



التصنيع TASNEE

معاً نمو Together We Grow

2013 Annual Report



A large industrial facility, likely a refinery or chemical plant, is shown at night. The scene is illuminated by numerous bright yellow lights, creating a high-contrast image against the dark blue sky. The facility features a complex network of pipes, scaffolding, and large cylindrical storage tanks. In the foreground, there are more pipes and a large horizontal tank. The background shows more industrial structures and a clear night sky. A semi-transparent blue circular graphic is overlaid on the right side of the image, containing the text.

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ



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His Royal Highness

Prince Muqrin Ben Abdulaziz Al-Saud
Second Crown Prince, Second Deputy
Prime Minister

His Royal Highness

Prince Salman Ben Abdulaziz Al-Saud
Crown Prince, Deputy Prime Minister, Minister of
Defense

Custodian of the Two Holy Mosques

King Abdullah Ben Abdul Aziz Al-Saud

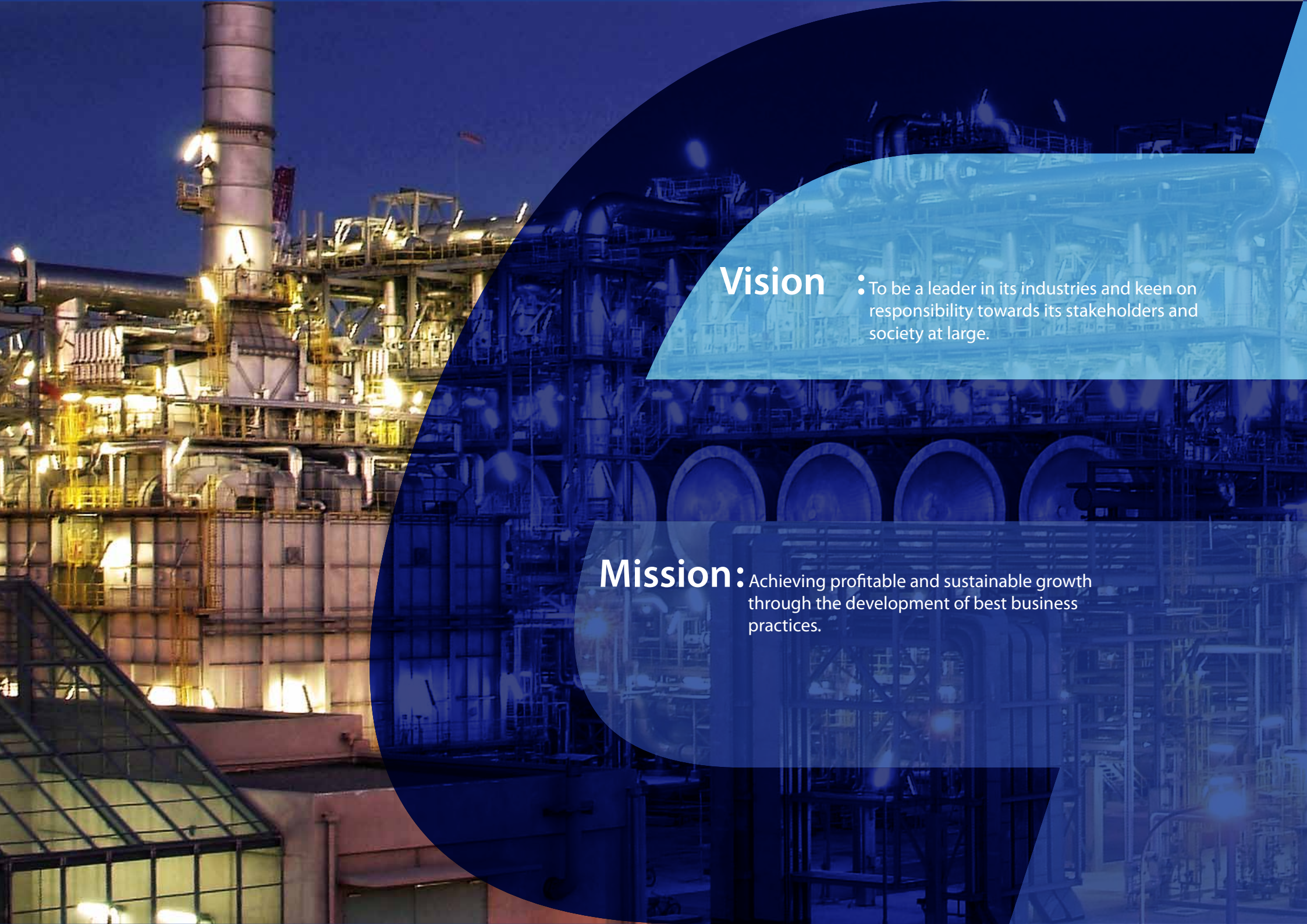
Members of the Board of Directors

- ❶ Eng. Mubarak Ben Abdullah Al-Khafrah
Chairman of the Board
- ❷ Dr. Talal Ben Ali Al-Shair
Vice Chairman
- ❸ Dr. Nazeeh Ben Hassan Naseef
- ❹ Eng. Talal Ben Ibraheem Al-Mayman
- ❺ Eng. Salah Ben Abdulwahab Al-Terkait
- ❻ Eng. Bader Ben Ali Al-Dakhil
- ❼ Mr. Suliman Ben Abdulqader Al-Muhaideb
- ❽ Mr. Sabah Tayseer Barakat
- ❾ Mr. Ibraheem Ben Ali Al Qadhi
- ❿ Mr. Saud Ben Suliman Al Juhani



التصنيع TASNEE



A photograph of a large industrial facility, possibly a refinery or chemical plant, at night. The facility is illuminated by numerous yellow lights, creating a high-contrast scene against the dark sky. A tall, cylindrical smokestack is prominent on the left side. The foreground shows a glass-enclosed structure, likely a walkway or observation deck. A large, semi-transparent blue circle is overlaid on the right side of the image, containing the Vision and Mission statements.

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

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

The background image shows a large industrial facility, likely a refinery or chemical plant, with numerous tall distillation columns, complex piping, and storage tanks. The entire image is overlaid with a semi-transparent blue filter. The text "A Word from The Chairman" is centered in the middle of the image.

A Word from The Chairman

A Word from The Chairman




Eng. Mubarak Ben Abdullah Al-Khafrah

Despite the conservative forecasts for the growth of the global economy in 2013, where the overall global economic growth reached 2.4%, the global economy has received the Year 2014 more optimistically, which is indicated by a lot of reports. This year, rich countries are expected to lead the locomotive of growth after they began to recover from the global financial crisis in 2008, with the growth rate of emerging economies is expected to reach 5.1% by the end of 2014, with an overall global growth of 3.7%, to increase to 3.9% by 2015.

Although this optimism did not extend to the Middle East which is experiencing more economic instability in many Arab countries where politics plays greater role in the economic trends, the situation in the Gulf and Saudi Arabia was different, which witnessed political stability and surpluses from oil revenues. It is expected that government spending enhances the private sector activities and maintains high growth rates, which will further contribute to the GDP growth.

Meanwhile, the National Industrialization Company (TASNEE) has continued improving performance and reinforcing its status



and capacity, which would help maintain its gains and shareholders' equity. This is driven by an expected improvement of markets in developed and emerging countries, increasing the industrial production of the USA and Europe, which in turn would lead to an increased demand for petrochemicals.

In line with this, TASNEE has conducted a number of related studies to expand the productivity of some production lines in many existing factories and carry out new projects. In another respect, TASNEE has made great progress towards social responsibility in 2013 as part of its strategic vision by directing 1% of its annual profits to the socially responsible programs.

We trust the ability of TASNEE to maintain growth and expansion in order to meet the needs of local, regional and international markets. Our trust in Allah as well as our strong economy continues to grow through a deep vision of our leadership.

Finally, I and the Board members extend our thanks and appreciation to all the staff in the National Industrialization Group for their efforts to achieve the prosperity of the course of the Group and its affiliates. We pray to Allah to grant our country prosperity, development, security and stability under our wise leadership.



A photograph of a large industrial facility, likely a refinery or chemical plant, at night. The scene is illuminated by numerous bright lights, creating a complex network of glowing structures, pipes, and scaffolding against a dark blue sky. The lights vary in intensity, with some appearing as sharp points of light and others as softer glows. The overall composition is dense and intricate, highlighting the scale and complexity of the industrial environment.

Board of Directors' Report for 2013

Board of Directors' Report for 2013

Dear Respected
TASNEE Shareholders,

The Board of Directors of the National Industrialization Company (TASNEE) is pleased to present to shareholders its annual report, related to the activities and performance of the company for the fiscal year from January 1, 2013 to December 31, 2013, accompanied by the audited financial statements and notes attached thereto, including the most important developments in the performance and activities of the company as per the following details:

At Glance:

The National Industrialization Company (TASNEE) was established by the Ministerial Decree No. 601 of Dhu Al-Hijjah 24 1404H (1985). The Company's capital amounts to SR 6,689,141,660.

During 2013, TASNEE was able to maintain its gains and realize many significant achievements, such as the company's continuity to improve its performance and strengthen its local, regional and global position, finalizing the implementation and expansion of its projects and reaching advanced stages in planning and studying a number of new projects.



First: Types of Company's Main Activities:

The activity of the Company is represented by investing in industrial field, transferring industrial advanced technology to Saudi Arabia in manufacturing and processing of petrochemicals and chemicals, engineering and mechanical industries, management and possession of industrial projects and marketing its products. The activities of affiliated companies, are represented in manufacturing and marketing the industrial products, and the activity of petrochemicals in the field of producing ethylene, polyethylene, propylene and polypropylene and acrylics. The industrial activity includes production and marketing of titanium dioxide and production of dry and liquid vehicle batteries, as well as production of lead, plastic products of various kinds and production of acrylic sheets. For the other activities, they include marketing plastic products and batteries, providing technical services, conducting technical testing to equipment and industrial, chemical, petrochemical and metallurgical plants and water desalination and power generation plants. Below is a table showing the impact of each activity on the volume of the Company's business:

	Industrial Sector	Petrochemical Sector	Head Office and other activities	Total
Percent of sales	50.3%	47.6%	2.1%	100%

Second: Future Plans, Prospects and Risks

A. Future Plans and Prospects:

- The Company is working on a number of studies related to expanding the capacity of some production lines in a number of existing plants, as well as setting up and establishing new industrial projects.
- In general, the Company is planning to continue improving performance, enhancing its gains, and developing capabilities, which in turn will help maintain the growth of profits and shareholders' equity. However, it is difficult to precisely predict future prospects for the company's future product prices, such as petrochemicals and chemicals in global markets, as they are linked to a number of changing global economic data and factors.

B. Risks:

The risks, to which the Company may be exposed, include the changes that may affect the global economy in terms of deflation and recession, which may lead to a decline in the demand for the company's products and thus a reduction in their prices. Additionally, the Company may be exposed to the risks of changing prices of raw materials on which it largely depends. As well, the Company's performance relies on the operational performance level of factories, which involve numerous technologies and equipment, which in return are prone to malfunctioning and downtime. The Company also may be exposed to the fluctuation of foreign exchange rates, anti-dumping laws, or competition.

Third: Assets, Liabilities and Business Results of Activities for the Last Five Fiscal Years:

TASNEE has a strong financial position and positive financial indicators that support its plans for expansion in investments and strategic alliances, which would help in continuous growth and strengthening its position in local and world markets. The table below shows its business outputs for the last five fiscal years:

Year	Amount in SR million				
	Total assets	Total liabilities	Shareholders' equity	Sales	Net profits
Dec. 31, 2009	33,162	21,703	7,790	10,863	519
Dec. 31, 2010	34,704	20,248	9,262	15,993	1,473
Dec. 31, 2011	39,928	22,151	11,023	19,649	2,441
Dec. 31, 2012	45,610	26,000	12,067	17,922	1,764
Dec. 31, 2013	47,270	27,687	12,006	18,199	1,177
Growth during 5 years	42.54%	27.57%	54.12%	67.53%	126.78%

Fourth: Geographic Analysis of Revenues:

Region	KSA	GCC	Middle East	Africa	Indian continent	East Asia	Europe	USA
Sales percent	14%	7%	3%	8%	6%	28%	15%	19%

Fifth: Loans received by the Company

Donor	Principal	Repaid during the year	Loan balance	Repayment period
Local banks	5,323,215,000	2,323,215,000	3,000,000,000	8 years
Sukuk	2,000,000,000	None	2,000,000,000	7 years

Sixth: Operating Results

The net profits for the period from January 1, 2013 to December 31, 2013, amounted to SR 1,177,437 a decrease of 33.2% compared to the last year. Noting that operating profit declined by 25.05% to 3,087,832 in 2013, compared to 4,119,630 in 2012. The reason for the decline in annual net profit for 2013, compared to the previous year, is mainly due to lower sale prices of the titanium dioxide sector, and low quantity produced and sold by the petrochemical sector in spite of improved selling prices.

The shareholders equity by the end of December 2013 was SR 12,006,133 a decrease of 0.51% from last year. Total assets by the end of December 2013 amounted to SR 47,270,232 an increase of 3.6% from last year.

The Company prepared its financial statements in accordance with the accounting standards issued by the Saudi Organization for Certified Public Accountants, which are and appropriate to the Company's circumstances, and are in conformity with the Saudi Regulations for Companies and the Company's by-laws.

Seventh: Affiliates

1. National Titanium Dioxide Co. "CRISTAL":

It is a limited liability company, based in Jeddah, with its operation facilities located in Yanbu Industrial City, in addition to its plants based in USA, Europe and Australia and TASNEE owns 66% of the company's shares.

2. Saudi Poly Olefins Company (SPC):

A limited liability company based in Jubail Industrial City. TASNEE owns 75% of the company shares.

3. TASNEE & Sahara Olefins Company:

A joint stock company – based in Riyadh, with its main operation office located in Jubail Industrial City. The number of issued shares of the company is 283,000,000. The shares are of equal value and the nominal value of each share is SR 10. TASNEE owns (directly and indirectly) 60.45% of the shares.

TASNEE & Sahara Olefins Company undertakes its activities through its affiliates as follows:

3.1 Saudi Ethylene and Polyethylene Company:

A limited liability company based and exercises its operations in Jubail Industrial City. TSOC owns 75% of its shares.

3.2 Saudi Acrylic Acid Company and its Derivatives (SAAC):

A limited liability company based in Riyadh, with the main office of its operations located in Jubail Industrial City. TASNEE & SAHARA Olefins Company owns 65% of the company shares. Additionally, TASNEE owns a direct share of 13% of the company shares. This Company is working on establishing and operating a number of projects to constitute an integrated complex including an acrylic monomers plant for producing acrylic acid and butyl acrylate and another plant for producing super absorbent polymers. The company also provides utilities and services on commercial manner to other companies.

4. National Lead Smelting Company "RASASS"

A limited liability Company, based in Riyadh. TASNEE owns, directly and indirectly, 74.90% of the company's shares.

5. Rowad National Plastics Company "ROWAD"

A limited liability company based in Riyadh. TASNEE, directly and indirectly, owns 100% of the company's shares.

6. National Batteries Company "BATTARIAT"

A limited liability company, based in Riyadh. TASNEE owns 90% of the company's shares.

7. National Inspection and Technical Testing Company "FAHSS":

A limited liability company, based in Dammam, KSA, where the company exercises its operations. FAHSS has expanded its activities in the Gulf region through its affiliate "TUV – Middle East". TASNEE, directly and indirectly, owns 74.89% of the company's shares.

8. National Industrialization Petrochemicals Marketing Company

A limited liability company, based in Riyadh, and exercises its operation form Riyadh. TASNEE owns, directly and indirectly, 100% of the company's shares.

9. National Operation and Industrial Services Company "KHADAMAT":

A limited liability company, based in Riyadh. TASNEE owns 88.3% of the company's shares.

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

A joint stock company, based in Jubail Industrial City. The issued shares of the company amount to 28,112,098 of equal value; the nominal value of each is SR 10. TASNEE owns (directly and indirectly) 35.47% of the company's shares.

11. National Packing Products Company LTD. (WATAN PAC)

A limited liability company, based in Riyadh. TASNEE owns 42.6% of the company's shares.

Eight: Profit Distribution Policy:

The profit distribution decision lies with the powers undertaken by the General Assembly pursuant to a recommendation made by the Company's Board of Directors. The decision primarily depends on the amount of net profits realized in each year and the size of expenditure expected on future investment projects and on expected cash flows.

The general policy for the distribution of profits pursuant to Article 17-4 of the Company's by-laws provides for distributing the net annual profits of the company after deducting all general expenses and the other costs as follows:

Amount of Zakat shall be set aside,

Ten percent (10%) of the annual net profits shall be set aside to form a statutory reserve, which the General Assembly may suspend whenever it reaches half the capital,

Out of the balance of the profits, there shall be paid to the Shareholders an initial payment of five percent (5%) of the paid-up capital,

The remaining balance shall be distributed among the Shareholders as an additional share of the profits, pursuant to articles 13-10 (B) and 17-5.

Ninth: Formation of the Board of Directors:

According to Article (12-1) of the Company's by-laws, the Board of Directors shall be composed of 10 (ten) members. The ordinary General Assembly meeting (19), held on Saturday, April 6, 2013, elected the Directors in its tenth session for a three-year term as of July 5, 2013, and up to June 5, 2016 as follows:

	Name	Membership class	Board Membership in Other Joint Stock Companies
1	Eng. Mubarak Ben Abdallah Al Khafrah Chairman of the Board	Executive member	<ul style="list-style-type: none"> • Saudi Hollandi Bank • Malath Insurance Company • TASNEE & SAHARA Olefins Company
2	Dr. Talal Ben Ali Al-Shair Vice Chairman	Executive member	<ul style="list-style-type: none"> • Salam Co. • Al Masane Al Kobra Mining Company • Fiber Glass Oasis Co. • Al-Madina Co. for Industrial Investments • TASNEE & SAHARA Olefins Company
3	Eng. Talal Ben Ibraheem Al Mayman	Independent member	<ul style="list-style-type: none"> • Kingdom Holding Company

	Name	Membership class	Board Membership in Other Joint Stock Companies
4	Dr. Nazeeh Ben Hassan Naseef	Non-Executive Member	<ul style="list-style-type: none"> • Saudi Pharmaceutical Industries and Medical Appliances Corporation (SPIMACO)
5	Eng. Salah Ben Abdulwahab Al Terkait	Independent Member	<ul style="list-style-type: none"> • IKARUS Petroleum Industries Company (Kuwait) • National Industries Group (Kuwait) • United Sulb Co. (Foulath), Bahrain • Gulf Investment Corporation , Bahrain
6	Eng. Sabah Tayseer Barakat	Independent Member	<ul style="list-style-type: none"> • Aluminum Product Companies
7	Mr. Suliman Ben Abdulqader Al-Muhaideb	Independent Member	<ul style="list-style-type: none"> • ACWA Power International • Paper Middle East • Swicorp • Abdulqader Muhaideb & Sons Co. • Al Oula • Almarai • Savola Group • SABB
8	Mr. Badr Ben Ali Al-Dakhil	Non-Executive Member	
9	Mr. Ibrahim Ben Ali Al-Qadhi	Non-Executive Member	<ul style="list-style-type: none"> • Kuwait Clearing Company (Kuwait) • Al-Rawabi Dairy (Dubai)
10	Mr. Saud Ben Suliman Al-Juhani	Independent Member	<ul style="list-style-type: none"> • Tabuk Cement Co. (TCC) • Saudi Industries Development Company

Tenth: Interests of the Board members & senior executives in the company's shares:

	Name	Representing	No. of shares Owned			
			As of Jan. 1, 2013		Dec. 31, 2013	
			For the Board Member	For the entity the member represents	For the Board Member	For the entity the member represents
1	Eng. Mubarak Ben Abdallah Al-Khafrah	Himself	1,233,996	-	1,233,996	-
2	Dr. Talal Ben Ali Al-Shair	Himself	1,452	-	1,452	-
3	Eng. Talal Ben Ibraheem Al Mayman	Himself	299,015	-	21,661	-
4	Dr. Nazeeh Ben Hassan Naseef	SPIMACO	19,000 2,925*	35,096,971	2,925*	35,096,971
5	Eng./ Salah Ben Abdulwahab Al Terkait	Himself	52,280	-	52,280	-
6	Eng. Sabah Tayseer Barakat	Himself	-	-	1,000	-
7	Mr. Suliman Ben Abdulqader Al-Muhaideb	Himself	1,452	-	1,452	-
8	Mr. Badr Ben Ali Al-Dakhil	GOSI	1,800	58,147,209	1,800	58,147,209
9	Mr. Ibrahim Ben Ali Al-Qadhi	Gulf Inv. Corp.	-	49,018,278	-	43,833,665
10	Mr. Saud Ben Suliman Al-Juhani	Public Pension Agency	-	27,208,636	-	27,208,636
* For Dependents						
Senior executives	Saleh Ben Fahd Al-Nazha	CEO	-	-	-	-
	Abdul Rahman Abdul Aziz Al-Salem	Vice President for Strategic Planning	-	-	5,690	-
	Fayez Ben Abdullah Al-Asmari	Vice President for Finance	38,673	-	38,673	-
	Ahmed Ben Mohammed Al-Bassam	Vice President for Business Development	18,331	-	18,331	-
	Mohammed Ben Ibrahim Al-Bibi	President of TASNEE Petrochemical Complex in Jubail	-	-	-	-
	Fahd Ben Abdul Aziz Al-Bahoth	Board secretary	-	-	-	-

Eleventh: Board of Directors Meetings:

During 2013, the Board held six (6) meetings, with attendance as follows:

Meeting	Date	Attendance of the Board Members
First	Feb. 23, 2013	Eng. Mubarak Ben Abdullah Al Khafrah, Dr. Moayyad Ben Issa Al Qurtas, Dr. Talal Ben Ali Al-Shair, Eng. Talal Ben Ibrahim Al Mayman, Dr. Nazeeh Hassan Naseef, Eng. Salah Ben Abdulwahab Al Terkait, Mr. Suliman Abdulqader Al-Muhaideb, Eng. Sabah Tayseer Barakat, Mr. Badr Ben Ali Al-Dakhil.
Second	Apr. 6, 2013	Eng. Mubarak Ben Abdullah Al Khafrah, Dr. Moayyad Ben Issa Al Qurtas, Dr. Talal Ben Ali Al-Shair, Eng. Talal Ben Ibrahim Al Mayman, Dr. Nazeeh Hassan Naseef, Eng. Salah Ben Abdulwahab Al Terkait, Mr. Suliman Ben Abdulqader Al-Muhaideb, Eng. Sabah Tayseer Barakat.
Third	Jun. 3, 2013	Eng. Mubarak Ben Abdullah Al Khafrah, Dr. Moayyad Ben Issa Al Qurtas, Dr. Talal Ben Ali Al-Shair, Eng. Talal Ben Ibraheem Al Mayman, Dr. Nazeeh Hassan Naseef, Eng. Salah Ben Abdulwahab Al Terkait, Mr. Suliman Ben Abdulqader Al-Muhaideb, Eng. Sabah Tayseer Barakat, Mr. Badr Ben Ali Al-Dakhil.
Fourth	Jun. 3, 2013	Eng. Mubarak Ben Abdullah Al Khafrah, Dr. Talal Ben Ali Al-Shair, Eng. Talal Ben Ibrahim Almayman, Dr. Nazeeh Ben Hassan Naseef, Eng. Salah Ben Abdulwahab Al Terkait, Mr. Suliman Ben Abdulqader Almohaideb, Eng. Sabah Tayseer Barakat, Mr. Badr Ben Ali Al-Dakhil, Mr. Ibrahim Ben Ali Al-Qadhi, Mr. Saud Ben Suliman Al-Juhani.
Fifth	Sept. 9, 2013	Eng. Mubarak Ben Abdullah Al Khafrah, Eng. Talal Ben Ibrahim Almayman, Eng. Salah Ben Abdulwahab Al Terkait, Mr. Suliman Ben Abdulqader Al-Muhaideb, Eng. Sabah Tayseer Barakat, Mr. Badr Ben Ali Al-Dakhil, Mr. Ibrahim Ben Ali Al-Qadhi.
Sixth	Dec. 23, 2013	Eng. Mubarak Ben Abdullah Al Khafrah, Dr. Talal Ben Ali Al-Shair, Dr. Nazeeh Ben Hassan Naseef, Eng. Salah Ben Abdulwahab Al Terkait, Mr. Suliman Ben Abdulqader Al-Muhaideb, Eng. Sabah Tayseer Barakat, Mr. Badr Ben Ali Al-Dakhil, Mr. Ibrahim Ben Ali Al-Qadhi, Mr. Saud Ben Suliman Al-Juhani.

Twelfth: Indemnities & Benefits of the Board Members and Senior Executives:

In SR	Executive Members of the Board	Non-Executive/ independent Members of the Board	Five Senior Executives who received the highest benefits & indemnities including executive manager & finance manager
Salaries & indemnities	-	-	9,847,170
Allowances	435,252		
Periodical & annual compensation	5,400,000	1,273,560	4,106,509
Incentive plans			
Indemnities & real benefits	104,100	64,583	

Thirteenth: The Board Committees

The Board of Directors approved the regulations for the Executive Committee, Audit Committee, and Nomination and Remuneration Committee. These regulations defined all of these committees' formation, membership duration, tasks, powers, procedures and work method and meetings, and members' obligations and remunerations. These committees are formed as following:

The Executive Committee:

The Executive Committee shall mainly undertake the functions of making any significant executive and strategic decisions in accordance with its mandate approved by the Board. It is formed as follows:

Eng. Mubarak Ben Abdallah Al Khafrah, Chairman

Dr. Talal Ben Ali Al-Shair,

Eng. Talal Ben Ibraheem Al Mayman,

Nazeeh Ben Hassan Naseef (as of July 6, 2013)

This committee held 6 meetings during 2013.

Audit Committee:

This committee shall undertake its functions in accordance with applicable rules, regulations and standards. It also evaluates internal control, while adhering to audit standards approved in the Kingdom, as well as complying with the Company's regulations. The Audit Committee is composed of:

Eng. Sabah Tayseer Barakat, Committee Chairman

Mr. Badr Ben Ali Al-Dakhil

Mr. Mohammed Ben Abdul-Aziz Al-Krida

Mr. Rashed Ben Ibrahim Shereif (as of July 6, 2013)

The Audit Committee held 4 meetings during 2013.

Nomination and Remuneration Committee:

The Nomination and Remuneration Committee shall undertake the function of making recommendations to the Board about any matters related to nominations for the Board membership, review of the needs, required qualifications and skills, review of the Board structure, identification of strengths and weaknesses, ensuring the independence of independent members, ensuring that there is no conflict of interest, and developing policies for the indemnities and compensation for the Board members and senior executives. The Nomination and Remuneration Committee is composed of:

Mr. Suliman Ben Abdulqader Al-Muhaideb, Committee Chairman

Dr. Talal Ben Ali Al-Sha'er

Eng./ Salah Ben Abdulwahab Al Terkait

Mr. Ibrahim Ben Ali Al-Qadhi (as of July 6, 2013)

Mr. Saud Ben Suliman Al-Juhani (as of July 6, 2013)

During 2013, the Nomination and Remuneration Committee met twice.

Fourteenth: Annual Audit Findings: Effective Internal Control Procedures:

The Company's Internal Audit Department has adopted operational auditing of the Company and its subsidiaries. An annual audit plan, taking into account the risks of work environment and audit trail duration, is prepared and presented by the Internal Audit Department to the Audit Committee for approval. Then field inspections to the audited entities are made by the audit teams for making interviews with the concerned officials and examining samples of operations based on a professional audit program, which ensures that the details of each audit are covered. The audit team then prepares and discusses audit findings in detail with the relevant department, and obtains documented responses on each finding. Then recommendations are made to make the necessary correction and issue the final report, which is presented to the officials of the audited department and to the high management of TASNEE. The audit report is also submitted to and discussed with the Audit Committee at one of its meetings, while following up the corrective actions made and reporting to the Audit Committee on a regular basis.

Based on the foregoing, the approved audit plan for the fiscal year 2013 has been implemented, and filed reports were submitted as described above. The Audit Committee has also reported to the Board of Directors the results of its operations during the year. The Audit Department indicated that there are no material misstatements in the internal audit reports, and its evaluation of the internal control systems is adequate for maintaining the Company's assets and property and sound operations.

Fifteenth: Zakat and Statutory Payments:

Zakat due on National Industrialization Company alone amounted to SAR 25,163,000 for 2013, and payments for the General Organization for Social Insurance subscriptions totaled SAR 1,428,783.

Sixteenth: Corporate Governance:

The Board of Directors approved the Corporate Governance Guidelines, to which the Company adheres and comply with its rules. TASNEE also applies most of the rules contained in the Corporate Governance Regulations issued by the Saudi Capital Market Authority, and finalizes setting a number of policies and procedures in the form of regulations.

Rules of the corporate governance regulation that have not been applied in the company are detailed as follows:

Article No.	Content	Reasons for non-application
3	The right to a share of the Company's assets upon liquidation	There is no provision for this in the Company's by-laws, although this is decided by the Saudi Regulations for Companies
6 (B)	Accumulative voting to select the members of the Board	Voting to select the members of the Board, based on the Company's by-laws, is traditionally carried out in accordance with Saudi Regulations for Companies. On April 4, 2012, the Company's by-laws was presented to the General Assembly for amendment by introducing accumulative voting for selecting the Board members. However, the suggested amendment was not approved.
10 (E)	Developing a written policy that regulates the relationship with stakeholders	Contracts ensure this matter, and the company is not in need of Developing a written policy for that.
12 (D)	It is prohibited to conjoin the position of the Chairman of the Board of Directors with any other executive position in the company	The Company's practicality and interest requires the Board Chairman to undertake some of the executive duties.

Seventeenth: The Company Auditors:

In its meeting held on April 6, 2013, the ordinary General Assembly approved appointing Ernst & Young (Certified Public Accountants) as auditors of the company's accounts for the fiscal year ending December 31, 2013.

Eighteenth: Social Responsibility:

The National Industrialization Company undertakes its social responsibility as a duty imposed by religious belief, national sense and moral obligation. The Company allocates 1% of its annual profits to contribute to addressing social and health problems, supporting rehabilitation and training programs, developing skills, education and awareness, and serving the community through its commitment to occupational and environmental safety standards. TASNEE also plays an active role in diversifying the productive base of the national economy and adding value to national products. All of this required research and development, localization of techniques, constant updating of production and management methods, training and recruitment of national manpower, and investment in remote areas to contribute to changing the cultural structures of society. TASNEE has been awarded by the Arab Organization for Social Responsibility the Gold Pan-Arab Award for Excellence in Corporate Social Responsibility for the second year in a row. During 2013, TASNEE has sponsored a large number of programs and supported a lot of entities of public interest, as follows:

First: Cultural Programs: TASNEE has sponsored and supported a campaign to promote tolerance and ethics in collaboration with Rekaz. TASNEE also sponsored the fifth creativity forum for Saudi students at the UAE universities in cooperation with the Cultural Attaché at the Embassy of the Custodian of the Two Holy Mosques in the UAE. It also sponsored refitting the training building of the Coordinating Council of Charities in Medina.

Second: Rehabilitation Programs: TASNEE collaborated with the Hand Crafts Charity to enhance training on sewing. It also collaborated with the Blind Charity in Riyadh to support the program "it's my right to learn" to prepare 200 training bags to teach my blind parents to Braille. TASNEE also collaborated with the Weaam Charity for rehabilitating prospective young couples.

Third: Social Programs: TASNEE provided an annual support for about 200 non-profit organizations. It also supported equipping and operating premises for keeping the surplus food in collaboration with Mustawd'a Charity in Medina. TASNEE financed building seven houses in Umluj, and cooperated with the Saudi Charity Association for Cancer to provide accommodation for coming patients from outside Riyadh. TASNEE also collaborated with Adults Motor Impairment Association "HARAKIA", by sponsoring a mass wedding of the handicapped, transporting the handicapped, and securing devices for the Disability Charity in Hail. TASNEE also provided the deaf and dumb club in Riyadh with a bus to transport club members, and bore the expenses of 166 poor pilgrims in collaboration with the Cooperative Office for Call, Nadheem branch. TASNEE also provided assistance for a number of charities, including Charity for Orphans Care (Ensan), Society of Majid Ben Abdulaziz for Development and Social Services, Birr Charity in Muharram and Hada, Hifz Charity in Makkah, and Imam Muhammad Ben Saud Charity.

Fourth: Health Programs: TASNEE collaborated with Kawthar Health Charity in Aseer to set up a mobile clinic for examination and treatment of diabetes, and with Thiba Physicians Charity to establish a mobile clinic for dental treatment. It also supported the endowment of Zamzam Health Services Charity to provide dialysis, and cooperated with the Saudi Charity Association for Cancer to sponsor the World Cancer Day. TASNEE also sent 15,000 blankets to our brethren in Syria in cooperation with the Saudi National Campaign to Support the Brothers in Syria.

Nineteenth: Manpower & Training

The personnel of the company as of December 31, 2013 amounted to 1,393 employees, of whom 894 are Saudi nationals. This also includes the company's employees in petrochemical factories in Jubail, but it does not include the affiliates' employees.

Twentieth: TASNEE Program for Housing Loans

The company's management has approved a program for housing loans, aiming to help Saudi staff to own proper housing through interest-free loans from the Company. During 2013, the program's loan payments amounted to SR 51. In addition, an amount of SR 55 has been approved in the estimated budget for 2014 for the housing loan program.

Twenty First: Disclosures and Representations

1. Conflict of Interests:

The Board of Directors declares that no member in the Board has any direct or indirect interest in business and contracts made for the Company, and that all members in the Board do not have any participation in any business causing competition against the Company, or trading in any of the branches of the activity it is practicing. Besides, the company did not impose or guarantee any of the Board members against any loan or commitment whatsoever.

2. Related Party Transactions:

There were no contracts with parties having relations with the Board members, managing director, managing director deputies, chief finance officer or any of their relatives.

3. To the best of our knowledge and based on the auditor's report, current market data and results and future indicators, the Board of Directors certifies that:

- 3.1 Proper books of account have been maintained,
- 3.2 The system of internal control is sound in design and has been effectively implemented,
- 3.3 There are no significant doubts concerning the Company's ability to continue as a going concern.

Conclusion:

At the end of the report, the Board of Directors is pleased to extend its sincere thanks and appreciation to the Company's shareholders for their valuable support and confidence. I also wish to thank all TASNEE employees for their fruitful efforts, as well as our partners and customers in Saudi Arabia and throughout the world for their valuable trust and cooperation.







A Word from The CEO

A Word from The CEO



Eng. Saleh Ben Fahad Al Nazha

Despite the optimistic outlooks of higher growth for the global economy accompanied by an increasing demand for petrochemicals and chemicals due to an improvement in developed and emerging economies, TASNEE continues to perform its constructive role in developing national industry and demonstrating its impressive image regionally and internationally. TASNEE could make numerous achievements at the level of production, making profits, expansion, operation, as well as participation in social responsibility.

At the level of operation and production, TASNEE achieved net profits of SR 1,177,437,000, during 2013, while shareholders' equity reached SR 12,006,133,000. The Company's assets reached SR 47,270,232,000 by the end of 2013, with an increase of 6.3% compared to the last year.

At the level of expansion and incorporation, work in the ilmenite treatment project in Jazan is in progress as part of Cristal Co.'s endeavor to finalize its integrated projects for producing titanium dioxide, including mining for raw materials, titanium metal and powder and final product. About 200 Saudi nationals from Jizan were recruited, representing 50% of the employment required for the project. A two-year training program will be conducted by Cristal Co. in order to enable them to hold senior positions as well as to undertake management and operation of the project.

In June 2013, TASNEE began production in the acrylic acid and butyl acrylate through the acrylic acid complex in Jubail Industrial City, and work is underway to reach full production capacity. The Saudi Acrylic Acid Co., Ltd. also signed an outsourcing and manufacturing agreement with the Saudi Kayan Petrochemical Company and Sadara Chemical Company (Sadara), for constructing a factory for producing Butanol. Production is expected to begin by the first quarter of 2015.



Together We Grow

Regarding Al Rowad Co. projects in Hail, TASNEE started works of construction. A training program for the staff, mostly from Hail, was launched to enable them to effectively manage and operate the project.

At the level of new agreements, TASNEE signed a Memorandum of Understanding with the Saudi Technology Development and Investment Company (TAQNIA), owned by the Public Investment Fund (PIF), to enhance contribution to work in synthetic fibers and develop relevant techniques for commercial operation.

In an attempt to enhance its capacity to secure finance for its projects and promote confidence in its potentials, TASNEE signed a Sharia-compliant murabaha agreement of SR 4 billion with a number of local and Gulf banks.

During 2013, TASNEE has made great strides in contributing to corporate social responsibility, where it provided and sponsored a wide range of cultural, rehabilitative, social and health programs. This was culminated by receiving the Pan-Arab Award for Excellence in Corporate Social Responsibility for the second year in a row, according to Arab Organization for Social Responsibility.

Our ambition and work will continue in order to achieve TASNEE strategy for diversifying the production base of national economy and making our products reach more consumers across the globe. Wishing every success, we seek with our Board and employees to gain the confidence of our shareholders and work together to the best interest of TASNEE and the Saudi economy as a whole.

Finally, I wish to thank all those who contributed to the success of this promising entity, including government agencies, partners, shareholders, board of directors and staff.

Eng. Saleh Ben Fahad Al Nazha



TEAM WORK



التمني TASNEE
مجمع التصنيع للبتروكيماويات



Rowad

كريستل CRISTAL

Company Directory



Establishment Date

Major Shareholders

Objective & Activities

Products

Markets

Location

E-mail

Website

Location of factory

**National Titanium Dioxide Company Ltd.
"CRISTAL"**

- : 1988.
- : National Industrialization Company 66%
- : Gulf Investment Corporation 33%
- : Dr. Talal Ben Ali Al Sha'er 1%
- : Producing Titanium Dioxide pigment and using it in producing a group of products.
- : Titanium Dioxide is the major substance used in painting, inks, plastic, rubber, paper, textile, ceramic tiles, cosmetics, pharmaceutical preparations and other industries.
- : Industrial countries in Asia, Europe, America, Africa, Arab Region and Australia.
- : The headquarter is situated in the 16th & 17th floors, King Road Tower, King Abdulaziz Street, Beach district, Jeddah.
P.O.Box 13586 - Jeddah 21414, Kingdom of Saudi Arabia
Tel.: 012 652 9966, Fax: 012 652 9933
- : info@cristalglobal.com
- : www.cristalglobal.com
- : **Yanbu Industrial City,**
P.O.Box 30320, Tel.No.: 014 321 2800, Fax No.: 014 396 1018



Saudi Polyolefins Company (SPC)

Establishment Date	: 2001.	
Major Shareholders	: National Industrialization Company	75%
	: Basell Moyen Orient Investissements	25%
Products and Production Capacity	: Propylene	455,000 ton
	: Polypropylene	720,000 ton
Commercial Operation	: Since Jul 2004	
Products Usage	: Polypropylene is basic raw material for plastic carpets, containers, filling boxes, plastic bags, and textile industries.	
Markets	: 30% Local and GCC countries	
	: 70% World market	
Total project cost	: SR 3.3 Billion (including expansion project)	
Employment	: 400 Employees	
Location	: TASNEE Petrochemical Complex in Jubail.	
Address	: P.O. Box 35579 - Al Jubail 31961, Kingdom of Saudi Arabia	
	: Tel.: 013 358 2000, Fax: 013 358 2558	
E-mail	: general@tasnee.com	
Website	: www.tasnee.com	



TASNEE & SAHARA Olefins Co.

Establishment Date

: 2006.

Major Shareholders

: National Industrialization Company	60.45%
Sahara Petrochemical Company	32.55%
General Organization for Social Insurance.	7%

Objective & Activities

: Establishments, managements, operations and acquisition of Petrochemical & Chemical projects, marketing their products and assume all relevant activities

Location

: The headquarter is situated in Riyadh
Business Gate, Building C3,
Cordoba, eastern ring road.
P.O.Box 26707 - Riyadh 11496, Kingdom of Saudi Arabia
Tel.: 011 222 2205, Fax: 011 400 2255

E-mail

: general@tasnee.com

Website

: www.tasnee.com



Saudi Ethylene and Polyethylene Company (SEPC)

Establishment Date	: 2006.	
Major Shareholders	: TASNEE & SAHARA Olefins Co.	75 %
	Basell ME Holding Co.	25 %
Objective & Activities	: Producing million tpa of Ethylene & 285.000 ton of Propylene	
Products	: 400,000 HDPE	
	400,000 LDPE	
Markets	: 30% Local and GCC countries	
	70% World Market	
Total Project Cost	: SAR 9.7 billion	
Employment	: 550 Employees	
Address	: The factory is located in the principal petrochemical complex constructed by TASNEE in Al-Jubail Industrial City.	
	P.O.Box 35579 - Al Jubail 31961, Kingdom of Saudi Arabia	
	Tel.: 013 358 2000, Fax: 013 358 2558	
E-mail	: general@tasnee.com	
Website	: www.tasnee.com	



Saudi Acrylic Acid Company (SAAC)

Establishment Date	: 2009.	
Major Shareholders	: TASNEE & SAHARA Olefins Co.	65 %
	National Industrialization Co.	13 %
	SAHARA Petrochemicals Co.	22 %
Objective & Activities	: Establishing, Managing, Operating and Acquiring of Acrylic Acid and its Derivatives Projects.	
Address	: The Headquarters is situated in Riyadh P.O.Box 26707 - Riyadh 11496, Kingdom of Saudi Arabia Tel.: 011 476 7166, Fax: 011 477 0898	
E-mail	: general@tasnee.com	
Website	: www.tasnee.com	



Establishment Date

Major Shareholders

Objective & Activities

Address

E-mail

Website

Saudi Acrylic Monomers Company (SAMCO)

- : 2009.
- : Saudi Acrylic Acids Company (SAAC) 75 %
Dow Chemical Company (Acquired American Rohm & Haas) 25 %
- : Producing Acrylic Acid, Row Acrylic Acid, and Beutail Acrylate.
- : The Headquarters is located in Jubail Industrial City
P.O.Box 35579 - Al Jubail 31961, Kingdom of Saudi Arabia
Tel.: 013 358 2000, Fax: 013 358 2558
- : general@tasnee.com
- : www.tasnee.com





National Industrialization Petrochemical Marketing Company

Establishment Date	: 2001.
One of TASNEE Affiliates	
Objective & Activities	: Marketing Chemicals and Petrochemicals.
Markets	: Kingdom of Saudi Arabia, Gulf States, India, Pakistan, Iran, Middle East, Africa, and far East.
Location	: The headquarter is situated Riyadh Business Gate, Building C3, Cordoba, eastern ring road. P.O.Box 26707 - Riyadh 11496, Kingdom of Saudi Arabia Tel.: 011 222 2205, Fax: 011 417 4198
E-mail	: info@tasneemarketing.com
Website	: www.tasneemarketing.com





ROWAD National Plastic Company Ltd. "ROWAD"

Establishment Date
One of TASNEE Affiliates
Objective & Activities

: 1992.
: Plastic converters and specialized engineering polymer products manufacturers.

Products

: "ROWAD PLASTIC" core business activities are in manufacturing the plastic sheets (such as polycarbonate, acrylic, ABS, polystyrene sheets), manufacturing the injection products (such as automotive batteries cases & covers, paint pails & covers), recycling waste plastic materials (such as recycling of Polypropylene (PP) automotive batteries.

Markets

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

Location

: Headquarter and factories are at Second Industrial Zone in Riyadh
P.O. Box 29452 Riyadh 11457, Kingdom of Saudi Arabia
Tel.: +966 11 265 1966, Fax: +966 11 265 1973

E-mail

: info@rowadplastic.com

Website

: www.rowadplastic.com





Establishment Date
One of ROWAD affiliates
Objective & Activities
Products

Markets

Location

E-mail
Website

ROWAD International Geosynthetics Co.Ltd.

- : 2006.
- : Specialized Industrial Insulation materials.
- : "ROWAD GEO" core business activities are in manufacturing the Polyethylene (PE) Ge o-membrane Liners in high density polyethylene (HDPE) and low density polyethylene (LDPE) rolls as single or double smooth & textured sided liners used for protection, transportation, collection and containment of liquids, solids and gases in a variety of construction applications.
- : Kingdom of Saudi Arabia, GCC, most of Middle East, some of Asia, Europe and South Africa countries.
- : Headquarter is located at Second Industrial City in Riyadh
P.O. Box 29452 Riyadh 11457, Kingdom of Saudi Arabia
Tel.: +966 11 265 1966, Fax: +966 11 265 1973
Factory is located at Second Industrial Zone in Dammam
- : info@rowadplastic.com
- : www.rowadplastic.com





Establishment Date

Major Shareholders

Objective & Activities

Products

Markets

Location

E-mail

Website

ROWAD Global Packaging Company Ltd. "ROWAD BOPP Films"

- : 2008.
- : Rowad National Plastic Co. Ltd. "ROWAD PLASTIC" 62.5%
- : National Industrialization Petrochemical Marketing Co. 37.5%
- : Packaging Films.
- : "ROWAD BOPP Films" core business activities are in manufacturing the Bi-axially Oriented Polypropylene (BOPP) films for printing, lamination, packaging and coating in a wide range.
- : Kingdom of Saudi Arabia, GCC, most of Middle East, some of Asia, Europe and South Africa countries.
- : Headquarter is located at Second Industrial Zone in Riyadh
P.O. Box 29452 Riyadh 11457, Kingdom of Saudi Arabia
Tel.: +966 11 265 1966, Fax: +966 11 265 1973
Factory is located in Dammam
- : info@rowadplastic.com
- : www.rowadplastic.com





Establishment Date
Major Shareholders

Objective & Activities
Products
Markets
Location

E-mail
Website

National Batteries Company (BATTARIAT)

- : 1993.
- : National Industrialization Company 90%
- : Local Partners 10%
- : Production of automotive.
- : Trade marked automotive batteries.
- : Kingdom of Saudi Arabia and the neighbouring countries.
- : 2nd Industrial City 3rd Zone - Riyadh
- : P.O.Box 177 - Riyadh 11383, Kingdom of Saudi Arabia
- : Tel.: 011 265 0019, Fax: 011 265 0057
- : nbc@battariat.com
- : www.battariat.com





Establishment Date

Major Shareholders

Objective & Activities

Products

Markets

Location

Address

E-mail

Website

National Lead Smelting Co. (RASASS)

- : 1990.
- : National Industrialization Company 74.90%
- : Other Partners 25.10%
- : Recycling of used car batteries, and production of Lead, Polypropylene, and Sodium Sulphate from the recycled batteries.
- : Lead and Sodium Sulphate.
- : Saudi Arabia, GCC countries.
- : 2nd Industrial City 3rd Zone - Riyadh
- : P.O.Box: 43169 Riyadh 11561, Kingdom of Saudi Arabia
- : Tel.: 011 265 2424, Fax: 011 265 2223
- : info@rasass.com.sa
- : www.rasass.com.sa





National Operation and Industrial Services Co. (KHADAMAT)

Establishment Date

: 1986.

Major Shareholders

: National Industrialization Company 88.3%
Local Partners 11.7%

Objective & Activities

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

Markets

: Domestic & Regional markets.

Location

: New Aqaria Building
First Tower
Sitteen Street - Malaz

Address

: P.O.Box: 86868 Riyadh 11632, Kingdom of Saudi Arabia
Tel.: 011 476 2800, Fax: 011 476 0088

E-mail

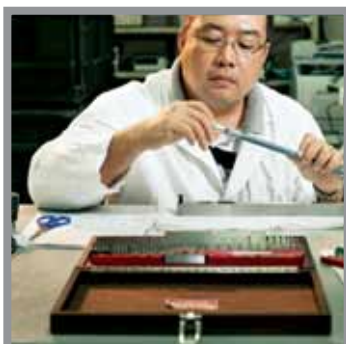
: khadamatbp@hotmail.com





National Technical Inspection and Testing Ltd Co. (FAHSS)

- Establishment Date** : 1986
- Major Shareholders** : National Industrialization Co. and Khadamat Co. 74.89%
TUV NORD International German Co. 25.11%
- Objective & Activities** : Provision of industrial services in Testing & Inspection, Calibration & Maintenance, Quality and Environment Management Systems (ISO), Foods Management Services (HACCP) Health & Safety and Information Technology, Environmental Evaluation and Training.
- Services** : Quality Management Systems (ISO 9001) Environment Management Systems (ISO 14001), Occupational and Health Safety Systems (OHSAS 18001), Food Safety Management Systems (HACCP), Technical Inspection and Testing of boilers, compressors, cranes and lifting equipment, inspection and examination of the safety equipment, providing engineering consultations for qualification (ASME), performing non-harmonious tests (NDT), measurement and standardization of the measuring equipment and systems, and training on all these services.
- Markets** : Kingdom of Saudi Arabia.
- Address** : Head quarter: P.O. Box 3998, Dammam 31481, Kingdom of Saudi Arabia.
Tel.: 013 840 8333, Fax: 013 840 6476
- E-mail** : info@fahss.com - sales@fahss.com
- Website** : www.fahsstuv.com
- Branches** : Technical Inspection and Testing Branch (FAHSS / TUV AL Jubail) P.O. Box 10771, Al Jubail 31961, Kingdom of Saudi Arabia Tel.: 013 340 7607, Fax: 013 340 7605
E-mail: info@fahsstuv.com
Website: www.fahsstuv.co
- Gulf Lab for Measurements and Standardization (GEMS) P.O. Box 10166, Al Jubail 31961, Kingdom of Saudi Arabia Tel.: 013 341 9453 / 013 341 9452 / 013 341 9451, Fax: 013 341 7628
E-mail: info@gems-calibration.com
Website: www.gems-calibration.com





TVU Middle East Company

Establishment Date	:	2004	
Major Shareholders	:	National Industrialization Co. and Khadamat Co.	74.89%
	:	TUV NORD International German Co.	25.11%
Objective & Activities:	:	Providing technical inspection and testing, Quality and Environment Management Systems (ISO), Food Safety Management Systems (HACCP), Health & Safety, Information Technology, Environment Evaluation & Training.	
Services	:	Quality Management Systems (ISO 9001) Environment Management Systems (ISO 14001), Occupational and Health Safety Systems (OHSAS 18001), Food Safety Management Systems (HACCP), Technical Inspection and Testing of boilers, compressors, cranes and lifting equipment, inspection and examination of the safety equipment, providing engineering consultations for qualification (ASME), performing non-harmonious tests (NDT), providing specialized training services in several technical, engineering and managerial domains through the academy of distinguished level (TUV Academy).	
Markets	:	GCC countries and some other Arab countries.	
Location	:	Head Quarter: P.O. Box 26674, Manama, Kingdom of Bahrain Tel.: +973 1 787 7391, Fax: +973 1 787 7392	
E-mail	:	samsonb@tuv-nord.com	
Website	:	www.tuv.me.com	
Branches	:	AbuDhabi Branch: P.O. Box 46030, Abu Dhabi – UAE Tel: +971 2 447 8500, Fax: +971 2 447 8600 E-mail: abudhabi@tuv-nord.com Dubai Branch: P.O. Box 79123, Dubai – UAE Tel: +971 4 345 6431, Fax: +971 4 345 6373 E-mail: dubai@tuv-nord.com Qatar Branch: P.O. Box 24922, Doha – Qatar Tel: +974 4 620 186, Fax: +974 4 620 216 E-mail: qatar@tuv-nord.com Kuwait Branch: P.O. Box 29643, Al Safat 13157, Kuwait Tel: +965 246 5962, Fax: +965 246 5964 E-mail: kuwait@tuv-nord.com	





National Metal Manufacturing & Casting Co. (MAADANIAH)

Listed joint-stock company in TADAWUL

Establishment Date

: 1991

Major Shareholders

: National Industrialization Company 35.46%
Other Shareholders 64.54%

Objective & Activities

: Manufacturing wires & metal products.

Products

: Steel wires for precast concrete, high carbonated galvanized wires, low carbonated galvanized wires, iron frames & spring wires for mattresses, welding wires, screws, various kinds and sizes of nails, truck axles, casting, and spare parts.

Markets

: Kingdom of Saudi Arabia, GCC Countries, Arab Countries.

Location

: Al-Jubail Industrial City

Address

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

Tel.: 013 358 8000 Fax: 013 358 3831

E-mail

: natmetal@natmetalco.com

Website

: www.natmetalco.com





National Packing Products Company LTD (WATAN PAC)

Establishment Date	:	1984	
Major Shareholders	:	Asir Company	50.40%
		National Industrialization Company	42.60%
		Local Partners	07.00%
Objective & Activities	:	Production and marketing of corrugated cartons.	
Products	:	Production of corrugated carton for all sectors and usages.	
Markets	:	Kingdom of Saudi Arabia, GCC Countries and Arab Countries.	
Location	:	2nd Industrial City - Riyadh	
Address	:	P.O.Box: 25817 Riyadh 11476.	
		Tel.: 011 265 2211 Fax: 011 265 2483	
E-mail	:	info@watanpac.com.sa	
Website	:	www.watanpac.com.sa	





Tasnee News

التصنيع TASNEE

Closing Ceremony
of SAR4 Billion

Corporate Murabaha Facility
Between TASNEE and Saudi / GCC Banks
Four Seasons in October 2013

الاحتفال الختامي
بمناسبة إتمام تمويل المزاينة
بأربعة مليارات ريال سعودي
بين شركة التصنيع الوطنية ومجموعة البنوك السعودية وخارجية
في أكتوبر ٢٠١٣

التصنيع TASNEE

معاً ننمو TOGETHER WE GROW

National Industrialization Company Riyadh – Kingdom of Saudi Arabia

CRISTAL

Mail Usa / KIT

Product Portfolio

Titanium Dioxide

pp

HDPE

LDPE

Acrylic Acid

Butyl Acryla

In recognition of its sponsorship and participation in The Big Five
National the Industrialization Company is honored by the Minister of Commerce and Industry



HE Dr. Tawfiq F. Al-Rabiah, Minister of Commerce and Industry and Chairman of the Saudi Export Development Authority, highly praised TASNEE pavilion at the International Building and Construction Show (The Big Five), held in Dubai, UAE, on November 25-28, 2013. During honoring TASNEE, Dr. Al-Rabiah also lauded TASNEE distinctive products on show, which strongly contribute to promoting the slogan “Made in Saudi Arabia”.

TASNEE was represented in the Show by headquarters and a group of affiliate companies, including Cristal, Rowad National Plastics Company “ROWAD”, and National Metal Manufacturing & Casting Co. (MAADANIAH). TASNEE has participated with its outstanding pavilion among a group of Saudi companies under the umbrella of the Saudi Export Development Authority, Ministry of Commerce and Industry, where TASNEE sponsored the pavilion of Saudi companies at the Show. TASNEE put on show its product portfolio and

the most important products of the affiliate companies.

The show provided a great opportunity for Gulf companies to be displayed along with international companies, introduce and market their products. The number of participating companies was 2,500 representing 63 countries around the world, reflecting that international companies target to invest in, market their products and learn more and more about the Middle East and GCC countries.

Participated in the accompanying show
TASNEE sponsors the Eighth GPCA Forum

TASNEE sponsored and participated in the 8th Gulf Petrochemicals & Chemicals Association (GPCA) Forum, held in Dubai, UAE, on November 19-21, 2013, in the presence of more than 1,700 leaders, experts and professionals interested in the industrial areas. The Forum witnessed a lot of activities and events, including discussion of many important topics that focused on enhancing opportunities and meeting challenges, especially the possibility of producing shale gas in commercial quantities and its impact on the petrochemical sector in the GCC countries.

TASNEE also participated in the Forum accompanying show, where a team of the company's exhibitors displayed its products portfolio and the most important products, especially in petrochemical and chemical sectors. In addition, a team of the Marketing Department, supported by the Company's Public Relations Department, replied to the inquiries of visitors.



In recognition of its Quality Management System, TASNEE Receives ISO 9001 Certificate

TASNEE has been granted the ISO Certificate (9001: 2008), which adopts quality management system approved by the company in compliance with the ISO standards. TASNEE has completed all the necessary procedures and requirements for obtaining the certificate, including strict monitoring, and ongoing review of the quality standards applied to its entire business process.

During a visit by a delegation from TUV - Nord to TASNEE headquarters in Riyadh, Eng. Jamal Saqr Al-Beaijan, CEO of TUV - Nord Middle East, handed over the ISO certificate to Eng. Saleh Ben Fahad Al Nazha, TASNEE CEO.

By this certificate, TASNEE gets an international accreditation for quality assurance, indicating its adoption of the best practices for quality, ability to develop quality management systems in conformity with international management standards, and to set policies for improving performance and developing administrative procedures and mechanisms for implementation.

TASNEE aims to create frameworks for constant administrative development in order to meet the expectations of its shareholders and stakeholders by having outstanding performance in all business sectors, continuously improving efficiency of employees and ensuring their effective participation in the implementation of quality policy.



TASNEE receives ISO Certification for the Laboratories Quality

TASNEE has received a certificate of accreditation, ISO/IEC Standard 17025:2005 for meeting the general requirements for the competence of testing and calibration laboratories, which made it accredited by one of the most renowned accreditation bodies in the world, the US-based International Accreditation Service (IAS).

The Certificate is considered a remarkable achievement added to the Company's track record, indicating the efficiency of its laboratories, continuous improvement of administrative and technical performance. This also reflects the hard work and sincere efforts made by the team of Laboratory Quality Control, which implements an overall quality management system tailored for laboratories. However, this accreditation puts the company's laboratories before a new challenge, which enhances the accuracy of the results of tests conducted on its products and underlines that they meet the most accurate international standards.

Eng. Mohammed Ben Ibrahim Al-Bibi, President of TASNEE Petrochemical Complex, said: "This recognition would improve quality in the company's whole areas of production. It is the best evidence of our strong commitment towards operational excellence, renovation and innovation in petrochemical industry and export worldwide.



TASNEE Participates in the K-Show in Germany for the First Time

Al-Khafrah: “KSA heads to become an international hub for petrochemicals”

TASNEE Chairman, Eng. Mubarak Ben Abdullah Al-Khafrah, underlined that the petrochemical companies in Saudi Arabia have their milestone position in world markets. This is because the Kingdom has many privileges that increasingly qualify it to be a global hub for petrochemicals and downstream products. He also indicated that petrochemicals industry is one of the largest nonoil industries in Saudi Arabia. Saudi Arabia is ranked 11th in the world in petrochemicals supply. Availability of feedstock, closure to exporting markets in Europe and Asia as well as abundance of energy resources as main factors, contribute to remarkable growth in the petrochemical industry.

Al-Khafrah, who was speaking on the occasion of the K-SHOW held in Dusseldorf, Germany, indicated that the huge investments launched by Saudi Arabia to maintain infrastructure have enhanced the Kingdom to be one of the largest producing countries in the world of polyethylene (PE) and polypropylene (PP), which are considered key elements used in the production of plastic materials.

Al-Khafrah added: “Some global markets are significantly growing, and have increased their demand for plastic products, causing a higher demand for plastic products. Therefore, there is a major progress in all aspects of plastics manufacturing of machineries, equipment, feedstock and semi-finished products, spare parts and relevant services to plastics and petrochemicals manufacturing.”

“TASNEE first time participation at the K-SHOW was meant to present TASNEE products to about 3,000 exhibiting companies during the period from Oct. 16 to 23, 2013, in the presence of a large number of businessmen. “TASNEE was one of the largest among 3,000 exhibitors at the K-SHOW, he said”.



Al-Khafrah indicated that TASNEE presented during this event, which provided a major destination for the leading international companies, a full and comprehensive overview of the Company's trends, showing to the visitors the latest innovations used by TASNEE in manufacturing plastics and improving feedstock in order to provide integrated solutions for users.

Activating the role of Industrial Companies in Technology Transfer TAQNIA and TASNEE Agreed to Develop the Synthetic Fibers

To help in activating the role of industrial sector companies in the localization of technology and to achieve a fruitful partnership with private sector companies, Saudi Technology Development and Investment Company (TAQNIA) signed a memorandum of understanding with TASNEE. The non-time limited agreement targeted to enhance the contribution for work in the field of synthetic fibers. The agreement was signed on Wednesday 13th of November 2013 by Dr. Ahmed Abduljabbar Al Yamani, TAQNIA chief operating officer, on behalf of TAQNIA, and Eng. Saleh Fahad Al Nazha, TASNEE chief executive, on behalf of TASNEE, in the presence of HH Prince Dr. Turki Ben Saud Ben Mohammed Al Saud, TAQNIA Chairman and Eng. Mubarak Ben Abdullah Al Khafrah, TASNEE Chairman.

After the signing of the agreement, HH Prince Dr. Turki Ben Saud Ben Mohammed Al Saud, TAQNIA Chairman, assured the importance of the step in enhancing the pivotal role of national companies to make use of research and development outputs, to reach the commercial production that complies with the national strategic directions, through the national plan for science, technology, and innovation, and to achieve TAQNIA vision in pushing forward the development cycle and accelerating the diversification of Saudi economy through the knowledge-based industries, and thus to create an added value new jobs, and to help in forming a creative ecosystem in Saudi Arabia.

TAQNIA is a development and investment company owned by the Saudi Public Investment Fund (PIF). It promotes technology and knowledge transfer in Saudi Arabia through participating with industry leaders, venture capital, and academic institutions to add maximum strategic value to the Kingdom while maintaining attractive returns on investment.



Inspecting 3D Printer Models at TASNEE Pavilion

Governor of Riyadh honors TASNEE for sponsoring Riyadh Economic Forum

HRH Prince Khalid Ben Bandar Ben Abdulaziz, Governor of Riyadh Province, honored TASNEE by handing over a shield to Eng. Mubarak Ben Abdullah Al -Khafrah, TASNEE Chairman, for sponsoring the 6th Riyadh Economic Forum in Ritz Carlton Hotel, Riyadh, on December 9-11, 2013.

HRH Prince Khalid visited TASNEE booth during his tour in the Forum show, and listened to an explanation by Eng. Saleh Ben Fahad Al Nazha, TASNEE CEO, who briefly indicated TASNEE activities, areas of investment, role in promoting 3D printing in the Kingdom of Saudi Arabia. He also briefed Prince Khalid about the 3D printer in TASNEE booth including some models.

TASNEE representative introduced the visitors to the 3D printing, in the presence of two employees of TASNEE Plastic Research Center in Jubail (NIPRAS). It is worth mentioning that TASNEE is exerting considerable efforts at present for promoting and introducing the 3D printing in Saudi Arabia as a new technique, serving industrial sectors and using plastic products as an important feedstock in printing.



TASNEE Super-Absorbent Polymer Project Wins achievement Award for 2013

TASNEE announced that the superabsorbent polymer plant, one of its Acrylic Acid plants, has received the Achievement Award as the largest plant for the year, from the European Construction Institute. The award was given to the Fluor BV Company, executing the works of engineering, acquisition and construction of the new plant, as part of the European Construction Institute's Conference, which was held on June 13, 2013, in London, UK.

The superabsorbent polymer project is a joint venture between TASNEE, TASNEE & SAHARA Olefins Company and Evonik Industries Co. producing 80,000 tons of superabsorbent polymers per year for covering the growing demand for this product across the globe and Middle East. The superabsorbent polymer is characterized by high capacity to absorb and maintain fluids, and is used as feedstock for manufacturing diapers.

Engineering, acquisition and construction for this joint venture are carried out by a full-fledged management team consisting of TASNEE, Fluor Corp. and the tec. German provider Evonik, as well as local contractors such as NSH (Nasser Al-Hajri) and KAMCO.



TASNEE Signs Murabaha Refinancing Facility Agreement of SR 4 billion

On October 6, 2013, TASNEE celebrated signing Sharia-compliant murabaha refinancing facility agreement of SR 4 billion, at a changing and competitive price, as part of an agreement signed with a group of Saudi and Gulf banks, including Riyadh Bank, Al Rajhi Bank, Bank AlBilad, Emirates NBD, Saudi British Bank (SABB), Samba Financial Group, Banque Saudi Fransi, and Saudi Investment Bank.

TASNEE has signed financing agreements with banks on Wednesday, October 2, 2013, with an eight-year repayment duration, including a grace period of one year, in equal bi-annual installments. The loan is covered 5.1 times, which gives more financial flexibility for TASNEE, and directs the loan value to finance the company's shares in future projects and refinance its existing loans. This financing is marked by lower cost, long repayment period and more flexible terms. The financing was also shared by new three banks, increasing the number of strategic banks for TASNEE. At the same time, the success of this financing reflects the confidence of the banking sector and market, in general, in TASNEE and its financial strong position and ability to repayment. All of this enhances the company's success in the implementation of the relevant strategies for diversifying its financing sources and relying more on long-term financing, which helps to achieve growth and expansion in all the company's business and projects.





In recognition of its Great Efforts in Social Responsibility,
TASNEE is given Pan-Arab Gold Award for Excellence in ARAB Social Responsibility for 2013

TASNEE won the Golden Award for Excellence in Corporate Social Responsibility for the second time in a row, according to the ranking made by the Arab Organization for Social Responsibility. The ceremony was held by the Organization to deliver the prizes at the end of the activities of the first regional forum for social responsibility, held on November 4-6, 2013, at Atlantis Hotel, in Dubai, UAE, in the presence of a large number of Arab figures, representatives of chambers of commerce and industry, private sector companies, businessmen, and Arab civil society organizations.

TASNEE has participated in the Forum, organized by the Arab Organization for Social Responsibility under the slogan "Assistance and Support among Arab Governments and Private Companies", in order to present experience and studies on the nature of social responsibility of Arab governments and private companies and the role of national identity in taking the initiative and making change for the best. It shed more light on the efforts made by the Arab governments in social responsibility as a role model by private institutions operating actively in the field. Private companies and institutions also presented their experiences and achievements in this field. TASNEE participated with a distinct booth, thereby presented its role in social responsibility and highlighted a documentation of its work over the past decade through an introductory and documentary booklet for its vision and role in social responsibility.



TASNEE Gives Prince Salman Center for Disability Research Two Million Riyals

HRH Prince Sultan Ben Salman Ben Abdulaziz, Chairman of Prince Salman Center for Disability Research in Riyadh, received a delegation of the National Industrialization Company, headed by Eng. Mubarak Ben Abdullah Al-Khafrah, Chairman of the Board, on Thursday, December 12, 2013. TASNEE delegation provided a cheque of two million Saudi riyals in support of Prince Salman Center for Disability Research, representing the fourth and fifth installments of 2-million annual support TASNEE used to offer within its membership in the Center over the past five years. HRH Prince Sultan praised TASNEE initiatives and active involvement in social responsibility, which consider disability one of its most important disability issues.

HRH Prince Sultan Ben Salman has recently honored TASNEE in recognition of its efforts and positive contributions in the field of disability service in Saudi Arabia, during a ceremony held in the Disabled Children Association in Riyadh, to honor supporting companies and organizations.



Under the patronage of HRH Acting Governor of Riyadh Province for the fourth year in a row,
TASNEE sponsors a mass wedding for disabled persons in Saudi Arabia

TASNEE sponsored the fourth edition of the mass wedding of the handicapped, organized by the Adults Motor Impairment Association (HARAKIA), and embraced by King Fahd Cultural Center in Riyadh on Monday evening, September 9, 2013.

The mass wedding was held under the patronage of HRH Prince Turki Ben Abdullah Ben Abdulaziz, Acting Governor of Riyadh Province, based on an integrated program designed to help the handicapped to get married. This year's program targeted 100 new families by marrying two hundred young men and women, including 83 families married a handicapped male to a healthy female, nine families married a healthy male to a handicapped female, and eight families married handicapped male and female.

Eng. Mubarak Ben Abdullah Al-Khafrah, Chairman of the Board, received a trophy from HRH Acting Governor of Riyadh Province. This is the fourth time for TASNEE to sponsor this event, where it sponsored its first edition in 2009. Since then, TASNEE continued to sponsor this event every year, out of sympathy with the disabled and belief in the need to bear the burdens of their marriage, their right to receive support to make their way in life and perform their part in the development of their community as full-fledged citizens. The outcome of these mass wedding over the past three years was giving birth to 70 children.

TASNEE also provided an amount of SR 100,000 as an additional support this year, to be spent on the new endowments established by HARAKIA for providing charitable assistance to its employees.



For the second year in a row,
TASNEE is the exclusive official sponsor for CSR Exhibition II

TASNEE sponsored the second corporate social responsibility exhibition, held in Riyadh under the patronage of HRH Faisal Ben Salman Ben Abdulaziz, Head of Social Responsibility Council. The exhibition was held on April 15-17, 2013, in the Intercontinental Hotel, sponsored by TASNEE for the second year in a row. The event witnessed an outstanding interaction and attendance from companies, institutions, government agencies, all those interested in civil society organizations, media, researchers and specialists.

The Exhibition aimed to create channels of communication between private sector entities on the one hand and the charitable sector and concerned agencies on the other hand. The Exhibition allowed companies to offer their experiences in the field of social responsibility, and closely get acquainted with the most important needs of society, including sustainable development projects and cooperation with government agencies for implementing these projects, as well as review of the German experience in social responsibility.

The three-day Exhibition was accompanied by a number of cultural and training activities and workshops for maximizing benefit of this unique exhibition, which achieved remarkable success in its first session last year. TASNEE pavilion presented the role the company play in serving community and shed more light on its prominent role in industrial investment as the second largest industrial company in Saudi Arabia.



TASNEE Sponsors Hail Summer Festival

TASNEE, as an official partner, sponsored the 34th Hail Tourist Summer Festival, launched at Al-Maghwah Park, on Thursday June 6, 2013, and lasted for one month. The festival was held under the slogan “good to meet together”, under the direct supervision of the Hail Municipality as it is the biggest tourist attraction festival in the region, which witnessed diverse events this year with high expectations to contribute to refreshing tourism investment in the region.

The festival attracted more families in Hail and included 92 events, including operetta theater, exhibitions of plastic arts, photography and wildlife, amusement park city, and comedy shows. The festival also included a special event for Hail’s night recitations, poetry evenings, cultural seminars, presentations of incarnation and religious lectures, as well as a day for delivery paintings, and a fair for popular crafts, a night of old marriage, which attracted children. The festival also highlighted a success story, where different success stories of investment projects were presented to young people. It also included exhibitions for popular foods, awareness, shopping festival, corners for children acrobatic club, a night entitled “I love my mother”, hosting Z-Balance stars, motor and motorcycle shows, and children’s theater events, which included different decorations such as icy day, women’s tent activities and fireworks.

TASNEE supports 230 charities with more than SR 33 in 2013

TASNEE Signs 22 New Agreements with Social Responsibility Partners

TASNEE signed 22 agreements of more than SR 12 million with 22 social responsibility partners, in the collective signing ceremony, held at TASNEE headquarters in Riyadh, on Sunday, December 29, 2013, and attended by a large number of professionals in community service, those interested in social responsibility, as well as a lot of journalists. This is an update to a major role played by TASNEE, as this collective signing is the second this year, in addition to its annual support for approximately 190 charities and non-profit organizations, amounted this year to SR 3.5 million. TASNEE also provided support for other programs with more than three million Saudi riyals.



The new agreements included supporting cultural, rehabilitative, social and health programs, which ranged from relief support for our brothers in Syria by providing winter blankets, to providing support for cultural forums, an orphan conference, clubs for people with disabilities, mobile clinics for examination and early detection of diabetes, dental examination and treatment, dialysis, accommodation of patients and their families who come from outside Riyadh, marriage of the disabled, equipping



and operating premises to maintain surplus foods and provide vehicles to transfer banquet surplus, endowments, construction of housing units, and training of girls on a number of professions.

In his speech delivered at the beginning of the ceremony to welcome the company guests from all over the Kingdom of Saudi Arabia, Eng. Saleh Ben Fahad Al Nazha, TASNEE CEO, considered charities and associations the real partners in success as a window whereby TASNEE can look to those who are eligible for support and identify the most neediest

places and the most positive areas of social responsibility. Al-Nazha highly praised the efforts made by charities and non-profit organizations contributing to society development and Saudi citizen's welfare, education and awareness skill development and treatment, which is fully in line with TASNEE vision and mission towards social responsibility, to which is committed by directing 1% of its annual profits to spending on social responsibility programs.

The ceremony witnessed a short lecture to the guest of honor and known Islamic thinker, Dr. Muhammad Al-Awadi, in which he talked about the importance of charity work, especially providing support for specific cultural programs both domestically and internationally. After reviewing anti-smoking and detection of diabetes clinics, which are part of TASNEE projects that

were available at the ceremony, he praised the efforts made by TASNEE in the area of social responsibility.

The ceremony also witnessed launching a guide for saving surplus foods, at the initiative and under the direct supervision of the National Manufacturing Company, reflecting the adoption of TASNEE idea of keeping and offering surplus food for the needy, as well as preserving environment by food rationalization and reducing food loss, with a positive impact on the food security for the community.

In recognition of its support for disabled children, Prince Sultan Ben Salman honors TASNEE

In recognition of its great efforts and contributions in disability service in Saudi Arabia, HRH Prince Sultan Ben Salman Ben Abdulaziz, Chairman of the Disabled Children Association, honored the National Industrialization Company, during the loyalty night ceremony, held by the Association in Riyadh on November 11, 2013, in order to honor supporting departments and companies.

HRH Prince Sultan expressed his thanks and appreciation for TASNEE efforts to support the services provided by the Disabled Children Association to its beneficiaries. Then he handed over an honorary trophy to Mr. Mofleh Ben Sultan Al-Shammari, TASNEE Director of Public Relations And Services.

The National Industrialization Company has positively contributed to supporting a range of programs, including securing a number of chairs, supporting the accommodation program for the handicapped who come from outside Riyadh, and sponsorship of the International Day for the Disabled, in addition to providing a range of training courses for the disabled.



To promote sympathy, TASNEE voluntary team visits inpatient children at King Fahd National Center for Children's Cancer and Research

TASNEE voluntary team, consisting of the company staff's wives, visited King Fahd Center for Children's Cancer and research in Riyadh. The team members presented gifts to the inpatient children at the Center, accompanied by their children to spend time and sympathize with inpatients in an attempt to mitigate effect and bring happiness after disease let them stay at hospital for long times.

TASNEE female voluntary team's visits aim to let inpatient children feel that they and their children stand by them until they are cured and return to lead normal life among their families.

It is worth mentioning that this is the second visit for the team, which was preceded by another visit for children with cancer at King Fahd Medical City in Riyadh, and during which gifts were distributed to them.



For the second year in a row,

TASNEE sponsors productive families at Riyadh Shopping and Entertainment Festival

TASNEE sponsored the productive families fair, which was held as part of the ninth edition of the one-month Riyadh Shopping and Entertainment Festival, on June 5- July 5, 2013, and organized by the Chamber of Commerce and Industry in Riyadh in collaboration with Tech Heights Company.

The festival was held this year under the slogan "where evening is pleasant", supported by the Riyadh Municipality and the Supreme Commission for Tourism and Antiquities to make Riyadh a global tourist destination for lovers of shopping and family entertainment. TASNEE supported the market productive families fair for the second consecutive year as part of its social responsibility programs. The 2013 fair was held in 8 major shopping malls in Riyadh, and targeted providing show places for 100 family offering their products and innovations to the festival audience. TASNEE program included training sessions on marketing for qualifying productive families to improve their products and marketing, including printing business cards as a means to communicate with their customers. The program provides the participants, who do not have means of transport, with a daily means of transport.



For the fifth time in a row,

TASNEE is the diamond sponsor of Hail Rally for 2013

TASNEE sponsored Hail Rally for 2013, as a diamond sponsor in its eighth edition, held on March 20-28, 2013, in Hail, KSA.

TASNEE supported Hail Rally with an amount of SR 500,000, against the Diamond Sponsorship of the Rally, which included sponsoring the popular market for productive families for the third year in a row through installing 100 partitions for marketing their product; allowing for TASNEE to address and provide the public with special services such as an effective anti-smoking clinic and delivering a range of awareness lectures for young people.

This is the fifth time in a row for TASNEE to sponsor the International Hail Rally, which has added an economic, social and touristic value for the people of Hail.



Based on its belief in social responsibility and enhancing communication with the community, **TASNEE makes a visit to the Social Care House for the Elderly in Dammam**

As part of its various human and social initiatives, TASNEE made a visit to the Social Care House for the Elderly in Dammam, on Saturday, September 7, 2013, in which a number of the company's officials and employees participated.

The visit included an introductory tour, where the company delegation got acquainted with the House's services and activities provided to the elderly. TASNEE delegation met inmates of the House, in an attempt to alleviate their aloneness and make them happy by creating a family atmosphere and presenting gifts.

This visit was a continuation of a series of the various programs provided by TASNEE in order to permanently communicate with the community, and out of its keenness to interact with all segments of society and contribute to alleviate the needy people morally and materially, in implementation of the teachings of our religion and the traditions of our Prophet (peace be upon him), which indicates that the most beloved of deeds to Allah after the obligatory ones is to bring happiness to Muslims.



TASNEE organizes an entertainment day for the orphans in Al-Khobar

Within its numerous human and social initiatives, TASNEE organized an entertainment program for the orphans in Al-Khobar, during the second day of Eid Al-Adha, on Wednesday, October 16, 2013, in coordination with the Orphanage Charity in Half Moon, Al-Khobar.

The event was attended by Eng. Mohammed Ben Ibrahim Al-Bibi, head of TASNEE Petrochemical Complex in Jubail, Sheikh Adel Ben Ibrahim Al-Muhaisin, the Charity Branch Manager in the Eastern Region, and a number of company and Charity officials. TASNEE social initiative came in coincidence with Eid Al-Adha to share the orphans the joy of this day. The event witnessed a lot of entertainment activities, where gifts and prizes were distributed.



TASNEE Provides Speaking Learning Disabilities with SR 500,000

TASNEE has signed a cooperation agreement with Speaking Learning Disabilities Charity, whereby TASNEE provided an amount of SR 500,000 in order to secure a vehicle for transporting the Charity students and bear the cost of one-year teaching program for the Charity employees. The agreement was signed by Eng. Saleh Ben Fahad Al Nazha, TASNEE CEO and Chairman of the Charity, Dr. Othman Al- Othman.

Eng. Nazha confirmed that this support comes in implementation of the company's social responsibility programs and in respect for the potentials and innovations of the people with learning disabilities, while providing full support and assistance to them to enhance their social role and make them active in contributing to sustainable development .

Eng. Nazha said: "Our initiative comes based on TASNEE belief in the role of charities specializing in the development of national cadres who suffer from learning difficulties. We strive to enhance this role by providing full support to them and meet their needs to move forward towards a bright future for all of our children".

For his part, Dr. Al-Othman, praised the support provided for the Charity, regarding it as a model for community partnership. He revealed that the Charity will lease and equip a building to be a specialized center to provide free services for students who suffer from learning disabilities, conduct training courses, provide family counseling and make a diagnosis of cases.

President of Youth Welfare Honors TASNEE

HRH Prince Nawaf Ben Faisal Ben Fahd Ben Abdulaziz, General President of Youth Welfare, honored TASNEE for supporting and sponsoring the Social Responsibility of the Business Sector towards Youth Forum, which was organized by the General Presidency for Youth Welfare and Saudi Olympic Committee on December 24-25, 2013, in Riyadh, with the participation of Saudi Law Training Center.



Inspected by HRH Prince of Hail

TASNEE and Naqa Inaugurates two Mobile Anti-Smoking Clinics

During the Hail Rally, TASNEE and Charitable Anti-smoking Association (NAQA) launched their joint project “Naqaa mobile clinics”, which is two buses for 50 passengers each, converted to a mobile clinic highly equipped and efficient in giving smoking up. This is in addition to a show including a display screen, booklets and brochures about the dangers of smoking. This project aims to help smokers to quit smoking, and provide targeted groups with medical information and damage caused by smoking in order to maintain their health and protection from the adverse effects of smoking.

The project aims to develop the spirit of cooperation and teamwork among individuals and civil society institutions so as to contribute to eliminating the negative phenomena in society, as well as reducing smoking effectively and professionally.

For his part, Mr. Mohammed Ben Jaber Al-Yamani, Chairman of the Association (Naqaa), extended his thanks to TASNEE and lauded the cooperation between Naqaa and TASNEE in harmony with an orientation for forming an effective partnership and setting an example for strong partnerships between private sector companies, charities

and civil society organizations to support and sponsor programs. This aims to maintain public health and protect society from smoking harms, thus fulfilling the mission of organizations that seek to serve community by adopting social responsibility programs. Al-Yemeni also called on other companies and institutions to follow TASNEE in adopting and sponsoring the programs provided by the Association.

HRH Prince Saud Ben Abdul Mohsen Ben Abdul Aziz Al Saud, Governor of Hail, inspected the clinics that were available at the Hail Rally.



A photograph of an industrial facility, likely a refinery or chemical plant, at night. The scene is illuminated by artificial lights, highlighting a complex network of pipes, scaffolding, and large storage tanks. A tall, cylindrical smokestack is visible on the left side. The background is a dark blue sky. A large, semi-transparent blue shape is overlaid on the left side of the image, partially obscuring the smokestack and the lower part of the facility.

Consolidated Financial Statements

31 December 2013



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إرنست و يونغ
ممارسون قانونيون
٧٧٧٢ برید
الطابق ٦ و ١١، برج الفيصلية
شارع الملك فهد
الرياض ١١٥٦١، المملكة العربية السعودية



AUDITORS' REPORT TO THE SHAREHOLDERS OF NATIONAL INDUSTRIALIZATION COMPANY (A SAUDI JOINT STOCK COMPANY)

Scope of audit

We have audited the accompanying consolidated balance sheet of National Industrialization Company (the "Company") – a Saudi Joint Stock Company - and its subsidiaries (the "Group") as at 31 December 2013 and the related consolidated statements of income, cash flows and changes in equity for the year then ended. These consolidated financial statements are the responsibility of the Group's management and have been prepared by them in accordance with the provisions of Article 123 of the Regulations for Companies and submitted to us together with all the information and explanations which we required. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the Kingdom of Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable degree of assurance to enable us to express an opinion on the consolidated financial statements.

Unqualified opinion

In our opinion, the consolidated financial statements taken as a whole:

- present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2013 and the results of its operations and cash flows for the year then ended in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia.
- comply with the requirements of the Regulations for Companies and the Company's bye-laws in so far as they affect the preparation and presentation of the financial statements.

for Ernst & Young

Fahad M. Al Toaimi
Certified Public Accountant
Registration No. 354



Riyadh: 19 Rabi Thani 1435H
(19 February 2014)

ASSETS

CURRENT ASSETS

Cash and cash equivalents

Accounts receivable

Inventories

Prepayments and other current assets

TOTAL CURRENT ASSETS

NON-CURRENT ASSETS

Investments in available for sale securities

Investments in associated companies and others

Property, plant and equipment

Projects under progress

Intangible assets

Other non-current assets

TOTAL NON-CURRENT ASSETS

TOTAL ASSETS

LIABILITIES AND EQUITY

CURRENT LIABILITIES

Short term facilities and murabaha

Accounts payable

Accrued expenses and other current liabilities

Current portion of long term loans

Current portion of deferred gains on sale and leaseback transactions

Current portion of obligations under capital leases

TOTAL CURRENT LIABILITIES

Note	2013	2012
4	5,181,716	6,455,713
5	3,997,353	3,853,065
6	5,801,570	5,514,485
7	840,571	699,575
	15,821,210	16,522,838
9	871,885	571,201
10	743,170	457,459
11	17,436,798	17,746,115
12	7,875,553	5,850,145
13	3,587,869	3,608,429
14	933,747	853,743
	31,449,022	29,087,092
	47,270,232	45,609,930
15	975,795	191,071
16	1,626,788	1,340,051
17	2,220,759	1,840,249
19	3,142,097	2,414,854
20	28,066	28,066
21	187,500	187,500
	8,181,005	6,001,791

	Note	2013	2012
NON-CURRENT LIABILITIES			
Sukuk and long term loans	19	17,645,116	17,572,694
Derivative financial instruments	34	33,809	126,351
Deferred gains on sale and leaseback transactions	20	7,016	35,082
Obligations under capital leases	21	468,750	656,250
Employees' terminal benefits		270,655	209,839
Other non-current liabilities	22	1,080,370	1,398,420
TOTAL NON-CURRENT LIABILITIES		19,505,716	19,998,636
TOTAL LIABILITIES		27,686,721	26,000,427
EQUITY			
SHAREHOLDERS' EQUITY			
Share capital	23	6,689,142	6,689,142
Statutory reserve		1,034,807	917,063
Retained earnings		4,385,059	4,665,194
Unrealized gains on revaluation of investments in available for sale securities	9	316,402	31,535
Other reserves	25	(419,277)	(235,557)
TOTAL SHAREHOLDERS' EQUITY		12,006,133	12,067,377
Minority interests	35	7,577,378	7,542,126
TOTAL EQUITY		19,583,511	19,609,503
TOTAL LIABILITIES AND EQUITY		47,270,232	45,609,930

CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2013 (SR'000)

	Note	2013	2012
Sales		18,198,970	17,922,182
Cost of sales		(13,361,706)	(12,344,599)
GROSS PROFIT		4,837,264	5,577,583
Selling and marketing expenses	26	(855,164)	(719,694)
General and administrative expenses	27	(915,657)	(754,903)
Company's share in net income of associated companies	10	21,389	16,644
INCOME FROM MAIN OPERATIONS		3,087,832	4,119,630
Other income, net	28	107,895	249,321
Provision for legal litigations	29	(187,500)	-
Financial charges	15,19	(653,631)	(802,767)
INCOME BEFORE ZAKAT, INCOME TAX AND MINORITY INTERESTS		2,354,596	3,566,184
Zakat and income tax of subsidiaries	18	(76,725)	(469,571)
Minority interests	35	(1,075,271)	(1,312,687)
INCOME BEFORE ZAKAT		1,202,600	1,783,926
Zakat	18	(25,163)	(20,089)
NET INCOME FOR THE YEAR:		1,177,437	1,763,837
Earnings per share for the year (SR): Attributable to:	30		
Income from main operations		4.62	6.16
Net income for the year		1.76	2.64

	2013	2012
OPERATING ACTIVITIES		
Net income for the year	1,177,437	1,763,837
Adjustments for:		
Minority interests (note 35)	1,075,271	1,312,687
Depreciation (note 11)	1,313,185	1,274,080
Amortization of intangible assets	177,118	117,942
Amortization of deferred gains (note 28)	(28,066)	(28,066)
Company's share in net income of associated companies (note 10)	(21,389)	(16,644)
Provision for legal litigations (note 29)	187,500	-
Impairment of non-current assets (note 27)	21,000	12,883
Employees' terminal benefits, net	60,816	39,468
Cash from operations	3,962,872	4,476,187
Changes in operating assets and liabilities:		
Accounts receivable, prepayments and other current assets	(285,284)	(21,301)
Inventories	(287,085)	(1,821,941)
Other non-current assets	(80,004)	(100,486)
Accounts payable, accrued expenses and other current liabilities	477,747	415,177
Other non-current liabilities	(318,050)	53,948
Net cash from operating activities	3,470,196	3,001,584
INVESTING ACTIVITIES		
Purchase of investments in available for sale securities	(15,817)	(180,000)
Investments in associated companies and others, net	(285,322)	30,807
Property, plant and equipment, net	(1,030,917)	(980,304)
Projects under progress, net	(2,025,408)	(1,954,509)
Intangible assets, net	(129,509)	(170,127)
Net cash used in investing activities	(3,486,973)	(3,254,133)

FINANCING ACTIVITIES

Short term facilities and murabaha, net

Sukuk, long term loans and derivative financial instruments

Obligations under capital leases

Dividends paid

Minority interests

Net cash (used in) from financing activities

(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS

Cash and cash equivalents at the beginning of the year

CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR

NON-CASH TRANSACTIONS:

Other reserves

Net change from revaluation of investments in available for sale securities

Increase in share capital (note 23)

Share premium (note 23)

Transferred from retained earnings to share capital (note 23)

Projects under progress transferred to property, plant and equipment

2013	2012
784,724	(2,558,547)
523,403	6,177,949
(187,500)	(187,500)
(1,337,828)	(836,143)
(1,040,019)	(524,172)
(1,257,220)	2,071,587
(1,273,997)	1,819,038
6,455,713	4,636,675
5,181,716	6,455,713
(183,720)	63,145
284,867	53,712
-	1,114,857
-	(796,491)
-	(318,366)
-	209,402

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2013 (SR'000)

	Shareholders' equity									
	Note	Share capital	Share premium	Statutory reserve	Retained earnings	Unrealized (losses) gains on revaluation of investments in available for sale securities	Other reserves	Total shareholders' equity	Minority interests	Total equity
Balance at 31 December 2011		5,574,285	796,491	740,679	4,232,250	(22,177)	(298,702)	11,022,826	6,753,611	17,776,437
Transfer to share capital	23	1,114,857	(796,491)	-	(318,366)	-	-	-	-	-
Net income for the year		-	-	-	1,763,837	-	-	1,763,837	-	1,763,837
Net movement during the year	35	-	-	-	-	-	-	-	788,515	788,515
Transfer to statutory reserve		-	-	176,384	(176,384)	-	-	-	-	-
Dividends paid	24	-	-	-	(836,143)	-	-	(836,143)	-	(836,143)
Net change during the year from:										
- Cash flow hedges	25	-	-	-	-	-	51,535	51,535	-	51,535
- Foreign currency translation adjustments	25	-	-	-	-	-	725	725	-	725
- Pension liability adjustments	25	-	-	-	-	-	10,885	10,885	-	10,885
- Other						53,712	-	53,712	-	53,712
Balance at 31 December 2012		6,689,142	-	917,063	4,665,194	31,535	(235,557)	12,067,377	7,542,126	19,609,503
Net income for the year		-	-	-	1,177,437	-	-	1,177,437	-	1,177,437
Net movement during the year	35	-	-	-	-	-	-	-	35,252	35,252
Transfer to statutory reserve		-	-	117,744	(117,744)	-	-	-	-	-
Board of directors remuneration	24	-	-	-	(2,000)	-	-	(2,000)	-	(2,000)
Dividends paid	24	-	-	-	(1,337,828)	-	-	(1,337,828)	-	(1,337,828)
Net change during the year from:										
- Cash flow hedges	25	-	-	-	-	-	(25,454)	(25,454)	-	(25,454)
- Foreign currency translation adjustments	25	-	-	-	-	-	(239,865)	(239,865)	-	(239,865)
- Pension liability adjustments	25	-	-	-	-	-	81,599	81,599	-	81,599
- Other		-	-	-	-	284,867	-	284,867	-	284,867
Balance at 31 December 2013		6,689,142	-	1,034,807	4,385,059	316,402	(419,277)	12,006,133	7,577,378	19,583,511

1. ORGANIZATION AND ACTIVITIES

National Industrialization Company (the "Company") is a Saudi Joint Stock Company registered in Riyadh under Commercial Registration no. 1010059693 dated 7 Shawwal 1405H (corresponding to 25 June 1985). The Company was formed pursuant to the Ministerial Resolution no. 601 dated 24 Dhul Hijja 1404H (corresponding to 19 September 1984).

The principal activities of the Company and its subsidiaries comprise of industrial investment, transfer of advanced industrial technology to the Kingdom in particular, and to the Arab region in general, in the areas of manufacturing and transforming petrochemical and chemical, engineering and mechanical industries, management and ownership of petrochemical and chemical projects and marketing their products. The activities also comprise rendering technical industrial services and manufacturing of steel and non-steel castings, producing towed steel wires, spring wires, and steel wires for cables, twisted reinforcement wires to carry the electrical conductors, twisted re-enforcement wires for concrete and welding wires. It also includes production and marketing of liquid batteries for vehicles and for industrial usage and the production and marketing of lead and sodium sulfate. It also includes conducting technical tests on industrial facilities, chemical, petrochemical and metal plants, and water desalination and electricity generating plants; setting up all types of plastic industries and production and marketing of acrylic boards; the production and marketing of titanium dioxide and the production of ethylene, polyethylene, propylene and polypropylene, owning mines and specialized operations for the production of Al-Rutayl which is the raw material for producing the Titanium Dioxide.

2. BASIS OF CONSOLIDATION

These consolidated financial statements include the assets, the liabilities and the results of operations of National Industrialization Company and its subsidiaries (the "Group"). A subsidiary company is that in which the Group has, directly or indirectly, long term investment comprising an interest of more than 50% in the voting capital or over which it exerts practical control. A subsidiary company is consolidated from the date on which the Group obtains control until the date that control ceases.

Minority interest has been calculated and reflected separately in the consolidated balance sheet and consolidated statement of income. All significant inter-group balances and transactions have been eliminated at consolidation.

All subsidiaries were incorporated in the Kingdom of Saudi Arabia, except for TUV – Middle East, which was incorporated in the Kingdom of Bahrain.

The following are the subsidiaries included in these consolidated financial statements and the direct and indirect ownership percentages:

Company's name	Legal form	Ownership (%)	
		2013	2012
Al-Rowad National Plastic Co. (Rowad) and its subsidiaries (1)	Limited liability	100	100
National Industrialization Petrochemical Marketing Co.	Limited liability	100	100
National Worldwide Industrial Advancement Ltd. Company	Limited liability	100	100
National Gulf Company for Petrochemical Technology	Limited liability	100	100
National Industrialization Company for Industrial Investments	Limited liability	100	100
Saudi Global Makasib for Trading and Industry	Limited liability	100	100
National Petrochemical Industrialization Company	Limited liability	100	100
National Operation and Industrial Services Co. (Khadamat)	Limited liability	88.33	88.33
National Batteries Co. (Battariat)	Limited liability	90	90
Saudi Polyolefins Co.	Limited liability	75	75
National Lead Smelting Ltd. Co. (Rassas) and its subsidiary (2)	Limited liability	74.90	74.90
The National Titanium Dioxide Ltd. Co. (Cristal) and its subsidiaries (3)	Limited liability	66	66
Tasnee and Sahara Olefins Co. and its subsidiaries (4)	Saudi closed joint stock	60.45	60.45
Saudi Acrylic Acid Company Ltd. Co. (SAAC) (4)	Limited liability	52.29	52.29
National Inspection and Technical Testing Co. Ltd. (Fahs)	Limited liability	69.73	69.73
TUV – Middle East	Limited liability	69.73	69.73

2. BASIS OF CONSOLIDATION (continued)

2.1 Al-Rowad National Plastic Co. (Rowad)

Al-Rowad National Plastic Co. owns 97% and 62.5% (2012: 70% and 50%) of equity interest in Rowad International Geosynthetics Co. Ltd. and Rowad Global Packing Co. Ltd. respectively, which are Saudi Limited Liability Companies registered in Riyadh.

2.2 National Lead Smelting Co. (Rassas)

National Lead Smelting Co. owns 100% (Direct and Indirect ownership) of equity interest in Technical Tetravalent Company for Lead Recycling, a Saudi Limited Liability Company registered in Jeddah.

2.3 The National Titanium Dioxide Company Limited (Cristal)

The National Titanium Dioxide Company Limited (Cristal) is a Saudi Limited Liability Company with its head office based in Jeddah.

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

The main objectives of the Company and its subsidiaries are the production and marketing of Titanium Dioxide.

2.4 Tasnee and Sahara Olefins Co.

Tasnee and Sahara Olefins Co. owns 75% of equity interest in Saudi Ethylene and Polyethylene Company, a Saudi Limited Liability Company registered in Al-Jubail.

Tasnee and Sahara Olefins Co. owns 65% of equity interests in Saudi Acrylic Acid Company, a Saudi Limited Liability Company registered in Riyadh, with a capital of SR 1,777 million. Furthermore, Saudi Acrylic Acid Company owns 75% of equity interest in Saudi Acrylic Monomer Company, a Limited Liability Company with a capital of SR 1,084 million. During the year ended 31 December 2012, Saudi Polymor Arcylic Company (a Saudi Limited Liability Company in which the company holds 75% of equity) has been established at Jubail Industrial City, with a capital of SR 416.4 million. During the year ended 31 December 2013, Saudi Butanol Company (a Saudi Limited Liability Company in which the company holds 33.3% of equity) has been established at Jubail Industrial City, with a capital of SR 486 million, and as at the consolidated balance sheet date, and these companies have not commenced their commercial operations yet.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with the accounting standards generally accepted in the Kingdom of Saudi Arabia. The significant accounting policies are as follows:

Accounting convention

These consolidated financial statements are prepared under the historical cost convention except for the measurement at fair value of investment in available for sale securities and derivative financial instruments.

Use of estimates

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

Cash and cash equivalents

Cash and cash equivalents consist of cash, demand deposits and investments readily convertible into known amounts of cash and have an original maturity of three months or less.

Accounts receivable

Accounts receivable are stated at original invoice amount less allowance for any uncollectible amounts. An estimate for doubtful debts is made when the collection of the full amount is no longer probable. Bad debts are written off as incurred.

Inventories

Inventories are stated at the lower of cost and market value. Cost of raw materials, consumables, spare parts and finished goods is determined on a weighted average cost basis. Cost of work in progress and finished goods includes cost of material, labor and an appropriate allocation of indirect overheads.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments

Investments in available for sale securities

Investments in available for sale securities that are bought neither with the intention of being held to maturity nor for trading purposes, are stated at their fair values. Differences, if material, between the fair value and the cost are shown separately in the shareholders' equity. Any decline in value, considered to be other than temporary, is charged to the consolidated statement of income.

Fair value is determined by reference to the market value if an open market exists, or the use of other alternative method. Otherwise, cost is considered to be the fair value.

Investments in associates

Associates are entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the capital. Investments in associates are accounted for using the equity method of accounting. The Group's share in the financial results of the investees is reflected in the consolidated statement of income.

Investments in a jointly controlled entity

A jointly controlled entity is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control. The Group accounts for these entities in the consolidated financial statements using the equity method of accounting. The Group's share in the financial results of the investees is reflected in the consolidated statement of income.

Investments in other companies

Investments in other companies are the Group's investments of less than 20% of the capital of the investee companies. Investments in other companies are shown at fair value or at cost if the fair value is not available, less any other than temporary decline in value.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment in value except for freehold land and capital works in progress which are stated at cost and are not depreciated. Expenditures on maintenance and repairs are considered operating expenses, while expenditure for improvements are capital expenditure. Depreciation is calculated over the estimated useful lives of the applicable assets using the straight-line method.

Leasehold improvements are amortized on a straight-line basis over the shorter of the estimated useful life of the improvements or remaining lease period. Assets held under capital leases are depreciated over the shorter of the useful life of the asset or the lease period

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

The estimated useful lives of the principal classes of assets are as follows:

	Years
Buildings and constructions	10-40
Leasehold improvements	Shorter of the lease term or useful life.
Machinery and equipment	5-20
Tools	4-14
Furniture, fixtures and office equipment	3-10
Vehicles	4-5
Computers	3
Wells development	5-30
Catalysts	1.5

Projects under progress

Projects under progress include costs that are directly and indirectly related to the projects and are capitalized when the project is completed.

Intangible assets**Goodwill**

The excess of consideration paid over the fair value of net assets acquired is recorded as "goodwill". Goodwill is periodically tested for impairment and reported in the consolidated financial statements at carrying value, adjusted for impairment in value, if any. The carrying amount of negative goodwill, if any, is netted off against the fair value of non-current assets.

Pre-operating costs

Pre-operating costs are deferred or capitalized during the development and trial operation period of the new projects which are expected to generate future economic benefits. These costs are amortized as of the date of the commencement of the commercial operations using the straight-line method over the shorter of the estimated useful life or 7 years.

Computer softwares operation costs

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Research and development costs

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

Deferred financing costs

Deferred financing costs are amortized using the straight line method over the term of the related loans.

Other intangible assets

Other intangible assets, consist primarily of trademarks, trade names, technology and customer relationships, are valued at fair value with the assistance of independent appraisers, effective from the date of acquisition of the subsidiary. Trade name is considered an intangible asset with indefinite life and is not being amortized but instead, annually is tested for impairment, or when events indicate that an impairment may exists.

Other intangible assets also include patents and license costs. These assets are amortized using the straight line method over the shorter of their estimated useful lives or the terms of the related agreements.

Exploration costs

Pre-licensing costs are charged to the consolidated statement of income when incurred. Exploration costs including licensing cost are capitalized as exploration cost based on an area in which the benefit is derived and subject to technical and commercial feasibility of the project. When a license is cancelled, the related costs are charged directly to the consolidated statement of income.

Once a technical and commercial viability of extracting mineral resources is determined, then the related exploration cost will be capitalized and then amortized over the estimated period of benefits.

Turnaround costs

Periodic turnaround costs are capitalized and amortized using the straight-line method over the period extended until the next periodic turnaround. In case of an early turnaround, unamortized cost is charged directly to the consolidated statement of income.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-current assets

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

If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash generating unit is reduced to its recoverable amount. Impairment is recognized in the consolidated statement of income.

Except for goodwill, where impairment subsequently reverses, the carrying amount of the asset or the cash generating unit is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognized for the asset or cash generating unit in prior years. A reversal of impairment is recognized in the consolidated statement of income.

Borrowing costs

Borrowing costs that are directly attributable to the construction of an asset are capitalized up to a stage when substantially all the activities necessary to prepare the qualifying asset for its intended use are completed. Investment income earned on investments of specifically borrowed funds that are pending expenditure on the projects under construction is deducted from the capitalized borrowing costs.

Payables and accrued expenses

Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Dividends

Final dividends are recorded as Liabilities when approved by the general assembly of shareholders.

Provisions

Provisions are recognized in the consolidated balance sheet when an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and can be reliably measured.

Zakat and income tax

Zakat

Zakat is provided in accordance with the Regulations of the Department of Zakat and Income Tax (DZIT) in the Kingdom of Saudi Arabia and on an accrual basis. The provision is charged to the consolidated statement of income. Differences, resulting from the final assessments are recognized in the year of their finalization.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax

Foreign shareholders in subsidiaries are subject to income tax which is included in minority interest in the consolidated financial statements. For the subsidiaries that are outside the Kingdom of Saudi Arabia, tax liabilities are provided in accordance with relevant tax jurisdictions in these countries and the Company's share is included in the consolidated statement of income.

Deferred tax assets and liabilities

Deferred tax assets and liabilities are recognized for all temporary differences at the taxation rates applicable in the relevant jurisdiction. The carrying amount of deferred tax assets is reviewed at each consolidated balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available in the near future to allow all or part of the deferred tax asset to be utilized.

Leases

Operating leases

Rentals payments under operating leases are charged to consolidated statement of income on a straight line basis over the term of the operating lease.

Capital leases

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

Assets held under capital leases are recognized as assets of the Group within property, plant and equipment at the lower of the present value of the minimum lease payments and the fair market value of the assets at the inception of the lease.

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

Gains from increase of selling price over the book value of sale and leaseback transactions are deferred and amortized using the straight line method over the lease term.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative Financial Instruments

The Group uses derivative financial instruments such as currency options and interest rate swaps to hedge the exposure to foreign exchange risks arising from operating, financing and investing activities and certain portions of interest rate risks arising from financing activities. The Group designates these as cash flow hedges of interest rate risk. The use of financial derivatives is governed by the Group's policies approved by the Board of Directors, which provide written principles on the use of financial derivatives consistent with the Group's risk management strategy. The Group does not use derivative financial instruments for speculative purposes. Derivative financial instruments are initially measured at fair value on the contract inception date and are measured subsequently at fair value.

Changes in the fair value of derivative financial instruments that are designated as effective cash flows hedges are recognized in other reserves under shareholder's equity, if material, while the ineffective portion is recognized in the consolidated statement of income. If the cash flow hedge of a firm commitment or forecasted transaction results in the recognition of an asset or a liability, then, the associated gain or loss on the derivative that had previously been recognized in shareholder's equity is included in the initial measurement of the asset or liability. For hedges that do not result in the recognition of an asset or a liability, amounts deferred in shareholder's equity are recognized in the consolidated statement of income in the same period in which the hedged item affected net profit or loss.

Changes in fair value of derivative financial instruments that do not qualify for hedge accounting are recognized in the consolidated statement of income as they arise. Hedge accounting is discontinued when the hedging instrument expires or is sold or exercised, or no longer qualifies for hedge accounting. At that time, for forecast transactions, any cumulative gain or loss on the hedging instrument recognized in shareholder's equity is retained in shareholder's equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognized in shareholder's equity is transferred to the consolidated statement of income for the year.

Employees' terminal benefits

Provision is made in the consolidated financial statements for amounts payable under the Saudi Arabian Labor Law applicable to employees' accumulated periods of service at the consolidated balance sheet date. The Company has pension schemes for its eligible employees in relevant foreign jurisdictions.

Statutory reserve

In accordance with the Saudi Arabian Regulations for Companies, the Company must transfer 10% of the net income in each year to the statutory reserve until it has built a reserve equal to one half of the capital. This reserve is not available for distribution.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Sales

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

Some of subsidiary companies market their products through subsidiaries owned by the shareholders (referred hereto as "the marketers"). Sales are made directly to the final customers and to the off-takers in Europe. Sales made through distribution stations of the off-takers are recorded at provisional prices at the time of shipment of goods, and are subsequently adjusted based on actual selling prices received by the off-takers from the final customer after deducting the cost of shipping, distribution and marketing.

Expenses

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

General and administrative expenses include direct and indirect costs not specifically attributable to cost of sales. Allocations between general and administrative expenses and cost of sales, when required, are made on a consistent basis.

Minority interests

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

Foreign currencies

Transactions in foreign currencies are recorded in Saudi Riyals at the rate ruling on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the exchange rate ruling at the consolidated balance sheet date. All differences are taken to the consolidated statement of income.

Financial statements of foreign subsidiaries are translated into Saudi Riyals using the exchange rate at each consolidated balance sheet date for assets and liabilities, and the average exchange rates for each year for revenues and expenses. Components of equity, other than retained earnings, are translated at the rate ruling at the date of occurrence of each component. Translation adjustments are included under other reserves within shareholder's equity.

Segmental reporting

A segment is a distinguishable component of the Group that is engaged either in selling/providing products or services (a business segment) or in selling/providing products or services within a particular economic environment (a geographic segment), which is subject to risks and rewards that are different from those of other segments.

4. CASH AND CASH EQUIVALENTS

	2013 SR'000	2012 SR'000
Bank balances and cash on hand	1,653,878	3,008,842
Short term deposits and murabaha	3,527,838	3,446,871
	5,181,716	6,455,713

Short-term deposits and murabaha are placed for different periods (varying from one day to three months), based on the cash requirements of the Group and earn a commission at normal commercial rates.

5. ACCOUNTS RECEIVABLE

	2013 SR'000	2012 SR'000
Trade accounts receivable	2,736,838	2,331,315
Amounts due from related parties (note 8)	1,356,690	1,612,957
Less: provision for doubtful debts	(96,175)	(91,207)
	3,997,353	3,853,065

6. INVENTORIES

	2013 SR'000	2012 SR'000
Finished goods	2,891,686	2,721,641
Raw materials	1,689,038	1,610,870
Spare parts	649,568	632,002
Work in progress	577,457	555,022
	5,807,749	5,519,535
Less: provision for slow moving inventories	(6,179)	(5,050)
	5,801,570	5,514,485

7. PREPAYMENTS AND OTHER CURRENT ASSETS

	2013 SR'000	2012 SR'000
Non-trade receivables	294,773	316,871
Prepaid expenses	201,243	146,803
Advances to suppliers	174,440	127,245
Employees' receivables	149,418	89,966
Other current assets	20,697	18,690
	840,571	699,575

8. RELATED PARTY TRANSACTIONS AND BALANCES

Saudi Polyolefins Company and Saudi Ethylene and Polyethylene Company (both subsidiaries) have signed a marketing and sales agreement with their foreign partner (Bassel Company - referred to as the "marketer"), whereby the marketer has agreed to market the Companies products at pre-agreed prices in accordance with the agreement. The agreement specifies the marketing responsibilities, quantities to be marketed by the marketer, geographical territories in which the products are to be sold, the price calculation formula, payment terms and other obligations.

- The following are the details of major related party transactions during the year:

Related party	Nature of transaction	Amount of transaction	
		2013 SR'000	2012 SR'000
Affiliate	Sales to the marketer	4,477,733	4,839,470
Board of directors, committees and senior personal	Allowances, expenses, salaries and benefits	21,232	36,863

8. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

- Amounts due from related parties as at 31 December are as follows:

	2013 SR'000	2012 SR'000
Bassel International for Trading (F.Z.E)	495,091	685,243
Bassel Asian Pacific Company	692,641	723,770
Bassel for Sales and Marketing Company	116,001	179,676
Oasis for Chemicals Company	42,187	15,546
Other	10,770	8,722
	1,356,690	1,612,957

Amounts due from / to related parties are shown in notes 5 and 16, respectively.

9. INVESTMENTS IN AVAILABLE FOR SALE SECURITIES

This represents the Groups' investments in local quoted companies for an amount of SR 605,229 thousands (2012: SR 393,182 thousands) and international companies for an amount of SR 266,656 thousands (2012: 178,019 thousands).

The movement of the investments during the year was as follows:

	2013 SR' 000	2012 SR' 000
Cost:		
At the beginning of the year	539,666	359,666
Additions	15,817	180,000
At the end of the year	555,483	539,666
Unrealized gains (losses):		
At the beginning of the year	31,535	(22,177)
Unrealized gains during the year	284,867	53,712
At the end of the year	316,402	31,535
Net book value	871,885	571,201

Dividends received from investments in available for sale securities amounted to SR 34,471 million (2012: SR 25,989 million), which was recorded under other income (note 28).

10. INVESTMENTS IN ASSOCIATED COMPANIES AND OTHERS

Investments in associated companies and others as at 31 December were as follows:

	Ownership Percentage		2013 SR'000	2012 SR'000
	2013	2012		
Associated companies				
National Metal Manufacturing and Casting Co. (Maadania)	35.45%	35.45%	130,591	126,798
National Packing Products Co. Ltd (Waten-Pac)	42.6%	42.6%	32,585	32,270
Tasnee and SAIC Polyol and Derivatives Company (*)	50%	50%	-	70,000
Total investments in associated companies			163,176	229,068
Jointly controlled entity				
Saudi butanol Co. Ltd (**)	33.3%	-	330,750	-
Other investments			249,244	228,391
Total investments in associated companies and others			743,170	457,459

(*) During the year 2013, the company's capital has been reduced, the difference was repaid to the partners, and for the remaining investment's balance an amount of SR 15 million has been provided for as an impairment loss (note 27), after it has been noticed that there is no economical feasibility from the continuity of the project execution for which the company was established.

(**) During the year 2013, Saudi Acrylic Acid company (a subsidiary) in cooperation with Sadara Chemical Company and Saudi Kayan Petrochemical Company, had established Saudi Butanol Company Ltd (in equity interest of 33.3% for each) a Saudi limited liability company registered in Jubail city. The company is engaged in producing of Butanol and Isobutanol and their derivatives (note 12).

The movement of investments in associated companies and others was as follows:

	2013 SR'000	2012 SR'000
Balance at the beginning of the year	457,459	471,622
Company's share in net income for the year	21,389	16,644
Additions during the year	364,007	-
Disposals during the year	(81,685)	(13,041)
Dividends received from associated companies	(18,000)	(17,766)
Balance at the end of the year	743,170	457,459

11. PROPERTY, PLANT AND EQUIPMENT

	Land, buildings and constructions	Machinery and equipment	Tools	Furniture, fixtures and office equipment	Motor vehicles	Computers	Wells development	Catalysts	Capital works in progress	Total 2013	Total 2012
SR'000											
Cost:											
At the beginning of the year	1,920,169	19,168,357	7,811	146,468	71,278	22,684	1,351,244	55,379	1,249,845	23,993,235	22,861,187
Additions	13,233	282,223	28	13,898	6,210	1,005	54,589	54,713	915,904	1,341,803	984,130
Disposals	(2,134)	(17,758)	(210)	(4,242)	(4,071)	(546)	-	(52,371)	(35,881)	(117,213)	(80,546)
Transfers	56,158	261,828	-	1,402	481	1,551	4,935	-	(326,355)	-	209,402
Foreign currency translation adjustments, net	(33,566)	(274,632)	-	-	-	-	(167,483)	-	(19,433)	(495,114)	19,062
At the end of the year	1,953,860	19,420,018	7,629	157,526	73,898	24,694	1,243,285	57,721	1,784,080	24,722,711	23,993,235
Depreciation:											
At the beginning of the year	468,264	5,222,711	3,339	57,947	56,185	17,946	372,170	48,558	-	6,247,120	5,030,698
Charge for the year	84,128	1,099,752	132	12,050	6,569	1,227	97,729	11,598	-	1,313,185	1,274,080
Disposals	(935)	(12,995)	(77)	(3,033)	(3,025)	(225)	-	(52,371)	-	(72,661)	(38,312)
Foreign currency translation adjustments, net	(14,726)	(125,940)	-	-	-	-	(61,065)	-	-	(201,731)	(19,346)
At the end of the year	536,731	6,183,528	3,394	66,964	59,729	18,948	408,834	7,785	-	7,285,913	6,247,120
Net book value:											
At 31 December 2013	1,417,129	13,236,490	4,235	90,562	14,169	5,746	834,451	49,936	1,784,080	17,436,798	
At 31 December 2012	1,451,905	13,945,646	4,472	88,521	15,093	4,738	979,074	6,821	1,249,845		17,746,115

- During 2007, the Group signed sale and leaseback agreements with a group of lenders. Property, plant and equipment as at 31 December 2013 include certain sold and leased back assets for purpose of ownership with a value of SR 1.5 billion (2012: SR 1.5 billion) (note 20). In addition, as at 31 December 2013, property, plant and equipment include leased assets held under capital leases with a book value of SR 656 million (2012: SR 835 million) (note 21).
- Land, buildings and constructions include non-depreciable land with a total cost of SR 109 million (2012: SR 109 million).
- Land, buildings and constructions include the cost of leasehold improvements with a net book value of SR 18,1 million, as of 31 of December 2013 (2012: SR 17,2 million)

11. PROPERTY, PLANT AND EQUIPMENT (continued)

- Capital work in progress as at 31 December 2013 and 2012 mainly consist of costs of expansion of housing project for employees, safety and environment improvement costs, competency costs, cost saving and other factories owned by some of the subsidiaries, and the expansion of the facilities of production lines and Poly - Propylene Factory. The capitalized borrowing costs during the year 2013 amounted to SR 6.7 million (2012: SR 4.9 million).
- Certain factories and facilities of the subsidiaries are situated on land leased from the Royal Commission for Jubail and Yanbu at nominal rents, for periods up to 30 years, renewable for further periods.
- Certain subsidiaries' property, plant and equipment are mortgaged as security against loans extended to those companies (notes 15 and 19).

12. PROJECTS UNDER PROGRESS

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

	2013 SR'000	2012 SR'000
Saudi Acrylic Acid Company Ltd and its Subsidiaries (a)	6,481,680	5,534,979
The National Titanium Dioxide Company (Cristal) (b)	1,381,046	311,377
Other projects	12,827	3,789
	7,875,553	5,850,145

- A. The projects of Saudi Acrylic Acid Company Ltd. (a subsidiary) consist of costs incurred by its subsidiaries to set up Acrylic Monomers plant, and Acrylic Polymers plant in Jubail Industrial City and the project of public utilities for industrial plants and N-Butyl acetate plant. The project costs as at 31 December 2013 consist of employees costs, site preparation costs, purchase of equipment for projects installation costs, professional fees, borrowing costs, license fees and consulting fees. During 2013, the trial production of Acrylic Polymers plant and Acrylic Monomers plant has started, and the cost of trial production net of related revenues amounted to SR 22,5 million (2012: Nil) has been capitalized under projects in progress.

12. PROJECTS UNDER PROGRESS (continued)

During 2011, Saudi Acrylic Acid Company Limited signed a memorandum of understanding with certain specialized leading companies in the petrochemical industries to construct a plant for production of Butanol and Isobutanol, that provide assistance to domestic and ancillary industries. The plant will be constructed in Jubail Industrial City. As at 31 December 2013, the costs of the project consist of employee's cost, site preparation, installation, licensing, professional fees and borrowing costs. During 2013, the legal formalities to establish Saudi Butanol Company Limited were completed (investment in jointly controlled entity) (note 10). Accordingly, the plant was transferred to the Saudi Butanol Company Limited.

These projects are expected to start their commercial productions during 2014 and 2015.

- B. Cristal projects as at 31 December 2013 mainly consist of cost of establishing a factory for processing of Alminit as an additional source of the raw-materials for the production of Titanium Dioxide at Jizan. The total estimated cost of the project is SR 2 billion, and it is anticipated that the project will commence production during 2014.

During 2013, an amount of SR 188 million (2012: SR 23 million) has been capitalized, representing borrowing cost directly related to the projects under progress.



13. INTANGIBLE ASSETS

The intangible assets as at 31 December comprise of the following:

	2013 SR'000	2012 SR'000
Goodwill (a)	2,538,181	2,538,181
Software implementation, technology and other intangible assets, net (b)	734,471	696,272
Deferred finance costs, net	293,610	357,238
Pre-operating expenses and deferred costs, net	21,607	16,738
	3,587,869	3,608,429

A. Goodwill**1. Impairment review**

Goodwill is tested annually for any impairment by the Group's management. To perform that, each subsidiary and associate company is considered as a cash-generating unit. As a result of the goodwill test performed at the level of the Group during the year ended 31 December 2013, no impairment loss was recognized.

2. Basis of determining the recoverable amount

Goodwill's recoverable amount is determined using the value in use method calculations using discounted cash flows based on projected cash flows of cash generating units and approved by management for a period of five years. An estimated growth rate was used for the period of cash flows over 5 years. The management believes that the estimated growth rate does not exceed the average growth rate for the long term that is used in the activities practiced by the respective subsidiary. The discount rate used was pre-tax and reflect specific risks relating to the activities in which the respective subsidiary operates. From reviewing the present value, it was found that the recoverable value is sensitive to changes in the rates of long-term growth, terminal growth rate, discounted rate, assumptions relating to working capital and capital expenditures during the period.

B. During 2012, and as per one of the subsidiaries management's review of its intangible assets, an impairment loss was determined in the value of one of its other intangible assets amounting to SR 12.9 million. Therefore, this amount is recorded as an impairment loss on other intangible assets (note 27), and these assets have been shown net of impairment loss.

14. OTHER NON-CURRENT ASSETS

	2013 SR'000	2012 SR'000
Deferred taxes	568,256	480,005
Exploration and evaluation costs, net	249,319	268,331
Turnaround costs, net	56,719	57,919
Others	59,453	47,488
	933,747	853,743

15. SHORT TERM FACILITIES AND MURABAHA

During 2013, the Group obtained short-term credit facilities with a total amount of SR 1,793 million (2012: SR 848 million). The outstanding balance of these facilities as at 31 December 2013 amounted to SR 976 million (2012: SR 191 million). These facilities are secured by signed promissory notes issued to banks and financial institutions, and certain financial covenants, and carry commissions at prevailing commercial rates.

During 2013, one of the subsidiary companies had signed an Islamic murabaha financing agreement with certain local banks with a total value of SR 656.3 million, whereby in this agreement, the Company have the option to renew these loans for further terms. As the subsidiary company has already renewed these loans for a further terms more than one year, these loans for 2013 and 2012 have been reclassified under sukuk and long term loans (note 19), and the outstanding balance as at 31 December 2013 amounted to SR 637.5 million (2012: SR 637.5 million).

16. ACCOUNTS PAYABLE

	2013 SR'000	2012 SR'000
Trade payables	1,620,847	1,336,156
Amounts due to related parties (note 8)	1,171	737
Other payables	4,770	3,158
	1,626,788	1,340,051

17. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	2013 SR'000	2012 SR'000
Accrued expenses	898,024	817,366
Other payables	304,935	216,484
Provision for zakat and tax	284,725	284,605
Accrued employees' benefits	242,513	245,864
Provision for legal litigations (note 29)	187,500	-
Provision for research and development	120,446	112,357
Dividends payable	71,795	64,008
Derivative financial instruments	37,786	11,277
Other current liabilities	73,035	88,288
	2,220,759	1,840,249

18. ZAKAT**Charge for the year**

Zakat charge for the year amounting to SR 25,163 thousand consists of the provision for the current year (2012: SR 20,089 thousand).

The Company and its subsidiaries, submit their financial statements and zakat and tax returns to the Department of Zakat and Income Tax "DZIT" separately.

The movement in the provision during the year

The movement in zakat provision during the year was as follows:

	2013 SR'000	2012 SR'000
At the beginning of the year	27,382	7,293
Paid during the year	(1,533)	-
Provided during the year	25,163	20,089
Zakat provision	51,012	27,382

18. ZAKAT (continued)**Status of zakat assessments**

The Company received the zakat assessments for all years up to 2007. The Company has paid the zakat due for the fiscal years 2008 through 2012 based on zakat returns but has not yet received the final zakat assessments from DZIT.

During 2013, one of the subsidiaries received revised assessments from the DZIT claiming an additional zakat liability of SR 83.2 million for the years 2004 to 2011. The company has objected against these assessments, and the management believes that no material liability is likely to arise.

19. SUKUK AND LONG TERM LOANS

	2013 SR'000	2012 SR'000
Sukuk:		
First issue	2,000,000	2,000,000
Loans:		
Saudi Industrial Development Fund (a)	1,012,200	1,518,300
Commercial banks and others (b)	17,775,013	16,469,248
Total sukuk and long term loans	20,787,213	19,987,548
Less: current portion	(3,142,097)	(2,414,854)
Non-current portion	17,645,116	17,572,694

Sukuk

On 30 Jumada Thani 1433H, (corresponding to 21 May 2012), the Company issued its first Sukuk amounting to SR 2 billion at a par value of SR 1,000,000 each with no discount or premium. This is the first issuance of sukuk under Sukuk program approved to be issued on various periods since the total value of this program equals the paid up capital of the Company as at 31 March 2012. The Sukuk issuance bears a variable rate of return at (SIBOR) plus a pre-determined margin, payable semi-annually in advance. The Sukuk is due at maturity at par value on its expiry date of 16 Ramadan 1440 H (corresponding 12 May 2019).

19. SUKUK AND LONG TERM LOANS (continued)

Loans

A. Saudi Industrial Development Fund

The Group obtained long term facilities from the Saudi Industrial Development Fund for an amount of SR 1,547 million (2012: SR 2,741 million). The total outstanding balance of these loans as at 31 December 2013 amounted to SR 1,012 million (2012: SR 1,518 million). Saudi Industrial Development Fund received as collateral against these loans mortgages on all property, plant and equipment of the subsidiaries, for which loans were granted, promissory notes and personal and joint guarantees from the partners. The loan agreements contain certain covenants which among others, require that the Company maintains a ceiling for capital expenditures and minimum level for the net worth and current ratio.

B. Commercial banks and others

The Group obtained long term loan facilities from commercial banks for a total amount of SR 26,456 million (2012: SR 26,456 million). The outstanding balance of these loans as at 31 December 2013 amounted to SR 17,775 million (2012: SR 16,469). These loans are secured by promissory notes, mortgages on certain property, plant and equipment of subsidiaries and personal and corporate guarantees of the partners. These facilities include credit facilities agreements with first degree of guarantee amounting SR 3,300 million.

During 2013, the Company signed murabaha financing agreement with a group of local and GCC banks for an amount of SR 4 billion. These loans are repayable in eight years by equal semi-annual instalments, and are secured by promissory notes. During 2013, amount of SR 3 billion has been withdrawn by the Company, and the major portion of this amount has been used to settle all the remaining outstanding amounts of certain long term loans with certain local banks. As a result of this refinancing transaction, an amount of 9,972, which represents the outstanding amount of deferred financing costs related to such settled loans (note 13), has been written off and charged as a part of financial charges in the consolidated statement of income.

These loans carry commission based at normal commercial rates.

Saudi Ethylene and Polyethylene Ltd. Company signed interest rate swap agreement with local and foreign commercial banks to hedge the risk of change in interest rates with estimated amounts ranging from USD 21 million to USD 127 million and from Euro 29 million to Euro 102 million with no premium. The chosen interest rates are 5.19% and 3.80% annually for USD and Euro respectively, and actually applied on December 2006 on quarterly basis until March 2015.

19. SUKUK AND LONG TERM LOANS (continued)

During 2012, Saudi Ethylene and Polyethylene refinanced its remaining loans which were obtained on the year 2006 from different local and foreign commercial banks with a different currencies. As a result of the refinancing, the current loans have been transferred to long-term facilities denominated in Saudi Riyals in accordance with the Islamic regulation with 8 local banks in addition to one of the foreign banks with an amount of SR 4.8 billion bearing variable Murabaha rate and extending the loans, settlement period to the year 2021, on semi-annually installments. The facility's guarantees includes promissory notes. As a result of the refinance, a loss of SR 141 million was recorded as a result of closing the interest rate swap agreement with local and foreign commercial banks referred to above. This loss was charged under financial charges in the consolidated statement of income.

Credit facilities above include some of the commitments that restrict certain elements, subject to exception, such as seizing, sales and lease back transactions and certain payments, sales of assets and transactions of associated companies and mergers or acquisitions. The company is also restricted to a maximum of capital expenditures in the year and required to maintain specific financial ratio levels.

On 6 July 2007, one of the subsidiaries collected an amount of SR 656.25 million (equivalent to USD 175 million) from senior in secured debt securities which carry interest at 9.375% and due on July 15, 2014. Interest on these securities is due on 15 January and 25 July of each year. These securities are listed the Singapore Stock Exchange and the book value has have been shown net of capitalized borrowing costs.

20. DEFERRED GAINS ON SALE AND LEASEBACK TRANSACTIONS

This represents deferred gains resulting from sale and leaseback of the property, plant and equipment of one of the subsidiaries (note 11) where these gains are amortized on a straight-line basis over the lease period.

	2013 SR'000	2012 SR'000
Total deferred gains at the beginning of the year	63,148	91,214
Gains recognized during the year (note 28)	(28,066)	(28,066)
Total deferred gains at the end of the year	35,082	63,148
Less: current portion	(28,066)	(28,066)
Non-current portion	7,016	35,082

21. OBLIGATIONS UNDER CAPITAL LEASES

The minimum lease payments for the three years subsequent to 2013 and in aggregate are as follows:

	2013 SR'000	2012 SR'000
Within: one year	187,500	187,500
two years	468,750	187,500
three years	-	468,750
Net minimum lease payments	656,250	843,750
Less: current portion	(187,500)	(187,500)
Non-current portion	468,750	656,250

22. OTHER NON-CURRENT LIABILITIES

	2013 SR'000	2012 SR'000
Deferred income tax liabilities	634,387	713,592
Pension and other post-retirement benefits	118,204	310,050
Asset retirement obligation	98,755	108,656
Provision for maintenance and mine closure	95,625	111,570
Le Havre restructuring accruals	11,839	21,143
Others	121,560	133,409
	1,080,370	1,398,420

23. SHARE CAPITAL

Share capital amounting to SR 6,689,142 thousands as at 31 December 2013 (2012: SR 6,689,142 thousands) consisting of 668,914 thousand shares (2012: 668,914, thousands shares) of SR 10 each.

The Company's Extraordinary General Assembly, in its meeting held on 12 Jumada Awal, 1433H (corresponding to 4 April 2012) approved the increase of the Company's share capital from SR 5,574,285 thousand to SR 6,689,142 thousand, by issuing one bonus share for every five shares with a total amount of SR 1,114,857 thousands, through the utilization of share premium of SR 796,491 thousand and retained earnings of SR 318,366 thousand as at 31 December 2011.

24. DIVIDENDS

The Company's Extraordinary General Assembly, in its meeting held on 25 Jumada Awal 1434H (corresponding to 6 April 2013) approved the Board of Directors' recommendation to distribute annual cash dividends for 2012 amounting SR 2 per share and to disburse Board of Directors remuneration amounting to SR 2 million.

The Company's Extraordinary General Assembly, in its meeting held on 12 Jumada Awal 1433H (corresponding to 4 April 2012) approved the Board of Directors' recommendation to distribute annual cash dividends for 2011 amounting SR 1.5 per share and Board of Directors remuneration amounting to SR 2 million.

25. OTHER RESERVES

The details of other reserves as follows:

A. Cash Flow Hedges

The change in cash flow hedges represents the difference arising from transfer of the outstanding long term loans as at the consolidated balance sheet date denominated in foreign currencies to Saudi Riyal at exchange rates ruling at the consolidated balance sheet date and are considered as hedging instruments against expected future income denominated in the same currency. This also includes the difference arising from fair value measurements of the effective portion of derivative financial instruments (interest rate swaps) at the consolidated balance sheet date, which is a hedging instrument against the designated hedges item, being foreign currency loans based on LIBOR rates. These differences are treated as unrealized differences in equity as per accounting policies.

B. Foreign currency translation adjustment

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

C. Pension liability adjustments

This represents amendments to pension funds obligations in overseas subsidiaries arising from pension programs set up for eligible staff in the areas of foreign jurisdictions.

26. SELLING AND MARKETING EXPENSES

	2013 SR'000	2012 SR'000
Freight and transportation	645,269	532,704
Employees' salaries and related benefits	119,307	114,677
Distributors' incentives	47,373	38,443
Others	43,215	33,870
	855,164	719,694

27. GENERAL AND ADMINISTRATIVE EXPENSES

	2013 SR'000	2012 SR'000
Employees' salaries and related benefits	412,888	337,207
Research and development	144,163	83,738
Professional fees	122,463	112,710
Depreciation and amortization	56,401	52,054
Travel	30,193	21,831
Rent	22,351	19,525
Charitable contributions and social activities	22,050	25,621
Impairment of non-current assets (*)	21,000	12,883
Others	84,148	89,334
	915,657	754,903

(*) This item principally consists of an impairment of investments in associates in amount of SR 15 million (2012: SR nil) (note 10), and an impairment of intangible assets in amount of SR nil (2012: SR 12.9 million) (note 13).

28. OTHER INCOME, NET

	2013 SR'000	2012 SR'000
Dividends received (note 9)	34,471	25,989
Income from murabaha and other	32,029	23,107
Amortization of deferred gains (note 20)	28,066	28,066
Foreign exchange differences	18,109	63,859
Gains from sale of assets	2,950	6,151
(Losses) / compensation from insurance companies against stopping of production lines	(40,688)	44,651
(Provision) recovery of restructuring costs of production lines	(2,550)	15,409
Others	35,508	42,089
	107,895	249,321

29. LEGAL LITIGATIONS

One subsidiary of Crystal company (a subsidiary) is involved in extraordinary legal litigations in the United States of America, and during 2013, the company offered a proposal for settlement which has been accepted by the plaintiffs of some of these legal litigations. Accordingly, the company has made the required provision for the offered proposal, whereas the final settlement and the amount of final commitments, if any, is dependent on signing the final agreements between parties.

30. EARNINGS PER SHARE

The earnings per share attributable to income from main operations and net income for the year are calculated based on total number of shares issued, amounting to 668,914 thousand shares as at 31 December 2013 (31 December 2012: 668,914 thousand shares).

31. SEGMENT INFORMATION

The main activity of the Company (Head Office) is investments, while subsidiary companies operate in the industrial and petrochemical sectors. The main markets of the petrochemical sector are the Kingdom of Saudi Arabia, Europe, Middle East, and Asia, the other segments are the Kingdom of Saudi Arabia, South and North of U.S.A., Europe, Australia, Middle East and Asia. The following is selected financial information for these segments. Group consists of the following main business segments:

31. SEGMENT INFORMATION (continued)

Industrial sector: includes the production of titanium dioxide, production processes and specialized production operation of Rutile which is the raw material for the production of titanium dioxide, the production of liquid batteries for cars, production of lead and sodium sulfate, all kinds of plastic productions and the production of acrylic panels.

Petrochemical sector: includes basic chemicals, and polymers.

Head Office and other: includes the operations of the head office, and technical centers, innovations and investment activities, and provision of technical and industrial services.

	Industrial sector SR'000	Petrochemical Sector SR'000	Head office and other SR'000	Adjustments SR'000	Total SR'000
As at and for the year ended 31 December 2013					
Total assets	17,800,620	23,879,741	18,049,903	(12,460,032)	47,270,232
Total liabilities	9,904,813	13,568,201	5,645,148	(1,431,441)	27,686,721
Sales	9,154,323	11,860,901	382,011	(3,198,265)	18,198,970
Gross profit	1,958,794	2,821,041	57,934	(505)	4,837,264
Depreciation and amortization	652,541	799,082	38,680	-	1,490,303
Income from main operations	780,750	2,396,683	1,268,195	(1,357,796)	3,087,832
Capital expenditures	1,730,615	1,288,647	37,063	-	3,056,325
As at and for the year ended 31 December 2012					
Total assets	16,883,161	23,567,978	17,371,091	(12,212,300)	45,609,930
Total liabilities	9,033,725	13,311,892	4,937,702	(1,282,892)	26,000,427
Sales	8,933,188	11,331,236	358,411	(2,700,653)	17,922,182
Gross profit	3,113,992	2,405,272	59,778	(1,459)	5,577,583
Depreciation and amortization	607,115	759,217	25,690	-	1,392,022
Income from main operations	2,109,172	2,077,792	1,838,203	(1,905,537)	4,119,630
Capital expenditures	1,117,139	1,771,157	46,517	-	2,934,813

32. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments principally include cash and cash equivalents, accounts receivable and prepayments, other current assets, investments in available for sale securities, short term loans, murabaha, accounts payable and accrued expenses, other current liabilities, long term loans, and derivative financial instruments.

Credit risk

Credit risk is the risk that one party will fail to discharge an obligation and cause the other party to incur a financial loss. The Group has no significant concentration of credit risk. Cash is placed with national banks with sound investment credit ratings. Trade accounts receivable are shown net of provision for doubtful debts.

Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The subsidiaries have no significant interest bearing assets but have interest-bearing liabilities as at 31 December 2013 and 2012. The Company manages its borrowings made at floating rates by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Under the interest rate swaps, the Company agrees with the counterparty to exchange, the difference fixed and variable rate contracts at specified intervals (mainly quarterly) by reference to the agreed notional principal amounts.

Liquidity risk

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

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group monitors the fluctuations in currency exchange rates and charge the effects on the consolidated financial statements accordingly. The Group covers the foreign currency risks by using derivative financial instruments.

Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction. As the consolidated financial statements have been prepared under the historical cost convention, differences may arise between the carrying amounts and fair value estimates. Management believes that the fair value of the financial assets and liabilities is not materially different from its carrying value.

33. CONTINGENCIES AND CAPITAL COMMITMENTS**A. Capital commitments**

The group has the following capital commitments:

	2013 SR'000	2012 SR'000
Capital commitments for projects under progress and purchase of property, plant and equipment	1,745,395	3,076,583

Operating lease obligations

	2013 SR'000	2012 SR'000
Payments under operating leases charged to expenses during the year	123,432	136,746

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

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

The future minimum lease payments relating to all non-cancellable operating leases with terms in excess of one year are as follows:

	2013 SR'000	2012 SR'000
One year	113,079	117,943
Two to four years	330,843	321,725
More than four years	62,007	192,102
Total minimum lease payments	505,929	631,770

33. CONTINGENCIES AND CAPITAL COMMITMENTS (continued)**B. Contingences**

	2013 SR'000	2012 SR'000
1- Letters of credit and guarantee	2,506,108	3,294,298

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

	2013 SR'000	2012 SR'000
One year	1,404,068	1,282,154
Two to four years	1,734,473	740,278
More than four years	360,390	393,290
Total future minimum payments	3,498,931	2,415,722

2. The group is involved in legal litigation matters in the ordinary course of business, other than for what has been disclosed in (note 29), which are being defined. The ultimate results of these matters cannot be determined with certainty as of the date of preparing the consolidated financial statements, the Group's management does not expect that these matters will have a material adverse effect on the Group's consolidated financial statements.

34. DERIVATIVE FINANCIAL INSTRUMENTS

The Group, during the ordinary course of its business, hedges the foreign exchange rate risk and interest rate risks. The subsidiaries use derivative financial instruments (such as interest rate swaps, forward foreign exchange contracts, derivatives of other foreign currencies, and natural hedges) to mitigate its exposure to interest rate risks and currency risk on sales, purchases, and cash deposits, and loans denominated in the local currency of the subsidiary. These hedges are qualified to be designated as cash flow hedges. The group's share in the cash flows hedge reserves for the post of acquisition is included within equity.

On 31 December, 2013, the Group had derivative financial instruments with notional amount of SR 562 million (2012: SR 1,205 million) and the Group's share in the net fair value change of cash flow hedge is SR 26,5 million (2012: SR 51,5 million) and represents the fair value. The cash flow hedge reserves represent the effective portion of the hedges. Deferred accumulated gain or loss from hedge is recognized in the consolidated statement of income when hedged transactions affect the consolidated statement of income.

The generally accepted accounting standards requires recording of foreign exchange contracts at the spot rates at contracts dates, and amortizing the difference between the spot rate and forward rate over the contract term as stipulated therein. No adjustments were made on the recorded amounts, as it is not material.

35. MINORITY INTERESTS

The movements in minority interests are as follows:

	2013 SR'000	2012 SR'000
Balance at the beginning of the year	7,542,126	6,753,611
Share in net earnings of subsidiaries for the year	1,075,271	1,312,687
Dividends	(896,792)	(540,403)
Other, net	(143,227)	16,231
Balance at the end of the year	7,577,378	7,542,126

36. PROPOSED DIVIDENDS

The board of directors recommended in their meeting held on 19 Rabi Thani 1435H (corresponding to 19 February 2014) to distribute annual cash dividends for the year 2013 at SR 1.5 per share, dividends will be entitled to shareholders recorded in the financial securities depository center at the end of trading day corresponding to the meeting of the ordinary general assembly. This is subject to shareholders approval in the annual ordinary general assembly meeting. The board also recommended to pay amount of SR 2 million as a remuneration to the board of directors.

37. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Board of Directors has approved the consolidated financial statements on 19 Rabi Thani 1435H (corresponding to 19 February 2014).

38. COMPARATIVE FIGURES

Certain prior year figures have been re-classified to conform to the presentation of the current year.







