

**Saudi Arabian Amiantit Company**  
The Annual Report of the Board of Directors

**2018**

Date: 24/07/1440 H  
31/03/2019 G

## **The annual report of the Board of Directors to the Ordinary General Assembly Meeting on the Fiscal Year of 2018**

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

### **Introduction:**

The Board of Directors herewith presents its annual activity report for the year 2018 and the operations progress of the Company and its affiliates, including the production, marketing, and administrative performance of the Group. The report also covers the consolidated financial statements for the years ending 31<sup>st</sup> December of 2018 & 2017.

During the fiscal year 2018, the Saudi Arabian Amiantit Company, a Saudi joint stock company, referred to hereinafter as “the Company” and its international and local affiliate companies, referred to hereinafter as the “Group”, has managed to achieve net sales of SAR 947.6 million, showing an increase of SAR 155.3 million or 19.6% compared to the net sales of 2017. The year ended with a net loss of SAR 230.3 million compared to SAR 91.5 million loss in 2017. The net loss per share amounted to SAR (2.05) compared to a loss of SAR (0.79) per share for the year 2017.

The current ratio as of December 31, 2018 amounts to 0.85 compared to 0.98 in 2017, and the debt-to-equity ratio reached 3.01 compared to 2.19 in 2017.

### **1. Company and Group Profile:**

The Company was established in 1388H (1968) in Dammam, Kingdom of Saudi Arabia. It is a joint stock Company with a paid-up capital of SAR 1.155 Billion, listed on the Saudi Stock Exchange (Tadawul). The Company is headquartered in Dammam (Saudi Arabia).

The Company’s main activities consist of the establishment and management of industrial projects especially the design, manufacturing, marketing, and sales of pipes and water treatment installations, as well as the management of water projects. The Group also owns and licenses several pipe-manufacturing technologies.

The Group operates 22 pipe and related products, such as tanks, fittings, flanges, rubber, and manholes, manufacturing facilities around the world, either fully owned or through joint ventures with local partners. As of December 31, 2018. This includes 11 plants in Saudi Arabia, the other premises mostly being located in Western Europe, Turkey, Qatar, North Africa and Kazakhstan. It is also offers pipe design and installation services through one of its Saudi subsidiaries, Infra-Structure Engineering and Construction Company (ISECC).

The company’s research and development activities are carried by its R&D centers in the Dhahran Techno-Valley, Dhahran, Saudi Arabia, and Sandefjord, Norway. It is also involved in Engineering, Procurement, Commissioning (EPC) of water treatment facilities through its fully owned German

subsidiary (PWT- Abwassertechnik) and operates water management activities through a 50% joint-venture in Saudi Arabia, the International Water Distribution Company (Tawzea).

### 1.1 Manufacturing & Sale of Pipes & Associated Technologies

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

**Table 1: Group Product Families.**

Product Family	Consolidated Percentage of Sale 2018
Glass-reinforced pipes, tanks and fittings, in Polyester and Epoxy (GRP and GRE)	61.64%
Ductile iron pipes and fittings (DI)	24.59%
Design and Installation services	12.24%
Others	1.53%
	<b>100.00%</b>

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

- Technical Support,
- Product Development,
- Raw Material testing and qualification, and
- Optimization of Processing & Manufacturing methods.

The Group Technology organization operates two Research and Development centers. One located in Dhahran Techno-Valley Company (DTVC) located in King Fahad University for Petroleum & Minerals, Dhahran, Saudi Arabia while the other is located in Sandefjord (Norway) as part of our joint venture firm in Europe, Amiblu. The centers employ a total of 64 research personnel and operates sophisticated research and testing equipment with a total value of SAR 76.8 million. The R&D spending of the Group reached SAR 48.7 Million in 2018 (2017: SAR 39.8 Million). The Technology Centers are primarily focused around the GRP and GRE activities. They perform research activities that aim to improve product design, broaden applications, optimize production processes, among other activities.

**Table 2: Key figures for Manufacturing & Sales of pipes & Associated Technologies Segment (SAR'000).**

Manufacturing & sales of pipes & associated technologies	Net Sales	Profit (loss)	Total Assets
<b>2018</b>	772,033	(204,090)	2,057,398
<b>2017</b>	634,138	(28,134)	2,187,988

## 1.2 Water Management Activities

### 1.2.1 EPC of Water Treatment Stations

The Group fully owns PWT Wasser-und Abwassertechnik GmbH (PWT), a German Company headquartered near Frankfurt, Germany, and primarily specialized in the engineering, procurement, construction, and operation & maintenance of desalination plants, water treatment plants, wastewater treatment plants for urban areas and industrial clients, as well as, providing water treatment solutions. Furthermore, PWT operates groundwater treatment plants and develops and implements electro-technical and automation systems for the water sector.

This Company is presently working actively in Central and South Eastern Europe, the Caspian Region, Turkey, Albania and the GCC via a major project in Iraq, where it is building a water treatment plant and installing the related pipe network in Samawa (southern region of Iraq). In addition to the maintenance, since 2016, the company has been developing new markets in the MENA region and in the GCC, focusing on Saudi Arabia. PWT got his first project in Morocco end of 2018.

### 1.2.2 Water Management

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

Tawzea is engaged in providing potable and wastewater services to industrial cities under concession from the Saudi Industrial Property Authority (MODON). Tawzea specializes in water management of industrial cities, operations and maintenance of water and waste water facilities in several industrial cities across the Kingdom. Tawzea is one of the pioneer companies that have been successful in the privatization of the water sector in the Kingdom of Saudi Arabia and PPP projects.

Tawzea was incurring significant losses at the start of its operation and its accumulated losses once exceeded 50% of the share capital of the company. But the company started making profits since 2014 and the profit rate has been steadily increasing. It has been forecasted that the retained losses will be recovered by second quarter of 2019.

To ensure the highest levels of efficiency and reliability in its procedures, TAWZEA has implemented a global management system, certified according to international standards, namely ISO 9001, 14001 & 18001.

Tawzea Aquapor, a 70% subsidiary of Tawzea and a KPI based concession with capital enhancement for an initial period up to 25 years to be executed by a consortium established with the Portuguese market leader AQUAPOR was incorporated in the end of 2018. The Company is principally engaged in water collection, water treatment, water desalination, disposal of sewage, Sewage water treatment and other related activities.

Figure 1: Tawzea Volumes Trends over 6 years in cubic meters (SAR M).

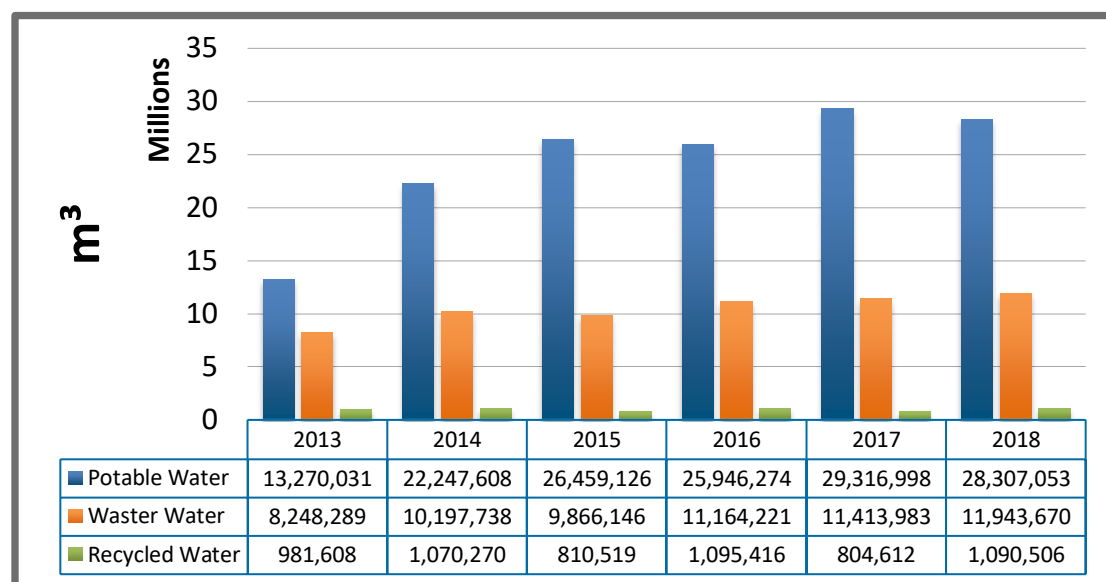


Table 3: Key figures for water management (SAR '000).

Year	Net Sales	Profit (loss)	Total Assets
2018	175,561	(26,195)	698,102
2017	158,206	(63,412)	990,918

## 2. Amiantit Board of Directors & Committees Members:

### 2.1 Board of Directors

Member Name	Current Job	Previous Job	Qualifications	Experience
Prince Ahmad Bin Khalid Abdullah Al-Saud	Businessman	Businessman	PhD in Law	Expertise in the board of directors and committees of companies specialized in the manufacture of explosives for civil, insurance, credit, energy and mining.
Prince Abdulaziz Bin Mohammad Bin Fahad Al-Saud	Businessman	Businessman	Master of Laws	Experience in the field of law.
Dr. Khalil A. Kordi	Financial Adviser	Financial Adviser	PhD in Acc.	Extensive experience in board membership, corporate and bank committees, university professor, and consultant in several government agencies.
Mr. Sulaiman A. Al Amro	Adviser and Regional Manager	Adviser and Regional Manager	MBA	Extensive experience in the membership of boards of directors, committees and management



<b>Eng. Mohammad Al-Haidan</b>	Businessman	Businessman	MBA	Extensive experience in engineering and management
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## 2.2 Audit Committee

Member Name	Current Job	Previous Job	Qualifications	Experience
<b>Dr. Khalil A. Kordi</b>	Financial Adviser	Financial Adviser	PhD in Acc	Extensive experience in board membership, corporate and bank committees, university professor, and consultant in several government agencies.
<b>Mr. Sulaiman A. Al Amro</b>	Adviser and Regional Manager	Adviser and Regional Manager	MBA	Extensive experience in the membership of boards of directors, committees and management
<b>Dr. Sulaiman A. Al Sakran</b>	Consultant	President of the Saudi Student Fund at the Ministry of Education	PhD in Acc.	Extensive experience in finance, accounting, membership in many companies, audit committees, and academic field

## 2.3 Nomination and Compensation Committee

Member Name	Current Job	Previous Job	Qualifications	Experience
<b>Prince Abdulaziz Bin Mohammed Bin Fahad Al Saudi</b>	Businessman	Businessman	Master of Laws	Experience in the field of law.
<b>Mr. Sulaiman A. Al Amro</b>	Adviser and Regional Manager	Adviser and Regional Manager	MBA	Extensive experience in the membership of boards of directors, committees and management
<b>Eng. Mohammad A. Al-Haidan</b>	Businessman	Businessman	MBA	Extensive experience in engineering and management

## 2.4 Executive Committee

Member Name	Current Job	Previous Job	Qualifications	Experience
<b>Prince Ahmad Bin Khalid Abdullah Al-Saud</b>	Businessman	Businessman	PhD in Law	Expertise in the board of directors and committees of companies specialized in the manufacture of explosives for civil, insurance, credit, energy and mining.
<b>Prince Abdulaziz Bin Mohammad Bin Fahad Al-Saud</b>	Businessman	Businessman	Master of Laws	Experience in the field of law.
<b>Dr. Khalil A. Kordi</b>	Financial Adviser	Financial Adviser	PhD in Acc.	Extensive experience in board membership, corporate and bank committees, university

				professor, and consultant in several government agencies.
<b>Dr. Solaiman A. Al Twaijri</b>	CEO- Amiantit Co.	Associate Professor, Accounting Department- KFUPM	PhD in Acc.	Extensive experience in finance, accounting, membership in many companies, audit committees, and academic field

## 2.5 Senior Executive

Member Name	Current Job	Previous Job	Qualifications	Experience
<b>Dr. Solaiman A. Al Twaijri</b>	CEO- Amiantit Co.	Associate Professor, Accounting Department- KFUPM	PhD in Acc.	Extensive experience in finance, accounting, membership in many companies, audit committees, and academic field
<b>Dr. Ammr K. Kordi</b>	CFO- Amiantit Co.	Chief Audit Executive- KFUPM	PhD in Acc.	Extensive experience in finance, accounting, membership in many companies, audit committees, and academic field
<b>Mr. Osama J. Al-Onaize</b>	Shared Services Director- Amiantit Co.	Shared Services Director- Amiantit Co.	Bachelor's degree in Acc	Experiences in accounting, management, human resources, and information technology.
<b>Mr. Waleed Abu Kishk</b>	Legal Counsel- Amiantit Co.	Legal Counsel- Amiantit Co.	Master's degree in law	Experiences in law and legal consulting and governance.
<b>Mr. Mohammad Al-Shamrani</b>	Operations Director- Amiantit Co.	Procurement Manager	Bachelor's degree in chemical engineering	Experiences in procurement management, raw materials management, and operations
<b>Mr. Houssam Ramadan</b>	Sales & Marketing Director- Amiantit Co.	Sales & Marketing Director- Amiantit Co.	MBA	Experiences in Manager Traffic, sales and marketing, and strategic and tactical marketing.
<b>Ms. Mraya Al-Subaie</b>	Internal Audit Manager- Amiantit Co.	Deputy Audit Manager	Bachelor's degree in Acc.	Experiences in accounting and Audit filed, fraud examiner.

## 3 Significant Decisions & Plans

### 3.1. Increase of the Demand in AP & International

During 2018 fiscal year, this negative trend of 2017 became positive and the sales increased by SAR 155.3 million compared the previous year. In management's view the increase in sales for the group is a positive sign and assuming the trend will continue in 2019.

Figure 2: AP & International Net Sales (SAR'000).

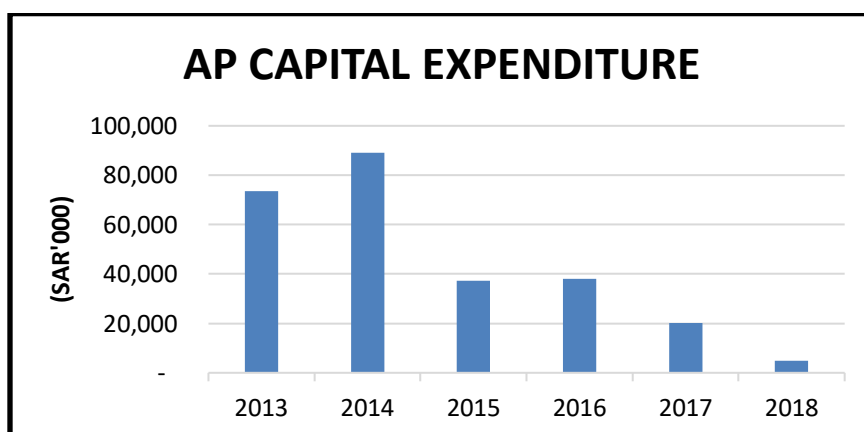


### 3.2 Cost-Cutting Program

Since, 2016, the Group implemented a cost-cutting program, essentially consisting in the following steps:

- Decrease the number of contracted labor and to a certain extent own employees, freeze hiring and close excessive job position.
- Decrease of the capital expenditure program compared to previous years, as illustrated in the graph below.

Figure 3: Capital Expenditures Trend over the Last Six Years (SAR'000).



### 3.3. Closure of Product Lines

On 20 February 2019, the Group publicly announced that they have closed two of their pipe production plants in Saudi Arabia, namely, ASAL and SACOP. Both plants produce varieties of concrete pipes that the group's management decided to divest from for strategic reasons. Management expects that the market for these two product lines is weak and strategically not favorable for the group. The group booked asset



impairments and liquidation charges related to the closure of these two plants amounting to SAR 16.0 million. The following tables provides the details of such charges in 2018.

Description	ASAL	SACOP
Provision for doubtful trade receivable & write-off of prepayments & accrual	0.7	2.2
Provision for obsolete and slow moving inventories	2.8	1.9
Loss on realization on CTA-Ameron Egypt Investment	5.0	-
Impairment of Fixed Assets	-	3.4
<b>Impairments and liquidation charges booked in 2018</b>	<b>8.5</b>	<b>7.5</b>

### 3.4. Significant Provisions and Impairments

During the year, the Group needed to take significant new impairment provisions for its short-term and long-term accounts receivable balances that are overdue by more than one year or have doubts as to the collectability through legal channels and efforts. This impairment is taken as part of the IFRS 9 Expected Credit Losses provisioning adjustment with SAR 63.2 million directly hitting the opening balance of Retained Earnings in 2018 and SAR 15.4 million alignment on receivable of Arabian Peninsula entities affecting the profit and loss of the year respectively. The total impact of adopting IFRS 9 (Financial instruments) resulted in the decrease of shareholders equity by SAR 78.6 million.

In addition, the Group booked significant property, plant, & equipment impairment charges based on the required annual impairment testing exercise for cash generating units that have indicators for impairment. The impairment charges booked relate mainly to SADIP, the Ductile Iron Pipe manufacturing plant in Dammam, KSA. The total impairment booked for this purpose reached SAR 41.9 million.

### 3.5. Significant Expansion Plans & Capital Expenditure

During the year 2018, there was no major capital expenditure for the group. The changes during the year as follows:

#### 3.5.1. Enhancement Plans in Amiantit Fiberglass Industries Ltd. (AFIL)

The objective of this program is to upgrade the manufacturing equipment of this company to enable an increase in speed and productivity as well as a decrease in raw material consumption. This program is a joint effort between the company and the technology department.

The total cost of the program is SAR 82 million invested over a period of 3 prior years. At the year-end 2017 the status is that all the 6 AFIL winders have been fully upgraded and still the cost is asset under construction. However the accomplished upgradation cost will transfer in the 1<sup>st</sup> quarter of 2019.

#### 3.5.2. Industrial Valves Manufacturing

Amicon, a 100% owned subsidiary of SAAC, enlarged its product range by including a facility to manufacture ductile iron valves. This facility is located in Dammam second industrial area. To that effect, an agreement has been signed to share the technology of Armacon GmbH, a Germany Ductile Iron valves producer. The investment amounted to SAR 6.3 million, which is capitalized during 2018 and the plant is has been in production since 2017.

### 3.5.3. Development of ISECC

In 2014 the Group started the activities of a new company, Infra-Structure Engineering and Construction Company (ISECC) offering engineering services (pipe and tank design, drawings, stress and surge analysis, technical support, and inspections, among others), as well as installation services (installation of pipes and tanks, site consulting, site supervision, maintenance, shut-down, and specialized training, among others) in the industrial sector. The company sales reached SAR 82.7 million in 2017 and SAR 91.2 million in 2018. Its budgeted sales for 2019 are SAR 189.3 million. In addition, it has established branches and subsidiaries in several GCC cities to serve the GCC market, including Dubai, Abu Dhabi, Qatar, Kuwait, and Oman.

### 3.6. Modifications to Consolidation Scope

The consolidation scope changed significantly in 2018 compared to 2017 mainly due to discontinuance of ASAL and SACOP operation. The management resolved to discontinue their operations and transfer their assets, liabilities and operations to SAAC at book values, from the date of obtaining approval from the regulatory authority. The legal formalities in this regard are in progress. On 31 December 2018, the operations of these subsidiaries were presented as discontinued operations on the Group's financial statements as defined under IFRS standards. Amiantit owns 100% interest on these entities.

### 3.7. Industrial Lands

The Group owns two parcels of industrial land in Dammam since 1971 on which several plants of the Group are built. The two parcels are recorded in the Group's accounting records for SAR 1.4 million. While the ownership of the parcels is properly supported by official title deeds, management of the Group does not have any historical documentation to support the value for which these parcels have been accounted for in its records but has decided to keep the current book value for these lands as an estimate of the historical acquisition cost. The fair value of these parcels at 31 December 2016 was SAR 323.4 million.

Further, the Group owns a parcel of industrial land in Jeddah from 2009 onwards, through the acquisition, from a related party, of a subsidiary that owns this land. This land is recorded at book value of SAR 150 million in the accounting records of the subsidiary and on the consolidated balance sheet of the Group. However, as the ownership of the parcel is legally challenged by third parties, the Group has taken a full provision against its book value of SAR 150 million. In addition, as at 31 December 2018, the Group has property, plant and equipment with a carrying amount of SAR 59.3 Million constructed on this parcel of land. Management of the Group believes that the outcome of the litigation process will not affect the carrying amounts or useful lives of property, plant and equipment constructed on this parcel of land nor will it result in any liabilities.

## 4 Risk Management:

### 4.1.1 Macroeconomic Risks

The pipes sold by the Company are used to transport liquids such as drinking water, raw water, sewage and other effluents. It is also involved in the execution of water related projects. Such products and services are closely linked with infrastructure projects, which may be affected by different financial and political factors, usually falling out of control of the Group. The water and sewage projects in which the Group is active are often considered as strategic by their owners, who are usually governments or

government related. Therefore, the timing or the size of the projects put for execution may be modified by the owners during the execution, for instance due to financial, political, or operating considerations. Such modifications may impact the scope of the sales of goods and services provided by the Group and thus its profits from one year to another. The very significant decrease in sales to Saudi customers in 2016 up to 2018 as a result of the curtailment of the government spending is a good illustration of this risk.

#### **4.1.2 Financial Risks**

Competition also plays an important role on the profitability of the Company. Especially since the 2007/08 global financial crisis, competition has increased both on domestic and international markets. To defend its market shares on its different territories, the Group had to reduce its prices while maintaining its production capacities. In more recent years, the overall increase of credit rating risk of banks for companies operating in the contractual and capital goods industries, has led to banks to increase their lending premiums for the group as it is directly subject to macro-economic risks the industry as a whole is exposed to. The group has followed and is maintaining a very healthy relationship with all its lending financial institutions and has managed to keep or replace all its credit facilities based on the business requirement. Total financial charges for the year had decreased by SAR 16.1 million.

Other financial risk factors specific to the business include the following:

- Delayed collection of receivables due to delayed execution of projects or delayed payment of contractors by project owners (and associated increase of financial charges);
- Increase in interest rates;
- Foreign currencies exchange rates fluctuations, which may impact the values at which foreign businesses are incorporated into the consolidation of the Group, as well as generate foreign currency gains / losses due to sales / purchases made in currencies other than the reporting currency of the Company;
- Fluctuation of purchase prices of raw materials (glass, resins, pig iron, steel, and steel scrap ...etc.).
- Availability of certain imported raw materials in periods of shortage (e.g. glass fiber, and pig iron)
- Political instability on certain external markets (for instance Egypt, Libya, Syria, and Iraq).
- Modifications in the budgeted spending by the Governments of the states in which the Group operates (for instance Saudi Arabia, Spain).

#### **4.1.3 Operational Risks**

The group is facing operational risk factors include the following:

- Single source of supplier affects the availability of raw materials, consumable and equipment needed for production. On the other hand, Procurement Team sourcing out new suppliers for both local and international market, to avoid any shortage of raw materials, consumable and equipment. The company also signed contracts with vendors to ensure the steady supply of goods with fixed price or less movement in the price;
- Older machines have less obsolete spare parts available in the market. However, the company hiring highly skilled employees in fabrication to fabricate the required parts in-house. In addition, with continues research and development now the company looking to implement the 3D printing technology which can produce spare parts that are obsolete in the market;

- Natural disaster such as fire incident, and flood which can cause irreversible damage to goods and equipment. The operations have strictly complied with Civil Defense requirements and improved both firefighting and drainage system in and out of the Plants. Also, taking in consideration to take premium insurance for all assets of the company;
- Quality and standards in substandard products may result in losing the client and waste more raw material reduce the margin for the company profit. On the other hand, the company ensures that all products are produced based on the standards and as the customer specification. Central QA and QC Team work closely in the production to ensure that each product produced accordingly.

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

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

## 4.2 Risk Management Practices

The group performs an annual risk assessment exercise that identifies all risks that can be transferred to third parties, i.e. insurable risks. For example, operational risks causing possible manufacturing plants closure, delays, casualties, shortages, etc. are all assessed and insured to applicable and acceptable tolerance levels on a regular basis.

Table 4: Some of the Ensured risk Exposures for the Company (SAR'000)

#	Company Name	Total Material Damage	Business Interruption	Total Insured 2018-2019
1	Saudi Arabian Amiantit Co. Dammam	66,044	-	66,044
2	Saudi Arabian Amiantit Co. Riyadh	1,179	-	1,179
3	Saudi Arabian Amiantit Co. Jeddah	4,177	-	4,177
4	Amiantit Epoxy Pipe Production Plant (AMIPOX)-Dammam	78,514	57,347	135,861
5	Bondstrand Ltd (BSL)-Dammam	144,454	33,329	177,782
6	Amintit Fiberglass Industries Ltd (AFIL)-Dammam	365,189	100,274	465,463
7	Infra-Structure Engineering and Construction -Dammam	7,672	-	7,672
8	Amiantit Rubber Industries (ARIL)-Dammam	45,221	10,473	55,694
9	Saudi Arabian Plastic Products (AMIPLAS)-Dammam	25,913	3,379	29,292
10	Ameron Saudi Arabia (ASAL)-Dammam	135,521	14,602	150,123

11	Saudi Arabian Ductile Iron Pipes (SADIP)-Dammam	836,633	166,763	1,003,396
12	Amicon - Dammam	18,328	9,319	27,647
13	Amiantit Technology Services (ATS)-Dammam	20,701	-	20,701
14	Amiantit Fiberglass Industries Ltd (AFIL) Jeddah	185,289	60,164	245,453
15	Amiantit Polyolefin Piping System (APPSCO)-Jeddah	70,124	-	70,124
16	Saudi Arabian Concrete Pipes (SACOP)- Jeddah	28,336	8,037	36,373
	<b>Total</b>	<b>2,033,294</b>	<b>463,687</b>	<b>2,496,981</b>

The company's management also monitors macroeconomic and financial risks on a regular basis and determines the best courses of action to treat (i.e. mitigate) such risks through changing business strategies. For instance, in the 2017 management charted a strategy to focus on industrial projects and customers with low-risk projects and favorable payment terms towards Amiantit. This results in a higher concentration of sales with a sub-group of more financially and operationally stable clients. Examples of such clients include (e.g. Saudi Aramco, Hyundai, Samson, Flour, etc.).

During 2018, management also faced the risks associated with the shifting political environment in the GCC and the impact of such changes on the Group's sales. Management has altered resources and marketing strategies to penetrate new markets in the region that cover lost sales as a result of the GCC trade stoppage with certain states.

## 5. Summary of Financial Data:

### 5.1. Financial data:

The consolidated figures and statements for the year 2018 cover the following business segments of the Group:

- Manufacturing and sales of pipes and associated technology.
- Water management.

Table 5: Key Financial Highlights for Last Five Years 2014-2018 (SAR '000)

Year	2018	2017	2016	2015	2014
Net Sales	947,594	792,344	1,364,014	2,908,627	2,725,787
Gross Margin percentage	10.14%	15.71%	8.39%	17.20%	15.60%
Operating expenses	137,228	129,772	221,391	278,693	253,571
Net Profit (loss)	(230,285)	(91,546)	(225,431)	101,374	82,618
Cash Flow from Operations	298,178	247,686	437,565	(136,866)	58,054
Capital Expenditure	5,008	21,454	56,330	61,333	106,943
Total Assets	2,755,500	3,178,906	3,411,262	4,644,508	4,412,128
Total Liabilities	2,068,697	2,180,876	2,400,844	3,116,144	2,893,467
Total Equity	686,803	998,030	1,010,418	1,528,364	1,518,661

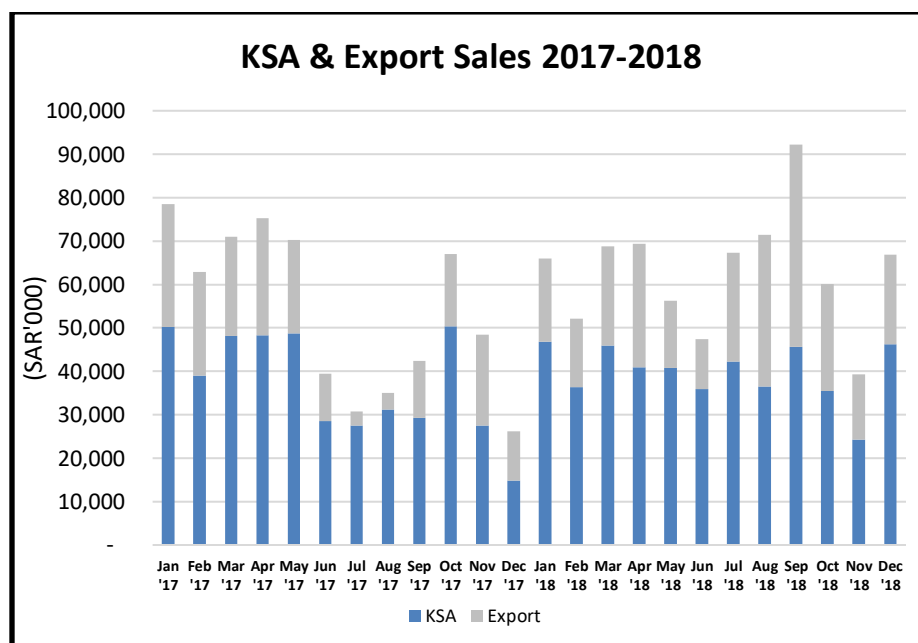
<b>Paid Dividends</b>	-	-	75,075	-	112,984
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*Note: from 2016 to 2017 European entities were considered as discontinued operation.*

*from 2017 to 2019 ASAL & SACOP were also considered as discontinued.*

## 5.2. Comments on Long-Term Trends

- During last year, 2016, the Group continued to be deeply impacted by the dramatic slow-down in infrastructure spending in the GCC, and especially in Saudi Arabia. Many projects, of several sizes, were put on hold, downsized or even cancelled. In addition, deliveries to contractors had often to be stopped or delayed as the customers were not in a position to issue the necessary letters of credit or pay the advance-payments. During 2018 the same trend in the overall market conditions continued in Saudi Arabia with some marginal improvement. The Group recorded a total losses of SAR 230.3 million during 2018, SAR 41.9 million of which is attributable to fixed assets impairment provision on SADIP plant, SAR 16.0 million for ASAL & SACOP plant discontinuance of operation and asset impairments, SAR 25.1 million for investment impairment, SAR 15.3 million for receivable impairment on Arabian Peninsula entities and SAR 3.9 million provision. This graph below illustrates the comparison of sales in the GCC (KSA and exports) over 2017 and 2018:



- Following the same strategy of 2017, and anticipating the continuation of the down-turn, the Group focused on the cash flow, in order to reduce the loans from banks proportionally to the anticipated decrease in the business volumes. Accordingly,
  - Credit policy to customers was tightened, enlarging the requirement for Letter of Credits, promissory notes or advance payments,
  - A significant effort was made on boosting collections with a restructuring in the collection department and an important involvement of the Corporate Legal Department,
  - Payment terms with suppliers were renegotiated.



As a result, the cash flow from operations continued to be largely positive in 2018 to the reaching SAR 298.2 million and the bank loans were reduced by a net amount of SAR 241.4 million over the year.

- 3- The Group also developed new product lines, such as:
- Housing and Industrial tanks.
  - Epoxy high-flow lines and threaded-joint pipes.
  - Pipes for deep wells.
  - Ductile iron valves and fittings.
  - Design and installation services.
  - Water treatment projects.

*Note: Detailed comments over the 2018 performance are addressed under point 7.2.*

## 6. Geographical Analysis of Gross Sales

Table 6: Distribution of Gross Sales by Geographic Region (SAR '000):

Net Sales	2018		2017	
	Amount	Percentage	Amount	Percentage
<b>Saudi Arabia</b>				
Central	110,834	11.70%	116,467	14.70%
West	40,668	4.29%	51,326	6.48%
East	263,617	27.82%	236,324	29.83%
Exports from KSA	329,786	34.80%	214,734	27.10%
<b>Total Saudi Arabia</b>	<b>744,905</b>	<b>78.61%</b>	<b>618,851</b>	<b>78.11%</b>
<b>Europe</b>	<b>86,509</b>	<b>9.13%</b>	<b>44,858</b>	<b>5.66%</b>
<b>Other countries</b>	<b>116,180</b>	<b>12.26%</b>	<b>128,635</b>	<b>16.23%</b>
<b>Total</b>	<b>947,594</b>	<b>100.00%</b>	<b>792,344</b>	<b>100.00%</b>

The share of domestic sales during 2018 was 78.61% of total sales compared with 78.11% in 2017. The pipe sector sales reached 71.85% of the total sales, compared to 69.56% in 2017, the water management sector sales reached SAR 175.6 Million compared to SAR 158.2 Million in 2017 and the services sector sales reached SAR 91.2 Million compared to SAR 83.0 Million in 2017.

## 7. Explanation of Material Changes in the Operating Results Compared to Prior Year

### 7.1. Summary results

Table 7: Financial Results Summary (SAR '000)

	2018	2017	Difference	Percentage
Sales	947,594	792,344	155,250	19.59%
Cost of sales	(851,484)	(667,845)	(183,639)	27.50%
<b>Gross profit</b>	<b>96,110</b>	<b>124,499</b>	<b>(28,389)</b>	<b>-22.80%</b>
Selling and general expenses	(137,228)	(129,772)	(7,456)	5.75%
<b>Loss from operation</b>	<b>(41,118)</b>	<b>(5,273)</b>	<b>(35,845)</b>	<b>679.78%</b>
Other (expenses) income, net	(13,033)	4,259	(17,292)	-406.01%

Share of net income in associates	(40,399)	923	(41,322)	-4476.92%
Financial charges, net	(86,422)	(102,518)	16,096	-15.70%
<b>Loss before zakat and foreign income tax</b>	<b>(180,972)</b>	<b>(102,609)</b>	<b>(78,363)</b>	<b>76.37%</b>
Foreign income tax and Zakat	(24,845)	(22,871)	(1,974)	8.63%
Profit after tax from discontinued operations	(24,468)	33,934	(58,402)	-172.10%
<b>Loss for the year</b>	<b>(230,285)</b>	<b>(91,546)</b>	<b>(138,739)</b>	<b>151.55%</b>

## 7.2 Explanation of Changes

### Net Sales

- Over the year, sales increased by SAR 155.3 million or 19.59% as follows:

Table 8: Segments Net Sales (SAR'000)

	Sales 2017	Sales 2018	Increase (Decrease)	Percent
Pipe sales – GCC	535,866	653,777	117,911	22.00%
Pipe sales – Other regions	15,288	27,063	11,775	77.02%
<b>Total Pipe Sales</b>	<b>551,154</b>	<b>680,840</b>	<b>129,686</b>	<b>23.53%</b>
Services	82,984	91,193	8,209	9.89%
Water management	158,206	175,561	17,355	10.97%
<b>TOTAL Group</b>	<b>792,344</b>	<b>947,594</b>	<b>155,250</b>	<b>19.59%</b>

- Pipe sales in the Arabian Peninsula increased by SAR 117.9 million or 22.00% as follows:

Table 9: GCC Pipe Sales (SAR'000)

	Sales 2017	Sales 2018	Increase (Decrease)	Percent
Ductile iron	231,306	183,172	(48,134)	-20.81%
Glass reinforced polyester	186,976	325,837	138,861	74.27%
Epoxy	100,592	133,356	32,764	32.57%
Others	16,992	11,412	(5,580)	-32.84%
<b>TOTAL</b>	<b>535,866</b>	<b>653,777</b>	<b>117,911</b>	<b>22.00%</b>

### Cost of Sales

- The increase in cost of sales comes as a natural result on the increase in sales volume during the year as described above. However, the cost of sales also included the impact of several adjustments as follows:

	2018	2017
Adjustments and impairments on inventories	4.7	9.2
CGU Impairment, net of reversal	40.3	5.0
<b>Total</b>	<b>45.0</b>	<b>14.2</b>

## Operating Expenses

The net operating expenses for the year decreased by 5.75%. This is mostly caused by the decreased in provision for salaries and wages, professional fees, and other administrative expenses. Over the year, the group increased its bad debt expenses from SAR 4.5 in 2017 to SAR 25.9 million in 2018.

## Share in Net Income of Associates

The net income from affiliates were significantly lower compared with last year, increase in share on losses has been noted with the investments on Subor, Amiblu, & Amitech Morocco, on the other hand, income was earned on the investments in Amensouss, East Gas, Amiantit Qatar, and Tawzea for 2018.

## Financial Charges

Financial charges have decreased by SAR 16 .1 million or 15.70% from last year.

## Impairment on Assets

- The net impairment charges on current and non-current assets amounted to SAR 97.1 million in 2018 (2017: SAR 5.0 million).

	2018	2017
Short Term Receivables Impairment – IFRS 9 Alignment <sup>(1)</sup>	15.3	
ASAL Discontinued Plant Operation - Asset Impairment <sup>(2)</sup>	8.5	
SACOP Discontinued Plant Operation – Asset & PPE Impairment <sup>(2)</sup>	7.5	
SADIP- PPE Impairment <sup>(3)</sup>	41.9	
BSL- PPE Impairment (Reversal) <sup>(3)</sup>	(5.0)	5.0
Amitech Morocco full-impairment on investment & receivables <sup>(4)</sup>	25.1	
Amiblu Receivables Discounting & Unassigned CTA	3.9	
<b>Impairments &amp; Provisions</b>	<b>97.2</b>	<b>5.0</b>

(1) Significant new impairment provisions for its receivable that have doubts as to the collectability through legal channels and efforts was booked amounting to SAR 15.4 million. This impairment is taken as part of the IFRS 9 Expected Credit Losses provisioning adjustment.

(2) Discontinuance of operation of two pipe production plants in Saudi Arabia, namely, ASAL and SACOP. Both plants produce varieties of concrete pipes that the group's management decided to divest from for strategic reasons. Management expects that the market for these two product lines in weak and strategically not favorable for the group. The group booked asset impairments and liquidation charges related to the closure of these two plants amounting to SAR 16.0 million.

(3) As part of the annual impairment test required by IFRS standards the Group tested all applicable Cash Generating Units (CGUs) for impairment. As a result, the Group booked significant property, plant, & equipment impairment charges in SADIP, the Ductile Iron Pipe manufacturing plant in Dammam amounting to SAR 41.9 million. On the other hand, the impairment booked in 2017 for in BSL, the Glass-Reinforced Epoxy Pipe manufacturing plant in Dammam amounting to SR 5.0 million were reverse back in PL in 2018 as the plant obtain improved performance.

(4) Due to the recurring losses of the company over the last years, negative equity which requires a recapitalization in 2018 by contribution of partners loans and 2019 budget showing a negative

EBITDA of MAD 13.0 million and a net loss of MAD 23.0 million. The board decided to fully impair the investments and receivables on Amitech Morocco amounting to SR 25.1 million.

### **Foreign Income Taxes and Zakat**

The increase is explained by the following:

- (1) 2017 Zakat & income tax provision includes prior period adjustment as a result of final assessments from the GAZT in 2017.
- (2) Higher foreign income taxes relating to Amitech Astana, and PWT Germany.

## **8. Accounting Standards**

### **a. Departure from IFRS Accounting Standards**

The Group did not deviate from mandatory IFRS standards adopted by SOCPA.

### **b. IFRS Implementation: Changes in accounting policies and procedures**

The Group applied IFRS 15 and IFRS 9 for the first time. The nature and effect of changes as a result of adoption of these new accounting standards are described below.

#### **IFRS 15 'Revenue from contracts with customer'**

The International Accounting Standard Board (IASB) published the new standard on revenue recognition, IFRS 15 'Revenue from contracts with customers' on 28 May 2014. The rules and definitions of IFRS 15 supersede the contents of IAS 11 'Construction Contracts', IAS 18 'Revenue', IFRIC 13 'Customer Loyalty Programs'. The new standard particularly aims to standardize existing regulations and thus improve transparency and the comparability of financial information. The change became effective to the Group from 1 January 2018. The Group has adopted IFRS 15 using the cumulative effect method, with the effect of applying this standard recognized at the date of initial application ( i.e. 1 January 2018). Accordingly, the information presented for previous periods has not been restated, as previously reported, under IAS 18 and related interpretations.

IFRS - 15 outlines a single comprehensive model of accounting for revenue arising from contracts with customer. It establishes a new five-step model that applies to revenue arising from contracts with customers. Under IFRS 15, revenue is recognized when the entity satisfies a performance obligation by transferring promised goods or services to a customer. An asset is transferred when control is transferred that is either over time or at a point in time.

The Group was already recognizing the revenue on the same basis as envisaged by IFRS 15. Consequently, there are no material reportable changes due to its adoption of IFRS 15. The Group reclassified SR 214.3 million of contract assets that were previously presented as part of trade receivables as at 31 December 2017.

## IFRS 9 'Financial instruments'

On 24 July 2014, the IASB issued the final version of IFRS 9, concluding the multiyear project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. IFRS 9 contains new requirements for the classification and measurement of financial instruments, fundamental changes regarding the accounting treatment of financial assets impairments, and a reformed approach to hedge accounting. The changes became effective to the Group from 1 January 2018.

The effect of adopting IFRS 9 on the carrying amount of financial assets and financial liabilities at 1 January 2018 relates solely the new impairment requirements as described below.

	31 December 2017	IFRS 9 Impact	1 January 2018
	SR '000'	SR '000'	SR '000'
<b><u>Current Assets</u></b>			
Trade receivables (current & non-current)	1,044,708	(63,223)	981,485
<b><u>Equity</u></b>			
Accumulated losses	(217,941)	(64,446)	(282,387)
Non-controlling interest	31,151	1,223	32,374

The Group has taken an exemption not to restate comparative information with respect to impairment requirements.

## 9. Corporate Structure:

### a. Branches:

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

Table 10: List of Group Branches

#	Company	Activity	Country	Establishment Place	Amiantit Share
1	Saudi Arabian Amiantit Co.	Riyadh Marketing Office	KSA	Riyadh-KSA	100%
2	Saudi Arabian Amiantit Co.	Jeddah Marketing Office	KSA	Jeddah-KSA	100%
3	Amiantit Polyolefin Piping System Factory	Polyolefin Piping	KSA	Jeddah-KSA	100%
4	Yacoat Amiantit	Pipe painting, import of pipes, & building materials	KSA	Dammam-KSA	100%
5	Amiantit Plastic Products Co.	Plastic production	KSA	Dammam-KSA	100%
6	Epoxy Pipe Co. (Amipox)	Epoxy pipes	KSA	Dammam-KSA	100%

7	Amiantit Research & Development Center	Research & Development	KSA	Dhahran-KSA	100%
8	Saudi Arabian Amiantit Construction, Maintenance and operation Co.	General Contracting & Industrial Maintenance	KSA	Dammam-KSA	100%
9	Branch of Amiantit Fiberglass Industries Co. Ltd (AFIL)	Pipes production	KSA	Jeddah-KSA	100%
10	Branch of Amiantit Fiberglass Industries Co. Ltd (AFIL)	Pipes Production	KSA	Dammam-KSA	100%
11	Branch of Amiantit Fiberglass Industries Co. Ltd. (AFIL)	Contracting	KSA	Dammam-KSA	100%
12	Branch of Saudi Arabian Ductile Iron Pipes Co. Ltd	Pipes production	KSA	Dammam-KSA	100%
13	Branch of Saudi Arabian Ductile Iron Pipes Co. Ltd	Contracting	KSA	Dammam-KSA	100%
14	Ameron Saudi Arabia Ltd. Co. / Branch	Pipes Production	KSA	Jubail-KSA	100%
15	Infrastructure Engineering Contracting Co. Ltd. (ISECC Kuwait)	Design and Installation services	Kuwait	Kuwait	100%
16	Infrastructure Engineering Contracting Co. Ltd. (ISECC Dubai)	Design and Installation services	Dubai	UAE	100%
17	Infrastructure Engineering Contracting Co. Ltd. (ISECC Qatar)	Design and Installation services	Qatar	Qatar	100%
18	Infrastructure Engineering Contracting Co. Ltd. (ISECC Abu Dhabi)	Design and Installation services	Abu Dhabi	UAE	100%
19	Infrastructure Engineering Contracting Co. Ltd. (ISECC Oman)	Design and Installation services	Muscat	Oman	100%

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

## b. Fully or Partially-owned Subsidiaries

Table 11: List of fully or Partially-owned Subsidiaries

#	Company	Activity	Establishment	Capital	SAAC Share
1	Amiantit Fiberglass Industries Co. Ltd “AFIL”	Pipes production	Dammam, KSA	SAR 180 million	100%
2	Amiantit Rubber Industries Ltd. Co.	Rubber gaskets & pipe fittings	Dammam, KSA	SAR 8.75 million	100%
3	Saudi Arabian Ductile Iron Pipes Co. Ltd	Pipes production	Dammam, KSA	SAR 180 million	100%
4	Ameron Saudi Arabia Ltd. Co.	Pipes production	Dammam, KSA	SAR 76.5 million	100%
5	Factory of Bondstrand Co. Ltd	Pipes production	Dammam, KSA	SAR 20 million	60%
6	Saudi Arabia Concrete Products Co. (SACOP)	Pipes production	Jeddah, KSA	SAR 12.250 million	100%
7	Saudi Amicon Co. Ltd.	Pipes and Valves production	Dammam, KSA	SAR 15 million	99.93%
8	International Infrastructure Management and Operation Co. Ltd.	Management of water projects and plants and sub-Holding of companies operating in the same field	Dammam, KSA	SAR 100 million	100%
9	Amiantit International Holding Co. WLL	Holding Company	Manama, Bahrain	US\$ 32 million	100%
10	Ductile Technology Co. W.L.L.	Selling, buying, and rental of Real Estate	Manama, Bahrain	BD 20,000	100%
11	Aquamundo GmbH	Water Management	Germany	Euro 3 million	100%



12	P.W.T Wasser und- Abwassertechnik GmbH	EPC of Water Treatment Plants	Germany	Euro 3 million	100%
13	Amiantit Malta Holding Ltd.	Holding	Malta	Euro 49.03 million	100%
14	LLP Amitech Astana	Production of pipes	Kazakhstan	KZT 403 million	51%
15	Amitech Switzerland AG	Holding	Switzerland	CHF 10.5 million	100%
16	Flowtite Engineering GmbH (under liquidation)	Consulting / technology	Germany	Euro 30,000	100%
17	Saudi PWT Ltd.	Water Management	Dammam, KSA	SAR 500,000	100%
18	Arabian PWT	PWT Water Management Branch	Dammam, KSA	SAR 500,000	100%
19	PWT SUW OOO Turkmenistan	Water Management	Turkmenistan	USD 250,000	100%
20	Infrastructure Engineering Contracting Co. Ltd.	Design and Installation services	Dammam, KSA	SAR 500,000	100%
21	Saudi Arabian Amiantit Management Co. Ltd.	Management	Dammam, KSA	SAR 10,000	100%
22	Al Arabia for Trade	Trading	Dammam, KSA	SAR 2 million	100%
23	Jos Hansen Beteiligungsgesellschaft GmbH (under liquidation)	Water Management	Germany	Euro 311,888	100%
24	Flowtite Eksport AS	Sales & Trading	Germany	NOK 1 million	100%

### c. Affiliated Companies:

Table 12: List of Affiliated Companies

#	Company	Activity	Establishment Place	Capital	Amiantit Share%
1	Amiantit Fiberglass Egypt S.A.E.	Pipe production	Egypt	EP 50 million	50%
2	Ameron Egypt S.A.E.	Pipe production	Egypt	EP 19.3 million	49%
3	SPA Amitech Algerie	Pipe production	Algeria	Alg. Dinar 262.8 million	50%
4	Amitech Maroc	Pipe production	Morocco	MAD 122 million	50%
5	Amiantit Qatar Pipes Co. W.L.L.	Pipe production	Qatar	QR 37.2 million	40%
6	Eastern Gas	Gas distribution	Dammam, KSA	SAR 40 million	13%
7	Sarplast S.A.	Pipes production	Switzerland	Euro 1.6 million	23.7%
8	Amitech Libya	Pipes production	Libya	Din 1.0 million	40%
9	Sarplast Qatar W.L. L	Pipes production	Qatar	QR 200,000	20.4%
10	Subor Boru Sanayi Ve Ticaret AS	Pipes production	Turkey	TRY 48.3 million	50%
11	Subor Gap Sanayi Ve Ticaret AS	Pipes production	Turkey	TRY 21.7 million	40%
12	Amitech Pipe Systems SRL	Trading of Pipes	Romania	RON 327,620	50%
13	Amitech Pipes Romania SA (Under liquidation)	Dormant	Romania	RON 116,000	50%
14	Amiblu Holding GmbH	Pipes production	Austria	EUR 5.950 million	50%
15	International Water Distribution Company Ltd (Tawzea).	Water Distribution	Jeddah, KSA	SAR 101 million	50%
16	Amensouss S.A.	Water Distribution	Morocco	MAD 100 million	15%

17	Initiative Industrial Spa	Pipe Production	Italy	EUR 3.7 million	4.48%
18	Tawzea Aquapor	Water Distribution	Jeddah, KSA	SAR 500,000	35%

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

## 10. Details of Issued Shares & Debt Instruments of Subsidiaries

The issued shares of the subsidiaries are as follows:

Table 13: List of Issued Shares of the Subsidiaries

Subsidiary	Issued shares	Shareholders
Amiantit Fiberglass Industries Ltd.	180,000 ordinary shares of each SAR 1,000 per share	1. Amiantit 100%
Saudi Arabian Ductile Iron Pipe Co. Ltd.	180,000 ordinary shares of each SAR 1,000 per share	1. Amiantit 100%
Bondstrand Ltd.	20,000 ordinary shares of each SAR 1,000 per share	1. Amiantit 60% 2. Ameron BV. Holland 40%
Ameron Saudi Arabia Ltd.	76,500 ordinary shares of each SAR 1,000 per share	1. Amiantit 100%
Amiantit Rubber Industries Ltd.	8,750 ordinary shares of each SAR 1,000 per share	1. Amiantit 100%
Saudi Arabia Concrete Products Ltd.	24,500 ordinary shares of each SAR 500 per share	1. Amiantit 100%
Saudi Amicon Co. Ltd.	15,000 ordinary shares of each SAR 1,000 per share	1. Amiantit 100%
LLP Amitech Astana	Charter Capital of KZT 403 Million- Limited Liability Partnership	1. Amiantit International Holding Co. 51% 2. Abykayev M 34% 3. Gavrilov V 10% 4. Listopadney G 5%
Amiantit International Holding Co. WLL	32,000 ordinary shares of each USD 1,000 per share	1. Amiantit 99.94% 2. Amiantit Fiberglass Ind. Ltd .06%
Amitech Switzerland AG	112 ordinary shares of each CHF 1,000 per share	1. Amiantit international Holding 10.71% 2. Amiantit Malta Holding Ltd. 89.29%
Flowtite Technology Bahrain W.L.L.	11,375 ordinary shares of each BHD 100 per share	1. Amiantit International Holding Co. 99% 2. Amiantit Fiberglass Industries Ltd 1%
Ductile Technology Co. W.L.L.	200 ordinary shares of each BHD 100 per share	1. Amiantit 75% 2. Amiantit International Holding 25%
Flowtite Engineering GmbH	1 ordinary share of EUR 30,000	1. Amitech Switzerland A. G. 100%
Arabian PWT	500 ordinary shares of each SAR 1,000 per share	1. P.W.T Wasser Co. 100%
Aquamundo GmbH	10 ordinary shares of each EUR 300,000 per share	1. P.W.T Wasser Co. 100%
P.W.T Wasser und- Abwassertechnik GmbH	10 ordinary shares of each EUR 300,000 per share	1. Amiwater 100%
PWT Saudi Arabia Co.	500 ordinary shares of each SAR 1,000 per share	1. P.W.T Wasser Co. 51% 2. Amiwater 49%

PWT SUW OOO Turkmenistan	1 ordinary shares of each USD 250,000 per share	1. P.W.T Wasser Co. 99% 2. Aquamundo Co. Ltd. 1%
International Infrastructure Management and Operation Co. Ltd.	100,000 ordinary shares of each SAR 1,000 per share	1. Amiantit 80 % 2. Amiantit Fiberglass Industries Ltd. 20%
Infrastructure Engineering Contracting Co. Ltd.	500 ordinary shares of each SAR 1,000 per share	1. Amiantit 100%
Saudi Arabian Amiantit Management Co. Ltd.	10 ordinary shares of each SAR 1,000	1. Amiantit 90% 2. Amiwater 10%
Al Arabia for Trade	2000 ordinary shares of each SAR 1,000	1. Amiantit 100%
Jos Hansen Beteiligungsgesellschaft GmbH (under liquidation)	One ordinary share of common stock value Euro 51,129,19	1. Amitch Switzerland A.G 100%
Flowtite Eksport AS	1,000 shares of each NOK 1,00	1. Amiantit Malta Holding Ltd 100%

**Notes:**

- The Subsidiaries have not issued marketable debt instruments. The only external financial debts of the subsidiaries are represented by bank loans, which are covered under section 15.
- The entities under liquidation are mostly dormant entities, and the liquidation process will not have any material impact on the financial statements of the Group.

## 11. Dividends Policy:

The Company distributes the profits according to the following policy:

The Company's net profits after deduction of general expenses and other costs shall be distributed as follows:

- 1- A ten percent (10%) of net profits shall be allocated aside as a statutory reserve. However, the general assembly may stop this allocation if the statutory reserve reached 30% of the capital.
- 2- Upon recommendation of the board of directors, the general assembly may allocate a certain percentage of the net profit each year to form an agreement reserve to be spent as determined by the General Assembly.
- 3- The General Assembly may decide on formation of other reserves to the extent necessary to achieve the interests of the company or ensure the distribution of fixed profits, as much as possible to the shareholders. The General Assembly may deduct from the net profits a certain amount to establish social institutions for the company's employees or to help existing such institutions.
- 4- Following the above, an amount representing 5% of paid up capital shall be distributed to the shareholders of the company.
- 5- The balance shall be distributed as additional dividends to the shareholders.

### Distribution of Intern Dividends:

According to the rules and regulations of the Saudi Capital Market Authority, the company may distribute phases dividends to its shareholders on biannual or quarterly basis after satisfaction of the following requirements:

- 1) The ordinary General Assembly authorizes the board of director to distribute intern dividends by a decision issued annually.
- 2) The company shall have regular good profits.
- 3) The company shall have reasonable liquidity according to which the company may expect the level of its profits.

- 4) The company shall have distributable dividends according to the last audited financial statements sufficient to cover the proposed dividends after deduction, capitalization and distributed profits after the date of the financial statements.

The shareholder deserves a share of profits according to the decision of the General Assembly issued in this regard. The decision shall determine the accrual and distribution dates. The entitlement of profits shall be for the shareholders recorded in the Shareholders' Register at the end day of the date of profit entitlement.

### **Distribution of Preferred Shares' Dividends:**

If no profits were distributed in any fiscal year, it is not allowed to distribute profits during the following years unless after payment of the certain percentage determined in Article (114) of the Companies' Laws for the preferred shareholders for that year. If the company failed to pay the percentage determined in Article (114) of the Companies' Law, for three consecutive years, the General Assembly of the preferred shareholders concluded in terms of Article (89) of the Companies' Law, shall decide either their attendance of the General Assembly meeting and participate in voting, or appointment of their representatives in the board of directors according to their proportion of ownership in the Company's capital, until the company is able to pay all priority profits allocated for the holders of these shares for the previous years.

## **12. Requests of Shareholders Book Application:**

Number of request shareholder book application	Date	Reasons
1	01/01/2018	General Assembly meeting.
2	05/04/2018	Company procedures
3	10/04/2018	General Assembly meeting.
4	11/04/2018	Company procedures
5	12/04/2018	Company procedures
6	04/11/2018	Company procedures

## **13. Major External Shareholders**

As per Tadawul records, as on 31-12-2018, the major owners who own 5% and more of the capital are:

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

## 14. Major Internal Shareholders

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

Table 14: List of Board of Directors Members Ownership.

No	Member Name	Number of Shares of Board member at Year- Start	%	Number of Shares of Board Member at Year- End	% of Change	% at Year-End	Number of Shares of wife & Minor Children at Beginning of the year	%	Number of Shares of wife & Minor Children at End of the year	Change of Shares of Wife & Minor Children
1	Prince Ahmed Bin Khalid Al-Saud	1,502,624	1.3009	1,502,624	0	1.3009	No	No	No	No
2	Prince Abdulaziz Bin Mohammad Bin Fahad Al-Saud	308,249	0.2668	308,249	0	0.2668	No	No	No	No
3	Dr. Khalil A. Kordi	3,365	0.0029	3,365	0	0.0029	No	No	No	No
4	Mr. Sulaiman A. Al Amro	1,570	0.0013	1,570	0	0.0013	No	No	No	No
5	Eng. Mohammad Al-Haidan	1000	0.0000	1000	0	0.0000	165,000	0	165,000	0

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

Table 15: List of Senior Executives Ownership.

No	Executive Name	Number of Shares of Senior Executive at Year Beginning	%	Number of Shares of Senior Executive at Year End	Change %	No of Shares of Wife & Minor Children at Year Beginning	%	No of Shares of Wife & Minor Children at Year End	Change of Shares of Wife & Minor Children
1	Dr. Solaiman A Al Twaijri	1,000	0.0008	1,000	No	No	No	No	No
2	Dr. Ammr K. Kurdi	0	0	No	No	No	No	No	No
3	Mr. Osama J. Al-Onaize	100	0	100	No	No	No	No	No
4	Mr. Waleed Abu Kishk	7,000	0.0060	0	Yes	No	No	No	No
5	Mohammad Al-Shamrani	0	0	No	No	No	No	No	No
6	Houssam Ramadan	0	0	No	No	No	No	No	No
7	Ms. Mraya Al-Subaie	0	0	No	No	No	No	No	No

The Company declares that there are no other interests in shares, subscription rights, debt instruments by any Board Members or Senior Executives and their wives and minor children in shares or debt instruments in the Company or any of its affiliated companies and any change in these rights during the year 2018 excluding what has been mentioned in item (29) of this report.



## 15. Borrowings

The Borrowings of the Company were as such as of December 31, 2017 and 2018:

### a. Long term Loans

Table 16: Borrowings of the issuer (SAR'000).

Borrower	Bank	Nature of lines	Original Amount of Loan	Date Acquired	Repayment date	Amount Due as of December 31, 2017	New Borrowings	Repayments	Reclassification on to ST loan (ST part of LT)	CTA	Amount due as of December 31, 2018
SAAC	Al-Inma Bank	Long-term	400,000	Aug-16 to Sep-16	2020	200,000	-	-	(100,000)	-	100,000
SAAC	NCB	Long-term	247,200	Jan 31 2016	2020	77,266	20,423	-	(58,673)	-	39,016
SAAC	Bank Al-Jazeera	Long-term	75,000	Jan 1 <sup>st</sup> 2016	2020-2021	36,893	-	-	(17,993)	-	18,900
SAAC	Riyadh Bank	Long-term	25,000	Apr 23 2016	2019	6,250	-	-	(6,250)	-	-
	<b>Total</b>					<b>320,409</b>	<b>20,423</b>	<b>-</b>	<b>(182,916)</b>		<b>157,916</b>

### b. Current Maturity of Long-Term Loans

Table 17: Current Maturity of Long-Term Loans (SAR'000).

Borrower	Bank	Nature of lines	Repayment Date	Amount Due as of December 31, 2017	New Borrowings	Repayments	Reclassification to ST loan (ST part of LT)	CTA	Amount due as of December 31, 2018
SAAC	Al-Inma Bank	Loan	2019	100,000	-	(50,000)	100,000	-	150,000
SAAC	NCB	Loan	2019	61,812	-	(47,985)	58,673	-	72,500
SAAC	Bank Al-Jazeera	Loan	2019	18,153	-	(19,144)	17,993	-	17,002
SAAC	Riyadh Bank	Loan	2019	12,500	-	(12,500)	6,250	-	6,250
Amitech Astana	Mr. Abykayev	Partners Loan	2019	9,978	-	-	-	(486)	9,492
	<b>Total</b>			<b>202,443</b>	<b>-</b>	<b>(129,629)</b>	<b>182,916</b>	<b>(486)</b>	<b>255,244</b>

### c. Short Term Loans

Table 18: Short Term Loans (SAR'000)

Borrower	Bank	Nature of lines	Amount Due as of December 31, 2017	New borrowings	Repayments	CTA	Amount due as of December 31, 2018
SAAC	National Commercial Bank	Short-term	18,000	44,500	(36,000)	-	26,500
SAAC	Arab Banking Corporation	Short-term	26,250	105,000	(105,391)	-	25,859
SAAC	Al-Bilad Bank	Short-term	181,595	620,000	(533,703)	-	267,892
SAAC	Al-Inma Bank	Short-term	275,504	514,115	(499,662)	-	289,957
SAAC	Bank of Bahrain & Kuwait	Short-term	24,375	69,375	(93,750)	-	-
SAAC	Al-Baraka Islamic Bank	Short-term	37,500	150,000	(150,000)	-	37,500
SAAC	Prime Trading	Short-term	84,746	-	(84,746)	-	-
AFIL	Riyad Bank	Short-term	41,250	163,750	(196,250)	-	8,750
AFIL	Gulf Investment Bank	Short-term	20,833	56,249	(68,749)	-	8,333
AFIL	National Commercial Bank	Short-term	48,352	67,468	(83,129)	-	32,691
AFIL	Samba Bank	Short-term	30,000	150,000	(150,000)	-	30,000
SADIP	Gulf Investment Bank	Short-term	29,165	81,500	(98,270)	-	12,395
SADIP	National Commercial	Short-term	176,000	206,000	(223,321)	-	158,679
SADIP	Saudi British Bank	Short-term	30,000	115,000	(135,000)	-	10,000
SADIP	Samba Bank	Short-term	20,000	12,500	(32,500)	-	-
BSL	National Commercial Bank	Short-term	19,215	38,840	(38,635)	-	19,420
BSL	Samba Bank	Short-term	-	71,000	(69,250)	-	1,750
	<b>Total</b>		<b>1,062,785</b>	<b>2,465,297</b>	<b>(2,598,356)</b>	<b>-</b>	<b>929,726</b>

Most of the short-term loans are used to finance receivables and stock of raw materials, since these receivables amount to SAR 0.9 Billion at the end of the year (SAR 1.0 Billion in 2017) while the total inventory value reached SAR 0.7 Billion at the end of the year compared with SAR 0.7 Billion in 2017.

#### d. Long-term Loans: Maturity Profile & Creditors' of the Group:

Table 19: Maturity of Long-term loans (in SAR '000)

Borrower	Bank	2019	2020	2021	2022	2023 onwards	Total
SAAC	Al-Inma Bank	150,000	100,000	-	-	-	250,000
SAAC	NCB	72,500	39,016	-	-	-	111,516
SAAC	Bank Al-Jazeera	17,002	15,073	3,827	-	-	35,902
SAAC	Riyadh Bank	6,250	-	-	-	-	6,250
Amitech Astana	Minority Partners Loan	9,492	-	-	-	-	9,492
	<b>Total</b>	<b>255,244</b>	<b>154,089</b>	<b>3,827</b>	<b>-</b>	<b>-</b>	<b>413,160</b>

The Group has paid back long terms loans of SR 129.6 million during 2018. The Group has obtained new long term loans with a value of SR 21.2 Million during 2018. The current ratio as of December 31, 2018 amounts to 0.85 compared to 0.98 in 2017, and the debt-to-equity ratio amounts 3.01 Compared to 2.19 in 2017.

### 16. Hedging Instruments

The Company subscribed to an IRS (interest rate Swap) to cover the financial costs associated to a Medium-Term Loan. The characteristic of that instrument as of December 31, 2018 are:

Notional Amount	116,168,000
Schedule Trade Date	31.05.2016
Schedule Maturity Date	30.01.2020
Interest Swap Market value as of December 31, 2018	SAR -181,613 (USD -48,430)

The instrument was accounted for as a hedging instrument on the Riyadh and NCB long term loan.

### 17. Conversion or Subscription Rights

The Company did not issue conversion or subscription rights during 2018.

### 18. Redeemable Debts

The Company does not owe or possess redeemable debts during 2018.

## 19. Board of Directors Composition & Committees

### The Board of Directors is Composed of (5) Members:

Table 20: Board of Directors List

Name	Title	Status
Prince Ahmad Bin Khalid Abdullah Al-Saud	Chairman	Non-Executive
Prince Abdulaziz Bin Mohammad Bin Fahad Al-Saud	Vice Chairman	Independent
Dr. Khalil A. Kordi	Member	Non-Executive
Mr. Sulaiman A. Al Amro	Member	Non-Executive
Eng. Mohammad Al-Haidan	Member	Independent

### Board of Directors Meetings During 2018:

The five-member Board of Directors has convened Six meetings during the year of 2018 as follows:

Table 21: Attendance Record of the meeting of the Board of Directors 2018

Board member name	First Meeting 01/01/2018	Second Meeting 16/03/2018	Third Meeting 29-06-2018	Fourth Meeting 24-07-2018	Fifth Meeting 04-09-2018	Sixth Meeting 08-12-2018	Total
Prince Ahmed Bin Khalid Abdullah Al-Saud	Attended	Attended	Attended	Attended	Attended	Attended	6
Prince Abdulaziz Bin Mohammad Bin Fahad Al-Saud	Attended	*Attended	*Attended	*Attended	*Attended	*Attended	6
Dr. Khalil A. Kordi	Attended	Attended	Attended	*Attended	Attended	Attended	6
Mr. Sulaiman A. Al Amro	Attended	Attended	*Attended	*Attended	Attended	*Attended	6
Eng. Mohammad A. Al-Haidan	Attended	Attended	*Attended	*Attended	Attended	Attended	6

Note: \*Attended by phone

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

## 20. Board of Directors and Nomination and Compensation Committee

This Nomination and Compensation Committee covers salaries, wages, and annual bonus related to performance and incentive plans (schemes) or any other benefits in kind. The policies and mechanisms for determining the remuneration of the Board Members are the following:

### 20.1 BOD fees

In accordance with the By-Laws of the company & governance policy, the remuneration of board of directors shall be maximum SR500,000 for each member according to the guidelines issued in these regards.

The Board of Directors report to the General Assembly shall include a complete statement of all remunerations given to the Board of Directors during the fiscal year detailing the all awards, expense allowances and other benefits. The said report shall also contain the payments received by the board of directors in their capacities as employees, administrators or whatever they have received in consideration for any technical, management or consulting works. The report shall also include the number of the

Board's sessions and the number of the meetings attended by each member as of the last meeting of the general assembly.

	Attending BOD Meetings Fees	Total Attending Committee Meetings Fees	Total
<b>First: Independent Members</b>			
1. Prince Abdulaziz Bin Mohammad Bin Fahad Al-Saud	-	100,000	100,000
2. Eng. Mohammad Al-Haidan	33,500	100,000	133,500
<b>Total</b>	<b>33,500</b>	<b>200,000</b>	<b>233,500</b>
<b>Second: Non- Executive Members</b>			
1. Prince Ahmad Bin Khalid Abdullah Al-Saud	51,750	100,000	151,750
2. Dr. Khalil A. Kordi	48,750	188,250	167,000
3. Mr. Sulaiman A. Al Amro	18,250	115,250	133,500
<b>Total</b>	<b>118,750</b>	<b>333,500</b>	<b>452,250</b>

## 20.2 Committee fees

The Committee fees and attendance fees are approved by the Board of Directors upon proposal of the Compensation Committee. The Committee fees amount to SAR 100,000 per year per member. Attendance fees amount to SAR 3,000 per attended meeting (3000 USD if the meeting is held outside KSA/Bahrain). When applicable, travel expenses are refunded. Members sitting on several committees only receive fees for one committee. If several meetings are handled the same day, attendance fees are only paid once for the day.

	Fixed Compensation (SAR'000)	Meeting Attendance Fees (SAR'000)	Total (SAR'000)
<b>Executive Committee</b>			
1.Prince Ahmad Bin Khalid Abdullah Al-Saud	100,000	*-	100,000
2. Prince Abdulaziz Bin Mohammad Bin Fahad Al-Saud	100,000	*-	100,000
3. Dr. Khalil A. Kordi	100,000	*-	100,000
4. Dr. Solaiman A. Al Twaijri	100,000	22,500	122,500
<b>Total</b>	<b>400,000</b>	<b>22,500</b>	<b>422,500</b>
<b>Audit Committee</b>			
1. Dr. Khalil A. Kordi	*-	*-	-

2. Mr. Sulaiman A. Al Amro	*_	*_	-
3. Dr. Sulaiman A. Al Sakran	100,000	48,750	148,750
<b>Total</b>	<b>100,000</b>	<b>48,750</b>	<b>148,750</b>
<b>Nominatino Compensation Committee</b>			
1. Prince Abdulaziz Bin Mohammad Bin Fahad Al-Saud	*_	*_	-
2. Mr. Sulaiman A. Al Amro	*_	*_	-
3. Eng. Mohammad A. Al-Haidan	100,000	*_	100,000
<b>Total</b>	<b>100,000</b>	<b>-</b>	<b>100,000</b>
<b>Sub Total</b>	<b>600,000</b>	<b>71,250</b>	<b>671,250</b>

*Note: According to the company's system, the member receives a one-time fixed bonus if he is a member of more than one committee. The member shall also be entitled to a one-time attendance allowance if more than one meeting is held on the same day and at the headquarters. In addition, the member will not be compensated for attending meetings if he is present by telephone.*

## 21. The total Compensation and Remuneration of the Board of Directors and Senior Executives for the year 2018, is as Follows:

The Remuneration of the Board Members with executive powers is approved by the Chairman of the Board of Directors.

Table 22: Total Remuneration and Compensation.

	<b>Total Remuneration &amp; Compensation (SAR'000)</b>
<b>Board of Directors</b>	686
<b>Senior Executives**</b>	12,695

*\*Includes the compensation and board fees of the Chief Executive Officer, Dr. Solaiman A Al Twaijri, and the Group Chief Financial Officer, Dr. Ammr K. Kurdi.*

## 22. Actions Taken by the Board to Brief its Members About the Shareholder Suggestions

During the General Assembly meeting on 10/04/2018 no suggestions or comments have been submitted by shareholders. On the other hand, the company received shareholders calls to answer their questions and take notes of the suggestions such as company restructuring. The Board members are informed about it and take some strategic decisions included the proposal to reduce the capital.



## 23. Directors Mandates of Members of the Board of Directors 2018:

Member Name	Names of companies in which the board member is a member of its current board of directors or its directors	Inside/ Outside KSA	Legal Entity	Names of the companies in which the member of the board of directors is a member of its previous board of directors or its directors.	Inside/ Outside KSA	Legal Entity
<b>1. Prince Ahmad Bin Khalid Abdullah Al-Saud</b>	Chairman, Saudi Arabian Cooperative Insurance Co. (SAICO)	Inside KSA	Listed			
	American Express Saudi Arabia.	Inside KSA	Not Listed			
	American Express Middle Est. Ltd.	Outside KSA	Limited liability			
	Arab Business Enterprises Co. Ltd.	Inside KSA	Limited liability			
	Chairman of Saudi Chemical Co. (until 31/12/2018)	Inside KSA	Listed			
<b>2.Prince Abdulaziz Bin Mohammad Bin Fahad Al-Saud</b>	None	None	None	None	None	None
<b>3.Dr. Khalil A. Kordi</b>	Aoudah Capital Co.	Inside KSA	Not Listed	SAMBA Financial Group	Inside KSA	Listed
				National Air Services Co. (NAS)	Inside KSA	Not Listed
				Integrated Telecom Company	Inside KSA	Not Listed
				Saudi Telecom Company (STC)	Inside KSA	Listed
<b>4.Mr. Sulaiman A.Al Amro</b>	AlAmthal Finance & Rent Co.	Inside KSA	Not Listed	Nama Chemicals Company	Inside KSA	Listed
	Stores & Transport Services Co.	Inside KSA	Not Listed	Saudi Bahrain Bank	Inside KSA	Listed
	FALCOM Holding Co.	Inside KSA	Holding	Saudi Hollandi Bank	Inside KSA	Listed
	Saudi Ground Services Co.	Inside KSA	Listed			
<b>5.Eng. Mohammad Al-Haidan</b>	None	None	None	None	None	None

## 24. Transactions with Related Parties

### Related Party Transactions

The table below shows the Group transactions with their respective non-consolidated affiliated companies in terms of sales and purchases

Company	Year	Sales to related parties	Purchases from / payments made to related parties
Amiantit Qatar	2018	-	-
	2017	11,244	-
Amensouss	2018	-	-
	2017	2,358	-
Amiblu Entities	2018	-	-
	2017	897	-
Amitech Morocco	2018	-	-
	2017	4	-
Subor & Subor Gap	2018	-	-
	2017	-	6,056

Table 23: Cash advances & Loans to Affiliated Companies (SR'000).

Borrower	Nature of Loan	Amount Due as of December 31, 2017	Additions	Repayments/ /Impairments /Discounting	Conversion	CTA	Amount due as of December 31, 2018
Amiantit Qatar	Know-how Fees	13,242	220	(5,772)	-	-	7,690
Sarplast Qatar	LT Loan	1,777	80	(518)	-	(6)	1,333
Amitech Morocco	LT Loan	25,364	230	(5,910)	(19,070)	(614)	-
Amensouss	Dividends	2,358	-	(2,358)	-	-	-
Jos Hansen & Soehne	Other receivable	29	-	(29)	-	-	-
APS & Amitech Romania	LT Loan	3,622	-	-	-	7	3,629
Subor & Subor Gap	Trade	4,306	-	-	-	94	4,400
Amiblu Spain	LT Loan	30,528	-	(3,975)	-	-	26,553
Amiblu Germany	LT Loan	1,782	115	-	-	-	1,898
Amiblu Technology AS	Other receivable	508	5	(337)	-	(8)	168
Amiantit Service	Other receivable	1,477	-	(172)	-	(61)	1,245
East Gas	Dividends	-	520	-	-	-	520
Amiblu	Management Fee	-	117	-	-	-	117
Tawzea	Management Fee	-	2,900	(800)	-	-	2,100
<b>TOTAL</b>		<b>84,994</b>	<b>4,187</b>	<b>(19,871)</b>	<b>(19,070)</b>	<b>(588)</b>	<b>49,652</b>

Note: SR 5.1 mio Impairment provisions have been booked on Amitech Morocco due to the financial condition of the company.

SR 1.8 mio discounting have been booked on Amiblu Spain receivable assuming we will collect the receivable in three years

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

### 25. Businesses or Contracts with Chief Executive Officer, Chief Finance Officer or Related Individuals:

The Board of Directors assures that there is no business or contracts between the Company or the Group and the CEO or CFO or any related party during 2018.

## 26. Waiver of Salary or Compensation by Directors or Senior Executives:

The Company declares that there were no waivers, arrangements, assignment or other modifications by any Board Member or Senior Executives of any salary or compensation rights or any profit rights in 2018.

## 27. Waiver by any Shareholder of Rights to Dividends:

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

## 28. Amounts due by the Group to Zakat, Tax Authorities, & other Legal Fees

Table 24: Zakat & Tax Payment (SAR '000)

Particular	Amounts due as of December 31, 2018	Reason
Zakat	123,288	According to zakat & income law
Income Taxes due to Saudi Authorities	1,325	As per income tax on foreigners
Income Taxes due to Foreign Authorities	4,315	As per foreign income tax rules, on foreign consolidated subsidiaries
Zakat & Income Tax Payable	<b>128,928</b>	
GOSI Contribution	760	According social insurance regulation
<b>Total</b>	<b>129,688</b>	

*Note: SAR 7.0 million is the estimated amount due and to be paid in 2018.*

## 29. Employee Share-Option Funds

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

Pursuant to the Capital Market Authority, the Company purchased 2,515,691 shares at an acquisition cost of SAR 16.60 per share. The shares are managed by a fund. The purchased shares were registered in the name of the employees during 2011 and a first three-years program was started beginning 2012, according to which a total of 593,000 Shares were distributed to the employees and to the management over 2015.

There is currently no active incentive program linked to the remaining 1,922,691 shares.

### **30. Declarations**

#### **30.1. Books of Accounts**

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

#### **30.2. System of Internal Control**

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

#### **30.3 Going-Concern**

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

### **31. Corporate Governance**

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

#### **31.1. Committees**

##### **A. Executive Committee**

##### **Duties & Authorities:**

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

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

- Check the strategic plans of the Company in cooperation with the Managing Director or the Chief Executive Officer.
- Confirm that the strategic plans are actually put to execution and actual work to achieve the Company's objectives
- Check the recommendations of the Managing Director and Chief Executive Officer regarding the allocation of the Company resources aimed at harmoniously balancing the strategic plans with the long terms operational goals.
- Periodical check the strategic plans and the operational goals of the Company and its affiliates to ensure their concurrence with the goals and mission of the Company.

**Regarding the operational priorities of the Company, the Executive Committee shall check and prepare the required recommendations for the Board of Directors regarding the strategic plan and Company's operational priorities including the expansion in or retrenchment from into or new markets or new countries**

**Regarding the financial planning of the Company and profit distribution policy the Executive Committee shall:**

- Prepare and check the recommendations to the Board of Directors regarding the long term annual financial strategies and related performance indicators.
- Check the important financial matters of the Company and its affiliates such as the matters related to the capital, credit classification, cash flow, borrowings, investment deposits, in coordination with the Company management and the audit Committee.
- Check and prepare the recommendations to be submitted to the Board of Directors on distribution of profits policies and how to implement them.
- Periodical and regular verification of the actual capital expenditure and their pre-approved budgets.

**Regarding the productivity of the Company in the long term and the effectiveness of its operational process, the Committee shall check and prepare the required recommendation to the Board of Directors regarding the strategic decisions on the possibilities for the Company to improve the quality of its products and services.**

**Duties:**

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

**Committee Members & Meetings**

		Two (2) meetings	
Member Name	Membership	First Meeting 16/03/2018	Second Meeting 08/12/2018

Prince Ahmad Bin Khalid Abdullah Al-Saud	<b>Chairman</b>	<b>*Attended</b>	<b>*Attended</b>
Prince Abdulaziz Bin Mohammad Bin Fahad Al-Saud	<b>Member</b>	<b>Attended</b>	<b>Attended</b>
Dr. Khalil A. Kordi	<b>Member</b>	<b>Attended</b>	<b>Attended</b>
Dr. Solaiman Abdulaziz Al Twaijri	<b>Member</b>	<b>Attended</b>	<b>Attended</b>
Dr. Ammr K. Kurdi	<b>Secretary</b>	<b>Attended</b>	<b>Attended</b>

*Note: \*Attended by phone*

**Term:** Three years starting 1<sup>st</sup> January 2018 ended 31<sup>st</sup> December 2020.

## **B. Audit Committee:**

### **Duties & Responsibilities:**

The Audit Committee shall be responsible for supervising the company's activities and verifying the effectiveness and adequacy of the internal control systems in the company as well and making an opinion and providing the necessary relevant recommendations. However, particularly the committee's responsibilities include the following:

#### **1) Financial Reporting:**

- 1- The audit committee shall review the interim and annual financial statements before being submitted to the board of director and provide the board with its judgment on these statement to ensure their accuracy and integrity.
- 2- Provides the board, upon its request, the required technical opinion on the board of directors reports and the financial statements, on whether, taken as a whole, fair, balanced and understandable and provides the information necessary for the shareholders & investors (stakeholders) to assess the company's performance, business model and strategy.
- 3- Looking into any significant or unusual transactions contained in the financial statements.
- 4- Looking significantly for any important issues raised by the financial manager of the company or his authorized representative, the commitment officer or the auditor of the company.
- 5- The committee shall check the accounting estimates on material issues in the financial reporting.
- 6- Studying the accounting policies adopted by the company and advise the board of directors thereon.

#### **2) Internal Control System:**

- 1- The audit committee should monitor the company operations.
- 2- The committee shall verify whether the internal audit function of the company is effective and adequate and preparing a written report containing the committee's recommendation and opinion on the adequacy of internal control system and the work performed by the committee within the scope of its mandate. The board of directors shall deposit a copy of this report in the

company's head office at least ten (10) days before the general assembly meeting of the company to provide interesting shareholders copy of which during the general meeting.

- 3- Studying the policies and procedures draft regulations and to express its opinion thereon in the light of its oversight role before being approved by the Board of Directors
- 4- Reviewing policies and regulations of the board of directors and board committees and advising the board on the matters in connection with the regulatory aspects before being approved by the board.
- 5- Reviewing the executive regulations of the board on the internal audit system and its various components and advice the board of directors of any recommendations thereon.
- 6- Studying any matter referred to the committee by the board of directors for necessary advice and recommendation in light of its oversight role in the company.

### **3) Investee Company:**

- 1- Ensuring the effectiveness of procedures for forming the performance of audit committees in subsidiaries in accordance with the company's agreements.
- 2- Ensuring the efficiency of the internal audit department in the investee companies by reviewing the annual evaluation of the quality of the internal audit of companies wholly owned or controlled by or as permitted by the partner agreements and to submit to the Board of Directors what it deems appropriate in this regard.
- 3- Ensuring that the nomination mechanism and the appointment of the external auditor of companies wholly owned or controlled by them or as permitted by the partners' agreements are referred to the Board of Directors as they see fit.
- 4- Obtaining the necessary and appropriate assurance from the audit committees of the subsidiaries regarding the effectiveness and integrity of the internal control system in accordance with the applicable regulations and partner agreements.
- 5- Approving the general framework and the audit protocol between the company's internal audit department, the audit committee and the internal audit department of the companies that are fully invested or controlled by parent company or as permitted by the partners' agreement.
- 6- Examining the proposed audit proposals of the internal audit department of the company to be applied to the subsidiaries and coordinating with the audit committees of the investee companies wholly owned or controlled by them or as permitted by the partners' agreements.

### **4) Independent External Audit:**

- 1- Recommending to the Board of Directors as to nomination or dismissal of the company auditors and suggesting their fees and evaluation of their performance after ensuring of their independence and reviewing the scope of their work and the terms of their contract.



- 2- Checking the independence, objectivity, fairness, and effectiveness of the company's accounts auditor, taking into account all relevant rules and standards.
- 3- Reviewing the plan of the company's auditor and its business and verifying that the auditor does not submit any technical or administrative work outside the scope of the audit function assigned to him and the committee shall, in such a case issues its recommendations and views thereon.
- 4- Answer to all inquiries submitted by the company's auditor.
- 5- Studying the auditor's report and its notes on the financial statements and following up what was taken on them.

#### **5) Ensuring Compliance:**

- 1- Reviewing the results of the reports of the regulatory bodies and verify that the company has taken the necessary procedures thereon.
- 2- Checking the company's compliance with relevant regulations, regulations, policies and instructions.

#### **6) Powers of the Committee:**

The Audit Committee, in order to discharge its functions and responsibilities, shall have the following powers:

- 1- The right to access any record in the company.
- 2- Request any clarification or statement from the members of the Board of Directors or the executive management of the company.
- 3- Requesting the board of directors to invite the general assembly to convene if the board obstructs its work or if the company is exposed to damage or serious financial losses.
- 4- Approves the guidelines of nomination of the company's accounts auditor.
- 5- Approves the internal auditing regulations.
- 6- Approves the annual auditing plan and budget of the internal audit department.
- 7- Approves the organization structure of the internal audit department in the company.
- 8- Recommends the board of directors to appoint the internal auditor of the company whether in case of resignation of internal auditor or, disability or dismissal and approves his monthly salary, allowances and other benefits.
- 9- Approves the annual evaluation of performance of the of internal auditing manager, remunerations and increments.
- 10- The Audit Committee shall have the right to seek, contract or direct awarding of consultants or consulting firms from inside or outside the company to carry out its duties assigned to the committee provided that the company shall undertake such studies or consultations and shall

include in its report the names of consultants / consulting firms and its relationship with the company or the executive management.

## 7) Obligations of Audit Committee Members:

- 1- Attending in the meetings of the committee regularly and actively participate in its work. In case of absence of any committee meeting, the committee member shall inform the chairman of the committee or the reasons of absence.
- 2- The committee chairman or his authorized representative of the members of the committee shall attend the general assembly meeting to answer the shareholders' questions.
- 3- The committee members shall maintain the secrets of the company, so he shall never disclose to the shareholders other than in the general assembly meeting, or any other third party any of the company's secrets which he became aware of as a result of performance of his work otherwise the he will be relieved as well as will be liable for any resulting consequences.
- 4- The committee member shall not practice any executive work for the company.
- 5- The committee member shall give due diligence to his work professionally and keep abreast of the recent developments related to the company's business.
- 6- The committee member shall be fair, equitable, honest, objective and impartial, and shall be free from personal interests so that he judgment shall not be under influence of any other person.
- 7- A member of the Committee shall not engage directly or indirectly in any activity that harms honor or honesty.
- 8- The member of the committee shall not accept anything of significant value from any employee, client or supplier or who has a business relationship with the company, which may lead to the weakening of his independence in form and object or affects or is supposed to affect the decisions reached.
- 9- The member of the committee shall disclose to the board of directors the operations carried out between him and the company and the nature of that relationship, as well as the relationship between him and the board of directors and executive management of the company, as required by the company's code of conduct.

## Committee Members & Meetings:

Member Name	Membership	Four (4) meetings			
		First Meeting 16/03/2018	Second Meeting 01/05/2018	Third Meeting 04/11/2018	Forth Meeting 08/12/2018
<b>Dr. Khalil A. Kordi</b>	Chairman	Attended	Attended	Attended	Attended
<b>Mr. Sulaiman Abdullah Al Amro</b>	Member	Attended	Attended	Attended	Attended
<b>Dr. Sulaiman Abdullah Al Sakran</b>	Member	Attended	Attended	Attended	Attended
<b>Ms. Mraya Al-Subaie</b>	Secretary	Attended	Attended	Attended	Attended

**Term:** Three years starting 1<sup>st</sup> January 2018 ended 31<sup>st</sup> December 2020.

During 2018 the Audit Committee has studied the interim & annual financial statements and has raised them to the Board of Directors for ratification.

## **The Audit Committee Report for the Year 2018**

No translation- see Arabic version

### **C. Nomination and Compensation Committee**

#### **Duties:**

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

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

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

- 1- Lay down the reward and bonuses policy for board members and executive directors in the Company aiming at increasing the Company value and optimize the personal efforts for each Board Member and

Executive Director in executing the strategic goals of the Company. The Committee shall evaluate the personal performance against the goals set by the Board of Directors.

- 2- Regarding the compensation of the Board's Members, the Committee shall draft the required criteria for compensation, and check them regularly, enabling the Company to achieve excellent performance without affecting the member's independence
- 3- Regarding the compensation of the Managing Director, Executive Directors or Department Managers in the Company, the Committee shall draft the required criteria for compensation to be checked regularly and applied on the annual fixed salaries, as increments, based on evaluation of the financial and non-financial performance, and draft special criteria for the long term incentives and bonuses aimed at aligning the directors' and managers' interests with the interest of the shareholders.
- 4- Continuously ensure the adequacy of the incentive criteria considering the performance of the Company, its financial position, and the main trends on the employment market.
- 5- Follow up on the decisions adopted by the General Assembly of the Company on the compensation of the Board of Directors' members and the disclosure of these remunerations in the annual report.

#### **Duties:**

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

#### **Committee Members & Meetings:**

Member Name	One (1) meeting	
	Membership	First Meeting 08/12/2018
Prince Abdulaziz Bin Mohammed Bin Fahad Bin Abdulaziz Al Saudi	Chairman	Attended
Mr. Sulaiman Abdullah Al Amro	Member	Attended
Eng. Mohammad Abdulrahman Al-Haidan	Member	Attended
Ms. Omniah Mattar	Secretary	Attended

**Term of Committee:** Three Years starting January 1<sup>st</sup>, 2018 ended 31<sup>st</sup> December 2020.

#### **32. Compliance to Governance Regulations:**

**The Following rules of Governance Policy have been Implemented:**

The following table shows the items which adopted the Governance Policy & the items which did not adopt the Governance Policy:

#	Item	Adopted	Not Adopted	Reason in Case of Non-adoption
1	General rights of shareholders	Yes		
2	Right of shareholders to inquire & obtain information not effecting company interests.	Yes		
3	Shareholders' pertaining to the General Assembly	Yes		
4	Voting Rights	Yes		
5	Shareholders' rights in dividends	Yes		
6	Policies & procedures related to disclosures	Yes		
7	Disclosures in the Board of Directors' Report	Yes		
8	The main roles of Board Members	Yes		
9	The responsibilities of the Board of Directors	Yes		
10	The composition of the Board of Directors	Yes		
11	The committees of the board and their independence	Yes		
12	The Audit Committee	Yes		
13	The Nominations & Remuneration Committee	Yes		
14	Board of Directors meetings and their agenda	Yes		
15	Board of Directors' fees & remuneration	Yes		
16	Conflict of interest for the Board of Directors	Yes		
17	Addition of an item to the agenda of the General Assembly meeting		No (Not Applicable)	No request received from the shareholders who own 5% above the share capital.
18	Cumulative Voting	yes		

### 33. Dates of the General Assemblies of Shareholders held during the last financial year and the names of the members of the Board of Directors present in the meeting:

Member Name	First GA Meeting 01/01/2018	Second GA Meeting 10/04/2018
Prince Ahmad Bin Khalid Abdullah Al-Saud	Attend by Proxy	Attend by Proxy
Prince Abdulaziz Bin Mohammad Bin Fahad Al-Saud	Attend by Proxy	Attend by Proxy
Dr. Khalil A. Kordi	Attended	Attended
Mr. Sulaiman A. Al Amro	Attended	Attended
Eng. Mohammad Al-Haidan	Attended	Attended

### 34. Policies Related to the Disclosure

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

### 35. Results of Annual Auditing for Effective Internal Control:

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

### 36. Independence & Authority

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

#### A. Internal Audit Responsibility

The responsibilities of the Internal Audit department encompass the following:

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

## B. Scope of Work

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

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

## C. Annual Results of Internal Audits

The Internal Audit Department completed audit engagements in accordance with its approved Audit Plan and provided management with value added recommendations to assist in initiating improvements to operations and to strengthen internal controls. Audit Engagements have been planned and performed so as to obtain sufficient information and explanation considered necessary to provide evidence to give reasonable assurance that the internal control system is operating effectively.

As a result of the Audit Engagements carried out, the Internal Audit department produced reasonable assurance that the overall system of internal controls was sound and no major deficiencies were noted during the year. The observations/ recommendations were also discussed with the concerned management and an action plan was agreed to address the issues. Areas concerning the system of internal controls, requiring timely cognizance of the management, were immediately communicated to the appropriate level. Quarterly reports over the progress of Internal Audit Activities were presented to the Audit Committee for their review and discussion in the periodic meetings.

Recommendations were issued in the following areas:

Recommendations	Result of the Recommendations
Multicultural recruitment strategy with emphasis on Saudization	Saudization program has been enforced aggressively, around 25 new Saudi employees are inducted in various departments including drafting, engineering, stress analysis and installation.
Revenue recognition of Percentage of Completion (P.O.C.) according to the International Accounting Standards.	The company has removed the concerns about the booking of revenues. Recommended measures were taken to fix the issues and adjusting entries were passed to show the actual revenue recognized during the period.
Dealing with unregistered vendors and using "One time local Vendor" and "One time foreign vendors" vendor heads.	This practice has been stopped and both these vendor accounts have been blocked to exterminate the dealing with un-registered, un-authorized vendors.
Voting rights in Chamber of Commerce be updated to active employees	In order to have accurate information, the management approached the chamber of commerce for an update on the contemplated



	matter upon their response the all inactive employees have been removed from the list and replaced by active personnel
Access passwords for some Government Authorities websites are shared to delegate work	Now the passwords are set up with mobile telephone number where the user gets passcode through SMS to only registered personnel, that stops the sharing of passwords.
Load allocation among transporters be done as per the designed policy.	Deliveries of most of the big projects are managed through isolated contracted on lower rates. However, distributing the load of remaining shipments is done according to the policy of the company.
Access to the filing area of Legal Department be controlled through proper access codes	Management agrees with the recommendation and the action is already taken, Legal department have additional room which is made exclusively for the case files with highly classified access to this room.
Low inventory levels for some raw materials be fixed to avoid shortage.	The process of reordering has been revisited and necessary adjustments are implemented to set the reordering levels and timings which can avoid shortages of material.
High value spare parts and consumables exceeding maximum level.	Revised maximum and minimum levels of inventory were introduced currently, no the management will control all the levels and has stopped purchasing of spare parts and consumables which are exceeding maximum levels.
Adjustment of advances from customers not done on timely manner affecting calculation of VAT.	Proper policy has been devised and implemented to adjust the advances from the customers on timely manner to avoid any miscalculation VAT payable.

Further,

- 1- The Internal Control Department has adopted all procedures necessary to ensure that management has adequately addressed the risks identified in the auditing report. Action plans relating to most of the audit findings have already been implemented.
- 2- The internal auditing work was directed towards the high risk activities and positions and to increase the efficiency and profitability of the Company.
- 3- The Internal Audit Department has completely coordinated its work with the external auditor satisfactorily.

### **37. Emphasis of a Matter by the Auditors:**

We draw attention to the following matters:

- Note 16 to the consolidated financial statements which indicates that these consolidated financial statements put the Group in breach of some of the financial covenants stated in the credit facility agreements with commercial banks. Management of the Group believes that the breach will not affect the maturity profile of its debt or the availability of credit.
- Note 4 to the consolidated financial statements which describes the uncertainty related to the estimation of impairment loss on trade receivables, contract assets and non-current receivables.

Our opinion is not modified in respect of these matters.

### **38. Changes in External Auditors:**

The company acknowledge that there are no changes in the external auditors.

### **39. Imposition of Penalty on the Company by the Capital Market Authority:**

During 2018 the Capital Market Authority has imposed penalty on the company amounting SAR 20,000 due to the violation of paragraph (a) of article (61) of the Rules on The Offer of Securities and Continuing Obligations and Subparagraph (5) of paragraph (a) of the Part "General Instructions" of the Instructions for Companies Announcements. The Company has disclosed incorrect information in its announcement published on the Saudi Stock Exchange (Tadawul)'s website on 05/08/2018 regarding its interim financial results for the period ending on 30/06/2018. Th company explained to the CMA that what happened was a typing error, which was only the result of the manual entry of information into Tadawul. And was corrected it in a subsequent corrective declaration on the same day, on 5/8/2018. The company promised in the coming times to take more caution. In addition, the company has filed a case against CMA's resolution under case no (1440/5401/A.L) dated 24/02/2019 .

## 40. Employees

### Management & Training:

1,772 Employees compared with 1,820 employees in 2017 are distributed as follows:

**Table 25: Company Headcount.**

Particulars	2018	2017	Increases/ (decrease)
Local sector	1,433	1,458	-25
International sector	339	362	-23
<b>Total employees</b>	<b>1,772</b>	<b>1,820</b>	<b>-48</b>
Saudi employees	436	398	38
Saudization Rate	30.43%	27.30%	

Over 2018 the following trainings were delivered:

**Table 26: List of Company Training Courses.**

Training	Participants
Microsoft Excel – Level 1	61
Microsoft Excel – Level 2	17
Microsoft Excel – Level 3	9
On-Boarding (Excel)	48
On-Boarding (Outlook)	35
Microsoft Outlook – Level 1	39
Speed Typing (Basic)	5
Speed Typing (Advanced)	9
Certificate in Enterprise Risk Management	1
Contract and Commercial Management Practitioner	1
IFRS Diploma	4
SAP SD	1
Sourcing Essentials in Procurement	1
Governance, Risk Management & Compliance	1
English Language Course – Beginner Level	82
English Language Course – Elementary Level	57
English Language Course – Pre-Intermediate Level	22
<b>Total</b>	<b>393</b>

## 41. Safety & Security:

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

environmental standard & obtained the presidency of metrology and environment (PME) permits for all plants.

#### 42. Recommendation on Results of Year 2018:

The Board of Directors suggests allocation of results of 2018 as follows:

Particular	(SAR'000)
Balance accumulated losses, as at 1 January 2018	(217,941)
Adoption of IFRS 9	(64,446)
<b>Adjusted balance as at 1 January 2018</b>	<b>(282,387)</b>
Loss for the Year	(232,594)
Add (Deduct): Other comprehensive income & non-controlling interests	
Actuarial gain (loss)	(183)
Transaction non-controlling interests	797
<b>Balance accumulated losses, as at 31 December 2018</b>	<b>(514,367)</b>

*Best Regards,  
Board of Directors*

