER 31	3,613,989	2,204,871
NON-CASH TRANSACTIONS		
Share premium	-	(1,165,245)
Increase in share capital	-	1,165,245
Property, plant and equipment acquired on capital lease	187,500	1,312,500
Other reserves	(911,380)	(66,988)
Deferred gains on a sale and lease back transactions	33,641	180,244
Amortization of intangible assets capitalized as part of project under construction	27,482	26,429

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

1. ORGANIZATION AND ACTIVITIES

National Industrialization Company ("NIC") is a Saudi joint stock company registered in Riyadh on Shawwal 7, 1405H (corresponding to September 25, 1985) under Commercial Registration No. 1010059693. The Company was formed pursuant to the Ministerial Resolution No. 601 dated Thul Hijjah 24, 1404H. On May 26, 2008 the Extraordinary General Assembly approved the increase of the Company's share capital from SR 3,495,736 thousand to SR 4,606,847 thousand, divided into 460,685 thousand shares, by issuing 111,111 thousand shares of SR 10 each with a share premium SR 8 each.

The principal activities of the Company and its subsidiaries are investing in industrial projects, transfer of advanced industrial technology to the Kingdom, in particular, and to the Arab region, in general, in the areas of manufacturing, and transforming petrochemicals, and chemical, mechanical and engineering industries, and the management and ownership of petrochemical and chemical projects and marketing their products. The activities also include providing technical industrial services and manufacturing of steel and non-steel castings, production of towed wires, spring wires, steel wires for cables, twisted re-enforcement wires to carry the electrical conductors, twisted re-enforcement wires for concrete and welding wires. They also include production and marketing of liquid batteries for vehicles and for various industrial uses and the production and marketing of lead, polypropylene and sodium sulfate. They also include conducting technical tests on industrial facilities, chemical, petrochemical and metal plants, and water desalination and electricity generating plants; setting up all types of plastic industries and production and marketing acrylic boards; the production and marketing of titanium dioxide and the production of ethylene, propylene, polypropylene and polyethylene.

The Company has specialized mines and operations for the production of Al-Rutayl which is the raw material for producing the Titanium Dioxide.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of consolidation

The consolidated financial statements include the accounts of National Industrialization Company (the Company) and its subsidiaries (the Group) in which the Company owns more than 50% equity interest or has control. For the purposes of preparing the consolidated financial statements, all significant inter-company transactions and balances between the subsidiaries and the Company have been eliminated. The consolidated financial statements as of December 31, 2008 and 2007 include the following subsidiaries:

Company's Name	Legal Structure	Ownership percentage	
		2008	2007
Al-Rowad National Plastic Co. (ROWAD) and its subsidiaries	Limited liability	100	100
National Industrialization Petrochemical Marketing Co.	Limited liability	100	100
National Worldwide Industrial Advancement Ltd. Company	Limited liability	100	100
National Gulf Company for Petrochemical Technology	Limited liability	100	100
National Industrialization Company for Industrial investments	Limited liability	100	100
Saudi Global Makasib for Trading and Industry	Limited liability	100	-
National Petrochemical Industrialization Company	Limited liability	100	-
National Batteries Co. (BATTARIAT)	Limited liability	80	80
Saudi Polyolefins Co. (SPC)	Limited liability	75	75
National Lead Smelting Ltd. Co. (RASASS) and its Subsidiary	Limited liability	74.90	74.90
The National Titanium Dioxide Ltd. Co. (CRISTAL) and its Subsidiaries	Limited liability	66	66
National Operation and Industrial Services Co. (KHADAMAT)	Limited liability	61.66	61.66
Tasnee & Sahara Olefins Co. and its subsidiary	Saudi joint stock	60.45	60.45
National Inspection and Technical Testing Co. Ltd. (FAHSS)	Limited liability	57.94	57.94
TUV – Middle East	Limited liability	57.94	57.94

Al-Rowad National Plastic Co. (Rowad)

Al-Rowad National Plastic Co. owns 70% of the share capital of the Rowad International Geosynthetics Co. Ltd. which is a Saudi limited liability company registered in Riyadh.

During 2008, the company had invested 50% in Rowad International for Enfolding Ltd. (Limited liability company), which has a capital amounting to SR 65 million. The investment has been recorded at cost as the company was still at the stage of development and has not issued financial statements for the 2008.

National Lead Smelting Co. (Rassas)

National Lead Smelting Co. owns 100% of the share capital of the Technical Tetravalent Company for Lead Recycling, which is a limited liability company registered in Jeddah.

Tasnee & Sahara Olefins Co.

Tasnee & Sahara Olefins Co. owns 75% of the share capital of the Saudi Ethylene and Polyethylene Company which is a limited liability company under development. The company is currently going through the development stage as its production facilities are under construction at the Jubail Industrial City. Mechanical completion of these plants is expected to be completed during the 1st quarter of 2009 and commercial production is expected to commence during completed 2009 following the completion of the operation, testing and acceptance formalities with the main contractors.

The National Titanium Dioxide Company Limited (Cristal)

The National Titanium Dioxide Company Limited (Cristal) is a Saudi limited liability company, organized in accordance with the regulations for companies in the Kingdom of Saudi Arabia with its head office located at Jeddah. Cristal owns 100% of subsidiaries companies in each of Cristal Inorganic Chemicals Limited in a Cayman Island, Cristal Australia P.T.Y. Ltd. in Australia and Cristal U.S.A., located in the United States of America.

The principal activity of the Company and its subsidiaries is the manufacture and marketing of Titanium Dioxide.

During 2007, Cristal Inorganic Chemicals Limited had been consolidated based on the company's drafted financial statements, whereas during 2008 the differences have been adjusted between the draft financial statements used in consolidation and the final financial statements issued by the company (Note 34).

In July 17, 2008, Cristal (a subsidiary), through its wholly own subsidiary Cristal USA, has acquired International Titanium Powder (ITP) at a cost of US\$ 110 million (SR 412.5 million), which is an American Company that has research center and testing laboratory for producing Titanium Powder. In addition, the company has a patent for the production of high purity Titanium at low production cost.

During 2008 Cristal Company, through its wholly owned subsidiary Cristal Australia, has acquired Be-Max Resources NL (Be-Max) by purchasing the remaining share of 65,46% at a cost of US\$ 188 million (SR 706 million).

The interim financial statements of Be-Max Resources NL (Be-Max) have been consolidated within the interim financial statements of National Industrialization Company in accordance with the purchase method followed in Accounting Standards which requires the distribution of the full purchase price over the fair value of the purchased assets and liabilities and recording the difference between the fair value of the net assets and their book value as goodwill. The Company is currently completing the procedures for evaluating assets and liabilities that have been recognized based on an initial assessment. As a result some adjustments over the net assets' value may occur upon the completion of the valuation exercise. Note that the International Accounting Standards allows a 12 months grace period to complete the valuation work.

The acquisition has been recorded on the basis of purchase method. Cristal Australia allocated the acquisition price based on the assumed fair value of the acquired assets and liabilities, which exceeds the net book value. Accordingly, the adopting of purchase accounting policy will lead to less depreciations and amortization expenses in the future.

Accounting convention

The consolidated financial statements are prepared and derivative financial instruments the historical cost convention except for the measurement of available for sale securities and derivative financial instrument at fair value, and accounting for investments in associated companies on the equity basis..

Use of estimates

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

Sales recognition

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

A subsidiary company markets its products through other subsidiaries owned by the shareholders (referred hereto as "the Marketers"). Sales are made directly to the end customers and to the Marketers in Europe. Sales made through distribution channels of the Marketers are recorded at provisional prices at the time of shipment of goods, and are subsequently adjusted based on actual selling prices received by the Marketers from their end customers, after deducting the cost of shipping, distribution and marketing.

Expenses

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

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

Borrowing costs

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

Cash and cash equivalents

Cash and cash equivalents include cash, Islamic murabaha, and highly liquid investments with original maturities of three months or less..

Financial assets and liabilities

Investments are recognized and de recognized on trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the time frame established by the market concerned, and are initially measured at fair value, net of transaction costs except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value.

Other financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss', 'held-to-maturity investments', 'available-for-sale' financial assets, and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. Loans and advances are initially measured at fair value and, if interest bearing, are subsequently measured at amortized costs. Non-interest bearing loans and advances are subsequently measured and stated at cost less any impairment losses.

Financial liabilities are classified according to the substance of the contractual arrangements entered into. Financial liabilities are either classified as fair value through profit or loss or other financial liabilities. Financial liabilities through profit or loss are stated at fair values with the resultant gain or loss recognized in the consolidated statement of income. Other financial liabilities are initially measured at fair value net of transaction costs. These are subsequently measured at amortized cost using the effective interest rate method.

Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined, for finished goods and work-in-process, on the weighted average cost basis and includes cost of materials, labor and an appropriate proportion of direct overheads. All other inventories are valued on a weighted average cost basis.

Property, plant and equipment

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

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

Projects under construction

Projects under construction represents all costs relating directly and indirectly to the projects in progress and are capitalized as property and equipment when the project is completed.

Turnaround costs

Costs of major maintenance and repairs incurred as part of substantial overhauls or turnarounds of major units at the subsidiaries' manufacturing facilities are capitalized and amortized using the straight line method over the period until the next planned turnaround, predominantly 18 months to 3 years. These costs are necessary to maintain, extend and improve the operating capacity and efficiency rates of the production units.

Investments in financial instruments available for sale

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

Investments in associated companies and other

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

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

Investments in Governmental Development Bonds

Investments in Governmental Development Bonds represent held to maturity investments that are stated at amortized cost. Revenue is recognized on accrual basis.

Impairment of assets

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

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

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

Exploration and evaluation costs

Pre-licence costs recognised in the consolidated statement of income as incurred.

Exploration and evaluation costs, including the costs of acquiring licenses, are capitalized as exploration and evaluation assets (E&E assets) on an area of interest basis pending determination of the technical feasibility and commercial viability of the project. When a licence is relinquished or a project is abandoned, the related costs are recognized in the consolidated statement of income immediately.

E&E assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount (see the impairment of assets policy note). For the purposes of impairment testing, E&E assets are allocated to cash-generating units consistent with the determination of areas of interest.

Once the technical and commercial viability of extracting a mineral resource is determined, E&E assets attributable to those reserves are first tested for impairment and then reclassified from E&E assets to mine development assets within property, plant and equipment.

Expenditure deemed to be unsuccessful is recognized in the consolidated statement of income immediately.

Intangible assets

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

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

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

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

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

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

Deferred debt issue costs

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

Provisions

A provision is recognized in the consolidated balance sheet upon the existence of a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. Following are the accounting policies adopted for recognizing some of the provisions:

▪ Asset retirement obligation

The Group records an estimated liability for the future cost to close its facilities under certain lease agreements and the scheduled closure of certain landfills and recognizes the cost over the useful life of the related asset. The Group records a discounted liability for the fair value of an asset retirement obligation and a corresponding increase to the carrying value of the related long-lived asset is recorded at the time the asset is acquired. The Group amortizes the amount added to property and equipment and recognizes accretion expense in connection with the discounted liability over the estimated remaining life of the respective long-lived asset.

▪ Rehabilitation and mine closure costs

Provision is made for anticipated costs of restoration and rehabilitation work necessitated by disturbance arising from exploration, evaluation, development and production activities. Costs included in the provision comprise land reclamation, plant removal and on going re forestation programs.

Rehabilitation and mine closure costs are provided for at the present value of the expenditures expected to settle the obligation at the reporting date, based on current legal requirements and technology. Future rehabilitation and mine closure costs are reviewed annually and any changes are reflected in the present value of the provision during the current period.

The cost of rehabilitation and mine closure is capitalized as property and equipment to the extent it gives rise to future economic benefits. The amount capitalized is amortized as part of property and equipment using the units of production method.

▪ Environmental remediation costs

Anticipated expenditures related to investigation and remediation of contaminated sites, which include current and former plant sites and other remediation sites, are accrued when it is probable a liability has been incurred and the amount of the liability can reasonably be estimated. Only ongoing operations and monitoring costs, the timing of which can be determined with reasonable certainty, are discounted to present value. Future legal costs associated with such matters, which generally cannot be estimated, are not included in these liabilities.

End-of-service indemnities

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

Zakat and taxes

In accordance with the Regulations of the Department of Zakat and Income Tax (DZIT) in the Kingdom of Saudi Arabia, zakat is provided for on accruals basis. The provision is charged to the consolidated statement of income. Any differences resulting from the final zakat assessments are adjusted in the year of their finalization. Foreign shareholders in subsidiaries are subject to income tax which is included in minority interest in the consolidated financial statements.

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

Deferred tax assets are recorded for temporary differences between the carrying amount of assets and liabilities in the consolidated financial statements and the carrying amounts for tax purposes. In addition, deferred taxes are recognized for tax loss carry forwards to the extent that it is probable that future taxable profit for the relevant tax authorities will be available against which the tax loss carry forwards can be utilized.

Deferred tax liabilities are recorded for temporary difference between the carrying amount of assets and liabilities in the consolidated financial statements and the carrying amounts for tax purposes to the extent that there is a surplus of deferred tax liabilities relating to the relevant tax jurisdictions.

Leasing

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

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

Finance costs, which represent the difference between the total leasing commitments and the lower of the present value of the minimum lease payments or the fair market value of the assets at the inception of the lease, are charged to the consolidated statement of income over the term of the relevant lease in order to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

Rentals payable under operating leases are charged to income on a straight line basis over the term of the operating lease. In the case of operating leases, substantially all the risks and rewards of ownership of the relevant assets in the lease agreement remain with the lessor.

Business combinations

Acquisitions of subsidiaries and business are accounted for using the purchase method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, in exchange for control of the acquire, plus any costs directly attributable to the business combination. The acquirer's identifiable assets, liabilities and contingent liabilities that meet the conditions are recognized at their fair values at the acquisition date, except for non-current assets (or disposable groups) that are classified as held for sale which are recognized and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognized as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognized. If, after reassessment, the Group's interest in the net fair value of the acquirer's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognized immediately in the consolidated statement of income.

The minority interest in the acquire is initially measured at the minority interest's proportion of the net fair value of the assets, liabilities and contingent liabilities recognized.

Minority interests

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

Derivative financial instruments and hedge accounting

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

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

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

Foreign currency translation

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

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

Joint ventures

Joint ventures are those that are established by contractual agreement among the partnering parties. The Group record its share of the joint ventures' financial statements by recognizing its share of the assets, liabilities, incurred expenses, and income earned from the sale of goods or services provided by such joint ventures.

3. CASH AND CASH EQUIVALENTS

	2008 SR'000	2007 SR'000
Cash on hand and at bank balances	801,442	513,832
Short-term deposits and murabaha	2,812,547	1,691,039
	3,613,989	2,204,871

Cash and cash equivalents as of December 31, 2008 include restricted cash balance of SR 217 million held as security for banking facilities utilized by subsidiaries.

4. ACCOUNTS RECEIVABLE

	2008 SR'000	2007 SR'000
Trade receivables	1,403,062	1,480,796
Due from related parties (Note 23)	343,759	529,971
Allowance for doubtful accounts	(25,985)	(9,101)
	1,720,836	2,001,666

5. INVENTORIES

	2008 SR'000	2007 SR'000
Finished goods	1,193,273	1,053,847
Raw materials	641,393	513,313
Supplies and spare parts	431,670	404,794
Work-in-process	183,675	128,157
Goods-in-transit	95,158	16,166
	2,545,169	2,116,277

6. PREPAID EXPENSES AND OTHER ASSETS

	2008 SR'000	2007 SR'000
Prepaid expenses	137,240	109,722
Advances to suppliers	136,710	137,695
Employees' receivables	20,506	10,683
Accrued revenues	14,644	21,158
Refundable deposits	13,000	3,975
Other debit balances	252,711	143,502
	574,811	426,735

7. INVESTMENTS IN ASSOCIATED COMPANIES AND OTHER

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

	Shareholding	2008 SR'000	2007 SR'000
Be-Max Resources NL (Be-Max) (Note 2)	100	-	167,736
International Titanium Powder (ITP)	100	396,345	-
National Metal Manufacturing and Casting Co. (Maa'dania)	35.45	120,672	112,276
National Environmental Preservation Co. (Bee'a'h)	32.33	40,202	28,638
Rowad International for Enfolding Ltd.	87.5	56,875	-
National Paking Products Co. Ltd. (Watan – Pac)	42.6	25,303	21,277
Total investments in associated companies		639,397	329,927
Add: Investments in other companies		210,944	180,464
Total investments in associated companies and other		850,341	510,391

During the year, the National Titanium Dioxide Limited Company Cristal (Subsidiary) through its wholly own subsidiary, Cristal U.S.A., has acquired International Titanium Powder Company (ITB) at a cost of US\$ 110 million (SR 412.5 million), ITB is an American Company which has research center and testing laboratory for the production of titanium powder, as well as it has a patent for the production of high purity titanium powder at low cost.

The indirect investment at International Titanium Powder Company (ITB), mentioned above, has been recorded on the basis of equity method instead of the consolidation basis as ITB is currently in the process of evaluating its assets and liabilities to apply the purchasing process, where the purchase price will be allocated on assets and liabilities as per estimated fair value. The excess in the purchase price over the estimated fair value of the purchased assets will be recorded as goodwill.

Both Al-Rowad National Plastic Limited Co. (subsidiary) and National Industrialization Petrochemical Marketing Co. (subsidiary) invested in 87,5% of Rowad International for Enfolding Co. Ltd. (a limited liability company), which has a capital of SR 65 million. The investment has been recorded as at December 31, 2008 at cost as the company is still at the formation stage and the first set of financial statements will be issued in 2009.

8. PROPERTY, PLANT AND EQUIPMENT, NET

	Buildings and constructions SR'000	Machinery and equipment SR'000	Tools SR'000	Furniture, fixtures and office equipment SR'000	Vehicles SR'000	Computers SR'000	Mine development SR'000	Catalysts SR'000	Capital expenditure in progress SR'000	Total SR'000
Cost										
January 1, 2008 as previously reported	597,900	6,747,590	11,078	45,379	28,811	35,256	-	49,865	167,419	7,683,298
Prior year adjustments	(5,170)	(761,006)	-	236,335	872	(1,187)	-	-	477,618	(52,538)
January 1, 2008 as restated	592,730	5,986,584	11,078	281,714	29,683	34,069	-	49,865	645,037	7,630,760
Additions	115,704	806,304	754	7,541	13,357	3,958	765,034	-	1,021,413	2,734,065
Disposals	-	(207,917)	-	(207)	(3,046)	(737)	-	-	(2,310)	(214,217)
Currency translation adjustment	(10,819)	(262,099)	-	-	-	-	-	-	(48,673)	(321,591)
Transfers	-	415,695	-	-	-	-	-	-	(415,695)	-
December 31, 2008	697,615	6,738,567	11,832	289,048	39,994	37,290	765,034	49,865	1,199,772	9,829,017
Depreciation										
January 1, 2008 as previously reported	87,466	1,020,976	4,798	25,411	21,057	23,199	-	10,685	-	1,193,592
Prior year adjustments	(2,624)	(63,442)	-	(249)	(228)	(2,401)	-	-	-	(68,944)
January 1, 2008 as restated	84,842	957,534	4,798	25,162	20,829	20,798	-	10,685	-	1,124,648
Charge for the year	10,991	535,550	963	4,922	5,022	4,329	96,424	39,180	-	697,381
Disposals	-	(42,497)	-	(203)	(2,833)	(735)	-	-	-	(46,268)
December 31, 2008	95,833	1,450,587	5,761	29,881	23,018	24,392	96,424	49,865	-	1,775,761
Net book value										
December 31, 2008	601,782	5,287,980	6,071	259,167	16,976	12,898	668,610	-	1,199,772	8,053,256
December 31, 2007	507,888	5,029,050	6,280	256,552	8,854	13,271	-	39,180	645,037	6,506,112

As of December 31, 2008 property, plant and equipment includes plant of SR 1.5 billion (2007: SR 1.3 billion) and accumulated depreciation of SR 118 million (2007: SR 38.6 million) that had been sold and leased back (note 15).

Additions during the year included property and equipment of SR 1.28 billion acquired at fair value as a result of acquiring Be Max (Note – 33).

9. PROJECTS UNDER CONSTRUCTION

The balance of projects under construction as of December 31 consists the following:

	2008 SR'000	2007 SR'000
Ethylene and Polyethylene Project (A)	9,056,948	6,809,311
Other projects (B)	141,346	51,628
	9,198,294	6,860,939

- A) Project under construction represents the costs incurred by one subsidiary for the construction of ethylene and polyethylene plants and related facilities at Jubail Industrial City, Kingdom of Saudi Arabia. Construction related costs at December 31, 2008, comprise construction costs under various agreements and direct costs incurred to bring the asset to the location and condition set by the operating requirements of the managements. Directly attributable costs include employee benefits, site preparation costs, installation costs, licensing fees, professional fees and borrowing costs. The Company has leased the land, over which the facilities are being constructed from the Royal Commission then the land was subleased to the subsidiary at nominal rent. This lease expires in the Hegira year 1452, with an option for renewal. Finance costs capitalized during the year amounted to SR 354.6 million (2007: SR 166.4 million). During 2008, the cost of the projects and the construction was reduced by the revenue from the sale of ethylene, an intermediate product, amounting to SR 92.5 million.
- B) Other projects consist as at December 31, 2008 from amounts paid by the Company for the Methanol, Acetic acid and studies to develop other projects.

10. INTANGIBLE ASSETS, NET

	Pre-operating costs SR'000	Deferred Costs SR'000	Finance cost SR'000	Software implementa- tion costs SR'000	Technology and others SR'000	Goodwill SR'000	Total SR'000
Cost							
January 1, 2008 as previously reported	28,952	4,034	482,828	12,506	639,318	2,169,024	3,336,662
Prior year adjustments	-	-	(85,866)	(2,294)	43,009	316,616	271,465
January 1, 2008 as restated	28,952	4,034	396,962	10,212	682,327	2,485,640	3,608,127
Additions	2,573	-	16,417	167	18,750	-	37,907
Disposals	-	-	-	-	-	(56,494)	(56,494)
December 31, 2008	31,525	4,034	413,379	10,379	701,077	2,429,146	3,589,540
Amortization							
January 1, 2008 as previously reported	16,399	3,104	41,867	6,747	42,513	29,580	140,210
Prior year adjustments	-	-	(3,750)	(1,216)	6,598	(4,465)	(2,833)
January 1, 2008 as restated	16,399	3,104	38,117	5,531	49,111	25,115	137,377
Charge for the year	4,241	232	33,228	2,052	44,520	-	84,273
December 31, 2008	20,640	3,336	71,345	7,583	93,631	25,115	221,650
Net book value							
December 31, 2008	10,885	698	342,034	2,796	607,446	2,404,031	3,367,890
December 31, 2007	12,553	930	358,845	4,681	633,216	2,460,525	3,470,750

11. OTHER NON CURRENT ASSETS

	2008 SR'000	2007 SR'000
Deferred Income taxes	237,377	83,550
Exploration and evaluation costs, net	109,740	-
Prepaid bank fees	48,210	-
Deferred periodic maintenance costs	37,711	-
Deferred debt issue costs, net	12,579	44,108
Other	46,226	86,911
	491,843	214,569

Deferred taxes relate to subsidiaries of Cristal operating in various tax jurisdictions.

Exploration and evaluation costs are stated net of the impairment losses of SR 33.188 million.

12. SHORT-TERM FACILITIES AND MURABAHA

	2008 SR'000	2007 SR'000
Short-term facilities (A)	841,251	272,502
Murabaha mode (B)	215,635	187,742
Notes payable	33,910	8,444
	1,090,796	468,688

- A) Cristal has credit facilities from several banks, including bank overdraft account, short-term debt, letters of credit and guarantee, clean import loan and forward foreign exchange transactions including Islamic financing amounting to approximately SR 833 million. The facilities include certain covenants which provide amongst other items, maintenance of a minimum level of net worth and a minimum level of leverage ratio. The facilities are secured by promissory notes from one of the subsidiary.
- B) Some of the subsidiaries have entered into an Islamic financing arrangements (Master Murabaha Agreements) with a consortium of banks for an amount of SR 843 million. As of December 31, 2008, an amount of SR 216 million has been utilized. These facilities were issued against personal guarantees of the subsidiaries' partners and promissory notes. Also, certain subsidiaries' facilities are guaranteed by National Industrialization Company based on its proportionate holdings in these companies. Some of these facilities contain certain covenants on one subsidiary. The subsidiary was compliant with such covenants at December 31, 2008.

13. LONG-TERM LOANS

	2008 SR'000	2007 SR'000
Saudi Industrial Development Fund (SIDF)	1,402,685	1,010,500
Public Investment Fund Loan	1,500,000	-
Commercial banks	10,609,297	9,383,172
	13,511,982	10,393,672
Less: Current portion	(535,153)	(403,661)
Non-current portion	12,976,829	9,990,011

The loans from Saudi Industrial Development Fund are repayable in semi annual unequal installments commencing on various dates. Finance charges paid in advance are deferred and amortized over the periods of the loans. Commercial loans are repayable in unequal installments and bear finance charges based on prevailing market rates.

Cristal has a long-term debt agreement with Saudi Industrial Development Fund (SIDF) for an amount not to exceed SR 360 million, of which SR 237 million has been utilized (2007: SR 125 million), and is payables in semi-annual variable installments starting October 8, 2009. As collateral for this debt, the Company has mortgaged, to the order of SIDF, all the property and equipment of the Company, together with joint and personal guarantees from the shareholders. The SIDF debt agreement includes certain covenants which provide, amongst other items, restrictions relating to capital expenditures, maintains a minimum level of tangible net worth and a minimum current ratio as of December 31, 2008.

Tasnee & Sahra Olefins Co. through its subsidiary (Saudi Ethylene and Polyethylene Limited Company (SEPC), has both signed two term loan agreements of SR 600 million each with SIDF. These loans are guaranteed by promissory notes and mortgages on all present and future assets of the subsidiary company. The loans are payable in 14 unequal semi-annual installments commencing from July 17, 2011. As at December 31, 2008, SEPC has withdrawn SR 1,020 million (2007: SR 600 million) from the total facility.

SIDF has agreed to provide a loan for SR 400 million to Saudi Polylefins Company, which has been fully drawn down. This loan is guaranteed by promissory notes and mortgage on all present and future assets of the company. The loan is payable in 13 unequal semi annual installments commencing Sha'aban 15, 1427H (September 8, 2006). During 2007 and 2008, the company repaid an installment of SR 100 million and SR 90 million respectively. The SIDF loan agreement requires the company to maintain certain financial ratios and restrict dividends and certain other payments.

On April 20, 2007, the SEPC signed a term loan agreement of US\$ 400 million (SR 1,500 million) with the Public Investments Fund. This loan carries interest at LIBOR plus 0.5% and is repayable in twenty equal semi annual installments commencing from June 30, 2011. As at December 31, 2008, the company has withdrawn the full amount, which approximates SR 1,500 million.

Cristal obtained credit facilities from various banks for long-term debts including Islamic financing up to a maximum amount of SR 2.7 billion. The facilities are secured by demand order notes for SR 2.7 billion signed by the company. The facilities include certain covenants which provide amongst other items, maintenance of a minimum level of net worth and leverage ratio as of December 31, 2008.

On May 15, 2007 Cristal through its wholly owned subsidiary Cristal Inorganic Chemicals Limited (CIC), entered into SR 3,300 million (US\$ 880 million) senior secured credit facilities ("Credit Facilities"), of which SR 3.075 has been withdrawn. The Credit Facilities consist of (a) a First Lien Credit Agreement which includes a SR 375 million (US\$ 100 million) Revolving Credit Facility maturing on May 15, 2012 and a SR 2,063 million (US\$ 550 million) Term Loan maturing on May 15, 2014; and (b) a Second Lien Credit Agreement which includes a SR 863 million (US\$ 230 million) long-term loan maturing on November 15, 2014. All obligations of the Credit Facilities are guaranteed and secured by a pledge of collaterals by CIC and each material subsidiary. CIC has the right at any time to prepay any portion of the Credit Facilities in whole or in part, subject to certain provisions as described in the related credit agreement, at 100% of the principal amount. The Credit Facilities also contain certain mandatory prepayment provisions, as described in the related credit agreements.

SEPC has also entered into facility agreements with a syndicate of banks arranged through an inter-creditor agent. The facilities amount to SR 6,575.2 million in the form of a project tranche whereas SR 328.1 million and SR 543.7 million is in the form of a standby tranche and working capital tranche respectively. The company has drawn down SR 5,124.7 million from the project tranche up to the end of the year (2007: SR 4,672.2 million). During the year, SEPC repaid an amount of SR 743.7 million from the total outstanding amount. Repayment is in 22 semi-annual installments commencing from the first repayment date, which is the earlier of a) June 30 or December 31, falling at least six months after the project completion date and b) December 31, 2010. The project completion is expected in 2009 and hence no repayment will be due in next twelve months.

National Industrialization Company, has entered into long-term loan agreement with local commercial bank up to a maximum amount of SR 700 million, of which SR 550 million has been utilized as of December 31, 2008. The loan is payable in unequal semi annual installments commencing from April 30, 2010.

SEPC has entered into interest rate Swap contracts with foreign and local commercial banks to manage the exposure to volatility in interest rates for notional amounts ranging from US\$ 21.4 million to US\$ 127.3 million and Euro 29.5 million to Euro 101.6 million with no upfront premium. The option fixed rate is 5.19% and 3.80% per annum for US\$ and Euro borrowings respectively and these are exercisable effective from December 2006 on a quarterly basis, up to March 2015.

14. DEFERRED GAINS ON A SALE AND LEASE BACK TRANSACTIONS

	2008 SR'000	2007 SR'000
Deferred gains (Note 15)	177,705	168,615
Less current portion	(28,433)	(23,257)
Non current portion	149,272	145,358

15. OBLIGATIONS UNDER CAPITAL LEASES

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

	2008 SR'000	2007 SR 000
Within one year	112,500	-
Year two	168,750	98,438
Year three	187,500	147,656
Year four	187,500	164,063
Year five	187,500	164,063
Later than five years	656,250	738,280
Net minimum lease payments	1,500,000	1,312,500
Less: current portion	(112,500)	-
Non-current portion	1,387,500	1,312,500
Rental costs from capital leases recognized as an expense during the year	57,979	39,791

During 2007, the Saudi Polyolefins Company (subsidiary) has entered into a sale and leaseback facility agreement with a group of financiers. The net book value of assets sold under the above-mentioned facility amounted to US\$ 301.9 million (SR 1,132 million) and these were leased back to the company at US\$ 350 million (SR 1,312.1 million). The difference between the sales proceeds and net book value of US\$ 48.1 million (SR 180.4 million), will be amortized over the term of the finance lease and has been included in the consolidated balance sheet as deferred gains. The lease payments commence on March 31, 2009 and the final repayment date is March 31, 2015. The company has signed two order notes of the assets leased under the above-mentioned sale and leaseback facility agreement amounting to US\$ 350 million and US\$ 11.04 million (SR 1,312.5 million and SR 41.4 million respectively).

The subsidiary company, mentioned above, also entered into another sale and leaseback facility agreement with the group of financiers. The net book value of assets sold under this facility during the year 2008 amounted to US\$ 41.0 million and (SR 153.9 million) and these were leased back to the company at US\$ 50.0 million (SR 187.5 million). The difference between the sale proceeds and net book value of US\$ 8.9 million (SR 33.6 million) will be amortized over the term of the finance lease and has been included in the consolidated balance sheet as a deferred credit. The company has signed two order notes of the assets leased under the above mentioned sale and lease back facility agreement amounting to US\$ 50 million and US\$ 2.3 million (SR 187.5 million and SR 8.6 million respectively).

The above agreement require the company to comply with certain financial covenants in respect of maintenance of finance charges cover, finance service cover and minimum cash balances and limits on the amount of financial indebtedness.

In addition to the above mentioned agreement, the company has entered into a Murabaha agreement for the amount of US\$ 175 million (SR 656.3 million) with the same group of financiers. Murabaha payment commences from March 13, 2009 and the last repayment date is March 31, 2015.

16. ACCOUNTS PAYABLE

	2008 SR'000	2007 SR'000
Trade payables	920,706	1,474,009
Due to related parties	7,768	3,349
Others	15,307	3,680
	943,781	1,481,038

17. ACCRUED LIABILITIES AND OTHER

	2008 SR'000	2007 SR'000
Accrued liabilities	959,573	627,349
Other payables	329,878	347,079
Accrued employees' benefits	198,262	197,713
Provision for zakat (Note 28)	57,057	58,691
Dividends	43,822	40,113
Other provisions	5,066	15,262
	1,593,658	1,286,207

18. END-OF-SERVICE INDEMNITIES

	2008 SR'000	2007 SR'000
Balance, January 1	71,127	54,849
Payments during the year	(6,042)	(3,176)
Charge for the year	11,956	19,454
Transfer from acquired subsidiary company (Note 33)	13,339	-
Balance, December 31	90,380	71,127

19. OTHER NON-CURRENT LIABILITIES

	2008 SR'000	2007 SR'000
Pension and post retirement pension (A)	676,761	435,798
Deferred income tax liabilities (B)	112,042	52,646
Environmental liability	23,704	31,156
Insurance	13,763	14,256
Deferred income	10,256	1,954
Leharve site remediation accrual	-	242,940
Others	95,738	40,681
	932,264	819,431

- A) The obligations of the post-retirement benefits for Cristal Inorganic Chemical (CIC), Cristal's subsidiary, represent the post retirement benefits by which most of the employees and their dependents are provided with medical and life insurance under the relevant laws in those countries where such subsidiaries are located.

All other retirement plans sponsored by CIC are defined contribution plans. Retirement benefits are generally based on years of credited service and average compensation as defined under the respective plan provisions. CIC funds its non-US and US plans through contributions to pension funds, generally subject to minimum funding requirements as provided by applicable law.

American CIC's accrued benefit liability, other post retirement benefits, permanent transfer plans, SERP and non-U.S. pension benefits are included under other non current assets and liabilities at the consolidated balance sheet.

- B) Deferred income tax liabilities relate mainly to subsidiaries of Cristal operating in various tax jurisdictions.

20. STATUTORY RESERVE

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

21. PROPOSED DIVIDEND

The Board of Directors has proposed the following distributions from retained earnings:

- Distribution of cash dividends to the shareholders amounting to SR 460,685 thousand, which represent 10% of the share capital (SR 1 per share).
- Payment of SR 2 million as Board of Directors' remuneration.

22. OTHER RESERVES

Changes in cash flows hedge positions

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

Foreign current translation adjustments

The translation adjustments comprise all foreign exchange differences arising from translation of the financial statements of foreign subsidiaries, as well as from the translation of liabilities that hedge the Group's net investments in foreign subsidiaries.

23. RELATED PARTY TRANSACTIONS AND BALANCES

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

Significant related party transactions consists of the following:

	2008 SR'000	2007 SR'000
Sales to marketer	1,566,404	1,592,456

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

	2008 SR'000	2007 SR'000
Trade receivables – Marketer and its subsidiaries (Formerly Basell Asia Pasific Limited)	252,273	290,252
Basell Polyolefins Company NV	91,486	239,719
	343,759	529,971

24. SELLING AND MARKETING EXPENSES

	2008 SR'000	2007 SR'000
Freight charges	493,965	309,340
Salaries, wages and other benefits	112,892	74,778
Distributors' commissions	38,863	29,873
Transportation and travel expenses	14,480	13,108
Rent	10,520	4,913
Advertising, publicity and printing	9,557	9,474
Telephone and postage	3,348	1,312
Depreciation and amortization	2,353	1,921
Others	2,249	6,825
	688,227	451,544

25. GENERAL AND ADMINISTRATIVE EXPENSES

	2008 SR'000	2007 SR'000
Salaries, wages and other benefits	204,936	119,024
Research and development	92,144	62,878
Professional fees and legal consultations	45,734	33,793
Rent	12,204	4,347
Depreciation and amortization	8,526	13,819
Charitable contributions and social acts	7,170	7,208
Advertising and printing	2,644	3,050
Others	18,182	31,356
	391,540	275,475

26. INCOME FROM INVESTMENTS AND OTHER

	2008 SR'000	2007 SR'000
Gain from Murabaha and other	61,351	75,066
Foreign exchange differences	74,070	9,707
Compensations from insurance company	29,897	-
Amortization of deferred gains	24,551	11,629
Dividends received	8,337	6,804
Technology rights and other	4,215	10,431
Gain from sale of assets and investments	6,190	-
Others	6,330	1,290
	214,941	114,927

27. INCOME TAX ON SUBSIDIARIES

CIC is a Cayman Island registered company and as such is not subject to income tax in the Cayman Islands. CIC operates through its various subsidiaries in a number of countries throughout the world. Income taxes have been provided for based upon the tax laws and rates in the countries in which operations are conducted and income is earned. There is no expected relationship between the provision for or the benefit from income taxes and income or loss before income taxes because the countries in which the company operates have taxation regimes that vary not only with respect to the nominal tax rate, but also in terms of the availability of deductions, credits and other benefits.

The income taxes on CIC's subsidiaries is as follows:

	2008 SR'000	2007 SR'000
Provision for the year	2,648	-
Deferred provision (benefit)	(120,909)	(43,722)
Total provision (benefit) for income taxes	(118,261)	(43,722)

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes, as well as the net tax effects of carried forward operating losses.

28. ZAKAT

The Company and its subsidiaries, which are Saudi joint stock company and Saudi limited liability companies, present their financial statements and their zakat and income tax declarations to the Department of Zakat and

Income Tax on an individual basis.

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

	2008 SR'000	2007 SR'000
Share capital	3,495,736	2,330,491
Statutory reserve	237,244	171,130
Share premium	888,079	2,053,324
Retained earnings	1,022,270	778,822
Adjusted net (income) loss	23,327	(45,055)
Provisions	17,285	29,328
Property and equipment	(64,577)	(57,929)
Investments	(4,520,797)	(3,368,789)
Projects under construction	(141,346)	(51,628)
Intangible assets	(1,672,317)	(1,672,217)
	(715,096)	167,477

Provision for zakat has been calculated based on adjusted net income.

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

	2008 SR'000	2007 SR'000
Balance, January 1	4,184	3,915
Payments during the year	(4,165)	(3,969)
Provision for the year	388	4,238
Zakat provision for National Industrialization Company	407	4,184
Zakat and income tax provision for the subsidiaries	56,650	54,507
Balance, December 31	57,057	58,691

The zakat and income tax charge for the year are as follows:

	2008 SR'000	2007 SR'000
Zakat charge for National Industrialization Company	388	4,238
Zakat and income tax charge for subsidiaries	61,885	60,561
Income tax benefit (Note 27)	(118,261)	(43,722)
	(55,988)	21,077

The Company received the final zakat assessment for fiscal year 2004 which showed an additional zakat liability of SR 209 thousand, against which the Company has filed an objection. The Company has paid the zakat due for the fiscal years 2005 through 2007 based on zakat declarations but has not yet received the final zakat assessments from DZIT.

29. EARNINGS PER SHARE

Earnings per share from main operations and net income for the year are calculated by dividing the income from main operations and net income for the year by the weighted average number outstanding as of December 31, 2008 amounting to SR 409,683 thousand (2007: SR 349,574 thousand).

30. SEGMENT INFORMATION

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

	Industrial segment SR'000	Petrochemical segment SR'000	Head office & other SR'000	Eliminations SR'000	Total SR'000
The year ended December 31, 2008					
Total assets	12,397,989	14,002,791	8,261,549	(4,239,670)	30,422,659
Total liabilities	10,148,948	9,860,778	737,699	(271,485)	20,477,940
Sales	7,579,024	3,303,722	255,607	(1,101,212)	10,037,141
Gross profit	1,329,122	671,750	51,431	1,889	2,054,192
Depreciation and amortization	588,418	189,711	3,525	-	781,654
Operating income	435,576	539,514	613,629	(570,864)	1,017,855
Capital expenditures	569,680	3,118,391	103,125	-	3,791,196
The year ended December 31 2007					
Total assets	10,272,075	12,263,694	6,250,044	(4,132,448)	24,653,365
Total liabilities	8,402,635	7,852,163	151,762	(313,328)	16,093,232
Sales	4,999,807	2,921,617	200,005	(894,733)	7,226,696
Gross profit	1,009,575	793,322	44,007	(1,514)	1,845,390
Depreciation and amortization	234,604	181,437	3,089	-	419,130
Operating income	472,696	657,740	731,767	(713,260)	1,148,943
Capital expenditures	1,897,734	6,985,325	(10,176)	-	8,872,883

31. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments carried on the consolidated balance sheet principally include cash and cash equivalent, accounts receivables, other assets, accounts payable, borrowings and accrued and other liabilities.

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

Commission rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market commission rates. The subsidiaries have no significant commission bearing assets but have commission-bearing liabilities at December 31, 2008. The Company manages its borrowings made at floating rates by using floating-to-fixed interest rate swaps. Such commission rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Under the interest rate swaps, the Company agrees with the counter party to exchange, at specified intervals (mainly quarterly), the difference between fixed contract rate and floating rate commission amounts calculated by reference to the agreed notional principal amounts.

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

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

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

32. COMMITMENTS

Contingent liabilities and capital commitments

The Company has provided guarantees to commercial banks and to the Saudi Industrial Development Fund based on the Company's related percentage of ownership in certain companies. The total guarantees amounted to approximately SR 97 million as of December 31, 2008 (2007: SR 128 million).

Certain subsidiaries have outstanding commitments and contingencies as of December 31, 2008 in the form of letters of credit and letters of guarantee amounting to SR 645 million (2007: SR 341 million).

Certain subsidiaries have capital commitments for the acquisition of property and equipment amounting to SR 474 million (2007: SR 1,913 million).

CIC has various agreements for the purchase of ore used in the production of Titanium Dioxide and certain other agreements to purchase raw materials, utilities and services with various terms extending through 2020.

Operating lease arrangements

	2008 SR'000	2007 SR'000
Payments under operating leases recognized as an expense during the year	57,979	39,791

33. ACQUISITION OF SUBSIDIARY

As stated in note 2, the net assets of the subsidiary (Be Max) at the date of acquisition are as follows:

Cash and cash equivalents	136,515
Accounts receivable	96,296
Inventories	192,383
Prepaid expenses	62,351
Property, plant and equipment	1,280,224
Other non-current assets	162,011
Accounts payable	(112,256)
Accrued expenses	(43,194)
Long-term loan	(650,757)
End-of-service indemnities	(13,339)
Other non-current liabilities	(228,069)
Net assets acquired	882,165

For the purpose of consolidated statement of cash flows preparation, the above balances have been eliminated and the amount of SR 706,905 million, which is the net acquisition price, has been reflected as a separate line item in the consolidated statement of cash flows.

34. PRIOR YEAR ADJUSTMENTS

	Current assets SR'000	Non-current assets SR'000	Current liabilities SR'000	Non-current liabilities SR'000	Other reserves SR'000
Balance as of December 31, 2007 as previously reported	6,733,989	17,502,666	3,353,988	12,341,660	(66,988)
Prior year adjustments	40,560	376,150	308,863	88,721	12,623
Balance as of December 31, 2007 as reasted	6,774,549	17,878,816	3,662,851	12,430,381	(54,365)

35. RECLASSIFICATIONS

Certain figures for 2007 have been reclassified to conform to the presentation in the 2008.

36. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

These financial statements have been approved by the Board of Directors on February 17, 2009.

Company's



Directory



Establishment Date	: 20 / 03 / 1409 H
Major Shareholders	: National Industrialization Company 66% Gulf Investment Corporation 33% Dr. Talal Bin Ali Al Sha'er 1%
Objective & Activities	: Producing Titanium Dioxide pigment and using it in producing a group of products, like; CRISTAL 100, CRISTAL 113, CRISTAL 121, CRISTAL 122, CRISTAL 128, and CRISTAL 134.
Products	: Titanium Dioxide is the major substance used in painting, inks, plastic, rubber, paper, textile, ceramic tiles, cosmetics, pharmaceutical preparations and other industries.
Markets	: Industrial countries in Asia, Europe, America, Africa, Arab Region and Australia.
Location	: The headquarter is situated in Al Mustaqbal Towers 9 & 10 - Jeddah. P.O.Box 13586 - Jeddah 21414 Tel.: 02 652 9966 Fax: 02 652 9933
E-mail	: info@cristalglobal.com
Website	: www.cristalglobal.com
Location of factory	: Yanbu Industrial City, P.O.Box 30320, Tel.No.: 3212800 Fax No.: 3961018



Saudi Polyolefins Company (SPC)

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



Establishment Date	: 8/4/1427 H.
Major Shareholders	: National Industrialization Company 60.45% Sahara Petrochemical Company 32.55% General Organization for Social Insurance Est. 7%
Objective & Activities	: Establishments, managements, operations and acquisition of Petrochemical & Chemical projects, marketing their products and assume all relevant activities.
Location	: The headquarter is situated in Riyadh Sitteen Street - Malaz New Aqaria Building - Second Tower - 7th Floor. P.O.Box 26707 - Riyadh 11496 Tel.: 01 476 7166 Fax: 01 477 0898
E-mail	: general@tasnee.com
Website	: www.tasnee.com



Saudi Ethylene and Polyethylene Company (SEPC)

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



Establishment Date : 6 / 9 / 1422 H

One of TASNEE Affiliates

Objective & Activities : Marketing for others, Trading & Distribution agencies, Inspection & Survey Services, Packing Services, and its main activity is Marketing polypropylene and Polyethylene.

Markets : Kingdom of Saudi Arabia, Gulf States, India, Pakistan, Iran, Middle East, and Africa.

Location : The headquarter is situated Riyadh
Sitten Street - Malaz
Aqaria Building - First Tower - 2nd Floor.
P.O.Box 26707 - Riyadh 11496
Tel.: 01 473 4559
Fax: 01 473 4580

E-mail : marketing@tasneepetrochemicals.com

Website : www.tasneepetrochemicals.com





ROWAD National Plastic Company Ltd. "ROWAD"

Establishment Date	: 1992.
One of TASNEE Affiliates	
Objective & Activities	: Plastic converters and specialized engineering polymer products manufacturers.
Products	: "ROWAD PLASTIC" core business activities are in manufacturing the plastic sheets (such as polycarbonate, acrylic, ABS, polystyrene sheets), manufacturing the injection products (such as automotive batteries cases & covers, paint pails & covers), recycling waste plastic materials (such as recycling of Polypropylene (PP) automotive batteries.
Markets	: Kingdom of Saudi Arabia, GCC, most of Middle East, some of Asia, Europe and South Africa countries.
Location	: Headquarter and factories are located at Second Industrial Zone in Riyadh P.O. Box 29452 Riyadh 11457 Kingdom of Saudi Arabia Tel.: +966-1-2651966 Fax: +966-1-2651973
E-mail	: info@rowadplastic.com
Website	: www.rowadplastic.com





ROWAD International Company For artificial membrane Ltd.

Establishment Date	: 2006.
Major Shareholders	: Rowad National Plastic Co. Ltd. 70% Specialized Foreign Companies 30%
Objective & Activities	: Specialized Industrial Insulation materials.
Products	: "ROWAD GEO" core business activities are in manufacturing the Polyethylene (PE) Geo-membrane Liners in high density polyethylene (HDPE) and low density polyethylene (LDPE) rolls as single or double smooth & textured sided liners used for protection, transportation, collection and containment of liquids, solids and gases in a variety of construction applications.
Markets	: Kingdom of Saudi Arabia, GCC, most of Middle East, some of Asia, Europe and South Africa countries.
Location	: Headquarter is located at Second Industrial Zone in Riyadh P.O. Box 29452 Riyadh 11457 Kingdom of Saudi Arabia Tel.: +966-1-2651966 Fax: +966-1-2651973 Factory is located at Second Industrial Zone in Dammam
E-mail	: info@rowadplastic.com
Website	: www.rowadplastic.com





ROWAD Global Packaging Company Ltd. "ROWAD BOPP Films"

Establishment Date	: 2008
Major Shareholders	: Rowad National Plastic Co. Ltd. "ROWAD PLASTIC" 50% National Industrialization Petrochemical Marketing Co. 37.5% DMT Technology Inc. from Austria 12.5%
Objective & Activities	: Packaging Films.
Products	: "ROWAD BOPP Films" core business activities are in manufacturing the Bi-axially Oriented Polypropylene (BOPP) films for printing, lamination, packaging and coating in a wide range.
Markets	: Kingdom of Saudi Arabia, GCC, most of Middle East, some of Asia, Europe and South Africa countries.
Location	: Headquarter is located at Second Industrial Zone in Riyadh P.O. Box 29452 Riyadh 11457 Kingdom of Saudi Arabia Tel.: +966-1-2651966 Fax: +966-1-2651973 Factory is located at Second Industrial Zone in Dammam
E-mail	: info@rowadplastic.com
Website	: www.rowadplastic.com





National Batteries Company (BATTARIAT)

Establishment Date	: 08 / 05 / 1413 H
Major Shareholders	: National Industrialization Company 80% Local Partners 20%
Objective & Activities	: Production of automotive and industrial batteries.
Products	: Trade marked automotive batteries.
Markets	: Kingdom of Saudi Arabia and the neighbouring countries.
Location	: 2nd Industrial City 3rd Stage - Riyadh P.O.Box 177 - Riyadh 11383 Kingdom of Saudi Arabia Tel.: 01 265 0019 Fax: 01 265 0057
E-mail	: nbc@battariat.com
Website	: www.battariat.com





National Lead Smelting Co. (RASASS)

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





National Operation and Industrial Services Co. (KHADAMAT)

Establishment Date	: 29 / 07 / 1406 H
Major Shareholders	: National Industrialization Company 61.67% Local Partners 38.33%
Objective & Activities	: Marketing, Sale and distribution of industrial products, including car batteries, plastic sheets, imports & exports, trading agencies for industrial products, investment in industrial services fields including environment preservation services, quality services and technical testing.
Markets	: Domestic & Regional markets.
Location	: New Aqaria Building First Tower Sitteen Street - Malaz
Address	: P.O.Box: 86868 Riyadh 11632. Kingdom of Saudi Arabia Tel.: 01 476 2800 Fax: 01 476 0088
E-mail	: khadamatbp@hotmail.com





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

Establishment Date	: 29 / 07 / 1406 H
Major Shareholders	: National Industrialization Co. and Khadamat Co. 74.89% TUV NORD International German Co. 25.11%
Objective & Activities	: Provision of industrial services in Testing & Inspection, Calibration & Maintenance, Quality and Environment Management Systems (ISO), Foods Management Services (HACCP) Health & Safety and Information Technology, Environmental Evaluation and Training.
Services	: Quality Management Systems (ISO 9001) Environment Management Systems (ISO 14001), Occupational and Health Safety Systems (OHSAS 18001), Food Safety Management Systems (HACCP), Technical Inspection and Testing of boilers, compressors, cranes and lifting equipment, inspection and examination of the safety equipment, providing engineering consultations for qualification (ASME), performing non-harmonious tests (NDT), measurement and standardization of the measuring equipment and systems, and training on all these services.
Markets	: Kingdom of Saudi Arabia.
Address	: Head quarter: P.O. Box 3998, Dammam 31481, Kingdom of Saudi Arabia. Tel.: 03 828 1835 Fax: 03 828 1267
E-mail	: info@fahss.com - sales@fahss.com
Website	: www.fahsstuv.com
Branches	: Technical Inspection and Testing Branch (FAHSS / TUV AL Jubail) P.O. Box 10771, Al Jubail 31961, Kingdom of Saudi Arabia Tel.: 03 340 7607 / Fax: 03 340 7605 E-mail: info@fahsstuv.com Website: www.fahsstuv.co Gulf Lab for Measurements and Standardization (GEMS) P.O. Box 10166, Al Jubail 31961, Kingdom of Saudi Arabia Tel.: 03 341 9453 / 03 341 9452 / 03 341 9451 Fax: 03 341 7628 E-mail: info@gems-calibration.com Website: www.gems-calibration.com





TUV Middle East "TUV-ME"

Establishment Date

: 08 / 03 / 1425 H

Major Shareholders

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

Objective & Activities:

Providing technical inspection and testing, Quality and Environment Management Systems (ISO), Food Safety Management Systems (HACCP), Health & Safety, Information Technology, Environment Evaluation & Training.

Services

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

Markets

: GCC countries and some other Arab countries.

Location

: Head Quarter: P.O. Box 26674, Manama, Kingdom of Bahrain
Tel.: +973 1 787 7391 Fax: +973 1 787 7392

E-mail

: samsonb@tuv-nord.com

Website

: www.tuv.me.com

Branches

: Abu Dhabi Branch: P.O. Box 46030, Abu Dhabi – UAE
Tel: 971 2 447 8500, Fax: 971 2 447 8600
[E-mail: abudhabi@tuv-nord.com](mailto:abudhabi@tuv-nord.com)

Dubai Branch: P.O. Box 79123, Dubai – UAE
Tel: 971 4 345 6431, Fax: 971 4 345 6373
[E-mail: dubai@tuv-nord.com](mailto:dubai@tuv-nord.com)

Qatar Branch: P.O. Box 24922, Doha – Qatar
Tel: 974 4 620 186, Fax: 974 4 620 216
[E-mail: qatar@tuv-nord.com](mailto:qatar@tuv-nord.com)

Kuwait Branch: P.O. Box 29643, Al Safat 13157, Kuwait
Tel: 965 246 5962 Fax: 965 246 5964
[E-mail: kuwait@tuv-nord.com](mailto:kuwait@tuv-nord.com)

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





National Metal Manufacturing & Casting Co. (MAADANIAH)

Listed joint-stock company in TADAWUL

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





National Packing Products Company LTD. (WATAN PAC)

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





National Environmental Preservation Co. (BEE'AH)

Establishment Date	: 28 / 07 / 1408 H
Major Shareholders	: National Industrialization Company 32.33% Local Partners 67.67%
Objective & Activities	: - Collection, transportation and removal all types of waste. - Clear oil & Chemical pollution. - Cleaning Cities. - Environmental Studies. - Pollution monitoring, and environmental engineering & design. - Management and operation of various processing and purification units.
Services	: Transport and handling of hazardous waste, and management & operation of various handling and purification units.
Markets	: Kingdom of Saudi Arabia and GCC Countries.
Location	: Secondary Industries Area, Sector P Road 189, Al Jubail Industrial City
Address	: P.O.Box: 10628 Al-Jubail Industrial City 31961. Tel.: 03 358 8008 Fax: 03 358 8584
E-mail	: info@beeah.com
Website	: www.beeah.com



TASNEE ... Investment in Social Responsibility

Enhancing its role as a leading industrialization company, and being considered as one of the essential pillars of the development of Saudi economy, in addition to its locally and internationally active role, TASNEE initiated and participated in activation of social responsibility on the basis of providing support to

social service programs.

Beside its humanitarian role within which support has been provided for more than 200 charity societies all over Saudi Arabia, TASNEE is continually sponsoring, participating, and financing business incubators, entrepreneurs, and other different charitable activities.

TASNEE Supports (Insan)

Business Incubator



In May, 2008, HE Engineer/ Mubarak bin Abdallah Alkhafrah, TASNEE Board Chairman, and HE Dr. Homoud bin Abdulaziz Albadr, Secretary General of Insan Association for Orphans Care (INSAN), signed an agreement of cooperation between TASNEE and INSAN by which TASNEE finances establishing of a business incubator within INSAN main office for training orphans on using and maintaining the computer set during which those benefiting from this incubator are prepared for labor market and their English language skills are promoted. Furthermore, by this agreement, TASNEE provided INSAN with an aid of 500,000 SAR to be invested in establishing a business incubator and covering operational expenses for one complete year as from the date of signing said agreement.

In November 2008, INSAN honored TASNEE for its continuous efforts and aid provided for the society's activities, where Eng. / Mmubarak bin Abdallah Alkhafrah, Tasnee Board Chairman, received a Shield from Mr. Saleh bin Abdallah Al-Yousif, INSAN Director General, at TASNEE Headquarters in Riyadh.

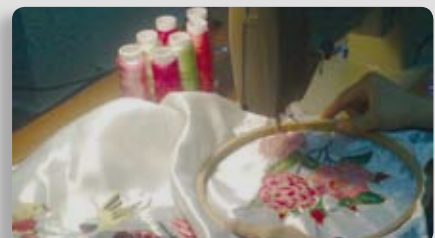
Mr. Al-Yousif conveyed the appreciation and thanks of INSAN Society Board chaired by HRH Salman bin Abdulaziz, Prince of Riyadh Region, to TASNEE for its efforts in the service of the Saudi society in general and of INSAN society in particular. Mr. Al-Yousif also emphasized the care of His Highness to encourage the public sector companies to undertake their role in the service of society and sponsoring and assisting all orphans.

Looking after Women's Programs: TASNEE Supports Al-Nahda Philanthropic Society for Women

Activating its leading role in the social responsibility and being keen on encouraging Saudi girls to practice free work, TASNEE, in collaboration with Al-Nahda Philanthropic Society for Women in Riyadh City, offered aid to the business incubator concerned with training the Saudi females on automatic embroidery and professional sewing, and needlework techniques. This business incubator aimed at developing the skills of Saudi girls and encouraging them to start their own projects which will enable them to secure suitable income for them and for their families and contribute to drive economical and social development wheel of the Kingdom.

In addition to training on skills of automatic embroidery of all kinds, the course included training the girls on selling and purchasing skills as well as skills of managing small businesses by practicing selling and marketing their products of sewing and embroidery of women's thobes and aba'at and some children's wear and pieces of furniture embroidered in different forms.

The volume of investment in this incubator amounted to 400,000 SAR which Tasnee had provided to establish it. This incubator launched its first session on 15 March, 2008.





Cooperating with Yanbu Charitable Association

TASNEE to Finance SOKIA Program in Yanbu Villages with Amount of SR 450.000



TASNEE supported and financed the SOKIA Program to secure fresh water for a group of villages and districts in Yanbu governorate. A cooperation Agreement was signed on 9th of July 2008 between TASNEE and Yanbu Charitable Association which concludes TASNEE responsibility of financing the program with 450.000 Saudi Riyals. This amount was directed to secure fresh water storage tanks with a capacity of 180.000 liters, in addition to providing water

pumps to lift water and purchasing a movable water tank with capacity of 32.000 liters to move water to villages and districts far from the project location.

This agreement reflects the fruitful cooperation between Tasnee, as one of the largest companies of private sector, and charity societies in Saudi Arabia. It is aimed also at activating the leading role which Tasnee is playing in driving the social and economical development wheel in KSA.

In The Month of Ramadan:

TASNEE Supports More than 190 Charity association

Resuming the approach undertaken by the company as one of the largest Saudi companies, and complementing its role in the social responsibility and believing in the importance of activating the role of private sector in supporting society service activities by supporting benevolent and charity societies, TASNEE offered a generous amount of 1,000,000 SAR as an annual support for benevolent activities in the Kingdom.

Tasnee support included charity & benevolent societies and the Holy Quran societies existing in 13 districts in Saudi Arabia.

Tasnee support to charity societies is made through a planned methodology and a long term strategy that yields its fruits permanently.

TASNEE Provides & Supports Social Programs and Finances Business Incubators

A Cooperation Agreement was signed between the Technical and Vocational Training Corporation (TVTC) and TASNEE which was signed by HE Eng. / Mubarak bin Abdallah Al-Khafra, Chairman of TASNEE Board, and HE Dr. Ali bin Nasser Alghofaiss, Governor of TVTC, on Saturday, March 8, 2008 at Equestrian Club HQ in Riyadh City. According to this agreement, TASNEE financed and looked after the business incubator provided by the entrepreneurs center in the TVTC during the year 2008. This agreement stipulates that TASNEE would provide 2,000,000 SAR for this purpose, of which a sum of 1,000,000 SAR would be assigned for financing business incubator supervised by human development center in Jazan, and a sum of 800,000 SAR for financing

a project for teaching sewing at Alha'er Correctional Facility or for one of the other prisons for training of prisoners on sewing profession.

Such care and aid provided consecutively by TASNEE for the third year highlight the extent of the continuous fruitful cooperation between entrepreneurs center in the TVTC and TASNEE. This also assures the need for further support and care for developing of human resources and enabling them to operate independently in such a way that achieves prosperity to our people and to our dear country, under new developmental trends the Kingdom is enjoying and the permanent need for technical and vocational qualification.

In Cooperation with (WIQAYAH):

TASNEE offers Donation for Printing 3,000,000 Special Publications

Realizing the danger of drugs and the necessity for awareness of their evils, TASNEE sponsored and financed a number of 2,000,000 flyers, which was distributed throughout the kingdom for awareness of the evils of drugs and taking required preventive measures in cooperation with The National Association for Drugs Prevention to protect youths of both sexes from falling into drugs addiction.

10 billion SAR Investment as a New Addition to Up-Stream industries:

King Abdullah Launches the New Complex of the Saudi Ethylene & Polyethylene Company in Jubail

Under the patronage of the Custodian of the Two Holy Mosques, HM King Abdallah bin Abdulaziz, the operation celebration for Saudi Ethylene and Polyethylene Company new complex was launched. This complex, which is one of TASNEE projects at Jubail industrial city, is one of the largest petrochemical projects of private sector, with investment size exceeding 10 billion SAR,.

This event occurred during King's patronizing Aramco 75 years celebration on May 24, 2008. Moreover, the Custodian of the Two Holy Mosques launched 14 projects, among which



was Saudi Ethylene and Polyethylene Company Complex. He also laid the foundation stones of 15 other projects.

Engineer Mubarak bin Abdallah Al-Khafra, Tasnee Board Chairman, expressed his great pleasure for the visit paid by King Abdullah to Jubail Industrial City and launching the new project of TASNEE. He also expressed his appreciation for the Custodian of the Two Holy Mosques who always used to support Saudi industry in general and projects of private sector in particular.

More Awards Obtained By Tasnee:

The Company of the Year - Saudi Second Largest Petrochemical Company – The Best Working Environment

TASNEE obtained the Award for "The Company of the Year in Saudi Arabia" for the year 2008 granted annually by The Arabian Business Magazine. TASNEE obtained this award as an appreciation of its role, efforts and success progression which has become an example for Saudi industrial companies.

On the other hand, Dr. Moayyed bin Issa Al Qurtass, TASNEE Vice Chairman and Chief Executive, indicated that this honoring is an assurance of the company's role and leadership, and it is really honoring of all who supported the company and backed it in its leadership role.

This award represents appreciation of excellence and professionalism that characterized TASNEE since its establishment in 1985 as first industrial joint stock company wholly owned by private sector. It is considered as an approval certificate of the Company's commitment to Saudi economy and as a leading company in Saudi industrial sector.

In a related field, Tasnee achieved the position of the second largest Saudi petrochemical company after SABIC in classification of Saudi top 100 companies for the year 2008. TASNEE also advanced to the 14th position in 2008 progressing from the 16th position in 2007 general classification of the Top 100 Saudi companies.

However, it is worth mentioning tat the list of the top 100 Saudi companies is a comprehensive classification which

the Saudi Company for Marketing and Researches used to perform annually and which is published in the two newspapers: "Aleqtissadia" and "Arab News".

Furthermore, Tasnee has won lately the first award for the best working environment in Saudi Petrochemicals sector in Saudi Arabia, according to Aleqtissadia newspaper, and in participation with One Team Company.





Financing Agreement of 1.5 Billion SAR Between Saudi Company for Ethylene and Polyethylene & Public Investment Fund

A financing agreement was signed on Sunday 20, April 2008, between Saudi Ethylene and Polyethylene Company, one of TASNEE Affiliates, and the Public Investment Fund in Riyadh, according to which the General Investment Fund offered a loan of 1.5 billion SAR for financing the completion of ethylene and polyethylene project which started production in October 2008.

On this occasion, Eng. / Mubarak bin Abdallah Al-Khafra, the Board Chairman of the Saudi Ethylene and Polyethylene Company, stressed the importance of this loan to the new project. Eng. / Al-Khafra appreciated the fruitful cooperation between industrial companies and The Public Investment Fund. He also expressed his thanks and appreciation to The Ministry of Finance and The Public Investment Fund for their continuous support to national industries in different fields.

Eng. /Saleh bin Fahd Al-Nuzha, Chief Executive Officer of Saudi Ethylene and Polyethylene Company and Senior Vice President for TASNEE Petrochemicals Complex, signed the agreement, on behalf of the Saudi Ethylene and



Polyethylene Company, while Mr. Mansour Al-Mayman signed it on behalf of The Public Investment Fund.

Enhancing the Relationship Between Saudi and Polish Business Communities

Polish Minister of Treasury Visits TASNEE

Mr. Alexander Grad, Polish Minister of Treasury, has paid a working visit to TASNEE, heading a large delegation of officials in Polish Ministries of Economy and Foreign Affairs in addition to Chairmen of a vast group of Polish Companies working in the fields of chemicals, petrochemicals, gas and energy.

The Polish delegation listened to a description on TASNEE philosophy with its clear vision and extended horizons that enabled it to maintain the position of the second largest Saudi industrial company in the list of top 100 Companies and the second largest producer of titanium

dioxide in the world.

Meanwhile, the Polish delegation held some trading discussions in which they explained to TASNEE officials the cooperation potentials between TASNEE and Polish companies which would lead to strengthening trade relations between business communities in Saudi Arabia and Poland. The delegation also acquainted TASNEE officials with a series of investment and economic opportunities available to them through which establishment of projects between the two countries may be encouraged.





COVERED BY A RATIO OF 1.7 TIMES

Tasnee Subscription.. Enhancing Confidence Between the Company's Management and its Shareholders



During subscription period which continued from Saturday 31, May 2008 to Wednesday 11, June 2008, TASNEE subscription in priority rights shares witnessed distinguished interest by shareholders. Subscription amounted to about 3.5 billion SAR, which represented coverage of about 172%.

As mentioned by Dr. Moayyed bin Issa Al Qurtas, TASNEE Vice chairman and Chief Executive, the ownership of shareholders who subscribed totaled 95% of the company's total shares and by a total of 157 million shares from the origin of approximately 141%. Dr. Al Qurtas mentioned also that shareholders ownership that did not practice priority rights in subscription amounted to about 5% of total shares before increasing the capital.

Share price was predetermined by 18 SAR per each of the shares introduced for subscription which amounted to 111,111,111 shares. Subscription was performed by an amount of one share for each three shares and 146 parts of a

share owned by the company shareholder before the end of official working hours of the day the General Assembly was held. Prices of additional shares were determined for 18 or 24 or 21 or 27 SAR.

The subscription decision dealt with increasing of the company's capital by 2 billion SAR and was put to voting during the last extraordinary meeting of the General Assembly held on March 26, 2008.

TASNEE called the Extraordinary General Assembly for holding after obtaining approval from Capital Market Authority on increasing the company's capital through introducing of priority rights shares for an amount of 2 billion SAR. TASNEE aimed from such increase at supporting expanding and financing plans of the current and future projects of the company which enhances its regional and international position in the field of chemicals and petrochemicals manufacture and of other different industries as well.

Tasnee & Sahara with Rohm and Haas Assure Confidence in the Success of Saudi Mono acrylic Company

TASNEE celebrated signing the Partnership Agreement between one of its companies, Tasnee & Sahara Olefins Company, and Rohm and Haas Company, which led to the establishment of Saudi Mono acrylic Company at a ratio of 75% for Tasnee & Sahara Olefins Company against 25% for Rohm and Haas Company.

On the other hand, in a meeting that included the personnel of the two companies, the final plan for initiating the implementation of acrylic acid project was discussed which is considered the first of its kind in the Middle East. In this regard, a delegation from Rohm and Haas made a field tour that covered the project site and the facilities of Tasnee & Sahara Olefins Company in Jubail Industrial City.

The new company is supplied with propylene substance by Tasnee and Sahara Olefins Company. The project uses the latest manufacturing technology for producing acrylic acid, which in turn will support the continuous development of Rohm & Haas acrylic products of aqueous composition.

This project, as stated by Eng. / Mubarak bin Abdallah Al-Khafra, Tasnee & Sahara Chairman and CEO, assured the ability of petrochemicals industries in Saudi Arabia to attract foreign investors and world leading companies such as Rohm & Haas to invest in the Kingdom.



TASNEE التمنية

National Industrialization Company

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