

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

**The Annual Report of the Board of Directors
To the Ordinary General Assembly Meeting
On the Company operations during the year ended on 31st December 2014**

Amiantit

Date 19/04/1436H

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The annual report of the Board of Directors to the Ordinary General Assembly Meeting on the Fiscal Year of 2014

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

Introduction:

During the fiscal year of 2014, the Saudi Arabian Amiantit Company (Saudi Stock) referred to hereinafter as “the Company” has managed to achieve net sales of SR 2.7 Billion marking a drop of 13% compared with the net sales of 2013, and a drop of 26.6% in net income compared to the last year, at SR 82.6 Million compared to SR 112.6 Million in 2013. The net profit per share has reached SR 0.73 compared with SR 1 per share for the year 2013.

These figures can be generally explained as follows:

Sales of the year 2014 are lower than 2013 by 13%. This results from a combination of several factors observed during the first three quarters, a- a lower average diameter mix in the fiberglass market observed during the first quarters, b- lower deliveries during the first quarter as a result of the crackdown on illegal labor c- slow-down of deliveries in the ductile iron segment, in the Western region, to projects located in Makkah and Medina, during Ramadan and Haj periods d- lower sales in the Amiwater segment, especially in PWT GmbH, as several contracts in Turkmenistan came close to completion and some other contracts where slowed down due to legal issues (as for instance the temporary suspension of the Samawa contract in Iraq, which meanwhile resumed). However the fourth quarter showed a strong improvement, of sales especially in the pipe segment.

The Gross profit decreased by 9.6% due to lower sales, but the margin percentage compared to sales slightly increased for the year at around 15.6%. (2013: 15%).

The net other income for the year 2014 includes a capital and exchange gain of SR 21.1 m. relating to the completion of the sale of the 5.4975 % investment in CPIC, a Chinese glass fiber producer, such shares having been sold in the third quarter.

Other miscellaneous incomes and expenses are also booked under this caption, such as provision for claims on contracts, foreign exchange gains and losses, adjustments on impairment provisions, etc ...

The increase in the foreign income tax charge relates to a provision of SR 4.1 m. for possible capital gain tax levied in China on the sale of our shares in CPIC.

As a summary, lower sales have triggered lower operating income, which partly compensated by the profit from the sale of the shares in CPIC.

The current ratio as of December 31, 2014 amounts to 1.25 compared to 1.38 in 2013, and the debt-to-equity ratio amounts 1.9 compared to 1.61 in 2013.

The Board of Directors is pleased to present its annual activity report for the year 2014 and the progress of the operations of the Company and its affiliates, including the production, marketing, and administrative performances of the Group. The report also covers the consolidated financial statements for the years ending 31st December of 2014 & 2013.

1. Company and Group Profile:

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

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

The Company is headquartered in Dammam (Saudi Arabia).

The Group operates 22 pipe manufacturing facilities in the world, either fully owned or through joint-ventures with local partners. This includes 13 plants in Saudi Arabia, the other premises mostly being located in Western Europe, Turkey, Qatar, North Africa and Kazakhstan. It is also offering pipe design and installation services through its newly formed Saudi Company, ISECC. Its research and development activities are carried by two R&D centers, one in Norway and one in Dhahran – Saudi Arabia. It is also involved in EPC (Engineering – Procurement and Commissioning) of Water Treatment facilities through a fully owned German subsidiary and operates water management activities through a 50% Joint-venture in Saudi Arabia (Tawzea).

1.1. Manufacturing and Sale of Pipes and associated technologies:

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

The product range includes the following product families:

<u>Product Family</u>	<u>Consolidated percentage of sale</u>
Glass reinforced pipes, tanks and fittings, in Polyester and Epoxy (GRP and GRE)	59%
Ductile iron pipes and fittings (DI)	28%
Concrete pipes and fittings (CP)	6%
Polyethylene pipes and fittings (PE)	4%
Rubber products (RP)	2%
Design and Installation services	1%
	100%

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

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

The Group Technology organization operates two Research and Development centers, one located in Sandefjord (Norway), and one center inaugurated in 2012 at King Abdullah Industrial Research Complex located in the Dhahran Technology Valley of King Fahad University for Petroleum and Minerals (Saudi Arabia). Both centers occupy in total 79 research personnel and operate sophisticated research and testing equipment with a total value of SR 56.1 Million. The RD spending of the Group reached SR 61.3 Million in 2014 (2013: SR 60.5 Million). The technology Centers are primarily focused around the GRP and GRE activities.

Key figures for this Segment are the following:

Manufacturing and sales of pipes and associated technologies	Net Sales	Profit (loss)	Total Assets
2014	2,522,599	115,340	3,973,298
2013	2,780,187	118,071	3,921,318

1.2 Water management activities:

1.2.1. EPC of Water treatment stations:

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

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

This Company is presently concentrating on 2 markets, namely the Caspian Region (mostly Turkmenistan and Turkey) and the Gulf. It also maintains a network of water treatment stations in Germany. One of its major projects under execution is the building of a water treatment plant and pipe network in Samawa (Iraq).

1.2.2. Water Management

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

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

The construction phase of the projects was fully completed in 2014 and the Company is now operating at optimal capacity. Management has successfully turned around the Company in 2014 and has a very positive view on the growth in its revenue and profits from 2015 onwards.

Partners have been supporting Tawzea all along and its paid up capital has been increased from initial value of SAR 65 Million to SAR 146 Million. In particular, during 2013, both partners each injected into Tawzea SR 22.5 Million as long term loans in order to support the rescheduling of its bank facilities, forming a total injection of SAR 45 Million which was further converted to capital in 2014.

Key figures for this Segment are the following:

Year	Net Sale	Profit (loss)	Total Assets
2014	203,188	(32,723)	438,832
2013	350,485	(5,457)	490,037

2. Significant Decisions and Plans

2.1. Significant expansion plans and capital expenditure

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

During 2014, AFIL continued its major enhancement program of its manufacturing equipment, which is foreseen till 2016, and will enable an increase in speed and productivity as well as a decrease in Raw Material consumption. This program is a joint effort between the Company and the Technology department. The total cost of the program is estimated at SR 59 Million, out of which SR 21 Million is still to be spent, mostly over 2015 and 2016.

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

2.1.2. Tank plant in AFIL

This investment program resulted from a joint effort between the Company and the Amiantit Technology department to automate the manufacturing process of the housing tanks production line, in order to increase its capacity, while decreasing the manufacturing costs of the products. The line is now in operations and performing according to expectations.

2.1.3. Capital increase - AFIL

In 2014, in response to the legal requirements which stipulated that the paid up capital should not be less than 25% of the total financing of the company, AFIL (100% subsidiary) has increased its paid up capital by an amount of SR 108 Million, from SR 32 Million to SR 140 Million, by contribution of part of the accumulated earnings.

2.1.4. SADIP Fittings Raw Cast and Jeddah Fittings plant

During 2014, SADIP invested in a new line for casting ductile-iron fittings, which will enable the company to sell its own-made fittings instead of buying raw casted fittings on the market, thereby increasing its margin.

The investment is near completion and the production planned to start during the first quarter 2015.

2.1.5. FPC Fittings coating plant

FPC, a 100% owned subsidiary of SAAC, enlarged its product range by including a facility to coat ductile iron pipes and fittings. This facility is located in Dammam second industrial area. Production started in the last quarter 2014.

2.1.6. Amitech Morocco – New line

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

2.1.7. Amiantit Qatar pipe Company – New line

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

2.1.8. Capital increase - ARIL

In 2014, in response to the legal requirements which stipulated that the paid up capital should not be less than 25% of the total financing of the company, ARIL (80 % subsidiary) has increased its paid up capital by an amount of SAR 4.75 Million, from SAR 4 Million to SAR 8.75 Million, by contribution of part of the accumulated earnings.

2.2. Modifications to consolidation scope

2.2.1. Deconsolidation of AFIL (India)

AFIL (India), a 70% owned subsidiary, had suffered from recurring losses over the period 2011 to 2013 due to intense competition and a slow-down of the GRP market in the regions where it was established. As a consequence, its accumulated losses for the financial year ending March 31, 2013 had exceeded its paid up share capital and free reserves, and in accordance with the local legislation, the Company filed a reference act at the Board for Industrial and Financial Reconstruction (BIFR) as a sick Company. This reference was later abated, considering that further activities could not resume due to the bank taking possession of the assets (see next par.) to cover overdue loans.

The Corporation Bank (the bank of the AFIL (India)) took possession of the assets of the Company and started auctioning them, under the Sec 13(2) and 13 (3) of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act 2002 (SARFESI). Over 2014, both production lines were auctioned and sold, and the other assets are probably going to be re-auctioned in 2015.

During 2014, an outside supplier of the Company has also filed a petition requiring its liquidation, and as a result, an Official Liquidator was appointed in September.

Accordingly, the Amiantit Group has fully impaired all its assets on this subsidiary and de-consolidated it effective June 2013. Over 2013, the Group booked losses on AFIL (India) for a total of SR 14.5 Million including impairment charges of SR 12.5 Million.

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

- 1- AFIL is a limited liability Company and the exposure of its shareholders is limited to their equity in the subsidiary;
- 2-Saudi Arabian Amiantit Company has already fully impaired its remaining equity investment and receivables on AFIL over the second quarter 2013;
- 3-AFIL was de-consolidated on June 30, 2013 interim financial statements;

4-This situation has no impact on the domestic and other international operations of the Amiantit Group.

2.2.2. Disposal of the investment in CPIC

On December 4, 2013 the Group has decided to offer for sale its 5.4975 % interests in Chongqing Polycomp International Corporation (CPIC), one of the leading global producers of fiberglass based in China.

On June 25, 2014, the Group signed a Share Transfer Agreement for an amount of US\$ 27,487,500 (Approx. SAR 103.1 million), to the majority shareholder Yuntianhua Group Co., Ltd. The payment for the shares is scheduled by yearly installments, over the period from 2014 till 2016.

The deal generated a capital gain and foreign exchange profit of approximately SAR 21.1 Million over the year 2014. However, a possible SR 4.1 Million capital gain tax could apply. This matter is under review with the Chinese authorities and as a result, the Group booked a provision covering such exposure and recognized a net capital gain of SR 17.0 Million in September 2014.

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

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

The shares were purchased from the previous minority shareholders for a total value of approximately SR 6.2 Million equivalent, while the corresponding book value of such shares amounts to SR 11.6 Million. The difference of SR 5.4 Million was booked as a long term provision on certain on-going projects, and as such the deal did not have a financial impact on the results of Amiantit for the year 2014.

PWT is engaged in EPC contracts for water and sewage treatment plants mostly in Germany, Turkey, Azerbadjan, Turkmenistan and Iraq.

In the same deal, the Amiantit Group acquired 25% of Ductile Technology Co. Ltd. (Ductech) , with registered seat in Manama (Bahrain), for an amount of SR 0.2 Million, corresponding to the book value of the acquired shares, and as such the deal will not have a financial impact on the results of Amiantit for the year 2014. This deal will bring the total investment of the Group in this company from 75% to 100 % of the shares.

Ductech is the company owing the premises of PWT in Germany.

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

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

The pipes sold by the Company are used to transport liquids such as drinking water, raw water, sewage and other effluents.. It is also involved in the execution of water related projects.

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

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

Other risk factors specific to the business may be:

- Delayed collection of receivables due to delayed execution of the projects or delayed payment of the contractor by the owner (and associated increase of financial charges) ;
- Increase in interest rates ;
- Foreign currencies exchange rates fluctuations, which may impact the values at which foreign businesses are incorporated into the consolidation of the Group, as well as generate foreign currency gains / losses due to sales / purchases made in other currencies than the operating currencies of the Companies;
- Fluctuation of purchase prices of raw materials (Glass, Resins, Pig iron, steel and steel scrap, ...)
- Political instability on certain external markets (For instance Egypt, Libya, Syria, Iraq).
- Modifications in the budgeted spending by the Governments of the states in which the Group operates.

3. Summary of Financial Data:

3.1. Financial data:

The consolidated figures and statements for the year 2014 cover the following segments sectors of the Company

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

* including results in affiliated companies

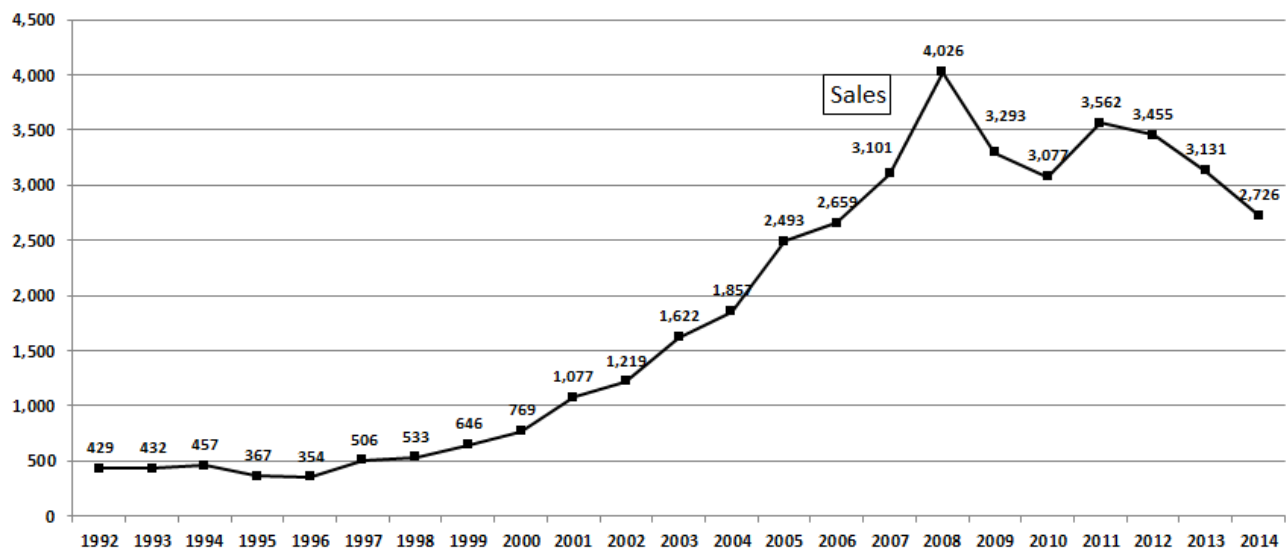
The following table contains a summary of most the important results of the Company during the last five years (In Thousands Saudi Riyals):

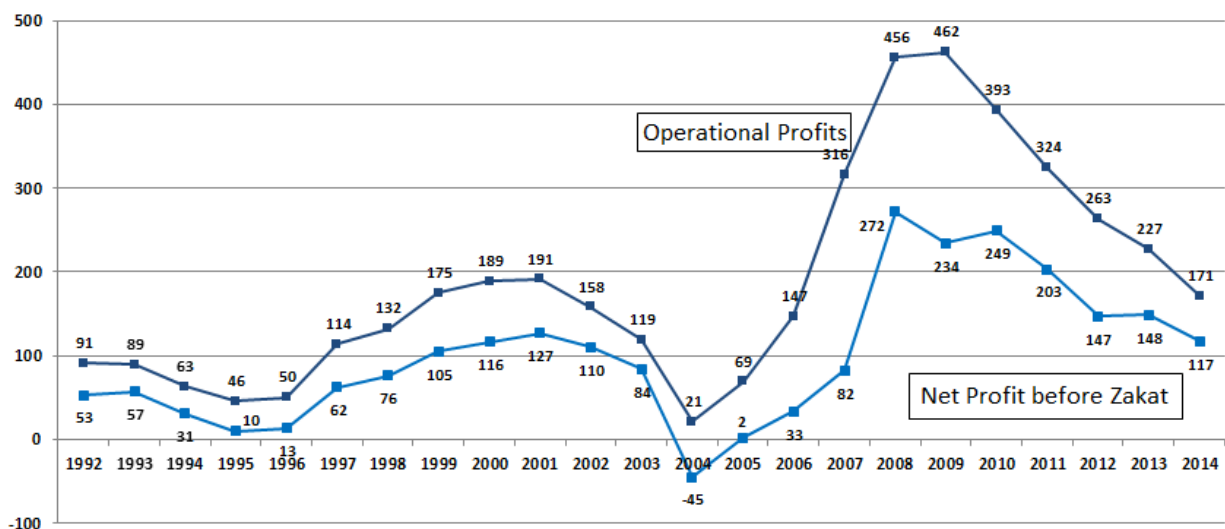
Year	2014	2013	2012	2011	2010
Net Sales	2,725,787	3,130,672	3,454,795	3,562,631	3,077,498
Gross Margin percentage	15.6%	15.0%	16.1%	18.0%	23.6%
Operating expenses	253,571	242,543	293,274	318,609	333,919
Net Profit	82,618	112,614	111,338	151,248	165,102
Cash Flow from Operations	58,054	341,345	(425,524)	(171,208)	146,506
Capital Expenditure (purchase of PPE)	106,943	129,401	115,285	80,274	48,709
Total Assets	4,412,128	4,411,355	4,822,506	4,407,413	4,070,904
Total Liabilities	2,893,467	2,720,567	3,122,099	2,601,915	2,191,643
Total Equity	1,518,661	1,690,788	1,700,407	1,805,498	1,879,261
Paid Dividends	112,984	112,984	140,566	173,250	115,500

3.2. Comments on long term trends

- 1- The impact of the 2008 international financial crisis was felt starting the next year as illustrated in the graph below. Faced with a tremendously increased number of competitors, who had installed capacities during the boiling periods of 2007 and 2008, prices were under pressure, essentially in the GRP segment, both in Saudi Arabia and in the International markets. The Group fought hard and succeeded to keep its market shares, at the expense of lower profits. Also certain of the Saudi companies were confronted with exports of pipes from China, and, as the activity level in emerging countries went down, such exporters became more aggressive in their pricing strategy too. Prices and volumes were still low in 2014, especially in the GRP and GRE pipe segments, though an improvement is starting to be noticed from the fourth quarter 2014.

- 2- The Group reacted by maintaining tight control on all expenses, both in manufacturing costs and operating expenses, and by investing in the state-of-the-art technology, equipment and human resources, to provide the best quality products and services, at the most competitive conditions.
- 3- The Group also developed new product lines which are now going to be extensively marketed, such as :
 - a. Housing and Industrial tanks
 - b. Epoxy high-flow lines and threaded-joint pipes
 - c. Pipes for deep wells
 - d. Ductile iron valves and fittings
 - e. Design and installation services
- 4- As the competition increased, the market went more competitive also in payment conditions, causing trade receivables to increase and putting pressure on cash flows. Over 2013, the Group undertook a major effort in improving collections. Over 2014, the cash flow from operations remained positive, however the trade receivables increased again due to increasing sales in the fourth quarter and the slow-down of collections on the older receivables.
- 5- During this period, the Group also disposed of investments and activities which were not aligned to its core business, either geographically or product-wise. At the same time, it undertook a major diversification by promoting water-management activities, which by nature need time to pay-off.
- 6- This strategy allowed the Group to weather the storm over all the years. The Directors are confident for the future of the Group.





Note: Detailed comments over the 2014 year performance are addressed under point 5.2.

4. Geographical Analysis of Gross revenues

The Gross revenues are geographically divided as follows:

Gross Sales	2014		2013	
	Amount	Percentage	Amount	Percentage
Saudi Arabia				
West	721,822	24.8%	944,113	28.5%
Central	241,912	8.3%	235,560	7.1%
East	533,836	18.4%	464,632	14.0%
North	1,195	0.1%	2,718	0.1%
South	32,267	1.1%	69,097	2.1%
Exports from KSA	350,544	12.1%	415,345	12.6%
Total Saudi Arabia	1,881,576	64.8%	2,131,465	64.4%
Other G.C.C.	121,946	4.2%	100,976	3.1%
Europe and Turkey	857,706	29.5%	932,889	28.2%
North Africa	29,551	1%	112,189	3.4%
Other countries	13,456	0.5%	30,809	0.9%
TOTAL	2,904,235	100%	3,308,328	100%

- 4.1. The share of domestic sales during 2014 was 64.8% of total sales compared with 64.4% in 2013 while the pipe sector sales reached 92.5% of the total sales higher than 88.8% in

2013, the water management sector reached SR 203 Million compared with SR 351 Million in 2013 i.e. 7.5% of the total sales compared with (11.2% in 2013).

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

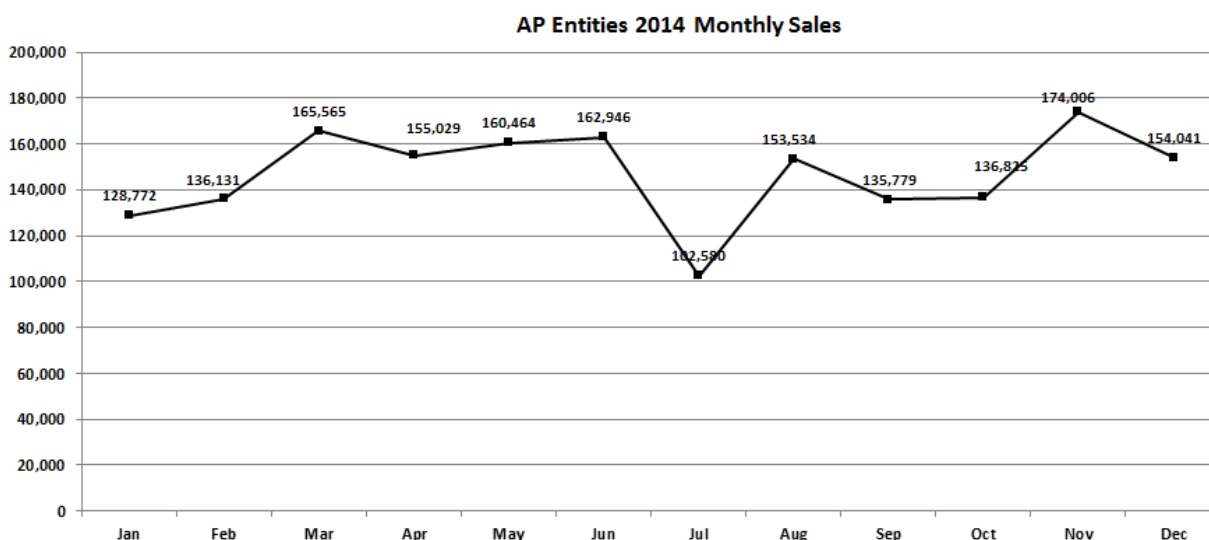
5.1. Summary results

	2014	2013	Difference	Percentage
Sales	2,725,787	3,130,672	(404,885)	-13%
Cost of sales	(2,300,762)	(2,660,667)	359,905	-13.5%
Gross profit	425,025	470,005	(44,980)	-9.6%
Operating expenses	(253,571)	(242,543)	(11,028)	4.5%
Income from operations	171,454	227,462	(56,008)	-24.6%
Other income and expenses	(64,241)	(90,036)	25,795	-28.6%
Foreign income tax and Zakat	(47,103)	(44,236)	(2,867)	6.5%
Non-controlling interests	22,508	19,424	3,084	15.9%
Net income for the year	82,618	112,614	(29,996)	-26.6%

5.2. Explanation of differences:

Net Sales

- Lower sales in the Arabian Peninsula by SR 250 Million, coming from:
 1. lower average diameter mix in the fiberglass market observed during the first quarters,
 2. lower deliveries during the first quarter as a result of the crackdown on illegal labor
 3. slow-down of deliveries in the ductile iron segment, in the Western region, to projects located in Makkah and Medina, during Ramadan and Haj periods.



- Lower sales in the Amiwater segment, especially in PWT GmbH, as several contracts in Turkmenistan came close to completion and some other contracts were slowed down due to legal issues (as for instance the temporary suspension of the Samawa contract in Iraq, which meanwhile resumed).

Cost of Sales

- Decrease in Cost of Sales is coming from lower sales volumes as described above, but the gross margin percentage slightly increased from 15.0 % in 2013 to 15.6% in 2014, thanks to better sales prices and better mix.

Operating expenses

- The net operating expenses for the year slightly increased by 4.5%, reflecting inflation.

Other income and expenses

- The lower net other expenses for the year 2014 includes a capital and exchange gain of SR 21.1 Million. relating to the completion of the sale of the 5.4975 % investment in CPIC, a Chinese glass fiber producer, such shares having been sold in the third quarter, explaining the improvement over 2013.
- Other miscellaneous incomes and expenses are also booked under this caption, such as provision for claims on contracts, foreign exchange gains and losses, adjustments on impairment provisions, financial charges etc ...

6. Departure from Accounting standards issued by SOCPA

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

7. Corporate Structure:

7.1 Branches (*) :

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

No	Company	Activity	Country	Establishment Place	Amiantit Share
1	Yacoat Amiantit	Pipe painting, import of pipes, & building materials	KSA	Dammam-KSA	100%
2	Amiantit Polymer Co.	Trade in Polymers	KSA	Dammam-KSA	100%
3	Amiantit Plastic Products Co.	Plastic production	KSA	Dammam-KSA	100%
4	Epoxy Pipe Co. (Amipox)	Epoxy pipes	KSA	Dammam-KSA	100%
5	Amiantit Technology Services	Pipe Technology Services	KSA	Dammam-KSA	100%
6	Amiantit Research & Development Center	Research & Development	KSA	Dharan-KSA	100%
7	Saudi Arabian Amiantit Construction, Maintenance and operation Co.	General Contracting & Industrial Maintenance	KSA	Dammam-KSA	100%

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

7.2. Fully or partly owned Subsidiaries :

No	Company	Activity	Country	Establishment Place	Capital	SAAC Share
1	Amiantit Fiberglass Co. Ltd “AFIL”	Pipes production	KSA	Dammam-KSA	SR 140 million	100%
2	Amiantit Fiberglass Co. / Branch of Amiantit Fiberglass Co. Ltd “AFIL”	Pipes production	KSA	Jeddah-KSA	Branch of “AFIL”	100%
3	Amiantit Rubber Industries Ltd. Co.	Rubber gaskets & pipe fittings	KSA	Dammam-KSA	SR 8.75 million	80%
4	Saudi Arabian Ductile Iron Pipes Co.	Pipes production	KSA	Dammam-KSA	SR 180 million	100%
5	Ameron Saudi Arabia Ltd.	Pipes production	KSA	Dammam-KSA	SR 76.5	69.7%

	Co.				million	
6	Bondstrand Co. Ltd	Pipes production	KSA	Dammam-KSA	SR 20 million	60%
7	Saudi Arabia Concrete Products Co. (SACOP)	Pipes production	KSA	Jeddah -KSA	SR 12.3 million	58.8%
8	Fiberglass Pipes Co.	Pipes production	KSA	Dammam-KSA	SR 5 million	100%
9	International Infrastructure Management and Operation Co. Ltd.	Management of water projects and plants	KSA	Dammam-KSA	SR 100 million	100%
10	The International Water Distribution Company Ltd (Tawzea).	Water Distribution	KSA	Jeddah-KSA	SR 101 million	50%
11	Amiantit International Holding Co. WLL	Holding Company	Bahrain	Manama-Bahrain	US\$ 2 million	100%
12	Ductile Technology Co. W.L.L.	Selling, buying, and rental of Real Estate	Bahrain	Manama-Bahrain	BD 20,000	100%
13	C-Tech Ltd. W.L.L. (<i>under liquidation</i>)	Acquisition of technology rights (sale of pipes & equipment)	Bahrain	Manama- Bahrain	US\$ 3 million	100%
14	Amiantit Meyer Polycrrete Ltd. W.L.L. (<i>under liquidation</i>)	Acquisition of technology rights (sale of pipes & equipment)	Bahrain	Manama-Bahrain	US\$ 51,412	50%
15	Flowtite Technology Bahrain W.L.L.	Acquisition of technology rights (sale of pipes & equipment)	Bahrain	Manama- Bahrain	US\$3.0 million	100%
16	Amitech Germany GmbH	Pipes	Germany	Germany	Euro 3.5 million	100%
17	Amiantit Services GmbH	Management	Germany	Germany	Euro 300,000	100%
18	Aquamundo GmbH	Water Management	Germany	Germany	Euro 3 million	100%
19	P.W.T Wasser und-	Operation management	Germany	Germany	Euro 3	100%

	Abwassertechnik GmbH	& maintenance of water & sewage plants			million	
20	Amiantit Malta Holding Ltd.	Holding	Malta	Malta	Euro 49.3 million	100%
21	APS Norway AS	Marketing	Norway	Norway	NOK 4.5 million	100%
22	Flowtite Technology AS	Technology acquisition	Norway	Norway	NOK 18.9 million	100%
23	Subor Boru Sanayi Ve Ticaret AS	Production of pipes	Turkey	Turkey	TRY 31.6 million	50%
24	Subor Gap Sanayi Ve Ticaret AS	Production of pipes	Turkey	Turkey	TRY 21.7 million	40%
25	Amitech Poland Sp. z o.o.	Production of pipes	Poland	Poland	PLN 21.1 million	100%
26	Amitech Spain S.A.	Production of pipes	Spain	Spain	Euro 5.9 million	100%
27	Amiantit Fiberglass Industries India Pvt. Ltd. (Under liquidation)	Production of pipes	India	India	INR 250 million	70%
28	Amitech Industrial Spain S. L.U.	Pipe fitting production	Spain	Spain	Euro 3,000	100%
29	APS France SAS	Marketing	France	France	Euro 280,000	100%
30	LLP Amitech Astana	Production of pipes	Kazakhstan	Kazakhstan	KZT 403 million	51%
31	Amitech Western & Central Europe Holding BV (under liquidation)	Holding	Netherlands	Netherlands	Euro 6 million	100%
32	Amitech Cyprus Holding Ltd.	Holding	Cyprus	Cyprus	Euro 2,000	100%
33	Amitech Switzerland AG	Holding	Switzerland	Switzerland	CHF 10.5 million	100%
34	Flowtite Engineering GmbH	Consulting / technology	Germany	Germany	Euro 30,000	100%
35	Amitech Service AG	Management	Switzerland	Switzerland	CHF 100,000	100%
36	Amitech Pipe Systems SRL	Trading of Pipes	Romania	Romania	RON	50%

					327,620	
37	Amitech Pipes Romania SA (under liquidation)	Dormant	Romania	Romania	RON 116,000	50%
38	Saudi PWT Ltd.	Water Management	KSA	Dammam-KSA	SAR 500,000	89.8%
39	Arabian PWT	PWT Water Management Branch	Germany	Dammam- branch of PWT Germany	SAR 500,000	100%
40	PWT SUW OOO Turkmenistan	Water Management	Turme- nistan	Turkmenistan	USD 250,000	100%
41	Infrastructure Engineering Contracting Co. Ltd.	Design and Installation services	KSA	Dammam-KSA	SAR 500,000	100%

7.3. Affiliated Companies:

No	Company	Activity	Country	Establishment Place	Capital	Amiantit Share%
1	Amiantit Fiberglass Egypt S.A.E., thru its affiliate Amiantit Fiberglass Co. Ltd.	Pipe production	Egypt	Egypt	EP 50 million	50
2	Ameron Egypt S.A.E., owns this shares thru its affiliate Ameron Saudi Arabia Ltd. Co.	Pipe production	Egypt	Egypt	EP 19.3 million	34.2
3	SPA Amitech Algerie	Pipe production	Algeria	Algeria	Alg. Dinar 262.8 million	50
4	Amitech Maroc	Pipe production	Morocco	Morocco	MAD 72 million	50
5	Amiantit Qatar Pipes Co. W.L.L.	Pipe production	Qatar	Qatar	QR 37.2 million	40

6	Eastern Gas	Gas distribution	KSA	Dammam-KSA	SR 20 million	13
7	Sarplast S.A.	Pipes production	Switzerland	Switzerland Italy	Euro 1.6 million	23.7
8	Amitech Libya	Pipes production	Libya	Libya	Din1.0 million	40
9	Sarplast Qatar W.L.L., thru the Amiantit Qatar Pipes Co. W.L.L.& Sarplast Italy	Pipes production	Qatar	Qatar	QR 200,000	26.21

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

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

The issued shares of the subsidiaries are as follows:

Subsidiary	Issued shares	Shareholders
Amiantit Fiberglass Industries Ltd.	140,000 ordinary shares of each SR 1,000 per share	SAAC 99% Saudi Arabian Ductile Iron Pipes Co. 1%
Saudi Arabian Ductile Iron Pipe Co. Ltd.	180,000 ordinary shares of each SR 1,000 per share	SAAC 95% Amiantit Fiberglass Industries Ltd. 5%
Bondstrand Ltd.	20,000 ordinary shares of each SR 1,000 per share	SAAC 60% Ameron International B.V. 40%
Ameron Saudi Arabia Ltd.	76,500 ordinary shares of each SR 1,000 per share	SAAC 69.7% Ameron International B.V. 31.3%
Amiantit Rubber Industries Ltd.	8,750 ordinary shares of each SR 1,000 per share	SAAC 80% Deccan Enterprises Pvt. Ltd. 20%
Saudi Arabia Concrete Products Ltd.	24,500 ordinary shares of each SR 500 per share	SAAC 4% Ameron Saudi Arabia Ltd. 78.6% Ameron International B.V. 17.4%
Fiberglass Pipes Co. Ltd.	5,000 ordinary shares of each SR 1,000 per share	SAAC 51% Amiantit Fiberglass Ind. Ltd. 49%
LLP Amitech Astana	Charter Capital of KZT 406 Million- Limited Liability Partnership	Flowtite Engineering GmbH 51% Abykayev M 34% Gavrilov V 10% Listopadney G 5%
Amiantit Fiberglass Industries India Pvt. Ltd. (Under liquidation)	25 Million ordinary shares of each INR 10 per share	Amitech Cyprus Holding 70% Mr. Shivanand V. Salgaocar 4.2% Ms. Ranjana S. Salgaocar 8%

		Ms. Swati S. Salgaocar 4% Mr. Vivek S. Salgaocar 4% Mahadhan Real Estates LLP 7.8% Pyramid Finance Private Ltd. 2%
Amiantit Service GmbH	1 ordinary shares of each EUR 1.375 Million per share	Amitech Switzerland A. G. 100%
Amitech Pipe Systems SRL	1,000 ordinary shares of each RON 328 per share	Subor Boru Sanayi Ve Ticaret 100%
Amitech Pipes Romania SA	1,000 ordinary shares of each RON 116 per share	Subor Boru Sanayi Ve Ticaret 98.4% Yapi Merkezi Insaat Ve Sanayi 0.8% Amitech Switzerland A. G. 0.8%
Subor Boru Sanayi Ve Ticaret AS	31,605,735 ordinary shares of each TRY 1 per share	Amitech Switzerland A. G. 50% Yapi Merkezi Insaat Ve Sanayi 49.994% Ersin Arıoğlu 0.004% Emre Aykar 0.001% Erdem Arıoğlu 0.001%
Subor Gap Sanayi Ve Ticaret AS	21,658,075 ordinary shares of each TRY 1 per share	Subor Boru Sanayi Ve Ticaret 78% Fernas Insaat San.A.S. 20% Yapi Merkezi Insaat Ve Sanayi 0.99% Amitech Switzerland A. G. 1% Ersin Arıoğlu 0.01%
Amiantit International Holding Co. WLL	32,000 ordinary shares of each USD 1,000 per share	SAAC 99.94% Amiantit Fiberglass Ind. Ltd .06%
Amitech Western & Central Europe Holding BV	6,018 ordinary shares of each EUR 1,000 per share	Amitech Cyprus Holding 100%
Amitech Poland Sp. z o.o.	30,140 ordinary shares of each PLN 700 per share	Amiantit International Holding Co. WLL 94% Amitech Switzerland A. G. 6%
Amitech Industrial Spain S. L.U.	30 ordinary shares of each EUR 100 per share	Amitech Switzerland A. G. 100%
APS France SAS	2,800 ordinary shares of each EUR 100 per share	Amitech Switzerland A. G. 100%
Amitech Spain S.A.	980,148 ordinary shares of each EUR 6 per share	Amitech Switzerland A. G. 100%
APS Norway AS	4,500 ordinary shares of each NOK 1,000 per share	Amitech Switzerland A. G. 100%
Amitech Germany GmbH	1 ordinary shares of each EUR 10.585 Million per share	Amitech Switzerland A. G. 100%
Amitech Cyprus Holding Ltd.	2,000 ordinary shares of each EUR 1 per share	Amiantit International Holding Co. WLL 100%
Amitech Switzerland AG	2 ordinary shares of each CHF 56,000 per share	Amiantit international Holding 10.71% Amiantit Malta Holding Ltd.

		89.29%
Amitech Service AG (Under liquidation)	100 ordinary shares of each CHF 1,000 per share	Amitech Switzerland A. G. 100%
Amiantit Malta Holding Ltd.	49,025 ordinary shares of each EUR 1,000 per share	Amiantit International Holding Co. WLL 100%
Amiantit Meyer Polycrete Ltd. W.L.L. (under liquidation)	400 ordinary shares of each BHD 50 per share	SAAC 50% Thomas D. Bloomfield 8.5% Mihael Welzel 8.5% Edeltraut Gerlach 3.0% Heike Meyer 30%
Flowtite Technology Bahrain W.L.L.	11,375 ordinary shares of each BHD 100 per share	Amiantit International Holding Co. WLL 99% Mansour Mohammed Qasem 1%
C-Tech Ltd. W.L.L. (Under liquidation)	3,000 ordinary shares of each USD 1,000 per share	SAAC 50% Amiantit International Holding Co. WLL 50%
Ductile Technology Co. W.L.L.	200 ordinary shares of each BHD 100 per share	SAAC 75% Amiantit International Holding 25%
Flowtite Engineering GmbH	1 ordinary shares of each EUR 30,000 per share	Amitech Switzerland A. G. 100%
Flowtite Technology AS	18,925 ordinary shares of each NOK 1,000 per share	Amitech Cyprus Holding 100%
Aquamundo GmbH	10 ordinary shares of each EUR 300,000 per share	P.W.T Wasser Co. 100%
P.W.T Wasser und- Abwassertechnik GmbH	10 ordinary shares of each EUR 300,000 per share	International Infrastructure Management and Operation Co. Ltd. 100%
PWT Saudi Arabia Co.	500 ordinary shares of each SAR 1,000 per share	P.W.T Wasser Co. 51% International Infrastructure Management and Operation Co. Ltd. 49%
PWT SUW OOO Turkmenistan	1 ordinary shares of each USD 250,000 per share	P.W.T Wasser Co. 99% Aquamundo Co. Ltd. 1%
International Infrastructure Management and Operation Co. Ltd.	100,000 ordinary shares of each SAR 1,000 per share	SAAC 80 % Amiantit Fiberglass Industries Ltd. 20%
Infrastructure Engineering Contracting Co. Ltd.	500 ordinary shares of each SAR 1,000 per share	SADIP 45% AFIL 45% AMIWATER 10%
East Gas Co. Ltd.	4,000,000 ordinary shares of each SAR 10 per share	SAAC 13% GASCO 35% Saudi Papers 26% Arabian Papers 23% Rabiah & Nasar Group 3%

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

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

9. Dividend policy :

The Company distributes the profits according to the following policy:

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

The profits which is decided to be distributed among the shareholders will be paid on places and dates defined by the Board of Directors.

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

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

10. Major External Shareholders

As per Tadawul records, as on 31-12-2014, the major owners who own 5% and more of the capital are:

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

Abdullah Saleh Abdullah Al-Bassam	5.80%
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- During 2014 one of the major shareholders (Al Mawarid Investment Ltd.) which was classified as 5% and in the past was included in the above list , has diluted its shares. The above shareholder has duly notified the company. The Company has not been notified of any other change in the major shareholders' list during the year 2014, pursuant to Art. 45. of the “Listing Rules”.

11. Major internal Shareholders

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

No .	Member's name	Number of shares of Board member at Year's Start	%	Number of shares of Board member at Year's end	% of Change	% at Year-end	Number of shares of wife & minor children at beginning of the year	%	Number of shares of wife & minor children at end of the year	Change of shares of wife & minor children
1	Prince Ahmed Bin Khalid Abdullah Abdurrahman	1,825,244	1.58	1,825,244	0	1.58	No	No	No	No
2	Prince Turki Bin Mohammed	11,000	0.00952	11,000	0	0.00952	50,000	0.0432	50,000	0
3	Dr. Khalil A. Kordi	3,365	0.0029	3,365	0	0.0029	No	No	No	No
4	Dr. Abdulaziz Al Jarbou	1,800	0.00155	1,800	0	0.00155	No	No	No	No
5	Shaik Sulaiman A. Al Suhaimi	320,570	0.2775	320,570	0	0.2775	No	No	No	No
6	Sulaiman A. Al Amro	1,570	0.001359	1,570	0	0.001359	No	No	No	No
7	Bader A. Al Suwaidan	23,085	0.01998	23,058	0	0.01998	No	No	No	No
8	Abdulaziz Ali Abu Al Saud	1,000	0.0008	1,000	0	0.0008	No	No	No	No
9	Dr. Solaiman A Al Twaijri	1,000	0.0008	1,000	0	0.0008	No	No	No	No

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

No	Executive Name	Number of shares of Board member at Year's Start	%	Number of shares of Board member at Year's end	Change %	No of shares of wife & minor children at beginning of the year	%	No of shares of wife & minor children at end of the year	Change of shares of wife & minor children
1-	Dr. Solaiman A Al Twaijri	1000	0.0008	1000	0	No	No	No	No
2-	Waleed Abu Kishk	No	No	No	No	No	No	No	No
3-	Ejaz Malik	No	No	No	No	No	No	No	No
4-	Othman Saqur	No	No	No	No	No	No	No	No
5-	Pierre Sommereijns	No	No	No	No	No	No	No	No
6-	Osama J. Al-Onaize	No	No	100	0.000086	No	No	No	No

The Company declares that there is no other interests in shares, subscription rights, debt instruments by any Board Members or Senior Executives and their wives and minor children in shares or debt instruments in the Company or any of its affiliated companies and any change in these rights during the year 2014 except for what is mentioned in paragraph 22 of this report on granting of Company shares to its employees.

12. Borrowings

12.1. Borrowings of the issuer

The Borrowings of the Company were as such as of December 31, 2013 and 2014:

12.1.1. Long term Loans

Bank	Nature of lines	Repayment date	Amount Due as of December 31, 2013	New borrowings	(Repay-ments)	Reclassific ation	Amount due as of December 31, 2014
Samba Bank	Long-term	2014	131,250	-	(81,250)	(50,000)	-

Samba medium term loan would be fully repaid by august 2015. The balance of SAR 50 million is reclassified as Short term borrowing illustrated under the bellow captions.

12.1.2. Short term loans

Bank	Nature of lines	Amount Due as of December 31, 2013	New borrowings reclassificat ion	(Repay-ments)	Amount due as of December 31, 2014
SAMBA Bank	Short-term	-	377,754	(334,004)	43,750

Bank Saudi Fransi	Short-term	35,000	59,000	(94,000)	-
Riyad Bank	Short-term	25,000	75,000	(75,000)	25,000
Gulf Investment Bank	Short-term	24,000	61,000	(50,000)	35,000
Alinma Bank	Short-term	239,791	386,473	(346,238)	280,026
Al-Jazeera Bank	Short-term	135,000	88,000	(203,000)	20,000
National Commercial Bank	Short-term	24,000	207,396	(133,000)	98,396
Al-Bilad Bank	Short-term	161,362	391,675	(253,865)	299,172
Al-Rajhi Bank	Short-term	100,000	-	(100,000)	-
Saudi Hollandi Bank	Short-term	49,000	99,000	(113,000)	35,000
Arab Banking Corporation	Short-term	35,000	183,915	(75,000)	143,915
Saudi Bristish Bank	L/C finance	11,180	153,062	(164,242)	-
Bank Bahrain & Kuwait	Short-term	-	91,875	-	91,875
SAMBA Bank	Overdraft	-	62,353	(62,205)	148
Bank Saudi Fransi	Overdraft	-	29,382	(29,382)	-
National Commercial Bank	Overdraft	-	22,899	(22,444)	455
Rajhi Bank	Overdraft	-	1,463	(1,463)	-
Saudi Hollandi Bank	Overdraft	-	1,334	(86)	1,248
Total		839,333	2,291,581	(2,056,929)	1,073,985

12.2. Aggregate Borrowings of the Issuer and its Subsidiaries

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

Company	Amount due as of December 31, 2013	New borrowings	(Repayments)	Amount due as of December 31, 2014
Amiantit Fiberglass Industries Ltd.	117,000	208,688	(246,893)	78,795
Saudi Arabian Ductile Iron Pipes Co. Ltd.	459,848	724,916	(626,514)	558,250
Bondstrand Ltd.	48,228	85,687	(114,247)	19,668
Fiberglass Pipe Co.	-	25	(25)	-
Amiantit Polyolefin Piping System Co.	432	-	(432)	-
Amiantit Plastic Products Manufacturing Co.	-	1,492	(1,492)	-
Epoxy Pipe Co. (Amipox)	29	217	(246)	-
LLP Amitech Astana	8,081	1,890		9,971
Subor Boru Sanayi Ve Ticaret AS	81,307	101,387	(92,301)	90,393
Amitech Poland Sp. Z.o.o.	1,802	1,341	(3,143)	-
Amitech Spain S.A.	29,099	1,017	(24,260)	5,856
Amitech Germany GmbH	9,186	386	(3,295)	6,277
Flowtite Technology AS	24,241	4,418	(7,246)	21,413
PWT Wasser und-Abwassertechnik GmbH	29,118	27,612	(30,942)	25,788
Total Subsidiaries	808,371	1,159,076	(1,151,036)	816,411

Issuer	970,583	2,291,581	(2,188,179)	1,073,985
Total Issuer and Subsidiaries	1,778,954	3,450,657	(3,339,215)	1,890,396

Most of the short term loans finance receivables and stock of raw materials, since these receivables have reach about SR 1.90 billion at the end of the year (SR 1.83 billions 2013) while the total inventory value reached SR 1.21 billion at the end of the year compared with (SR 1.24 billion in 2013).

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

Year/ Creditor	2016	2017	2018	2019	2020 onwards	Total
Minority Partners Loan- Amitech Astana		2.1	2.1	2.1	3.7	10
Banco Popular- Spain	0.3	0.3	0.4	0.1		1.1
Sachsen Bank and Sparkasse Leipzig-Germany	2.1	2.1				4.2
Danske Bank-Norway	0.2	0.2	0.2	0.2	16.8	17.6
Ziraat Bankasi and Halkbank-Subor	14.9					14.9
Total	17.5	4.7	2.7	2.4	20.5	47.8

The Group has paid back long terms loans of SR 142.1 million during 2014. The Group has obtained new long terms with a value of SR 14.9 million during 2014.

The current ratio as of December 31, 2014 amounts to 1.25 compared to 1.38 in 2013, and the debt-to-equity ratio amounts to 1.90 compared to 1.61 in 2013.

13. Convertible Debt instruments

The Company did not issue convertible debt instruments. Further the Company declares that there are no recoveries, purchase, or cancellation by the Company of any debts instruments liable for redemption during 2014.

14. Conversion or subscription rights

The Company did not issue conversion or subscription rights during 2014.

15. Redeemable debts

The Company does not owe or possess redeemable debts during 2014.

16. Board of Directors composition and Committees

16.1. Board of Directors composition

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

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

On 10th of December, 2014 the General Assembly has re-elected the same members mentioned above with the same titles.

16.2. Board of Directors meetings during 2014:

The nine-member Board of Directors has convened two meetings during the year of 2014 as follows:

Attendance Record of the meeting of the Board of Directors during the fiscal year 2014.			
Board member name	First Meeting 03/02/2014	Second Meeting 03/12/2014	Total
Prince Ahmed Bin Khalid Abdullah Abdulrahman	<u>Attended</u>	<u>Attended</u>	2
Prince Turki Bin Mohammed Bin Fahad	<u>Attended</u>	<u>Attended</u>	2
Dr. Khalil A. Kordi	<u>Attended</u>	<u>Attended</u>	2
Dr. Abdulaziz Al Jarbou	<u>Attended</u>	<u>Attended</u>	2
Shaik Sulaiman A. Al Suhaimi	<u>Attended</u>	<u>Attended</u>	2
Sulaiman A. Al Amro	<u>Attended</u>	<u>Attended</u>	2
Bader A. Al Suwaidan	<u>Attended</u>	<u>Attended</u>	2

Abdulaziz Ali Abu Al Saud	<u>Attended</u>	<u>Attended</u>	2
Dr. Solaiman A Al Twaijri	<u>Attended</u>	<u>Attended</u>	2

In addition, upon reelection on 10-December-2014, the elected Board of Directors has convened one meeting on the same day and all the members have attended.

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

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

16.3. Board of Directors and Nomination and Compensation Committee.

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

Board of Directors:

Details	Board's Executive Members	Non-Executive/ Independent Members	Five senior executives who received bonuses and compensation including the Chief Executive Officer and Finance Manager
Salary & compensation	.....	.....	3,974,222
Allowances	.....	.....	1,561,507
Yearly and periodical board fees and bonus	200,000	1,600,000	850,000
Motivation plans	.....	.....	.....
Any other compensation or kind benefits paid on monthly or yearly basis	100,000	800,000	.....

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

Board Member Name	Name of Stock Company	Listed (Not listed)
Prince Ahmed Bin Khalid Abdullah Abdulrahman	1- Chairman of Saudi Chemical Co. 2- Chairman, Saudi Arabian Cooperative Insurance Co. (SAICO)	<u>Listed</u> <u>Listed</u>
Prince Turki Bin Mohammed Bin	1- Chairman of Eastern Province Cement Co.	<u>Listed</u>

Fahad		
Dr. Khalil A. Kordi	1- Aoudah Capital Co.	<u>Not listed</u>
Dr. Abdulaziz Al Jarbou	1- Saudi Papers Co. 2- Riyadh Bank 3- Gulf Chemical & Industrial Oils Co.	<u>Listed</u> <u>Listed</u> <u>Not listed</u>
Shaik Sulaiman A. Al Suhaimi	Suhaimi Holding Co.	<u>Not listed</u>
Sulaiman A. Al Amro	1- Nama Chemical Co. 2- Falcom Financial Co. 3- Stores & Transport Services Co. 4- Amthal Finance & Rent Co.	<u>Listed</u> <u>Not listed</u> <u>Not listed</u> <u>Not listed</u>
Bader A. Al Suwaidan	None	None
Abdulaziz Ali Abu Al Saud	1- Saudi Chemical Co. 2- Saudi Arabian Cooperative Insurance Co (SAICO)	<u>Listed</u> <u>Listed</u>
Dr. Solaiman A Al Twaijri	1- Wala Insurance Co. 2- Chemical Development 3- Takwin Industrial Development 4- Mulkiya Co.	<u>Listed</u> <u>Not listed</u> <u>Listed</u> <u>Not listed</u>

17. Transactions with related parties

The Group does not have related party transactions to report.

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

The Board of Directors assures that there is no business or contracts between the Company or the Group and the CEO or CFO or any related party during 2014.

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

The Company declares that there were no waivers, arrangements, assignment or other modifications by any Board Member or Senior Executives of any salary or compensation rights or any profit rights in 2014.

20. Waiver by any shareholder of rights to dividends

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

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

<i>Particular</i>	<i>Amounts due (SR 000) as of December 31,</i>	<i>Reason</i>
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	2014	
Zakat	63,788	<i>According to zakat & income law</i>
GOSI contribution	924	<i>According social insurance regulation</i>
Income Taxes due to Saudi Authorities	3,903	<i>As per income tax on foreigners</i>
Income Taxes due to Foreign authorities	14,830	<i>As per foreign income tax rules, on foreign consolidated subsidiaries</i>
Total	83,445	

No amounts are over-due.

22. Employee share-option funds

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

Pursuant to the Capital Market Authority, the Company purchased 2,515,691 shares with a total market value of SR 32,779,454 (2013 SR 38,615,857) at the end of 2014, estimated at the market value of the shares at that date, i.e. SR 13.03 (2013 SR 15.35) per share.

The purchased shares were registered in the name of the employees during 2011 and the program was started beginning 2012. The shares are managed by a fund. 593.000 of those shares will be allocated among employees during the first quarter of 2015.

The provision related to this program amounts to SR 8.1 Million as of December 31, 2014 (2013 SR 8.1 Million).

23. Declarations

23.1. Books of accounts

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

23.2. System of internal control

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

23.3 Going-concern

The Directors declare that there are no significant doubts concerning the company's ability to continue as a going concern.

24. Corporate Governance

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

24.1. Committees

24.1.1. Executive Committee

Duties & Authorities:

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

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

- 1- Check the strategic plans of the Company in cooperation with the Managing Director or the Chief Executive Officer.
- 2- Confirm that the strategic plans are actually put to execution and actual work to achieve the Company’s objectives
- 3- Check the recommendations of the Managing Director and Chief Executive Officer regarding the allocation of the Company resources aimed at harmoniously balancing the strategic plans with the long terms operational goals.
- 4- Periodical check the strategic plans and the operational goals of the Company and its affiliates to ensure their concurrence with the goals and mission of the Company.
 - Regarding the operational priorities of the Company, the Executive Committee shall check and prepare the required recommendations for the Board of Directors regarding the strategic plan and Company’s operational priorities including the expansion in or retrenchment from into or new markets or new countries
 - Regarding the financial planning of the Company and profit distribution policy the Executive Committee shall:
 - 1- Prepare and check the recommendations to the Board of Directors regarding the long term annual financial strategies and related performance indicators.
 - 2- Check the important financial matters of the Company and its affiliates such as the matters related to the capital, credit classification, cash flow, borrowings, investment deposits, in coordination with the Company management and the audit Committee.
 - 3- Check and prepare the recommendations to be submitted to the Board of Directors on distribution of profits polices and how to implement them.
 - 4- Periodical and regular verification of the actual capital expenditure and their pre-approved budgets.
 - Regarding the productivity of the Company in the long term and the effectiveness of its operational process, the Committee shall check and prepare the required recommendation to

the Board of Directors regarding the strategic decisions on the possibilities for the Company to improve the quality of its products and services.

Duties:

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

Names of Committee Members:

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

Number of Meetings: 3 (three) meetings.

Term: Three years starting 1st January 2012 ended 31ST December, 2014. The members of the executive Committee have attended all the meetings held by the Committee.

In addition, on 10th of December 2014, the elected Board of Directors has re-elected the same members for a term of 3 years from 1st January, 2015, and the elected Executive Committee has convened first meeting on the 10TH December, 2014 attended by all members, and appointed HH Prince Ahmad Bin Khaled Bin Abdullah Bin Abdulrahman Al-Saud, as Chairman and Mr. Pierre Sommereijns as Secretary to the committee.

24.1.2. Audit Committee:

Jurisdictions:

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

Regarding the Certified Public Accountant:

- 1- Present its recommendations on the selection of external auditor encompassing a check of the auditor's professional competency, independence, expected risks of conflict of interests and the fees.
- 2- Perform an annual verification of performance of the external auditor and prepare the required recommendations on the appointment, re-appointment or termination of his contract with the Company.
- 3- Work with the external auditor and coordinate with him in preparing the annual audit plan and procedures taking into consideration the current Company circumstances and any changes occurred on the conditions set forth by the legal supervisory authorities.
- 4- Solve the problems that may be faced by the external auditor regarding the audit work or the difficulties in obtaining the required information.
- 5- Discuss the important results and recommendations of the external auditor and the adequacy of the response of the management to these recommendations as well as the corrective actions suggested by the Company in response to the auditor's recommendations
- 6- Meet with the external auditor separately to discuss the important information and recommendations made by the Committee and ensure that the statutory auditor has a direct access to the president of Audit Committee at any time.
- 7- Prepare the necessary recommendations on the Company policy on the non-audit services rendered by the external auditor including the consultations and training programs etc. which may affect the independence of his audit work.
- 8- Prepare the required recommendation on defining the mandate period of the statutory auditor of the Company.

Regarding the internal auditing:

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

Commitment to rules and policies:

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

Duties:

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

The audit Committee members shall do the following:

- 1- Participate in all Committee activities and attend its meetings.
- 2- Deal with the information they may obtain as a result of their membership in the Committee in full confidentiality.
- 3- Inform the Board of Directors of any developments affecting their independence or conflict of interest with the decisions taken by the Committee.
- 4- Prepare annual evaluation and verification of the Committee activity and on the Committee members containing compliance to the audit Committee regulation.
- 5- Study the internal control policies and prepare a written report containing its opinions and recommendations.
- 6- Follow up on the work of external auditors and approve any non-audit work assigned to them during their audit mandate.

Names of Audit Committee Members:

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

Number of Meetings: Six (6) meetings.

Term: Three years starting January 1, 2012 ended 31ST December, 2014. The members of the Audit Committee have attended all the meeting held by the Committee.

In addition, on 10th of December 2014, the elected Board of Directors has re-elected the same members for a term of 3 years from 1st January, 2015, and the Audit Committee has convened first meeting on 10TH December, 2014 attended by all members and appointed Dr. Khalil Abdul Fatah Kordi, Chairman and Mr. Waleed Abu Kishk as Secretary to the committee.

24.1.3. Nomination and Compensation Committee

Jurisdictions:

This subject fall within the jurisdictions of the Nomination and Compensation Committee:

Regarding the nomination of Board of Directors members, executive managers, the Committee shall be responsible with the following:

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

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

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

Duties:

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

Committee Members & Meetings

The members of Nomination and Compensation Committee are:

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

Number of Meetings : (2) Meetings per year.

Term of Committee : Three Years starting January 1st, 2012 ended 31st December, 2014. The meeting of the Committee was attended by all members.

On 10th of December 2014, the elected Board of Directors has re-elected the same members for a term of 3 years from 1st January, 2015, and the Nomination and Compensation Committee has convened first meeting on 10TH December, 2014 attended by all members and appointed HRH Prince Turki Bin Mohammed Bin Fahad Bin Abdulaziz Al Saud as Chairman and Mr. Waleed Abu Kishk as Secretary to the committee.

24.2. Compliance to Governance Regulations:

24.2.1. Shareholders' & General Assembly Rights:

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

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

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

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

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

24.2.1.2 Shareholders Rights regarding the General Assembly Meetings:

The Company held two General Assembly meetings:

The first meeting had two invitations: first invitation called for a meeting on 13/03/2014 with the below agenda :

A-Agenda of the General Assembly

- 1. Approval of the external auditors report about the financial statements of the year ended on 31/12/2013.
- 2. Approval of Company Balance Sheet, Profit and Loss statement for the year 2013,
- 3. Approval of Board of Directors report on Company activity for the year ending December 31, 2013

4. Approval of the distribution of profit at SR 1 per share with a total distributed amount of SR 115,500,000 representing 10% of the capital Shareholders ' right to receive profits to be recorded in the Register of Shareholders of Tadawul on the date of the General Assembly .
5. Discharge of liability of the Board Members regarding their management of the Company as on 31/12/2013
- 6. Approve the selection of Price Water House Coppers Office "Ex-Al Juraid & Co." (Certified Public Accountants) for the audit of Company accounts during the fiscal year 2014 as well as quarterly financial statements and determine the auditor's fees.
- 7. Approval of payment of the Board of Directors' fees for the year 2013 amounting to SAR 1,800,000.

However, the meeting was adjourned due to non-completion of the legal quorum, and second invitation called for a meeting on 20/03/2014.

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

- 1. Approval of the external auditors report about the financial statements of the year ended on 31/12/2013.
- 2. Approval of Company Balance Sheet, Profit and Loss statement for the year 2013,
- 3. Approval of Board of Directors report on Company activity for the year ending December 31, 2013
4. Approval of the distribution of profit at SR 1 per share with a total distributed amount of SR 115,500,000 representing 10% of the capital Shareholders ' right to receive profits to be recorded in the Register of Shareholders of Tadawul on the date of the General Assembly .
5. Discharge of liability of the Board Members regarding their management of the Company as on 31/12/2013
- 6. Approve the selection of Price Water House Coppers Office "Ex-Al Juraid & Co." (Certified Public Accountants) for the audit of Company accounts during the fiscal year 2014 as well as quarterly financial statements and determine the auditor's fees.
- 7. Approval of payment of the Board of Directors' fees for the year 2013 amounting to SAR 1,800,000.

The Second meeting: the general assembly has two calls .The first call for the meeting was on 03/12/2014 , the agenda was election of the Board of Directors for a new term of 3 years as of 01/01/2015 . The meeting was adjourned due to non-completion of the legal quorum, and second invitation called for a meeting was on 10/12/2014.The agenda was election of the Board of Directors for a new term of 3 years as of 01/01/2015.

- Further the Company confirms the following
 - a) The Company confirms that it has not received a request from the external auditor to convene the General Assembly during the year ended on 31/12/2014 and no such General Assembly meeting was convened. The Company also confirmed that it has not received from shareholders owning 5% of the Company capital or more, a request to convene a General Assembly meeting during the year ended on 31/12/2014 and not such meeting was held.

- b) The Company declared the date of General Assembly meeting and the place of meeting by at least 25 days before the meeting date.
- c) The Company published the invitation to attend the General Assemblies in Tadawul site and in the following newspapers:

C- 1 first invitation for “**First Meeting**” (13/03/2014)

: (1) AlJazeera , Issue No. 15113 dated 13/04/1435H corresponding to 13/02/2014, (2) Al Sharq , issue No. 802 dated 13/04/1435H corresponding to 13/02/2014, (3) Um Ulqurah by publishing receipt No. 3521017829 dated 13/04/1435H. The Company published the invitation in its website on 13/02/2014.

C- 2 second invitation for “**First Meeting**” (20/03/2014)

(1)AlJazeera , Issue No. 15146 dated 17/05/1425H corresponding to 18/03/2014, (2) Al Sharq , issue No. 835 dated 17/05/1435H corresponding to 18/03/2014, (3) Um Ulqurah by publishing receipt No. 3521022929 dated 16/05/1435H. The Company published the invitation in its website on 16/03/2014.

C- 3 first invitation for “**Second Meeting**” (03/12/2014)

: (1) AlJazeera , Issue No. 1046 dated 21/12/1435H corresponding to 15/10/2014, (2) Al Sharq , issue No. 15357 dated 21/12/1435H corresponding to 15/10/2014, (3) Um Ulqurah by publishing receipt No. 3521054141 dated 20/12/1435H. The Company published the invitation in its website on 15/10/2014.

C- 4 second invitation for “**Second Meeting**” (10/12/2014)

(1)AlJazeera , Issue No. 15408 dated 13/02/1436H corresponding to 05/12/2014, (2) Al Sharq , issue No. 1097 dated 13/02/1436H corresponding to 05/12/2014, (3) Um Ulqurah by publishing receipt No. 3621006948 dated 15/02/1436H. The Company published the invitation in its website on 04/12/2014

- d) The shareholders were briefed about the rules governing the General Assembly meeting and voting procedures by distribution of the written procedures during the meeting and the chance was availed for the shareholder to participate effectively in the meeting of the General Assembly.
- e) The Company facilitated the attendance of the maximum number of shareholders to attend the General Assembly, by choosing the Company head quarter in Dammam, and selecting the time of the meeting as 4:30 PM.
- f) The shareholders owning 5% of the capital or more did not request addition of any other issue to the agenda of the General Assembly meeting so no topic was added to the agenda of the meeting by shareholders owning 5% of shares or more.
- g) The shareholders were enabled /to practice their rights in discussing the topics of the agenda and direct their questions to the Board Members and the legal auditor but the auditor recited his report without receiving any question.
- h) All topics tabled before the General Assembly meeting were supported by sufficient information enabling the shareholders to adopt the decision.
- i) The shareholders were enabled to review the minutes of the General Assembly meeting by consultation of the minutes of the meeting as posted on the website. The Saudi Capital

Market Authority has been informed with the results of the meeting just after the end of the meeting. The Capital Market Authority was informed accordingly and provided with a copy of the Minutes of the Meeting of the first meeting on 20/03/2014, and Capital Market Authority was informed accordingly and provided with a copy of the Minutes of the Meeting of the second meeting on 11/12/2014.

24.2.1.3. Voting Rights:

- a) The Company confirmed that no obstacles prevented the shareholders to exercise their voting rights and the Company made all efforts to facilitate this possibility.
- b) In the first meeting of the General Assembly (20/3/2014), the Company did not use the accumulated voting system, as there are no items on the agenda of that General Assembly regarding the selection of Board Members. In addition, the by-laws of the Company does not endorse the adoption of this system. However, in the Second General Assembly which was held on 10/12/2014, the Company did not use the accumulated voting system despite that the Agenda was election of Board members, because the by-laws of the Company do not endorse the adoption of this system.

It's worth mentioning that the Company has applied "Policy of Criteria and Procedures for the Nomination of the Board of Directors" which was adopted by the General Assembly, and accordance with the Article 10.3 of this policy, and accordance with the Paragraph T of Article 12 of the "Corporate Governance Regulations" issued from CMA, which does not allow the Corporate Person to vote on the election of the other members, whereas the bylaws of the Company has no clause for the same (the Bylaws does not give Corporate Person to vote on the election of other members) and whereas there are no shareholders who were entitled to vote in such capacity, the above articles and clauses did not apply.

- c) The Company confirmed that all power of attorney by the shareholder to attend the meeting were submitted in writing for persons other than board member or Company employees.
- d) It is not of the Company policy to review the annual report of investors from legal entities who dispose on behalf of others, of such investment, since the Company considers that this procedure relates to the investors themselves and do not form part of the Company responsibility. In addition, the Company is considered as one of the largest companies in terms of free shares.
- e) The Company confirmed that the powers of attorney submitted for attendance of the meeting were done so in writing, duly attested for persons other than board member or Company employees.

24.2.1.4 Shareholders Rights in Dividends:

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

the shareholders registered in the shareholders register of Tadawul at the date of the meeting of the General Assembly i.e. 20/03/2014.

24.3 policies related to the disclosure

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

24.4. Results of Annual Auditing for Effective Internal Control:

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

24.4.1 Independence and authority

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

24.4.2 Responsibility

The responsibilities of the Internal Audit department encompass the following:

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

24.4.3 Scope of work

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

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

24.4.4 Annual results of internal audits

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

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

Recommendations were issued in the following areas:

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

Further,

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

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

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

26. Employees

26. 1. Management & Training:

The total number of Company employees and its affiliates companies has reached 3,144 employees compared with 3,157 employees in 2013 distributed as follows:

Particulars	2014	2013	Increases/ decrease
Local sector	1,850	1,772	78
International sector	1,294	1,385	(91)
Total employees	3,144	3,157	(13)
Saudi employees	493	523	(30)
Saudization Rate	26.64%	29.51%	(2.87%)

Since 2008 , Management has decided to promote Saudi employment, therefore it was necessary to recruit and retain highly qualified Saudi employees and executives. For this reason, a new benefit program was developed as such:

Currently the program Valid for Saudi only :

Mini MBA Leadership and Management Master class certificate:

Management has selected 18 Saudi employees working in managerial position who have been registered to obtain this certificate.

Housing Program:

Upon availability of Fund Company will pay 70 % of interest rate with Maximum 2.8 % with the condition that employee has completed 2 years of service with Very good performance and loan granted from the local bank not exceed 2.5 million to be used for purchasing Villa , apartment , Land.

27. Safety & Security:

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

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

28. Recommendation on Results of Year 2014:

The Board of Directors suggests allocation of results of 2014 as follows:

Particular	000 SR
• Net profits for 2014 after Zakat	82,618
• Balance accumulated Profits	<u>167,101</u>
• Net profits	249,719
• Less: Statutory reserve	<u>(8,262)</u>
• Net accumulated profits as on 2014	241,457

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

In terms of Article 22 of the By-laws of the Company, the Board of Directors of Saudi Arabian Amiantit Company (Saudi Stock Company) is pleased to invite all shareholders to attend the Annual Ordinary General Assembly meeting which will be held at the Company head office at the 1st Industrial Zone in Dammam (Dammam – Khobar Road) at 4:30 p.m. on Sunday 24/05/1436H corresponding to 15/03/2015G (according to Um Al Qora Calendar) to look into the following agenda:

Agenda of the Annual General Assembly Meeting

- First:** Approval of the External Auditors Report on the Company accounts for the year ended on 31/12/2014.
- Second:** Approval of the financial position of the Company as of 31/12/2014 and the accompanying financial statements for the year ended on the same date.
- Third:** Approval of the Board of Directors report of the Company activities for the year ended on 31/12/2014.
- Fourth:** Approval on the recommendations of the Board of Directors related to not to declare dividends for the year ended on 31/12/2014.
- Fifth:** Discharge the Board of Directors from responsibilities as regard to the management of the Company during the year ended on 31/12/2014.
- Sixth :** Approval of the selection of Company external auditors from among the audit offices nominated by the Audit Committee to audit the Company accounts for the year 2015 and the quarterly financial statements and determining its fees.

Best Regards,

Board of Directors