



Independent auditor's report to the shareholders of National Industrialization Company

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of National Industrialization Company (the "Company") and its subsidiaries (together the "Group") as at 31 December 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2023;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards), endorsed in the Kingdom of Saudi Arabia (the "Code"), that is relevant to our audit of the consolidated financial statements and we have fulfilled our other ethical responsibilities in accordance with the Code's requirements.

Our audit approach

Overview

Key Audit Matters	<ul style="list-style-type: none">• Acquisition of Saudi Acrylic Polymers Company ("SAPCO") and Evonik Tasnee Marketing ("ETM")
	<ul style="list-style-type: none">• Valuation of property, plant and equipment, Projects under progress and investments in equity accounted associates and joint ventures

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Independent auditor's report to the shareholders of National Industrialization Company

Our audit approach (Continued)

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the Key audit matter
<p>Acquisition of Saudi Acrylic Polymers Company ("SAPCO") and Evonik Tasnee Marketing ("ETM")</p> <p>The Group acquired a 100% equity interest during the year in an existing joint venture and an associate which are considered as linked and accounted for as a single transaction. The net consideration received was Saudi Riyals 10 million for acquisition of identifiable net assumed liabilities with preliminary fair values of Saudi Riyals 502 million. The transaction resulted in recognition of a net provisional goodwill amounting to Saudi Riyals 492 million.</p> <p>The acquisition was accounted for in accordance with IFRS 3 'Business Combinations', that is endorsed in the Kingdom of Saudi Arabia. As required by IFRS 3, the Group has accounted for the acquisition based on provisional fair values of the acquired assets and assumed liabilities as at the acquisition date. Goodwill has been provisionally allocated to a group of CGUs within the Petrochemical operating segment, which is expected to benefit from the synergies of the acquisitions. Adjustment to the provisional values will be finalised within 12 months of the date of acquisition as allowed by the IFRS.</p> <p>IAS 36 'Impairment of assets', that is endorsed in the Kingdom of Saudi Arabia, requires goodwill and indefinite-lived intangible assets to be tested annually, irrespective of whether there is any indication of impairment.</p> <p>Management performed an assessment of recoverability of the goodwill. The recoverable amounts were determined based on value-in-use calculations derived using discounted cash flow models. The models were based on the most recent financial plans and included 5 years projection periods with terminal values assumed thereafter. The exercise performed resulted in the impairment of goodwill amounting to SR 226 million which is recognised in the consolidated statement of profit or loss.</p> <p>We considered this to be a key audit matter given the significant estimates involved in determining recoverable amounts and the uncertainty inherent in the underlying forecasts and assumptions.</p> <p>Refer to Note 5.11 to the consolidated financial statements for the accounting policy relating to the impairment of goodwill, Note 6 for the disclosure of significant accounting judgements, estimates and assumptions, Note 11 and Note 45 for the disclosures of matters related to business combinations and goodwill.</p>	<p>We performed the following procedures:</p> <ul style="list-style-type: none"> - Read the share purchase agreements and tested the appropriateness of the accounting of purchase consideration and resulting provisional goodwill. - Assessed how management had identified the acquired assets and assumed liabilities and how they had determined the provisional fair values. - Checked the appropriateness of management's provisional allocation of goodwill to the group of the relevant cash-generating units, based on the requirements of IAS 36 'Impairment of assets', that is endorsed in the Kingdom of Saudi Arabia. - Checked the consistency of certain unobservable inputs underlying the 5 years cash flows such as expected product prices, EBITDA margins and development costs with approved business plans. - Where applicable, evaluated the reasonableness of approved business plans by comparison to historical results. - With input from internal valuation experts, we performed the following procedures on management's valuation models, as deemed appropriate: <ul style="list-style-type: none"> • Performed sensitivity analyses over assumptions used in the calculation of the value-in-use in order to determine the key assumptions to focus on and to assess the potential impact of a range of possible outcomes; • Assessed the reasonableness of the methodology used to determine the value-in-use including the methodology used to determine the terminal values; • Evaluated the reasonableness of the discount rates and terminal growth rates used by cross-checking the underlying assumptions against observable market data; and • Checked the mathematical accuracy of the discounted cash flow models used in the calculation of the value-in-use. - Considered the appropriateness of the related accounting policies and disclosures in the consolidated financial statements.

Independent auditor's report to the shareholders of National Industrialization Company

Key audit matters (continued)

Key audit matter	How our audit addressed the Key audit matter
<p>Valuation of property, plant and equipment, Projects under progress and investments in equity accounted associates and joint ventures</p> <p>At 31 December 2023, the Group had property, plant and equipment of Saudi Riyals 3,819 million, projects under progress of Saudi Riyals 398 million and investments in equity accounted associates and joint ventures of Saudi Riyals 11,262 million.</p> <p>Management performs an assessment at each reporting period to consider whether there are any events or circumstances (impairment triggers) that indicate that the carrying amounts of these assets, or cash generating unit (CGUs) may not be recoverable. If any such indication exists, management estimates the recoverable amounts of the relevant assets, or the CGUs to record the related impairment charge.</p> <p>The determination of the recoverable amounts, being the higher of value-in-use and fair value less costs of disposal, requires management to identify and then estimate the recoverable amounts of the assets or the CGUs to which the assets belong. Recoverable amounts, in case of value-in-use, are based on management's view of key inputs such as future business growth in the forecasted period as well as the external market conditions, terminal growth rates and the most appropriate discount rates.</p> <p>Specific assets, or the CGUs to which the assets belong, where management identified the impairment indicators and where we focused our audit procedures included the following:</p> <ul style="list-style-type: none"> - In respect of one of the equity accounted associates - Tronox, the Group has determined that the recoverable amount was higher than the carrying value resulting in no impairment loss being recognized in the consolidated financial statements as at 31 December 2023. - In respect of property plant and equipment and projects under progress - Slagger plant, the Group has determined that the recoverable amount approximates carrying value resulting in no impairment loss being recognized in the consolidated financial statements as at 31 December 2023. <p>We considered this to be a key audit matter given the judgement involved in identifying impairment triggers and the complexity inherent in estimating the recoverable amount of these assets.</p> <p>Refer to Note 5.11 to the consolidated financial statements for the accounting policy relating to the impairment of these assets, Note 6 for the disclosure of significant accounting judgements, estimates and assumptions, Note 8, Note 9 and Note 12.1.1 for the disclosures of matters related to impairment considerations of the respective assets, or the CGUs.</p>	<p>We performed the following procedures:</p> <ul style="list-style-type: none"> - Assessed reasonableness of management's identification of impairment indicators, which includes evaluating the design and implementation of key controls over the impairment assessment processes comprising impairment indicators identification and the estimation of recoverable amounts of the assets, or the CGUs where impairment indicators have been identified. - For the value-in-use models we assessed the methodology used by management to estimate the value-in-use along with the appropriateness of the input data used in the discounted cash flow models. - Tested reasonableness of the key assumptions used in the discounted cash flow model such as EBITDA margins which have been estimated based on third parties' forecasts for the industry and consideration of historical results. - With input from internal valuation experts, we performed the following procedures on management's valuation models, as deemed appropriate: <ul style="list-style-type: none"> • Assessed the reasonableness of the methodology used in the calculation of the value-in-use; • Performed sensitivity analyses over assumptions used in the calculation of the value-in-use in order to determine the key assumptions to focus on and to assess the potential impact of a range of possible outcomes; • Evaluated the reasonableness of the discount rates and terminal growth rates used by cross-checking the underlying assumptions against observable market data; and • Checked the mathematical accuracy of the discounted cash flow models used in the calculation of the value-in-use. - Considered the appropriateness of the related accounting policies and disclosures in the consolidated financial statements.

Independent auditor's report to the shareholders of National Industrialization Company

Other information

Management is responsible for the other information. The other information comprises the Annual Report but does not include the consolidated financial statements and our auditor's report thereon, which is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, and the applicable requirements of the Regulations for Companies and the Company's By-laws, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, i.e., the Audit Committee, is responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements are as a whole free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Independent auditor's report to the shareholders of National Industrialization Company

Auditor's responsibilities for the audit of the consolidated financial statements (Continued)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

PricewaterhouseCoopers



Waleed A. Alhidiri
License No. 559

05 March 2023

Audit Committee Report
To the General Assembly of National Industrialization
Company (Tasnee)
About the Fiscal Year 2023

تقرير لجنة المراجعة
للمجموعة العامة لشركة التصنيع الوطنية (التصنيع)
عن العام المالي ٢٠٢٣ م

Introduction:

This report highlights the key activities carried out by the Audit Committee during the year 2023, in accordance with the tasks and responsibilities outlined in the charter of the Audit Committee for the National Industrialization Company, approved by the General Assembly on 25/04/2019. These regulations were prepared in accordance with the requirements of the Companies Law and the Corporate Governance Regulations issued by the Capital Market Authority.

Key Activities and Accomplishments of the Committee in 2023:

The Audit Committee of the National Industrialization Company held a total of five meetings during the year 2023 to fulfill its assigned tasks as per the approved regulations set by the General Assembly.

مقدمة:

يتناول هذا التقرير أهم الأعمال التي قامت بها لجنة المراجعة خلال العام ٢٠٢٣ م حسب المهام والمسؤوليات المعتمدة في لائحة عمل لجنة المراجعة لشركة التصنيع الوطنية المعتمدة من قبل الجمعية العامة بتاريخ ٢٥/٤/٢٠١٩ م والتي تم إعدادها وفقاً لمتطلبات نظام الشركات ولائحة حوكمة الشركات الصادرة من هيئة السوق المالية.

أهم الأعمال والأنشطة التي قامت بها اللجنة خلال عام ٢٠٢٣ م.

عقدت لجنة المراجعة لشركة التصنيع الوطنية خلال العام ٢٠٢٣ م (٥) اجتماعات لتنفيذ المهام الموكلة إليها حسب اللائحة المعتمدة من الجمعية:

Member's Name	طبيعة العضوية Nature of Membership	الأول بتاريخ 1 st Meeting 28/02/2023	الثاني بتاريخ 2 nd Meeting 07/05/2023	الثالث بتاريخ 3 rd Meeting 30/07/2023	الرابع بتاريخ 4 th Meeting 29/10/2023	الخامس بتاريخ 5 th Meeting 27/12/2023	اسم العضو
Mr. Sami A. Al Shenaiber	Chairman رئيس اللجنة	√	√	√	√	√	أ. سامي بن عبد العزيز الشنير
Mr. Bader A. Al Dakhil	Member عضو	√	√	√	√	√	أ. بدر بن علي الدخيل
Mr. Musaab S. Al Muhaideb	Member عضو	√	√	√	√	√	أ. مصعب بن سليمان المهيدب
Mr. Maher S. Alaiyadhi	Member عضو	√	√	√	√	√	أ. ماهر بن سعد العياضي

- Study and discuss the audited consolidated financial statements for the year 2022 and the preliminary quarterly financial statements for the year 2023, and approve them after reviewing them with the company's management and external auditors to ensure their fairness and compliance with the applicable accounting policies of the company before publishing them on the company's website at "Tadawul" and recommending them to the Board of Directors for approval and adoption, and presenting the audited annual financial statements along with the external auditor's report to the General Assembly for approval.
- Study and discuss the external auditor's report and meet with them regarding the audit plan to verify their independence and the effectiveness of their audit work, answer their inquiries, and ensure that there are no obstacles that may affect the conduct of his work.
- General supervision of the performance of the internal audit management, ensuring its independence and the professional methods adopted to carry out its work, and monitoring the implementation of its plan for the year 2023, approved by the committee, and discussing the periodic reports submitted by the Department of Internal Audit on the results of its work and monitoring the implementation of corrective actions.
- Discuss and approve the internal audit strategy and plan for the year 2024, which has been prepared based on the assessment of the risks that the main activities and operations of the company may be exposed to.
- Study and discuss the proposals submitted by audit firms to examine and audit the company's quarterly and annual accounts for the year 2023 and the first quarter of 2024 and evaluate them technically and commercially. It has been recommended to the Board to approve and present to the General Assembly the following candidates: Price water house coopers (PwC) and Dr. Mohammed Al-Amari & Partners (BDO) after verifying their independence and reviewing the scope of their work to select one of them based on the highest evaluation.
- دراسة ومناقشة القوائم المالية الموحدة المراجعة لعام ٢٠٢٢م والقوائم المالية الأولية الربع سنوية للعام ٢٠٢٣م والموافقة عليها بعد مراجعتها مع إدارة الشركة والمراجع الخارجي للتأكد من عدالتها وتماشيها مع السياسات المحاسبية المطبقة بالشركة قبل نشرها في موقع الشركة لدى "تداول" ورفع التوصية لمجلس الإدارة للموافقة عليها واعتمادها ورفع القوائم المالية السنوية المراجعة مع تقرير المراجع الخارجي للجمعية العامة للمصادقة عليها.
- دراسة ومناقشة تقرير المراجع الخارجي والاجتماع معه بخصوص خطة المراجعة من أجل التحقق من استقلالته ومدى فعالية أعمال المراجعة والإجابة على استفساراته والتأكد من عدم وجود أي معوقات قد تؤثر على سير أعماله.
- الاشراف العام على أداء إدارة المراجعة الداخلية والتأكد من استقلاليتها والأساليب المهنية المتبعة لتنفيذ أعمالها ومتابعة تنفيذ خطتها للعام ٢٠٢٣م المعتمدة من قبل اللجنة ومناقشة التقارير الدورية المقدمة من الإدارة العامة للمراجعة الداخلية عن نتائج أعمالها ومتابعة تنفيذ الإجراءات التصحيحية.
- مناقشة واعتماد استراتيجية وخطة المراجعة الداخلية للعام ٢٠٢٤م والتي تم إعدادها حسب تقييم المخاطر التي قد تتعرض لها أعمال وأنشطة الشركة الرئيسية.
- دراسة ومناقشة العروض المقدمة من مكاتب المراجعة لفحص ومراجعة حسابات الشركة الربع سنوية والسنوية للعام ٢٠٢٣م والربع الأول للعام ٢٠٢٤م وتقييمها فنياً وتجارياً، وقد تم التوصية للمجلس بالموافقة والرفع للجمعية العامة على المرشحين التالية أسماءهم مكتب برايس ووترهاوس كوبرز (بي دبليو سي) ومكتب الدكتور محمد العمري وشركاه (بي دي او) بعد التحقق من استقلاليتهم ومراجعة نطاق عملهم لاختيار أحدهم حسب التقييم الأعلى.

Results of the annual review of the effectiveness of Company's Internal Audit procedures:

The company has an independent Department of Internal Audit that reports functionally to the Audit Committee and carries out its tasks in accordance with the approved internal audit's charter. The Department of Internal Audit has carried out all its work during the year in accordance with the prepared internal audit plan based on the most significant risks, which was approved by the Audit Committee at the beginning of the year, focusing on high-risk activities and operations in order to help achieve the company's objectives and protect its assets. Several internal audit operations were conducted to assess the efficiency and effectiveness of the internal audit system and procedures. The results were discussed and shared with the relevant departments and sectors within the company in order to study and address observations and recommendations and implementing necessary corrective actions. The progress, challenges, and risks arising from the non-closure of these observations and recommendations were regularly reported to the Audit Committee with updated reports.

The committee's opinion on the adequacy of the company's Internal control system:

The Audit Committee reviewed the internal control and auditing procedures within the scope of the planned and limited tasks, which were approved and tested by the Department of Internal Audit. After discussions with the company and external auditor regarding the results of the quarterly and annual business, the Audit Committee can provide reasonable assurance about the effectiveness of the internal control systems in the company, and no significant deficiencies or material weaknesses were indicated in the systems, policies, and internal control procedures in the company. It should be noted that it is not possible to provide absolute assurance about the effectiveness of any internal control system, and there are no recommendations from the Audit Committee that conflict with the decisions of the Board of Directors during the year 2023.

Sincerely,
Chairman of the Audit Committee
Sami Bin Abdulaziz Al Shenabir

National Industrialization Company
The Business Gate Building No. C. 3
Eastern Ring Road Qurtubah District
P.O Box 26707 Riyadh 11496
Kingdom of Saudi Arabia
Tel: (+966 11) 222 2205
Fax: (+966 11) 400 2255

Saudi Joint Stock Company مساهمة سعودية
رأس المال: SR. 6,689,141,660 / ٦,٦٨٩,١٤١,٦٦٠
سجل تجاري ٥٩٦٩٣ - رقم العضوية: ٣٣٥٢ / C.C.NO. 33520 - CR. NO. 59693

نتائج المراجعة السنوية لفاعلية إجراءات الرقابة الداخلية في الشركة.

لدى الشركة إدارة عامة للمراجعة الداخلية مستقلة تتبع فنياً للجنة المراجعة وتقوم بتنفيذ مهام عملها وفقاً لللائحة المراجعة الداخلية المعتمدة. حيث قامت الإدارة العامة للمراجعة الداخلية بتنفيذ جميع أعمالها خلال العام وفقاً لخطة المراجعة الداخلية المعدة على أساس أهم المخاطر والتي تم اعتمادها من قبل لجنة المراجعة في بداية العام، مع تركيزها على الأنشطة والعمليات ذات المخاطر العالية بما يساعد في تحقيق أهداف الشركة وحماية أصولها حيث تم تنفيذ عدد من عمليات المراجعة الداخلية بهدف تحديد مدى كفاءة وفاعلية نظام وإجراءات الرقابة الداخلية وتم مناقشه وإرسال نتائجها إلى الإدارات والقطاعات ذات العلاقة في الشركة من أجل دراسة ومعالجة الملحوظات والتوصيات ووضع الإجراءات التصحيحية اللازمة ومتابعة تنفيذها وإقفالها وفق التواريخ المتفق عليها مع الإدارات ذات العلاقة والرفع إلى لجنة المراجعة بشكل دوري بتقارير محدثة توضح ما تم إنجازه مع التحديات والمخاطر التي قد تنشأ من عدم إقفال تلك الملحوظات والتوصيات.

رأي اللجنة في مدى كفاية نظام الرقابة الداخلية في الشركة

اطلعت لجنة المراجعة على إجراءات الضبط والتدقيق الداخلي في حدود المهام والأعمال المخططة والمحدودة المعتمدة والتي تم اختبارها من قبل الإدارة العامة للمراجعة الداخلية وبعد المناقشة مع الشركة ومراجع الحسابات الخارجي على نتائج الأعمال الربع سنوية والسنوية فإن لجنة المراجعة يمكنها إعطاء تأكيدات معقول عن فعالية أنظمة الرقابة الداخلية في الشركة ولم يتبين لها وجود ما ينبغي الإشارة إليه أو يُعتقد معه وجود ضعف أو خلل جوهري في أنظمة وسياسات وإجراءات الرقابة الداخلية في الشركة علماً بأنه لا يمكن إعطاء تأكيد على فاعلية أي نظام للضبط والرقابة الداخلية بدرجة تامة من الموثوقية ولا توجد توصيات من لجنة المراجعة تتعارض مع قرارات مجلس الإدارة خلال عام ٢٠٢٣م.

مع خالص التحية،
رئيس اللجنة
سامي بن عبدالعزيز الشنابير

شركة التصنيع الوطنية
البوابة الاقتصادية مبنى ج ٣
حي قرطبة - الدائري الشرقي
صندوق بريد ٢٦٧٠٧ الرياض ١١٤٩٦
المملكة العربية السعودية
هاتف: ٢٢٠ ٢٢٢ (٩٦٦١١)
فاكس: ٢٢٥٥ ٤٠٠ (٩٦٦١١)

Date: 04\03\2024

To the Shareholders of National Industrialization Company (TASNEE)

Subject: The Board of Directors Recommendation regarding External Auditor's Appointment for Fiscal Year 2024.

After Greetings,

We would like to inform the shareholders of the Board of Directors' approval of the Audit Committee's recommendation regarding the appointment of an external auditor, as the below auditing firms were invited to submit their offers to audit the company's accounts and consolidated financial statements for the second, third quarter, and annual fiscal year 2024 and the first quarter of the year 2025. The offers were received and evaluated technically and commercially in accordance with the procedures followed, with closer attention to the reputation and independence of the firm, quality and reliability, the number of work teams, years of experience, clarity of the methodology used, and familiarity with the nature of the company's business in previous periods and fees. As a result, the Committee approved the selection of one of the following candidates according to the highest rating:

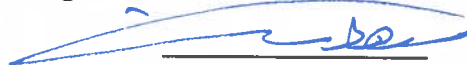
Auditor Firm	Total Fees for Tasnee Company (in SAR)	Rating Percentage
PricewaterhouseCoopers (PWC)	810,000	97%
Dr. Mohamed Al-Amri & Co (BDO)	661,250	92%
Deloitte	872,500	91%

Accordingly, the Board of Directors approved recommending all the above audit firms to be presented to the General Assembly for appointing the External Auditor and determining their fees.

Sincerely,

Chairman of the Board of Directors

Eng. Mubarak bin Abdullah Al-Khafrah





Date: 07/03/2024

To the Shareholders of National Industrialization Company (TASNEE)

Subject: Disclosure of Business and contracts that involve direct or indirect interest for the Board Members.

After Greetings,

Based on the requirements of Article (71) of the Companies Law in the Kingdom of Saudi Arabia, which requires that a member of the Board of Directors inform the Board of his interest in the business and contracts that are made for the company's account. the Board of Directors wishes to inform your esteemed assembly that it has been decided by the Board of Directors of National Industrialization Company ("the Company") that there is a direct interest to Eng. Mubarak bin Abdullah Al-Khafrah, Chairman of the Board, regarding the following:

1. The conclusion by one of the subsidiaries of National Industrialization Company, which is National Industrialization Petrochemical Marketing Company, a limited liability company, Commercial Registration No, (1010171953) of purchase orders for polypropylene, with Non-Woven Industrial Fabrics Factory Company, Commercial Registration No. 2055014696, which is a subsidiary of Al Khafrah Holding Group, in which Eng. Mubarak bin Abdullah Al- Khafrah owns direct shares, noting that the total value of the purchase during the fiscal year ending in 31/12/2023 amounts to SAR 13,903,993.13 and there are no preferential conditions.

We assure the distinguished shareholders that the transaction described in this statement has been reviewed and approved by the Deputy Chairman for Financial Affairs, the CEO of the company and the Board of Directors of the company.

Accordingly, the Company's Board of Directors wishes to present this transaction to the shareholders in preparation for obtaining the approval of the general assembly of the shareholders of the company on it, in line with the provisions of Article (71) of the Companies Law.





Subject: Disclosure of Business and contracts that involve direct or indirect interest for the Board Members.

(Signature Page)

Eng. Talal I. Al-Maiman

Eng. Abdulrahman S. Al-Sayari

Eng. Mutlaq H. Al-Morished

Mr. Saud S. Al-Juhani

Mr. Musaab S. Al-Muhaidib

Eng. Abdullatif K. Al-Mulhim

Mr. Bader A. Al-Dakhil

Eng. Fahad A. Al-Mishal

Mr. Ahmad N. Al-Theabi

.....
Chairman of the Board of Directors
Eng. Mubarak A. Al-Khafrah

.....
Secretary of the Board of Directors
Mohammed A. Bin Asim



To the shareholders
National Industrialization Company
(A Saudi Joint Stock Company)
Riyadh, Kingdom of Saudi Arabia

Independent limited assurance report on declaration submitted by the Chairman of the Board of Directors to the shareholders of National Industrialization Company

We have undertaken a limited assurance engagement in respect of the accompanying declaration of businesses and contracts with the related parties for the year ended 31 December 2023 of National Industrialization Company (the “Company”) prepared by the management and approved by the Chairman of the Board of Directors of the Company to the standards mentioned below so as to comply with the requirements of Article (71) of the Regulations for Companies (the “Declaration”).

Subject matter

The Subject Matter for our limited assurance engagement is the Declaration prepared by the management of the Company and approved by the Chairman of the Board of Directors as attached to this report and submitted to us.

Criteria

The applicable criteria (the “Criteria”) is the requirement of Article 71 of Regulations for Companies issued by the Ministry of Commerce (2022-1443H) (the “Companies Regulations”) and subsequent amendments made therein which states that any member of the Board of Directors (the “Board”) has any interest, both directly or indirectly, in the transactions or contracts made for the account of the Company shall declare such interests for the approval of the General Assembly of the Company. The Board member must notify the Board of such interest and excuse himself in vote by the Board to approve such transactions or contracts. The Chairman of the Board will notify the General Assembly of transactions and contracts in which a member of the Board has a direct or indirect interest.

Management’s responsibility

The management of the Company is responsible for the preparation of the Declaration in accordance with the Criteria and ensuring its completeness. This responsibility includes the design, implementation and maintenance of internal controls relevant to the preparation of the Declaration that is free from material misstatement, whether due to fraud or error.

Professional ethics and quality management

We have complied with the independence requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards), endorsed in the Kingdom of Saudi Arabia (the “Code”), that is relevant to our limited assurance engagement and we have fulfilled our other ethical responsibilities in accordance with the Code’s requirements.

The firm applies International Standard on Quality Management 1 (“ISQM 1”), as endorsed in the Kingdom of Saudi Arabia, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.



Our responsibility

Our responsibility is to express a limited assurance conclusion on the Declaration based on the procedures we have performed and the evidence we have obtained. We conducted the limited assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised), “Assurance Engagements other than Audits or Reviews of Historical Financial Information,” endorsed in the Kingdom of Saudi Arabia. This Standard requires that we plan and perform this engagement to obtain limited assurance about whether anything has come to our attention that causes us to believe that the Company has not complied with the requirements of Article 71 of the Companies Regulations in preparation of the Declaration for the year ended 31 December 2023.

The procedures selected depend on our judgement, including the assessment of risks such as failure of the systems and controls, whether due to fraud or error. When performing risk assessment, we consider internal controls relevant to the Company’s compliance with the requirements of Article (71) of the Companies Regulations in the preparation of the Declaration. Our procedures included examining, on a test basis, evidence supporting systems and controls in respect of the preparation of the Declaration in accordance with the requirements of Article (71) of the Companies Regulations.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our limited assurance conclusion.

Summary of work performed

We have planned and performed the following procedures to obtain limited assurance over the Company’s compliance with the requirements of Article 71 of the Regulations for Companies in the preparation of the Declaration:

- Discussed with the Company’s management the process for conducting business and entering into contracts with any of the Board members, either directly or indirectly, with the Company which includes that the Board member notifies the Board on the transactions and contracts entered into by the Company, in which the Board member may have any interest, either directly or indirectly, and further that the concerned Board member will not vote on the resolution issued in this regard at the meetings of the Board.
- Obtained the accompanying Declaration (enclosed as Appendix I) that includes the lists of all transactions and contracts entered into by any of the Board members of the Company, either directly or indirectly, with the Company during the year ended 31 December 2023.
- Reviewed the minutes of the Board meetings that indicates that the concerned Board member notified the Board on the transactions and contracts entered into by that Board member during the year ended 31 December 2023; and further that the concerned Board member did not vote on the resolution issued in this regard at the meetings of the Board.
- Reviewed the confirmations obtained from the concerned Board members on the transactions and contracts participated by the Board members, either directly or indirectly, during the year ended 31 December 2022.
- Tested the consistency of the transactions included in the Declaration with the disclosure in Note 39 to the Company’s audited consolidated financial statements for the year ended 31 December 2023.



Inherent limitations

Our procedures regarding systems and controls relating to the preparation of the Declaration in accordance with the requirements of Article 71 of the Regulations for Companies, are subject to inherent limitations and, accordingly, errors or irregularities may occur and not be detected. Furthermore, such procedures may not be relied upon as evidence of the effectiveness of the systems and controls against fraudulent collusion, especially on the part of those holding positions of authority or trust.

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement under ISAE 3000 (Revised) as endorsed in the Kingdom of Saudi Arabia. Consequently, the nature, timing and extent of the procedures outlined above for gathering sufficient appropriate evidence were deliberately limited relative to a reasonable assurance engagement, and therefore less assurance is obtained with a limited assurance engagement than for a reasonable assurance engagement.

Our procedures did not constitute either an audit or a review made in accordance with International Standards on Auditing or International Standards on Review Engagements as endorsed in the Kingdom of Saudi Arabia and accordingly we do not express an audit or a review opinion in relation to the adequacy of systems and controls around the preparation of the declaration.

This conclusion relates only to the Declaration for the year ended 31 December 2023 and should not be seen as providing assurance as to any future dates or periods, as changes to systems or controls may alter the validity of our conclusion.

Limited assurance conclusion

Based on our work described in this report, nothing has come to our attention that causes us to believe that the Company has not complied, in all material respects, with the applicable requirements of Article 71 of the Regulations for Companies in the preparation of the Declaration of related party transactions for the year ended 31 December 2023.

Restriction of use

This report, including our conclusion, has been prepared solely upon the request of the management of the Company, to assist the Company and its Chairman of the Board of Directors in fulfilling their reporting obligations to the General Assembly in accordance with Article 71 of the Regulations for Companies. The report should not be used for any other purpose or be distributed to or otherwise quoted or referred to, without our prior consent to any other parties other than the Ministry of Commerce, The Capital Market Authority and the shareholders of the Company.

PricewaterhouseCoopers

A handwritten signature in blue ink, appearing to read 'Waleed A. Alhidiri', is written over a faint, light blue circular stamp.

Waleed A. Alhidiri
License Number 559

12 March 2024