

**NATIONAL INDUSTRIALIZATION COMPANY**  
(A SAUDI JOINT STOCK COMPANY)

**INTERIM CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS (UNAUDITED)  
AND INDEPENDENT AUDITOR'S REVIEW  
REPORT  
FOR THE THREE AND SIX MONTHS PERIOD  
ENDED 30 JUNE 2018**

**NATIONAL INDUSTRIALIZATION COMPANY**

(A Saudi Joint Stock Company)

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)  
FOR THE THREE AND SIX MONTHS PERIOD ENDED 30 JUNE 2018**

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## Independent Auditor's Review Report

To the shareholders of  
**National Industrialization Company**  
(A Saudi Joint Stock Company)

Riyadh, Kingdom of Saudi Arabia

We have reviewed the accompanying interim condensed consolidated statement of financial position of National Industrialization Company "Saudi Joint Stock Company" ("Tasnee" or "the Company") and its subsidiaries (the "Group") as of 30 June 2018 and the related interim condensed consolidated statements of profit or loss and other comprehensive income for the three and six months period then ended, and the related interim condensed consolidated statements of changes in equity and cash flows for the six months period then ended, and a summary of significant accounting policies and other selected explanatory notes.

Management is responsible for the preparation and fair presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34 – ("IAS 34") "*Interim Financial Reporting*" endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

### **Scope of Review**

We conducted our review in accordance with International Standard on Review Engagements 2410, "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*", endorsed in the Kingdom of Saudi Arabia. A review of interim condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared in all material respects in accordance in accordance with IAS 34 as endorsed in the Kingdom of Saudi Arabia.

**For Dr. Mohamed Al-Amri & Co.**

Gihad Al-Amri  
Certified Public Accountant  
Registration No. 362



Riyadh, on 23 July 2018 G  
Corresponding to: 10 Dhul Qe'dah 1439 H

**NATIONAL INDUSTRIALIZATION COMPANY**  
(A Saudi Joint Stock Company)

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2018**  
(SR in '000)

		<b>30 June</b>	<b>31 December</b>
		<b>2018</b>	<b>2017</b>
	<b>Note</b>	<b>(Unaudited)</b>	<b>(Audited)</b>
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		2,939,790	2,535,215
Trade receivables		2,671,025	2,726,665
Inventories		2,768,915	2,815,971
Prepayments and other current assets		1,452,405	1,562,309
<b>Total current assets</b>		<b>9,832,135</b>	<b>9,640,160</b>
<b>Non-current assets</b>			
Property, plant and equipment	5	9,176,606	9,328,349
Projects under progress		2,652,431	2,621,110
Intangible assets		2,796,620	2,817,793
Exploration and evaluation costs		371,170	374,685
Investments in equity accounted associates and joint ventures	6	6,807,320	6,855,681
Investment in equity instruments designated as FVOCI		806,794	862,580
Deferred tax assets		258,679	287,107
Other non-current assets		1,296,874	1,205,729
<b>Total non-current assets</b>		<b>24,166,494</b>	<b>24,353,034</b>
<b>Total assets</b>		<b>33,998,629</b>	<b>33,993,194</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Short term facilities	7	29,590	17,440
Borrowings – current portion	8	3,003,134	813,994
Trade payables		2,476,732	2,656,389
Provisions and other current liabilities		1,669,923	1,732,097
Zakat and income tax payable	9	420,995	354,108
<b>Total current liabilities</b>		<b>7,600,374</b>	<b>5,574,028</b>
<b>Non-current liabilities</b>			
Long term borrowings	8	11,950,751	14,785,848
Employee benefits		595,682	579,827
Deferred tax liabilities		256,502	271,094
Other non-current liabilities		901,630	992,845
<b>Total non-current liabilities</b>		<b>13,704,565</b>	<b>16,629,614</b>
<b>Total liabilities</b>		<b>21,304,939</b>	<b>22,203,642</b>
<b>Equity</b>			
Share capital	10	6,689,142	6,689,142
Statutory reserve		1,310,020	1,234,303
Other reserves	11	(506,723)	(450,155)
Retained earnings		1,559,242	877,792
<b>Equity attributable to the equity holder of parent</b>		<b>9,051,681</b>	<b>8,351,082</b>
Non-controlling interests		3,642,009	3,438,470
<b>Total equity</b>		<b>12,693,690</b>	<b>11,789,552</b>
<b>Total liabilities and equity</b>		<b>33,998,629</b>	<b>33,993,194</b>

The accompanying notes from 1 to 21 form an integral part of these interim condensed consolidated financial statements

**NATIONAL INDUSTRIALIZATION COMPANY**  
(A Saudi Joint Stock Company)

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS**  
**(UNAUDITED)**  
**FOR THE THREE AND SIX MONTHS PERIOD ENDED 30 JUNE 2018**  
(SR in '000)

	<u>Note</u>	<b>For the three months</b>		<b>For the six months</b>	
		<b>period ended 30 June</b>		<b>period ended 30 June</b>	
		<b><u>2018</u></b>	<b><u>2017</u></b>	<b><u>2018</u></b>	<b><u>2017</u></b>
Revenue		2,990,643	2,667,482	5,810,893	5,148,015
Cost of revenue		(2,119,854)	(2,242,468)	(4,122,117)	(4,296,135)
<b>Gross profit</b>		<b>870,789</b>	425,014	<b>1,688,776</b>	851,880
Selling and distribution expenses		(153,741)	(127,080)	(314,809)	(279,132)
General and administrative expenses		(316,047)	(245,711)	(641,783)	(493,661)
Share of net profit from equity accounted associates and joint ventures	6	384,790	275,022	745,940	588,658
<b>Operating Profit</b>		<b>785,791</b>	327,245	<b>1,478,124</b>	667,745
Other income / (expense), net		32,133	75,810	76,758	119,744
Finance costs		(175,051)	(197,794)	(336,848)	(383,271)
<b>Profit before zakat and income tax</b>		<b>642,873</b>	205,261	<b>1,218,034</b>	404,218
Zakat and income tax expense	9	(75,103)	(19,668)	(138,817)	(35,578)
<b>Net profit for the period</b>		<b>567,770</b>	185,593	<b>1,079,217</b>	368,640
<b>Attributable to:</b>					
Equity holder of parent		395,808	93,558	757,167	196,896
Non-controlling interests		171,962	92,035	322,050	171,744
		<b>567,770</b>	185,593	<b>1,079,217</b>	368,640
<b>Earnings per share:</b>	12				
Basic and diluted (SR)		<b>0.59</b>	0.14	<b>1.13</b>	0.29

The accompanying notes from 1 to 21 form an integral part of these interim condensed consolidated financial statements

**NATIONAL INDUSTRIALIZATION COMPANY**  
(A Saudi Joint Stock Company)

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
(UNAUDITED)  
FOR THE THREE AND SIX MONTHS PERIOD ENDED 30 JUNE 2018  
(SR in '000)**

	For the three months		For the six months	
	period ended 30 June		period ended 30 June	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
<b>Net profit for the period</b>	<b>567,770</b>	185,593	<b>1,079,217</b>	368,640
<b>Other comprehensive income</b>				
<i>Items to be reclassified to profit or loss in subsequent periods:</i>				
Exchange adjustments on translation of foreign operations	(215,836)	13,155	(195,170)	119,788
Cash flow hedge reserve	(12,644)	2,946	(21,190)	2,815
<b>Total items to be reclassified to profit or loss in subsequent periods</b>	<b>(228,480)</b>	16,101	<b>(216,360)</b>	122,603
<i>Items not to be reclassified to profit or loss in subsequent periods:</i>				
Gains / (losses) on investments in equity instruments designated as FVOCI	1,011	(28,489)	34,739	(2,883)
<b>Total items not to be reclassified to profit or loss in subsequent periods</b>	<b>1,011</b>	(28,489)	<b>34,739</b>	(2,883)
<b>Total comprehensive income for the period</b>	<b>340,301</b>	173,205	<b>897,596</b>	488,360
<b>Attributable to:</b>				
Equity holder of parent	231,216	62,936	634,787	291,069
Non-controlling interests	109,085	110,269	262,809	197,291
	<b>340,301</b>	173,205	<b>897,596</b>	488,360

The accompanying notes from 1 to 21 form an integral part of these interim condensed consolidated financial statements

**NATIONAL INDUSTRIALIZATION COMPANY**

(A Saudi Joint Stock Company)

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)**

**FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2018**

(SR in '000)

	Attributable to equity holder of parent				Total equity	Non-controlling interests	Total equity
	Share capital	Statutory reserve	Other reserves	Retained earnings			
<b>As at 1 January 2017</b>	6,689,142	1,162,687	(753,722)	233,252	7,331,359	3,213,428	10,544,787
Net profit for the period	-	-	-	196,896	196,896	171,744	368,640
Other comprehensive income	-	-	94,173	-	94,173	25,547	119,720
Total comprehensive income for the period	-	-	94,173	196,896	291,069	197,291	488,360
Net movements during the period	-	-	-	-	-	14,251	14,251
Transfer to statutory reserve	-	19,690	-	(19,690)	-	-	-
<b>As at 30 June 2017</b>	<b>6,689,142</b>	<b>1,182,377</b>	<b>(659,549)</b>	<b>410,458</b>	<b>7,622,428</b>	<b>3,424,970</b>	<b>11,047,398</b>
<b>As at 1 January 2018</b>	<b>6,689,142</b>	<b>1,234,303</b>	<b>(450,155)</b>	<b>877,792</b>	<b>8,351,082</b>	<b>3,438,470</b>	<b>11,789,552</b>
Net profit for the period	-	-	-	757,167	757,167	322,050	1,079,217
Other comprehensive income	-	-	(122,380)	-	(122,380)	(59,241)	(181,621)
Total comprehensive income for the period	-	-	(122,380)	757,167	634,787	262,809	897,596
Net movements during the period	-	-	-	-	-	(59,270)	(59,270)
Transfer to statutory reserve	-	75,717	-	(75,717)	-	-	-
Others	-	-	65,812	-	65,812	-	65,812
<b>As at 30 June 2018</b>	<b>6,689,142</b>	<b>1,310,020</b>	<b>(506,723)</b>	<b>1,559,242</b>	<b>9,051,681</b>	<b>3,642,009</b>	<b>12,693,690</b>

The accompanying notes from 1 to 21 form an integral part of these interim condensed consolidated financial statements

**NATIONAL INDUSTRIALIZATION COMPANY**  
(A Saudi Joint Stock Company)

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**(UNAUDITED)**  
**FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2018**  
(SR in '000)

	<u>2018</u>	<u>2017</u>
<b><u>CASH FLOW FROM OPERATING ACTIVITIES</u></b>		
<b>Net profit before Zakat and income tax</b>	<b>1,218,034</b>	404,218
<i>Adjustments for:</i>		
Depreciation and amortization	<b>406,426</b>	426,385
Employee benefits, net	<b>15,855</b>	53,770
Share of net profit from equity accounted associates and joint ventures	<b>(745,940)</b>	(588,658)
Finance costs	<b>336,848</b>	383,270
<i>Changes in operating assets and liabilities:</i>		
Trade receivables	<b>55,640</b>	(607,762)
Inventories	<b>47,056</b>	267,481
Prepayments and other current assets	<b>109,904</b>	(456,926)
Other non-current assets	<b>(59,202)</b>	946,168
Trade payables	<b>(179,657)</b>	(710,865)
Provisions and other current liabilities	<b>(134,104)</b>	158,424
Other non-current liabilities	<b>(109,875)</b>	140,175
<b>Net cash flows from operating activities</b>	<b>960,985</b>	415,680
<b><u>CASH FLOW FROM INVESTING ACTIVITIES</u></b>		
Additions to property, plant and equipment	<b>(256,368)</b>	(360,826)
Disposals of property, plant and equipment, net	<b>18,184</b>	15,208
(Additions) / deletion to projects under progress, net	<b>(31,321)</b>	(101,308)
(Additions) / deletion to intangible assets, net	<b>4,674</b>	(30,845)
Investments in equity accounted on associates and joint ventures, net	<b>793,519</b>	563,151
<b>Net cash flows from investing activities</b>	<b>528,688</b>	85,380
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>		
Short term facilities, net	<b>12,150</b>	(34,332)
Borrowings, net	<b>(641,889)</b>	(21,223)
Finance costs paid	<b>(336,848)</b>	(383,270)
Non-controlling interests	<b>(118,511)</b>	39,798
<b>Net cash flows used in financing activities</b>	<b>(1,085,098)</b>	(399,027)
<b>Net increase in cash and cash equivalents</b>	<b>404,575</b>	102,033
Cash and cash equivalents at beginning of the period	<b>2,535,215</b>	2,430,060
<b>Cash and cash equivalents at end of the period</b>	<b>2,939,790</b>	2,532,093

The accompanying notes from 1 to 21 form an integral part of these interim condensed consolidated financial statements



**NATIONAL INDUSTRIALIZATION COMPANY**  
(A Saudi Joint Stock Company)

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED)**  
**FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2018**  
(SR'000 unless otherwise noted)

**1. STATUS AND NATURE OF ACTIVITIES**

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

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

The registered office of the Company is as follows:

National Industrialization Company  
P. O. Box 26707  
Riyadh 11496, Kingdom of Saudi Arabia

**1.1 Subsidiaries**

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

Company Name	Legal Form	Shareholding (%)	
		30 June 2018	30 June 2017
Tasnee and Sahara Olefins Company and its subsidiaries (1)	Closed joint stock	<b>60.45</b>	60.45
Rowad National Plastic Company (“Rowad”) and its subsidiaries (2)	Limited liability	<b>100</b>	100
National Lead Smelting Ltd. Company (“Rassas”) and its subsidiary (3)	Limited liability	<b>100</b>	100
National Batteries Company (“Battariat”) (4)	Limited liability	<b>90</b>	90
National Operation and Industrial Services Company (“Khadamat”) - under liquidation (5)	Limited liability	<b>88.33</b>	88.33
National Marketing and Industrial Services Company (“Khadamat II”) (6)	Limited liability	<b>100</b>	-
National Inspection and Technical Testing Company Ltd. (“Fahss”) (7)	Limited liability	<b>69.73</b>	69.73
TUV – Middle East WLL (8)	Limited liability	<b>69.73</b>	69.73
Taldeen Plastic Solution Co. Ltd (9)	Limited liability	<b>100</b>	-
Al Khadra Environment Company for Industrials Waste Management (“Khadra”) (10)	Limited liability	<b>100</b>	-
The National Titanium Dioxide Ltd. Company (“Cristal”) and its subsidiaries (11). Also, refer to note 17	Limited liability	<b>79</b>	79
Advanced Metal Industries Ltd Company (12)	Limited liability	<b>89.50</b>	89.50
National Industrialization Petrochemical Marketing Company (13)	Limited liability	<b>100</b>	100
National Worldwide Industrial Advancement Ltd. Company (14)	Limited liability	<b>100</b>	100
National Gulf Company for Petrochemical Technology (14)	Limited liability	<b>100</b>	100
National Industrialization Company for Industrial Investments (14)	Limited liability	<b>100</b>	100
Saudi Global Makasib for Trading and Industry Company (14)	Limited liability	<b>100</b>	100
National Petrochemical Industrialization Company (14)	Limited liability	<b>100</b>	100

**NATIONAL INDUSTRIALIZATION COMPANY**  
(A Saudi Joint Stock Company)

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED)**  
**FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2018**  
(SR'000 unless otherwise noted)

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**1 STATUS AND NATURE OF ACTIVITIES (Contd.)**

**1.1 Subsidiaries (Contd.)**

**1. Tasnee and Sahara Olefins Company**

Tasnee and Sahara Olefins Company ("TSOC") is a Saudi Limited Liability Company with its head office based in Riyadh. The main objectives of the company are the production and marketing of petrochemical and chemical materials.

Tasnee and Sahara Olefins Company owns 65% of Saudi Acrylic Acid Company ("SAAC"), a Saudi Limited Liability Company, which is registered in Riyadh, Saudi Arabia

**2. Rowad National Plastic Company and its subsidiaries ("Rowad")**

Rowad National Plastic Company is a Saudi Limited Liability Company with its head office based in Riyadh Saudi Arabia. The company is engaged in the manufacturing of all types of plastic productions and managing and operating the industrial plants.

Rowad National Plastic Company owns 97% and 62.5% of equity interests in Rowad International Geosynthetics Company Ltd. and Rowad Global Packing Company Ltd., respectively, which are Saudi Limited Liability Companies registered in Dammam, Saudi Arabia.

**3. National Lead Smelting Company and its subsidiary ("Rassas")**

National Lead Smelting Company is a Saudi Limited Liability Company with its head office based in Riyadh Saudi Arabia. The company is engaged in the manufacturing of lead as well as polypropylene and sodium sulfate.

National Lead Smelting Company Limited owns 100% of Technical Tetravalent Lead Smelting Company Limited ("TTLSP"), a Saudi limited liability company, which is registered in Jeddah, Saudi Arabia.

**4. National Batteries Company ("Battariat")**

National Batteries Company is a Saudi Limited Liability Company with its head office based in Riyadh, Saudi Arabia. The company is engaged in the manufacturing of dry and wet batteries for vehicles and industrial use.

**5. National Operation and Industrial Services Company ("Khadamat") - under liquidation**

National Operating and Industrial Services Company is a Saudi Limited Liability Company based in Riyadh, Saudi Arabia. The company is currently under liquidation.

**6. National Marketing and Industrial Services Company ("Khadamat II")**

National Marketing and Industrial Services Company is a Saudi Limited Liability Company based in Riyadh, Saudi Arabia. The Company is engaged in Marketing, Sale and distribution of industrial products, including car batteries, plastic sheets, imports & exports, trading agencies for industrial products, investment in industrial services fields including environment preservation services, quality services and technical testing.

**7. National Inspection and Technical Testing Company Ltd. ("Fahss")**

National Inspection and Technical Testing Company Ltd. is a Saudi Limited Liability Company based in Dammam, Saudi Arabia. The company is engaged in providing technical services in inspection, testing, calibration, maintenance, quality, environmental management systems, quality management and environment systems (ISO).

**8. TUV – Middle East WLL ("TUV")**

TUV - Middle East WLL is a Limited Liability Company incorporated in Kingdom of Bahrain. The company is engaged in inspection of mechanical equipment and industrial instruments, quality management and environment systems (ISO), academic trainings, information technology consultancy and laboratory testing services for various products. TUV - Middle East WLL owns a subsidiary, German Safety and Quality Inspection Company LLC, a limited liability company, which is registered in Doha, Qatar.

**NATIONAL INDUSTRIALIZATION COMPANY**  
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**(UNAUDITED)**  
**FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2018**  
(SR'000 unless otherwise noted)

**1 STATUS AND NATURE OF ACTIVITIES (Contd.)**

**1.1 Subsidiaries (Contd.)**

**9. Taldeen Plastic Solution Company limited (“Taldeen”)**

Taldeen Plastic Solutions Company Ltd. is a Saudi Limited Liability Company based in Hail, Saudi Arabia. The company’s objective includes four plants to producing plastic pallets, plastic pipes, agrifilm and waste water treatment units. The company has commenced its commercial operations partially.

**10. Al Khadra Environment Company for Industrials Waste Management (“Khadra”)**

Al Khadra Environment Company for Industrials Waste Management (“Khadra”) is a Saudi Limited Liability Company based in Riyadh, Saudi Arabia. The Company is engaged in sale, gathering and recycling of used and damaged batteries, lead, plastics, industrial materials and environmental waste.

**11. The National Titanium Dioxide Limited Company (“Cristal”)**

The National Titanium Dioxide Limited Company (“Cristal”) is a Saudi Limited Liability Company with its head office based in Jeddah, Saudi Arabia. The main objectives of the company and its subsidiaries are the production and marketing of Titanium Dioxide and Sulphuric Acid, manufacturing of Titanium Metal Powder and mineral exploration and mining.

Cristal owns directly or indirectly owns 100% of equity interests of the following subsidiaries: Cristal Inorganic Chemicals Ltd., Cristal Australia Pty Ltd., Cristal Metals U.S.A., Cristal US Holding LLC and Hong Kong Titanium Products Company Limited. Also, refer to note 17.

**12. Advanced Metal Industries Ltd. Company (“AMIC”)**

Advanced Metal Industries Ltd. Company (“AMIC”) has been established with direct ownership percentage of 50% each by National Industrialization Company and Cristal. AMIC is a Saudi Limited Liability Company and registered in Jeddah, Saudi Arabia. The company is engaged in setting up industrial projects related to Titanium metals of various type and other related substances including Titanium ore, Iron ore and manufacturing of Titanium dioxide through high pressure oxidation.

**13. National Industrialization Petrochemical Marketing Company (“Tasnee Marketing”)**

National Industrialization Petrochemical Marketing Company is a Saudi Limited Liability Company based in Riyadh, Saudi Arabia. The company is engaged in the marketing and exporting services of chemical, petrochemical and plastic items including polypropylene and polyethylene.

**14.** These are direct subsidiaries and are incorporated in the Kingdom of Saudi Arabia. These subsidiaries are mainly holding companies for the Group’s investments.

**1.2 Associates and Joint Arrangements**

The following are the list of the Group’s associated companies and joint arrangements included in these interim condensed consolidated financial statements and effective ownership percentages:

Company Name	Relationship	Legal Form	Shareholding (%)	
			30 June 2018	30 June 2017
Saudi Polyolefin Company	Joint Venture	Limited liability	75	75
Saudi Ethylene and Polyethylene Company	Joint Venture	Limited liability	45.34	45.34
Saudi Acrylic Monomer Company	Joint Venture	Limited liability	39.22	39.22
Saudi Acrylic Polymer Company	Joint Venture	Limited liability	39.22	39.22
Advanced Metal Industries Ltd. Company and Tohoo for Titanium Metal Ltd. Company	Joint Venture	Limited liability	58.18	58.18
Saudi Butanol Company	Joint Operations	Limited liability	17.43	17.43
National Metal Manufacturing and Casting Company		Saudi joint stock company	35.45	35.45
Saudi Claryant for Colorants Ltd Company	Associate	Limited liability	40	40

**NATIONAL INDUSTRIALIZATION COMPANY**  
(A Saudi Joint Stock Company)

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED)**  
**FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2018**  
(SR'000 unless otherwise noted)

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**2 BASIS OF PREPARATION**

**(i) Statement of Compliance**

These interim condensed consolidated financial statements have been prepared in accordance with the International Accounting Standard No. 34 – “Interim Financial Reporting” as endorsed in Kingdom of Saudi Arabia by Saudi Organization for Certified Public Accountants (“SOCPA”).

The interim condensed consolidated financial statements do not include all information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2017.

**(ii) Functional and presentation currency**

These interim condensed consolidated financial statements are presented in Saudi Riyals, which is the Parent Company's functional currency. All amounts have been rounded to the nearest thousand (SR '000), unless otherwise indicated.

**3 SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies used in the preparation of these interim condensed consolidated financial statements are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2017 except for the adoption of the following amendment to existing standards and new interpretation mentioned below which have had no significant financial impact on these interim condensed consolidated financial statements of the Group:

**(i) Amendments to IFRS 2 “Share Based Payment”**

The amendments clarify accounting for cash-settled share-based payment transactions that include a performance condition, the classification of share-based payment transactions with net settlement features, and the accounting for modifications of share-based payment transactions from cash-settled to equity-settled.

**(ii) Amendments to IFRS 4 “Insurance Contract” and IFRS 9 “Financial Instruments”**

The amendments provide two options for entities that issue insurance contracts within the scope of IFRS 4. This include an option that permits entities to reclassify, from profit or loss to other comprehensive income, some of the income or expenses arising from designated financial assets; this is the so-called overlay approach; and an optional temporary exemption from applying IFRS 9 for entities whose predominant activity is issuing contracts within the scope of IFRS 4; this is the so-called deferral approach.

**(iii) Amendments to IFRS 15 “Revenue from Contracts with Customers”**

The amendments add clarifications in the following areas:

- Identifying performance obligations;
- Principal versus agent considerations; and
- Licensing application guidance.

The amendments introduce additional practical expedients for entities transitioning to IFRS 15 on (i) contract modifications that occurred prior to the beginning of the earliest period presented and (ii) contracts that were completed at the beginning of the earliest period presented.

**(iv) Amendment to IAS 40 “Investment Property”**

The amendments are intended to clarify that an entity can only reclassify a property to/from investment property when, and only when, there is evidence that a change in the use of the property has occurred.

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**3. SIGNIFICANT ACCOUNTING POLICIES (Contd.)**

**(v) Annual Improvements to IFRSs 2014–2016 Cycle - Amendments to IFRS 1 “First time adoption of International Financial Reporting Standards” and IAS 28 “Investments in Joint venture and Associates”**

- **IFRS 1 “First time adoption of International Financial Reporting Standards”:** The amendments in IFRS 1 deletes the short term exemptions in IFRS 1 that relates to disclosure about financial instruments (IFRS 7), Employee benefits (IAS 19), and investment entities (IFRS 12 and IAS 27). The reporting period to which the exemptions applied have already passed and as such, these exemptions are no longer applicable.
- **IAS 28 “Investments in Joint venture and Associates”:** The amendments clarify that the option for a venture capital organization and other similar entities to measure investments in associates and joint ventures at FVTPL is available separately for each associate or joint venture, and that the election should be made at initial recognition of the associate or joint venture.

There is no impact of above amendments on these interim condensed consolidated financial Statements.

**(vi) IFRIC 22 “Foreign Currency Transaction and Advance Consideration”**

The Interpretation clarifies that when an entity pays or receive consideration in advance in a foreign currency, the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense, or income is the date of advance consideration i.e. when the prepayment or income receive in advance liability was recognized.

**(vii) IFRS 9 “Financial Instruments” and IFRS 15 “Revenue from Contracts with Customers”**

The Group has already opted last year to early adopt IFRS 9 and 15 effective 1 January, 2017. These standards were originally mandatory to be applied effective 1 January 2018 with an option of early adoption. At 1 January 2018, the Group was already in compliance with both of these standards.

**4. USE OF CRITICAL ESTIMATES AND JUDGMENTS**

In preparing these interim condensed consolidated financial statements, management has made judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual result may differ from these estimates. Estimates and judgments are regularly evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

The significant judgments made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual consolidated financial statements for the year ended 31 December 2017.

**5. PROPERTY, PLANT AND EQUIPMNET**

During the six month period ended 30 June 2018, the Group added property, plant and equipment with a cost of SR 256.4 million (the six months period ended 30 June 2017: SR 360.83 million). Property, plant and equipment with a net book value of SR 18.2 million were disposed of the Group during the six months period ended 30 June 2018 (the six months period ended 30 June 2017: SR 15.2 million).

The capitalized borrowing costs during the six months period ended June 2018 amounted to SR 3.2 million (the six months period ended 30 June 2017: SR 28.8 million).

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**6. INVESTMENTS IN EQUITY ACCOUNTED IN ASSOCIATES AND JOINT VENTURES**

	<b>30 June 2018 (Unaudited)</b>	<b>31 December 2017 (Audited)</b>
Investments in equity accounted associates (note 6.1)	276,414	283,004
Investments in equity accounted joint ventures (note 6.2)	<b>6,530,906</b>	6,572,677
	<b>6,807,320</b>	6,855,681

6.1. The movements in investments in associates are as follows:

	<b>30 June 2018 (Unaudited)</b>	<b>31 December 2017 (Audited)</b>
At the beginning of the period/year	283,004	283,269
Share in earnings, net	5,557	(3,528)
Dividends income	(2,492)	(4,985)
Disposals/adjustments	(9,655)	8,248
At the end of the period/year	<b>276,414</b>	283,004

6.2. The movements in investments in joint venture are as follows:

	<b>30 June 2018 (Unaudited)</b>	<b>31 December 2017 (Audited)</b>
At the beginning of the period/year	6,572,677	6,345,586
Share in earnings, net	740,383	1,347,469
Dividends income	(892,000)	(1,270,000)
Additions/disposals, net	109,846	149,622
At the end of the period/year	<b>6,530,906</b>	6,572,677

**7. SHORT TERM FACILITIES**

The Group has several short-term credit facilities to fund its working capital requirements and short-term funding needs. The outstanding balance of these facilities as at 30 June 2018 amounted to SR 29.6 million (31 December 2017: SR 17.4 million). These facilities are secured by promissory notes and carry a commission that is commensurate with prevailing commercial rates.

**8. BORROWINGS**

		<b>30 June 2018 (Unaudited)</b>	<b>31 December 2017 (Audited)</b>
Sukuk	8.1	2,000,000	2,000,000
Saudi Industrial Development Fund	8.2	1,601,419	1,676,430
Commercial banks	8.3	11,352,466	11,923,412
<b>Total loans</b>		<b>14,953,885</b>	15,599,842
Less: Current portion of long term borrowings		(3,003,134)	(813,994)
<b>Long term borrowings</b>		<b>11,950,751</b>	14,785,848

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**8. BORROWINGS (Contd.)**

**8.1. Sukuk**

On 30 Jumada II' 1433H, (corresponding to 21 May 2012G), the Company issued its first Sukuk amounting to SR 2 billion at a par value of SR 1 million each, with no discount or premium. This is the first issuance of sukuk under a sukuk program approved to be issued over various periods. The Sukuk issuance bears a variable rate of return at SAIBOR plus a pre-determined margin, payable semi-annually in advance. The Sukuk is repayable at maturity at par value on its expiry date of 16 Ramadan 1440H (corresponding to 21 May 2019G).

**8.2. Saudi Industrial Development Fund ("SIDF")**

The Group has multiple long-term facilities from the Saudi Industrial Development Fund. The total outstanding balance of these loans as at 30 June 2018 amounted to SR 1,601 million (31 December 2017: SR 1,676 million). These facilities are secured by mortgages on all property, plant, and equipment of the subsidiaries for which the loans were granted and promissory notes, and corporate guarantees from the shareholders. The loan agreements contain certain covenants which among others, require that the companies maintain specified financial ratios.

**8.3. Loans from commercial banks**

The Group has multiple long-term loan facilities from commercial banks. The outstanding balance of these loans as at 30 June 2018 amounted to SR 11,352 million (31 December 2017: SR 11,923 million). These loans are secured by promissory notes and guarantees of the shareholders and carry a commission that is commensurate with prevailing commercial rates. The loans contain certain covenants including the requirement to maintain specified financial ratios.

During the year ended 31 December 2017, the Group entered into syndicated murabaha facilities in a total amount of SR 3.9 billion to refinance its existing facilities. The new facilities have a seven years' maturity ending in 2024 and are repayable in sculpted semi-annual installments. The facilities are secured by promissory notes and carry a commission that is commensurate with prevailing commercial rates. The facilities contain certain covenants including the requirement to maintain specified financial ratios.

**9. ZAKAT AND INCOME TAX PAYABLE**

**Status of Zakat and income tax returns and assessments**

**The Company**

During 2015, the Company received an approval from the General Authority of Zakat and Tax ("GAZT") in the Kingdom of Saudi Arabia to file consolidated Zakat returns of the Company and its 100% owned subsidiaries since 2008. As at 30 June 2018, the Company has filed its consolidated Zakat and income returns with GAZT up to 31 December 2016.

As of 30 June 2018, the Company has finalized its Zakat and income tax status with GAZT up to 2007, while Zakat declarations for the years from 2008 to 2016 are still under review by GAZT.

**Subsidiaries**

Non-wholly owned subsidiaries in KSA filed their Zakat and income tax returns individually for each company. Overseas subsidiaries filed their income tax return based on the tax laws in their countries in which the operations are conducted and income is earned.

Some of the subsidiaries in KSA have received assessments from the GAZT for several years, resulting requirement for additional liability amounted to SR 210 million. The same subsidiaries have submitted appeal against these assessments which is still under review by GAZT. The management of the Company is optimistic and expects to amend the GAZT assessment for its benefit. Accordingly, the management believes that the final outcome will not lead to any material obligations.

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**10. SHARE CAPITAL**

Share capital amounted to SR 6,689,142 thousand as at 30 June 2018 (31 December 2017: SR 6,689,142 thousand) consisting of 668,914 thousand shares (31 December 2017: 668,914 thousand shares) of SR 10 each.

**11. OTHER RESERVES**

Other reserves mainly consist of a foreign currencies differences from translation of the overseas subsidiaries financial statements amounting to SR 14.9 million as at 30 June 2018 (31 December 2017: SR 169.2 million) and a difference in the acquisition of the non-controlling interests amounting to SR 926 million as at 30 June 2018 (31 December 2017: SR 992 million).

**12. EARNINGS PER SHARE**

	<b>30 June 2018 (Unaudited)</b>	<b>30 June 2017 (Unaudited)</b>
Basic and diluted earnings per share from operating profit	<u>2.21</u>	<u>1.00</u>
Basic and diluted earnings per share from net profit	<u>1.13</u>	<u>0.29</u>

Earnings used in the calculation of basic earnings per share:

	<b>30 June 2018 (Unaudited)</b>	<b>30 June 2017 (Unaudited)</b>
Net profit from operations	<u>1,478,124</u>	<u>667,745</u>
Net profit for the period	<u>757,167</u>	<u>196,896</u>

The earnings / (losses) per share attributable to income from net profit for the period are calculated based on total number of shares issued.

**13. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or liability, the Group takes into account the characteristics of the assets or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

All financial assets and liabilities have been accounted at amortized cost except for the investments in equity instruments designated at FVOCI and derivative instruments which have been carried at fair value either through the interim condensed consolidated statement of profit or loss or interim condensed consolidated statement of other comprehensive income depending on whether hedge accounting is followed or not.

The management assessed that other current financial assets and liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.



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**13. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Contd.)**

**13.1. Fair valuation techniques**

For financial reporting purposes, the Group has used the fair value hierarchy categorized in level 1, 2 and 3 based on the degree to which the inputs to the fair value measurement are observable and significance of the inputs to the fair value measurement in its entirety, and describe as follows:

- **Level 1** - quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can assess at the measurement date.
- **Level 2** - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- **Level 3** - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The valuation of each publicly traded investment is classified as Level 1 and based upon the closing market price of that stock as of the valuation date, less a discount if the security is restricted.

Fair values of investments in unquoted equity shares classified in Level 3 are determined based on the investees' latest reported net asset values as at the date of interim condensed consolidated statement of financial position.

Foreign exchange forward contracts and interest rate swaps are classified as Level 2.

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value:

<b>Nature of financial instrument</b>	<b>Carrying value</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<b>As at 30 June 2018</b>				
<b>Financial Assets</b>				
Investments in quoted equity shares	276,414	276,414	-	-
Investments in unquoted equity shares	530,380	-	39,103	491,277
<b>Financial Liabilities</b>				
Interest rate swaps	(4,730)	-	(4,730)	-
Foreign exchange forward contracts	(14,606)	-	(14,606)	-
<b>As at 31 December 2017</b>				
<b>Financial Assets</b>				
Investments in quoted equity shares	283,919	283,919	-	-
Investments in unquoted equity shares	578,661	-	87,384	491,277
<b>Financial Liabilities</b>				
Interest rate swaps	(7,924)	-	(7,924)	-
Foreign exchange forward contracts	(604)	-	(604)	-

Apart from the above financial instruments, other financial instruments have been carried at amortized cost.

**13.2. Transfers between Levels 1 and 2**

There have been no transfers between Levels 1 and Level 2 during the reporting periods.

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**14. DERIVATIVE FINANCIAL INSTRUMENTS**

	<b>30 June 2018 (Unaudited)</b>	<b>31 December 2017 (Audited)</b>
Derivatives not designated as hedges		
• Interest rate swaps	(473)	(6,619)
• Foreign exchange forward contracts	(1,063)	(604)
Derivatives designated as hedges		
• Interest rate swaps	(4,257)	(1,305)
• Foreign exchange forward contracts	(13,543)	-
	<b>(19,336)</b>	<b>(8,528)</b>

**14.1. Foreign exchange forward contracts**

Management has considered the possibility of greater than expected budgeted increases in foreign exchange rates. The Group is exposed to certain transactions in foreign currencies due to exchange rate fluctuations. The Group forecasts that it will have US Dollar ("USD"), Euro ("EUR"), Sterling ("GBP") and Australian Dollar ("AUD") denominated revenue and purchases and is exposed to variability in forecasted cash flows, as a result of foreign currency movements between the USD, EUR, GBP, AUD and SR. Where appropriate and as per the Group policy, the Group uses forward foreign currency contracts, and foreign currency swaps to hedge these exposures. Fair value changes on these are accounted through the interim condensed consolidated statement of other comprehensive income based on IFRS 9.

As of the reporting date the contract values of forward foreign currency contracts are as follows:

	<b>30 June 2018 (Unaudited)</b>	<b>31 December 2017 (Audited)</b>
Forward foreign currency contracts – Notional amount	<b>658,162</b>	156,962

**14.2. Interest rate swaps**

The Group is exposed to fluctuations in variable interest rates on its short term and long-term debt. The Group maintains an interest rate risk management strategy that uses derivatives instruments such as interest rate swaps to economically convert a portion of its variable rate debt to fixed rate debt. The Group has entered into interest rate swap contracts and certain other interest rate derivatives with certain local banks.

**15. RELATED PARTIES TRANSACTIONS AND BALANCES**

In the ordinary course of its activities, the Group transacts business with related parties at terms equivalent to those that prevail in arm length transactions.

Balances and transactions between the Company and its subsidiaries are eliminated. Detail of transactions between the Group and other related parties are as follows:

**15.1. Trading transactions and balances**

	<b>Sales</b>		<b>Purchases</b>	
	<b>30 June 2018 (Unaudited)</b>	<b>30 June 2017 (Unaudited)</b>	<b>30 June 2018 (Unaudited)</b>	<b>30 June 2017 (Unaudited)</b>
Associates	202	117	-	-
Joint ventures	-	-	<b>373,414</b>	317,648

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**15. RELATED PARTIES TRANSACTIONS AND BALANCES (Contd.)**

The following balances are outstanding at the end of reporting period/year:

	<b>Amount due from related parties</b>		<b>Amount due to related parties</b>	
	<b>30 June 2018 (Unaudited)</b>	<b>31 December 2017 (Audited)</b>	<b>30 June 2018 (Unaudited)</b>	<b>31 December 2017 (Audited)</b>
Associates	-	-	-	-
Joint ventures	<b>284,047</b>	395,545	<b>1,418,907</b>	1,420,859

**15.2. Compensation of key management personnel**

Key managerial personnel are those individuals having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, includes senior management and board of directors (executive or otherwise).

The remuneration of key management personnel during the period are as follows:

	<b>30 June 2018 (Unaudited)</b>	<b>30 June 2017 (Unaudited)</b>
Short term benefits (Salaries and allowances)	<b>14,868</b>	17,953

**16. SEGMENT INFORMATION**

For management purposes, the Group is organized into business units based on their products and services and has three reportable segments, as follows:

<b>Segment</b>	<b>Description of activities</b>
<b>Chemical</b>	Includes the production of titanium dioxide and sulphuric acid, production and marketing of Titanium Dioxide and, manufacturing of Titanium Metal Powder and Mineral exploration and Mining, projects of Titanium ore, Iron ore, and manufacturing of Titanium dioxide through high pressure oxidation and production of Titanium sponge and its by-products.
<b>Petrochemical sector</b>	Includes basic chemicals, and polymers.
<b>Downstream &amp; Others</b>	Includes the production of liquid batteries for cars, production of lead and sodium sulfate, all kinds of plastic productions and the production of acrylic panels. Also, includes the operations of the head office, and technical centers, innovations and investment activities.

The Board of Directors (BoD), who has been identified as the Chief Operating Decision Maker (CODM) monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Transactions between the operating segments are on terms approved by the management. Inter segment revenue are eliminated upon consolidation and reflected in adjustments and elimination column. The basis of segmentation remained unchanged for all period presented. All other eliminations are part of detailed reconciliation below.

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**16. SEGMENT INFORMATION (Contd.)**

The Group's total revenue, expenses items for the six months then ended, by operating segments, are as follows:

	<b>Chemical</b>	<b>Petrochemical Sector</b>	<b>Downstream &amp; others</b>	<b>Eliminations/ Adjustments</b>	<b>Total</b>
<b>For the six months period ended 30 June 2018 (Unaudited)</b>					
Segment revenues	4,474,283	755,155	581,840	(385)	5,810,893
Segment expenses	3,595,954	760,097	722,273	385	5,078,709
Depreciation and amortization	321,389	38,542	46,495	-	406,426
Share of profit of associated companies and joint ventures	(664)	741,047	5,557	-	745,940
Segment EBITDA	<b>1,148,297</b>	<b>596,563</b>	<b>216,451</b>	<b>-</b>	<b>1,961,311</b>
<b>For the six months period ended 30 June 2017 (Unaudited)</b>					
Segment revenues	3,810,382	815,488	522,422	(277)	5,148,015
Segment expenses	3,653,983	784,179	631,043	(277)	5,068,928
Depreciation and amortization	317,126	58,046	51,213	-	426,385
Share of profit of associated companies and joint ventures	(3,265)	588,575	3,348	-	588,658
Segment EBITDA	<b>440,537</b>	<b>502,521</b>	<b>270,815</b>	<b>-</b>	<b>1,213,873</b>

The Group's total assets and liabilities as at 30 June 2018 and 31 December 2017 by operating segments are as follows:

	<b>Chemical</b>	<b>Petrochemical Sector</b>	<b>Downstream &amp; others</b>	<b>Eliminations/ Adjustments</b>	<b>Total</b>
<b>As at 30 June 2018 (Unaudited)</b>					
Segment assets	17,842,782	9,369,070	16,323,765	(9,536,988)	33,998,629
Segment liabilities	10,592,866	2,667,090	8,351,259	(306,276)	21,304,939
Investments in associated companies and joint ventures	<b>281,044</b>	<b>6,257,471</b>	<b>268,805</b>	<b>-</b>	<b>6,807,320</b>
<b>As at 31 December 2017 (Audited)</b>					
Segment assets	18,149,289	9,540,805	15,942,184	(9,639,084)	33,993,194
Segment liabilities	11,339,209	2,819,069	8,184,128	(138,764)	22,203,642
Investments in associated companies and joint ventures	282,289	6,297,812	275,580	-	6,855,681

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**17. SALE OF TITANIUM DIOXIDE BUSINESS**

On 21 February 2017, Cristal entered into a conditional transaction agreement to sell to Tronox Limited A.C.N. a public limited company registered under the laws of the State of Western Australia and listed on the New York stock exchange ("Tronox"), its domestic and international titanium dioxide (TiO<sub>2</sub>) business (including but not limited to the sale of (a) all international subsidiaries of Cristal, (b) assets (including the Yanbu plant of Cristal) and liabilities relevant to such business; and (c) contracts, intellectual property and goodwill in respect of such business (the "Cristal Assets")) in return for US\$ 1.673 billion (SR 6.274 billion) cash and 37,580,000 of newly issued Class A shares in Tronox (which represents approximately 24% of the shareholding in Tronox at closing).

The Closing of the transaction is subject to the satisfaction of certain condition precedents including amongst other things, Tronox shareholders' approval, governmental and regulatory approvals in the relevant jurisdictions and the conclusion of Cristal reorganization.

On 2 October 2017 at a special meeting of the shareholders of Tronox, a resolution was approved to issue 37,580,000 Class A Tronox shares which will form part of the consideration due to Cristal per the above-mentioned agreement.

Regulatory approvals from the U.S. Federal Trade Commission ('FTC') and the European Commission had not been received at the date of the interim condensed consolidated statement of financial position or at the date of approval of these interim condensed consolidated financial statements.

On 5 December 2017, the FTC issued an administrative complaint challenging the acquisition. The administrative trial is scheduled to begin on 18 May 2018 and is ongoing at the date of approval of these interim condensed consolidated financial statements. A decision from the administrative law judge is expected in November or December this year, however that decision can be appealed to the full Federal Trade Commission, which could take several additional months on rule on the case.

On July 10, 2017, Tronox announced it had received notice that the FTC had filed a complaint against them in the U.S. District Court in the District of Columbia. The complaint alleges that the proposed acquisition would violate antitrust laws by significantly reducing competition in the North American market for chloride-process titanium dioxide. Tronox have stated that they believe the 'FTC's allegations are substantively wrong' and that 'the company stands ready to demonstrate the pro-competitive merits of the proposed Cristal acquisition'.

On 16 July, 2018 Tronox announced that they had entered into a binding Memorandum of Understanding ("MoU") with Venator Materials PLC ("Venator") regarding the potential sale of Cristal's two-plant Ashtabula titanium dioxide production complex in Ohio, in the event a divestiture is required to consummate the proposed acquisition. The MoU grants Venator exclusivity for a period of 75 days to negotiate a definitive agreement for the sale of the Ashtabula complex, while Tronox continues defend the merits of the proposed acquisition in a preliminary injunction hearing in U.S. District Court. Any divestiture of Ashtabula would be subject to customary conditions, including regulatory approvals.

On 20 December 2017, Tronox confirmed that the European Commission had initiated a Phase II review of their planned acquisition, after which they would make a final decision on whether the proposed transaction would significantly impede effective competition in the European Economic Area. Furthermore, on 20 March 2018, Tronox announced that it had received a Statement of Objections from the European Commission regarding the planned acquisition. The Statement of Objections reflects the preliminary assessment of the European Commission and does not prejudice the outcome of the investigation and/or the need to offer any particular remedy. Tronox have since announced that EC conditional clearance is now only dependent on reaching agreement on a proposed remedy to address the remaining objection and that they are negotiating with potential counterparties regarding execution of the proposed remedy. The remedy was formally submitted to the EC on May 16, 2018 and Tronox announced on July 4, 2018 that it had received conditional approval from the EC for its proposed acquisition. The approval is contingent upon the divestiture of the 8120 paper-laminate product grade currently supplied to European customers from Tronox's Botlek facility in the Netherlands. On July 16, 2018 Tronox announced that they had submitted a definitive agreement with Venator to the EC for such a divestiture. If the EC approves the definitive agreement, their approval of the proposed acquisition will be final.

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**17. SALE OF TITANIUM DIOXIDE BUSINESS (Contd.)**

On 1 March 2018, Cristal entered into an amendment to the transaction agreement with Tronox that extends the termination date under the transaction agreement to 30 June 2018, with automatic three-month extensions to 31 March 2019, if necessary, based on the status of outstanding regulatory approvals.

At the interim condensed consolidated statement of financial position date, Management is of the view that the high probability test of transaction completion as required by IFRS 5: "Non-current Assets Held-for-Sale and Discontinued Operations" before assets and liabilities are reclassified as "held for sale" had not been met due to the status of the required regulatory approvals and consequently no reclassification has occurred.

**18. PURCHASE OPTION AGREEMENT FOR SLAGGER ASSET IN ADVANCED METAL INDUSTRIES CLUSTER COMPANY LIMITED ("AMIC")**

On 10 May 2018, AMIC entered into an Option Agreement with Tronox Limited ("Tronox"), a public limited company registered under the laws of Western Australia, Australia. Under the Option Agreement:

(1) AMIC shall (a) incorporate a wholly owned Special Purpose Vehicle ("SPV") in the Kingdom of Saudi Arabia and (b) subject to certain exceptions as set out in the Option Agreement, transfer (or procure the transfer of) the assets, liabilities and contracts used for its Jazan-based titanium slag smelting Slagger Business (as defined in the Option Agreement) to the SPV; and

(2) subject to the satisfaction of certain conditions precedent set out in the Option Agreement (including but not limited to (a) in the case of AMIC (but not Tronox) exercising its option, the Slagger (as defined in the Option Agreement) reaching sustainable operations and (b) in the case of either party exercising its option, the completion of the transaction set out in the "Transaction Agreement" between Tronox Cristal, as referred to in note (17), AMIC shall have an option to require Tronox to purchase, and Tronox shall have an option to require AMIC to sell, 90 % of AMIC's ownership in the SPV.

The execution of the Option Agreement follows a Technical Services Agreement between AMIC and Tronox executed on 15 March 2018, whereby Tronox provides certain technical assistance to AMIC to facilitate start-up of the Slagger.

As part of the Option Agreement, Tronox has agreed to lend AMIC and/or the SPV (as applicable in accordance with the Option Agreement) up to USD 125 million for capital expenditures and operational expenses (as further detailed in the Option Agreement) (the "Tronox Loan"). The total consideration payable by Tronox is USD 447 million (comprised of the effective assumption of external debt of USD 322 million, plus the provision of the USD 125 million Tronox Loan), subject to post-closing adjustments for cash, debt and working capital (as further detailed in the Option Agreement). As of 30 June 2018, neither AMIC nor Tronox may exercise its option under the Option Agreement as their respective conditions to option exercise as specified in the Option Agreement have not yet been fulfilled.

At the interim condensed consolidated statement of financial position date, AMIC management is of the view that the high probability test of transaction completion as required by IFRS 5: "Non-current Assets Held-for-Sale and Discontinued Operations" before assets and liabilities are reclassified as "held for sale" had not been met due to status of the required regulatory clearances related to the completion of the transaction set out in the "Transaction Agreement" as well as uncertainty with respect to the conditions for the exercise of call or put Option, and consequently no reclassification has occurred in AMIC.

**NATIONAL INDUSTRIALIZATION COMPANY**  
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(SR'000 unless otherwise noted)

**19. COMMITMENTS AND CONTINGENCIES**

**19.1. Capital and purchase commitments**

The Group's capital and purchase commitments as of reporting date are as follows:

	<b>30 June 2018 (Unaudited)</b>	<b>31 December 2017 (Audited)</b>
Capital commitments for projects under progress and purchase of property, plant and equipment	<b>159,616</b>	117,578

**19.2. Operating leases commitments**

Operating leases payments represent rents accrued by the Group for renting land and residential units and sites for factories. The average period of the lease agreed upon, ranges from 1 to 20 years.

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

	<b>30 June 2018 (Unaudited)</b>	<b>31 December 2017 (Audited)</b>
One year	<b>83,304</b>	107,170
Two to five years	<b>113,929</b>	133,254
More than five years	<b>20,005</b>	19,590
Total minimum lease payments	<b>217,238</b>	260,014

**19.3. Contingencies**

The Group contingencies as of reporting date are as follows:

	<b>30 June 2018 (Unaudited)</b>	<b>31 December 2017 (Audited)</b>
Letters of guarantee	<b>1,460,623</b>	1,470,800
Letters of credit	<b>54,770</b>	51,534
	<b>1,515,393</b>	1,522,334

Additionally, the Group has issued corporate guarantees to commercial banks and Saudi Industrial Development Fund by its share owned in share capital of some joint ventures against the loans, which have been obtained by these joint ventures from such parties. As at 30 June 2018 such guarantees amounted to SR 6,917 million (31 December 2017: SR 6,999 million).

The Group is involved in legal litigation claims in the ordinary course of business, which are being defended; there are also some claims under the process of final settlement. The ultimate results of these claims cannot be determined with certainty as of the date of preparing the interim condensed consolidated financial statements; the Group's management does not expect that these claims will have a material adverse effect on the Group's interim condensed consolidated financial statements.

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**20. NEW STANDARDS ISSUED BUT NOT YET EFFECTIVE**

The following standards are issued, but not yet effective, up to the date of issuance of the Group's interim condensed consolidated financial statements:

**(i) IFRS 16 Leases**

The IASB has issued a new standard for the recognition of leases. This standard will replace:

- IAS 17 – 'Leases'
- IFRIC 4 – 'Whether an arrangement contains a lease'
- SIC 15 – 'Operating leases – Incentives'
- SIC-27 – 'Evaluating the substance of transactions involving the legal form of a lease'

Under IAS 17, lessees are required to make a distinction between a finance lease (on statement of financial position) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognize a lease liability reflecting future lease payments and a 'right-of-use asset' for all lease contracts apart from an optional exemption for certain short-term leases.

Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The mandatory date of adoption for the standard is 1 January 2019.

**(ii) IFRS 17 Insurance contracts**

In May 2017, the IASB issued IFRS 17 – Insurance Contracts, which is effective for annual periods beginning on or after 1 January 2021. The standard introduces a new measurement model for insurance contracts and establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard.

The Group has not yet undertaken an assessment to determine potential impacts on the amounts reported and disclosures to be made under the applicable new standards or amendments to existing standards.

**21. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

These interim condensed consolidated financial statements were approved from the Board of Directors on 23 July 2018 G (corresponding to 10 Dhul Qe'dah 1439 H).

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