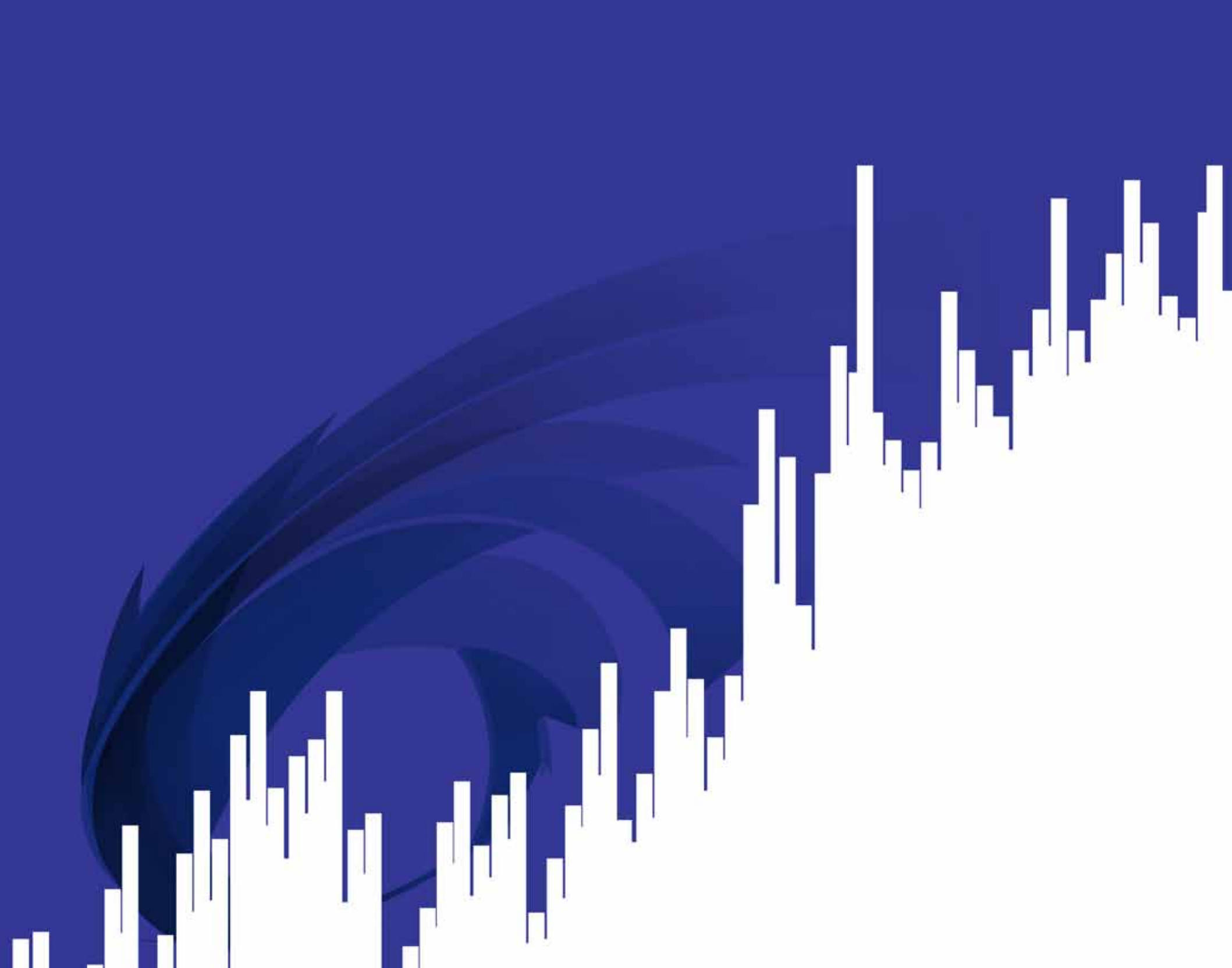




**TASNEE** التميني

Annual Report 2011





بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

# Contents

Vision/Mission .....	4
Board of Directors.....	5
A Word from the Chairman .....	7
Board of Directors Report .....	8
A Word from the CEO .....	27
Company's Directory .....	29
TASNEE News.....	47
The Consolidated Financial Statements and Auditors' Report .....	63





Custodian of the Two Holy Mosques  
**King Abdullah Bin Abdulaziz Al-Saud**



His Royal Highness  
**Prince Naif Bin Abdulaziz Al-Saud**  
Crown Prince, Deputy Prime Minister  
and Minister of Interior

## **The Vision**

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

## **The Mission**

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



# Board of Directors



**Eng'r. Mubarak bin Abdullah Al-Khafra**  
Chairman of the Board



**Dr. Moayyad Bin Issa Al-qurtas**  
Vice Chairman & CEO



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



**Dr. Nazeeh Bin Hassan Naseef**



**Eng. Talal Bin Ibraheem Al-Mayman**



**Eng. Salah Bin Abdulwahab Al-Terkait**



**Mr. Hisham Sayed Abdulrazzaq Al-Rouzouki**



**Mr. Badr Bin Ali Al-Dakheel**



**Mr. Solaiman Bin Abdulqader Al-Mohaideb**



**Mr. Sabah Tayseer Barakat**







## Chairman's Message



The Gulf industrial sector in general and the Saudi one in particular has entered the second decade of the twenty first century, which most experts described it as a decisive decade in the process of Gulf industrial sector, especially regarding the chemical and petrochemical industries. The importance of this decade is evident in the available opportunities for this sector as well as the challenges facing it. As the case with all economic sectors, the industrial sector is faced with a set of opportunities and challenges which interfere with each other and its success is always dependent on its ability to catch such opportunities and confront the challenges. In the realm of such developments in global, regional and local economies, TASNEE is step by step establishing its existence among the famous and major companies after becoming a key player relying on deep rooted history while enjoying a flourishing future and possessing the tools for moving to a promising future with God providence.

Tansnee used to achieve moderate results in the first and second decade of its life, it managed to overcome this trend and jumped to realize large strides at all levels during the third decade of its history. That only became possible due to its well articulated policy to internally expanding chemicals and petrochemicals sector, utilizing the comparative advantage of this sector in the Kingdom of Saudi Arabia, as well as utilization of its well drafted polices to acquire industrial projects operating in the area of titanium dioxide at international level, thus TASNEE ranked as the second top producer of petrochemicals in the Kingdom of Saudi Arabia and the second top producer of Titanium Dioxide (White Pigment) at international level. In this way TASNEE achieved steady increase in its profits over the last five years jumping to 2,5 billion Saudi Riyals in 2011.

This success is, after God Providence and help, attributed to many entities in and outside TASNEE. Of course we cannot ignore the government efforts with a contemporary vision that paved the way and created the appropriate atmosphere to establish an industrial recovery. Other government and private entities supported TASNEE to implement its ambitious strategy towards achieving local and international growth. We would never forget the support of TASNEE shareholders who extended support to TASNEE and their tireless efforts towards the company advancement and their trust of its board of directors who did not spare efforts to make TASNEE successful in its endeavors. I would also extend my thanks and appreciation to all employees for the efforts they exerted which led us to this position of advancement and flourish.

*May God help and Guide us all.*

**Eng. Mubarak bin Abdullah Al-Khafrah**

# Board of Director's Report 2011



The Board of Directors of the National Industrialization Company is pleased to present to shareholders its annual report related to the activities and performance of the company for the fiscal year extending from 01/01/2011 till 31/12/2011 accompanied by audited financial statements and the notes attached thereto and including the most important developments in the performance and activities of the company as per the following details:

### Overview

TASNEE was established pursuant to the Ministerial resolution No. (601) dated Dul Hijjah 24,1404H.

The company's capital amounts to SAR 5,574,284,710 after the extraordinary General Assembly decided capital increase in its meeting held on 04/04/2011 by granting one share for each ten shares.

With God Providence TASNEE was able to maintain its gains and realize many significant achievements during 2011, such as the company's continuity to improve its performance and strengthen its local, regional and global position, finalizing the implementation and expansion of certain projects and

reaching advanced stages in planning and studying a number of new projects.

### First: Types of Main Activities of the Company:

The activity of the company (Head Office) is represented by investing in industrial fields, transferring advanced industrial technology to Saudi Arabia in the field of manufacturing and processing petrochemicals and chemicals , engineering and mechanical industries, management and acquisition of industrial projects and marketing their products. The activity of petrochemicals includes production of ethylene, polyethylene, propylene and polypropylene. The industrial activity also includes production and marketing of titanium dioxide, production of liquid batteries for cars and other industrial uses, production of lead and plastics, including acrylic and poly carbonate sheets. Other activities include marketing of plastics products and batteries, rendering technical services, conducting technical tests on equipment, industrials facilities, chemical petrochemical and metallic factories, desalination and power generation plants. Below is a table showing the impact of each of the aforementioned activities on the volume of the company's activities:

	Industrial Sector	Petrochemicals Sector	Head Office & Other Activities	Total
Percent of Sales	50%	48%	2%	100%



## Second: Future Plans and Prospects and Risks

### A. Future Plans and Prospects

The company works on a number of studies related to expanding the production capacity of some production lines in a number of existing plants as well as other studies related to establishing and founding new industrial projects in participation in the same.

In general, the company plans to continue improving its performance, strengthening its gains and developing its capabilities which in return will help in sustaining the growth of profits and shareholders' equity. However, with regard to expectations of future prices of the company's products such as petrochemical and chemical products in international markets, it is difficult to accurately predict their status as they relate to a number of changing global economic data.

### B. Risks

The risks to which the company may be exposed are represented by the changes that may affect global economy in terms of deflation and stagnation, which may lead to a decline in the demand for the company's products or a reduction of their prices.

Additionally, the company may be exposed to the risks of changing prices of raw materials on which it substantially relies, as well, the company performance depends on the operational performance level of factories, which involve a number of technologies and equipment which in return are exposed to malfunctioning and stoppage. The company may also be exposed to fluctuation of exchange rates of foreign currency, risks related to anti-dumping laws or competition.

## Third: Assets and Liabilities of the company and the Results of its Activities for the Last Five Fiscal Years

TASNEE enjoys a strong financial position and positive financial indicators which support its plans to expand in strategic investments and alliances which, in return, will help in sustainable growth and consolidate the company's position in local and international markets. The following table shows the results of the company's activities for the last five fiscal years:

Year Ending	Amount in Millions SAR				
	Total Assets	Total Liabilities	Shareholders' Equity	Sales	Net Profits
31 December 2007	24,653	16,093	5,939	7,227	661
31 December 2008	30,419	20,426	7,350	10,037	601
31 December 2009	33,162	21,703	7,790	10,863	519
31 December 2010	34,704	20,248	9,262	15,993	1,473
31 December 2011	39,928	22,151	11,023	19,649	2,441
Growth in Five Years	62%	38%	86%	172%	269%

#### Fourth: Geographic Analysis of Revenues:

Region	KSA	GCC	ME	Africa	Indian Subcontinent	East Asia	Europe	America
Percentage of Sales	12%	3%	8%	9%	7%	24%	19%	18%

#### Fifth: Operating Results

Net profit for the period from 1/1/2011 until 31/12/2011 amounted to thousand SAR 2,441,423 with an increase of 65.8% from last year.

Noting that operating profit grew by 72.2% to reach SAR 5,406,968 in 2011, compared to thousand SAR 2,140,241 in 2010. Basically, the reasons for the rise of net annual profits in 2011 compared to previous year, are growth of subsidiaries' sales and improvement of prices.

Shareholders' equity amounted to thousand SAR 11,022,826 at the end of December 2011 with an increase of 19% from last year.

During the year 2011, the company has obtained Sharia'h compliant a direct facilities from different banks amounted in aggregate to (1,050) million SAR, noting that such facilities did not include funding the projects of affiliates and their banking facilities which are directly obtained by such affiliates. These facilities have been disclosed in the audited and consolidated financial statements for the year 2011. The total sums paid by TASNEE against direct facilities during fiscal year 2011 amounted to thousand SAR 204,762. Note (6) of the financial statements of the company includes information about due and outstanding loans.

The company prepared its financial statements in accordance with the accounting standards issued by the Saudi Organization for Certified Public Accountants which are appropriate to the circumstances of the company and comply with the Saudi Companies Act and the company's Articles of Association.

#### Sixth: Affiliates

##### 1- National Titanium Dioxide Company "CRISTAL"

A Limited Liability Company based in Jeddah with its main operation office situated in Yanbu Industrial City, in addition to its plants based in both Americas, Europe and Australia and TASNEE owns 66% of the company's shares.

##### 2- Saudi Poly Olefins Company (SPC)

A limited Liability Company in Jubail Industrial City and TASNEE owns 75% of the company shares.

##### 3- TASNEE and Sahara Olefins Company (TSOC)

A closed Joint Stock Company based in Riyadh. The number of issued shares of the company is 56,600,000. The shares are of equal value and the nominal value of each share is SAR 50. TASNEE owns ( directly and indirectly) 60.45% of the shares.

TASNEE & Sahara Olefins Company exercises its activities through its affiliates, namely:





### **3-1 Saudi Ethylene and Polyethylene Company (SEPC)**

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

### **3-2 Saudi Company for Acrylic Acid and its Derivatives: (SAAC)**

A limited Liability Company based in Riyadh and the main office of its operations is in Jubail Industrial City. TASNEE and Sahara Olefins Company own 65% of the company shares. Additionally, TASNEE owns a direct share of 13% of the company shares.

### **4- TASNEE and SAIC Polyol & Derivatives Company (POLYOL)**

A limited Liability company the main office of its operations based in Rabigh and TASNEE owns 50% of the company shares.

### **5- National Lead Smelting Company “RASASS”**

A Limited Liability Company based in Riyadh – TASNEE owns 74.9% of the company’s shares ( directly and directly).

### **6- Rowad National Company “ROWAD”**

A Limited Liability Company based in Riyadh – TASNEE owns 100% of the company’s shares ( directly and indirectly).

### **7- National Batteries Company “BATTARIAT”**

A Limited Liability Company based in Riyadh – TASNEE owns 80% of the company’s shares.

### **8- National Inspection and Technical Testing Company “FAHSS”**

A Limited Liability Company based in Dammam where the company exercises its operations. The company has also expanded its activities in the Gulf region through its sister company “ TUV Middle East”. TASNEE owns 70.48 of the company’s shares ( directly and indirectly).

### **9- National Industrialization Petrochemicals marketing Company**

A Limited Liability Company based in Riyadh and exercises its operation form Riyadh. TASNEE owns 100% of the company’s shares (directly and indirectly).

### **10- National Operation and Industrial Services Company “KHADAMAT”**

A Limited Liability Company based in Riyadh. TASNEE owns 88.3% of the company’s shares.

### **11- National Metal Manufacturing and Casting Company “MAADANIAH”**

A Joint Stock Company based in Riyadh and exercises its operations through its office in Rabigh. The issued shares of the company amount to (25,556,445) of equal value with a nominal value of SAR (10). TASNEE owns 35.48% of the company’s shares (directly and directly).

### **12- National Packing Products Company Ltd. “ WATAN PAC”**

A Limited Liability Company based in Riyadh. TASNEE owns 42.6% of the company’s shares.

### Seventh: Profit Distribution Policy

Profit distribution decision lies with the powers of the General Assembly pursuant to a recommendation made by the

company's Board of Directors. The decision depends on mainly on the amount of net profits realized each year and the size of expected expenditure on future investment projects and expected cash flows.

### Eighth: Formation of the Board of Directors

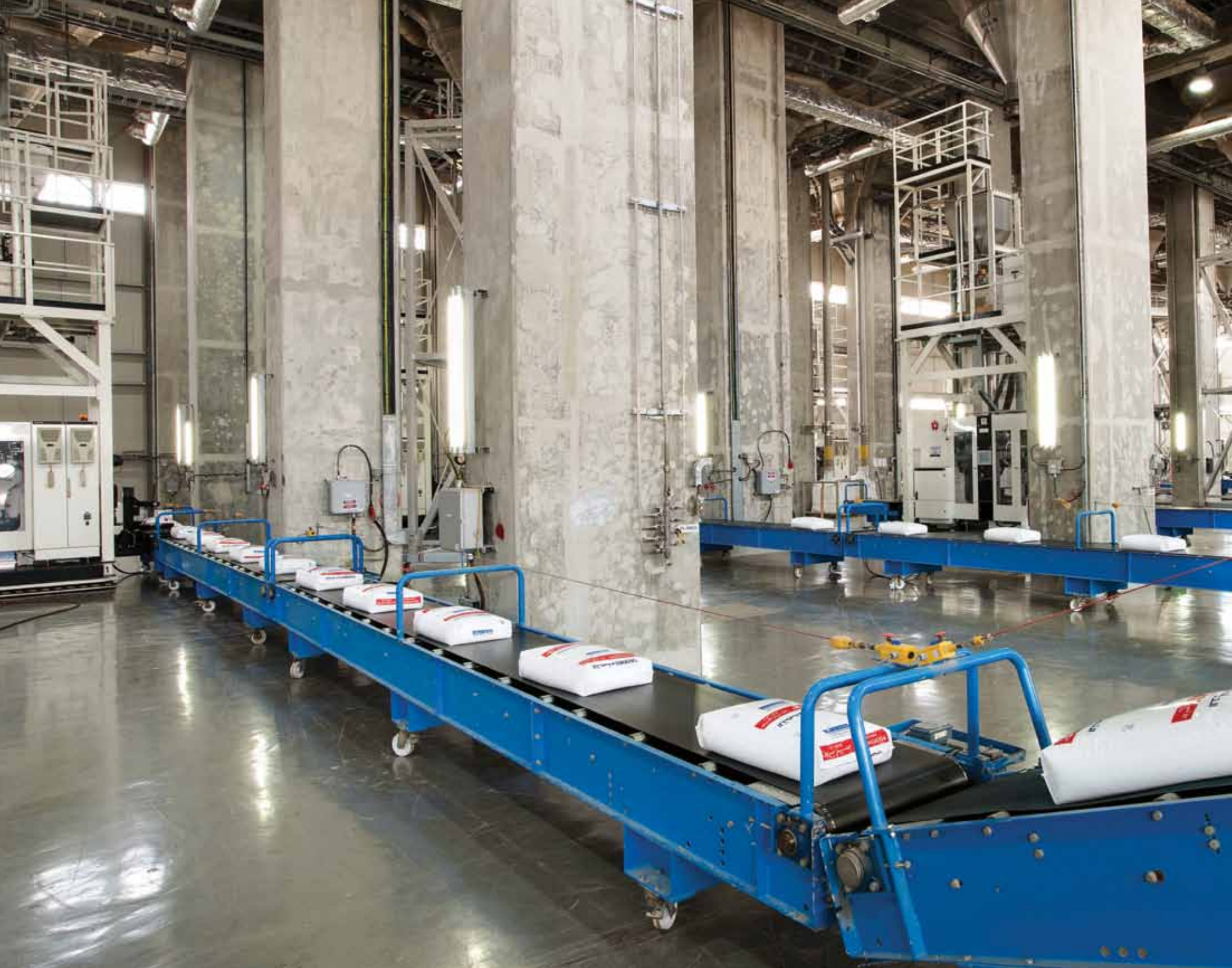
Pursuant to Article (12-1) of the Company's Articles of Association, the Board is composed of ten (10) members as shown in the following table:

	Name	Membership Class **	Board Membership in Other Joint Stock Companies
1	Eng. Mubarak bin Abdullah Al Khafra Board's Chairman	Executive Member	<ul style="list-style-type: none"><li>* Saudi Hollandi Bank</li><li>Malath Insurance Company</li><li>Gulf Chemicals and Oils Co.</li><li>TASNEE &amp; Sahara Olefins Company</li></ul>
2	Dr. Moayyad bin Issa Al Qurtas Vice-Chairman and Managing Director	Executive Member	<ul style="list-style-type: none"><li>Saudi Potter Pipes</li><li>Alrajhi Cooperative Insurance Company</li><li>TASNEE &amp; Sahara Olefins Company</li><li>National Metal Manufacturing and Casting Company «MAADANIAH»</li><li>Manufacturing and Energy Services Company</li></ul>
3	Dr. Talal bin Ali Alsha'er Deputy Managing Director for Cristal Affairs	Executive Member	<ul style="list-style-type: none"><li>Saudi Iak Cooperative Insurance Co.</li><li>Almasane Al Kobra Mining Co.</li><li>Fiber Glass Oasis Co.</li><li>Madina Industrial Investments Co.</li><li>TASNEE &amp; Sahara Olefins Co.</li></ul>
4	Eng. Talal bin Ibrahim Al Mayman	Non-executive	<ul style="list-style-type: none"><li>Kingdom Holding Company</li></ul>
5	Dr. Nazeeh bin Hassan Naseef	Non-executive	<ul style="list-style-type: none"><li>Saudi Pharmaceutical Industries and Medical Appliances Co. (SPIMACO)</li></ul>

6	Eng. Salah bin Abdulwahab Al Terkait	Independent Member	<ul style="list-style-type: none"> <li>• Icarus for Oil Industries</li> <li>• Gulf United Holding Company for Steel</li> <li>• National Joint Industries for Energy Co.</li> </ul>
7	Mr. Hisham Sayyed Abdulrazzak Al Rouzouki	Non-executive	<ul style="list-style-type: none"> <li>• Gulf Industrial Investment Co.</li> <li>• Gulf Electronic Tawasul Co.</li> <li>• Gulf United Holding Company for Steel</li> </ul>
8	Mr. Sabah Tayseer Barakat	Non-executive	-
9	Mr. Suliman bin Abdulqader Almohaideb	Independent Member	<ul style="list-style-type: none"> <li>• Arab Company for Pipes</li> <li>• Abdulqader Almohaideb &amp; Sons Company</li> <li>• Swicorp Bridges</li> <li>• Savola</li> <li>• Saudi British Bank</li> <li>• Almarai Company</li> <li>• Aloula Real Estate Development Company</li> </ul>
10	Mr. Badr bin Ali Aldakheel	Non-executive	-

\*\* Upon appointment of the current board of directors, whose office started as of 06/07/2010, the number of independent members exceeds the required number stipulated in clause (e) of Article (12) of company governance regulation. After modification of the definition of the independent member by a resolution of Stock Market Authority resolution No. 1-10-2010 which stipulates what considered as contradicting independency ( that member is to be a representative of a corporate person owning five percent or more of the company shares ..), thus, the number of independent members in TASNEE Board's of Directors became less than what stipulated

in clause (e) of Article (12) of the companies governance regulation. As per the provision of last clause of Stock Market Authority No. 1-10-2010, the implementation of this definition (independent member), shall be obligatory upon appointment of any member in the Board as of 1/1/2011 for the enlisted companies in the stock market. Accordingly, as of 1/1/2011 the company shall be obliged upon appointing any members in the board to be in compliance with the specified percentage of independent members as per the new definition of the independent member.





## Ninth: Board's Members Interests, the authorities they represent and Senior Executives

	Board’s Members		Representing	Number of Owned Shares			
				At the Beginning of the Year 01/01/2011		At the End of the Year 31/12/2011	
				For the Board’s Member	For the Authority the Member Represents	For the Board’s Member	For the Authority the Member Represents
1	Mubarak bin Abdullah Al Khafra	Himself	2,310,727	-	2,541,557	-	
2	Dr. Moayyad bin Issa Al Qurtas	Himself	545,030	-	332,157	-	
3	Dr. Talal bin Ali Alsha’er	Himself	1100	-	1210	-	
4	Eng. Talal bin Ibrahim Al Mayman	Kingdom Holding	226,410	31,571,511	15,245	34,728,662	
5	Dr. Nazeeh bin Hassan Naseef	Saudi Pharmaceuticals Industries & Medical Appliances Corporation	2299 *	26,588,615	2528 *	29,247,476	
6	Eng. Salah bin Abdulwahab Al Terkait	National Industries Group Holding	19,498	-	31,597	-	
7	Mr. Hisham Sayyed Abdulrazzak Al Rouzoki	Gulf Investment Est.	-	37,704,610		40,631,438	
8	Mr. Sabah Tayseer Barakat	Olayyan Financial Co.	-	29,460,000	-	31,605,000	
9	Mr. Suliman bin Abdulaqader Almo-haideb	Abdulqader Almohaideb & Sons Co.	1100	534,025	1210	292,640	
10	Mr. Badr bin Ali Aldakheel	General organization for Social Insurance	-	31,705,368	-	45,876,978	
Senior Executives							
Senior Executives	1	Saleh bin Fahad Alnazha	President/ Chief Operation Officer	-	-	-	-
	2	Tariq bin Abdulrahman bin Rayyis	Vice-President for Strategic Plan-ning	-	-	-	-
	3	Fayez bin Abdullah Alasmari	Vice-President for Finance	29,299	-	32,228	-
	4	Ahmed bin Mohammed Albassam	Vice-president for Business Devel-opment	13,888	-	15,276	-
	5	Fahad bin Abdulaziz Alba-hooth	Secretary of the Board of Directors	-	-	-	-

## Tenth: Board's Meetings

The Board of Directors held five (5) meetings during 2011 and the attendance was as follows:

Meeting	Date	Attendance Record
First	21/02/2011	Eng. Mubarak bin Abdullah Al Khafra, Dr. Moayyad bin Issa Al Qurtas, Dr. Talal bin Ali Alsha'er, Eng. Talal bin Ibrahim Al Mayman, Dr. Nazeeh Hassan Naseef, Eng. Salah bin Abdulwahab Al Terkait, Eng. Sabah Tayseer Barakat, Mr. Badr bin Ali Aldakheel
Second	04/04/2011	Eng. Mubarak bin Abdullah Al Khafra, Dr. Moayyad bin Issa Al Qurtas, Dr. Talal bin Ali Alsha'er, Eng. Talal bin Ibrahim Al Mayman, Dr. Nazeeh Hassan Naseef, Eng. Salah bin Abdulwahab Al Terkait, Mr. Hisham Sayyed Abdulrazzak Al Rouzouki, Eng. Sabah Tayseer Barakat, Suliman bin Abdulqader Almohaideb, Mr. Badr bin Ali Aldakheel
Third	7,8/06/2011	Eng. Mubarak bin Abdullah Al Khafra, Dr. Moayyad bin Issa Al Qurtas, Dr. Talal bin Ali Alsha'er, Dr. Nazeeh Hassan Naseef, Eng. Salah bin Abdulwahab Al Terkait, Mr. Hisham Sayyed Abdulrazzak Al Rouzouki, Eng. Sabah Tayseer Barakat, Mr. Suliman bin Abdulwahab Almohaideb, Mr. Badr bin Ali Aldakheel.
Fourth	10/10/2011	Eng. Mubarak bin Abdullah Al Khafra, Dr. Moayyad bin Issa Al Qurtas, Dr. Talal bin Ali Alsha'er, Eng. Talal bin Ibrahim Almayman, Dr. Nazeeh bin Hassan Naseef, Eng. Salah bin Abdulwahab Al Terkait, Mr. Hisham Sayyed Abdulrazzak Al Rouzouki, Eng. Sabah Tayseer Barakat, Eng. Sabah Tayseer Barakat
	27/12/2011	Eng. Mubarak bin Abdullah Al Khafra, Dr. Moayyad bin Issa Al Qurtas, Dr. Nazeeh Hassan Naseef, Eng. Salah bin Abdulwahab Al Terkait, Eng. Sabah Tayseer Barakat, Eng. Sabah Tayseer Barakat, Mr. Badr bin Ali Aldakheel



## Eleventh: Indemnities & Benefits of the Board's Members and Senior Executives

In SAR	Executive Members of the Board	Non-Executive / Independent Members of the Board	Five Senior Executives who have Received the Highest Benefits and Indemnities, Including Executive and Finance managers
Salaries & Indemnities	-	-	6,341,250
Allowances	199,388	377,492	-
Periodical & Annual Premiums	9,537,500	1,180,000	3,150,525
Incentive Plans	-	-	-
Indemnities & In-Kind benefits	172,500	-	34,708



## Twelfth: The Board's Committees

The organizational regulations for: the executive committee, audit committee, nominations and awards committee include a description of the jurisdictions of each committee, terms of formation, membership duration and powers, method of work and meetings and liabilities of its members. These committees are formed as follows:

### The Executive Committee

The Executive committee shall take all executive and strategic resolutions in accordance with the powers designated to it and approved by the Board. It is formed of:

- 1- Eng. Mubarak bin Abdullah Alkhafra  
Chairman
- 2- Dr. Moayyed bin Issa Al Qurtas  
Member
- 3- Dr. Talal bin Ali Al Sha'er  
Member
- 4- Eng. Talal bin Ibrahim Almayman  
Member

The committee held seven (7) meetings during 2011.

### The Audit Committee

The committee exercises its powers as per the applicable rules and regulations. It assesses the internal control system while adhering to audit standards approved and applicable in the Kingdom in addition to other functions specified by the company's regulations. The Audit Committee is composed of:

- 1- Dr. Nazeeh Hassan Naseef  
Chairman
- 2- Eng. Sabah Tayseer Barakat  
Member
- 3- Mr. Ali bin Mohammed Alshashaa  
Member
- 4- Mr. Mohammed bin Ali Abdulaziz Alkirada  
Member
- 5- Mr. Badr bin Ali Aldakheel  
Member

*The Audit Committee held five (5) meetings during 2011.*

### Nominations and Awards Committee

The committee is concerned with recommending to the board of Directors all issues related to nomination to the Board membership, reviewing the required needs, qualifications and skills, reviewing the board structure and determining its strength and weakness points, ensuring the independence of the independent members and there is no conflict of interests and developing policies for remunerating and awarding the Board's members and senior executives. The Nominations and Awards committee is composed of:

- 1- Moayyed bin issa Al Qurtas  
Chairman
- 2- Dr. Nazeeh bin Hassan Naseef  
Member
- 3- Mr. Hisham Sayyed AbdulRazzak Alrouzouki  
Member
- 4- Mr. Suliman bin Abdulqader Almohaideb  
Member
- 5- Salah bin Abdulwahab Al terakait  
Member

The Committee held one (1) meeting during 2011.

### **Thirteenth: Results of Annual Audit of Internal Control Procedures**

The Company's internal audit department adopts the operational audit methodology for the company and its affiliates works, as the department prepares an annual audit plan taking into consideration work environment risks and the audit duration cycle and then shows the plan to audit committee for approval. Following this step, the audit teams make field visits to targeted entities to make interviews with the persons in charges and examine samples of their transactions according to a professional audit program covering details of each transaction being subjected to audit. Then the team shall prepare its notes and discuss them in details with concerned entities and obtain authenticated replies about each note, following that steam, the team will draft its recommendations to make necessary corrections. The final report which be submitted to the concerned personnel of the unit being audited and the senior management of TASNEE

will be prepared. This report will also be submitted to the audit committee and discussed with in one of its meetings. At the same time the correction works will be followed up and submit periodical reports of the same to the audit committee and based on the above the audit plan for 2011 has been implemented. The reports have been submitted according to aforementioned procedures. As well, the audit committee submitted a report about is works during the ended year to the Board of Directors. The audit committee confirms that there are no material observations in contained the internal audit reports and that its assessment of the company internal control system ensures its sufficiency to preserve and safeguard the company assets and property and the accuracy of its operations in essence.

### **Fourteenth: Zakat and Regulatory Payments**

Zakat payable by TASNEE alone for 2011 amounted to SAR 7,067,000, while payments of social insurance subscriptions amounted to SAR 1,915,774.



### Fifteenth: Corporate Governance:

The Board approved the corporate governance guide and the company observes its and adheres thereto. The company also applies most of the rules contained in the corporate governance regulations issued by the Saudi Capital Market Authority and in the process of finalizing the development of a number of policies and procedures in the form of regulations.

Corporatae governance provisions that have not been applied by the company along with reasons for non-application are detailed below:

Article No.	Article's Content	Reason for non-Application
3	The right to receive a share from the company's assets upon liquidation	There is no provision to that effect in the company's Articles of Association. It is a provision established under the Corporate Regulation.
5/C	Posting the invitation for the meeting of the General Assembly in the company's website	The invitation has been posted in TADAWUL's website and in two widespread newspapers. The invitation for the coming meeting of the General Assembly will be posted in the company website.
6/b	Cumulative voting for selecting the Boards' members	According to the company's Articles of Association, voting for selecting the Board's members shall be made in accordance with the traditional method that is consistent with Corporate Regulation. The General Assembly will be prompted to amend the Articles of Association by adding the method of cumulative voting for selecting the Board's members.
10/b	Development of regulations and policies of internal control and general supervision .. including development of written policies to regulate conflict of interests and remedy of possible conflict cases for each of the Board's members, executive management and shareholders.	The draft regulations of conflict of interests and remedy of the same, has been prepared, it is no under review in order to be ratified by the Board.
10/d	Development of clear policies, criteria and procedures for the Board membership and implement them after approval of the general assembly.	The Corporate Governance contained these criteria and now under processing after approval of Corporate Governance Guide by the Board of Directors and shall be submitted for the general assembly for approval.
10/e	Development of written policies regulating the relationship with stakeholders for their protection and maintenance of their rights	The contracts signed by the company with stakeholders contain provisions that guarantee their rights and the rights of the company and these contracts shall have the legal power to maintain the interests of all.
12/d	Prohibition of combining the post of Chairman any executive post	The practical need and the company interest require that Chairman of the Board to assume some executive tasks.
12/e	The number of independent members in the Board shall not be less than two or one third of the Board's members, whichever greater.	This rule is applicable and implemented according to previous definition of the independent member, however, according to the new definition of the independent member which is applicable as of 1/1/2011, the number of independent members in the Board is confined to two only.





### **Sixteenth: The Company's Auditors**

The 15th Extra Ordinary Assembly agreed in its meeting held on 4/4/2011 to nominate Messrs Ernest and & Young ( Certified Accountants) as the auditors of the fiscal year ending 31/12/2011.

### **Seventeenth: Social Contribution**

TASNEE has been keen to invest in Social Responsibility Programs through its established policy of allocating 1% of its profits for this purpose. TASNEE's leading and significant role in community service is not less than its role in the development and diversification of the Saudi economy as it supports the different programs and activities of charitable and humanitarian projects in various parts of the Kingdom and for different programs and activities. TASNEE has supported many projects by contributing to them in 2011, including the following:

Tamkeen Profession Program, which is a project for training and qualification on a group of professions in collaboration with Public Utility Societies in different parts of the Kingdom targeting the producing families and youths. Such contributions include:

- Rehabilitation of women prisoners psychologically and professionally in Jeddah.
- Supporting Dorar Growth Team for qualification of persons with special needs to prepare them for labor market in Dammam.
- Sponsoring Second Woman Tawasul Forum Program in Jubail.
- Sponsoring the Fourth Family and Youths Forum ( We are

the Hope) at Alahsa.

Twasul and Love programs are social programs work for strengthening and increasing communication among community members in collaboration with Public Utility Societies which target productive families and youths and this includes:

- Winter blankets for northern region population.
- The first Saudi forum for orphans care in Riyadh.
- Sponsoring the social responsibility exhibition and workshops in Riyadh.
- Supporting the first mass wedding in Eastern Province.
- Supporting the festival of Imam A'asem for the Holy Quran memorization in Jubail.
- Preparation of social responsibility exhibition at Four Season Hotel.
- Supporting Festivity and Occasions Fund at Jubail Governorate.

Awareness and sponsoring programs are a project for supporting awareness and education in all fields be they health or social ones in collaboration with concerned authorities in all parts of the Kingdom targeting all community segments, such as:

- Sponsoring the Third Forum of Partnership between Public and Private Sectors in Makkah.
- Health programs / We Care for your Health is a special program for health awareness in collaboration with concerned public utility societies throughout the Kingdom and this includes:
- Membership of Prince Salman Disability Research Center



in Riyadh.

- Endure costs of shipping medicines to our brothers in Libya in collaboration with World Symposium of Muslim Youths.
- Supporting operation of portable clinic for treatment of smokers at Altayef for two years.

### **Eighteenth: Manpower and Training**

The personnel of the company as on 31 December 2011 amounted to 1,096 employees of whom (678) are Saudis. This number includes the Petrochemical plants employees in Jubail but it does not include the affiliates employees.

### **Nineteenth: TASNEE Program for Real Estate Loans:**

The company management approved a program for housing loans designated to help the Saudi employees to own adequate housing through getting interest-free loans from the company. The program, in 2011, granted loans amounted to SAR 8,428,241 and likewise it has been approved in 2012 budget an amount of SAR 16,000,000 as housing loans.

### **Twentieth: Disclosures and Acknowledgements**

#### **1- Conflict of Interests:**

TASNEE's Board acknowledges that no member in the Board has any direct or indirect interest in the businesses and contracts made in favor of the Company; and that all members in the Board of Directors are neither engaged in any business that may lead to competition with company nor trade in any activity exercised by the company. TASNEE has not lent or guaranteed any of the Board's members against any loan or commitment whatsoever.

#### **2- Transactions with Related Parties:**

- 3- There are no contracts with parties having relations with Board's members, the Managing Director or his deputies, the Finance Manager or any of their relatives.
- 4- Based on the information with which we have become acquainted and the auditor report, market's results and current data and future indicators, we acknowledge that:
  - 4-1 The accounting records have properly been prepared.
  - 4-2 The internal control system has been prepared on sound basis and has been implemented effectively.
  - 4-3 There is no any doubt regarding the company's ability to continue its activity.

### **Conclusion**

At the end of report, the Chairman and members of the Board of Directors would like to extend their thanks and appreciation to His Royal Highness the Custodian of the Two Holy Mosques King Abdullah bin Abdulaziz Al Saud ( May God Save Him) and to His Crown Prince Naif bin Abdulaziz Al Saud ( May God Save Him), for their support to our national industry and to Ministry of Commerce & Industry, Ministry of Petroleum & Minerals, Arabian Oil Company ( Saudi Aramco), Saudi Industrial Development Fund, the Royal Commission of Jubail & Yanbu, The General Investment Authority and to all other government sectors for their continuous support. As well, the Board of Directors extends its thanks and appreciation to esteemed shareholders for their support and valuable confidence and to all employees of TASNEE Group for their fruitful efforts and to our partners and clients in the Kingdom of Saudi Arabia and worldwide for their trust and kind cooperation.



## A Word from Vice-Chairman and CEO



By the grace of Allah and the diligent performance of the Company's board of directors, management and the employees, TASNEE continued to improve its performance and strengthen its position at all local, regional and global levels, realizing high growth rates as part of its endeavors to achieve the excellence and advancement it deserves. The consecutive achievements it realized are mainly attributed to the grace of Allah and as a result of a well articulated strategy as well as utilization of the favorable circumstances and confrontation of challenges that imposed themselves in all aspects.

Among the results of this strategy which led to ranking TASNEE as the second top in local petrochemical industry and the second top in titanium dioxide at global level enabling TASNEE to benefit from the improvement of international demand for titanium dioxide products in 2011, as the sales of CRISTAL Co. increased. Also, TASNEE benefited from the high rise of titanium dioxide selling prices compared to those of previous year. At the same time, and in spite of the fluctuation of polyethylene and polypropylene prices and increase of feedstock prices, TASNEE managed to achieve good results in this sector, which led to increase of the Company's profits to reach unprecedented levels as the profits amounted to 2,5 billion Riyals in 2011.

Currently, TASNEE is executing a group of Acrylic acid and derivatives projects through three companies under the acrylic acid industries complex. In addition, in this year the Company polyol and derivatives has been established in order to implement a new project at Rabigh, This is in addition to establishing TASNEE Research Center so as to contribute with other research centers, to developing TASNEE's chemical and petrochemical products, and serve TASNEE's customers.

TASNEE continued work for developing its performance, boost its potentials and development of its labor force and all that reflected on the performance of its companies and operations. In the mean time, TASNEE has been keen to play a leading and important role in its social responsibilities and programs aiming at community service. It is keen to provide an effective contribution for the development of the Saudi community and disseminate awareness among its citizens, with God providence.

**Dr. Moyyad bin Issa Al Qurtas**  
**TASNEE & SAIC**





## Company`s Directory





## National Titanium Dioxide Company Ltd. “CRISTAL Global”

<b>Establishment Date</b>	: 20/03/1409 H
<b>Major Shareholders</b>	: National Industrialization Company 66% Gulf Investment Corporation 33% Dr. Talal Bin Ali Al Sha'er 1%
<b>Objectives &amp; Activities</b>	: Producing Titanium Dioxide pigment and using it in producing a group of products like; CRISTAL 100, CRISTAL 113, CRISTAL 121, CRISTAL 122, CRISTAL 128, AND CRISTAL 134.
<b>Products</b>	: Titanium Dioxide is the major substance used in painting, inks, plastic, rubber, paper, textile, ceramic tiles, cosmetics, pharmaceutical preparations and other industries.
<b>Markets</b>	: Industrial countries in Asia, Europe, America, Africa, Arab Region and Australia.
<b>Location</b>	: The headquarter is situated in Al Mustaqbal Towers 9&10 floors. P.O.Box 13586 - Jeddah 21414 Tel : 02 652 9966 Fax : 02652 9933
<b>E-mail</b>	: <a href="mailto:info@cristalglobal.com">info@cristalglobal.com</a>
<b>Website</b>	: <a href="http://www.cristalglobal.com">www.cristalglobal.com</a>
<b>Location of Factory</b>	: Yanbu Industrial City P.O.Box 30320 Tel No: 3212800 Fax No : 3961018





## Saudi Polyolefins Company (SPC)

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



## TASNEE & SAHARA Olefins Co.

<b>Establishment Date</b>	: 8/4/1427 H.
<b>Major Shareholders</b>	: National Industrialization Company 60.45%
	Sahara Petrochemical Company 32.55%
	General Organization for Social Insurance Est. 7%
<b>Objectives &amp; Activities</b>	: Establishment, management, operation and acquisition of Petrochemical & Chemical projects, marketing their products and assume all relevant activities.
<b>Location</b>	: The Headquarter is situated in Riyadh Sitteen Street - Malaz New Aqaria Building - Second Tower - 7th Floor. P.O.Box 26707 - Riyadh 11496 Tel : 01 476 7166 Fax : 01 477 0898
<b>E-mail</b>	: <a href="mailto:general@tasnee.com">general@tasnee.com</a>
<b>Website</b>	: <a href="http://www.tasnee.com">www.tasnee.com</a>



## Saudi Ethylene and Polyethylene Company (SEPC)

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





## National Industrialization Petrochemical Marketing Company

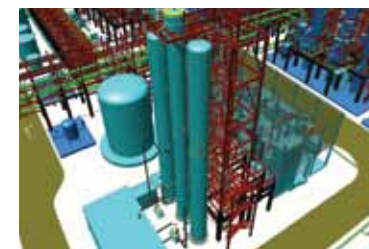
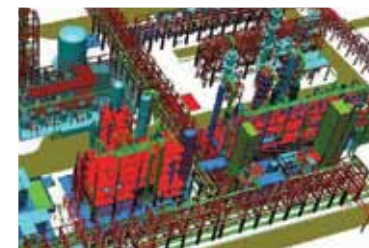
<b>Establishment Date</b>	: 6/9/1422 H
<b>One of TASNEE Affiliates</b>	
<b>Objective &amp; Activities</b>	: Marketing for others, Trading & Distribution agencies , Inspection & Survey Services, Packing Services ,and its main activity is marketing Polypropylene and Polyethylene.
<b>Markets</b>	: Kingdom of Saudi Arabia, Gulf States ,India ,Pakistan,Iran, Middle East , and Africa.
<b>Location</b>	: The headquarter is situated in Riyadh Sitteen Street - Malaz Aqaria Building - First Tower - 2nd Floor. P.O.Box 26707 - Riyadh 11496 Tel : 01 473 4559 Fax: 01 473 4580
<b>E-mail</b>	: <a href="mailto:marketing@tasneepetrochemicals.com">marketing@tasneepetrochemicals.com</a>
<b>Website</b>	: <a href="http://www.tasneepetrochemicals.com">www.tasneepetrochemicals.com</a>





## Saudi Acrylic Acid Company (SAAC)

<b>Establishment Date</b>	: 4/4/2009.
<b>Major Shareholders</b>	: TASNEE & SAHARA Olefins Co. 65 % National Industrialization Co. 13 % SAHARA Petrochemicals Co. 22 %
<b>Objective &amp; Activities</b>	: Establishing, Managing, Operating and Acquiring of Acrylic Acid and its Derivatives Projects.
<b>Address</b>	: The Headquarters is situated in Riyadh P.O.Box 26707 - Riyadh 11496, Kingdom of Saudi Arabia Tel.: 01 476 7166, Fax: 01 477 0898
<b>E-mail</b>	: <a href="mailto:general@tasnee.com">general@tasnee.com</a>
<b>Website</b>	: <a href="http://www.tasnee.com">www.tasnee.com</a>



## Saudi Acrylic Monomers Company (SAMCO)

### Establishment Date

: 5/7/2009.

### Major Shareholders

: Saudi Acrylic Acids Company (SAAC) 75 %  
Dow Chemical Company (Acquired American Rohm & Haas) 25 %

### Objective & Activities

: Producing Acrylic Acid, Row Acrylic Acid, and Beutail Acrylate.

### Address

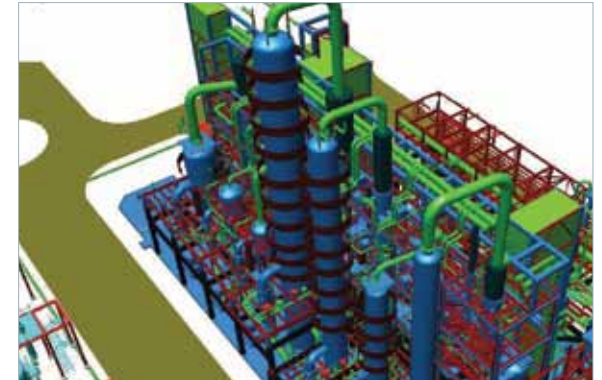
: The Headquarters is located in Jubail Industrial City  
P.O.Box 35579 - Al Jubail 31961, Kingdom of Saudi Arabia  
Tel.: 03 358 2000, Fax: 03 358 2558

### E-mail

: [general@tasnee.com](mailto:general@tasnee.com)

### Website

: [www.tasnee.com](http://www.tasnee.com)



## **ROWAD National Plastic Company Ltd. "ROWAD"**

**Establishment Date** : 1992

**One of TASNEE Affiliates**

**Objective & Activities** : Plastic converters and specialized engineering polymer products manufacturers.

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

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

**located** : Headquarter and factories are at Second Industrial Zone in Riyadh  
P.O.Box 29452 Riyadh 11457 Kingdom of Saudi Arabia

Tel: +966-1-2651966

Fax: +966-1-2651973

**E-mail** : [info@rowadplastic.com](mailto:info@rowadplastic.com)

**Website** : [www.rowadplastic.com](http://www.rowadplastic.com)





## ROWAD International Comapany For Artificial Membrane Ltd.

### Establishment Date

: 2006

### Major Shareholders

: Rowad National Plastic Co Ltd 70%  
Specialized Foreign Companies 30%

### Objective & Activities

### Products

: Specialized Industrial insulation materials  
: “ROWAD GEO” core business activities are in manufacturing the Polyethylene (PE) Geo-membrane Liners in high density polyethylene (HDPE) and low density polyethylene (LDPE) roll as single or double smooth & textured sided liners used for protection ,transportation ,collection and containment of liquids,solids and gases in a variety of construction applications

### Markets

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

### Location

: Headquarter is located at Second Industrial Zone in Riyadh

P.O.Box 29452 Riyadh 11457 Kingdom of Saudi Arabia

Tel : +966-1-2651966 Fax: +966-1- 2651973

Factory is located at Second Industrial Zone in Dammam

### E-mail

: [marketing@tasneepetrochemicals.com](mailto:marketing@tasneepetrochemicals.com)

### Website

: [www.tasneepetrochemicals.com](http://www.tasneepetrochemicals.com)







## ROWAD Global Packaging Company Ltd. "ROWAD BOPP Films"

### Establishment Date

: 2008

### Major Shareholders

: Rowad National Plastic Co. Ltd. "ROWAD PLASTIC"	50%
National Industrialization Petrochemical Marketing Co.	37.5%
DMT Technology Inc from Austria	12.5%

### Objective & Activities

: Packaging Films.

### Products

: "ROWAD BOPP Films" core business activities are in manufacturing the Bi-axially Oriented Polypropylene (BOPP) films for printing, lamination, packaging and coating in a wide range.

### Markets

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

### Location

: Headquarter is located at Second Industrial Zone in Riyadh

P.O.Box 29452 Riyadh 11457 Kingdom of Saudi Arabia

Tel : +966-1-2651966 FAX : +966-1-2651973

Factory is located at Second Industrial Zone in Dammam.

### E-mail

: [marketing@tasneepetrochemicals.com](mailto:marketing@tasneepetrochemicals.com)

### Website

: [www.tasneepetrochemicals.com](http://www.tasneepetrochemicals.com)





## National Batteries Company (BATTARIAT)

<b>Establishment Date</b>	: 08/05/1413 H
<b>Major Shareholders</b>	: National Industrialization Company 90% Local Partners 10%
<b>Objective &amp; Activities</b>	: Production of automotive and industrial batteries.
<b>Products</b>	: automotive batteries
<b>Markets</b>	: Kingdom of Saudi Arabia and the neighbouring countries
<b>Location</b>	: 2nd Industrial City 3rd Stage - Riyadh 11383 P.O.Box 177-Riyadh 11383 Kingdom of Saudi Arabia. Tel : 01 265 0019 Fax: 01 265 0057
<b>E-mail</b>	: <a href="mailto:nbc@battariat.com">nbc@battariat.com</a>
<b>Website</b>	: <a href="http://www.battariat.com">www.battariat.com</a>





## National Lead Smelting Co. (RASASS)

<b>Establishment Date</b>	: 25/10/1410 H
<b>Major Shareholders</b>	: National Industrialization Company 74.90% Local Partners 25.10%
<b>Objective &amp; Activities</b>	: Recycling of used car batteries and production of Lead, Polypropylene , and Sodium Sulphate from the recycled batteries.
<b>Products</b>	: Lead and Sodium Sulphate.
<b>Markets</b>	: Saudi Arabia, GCC countries, Yemen, Jordan and Pakistan.
<b>Location</b>	: 2nd Industrial City 3rd Stage - Riyadh 11383 P.O.Box : 43169 Riyadh 11561 Kingdom of Saudi Arabia Tel : 01 265 2424 Fax: 01 265 2223
<b>E-mail</b>	: <a href="mailto:info@rasass.com.sa">info@rasass.com.sa</a>
<b>Website</b>	: <a href="http://www.rasass.com.sa">www.rasass.com.sa</a>





## National Operation and Industrial Services Co. (KHADAMAT)

### Establishment Date

: 29/07/1406 H

### 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

P.O.Box : 86868 Riyadh 11632

Kingdom of Saudi Arabia

Tel : 01 476 2800 Fax: 01 476 0088

### E-mail

: [khadamatbp@hotmail.com](mailto:khadamatbp@hotmail.com)







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

### Establishment Date

: 29/07/1406 H

### Major Shareholders

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

### Objective & Activities

: Provision of industrial services in Testing & Maintenance ,Caliberation & Quality and Environment Management Systems (ISO), Foods Management Services (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.  
: Headquarter : P.O Box 3998,Dammam 31481, Kingdom of Saudi Arabia.  
Tel: 03 828 1835 Fax: 03 828 1267.

### Location

New Aqaria Building First Tower - Sitteen Street - Malaz  
P.O.Box : 86868 Riyadh 11632 Kingdom of Saudi Arabia  
Tel : 01 476 2800 Fax: 01 476 0088  
[info@fahss.com](mailto:info@fahss.com) -[sales@fahss.com](mailto:sales@fahss.com)

### E-mail

: Technical Inspection and Testing Branch (FAHSS/TUV AL Jubail) P.O.Box 10771 ,  
Al Jubail 31961 , Kingdom of Saudi Arabia

### Website

E-mail:[info@fahsstuv.com](mailto:info@fahsstuv.com)

### Branches

Website:[www.fahsstuv.co](http://www.fahsstuv.co)

: Gulf Lab for Measurements and Standard ization (GEMS)  
P.O.Box 10166, Al Jubail 31961,Kingdom of Saudi Arabia Tel: 03 341 9453 / 03 341 9452 /03 341 9451 Fax: 03 341 7628

E-mail: [info@gems-caliberation.com](mailto:info@gems-caliberation.com)

Website:[www.gems-caliberation.com](http://www.gems-caliberation.com)





## TVU Middle East Company

### Establishment Date

: 08/03/1425 H

### Major Shareholders

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

### Objective & Activities

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

### Services

: Quality Management Systems (ISO 9001) Environment Management Systems (ISO 14001),Occupational and Health Safety Systems (OHSAS 18001),Occupational and Health Safety Systems (OHSAS 18001), Food Safety Management Systems (HACCP),Technical Inspection and Testing of boilers,compressors,cranes and lifting equipments,inspection and examination of the safety equipment ,providing engineering consultations for qualification (ASME) performing non-harmonious test (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

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

### E-mail

: [samsonb@tuv-nord.com](mailto:samsonb@tuv-nord.com)

### Website

: [www.tuv.me.com](http://www.tuv.me.com)

### Branches

: AbuDhabi Branch P.O.Box: 46030,AbuDhabi - UAE

Tel : 971 2 447 8500 , Fax : 971 2 447 8600 E-mail: [abudhabi@tuv-nord.com](mailto:abudhabi@tuv-nord.com)

: Dubai Branch P.O.Box: 79123, Dubai - UAE

Tel : 971 4 345 6431 , Fax: 971 4 345 6373 E-mail: [dubai@tuv-nord.com](mailto:dubai@tuv-nord.com)

: Qatar Branch : P.O.Box 24922, Doha -Qatar

Tel : 974 4 620 186 , Fax: 974 4 620 216 E-mail: [qatar@tuv-nord.com](mailto:qatar@tuv-nord.com)

: Kuwait Branch : P.O.Box: 29643 , al Safat 13157 , Kuwait

Tel : 965 246 5962 , Fax : 965 246 5964 E-mail: [kuwait@tuv-nord.com](mailto:kuwait@tuv-nord.com)

: Syria Branch

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





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

Listed joint-stock company in TADAWUL

<b>Establishment Date</b>	: 16/05/1411 H	
<b>Major Shareholders</b>	: National Industrialization Company	35.46%
	: Other Shareholders	65.54%
<b>Objective &amp; Activities</b>	: Manufacturing wires & metal 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.	
<b>Products</b>	: GCC countries and some other Arab countries. : Kingdom of Saudi Arabia, GCC Countries, Arab Countries, UK, Italy, Pakistan and Iran. : Al-Jubail Industrial City P.O.Box : 10882 Al-Jubail industrial City 31961 Tel: 03 358 8000 Fax: 03 358 3831 : <a href="mailto:natmetal@natmetalco.com">natmetal@natmetalco.com</a> : <a href="http://www.natmetalco.com">www.natmetalco.com</a>	
<b>Markets</b>	: Abu Dhabi Branch P.O.Box: 46030, Abu Dhabi - UAE	
<b>Location</b>	Tel : 971 2 447 8500 , Fax : 971 2 447 8600 E-mail: <a href="mailto:abudhabi@tuv-nord.com">abudhabi@tuv-nord.com</a> : Dubai Branch P.O.Box: 79123, Dubai - UAE Tel : 971 4 345 6431 , Fax: 971 4 345 6373 E-mail: <a href="mailto:dubai@tuv-nord.com">dubai@tuv-nord.com</a> : Qatar Branch : P.O.Box 24922, Doha - Qatar Tel : 974 4 620 186 , Fax: 974 4 620 216 E-mail: <a href="mailto:qatar@tuv-nord.com">qatar@tuv-nord.com</a> : Kuwait Branch : P.O.Box: 29643 , al Safat 13157 , Kuwait Tel : 965 246 5962 , Fax : 965 246 5964 E-mail: <a href="mailto:kuwait@tuv-nord.com">kuwait@tuv-nord.com</a> : Syria Branch Tel : 963 11 331 1997 / 963 11 331 3837 E-mail: <a href="mailto:syria@tuv-nord.com">syria@tuv-nord.com</a>	





## National Packing Products Company LTD (WATAN PAC)

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







**TASNEE NEWS**



TASNEE's in its fifteenth extraordinary general meeting approved a set of agenda during its meeting which was held on Monday 4 April 2011. The meeting agenda includes a number of items which have been voted for by shareholders during the meeting. The first item was a recommendation of the Board to increase the company share capital from SAR 5,067,531,550 to SAR 5,574,284,710 by granting a free share for each ten existing shares, provided that the value of this increase will be paid from the share premium reserve in order to that the percentage of change in share capital to reach 10% and the number of shares before increase of share capital to be 506,753,155 shares and the number of shares after increase of capital to be 557,428,471 shares. The ownership of free shares to shareholders registered in the company records with (Tadawl) will be transferred by the end of the meeting day. Article (5-1) of the company's articles of association shall be amended in order to conform with the suggested increase of share capital.

The general meeting has also approved a recommendation by the Board to distribute cash dividends to shareholders by one Riyal for

### **After its profits jumping to about one and a half billion Riyals, TASNEE distributes dividends to its shareholders and increases its share capital by 10 percent**

each share representing 10% of the company share capital, whereby title of profit to shareholders registered in the company register shall commence by the end of the day on which meeting was held.

The general meeting also approved the following items stated in the meeting agendas:

- Approval of the Board's report for the fiscal year ended at 31 December 2010.
- Acceptance of the audit report and the company balance sheet as ended on 31/12/2010 and profit and loss account for the period from 01/01/2010 until 31/12/2010.
- Approval of the accounts auditor nominated by the audit committee to audit the financial statements for fiscal year 2011 and the quarterly financial statements and determine their remuneration.
- Approval of amendment of Article (14-1) of the company's articles of association.
- Approval of the principles of nominating the members of audit committee, their appointment, awards and committee's method of work.
- Discharge of the Board of Directors members for the year ended at 31/12/2010.

## TASNEE and Advanced Company Establishing a New Polyol and its Derivatives Company

The National Industrialization Company (TASNEE) the Saudi Advanced Industries Company announced establishment of new Polyol and its Derivatives company. The new company was registered under the name "TASNEE and Advanced Polyol & its Derivatives" with a total share capital of 140 million Saudi Riyals to paid fifty-fifty by TASNEE and Advanced Company. The two companies had signed a partnership agreement in April 2011 to produce 120 thousand metric tons of polyether and polyol products which are both used in the manufacture of polyurethane materials which in return used in the manufacture of furniture, cars and thermal insulation.

The investment size in the project is estimated for 460 million Saudi Riyals. The project will be established at Petro Rabigh Company site in Rabigh town. It is expected that production to start by the end of fourth quarter of 2013. It is worth mentioning that both companies have already signed a technology licensing agreement with Carpenter Company of USA on 14 November 2011.



## FAHSS Company to Inspect Vehicles of Transporting Containers and Baggage at King Abdulaziz International Airport



The management of King Abdulaziz International Airport in Jeddah has approved that the National Inspection and Technical Testing Company (FAHSS), an affiliate of National Industrialization Company, to implement inspection and testing of equipment and vehicles used at King Abdulaziz International Airport in Jeddah and issue a periodical legibility certificate according to the equipment type. The airport management considers this certificate as a basic prerequisite for each equipment working at the airport yard. The FAHSS company started implementation of the program as of 13 September 2011.

The Airport management emphasized that all government departments, airlines companies, their agents and the companies working at the airport shall comply with the inspection program in order to obtain a validation certificate for the equipment used inside the yard and they shall

coordinate with safety and quality assurance departments of the airport, while stressing removal of unqualified equipment from service until being overhauled and impose lawful penalty on their users for using unsafe equipment.

FAHSS functions as a third party to implement the inspection program to ensure safety of equipment operating inside the airport yard and issue them an annual technical certificate to certify their validity for airport use purposes.

It is worth mentioning that FAHSS is an affiliate of TASNEE established in Jubail Industrial city in 1406H to render technical services in fields of testing, examination, calibration, maintenance, quality and environment management systems, food safety management systems ( HASB), health and safety, IT and environmental and training assessment.



### As Part of its Role to Serve Its Customers in the Local Market, TASNEE Organizes a Symposium on High Density Polyethylene Pipes

On Wednesday 23 March 2011, TASNEE held a symposium on PE100 for its customers in the local market. The purpose of the symposium was to exchange experiences, deal with modern industrial developments and concepts, future trends, educating participants about regulatory requirements of using basic materials and methods of manufacturing and installation.

The symposium was held at Four Season Hotel in Riyadh and attended by Eng. Saleh bin Fahad Alnazha, TASNEE President / Chief Operating Officer, and in the presence of a number of plastic pipes manufacturers in the local market, in addition to a group of experts in this industry as well as experts from specialist institutes which confer quality certificates. The symposium was also attended by representatives from the Saudi Standards Organization (SASO) and King Saud University.

TASNEE is the first company to produce polyethylene materials used in the manufacture of plastic pipes in the Kingdom from its petrochemicals complex based in Jubail Industrial City. It is also one of the pioneer companies which recognized the importance of using raw materials in a sound manner in pipe industry to ensure their quality as these materials have high importance when used in public utilities and infrastructure projects in the Kingdom.



### TASNEE Sponsors Fourth Euromoney in Riyadh

The National Industrialization Company sponsored the fourth Saudi-European conference (Euromoney) which was held in Riyadh on 17-18 May 2011 under the sponsorship of His Excellency Minister of Finance Dr. Ibrahim Alassaf and in collaboration with a group of high ranking government officials, businessmen and specialists in local and international banking services. Among the speakers were Dr. Mohammed Aljasser Governor of Saudi Monetary Agency (SAMA), Mr. Khaled Mohammed Alqosaibi, Minister of Economy & Planning and Eng. Mubarak bin Abdullah Alkhafra Chairman of TASNEE Board's of Directors, Mr. Ali Albararak, CEO of Saudi Electricity Company, Dr. Mahmoud Muhy Addin, Executive Director of Word Bank, Mr. Michael Madelyn Executive Director of Moody's Investor Services and other high level personalities.

The conference discussed the issue of financing sources diversification and stressed the Kingdom's need to shift from traditional financing modes, such as direct government financing, to a package of finance sources to be more diversified to enable a quick shift towards an efficient role of the private sector in financing small and medium-size businesses. The conference also discussed the key legislative changes which the Kingdom need to adopt during next period and study the method of how employ foreign capitals to strengthen financing sources diversification.

Eng. Mubarak Abdullah Alkhafra, TASNEE Board Chairman, participated in the conference by a message in which he argued the ability of Saudi economy to withstand the challenges inspite of events which affected the world during 2011 and that was mainly attributed to the good planning by the government. He expressed his happiness with the Custodian of the Two Holy Mosques King Abdullah bin Abdulaziz Al Saud's initiative and his royal orders following his return from the treatment trip, as the initiative in general intended to alleviate financial burdens on citizens and leverage their standard of living and social prosperity.



# Social Responsibility





## Prince Salman Honors TASNEE for Sponsoring the First Saudi Orphans Conference

His Royal Highness Prince Salman ibn Abdulaziz Al Saud, Minister of Defense, Chairman of Orphans Welfare Charity Organization (ENSAN), honored TASNEE for sponsoring and participation in the first Saudi Orphans conference and the accompanying exhibition which was held in Riyadh on 26-28 April 2011. The conference was organized by (ENSAN) charity under the sponsorship of TASNEE.

TASNEE participated in the conference as a gold sponsor. The conference endeavored to exchange experiences and experiments among specialists in the area of orphans care in and outside the Kingdom, as well as enriching the scientific arena in this field in order to contribute to coordination of efforts and lead to development of services rendered to orphans. The accompanying exhibition composed of pavilions of local and Arab charities displaying their experiences in the area of orphans care during the conferences functions which

lasted for three days. During the conference a number of 44 researches were presented about orphans welfare from both the Kingdom and abroad, in addition, 8 specialist workshops targeting personnel working in the field of orphans care. The public charities works in this field have been reviewed as well as review of distinguished programs at local, regional and international levels.

From his part, Eng. Mubarak Abdullah Alkhafra, Chairman of TASNEE, thanked Prince Salman for honoring TASNEE , attending and his care of charitable societies in general and (ENSAN) in particular. This care reflects our leaders' kind gestures to civil society institutions and making out of them as resorts for helping needy people and as one of their top priorities, by providing them with programs, educational, social and health activities.

## Sponsored by Prince Salman ibn Abdulaziz TASNEE Sponsors the First Saudi Chemical Engineers Forum

The National Industrialization Company (TASNEE) sponsored the first Saudi chemical engineers forum in 2011, which was held in the city of Riyadh on 17-18 May 2011 under the sponsorship of Prince Salman ibn Abdulaziz. The forum discussed the role of chemical engineering in sustainable development, being the cornerstone for petrol, petrochemicals, plastics, power stations, water desalination industries, as well as different mining and processing industries which constitute the main support of the national economy.

The forum intended to seek a suitable environment to transfer and exchange experiences among engineers, scholars, researchers and those concerned with chemical engineering profession for integration and cooperation purposes. The forum addressed the pressing issues of the profession as well as laws, regulations, policies, hindrances and development of strategies to support and develop the chemical engineering profession. The first chemical engineers forum was considered to be the first activity and function of the Saudi Chemical Engineers Council in the Kingdom intended to strengthen and leverage the engineers' capacity and upgrade their professional level in addition to discussion of chemical engineers issues and boost their effective role and contribution to development.





## After Sponsoring The First Exhibition for Social Responsibility, Prince Faisal bin Salman Honors TASNEE and Praises its Performance in Serving Society

His Royal Highness Prince Faisal bin Salman, honored TASNEE represented in Eng. Saleh bin Fahad Alnazha, President/ Chief Operation Officer as part of the functions of opening the first exhibition for social responsibility which was launched under his sponsorship. The exhibition was inaugurated on Sunday 22 May and lasted for three days. Prince Faisal bin Salman visited TASNEE pavilion in the exhibition and walked around it as he praised the company role in the area of social responsibility, he also called for founding the culture of social responsibility and described it as a sophisticated culture stemmed from humanitarian, religious and national values. He added that the culture of social responsibility with its specialist concept it is intended to care for private sector enterprises. Prince Faisal emphasized the importance of consolidating efforts of different sectors to activate the concept of social responsibility. He praised the distinguished interaction between national enterprises, companies and establishments participating in the exhibition and keenness to make it a success as a first experiment which sheds light on the private sector initiatives in the area of social development. From his part, Eng. Saleh bin Fahad Alnazha, high applauded the honoring of Prince Faisal bin Salman of TASNEE by visiting its pavilion in the exhibition as part of his efforts which cannot be denied in the area of social responsibility in the Kingdom and his untiring endeavors to strengthen and boosting this value as a noble social concept aiming at the prosperity and development of the society.

The exhibition was held in collaboration with Riyadh Chamber of Commerce and Industry and Batola Foundation and it was considered the first of its kind in the Kingdom of Saudi Arabia. The exhibition embodied a unique opportunity to introduce the objective social programs intended to be rendered by many companies within the framework of their social responsibility.

The exhibition, in its first round, encouraged the private sector's companies to adopt diversified programs to serve society, accommodate the needs of beneficiaries and activate them in a form of organized programs to be adopted by the companies. During the exhibition a set of initiatives were offered by companies in the area of social service. The exhibition witnessed a group of lectures by presidents and managers of social responsibility at the private sector companies. On the sidelines of the exhibition, numerous dialogue activities were held as well as workshops and specialist lectures in which a number of visitors have participated at Both local and international levels.



**Honored by Prince Saud bin Abdullah bin Thenian**

## **TASNEE to Sponsor Jubail International Forum on Environment 2011**

The National Industrialization Company (TASNEE) sponsored the International Forum for Environment which was organized by the Royal Commission in Jubail and sponsored by Prince Saud bin Abdullah bin Thenian, Chairman of Jubail and Yanbu Royal Commission. It was held on 5-6 June 2011 under the slogan "Environment and Industry are in Harmony"

The forum received participation of numerous local and international environmental experts and discussed a number of topics offered in the discussion program and meetings. The forum encouraged study of air pollutants to compare them with internally approved standards. It also reviewed the new technology employed to eliminate air pollution in addition to taking efficient measures to control harmful emissions and sound pollution at industrial cities.

Participants tackled part of the new technology used for treatment of water with special focus on international standards of drinking water and impacts of cooling towers on environment. It also addressed the modern trends to control affluent water and harmful materials resulting from solid wastes moving.

The forum shed more light on the latest discoveries in the area of management of medical care wastes, land pollutants, and manner of developing remedial procedures to protect wild life at industrial cities and review of marine pollution issues in the Arab Gulf and the environmental impacts of drilling works at coastal areas.

The forum aimed at encouraging the Saudi society awareness in respect of environment and activation of school and college environmental curricular, in addition to emphasizing the necessity and efficiency of employing media for environmental awareness and counter of environmental pollution as well as the role of the same in boosting public health. The forum was accompanied by an exhibition to reflect the activities and experiences of participating entities in the area of environmental conservation.

During the forum functions TASNEE was awarded Excellence Award for Environmental Achievement for the year 2011 which was awarded by the Royal Commission Environment Conservation and Control Department. His Highness Prince Saud bin Abdullah bin Thenian, Chairman of Jubail and Yanbu Royal Commission, honored TASNEE and submitted a medal to Eng. Abdulmohsin Alamran, TASNEE vice-president for business affairs in the company.







### Under Sponsorship of Prince Mohammed bin Salman, TASNEE Supports Carft and Enablement Project in Collaboration with Crafts Hands Society

In last October 2011, TASNEE signed a cooperation agreement of "craft and enablement project" with Crafts Hands Society, according to which TASNEE shall support the project with 250 thousand Saudi Riyals to be paid to the society to enable it to render its rehabilitation services for the daughters of poor families in a professional way so that they can be able to get work opportunity guaranteeing dignified living. The new agreement is also intended to assist the Society to contribute to preparation of trained labor to fulfill the needs of employment market and provide opportunity to beneficiary girls to master the best skills in order to participate in the development efforts and to provide them with the latest information on tailoring, stitching, beautification and photography. The agreement, which will last for one year, was signed by manager of public relations of TASNEE Mr. Mufleh bin Sultan Alshammari and by the society chairman Dr. Ahmed Hashim. The sign off credentials were accomplished under the sponsorship of His Royal Highness prince Mohammed bin Salman bin Abdulaziz the honorary chairman of the society. The agreement provided for giving priority of receiving these services to beneficiaries from poor and needy families which the society sponsors and that the training courses thereof shall be announced through more than one media and to ensure the readiness of the trainee to benefit from the course after making a personal interview with her. The agreement also stipulated the necessity of providing safe and suitable transport means for trainees to ensure their regular attendance and attaining of the targeted interest.



### Under Sponsorship of Jazan Deputy Governor, TASNEE Supports Ihsan Charity Society with 1.5 Million Riyals

In last July 2011, TASNEE signed a cooperation agreement with Ihsan Charity Society, according to which TASNEE paid one and a half million Saudi Riyals to be directed in full for supporting Jazan Health Services project which the society established.

The donation was intended to assist the society to render its medical services to poor people in a professional manner and high efficiency, after ensuring those who need the services and reach them at their homes and to facilitate accessing to the service in coordination with the concerned health entities in the region.

The agreement was signed on behalf of TASNEE by Mr. Mufleh bin Sultan Alshammari and on behalf of the society was signed by its chairman Dr. Abdulrahman Alnasheb under the sponsorship and attendance of Mr. Abdullah bin Mohammed Alswaid deputy governor of Jazan.

The agreement will last for one year and contained a set of services rendered by the society such as: provision of medication to patients who cannot afford the cost of treatment, transport of patients who are unable to reach the hospital, provide medical devices to needy, disabled and averaged persons, in addition to supporting the society endowments to provide financial sources to cover its activities and construction of homepage for the society to be used as a link between the society and potential donors and inform needy persons of the society services.

## TASNEE to Sponsor Third Forum for Partnership in Social Responsibility



TASNEE sponsored and participated in the third forum for partnership in social responsibility between public and private sectors which was held in Holy Makkah on 25-26 September 2011 under sponsorship of Dr. Yousif bin Ahmed Alothaimeen, Minister of Social Affairs and organized by Makkah Chamber of Commerce and Industry in collaboration with Alfaisal University ( Prince sultan College) as an academic partner.

In the forum, 200 participants were involved besides 12 experts and specialists in social affairs sector with the aim of exploring horizons of social responsibility. A number of sessions have been convened to discuss all what related to social responsibility aspects in terms of potentials and functions endeavoring to build up strategies of social responsibility in medium and small companies in addition to large companies and development of partnership principle between public and private sectors to build an effective network of social responsibility within the Saudi society.

The forum aimed at creating general awareness about participation in the social responsibility programs aiming at leveraging levels of participation in their development and rise of impacts level.

## TASNEE Launches a Campaign among its Employees to Make Donations to Somalia Victims

TASNEE launched a donation campaign among its personnel to give support to hunger victims in Somalia in response to the call made by Custodian of the Two Holy Mosques King Abdullah bin Abdulaziz to implement a national campaign to alleviate the suffering of brothers in Somalia which took place on 22 Ramadan 1432H in the Kingdom wide. In compliance with the Monarch's order, TASNEE opened the door for donations by its employees to aid the peoples of Somalia who were exposed to highly difficult security and living circumstances resulted

into death of thousands of people most of them were children and displacement of hundreds of thousands Somali people in search for food and water.

Tansee introduced some facilities to its employees to make donations in installments, as the company paid the full amount of donations on behalf of them to directly concerned agencies and the amounts will be deducted from their salaries on monthly basis extending to 10 months.

## TASNEE Supports Namaa Al-Dorror Growth Program for Rehabilitation of Girls with Special Needs

TASNEE signed on Saturday 30 June 2011 a cooperation agreement with Dorar Growth Team an affiliate of the charitable society for voluntary works in the city of Dammam. According to the agreement TASNEE shall support the program of Namaa Al-Dorror for training of girls with special needs in order to prepare them to join labor market.

The agreement provided for cooperation between both parties to render assistances for training of girls with special needs and the needy families to enable girls and families to benefit from their self energies for work and production and to provide them with income to be at least partially sufficient not to be dependent on donations and gifts by others and to turn them into business entrepreneurs. The program commenced on 26 October 2011 and served 50 beneficiaries to be trained within a group of workshops.



## Before Launch of Hayel Rally 2011, TASNEE Supports Aja Woman Charity Society

In January 2011, TASNEE signed a cooperation agreement with Aja Woman Charitable Society according to which TASNEE supported the society with SAR 150,000 as a first kind of cooperation between TASNEE and the Society. The amount has been allocated for establishing two business incubators to train girls on beautification and photography crafts with the aim of developing trainee girls and qualify them to grasp work opportunity at beauty salons or from their homes as well as qualifying them to easily and smoothly manage their private business projects.

This support came within the framework of TASNEE social responsibility programs and its keenness to take up its role in the society and to complement its role at the level of development of the Saudi economy as the company is considered one of the major industrial companies in Saudi Arabia and in the Arab region in general.





### In the Presence and Honoring of Governor of Eastern Province, TASNEE Supports a Computer Lab at Rawdah District in Dammam

Tasnee supported Rawadh District Social Center in Dammam by providing its computer lab for both boys and girls with full services to serve the inhabitants of the district. On 15 Feb 2011, His Royal Highness Prince Mohammed bin Fahad ibn Abdulaziz Al Saud Governor of Eastern Province opened the center and honored TASNEE as part of honoring participants in the center by awarding them memorial trophies. Mohammed bin Hamad Alkhamees, head of the social committee of Rawdah district stated that the social center is the first of its kind as an integrated social center with full sports, recreational, social and educational facilities at the level of social development committees throughout the Kingdom.

From his part, Saleh bin Fahad Alnazha, president / senior operation officer of TASNEE, applauded the support of Governor of Eastern province for the service of society as he makes a model and good example to encourage all people to support society. Alnazha emphasized that TASNEE is keen to take up an effective role in serving society in general and training and development programs in particular because it first aims at refining youths skills and leverage their capabilities to play their role in raising the level of the country and diversify its resources. The company is represented in the support it extends to this social center which serve a group of quarters in the city of Dammam.



### Through its Sister Company ( FAHSS), TASNEE Qualifies the First Charitable Society to Obtain ISO Certification in Eastern Province

The National Inspection and Technical Testing company (FAHSS), an affiliate of TASNEE, has made an agreement with the Charitable Society for Family Care in Dammam ( WA'AM), according to which ( FAHSS) shall qualify WA'AM to obtain ISO 9001 certification. The agreement was signed the charity offices at Faisalia district in Dammam as a first step of its kind in the charitable work in Eastern Province where the society will be qualified to obtain ISO certification. This agreement came as part of diligent steps taken by TASNEE and its affiliates to take up a positive role in serving the Saudi society and support the social responsibility programs. Thus TASNEE and its sister companies set a unique model in supporting charitable work through the work being made by FAHSS this time to qualify some of the charitable societies to obtain ISO quality certificates and this work will establish a new future for charitable societies and increase professionalism and excellence. FAHSS is an affiliate of TASNEE and is specialized in industrial examination and technical testing and approve establishment and companies to qualify for ISO certification. FAHSS was established in 1986 as a joint venture with a Saudi capital of 75% and German capital of 25%, it is operating in Saudi Arabia and other Gulf States through TUV company in the Middle East.





### Honored by Deputy Governor of Eastern Province, TASNEE Supports Mass Wedding of 200 Young Youths at Alkhobar

TASNEE sponsored the first mass wedding in Eastern Province under the auspice of His Royal Highness Prince Mohammed bin Fahad the Governor of Eastern Province. The functions of mass wedding held at the Green Hall at Alkoboar on Sunday 26 June 2011 and organized by Wea'am Society for Family Care and the wedding involved 200 young youths from both sexes to build up 100 new families.

The ceremony was witnessed honoring of TASNEE by His Highness Prince Galawi bin Abdulaziz bin Mause'ad, Deputy Governor of Eastern Province in appreciation of TASNEE support to the functions. During the last two years,

TASNEE has been sponsoring mass wedding functions for disable persons in collaboration with Adults Disabled Society ( Harakia). The ceremonies were held at King Fahd Cultural Center in the city of Riyadh under the sponsorship of His Royal Highness Prince Sattam ibn Abdulaziz Al Saud Governor of Riyadh. A number of 102 young men and women benefited from the first mass wedding. The second mass wedding covered a number of 156 young men and women of those with special needs. In addition to supporting wedding functions, TASNEE has also given in-kind support to help building new families.



## TASNEE Won the Royal Commission Football Championship

The football team of TASNEE won the football championship organized by the Royal Commission in Jubail in the period from 6 to 27 March 2011. The championship took place at Jubail Industrial City under the sponsorship and auspices of the Royal Commission of Jubail and Yanbu represented by the social services department. A number of teams representing major companies, agencies and sectors in Jubail Industrial city, such as Saudi ARAMCO, SABIC, Marafiq, SPCIM, NAMA Chemicals, Saudi Chevron "SCHEME", Jubail Industrial College, University College and Facilities Security Department, have also participated in the championship.

The championship at the Royal Commission was organized for the sixth time and has been sponsored for the second time by TASNEE as part of its social responsibility programs which TASNEE supports to serve the Saudi society in general and Jubail society in particular, where TASNEE introduced numerous programs intended to serve Jubail city during the last two years.

Dr. Mosleh Alotaibi, CEO of Jubail Royal Commission, congratulated TASNEE football team for winning the championship. He thanked TASNEE for its support and sponsoring of this sports championship within the frame work of its prominent role in serving the society both in Jubail and Kingdom wise.

From his part, Eng. Saleh bin Fahad Alnazha, TASNEE president/ chief operating officer highly applauded the role of Jubail Royal Commission in supporting sports and cultural activities in and outside the city, which strengthens the active role of government institutions in the development and advancement of society. He also thanked TASNEE football team for the efforts they exerted throughout the championship and for the sports spirit they enjoy from the beginning of the championship.



## TASNEE Elocution Club (Toastmaster) Organizes its First Annual Competition

TASNEE Elocution Club (Toastmaster) has organized its first annual competition on 22 March 2011 for the company employees. The competition is composed of three stages beginning with international elocution stage, humorous elocution stage and then ending with improvisation stage. The competition will be organized at the level of the Gulf region, Jordan and Lebanon by the end of May 2011. It will be organized at the international level in August 2011. The competition was organized at SASREF camping in which 16 employees from TASNEE participated in the presence of representatives from other companies at Jubail Industrial city. The competition won by Nabil Alsiaf, Mustafa Tamar and

Hisham Raheem who represented TASNEE in the annual competition of Elocution Club (Toastmaster) at the level of Jubail city which took place in April. It is worth mentioning that TASNEE Club (Toastmaster) was able during a very short period to nominate participants for the international elocution competition at the region level where the club has been established in January 2011.

It is worth mentioning that (Toastmaster) international clubs for teaching arts of communication and leadership are aiming to develop numerous skills like art of elocution and addressing as well as communication and self reliance arts.



## TASNEE to Support Jubail City Celebrations of Eid Alfitr

Tansee, has for the second time supported Eid Alfitr celebrities at Jubail Industrial City during 1432H Eid, where TASNEE provided a financial support for the Festivals Fund at Jubail Governorate under the supervision of Eastern Province Public Festivity Committee. This came as part of its care to make celebration functions appear in the appropriate and spectacular manner. The committee started its activity in 2010 when Tansee has supported organization of such Eid festivities as well as supporting the festivity of the National Day of Saudi Arabia during the big ceremony which took place at Jubail Governorate and Jubail Industrial City at festivity square in Jubail governorate corniche.







# The Consolidated Financial Statements and Auditors' Report for the Year Ended December 31, 2011



## CONSOLIDATED BALANCE SHEET

AS AT DECEMBER 31, 2011

(SR'000)

	Note	2011	2010
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	4	4,636,675	3,886,113
Accounts receivable	5	4,140,326	3,251,789
Inventories	6	3,692,544	2,886,010
Prepayments and other current assets	7	391,013	502,634
<b>Total Current Assets</b>		<b>12,860,558</b>	<b>10,526,546</b>
<b>Non-Current Assets</b>			
Investments in available for sale securities	9	337,489	194,184
Investments in associated companies and other	10	471,622	387,712
Property, plant and equipment	11	17,830,489	18,059,375
Projects under progress	12	4,105,038	1,129,151
Intangible assets	13	3,569,127	3,641,299
Other non-current assets	14	753,256	766,086
<b>Total non-current assets</b>		<b>27,067,021</b>	<b>24,177,807</b>
<b>Total Assets</b>		<b>39,927,579</b>	<b>34,704,353</b>

## Liabilities and Equity

### Current liabilities

Short term facilities and murabaha	15	3,387,118	2,030,747
Accounts payable	16	1,027,614	826,804
Accrued expenses and other current liabilities	17	1,737,509	1,549,023
Current portion of long term loans	19	1,586,773	1,384,668
Current portion of deferred gains on sale and leaseback transactions	20	28,066	28,433
Current portion of obligations under capital leases	21	187,500	187,500
<b>Total current liabilities</b>		<b>7,954,580</b>	<b>6,007,175</b>

Note	2011	2010
------	------	------

### Non-current liabilities

Long term loans	19	11,363,330	11,353,278
Derivative financial instruments	26	411,491	502,038
Deferred gains on sale and leaseback transactions	20	63,148	92,406
Obligations under capital leases	21	843,750	1,031,250
Employees' terminal benefits		170,371	140,391
Other non-current liabilities	22	1,344,472	1,121,550
<b>Total non-current liabilities</b>		<b>14,196,562</b>	<b>14,240,913</b>

<b>Total liabilities</b>		<b>22,151,142</b>	<b>20,248,088</b>
--------------------------	--	-------------------	-------------------

## EQUITY

### Shareholders' equity

Share capital	23	5,574,285	5,067,532
Share premium	23	796,491	1,303,244
Statutory reserve		740,679	496,537
Retained earnings		4,232,250	2,543,722
Unrealized (losses) gains from revaluation of investments in available for sale securities	9	(22,177)	126,959
Other reserves	26	(298,702)	(276,347)
<b>Total Shareholders' Equity</b>		<b>11,022,826</b>	<b>9,261,647</b>
Minority interest		6,753,611	5,194,618
<b>Total equity</b>		<b>17,776,437</b>	<b>14,456,265</b>

<b>Total LIABILITIES and EQUITY</b>		<b>39,927,579</b>	<b>34,704,353</b>
-------------------------------------	--	-------------------	-------------------

The attached notes 1 to 38 form an integral part of these consolidated financial statements.

## CONSOLIDATED STATEMENT OF INCOME

FOR THE YEAR ENDED DECEMBER 31, 2011

(SR'000)

	Note	2011	2010
Sales		19,648,743	15,993,250
Cost of sales		(12,657,082)	(11,453,703)
<b>Gross profit</b>		<b>6,991,661</b>	<b>4,539,547</b>
Selling and marketing expenses	27	(779,983)	(729,883)
General and administrative expenses	28	(817,413)	(687,842)
Company's share in net income of associated companies	10	12,703	18,419
<b>Income from main operations</b>		<b>5,406,968</b>	<b>3,140,241</b>
Other income	30	80	246,450
Financial charges		(692,656)	(669,938)
<b>Income from continuing operations</b>		<b>4,714,392</b>	<b>2,716,753</b>
Provision for discontinued operations costs	31	(758)	(80,603)
<b>Income before ZAKAT, Income tax and minority interest</b>		<b>4,713,634</b>	<b>2,636,150</b>
Zakat and income tax of subsidiaries	18	(539,393)	(65,074)
Minority interest		(1,725,751)	(1,081,324)
<b>Income before ZAKAT</b>		<b>2,448,490</b>	<b>1,489,752</b>
Zakat	18	(7,067)	(17,146)
<b>Net income for the year</b>		<b>2,441,423</b>	<b>1,472,606</b>
<b>Earnings per share for the year (SR)</b>	32		
<b>Attributable to:</b>			
Income from main operations		9.70	5.63
Net income for the year		4.38	2.64

The attached notes 1 to 38 form an integral part of these consolidated financial statements.



**CONSOLIDATED STATEMENT OF CASH FLOWS**  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(SR'000)

	2011	2010
<b>OPERATING ACTIVITIES</b>		
Net income for the year	2,441,423	1,472,606
Adjustments for:		
Minority interest	1,725,751	1,081,324
Depreciation and amortization	1,325,743	1,303,538
Amortization of deferred gains (note 20)	(29,625)	(28,433)
Company's share in net income of associated companies, net	(12,703)	(18,419)
Impairment of assets (note 29)	120,375	23,939
Provision for discontinued operations costs	758	80,603
Employees' terminal benefits	29,980	28,162
<b>Cash from operating activities</b>	<b>5,601,702</b>	<b>3,943,320</b>
<b>Changes in operating assets and liabilities</b>		
Accounts receivable, prepayments and other current assets	(776,916)	(235,515)
Inventories	(806,534)	(180,657)
Other non-current assets	12,830	(94,155)
Accounts payable, accrued expenses and other current liabilities	378,813	(96,723)
Other non-current liabilities	222,922	20,657
<b>Net cash from operating activities</b>	<b>4,632,817</b>	<b>3,356,927</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of available for sale investments	(292,441)	-
Investments in associated companies and others, net	(71,207)	14,920

The attached notes 1 to 38 form an integral part of these consolidated financial statements.

**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
**(SR'000)**

	2011	2010
Additions to property, plant and equipment, net	(1,040,348)	(1,301,386)
Projects under progress, net	(3,060,192)	(677,655)
Intangible assets, net	(99,814)	(112,444)
Disposal of property, plant and equipment	79,407	76,934
<b>Net cash used in investing activities</b>	<b>(4,484,595)</b>	<b>(1,999,631)</b>
<b>FINANCING ACTIVITIES</b>		
Short term facilities and murabaha, net	1,356,371	(204,482)
Long term loans and derivative financial instruments	99,255	(771,358)
Obligations under capital leases	(187,500)	(168,750)
Dividends paid	(499,028)	(345,513)
Minority interest	(166,758)	433,455
<b>Net cash from (used in) financing activities</b>	<b>602,340</b>	<b>(1,056,648)</b>
<b>Increase In Cash And Cash Equivalents</b>	<b>750,562</b>	<b>300,648</b>
Cash and cash equivalents at the beginning of the year	3,886,113	3,585,465
<b>Cash And Cash Equivalents At The End Of The Year</b>	<b>4,636,675</b>	<b>3,886,113</b>
<b>NON-CASH TRANSACTIONS:</b>		
Increase in share capital (note 23)	506,753	460,685
Share premium (note 23)	506,753	460,685
Other reserves	(22,355)	253,580
Unrealized (losses) gains on revaluation of investments in available for sale securities	(149,136)	93,222
Projects under progress transferred to property, plant and equipment	84,305	-
Adjustments for reversal of excess in accruals against property, plant and equipment	-	16,538
Adjustments for debt acquisition and cost arrangement against long term loans	-	3,535
Transfer from property, plant and equipment to intangible assets, net	-	13,737
Investment in associated companies and others transferred to available for sale securities	-	22,271

The attached notes 1 to 38 form an integral part of these consolidated financial statements.

## CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2011

(SR'000)

	Note	Share capital	Share premium	Statutory reserve	Retained earnings	Unrealized gains (losses) from revaluation of investments in available for sale securities	Other reserves	Total
Balance at 1 January 2010		4,606,847	1,763,929	349,277	1,565,889	33,737	(529,927)	7,789,752
Transfer to share capital	23	460,685	(460,685)	-	-	-	-	-
Net income for the year		-	-	-	1,472,606	-	-	1,472,606
Transfer to statutory reserve	23	-	-	147,260	(147,260)	-	-	-
Dividends paid		-	-	-	(345,513)	-	-	(345,513)
Board of directors' remuneration	24	-	-	-	(2,000)	-	-	(2,000)
<b>Net movement during the year:</b>								
- Cash flow hedges	26	-	-	-	-	-	147,646	147,646
- Foreign currency translation adjustments	26	-	-	-	-	-	100,273	100,273
- Pension liability adjustments	26	-	-	-	-	-	5,661	5,661
- Other		-	-	-	-	93,222	-	93,222
Balance at 31 December 2010		5,067,532	1,303,244	496,537	2,543,722	126,959	(276,347)	9,261,647
Transfer to share capital	23	506,753	(506,753)	-	-	-	-	-
Net income for the year		-	-	-	2,441,423	-	-	2,441,423
Transfer to statutory reserve	23	-	-	244,142	(244,142)	-	-	-
Dividends paid		-	-	-	(506,753)	-	-	(506,753)
Board of directors' remuneration	24	-	-	-	(2,000)	-	-	(2,000)
<b>Net movement during the year:</b>								
- Cash flow hedges	26	-	-	-	-	-	51,598	51,598
- Foreign currency translation adjustments	26	-	-	-	-	-	(75,077)	(75,077)
- Pension liability adjustments	26	-	-	-	-	-	1,124	1,124
- Other		-	-	-	-	(149,136)	-	(149,136)
<b>Balance at 31 December 2011</b>		<b>5,574,285</b>	<b>796,491</b>	<b>740,679</b>	<b>4,232,250</b>	<b>(22,177)</b>	<b>(298,702)</b>	<b>11,022,826</b>

The attached notes 1 to 38 form an integral part of these consolidated financial statements.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2011

### 1. ORGANIZATION AND ACTIVITIES

National Industrialization 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 1404 (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 reinforcement 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 assets, liabilities and the results of the 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 on consolidation.

All subsidiaries were incorporated in Kingdom of Saudi Arabia, except for TUV – Middle East, which was incorporated in 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 (%)	
		2011	2010
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	85
National Batteries Co. (Battariat)	Limited liability	90	80
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 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	68,26
TUV – Middle East	Limited liability	69,73	68,26

The attached notes 1 to 38 form an integral part of these consolidated financial statements.

**1. Al-Rowad National Plastic Co. (Rowad)**

Al-Rowad National Plastic Co. owns 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. National Lead Smelting Co. (Rassas)**

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

**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 is the production and marketing of Titanium Dioxide.

**4. TASNEE and Sahara Olefins Co.**

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

TASNEE and Sahara Olefins Co. owns 65% of equity interests in Saudi Acrylic Acid Company, which is a Saudi Limited Liability Company registered in Riyadh, with a

capital amounting to SR 550 million. Furthermore, Saudi Acrylic Acid Company owns 75% of equity interest in Saudi Acrylic Monomer Company, a Limited Liability Company with a capital amounting to SR 1,084 million (as at the balance sheet date, the two companies have not begin their operations).

**3. 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 available for sale investments 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 year. 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, bank balances 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 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 appropriate amount of allocated indirect over heads.

### **Investments**

Investments in available for sale securities

Investments in available for sale securities represent investments that are bought neither with the intention of being held to maturity nor for trading purposes, are stated at fair value. Changes, if material, between the fair value and 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 results of the investees is reflected in the consolidated statement of income.

### *Interest in a jointly controlled entity*

A jointly controlled entity is a contractual arrangement whereby the Group and other parties undertake an economical 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 results of the investees is reflected in the consolidated statement of income.

Investment in a jointly controlled entity is presented in the consolidated financial statements under investments in associated companies and others

### **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 there is no readily available market exists, less any

other than temporary decline in value. These investments are classified as non-current assets.

### **Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and impairment in value except for land and capitalized expenditures which are stated at cost. Expenditure on maintenance and repairs is expensed, while expenditure for improvement is capitalized. 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.

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

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

### **Projects under progress**

Projects under progress include all costs 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 re-measured 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 economical benefit. 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 software operation costs*

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

#### *Research and development costs*

Research and development costs are charged to the consolidated statement of income during the period 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 debt issue costs*

Deferred debt issue costs are amortized using the straight line method over the term of the related debt.

#### *Other intangible assets*

Other intangible assets, consist primarily of trademarks, know-how and customer relationships, are valued at fair value with the assistance of independent appraisers, effective on the date of acquisition of the subsidiary. Trade name of Cristal and Organic Chemicals, a subsidiary of Cristal (a subsidiary), which is considered an intangible asset with indefinite life and is not being amortized but instead, annually is measured 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 agreement.

#### **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 is 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 cost**

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.

#### **Impairment**

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 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**

Dividends are recorded as payable on the approval of the shareholders general assembly meeting.

### **Provisions**

Provisions are recognized when an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and may be measured reliably by the Group.

### **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, if any, resulting from the final

assessments are adjusted in the year of their finalization.

#### *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 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.

#### **Derivative Financial Instruments**

The Group uses derivative financial instruments such as forward exchange contracts and interest rate swaps to hedge the exposure to foreign exchange risks arising from operational, financing and investment 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 are recognized in equity,

if material, and 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 equity is included in the initial measurement of the asset or liability. For hedges that do not result in the recognition of an asset or a liability, amounts deferred in equity are recognized in the statement of income in the same period in which the hedged item affects net profit or loss.

Changes in fair value of derivative financial instruments that do not qualify for hedge accounting are recognized in 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 equity is retained in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognized in equity is transferred to consolidated statement of income for the year.

#### **Employees' terminal benefits**

Provision is made for amounts payable under the Saudi Arabian Labor Law applicable to employees' accumulated periods of service at the 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 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.

### **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 Marketers in Europe. Sales made through distribution stations of the Marketers are recorded at provisional prices at the time of shipment of goods, and are subsequently adjusted based on actual selling prices received by the Marketers from 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 part of cost of sales. Allocations between general and administrative expenses and cost of sales, when required, are made on a consistent basis.

### **Minority interest**

Minority interest 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 interests of the Group except to the extent that the minority interest has a binding obligation and is able to make an additional investment to cover the losses.

### **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 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 balance sheet date for assets and liabilities, and the average exchange rate 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 recorded as a separate component of shareholders’ equity.

### **Segmental reporting**

A segment is a distinguishable component of the Group that is engaged either in providing products or services (a business segment) or in selling providing products or services within a selling 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

	2011 SR'000	2010 SR'000
Bank balances and cash	2,337,973	2,717,614
Short term deposits and murabaha	2,298,702	1,168,499
	<b>4,636,675</b>	<b>3,886,113</b>

Short-term deposits and murabaha are for different periods (varying from one day to three months) which based on cash requirements of the Group and earn a commission at the prevailing market interest rate.

#### 5. ACCOUNTS RECEIVABLE

	2011 SR'000	2010 SR'000
Trade accounts receivable	2,626,643	2,126,637
Amounts due from related parties (note 8)	1,599,991	1,154,520
Less: provision for doubtful debts	(86,308)	(29,368)
	<b>4,140,326</b>	<b>3,251,789</b>

## 6. INVENTORIES

	2011 SR'000	2010 SR'000
Finished goods	1,637,738	1,141,741
Raw materials	998,186	824,332
Spare parts	564,100	580,600
Work in progress	453,762	329,211
Goods in transit	38,758	10,126
	<b>3,692,544</b>	<b>2,886,010</b>

## 7. PREPAYMENTS AND OTHER CURRENT ASSETS

	2011 SR'000	2010 SR'000
Non-trade receivables	143,676	240,967
Prepaid expenses	138,912	82,188
Employees' receivables	44,478	34,941
Advance to suppliers	26,314	36,022
Other assets	37,633	108,516
	<b>391,013</b>	<b>502,634</b>

## 8. RELATED PARTY TRANSACTIONS AND BALANCES

Saudi Polyolefin's Company (a subsidiary) has signed a marketing and sales agreement with its foreign partner (Bassel Company) (referred to as the "Marketers"), whereby the Marketers has agreed to market the Company's product at pre-agreed prices in accordance with the agreement. The agreement specifies the marketing responsibilities, quantities to be marketed by the Marketers, 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 transactions	
		2011 SR'000	2010 SR'000
Affiliate	Sales to Marketers	5,655,436	4,577,321
Amounts due from related parties as at 31 December are as follows:			
	Bassel International for Trading ( F.Z.E)	406,532	826,557
	Bassel Asian Pacific Company	887,383	158,187
	Bassel for Sales and Marketing Company	297,677	136,494
	Oasis for Chemicals Company	8,399	33,282
		1,599,991	1,154,520

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

## 9. INVESTMENTS IN AVAILABLE FOR SALE SECURITIES

This item represents the Groups' investments in local quoted companies in the amount of SR 207,405 thousands (2010: SR 194,184 thousands) and international companies with an amount of SR 130,084 thousands (2010: nil).

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

	2011 SR'000	2010 SR'000
<b>Cost:</b>		
At the beginning of the year	67,225	44,954
Additions	292,441	-
Transfer from investments in associates and others (note 10)	-	22,271
At the end of the year	359,666	67,225
<b>Unrealized (losses) gains:</b>		
At the beginning of the year	126,959	33,737
Unrealized (losses) gains during the year	(149,136)	93,222
At the end of the year	(22,177)	126,959
Net book value	337,489	194,184

## 10. INVESTMENTS IN ASSOCIATED COMPANIES AND OTHERS

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

	Ownership Percentage		2011	2010
	2011	2010	SR'000	SR'000
National Metal Manufacturing and Casting Co. (Maadania)	<b>35.45</b>	35.45	<b>124,713</b>	123,583
National Packing Products Co. Ltd (Waten-Pac)	<b>42.6</b>	42.6	<b>31,079</b>	30,840
Industrialization and Advanced Co. for Polyol and Derivatives (*)	<b>50</b>	-	<b>70,000</b>	-
Total investments in associated companies			<b>225,792</b>	154,423
Add: other investments			<b>245,830</b>	233,289
Total investments in associated companies and others			<b>471,622</b>	387,712

- (\*) During the year ended 31 December 2011, the Company and Saudi Advanced Industries Co. established Industrialization and Advanced Co. for Polyol and Derivatives (with ownership of 50% each), a Saudi Limited Liability Company registered in Rabigh with capital in the amount of SR 140 million.

The main objectives of the company is the production of polyurethane - Polyol, which is used in the production of Polyurethane used in manufacturing furniture, automotive, and thermal insulation materials and the project will be held in Petro Rabigh located in Rabigh City and is expected to commence production in the fourth quarter of 2013.

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

	2011 SR'000	2010 SR'000
At the beginning of the year	<b>387,712</b>	406,484
Share in net income for the year, net	<b>12,703</b>	18,419
Additions during the year	<b>85,207</b>	-
Transfer to available for sale securities (note 9)	-	(22,271)
Dividends received from associated companies	<b>(14,000)</b>	(14,920)
At the end of the year	<b>471,622</b>	387,712

Dividends received from other investee companies amounted to SR 6,309 million (2010: SR 8,341 million) and is included in other income (note 30).



## 11. PROPERTY, PLANT AND EQUIPMENT

	<i>Buildings and constructions</i>	<i>Machinery and equipment</i>	<i>Tools</i>	<i>Furniture, fixtures and office equipment</i>	<i>Vehicles</i>	<i>Computers</i>	<i>Mine development</i>	<i>Catalysts</i>	<i>Capital works in progress</i>	<b>Total 2011</b>	<b>Total 2010</b>
<i>party</i>											
<b>Cost:</b>											
At the beginning of the year	1,798,273	17,542,502	7,315	124,760	64,350	18,967	1,465,741	53,783	970,432	<b>22,046,123</b>	20,947,207
Additions	54,231	197,610	386	9,734	4,518	4,930	97,433	10,140	683,796	<b>1,062,778</b>	1,145,913
Disposals	(35,929)	(111,546)	-	(9)	(1,183)	(1)	-	(53,783)	-	<b>(202,451)</b>	(208,874)
Foreign currency translation adjustments	(83,940)	21,143	-	-	-	-	3,155	-	14,379	<b>(45,263)</b>	192,152
Transfers from projects in progress	49,041	320,410	-	1,054	-	-	323	42,231	(413,059)	-	-
Transfer to intangible assets (note 13)	-	-	-	-	-	-	-	-	-	-	(13,737)
Adjustments	-	-	-	-	-	-	-	-	-	-	(16,538)
At the end of the year	1,781,676	17,970,119	7,701	135,539	67,685	23,896	1,566,652	52,371	1,255,548	<b>22,861,187</b>	22,046,123
<b>Depreciation:</b>											
At the beginning of the year	284,370	3,335,711	2,846	39,550	38,271	16,268	218,191	51,541	-	<b>3,986,748</b>	2,884,985
Charge for the year	65,364	1,031,083	337	10,164	11,201	2,043	68,003	24,062	-	<b>1,212,257</b>	1,185,302
Foreign currency translation adjustments	55,391	(123,623)	-	-	-	-	-	-	-	<b>(68,232)</b>	49,455
Disposals	(6,723)	(38,599)	-	(3)	(967)	(1)	-	(53,782)	-	<b>(100,075)</b>	(132,994)
At the end of the year	398,402	4,204,572	3,183	49,711	48,505	18,310	286,194	21,821	-	<b>5,030,698</b>	3,986,748
Net book value:											
<b>At 31 December 2011</b>	<b>1,383,274</b>	<b>13,765,547</b>	<b>4,518</b>	<b>85,828</b>	<b>19,180</b>	<b>5,586</b>	<b>1,280,458</b>	<b>30,550</b>	<b>1,255,548</b>	<b>17,830,489</b>	
At 31 December 2010	1,513,903	14,206,791	4,469	85,210	26,079	2,699	1,247,550	2,242	970,432		18,059,375

- The Group recorded an impairment loss on property, plant and equipment of SR 61,875 million (2010: SR 12,776 million) as a result of ceasing the operations in a production unit in one of its factories (note 29).
- During 2007, the Group signed sale and leaseback agreements with a group of lenders. Property, plant and equipment as at 31 December 2011 include sold and leased back assets for purpose of ownership with a net book value of SR 1.031 billion (2010: SR 1.219 billion) (note 20). In addition, as at 31 December 2011, property, plant and equipment include leased assets held under capital leases with a book value of SR 12 million (2010: SR 13.3 million) (note 21).
- Capital work in progress as at 31 December 2011 and 2010 consists mainly of cost of the project of expansion of

Polypropylene Factory, the project housing of 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. The capitalized borrowing costs during the year 2011 amounted to SR 5,5 million (2010: SR 6,8 Million).

- A number of the factories and facilities owned by the subsidiaries are constructed on leased land from Jubail and Yanbu Royal Commission with nominal rates for periods up to 30 years. The Group has the option of renewing the lease agreements on expiry of the initial lease term.
- Several property, plant and equipment are mortgaged by some of the subsidiaries as security against obtained loans (notes 15 and 19).

## 12. PROJECTS UNDER PROGRESS

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

	2011 SR'000	2010 SR'000
Saudi Acrylic Acid Company Ltd and its Subsidiaries (a)	3,894,404	844,793
Al-Rowad National plastic Ltd.(Al Rowad) and its Subsidiaries (b)	209,402	199,400
Research Center Project (c)	-	84,305
Other Projects	1,232	653
	<b>4,105,038</b>	<b>1,129,151</b>

(a) The projects of Saudi Acrylic Acid Company Ltd (a subsidiary) consists of costs incurred by its subsidiaries to set up Acrylic Monomers plant, Petand Plant and Polymer Plant in Jubail Industrial City and the project of public utilities for industrial plants. The project costs as at 31 December 2011 consists of employees costs, site preparation costs, installation costs, professional fees, borrowing costs, license fees, consulting fees and purchase of equipment. It is expected that the production for this projects begins in 2013 and 2014.

(b) At 31 December 2011, the construction work in progress represents the costs incurred by Al-Rowad International for Enfolding (a subsidiary company to Al Rowad Company) for the construction of the Company's factory and related facilities in Dammam City, Kingdom of Saudi Arabia, costs under various agreements and direct costs incurred to

bring the asset to the location by the management. It is expected to begin production in 2012. Direct costs include employee costs, site preparation costs, installation costs, licensing fees, professional fees and borrowing costs.

(c) The cost of Research Center Project represents the cost of setting up a research center for plastic manufacturing in Al Jubail City for the purpose of supporting plastic manufacturing in the Kingdom and to provide assistance to domestic and subordinate industries which rely upon plastic produced by the Company. The center commenced its operations during the year ended December 31, 2011, accordingly transferred to property, plant and equipment.

Total amounts capitalized during 2011 amounted to SR 41.5 Million (2010: SR 6,8 million) represent borrowing cost directly related to the projects under progress.

### 13. INTANGIBLE ASSETS

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

	2011 SR'000	2010 SR'000
Goodwill (a)	2,543,968	2,520,400
Software implementation, technology and other intangible assets, net (b)	725,880	789,842
Deferred finance cost, net	276,144	305,941
Pre-operating expenses and deferred costs, net	23,135	25,116
	3,569,127	3,641,299

#### (a) Goodwill

##### 1) Impairment

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 2011, no impairment loss was recognized.

##### 2) Basis of determining the recoverable amount

Goodwill recoverable amount is determined using the present value 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 flow over 5 years. The management believes that the growth

rate does not exceed the estimated 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 influenced by 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) Other intangible assets

As per management review of one of the Group's subsidiaries value of its intangible assets, an impairment was determined on those assets amounting to SR 58,5 million (2010: nil). Therefore, this amount is recorded as an impairment loss on other intangible assets, and these assets have been presented net of impairment loss (note 29).

#### 14. OTHER NON CURRENT ASSETS

	2011 SR'000	2010 SR'000
Deferred taxes	476,039	484,227
Exploration and evaluation costs, net	160,781	156,139
Turnaround costs, net	50,318	53,569
Others	66,118	72,151
	<b>753,256</b>	<b>766,086</b>

#### 15. SHORT TERM FACILITIES AND MURABAHA

During 2011, the Group obtained short-term credit facilities with a total amount of SR 3,579 million (2010: SR 2,572 million), the outstanding balance as at 31 December 2011 amounted to SR 3,387 million (2010: SR 2,030 million). These facilities are secured by guarantees provided by the partners and signed promissory notes to banks and financial institutions, a mortgage over certain plant, property and equipment and pledge of certain available for sale securities. These facilities carry commissions at prevailing commercial rates.

#### 16. ACCOUNTS PAYABLE

	2011 SR'000	2010 SR'000
Trade payables	1,017,325	822,021
Amounts due to related parties (note 8)	1,559	714
Other payables	8,730	4,069
	<b>1,027,614</b>	<b>826,804</b>



## 17. ACCRUED EXPENSES AND OTHER LIABILITIES

	2011 SR'000	2010 SR'000
Accrued expenses	857,199	770,898
Accrued employees' benefits	267,586	223,247
Provision for research and development	179,074	113,541
Other payables	149,995	199,336
Provision for zakat and tax	80,566	112,747
Dividends payable	58,644	51,360
Derivative financial instruments	22,538	6,563
Others	121,907	71,331
	<b>1,737,509</b>	<b>1,549,023</b>

## 18. ZAKAT

### Charge for the year

Zakat charge for the year amounting to SR 7,067 thousand consists of the provision for the current year (2010: SR 17,146 thousand).

The Company, which is a Saudi joint stock 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:

	2011 SR'000	2010 SR'000
At the beginning of the year	12,157	28,551
Paid during the year	(11,931)	(33,540)
Provided for the year	7,067	17,146
Zakat provision	7,293	12,157

### Zakat assessment

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 2010 based on zakat returns but has not yet received the final zakat assessments from DZIT.

## 19. LONG TERM LOANS

	2011 SR'000	2010 SR'000
Saudi Industrial Development Fund (a)	1,509,435	1,664,300
Public Investment Fund (b)	1,500,000	1,500,000
Commercial banks and others (c)	9,940,668	9,573,646
	<b>12,950,103</b>	<b>12,737,946</b>
Less: current portion	<b>(1,586,773)</b>	<b>(1,384,668)</b>
Non-current portion	<b>11,363,330</b>	<b>11,353,278</b>

### (a) Saudi Industrial Development Fund

The Group obtained long term facilities from the Saudi Industrial Development Fund with an amount of SR 1,773 million (2010: SR 1,931 million), the total outstanding balance as at 31 December 2011 amounted to SR 1,509 million (2010: SR 1,664 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 agreement contain covenants which among others, require that the Company maintains a ceiling for capital expenditures and minimum level for the net equity and current ratio.

Saudi Industrial Development Fund's loans are repayable on semi-annual installments, starting from different dates. The upfront fees being considered as deferred financing costs are amortized over the loan periods (note 13).

### (b) Public Investment Fund's

On 20 April 2007, Public Investment Fund agreed to grant one of the subsidiaries a term loan of an amount of SR 1,500 million (equivalent to USD 400 million) at Libor plus 0.5% and repayable over 20 equal semi-annual installments starting from 30 June 2011. As at 31 December 2010, the amount has been fully withdrawn equivalent to SR 1,500 million.

### (c) Commercial banks and others

The Group obtained long term loans facilities from commercial banks of a total amount of SR 19,239 million (2010: SR 14,114 million), the outstanding balance as at 31 December 2011 amounted to SR 9,941 million (2010: SR 9,574). These loans are secured by promissory notes, mortgages on a number of property, plant and equipment owned by subsidiaries and, personal and corporate guarantees of the partners. These facilities include credit facilities agreements with excellent degree of guarantee amounting SR 3,300 million.

Credit facilities 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 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) of debt securities from major bonds which are not guaranteed with bearing interest at 9.375% and due on July 15 2014 with interest on these securities due on 15 January and 25 July of each year. These securities traded on the Singapore Exchange and the book value of these bonds recorded at net less borrowing costs capitalized.

## 20. DEFERRED GAINS ON SALE AND LEASEBACK TRANSACTIONS

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

	2011 SR'000	2010 SR'000
Total deferred gains at the beginning of the year	120,839	149,272
Gains recognized during the year (note 30)	(29,625)	(28,433)
Total deferred gains at end of the year	91,214	120,839
Less: current portion	(28,066)	(28,433)
Non-current portion	63,148	92,406

## 21. OBLIGATIONS UNDER CAPITAL LEASES

The minimum lease payments for the five years subsequent to 2011 and in aggregate are as follows:

	2011 SR'000	2010 SR'000
Within: one year	187,500	187,500
Two years	187,500	187,500
Three years	187,500	187,500
Four years	468,750	187,500
Five years	-	468,750
Net minimum lease payments	1,031,250	1,218,750
Less: current portion	(187,500)	(187,500)
Non-current portion	843,750	1,031,250

## 22. OTHER NON-CURRENT LIABILITIES

	2011 SR'000	2010 SR'000
Deferred income tax payable	557,784	356,561
Pension and other post-retirement benefits	385,572	394,642
Provision for maintenance and mine closure	117,529	99,986
Asset retirement obligation	110,621	148,875
Le Havre restructuring accruals	51,668	49,886
Others	121,298	71,600
	1,344,472	1,121,550



### 23. SHARE CAPITAL

Share capital amounted to SR 5,574,285 thousands as at 31 December 2011 (2010: SR 5,067,532 thousands) consisting of 557,429 thousand shares (2010: 506,753 thousands shares) of SR 10 each.

The Company's Extraordinary General Assembly meeting held on 30 Rabi Thani, 1432H (corresponding to 4 April 2011) approved the increase of the Company's share capital from SR 5,067,532 thousand to SR 5,574,285 thousand, divided into 557,429 thousand shares, by issuing one bonus share for every ten shares with a total amount of SR 506,753 thousands using the share premium as at 31 December 2010.

The Board of Directors recommended in its meeting held on 2 Safar 1433H (corresponding to 27 December 2011) to increase the share capital from SR 5,574,285 thousand to SR 6,689,142, by issuing one bonus share for every five shares with a total amount of SR 1,114,857 thousands using the share premium and retained earnings as at 31 December 2011. This is subject to the shareholders' approval in the Extraordinary General Assembly meeting.

### 24. DIVIDENDS

The Company's Extraordinary General Assembly meeting held on 30 Rabi Thani 1432H (corresponding to 4 April 2011) approved the Board of Directors' recommendation to distribute cash dividends amounting to SR 506,753 thousands (SR1 per share) and Board of Directors remuneration amounting to SR 2,000 thousands.

### 25. PROPOSED DIVIDENDS

The Board of Directors recommended in its meeting held on 2 Safar 1433H (corresponding to 27 December 2011) to distribute annual cash dividends to shareholders for the year 2011 of SR 1.5 per share. The cash dividends will be distributed to the share holders registered in the money market deposit center at the close of the trading day after holding a meeting of the Company's Extraordinary General Assembly. The Board also proposed a disbursement of SR 2 million as Board of Directors' remuneration. This is subject to the shareholders approval during the Company's Annual General Assembly meeting.

### 26. OTHER RESERVES

The details of other reserves as follows:

#### (a) Cash Flow Hedge

This item represents changes in cash flows hedge positions with a total amount of SR 52 million (2010: SR 165 million) representing the difference arising from the translation of long term outstanding loans denominated in foreign currencies to Saudi Riyal at the exchange rates prevailing at the consolidated balance sheet date.

Such loans were considered as hedging instruments against expected future income denominated in the same currency. The changes in cash flow hedge positions fair value also include the difference arising from fair value measurements of the effective portion of derivative financial instruments (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 shareholder's equity as per accounting policies.

**(b) Foreign currency translation adjustment**

Foreign currency translation adjustments amounting to SR 75 million (2010: SR 7 million) comprise of 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**

Amendments to pension funds represents obligations in outside subsidiaries arising from pension programs set up for qualified staff in the areas of foreign jurisdictions.

**27. SELLING AND MARKETING EXPENSES**

	2011 SR'000	2010 SR'000
Freight and transportation	552,416	512,354
Salaries and related benefits	116,136	111,966
Distributors' incentives	63,275	57,162
Depreciation and amortization	2,390	2,204
Others	45,766	46,197
	<b>779,983</b>	<b>729,883</b>

## 28. GENERAL AND ADMINISTRATIVE EXPENSES

	2011 SR'000	2010 SR'000
Salaries and related benefits	279,197	248,132
Research and development	170,090	203,626
Impairment of assets (note 29)	120,375	12,776
Professional fees	78,462	28,110
Depreciation and amortization	61,007	62,555
Travel	17,614	7,888
Rent	7,228	6,838
Charitable contributions and social activities	13,800	6,330
Others	69,640	111,587
	<b>817,413</b>	<b>687,842</b>

## 29. IMPAIRMENT OF ASSETS

This item comprised the following:

	2011 SR'000	2010 SR'000
Impairment of property, plant and equipment (a)	61,875	12,776
Impairment of intangible assets (b)	58,500	-
	<b>120,375</b>	<b>12,776</b>

- (a) Following the formal closure of a main production unit in one of the Group's factories during 2010 (note 31), the Group management decided in the year ended 31 December 2011 to close an old production unit, since the operations were no

longer considered cost effective. The closure of the old production unit was not considered discontinued operation, as it was not deemed to be a separate cash generating unit. Therefore, the Company recorded an impairment loss amounting to SR 61,875, representing the value of property, plant and equipment and spare parts to be written off as a result of the closure. (2010: SR nil).

- (b) One of the subsidiaries' management reviewed the carrying value of intangible assets and concluded that one of the other intangible assets items (note 13) has become impaired to nil. Therefore, SR 58,5 million was recorded as an impairment loss in the value of other intangible assets (equivalent to USD 15.6 million) (2010: SR nil).

### 30. OTHER INCOME (EXPENSES)

	2011 SR'000	2010 SR'000
Compensation from an insurance company	62,314	171,709
Amortization of deferred gains (note 20)	29,625	28,433
Foreign exchange differences	4,733	11,975
Income from murabaha and other	11,032	15,068
Dividends received from investments in other companies (note 10)	6,309	8,341
(Losses) gains from sale of assets and investments	(15,206)	288
Provision of restructuring production lines (a)	(88,125)	-
Others	(10,602)	10,636
	<b>80</b>	<b>246,450</b>

- (a) This represents provision of expected cost that relates to closure of a production unit in one of the subsidiaries factory. It includes disassembling, removal, employee termination costs and environmental cost (note 29).

### 31. PROVISION FOR DISCONTINUED OPERATIONS

During 2010, one of the subsidiaries of The National Titanium Dioxide Ltd. Co. (Cristal) (a subsidiary) have decided to discontinue one of its main production units in the United States of America. Since then, it has been decided that the sub production line will continue in its operations for the purpose of other affiliates companies. During the year ended 31 December 2011 the sub production line was also closed (note 29).

The results of the discontinued operations included in the consolidated statements of income and cash flows are as follows:

	2011 SR'000	2010 SR'000
<b>Loss from discontinued operation</b>		
Sales	-	-
Cost of sales	(758)	(6,574)
Total loss	(758)	(6,574)
Other expenses (a)	-	(74,029)
Loss from discontinued operations	(758)	(80,603)

(a) The cost of restructuring included in the loss from discontinued operation amounting to SR 74 million are as follows:

- Write-off of property, plant and equipment, and spare parts.
- Cost of disassembly and removal.
- Cost of employees benefits and other unamortized assets.

Cash flow from discontinued operations represents cash flows used in operating activities amounting to SR 13.4 million (2010: SR 6.5 million).

### 32. 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 557,429 thousand shares as at 31 December 2011 (31 December 2010: 557,429 thousand shares).



The earnings per share for the comparative year have been adjusted to retroactively reflect the effect of the bonus share issue (note 23).

### 33. 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, 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:

Industrial	includes the production of titanium dioxide production processes and specialized production operation of Rutay 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	includes basic chemicals, and polymers.
Head Office & Other	includes the operations of the head office, and technical centers, innovations and investment activities, and provision of technical and industrial services.



	Industrial	Petrochemical	Head office & other	Adjustments	Total
	SR'000				
As at and for the year ended 31 December 2011					
Total assets	14,894,536	22,886,666	13,361,886	(11,215,509)	39,927,579
Total liabilities	8,273,321	13,405,931	2,009,622	(1,537,731)	22,151,143
Sales	10,367,915	11,825,370	352,866	(2,897,408)	19,648,743
Gross profit	4,129,800	2,802,146	59,402	313	6,991,661
Depreciation and amortization	565,601	745,345	14,797	-	1,325,743
Income from operations	3,038,221	2,414,205	2,503,412	(2,548,870)	5,406,968
Capital expenditures	852,030	3,210,629	37,881	-	4,100,540
As at and for the year ended 31 December 2010					
Total assets	13,385,917	18,828,617	10,553,470	(8,063,651)	34,704,353
Total liabilities	8,872,711	11,190,640	1,004,799	(820,062)	20,248,088
Sales	8,135,452	9,861,783	299,361	(2,303,346)	15,993,250
Gross profit	1,982,480	2,497,513	59,306	248	4,539,547
Depreciation and amortization	541,532	757,318	4,688	-	1,303,538
Income from operations	1,042,109	2,116,447	1,551,253	(1,569,568)	3,140,241
Capital expenditures	1,129,211	824,851	24,979	-	1,979,041

### 34. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments principally include cash and cash equivalents, and accounts receivable, and prepayments, and other assets, and investments in available for sale securities, and short term loans, and murabaha, and accounts payable and accrued expenses, and other liabilities, and 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 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 2011. 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, 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 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 book value and fair value estimates. Management believes that the fair value of the financial assets and liabilities is not materially different from its carrying value.

### 35. COMMITMENTS AND CONTINGENCIES

#### (a) Capital commitments

One of the Company's subsidiaries has the following capital commitments as at 31 December:

	2011 SR'000	2010 SR'000
Capital commitments for purchase of property, plant and equipment	3,067,000	3,763,000

#### Operating lease obligations

	2011 SR'000	2010 SR'000
Payments under operating leases charged to expenses during the year	113,759	88,970

Operating lease payments represent rents accrued by the Group of subsidiaries 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.

As at 31 December 2011, the future minimum lease payments relating to all non-cancellable operating leases with terms in excess of one year were as follows:

	2011 SR'000	2010 SR'000
One year	112,002	79,843
Two to four years	282,036	215,038
More than four years	85,601	145,444
Total minimum lease payments	479,639	440,325







**(b) Contingences**

	2011 SR'000	2010 SR'000
Letters of credit and guarantee	29,254	330,739

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 December 31 2011, estimated future minimum payments under these non-cancelable contracts were as follows:

	2011 SR'000	2010 SR'000
One year	2,927,993	1,589,692
Two to four years	1,733,492	3,603,083
More than four years	281,765	693,488
Total future minimum payments	4,943,250	5,886,263



### 36. DERIVATIVE FINANCIAL INSTRUMENTS

The Group, during the ordinary course of 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 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, 2011, the Group had derivative financial instruments with notional amount of SR 2,841 million (2010: SR 2,428 million) and the Group's share in the net fair value change of cash flow hedge is SR 51,5 million (2010: SR 147 million) and represents the market value. The cash flow hedge reserves represent the effective portion of the hedges. Deferred accumulated gains or loss from hedges is recognized in the consolidated statement of income when hedged transactions affect the consolidated statement of income.

Generally Accepted Accounting Standards require that foreign exchange contracts should be recorded at the spot rates on the date of the contract, and the difference between the spot prices and forward prices should be amortized over the period of the contract. There were no adjustments made to the recorded amounts because they are immaterial.

### 37. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS AND APPROPRIATION OF NET INCOME

The Board of Directors has approved the financial statements on 19 February 2012.

### 38. COMPARATIVE FIGURES

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



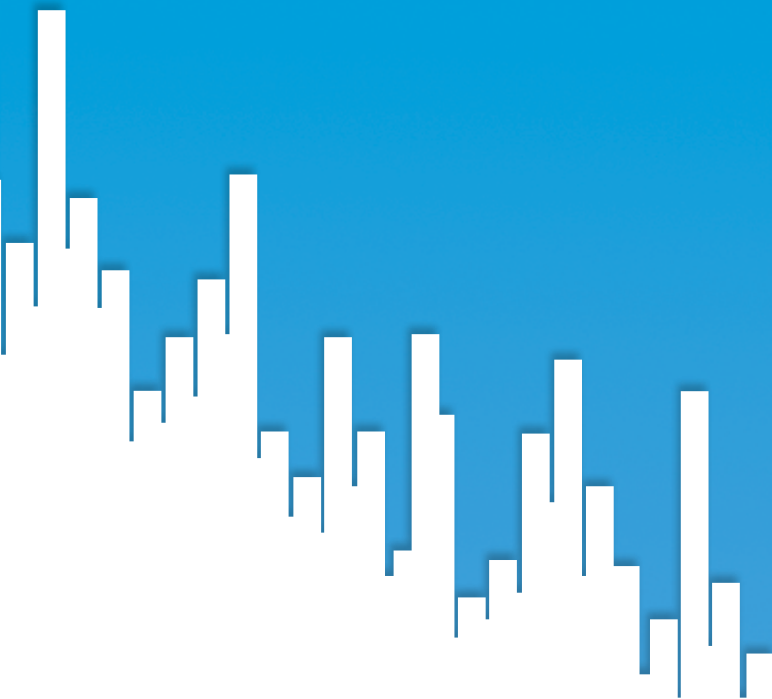












**TASNEE** التمنية

[www.tasnee.com](http://www.tasnee.com)