



SIDF

صندوق التنمية الصناعية السعودي
Saudi Industrial Development Fund

رؤية
VISION
2030
المملكة العربية السعودية
KINGDOM OF SAUDI ARABIA

Annual Report for the Fiscal Year 1437/1438H

2016



بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ





Custodian of the Two Holy Mosques
King Salman bin Abdulaziz Al Saud



His Royal Highness
Prince Mohammed bin Salman bin Abdulaziz Al Saud
Crown Prince and Deputy Prime Minister
Minister of Defense



SIDF

Vision

To contribute in making Saudi Arabia a global industrial leader by offering financial and advisory solutions.

Mission

To support and diversify the Saudi economy by helping to shape industrial sectors, develop competitive enterprises and support strategic initiatives.

Values

Proactivity in development

Partnership in growth

Responsibility in investments

Expertise in advice

Success in Industrialization

Contents





1

**Foreword by H.E. Minister of Energy, Industry and Mineral Resources
Chairman of SIDF Board of Directors 10**

SIDF Organizational Structure 13



2

Preface: Trends and Indicators in the Domestic Economy

KSA Economic Review for the year 2016 16

Local Industrial Performance Indicators for the year 2016 20



3

SIDF Performance Review:

Lending Activity for the fiscal year 1437/1438H (2016) 26

Small & Medium Enterprises Loan Guarantee Program 43

Human Resources and Training 48

HR Dept. Initiatives 49

SIDF Strategy at a Glance 50

Project Appraisal Cycle 54



4

Industrial Study:

Mining Industry in Saudi Arabia 58



5

In Focus:

Economic Impact of SIDF Loans 72



6

SIDF Lending Activity Charts 78

Board of Directors



H.E. Eng. Khalid Bin Abdulaziz Al Falih
Chairman
Minister of Energy, Industry and Mineral Resources



H.E. Mr. Yasser Othman Al-Rumayan
Member
Supervisor of Public Investment Fund



H.E. Eng. Saleh Bin Ibrahim Al Rasheed
Member
Former Director General, Saudi Industrial Property
Authority "MODON"



H.E. Dr. Abid bin Abdullah Al Saadoun
Member
Deputy Minister for Corporate Affairs, Ministry of Energy,
Industry and Mineral Resources



H.E. Mr. Abdullah Bin Saleh Al Arifi
Member
Head of Public Budget Department, Ministry of Finance



**Forward by H.E. Minister of Energy,
Industry and Mineral Resources
Chairman of The Fund**

I am pleased to present the annual report of the Saudi Industrial Development Fund for the fiscal year 1437/1438H (2016), and I commend the achievements of the Fund during that year.

Despite the economic and geopolitical challenges in 2016, the Kingdom's experience in dealing with such challenges and its continued structural reforms have contributed to mitigating and even overcoming these challenges. In this context, the local industrial sector continued to achieve positive results. The GDP of the manufacturing sector, at constant prices, increased to SR 308 billion in 2016, recording a growth of 3.3% from the previous year. The contribution of the industrial sector to the national economy in 2016 increased to 11.9%, compared to 11.7% in 2015.

In the same direction, the Saudi Industrial Development Fund, which has become a part of the energy, industry and mineral resources system, continued to play a vital role in enhancing all activities of the local industry. During the year, it approved 155 loans with a total value of SR 7,900,000,000 to finance industrial projects in various regions and cities all over the Kingdom. The loans contributed to the establishment of 136 new projects and expansion of 19 existing ones with a total investment of SR 17 billion. This highlights the growing share of new projects compared to existing ones as they represented 88% of the total number and 82% of the total value of loans approved by the Fund during the year. The value of the funds disbursed during the year amounted to SR 6,377,000,000.

In terms of achieving balanced development among the regions of the Kingdom, the percentage of loans approved for industrial projects in promising regions and cities was 51% of the total number and 25% of the total value of loans approved by the Fund during the year.

The total number of loans approved by the Fund since its inception in 1394H to the end of the fiscal year 1437/1438H reached 4079 loans with a total value of SR 137,368,000,000 which contributed to the establishment of 2,988 new projects and expansion of 1091 existing ones across the Kingdom. The disbursed amounts totaled SR 94,821,000,000 of which SR 59,333,000,000 were paid. This confirms the success of the

projects financed by the Fund and its advisory support provided to the projects in the technical, administrative, financial and marketing fields.

This report coincides with the Kingdom's implementation of the structural and organizational reforms aimed at enhancing the performance of the national economy after adoption of " Saudi Arabia's Vision 2030" which is a method and roadmap for economic reform within the Kingdom. This bold new Vision outlines the overall development policies and objectives of the Kingdom, as well as, its objectives and commitments. In addition, a number of operational programs were announced to achieve the Vision such as the National Transformation Program 2020, which included strategically phased objectives.

Within this framework, we are determined that the Fund will continue to play its role in stimulating the industrial sectors in general and the strategic sectors in particular. The Board of Directors of the Fund has adopted a new business strategy that is supported by an ambitious vision to contribute to the formation of new industrial sectors, and the development of competitive institutions that support the development and diversification of local economic resources to achieve the Kingdom's strategic objectives as outlined in the National Transformation Program and the Vision 2030. In short, the Fund's new business strategy aims to redesign funding programs and implement new frameworks to prioritize financed projects according to the Kingdom's strategic priorities.

In conclusion, I would like to extend my sincere thanks and appreciation to the Custodian of the Two Holy Mosques King Salman bin Abdulaziz Al Saud and to His Crown Prince, May ALLAH protect them, for their continued support for industrial development in general and the activities of the Fund in particular.

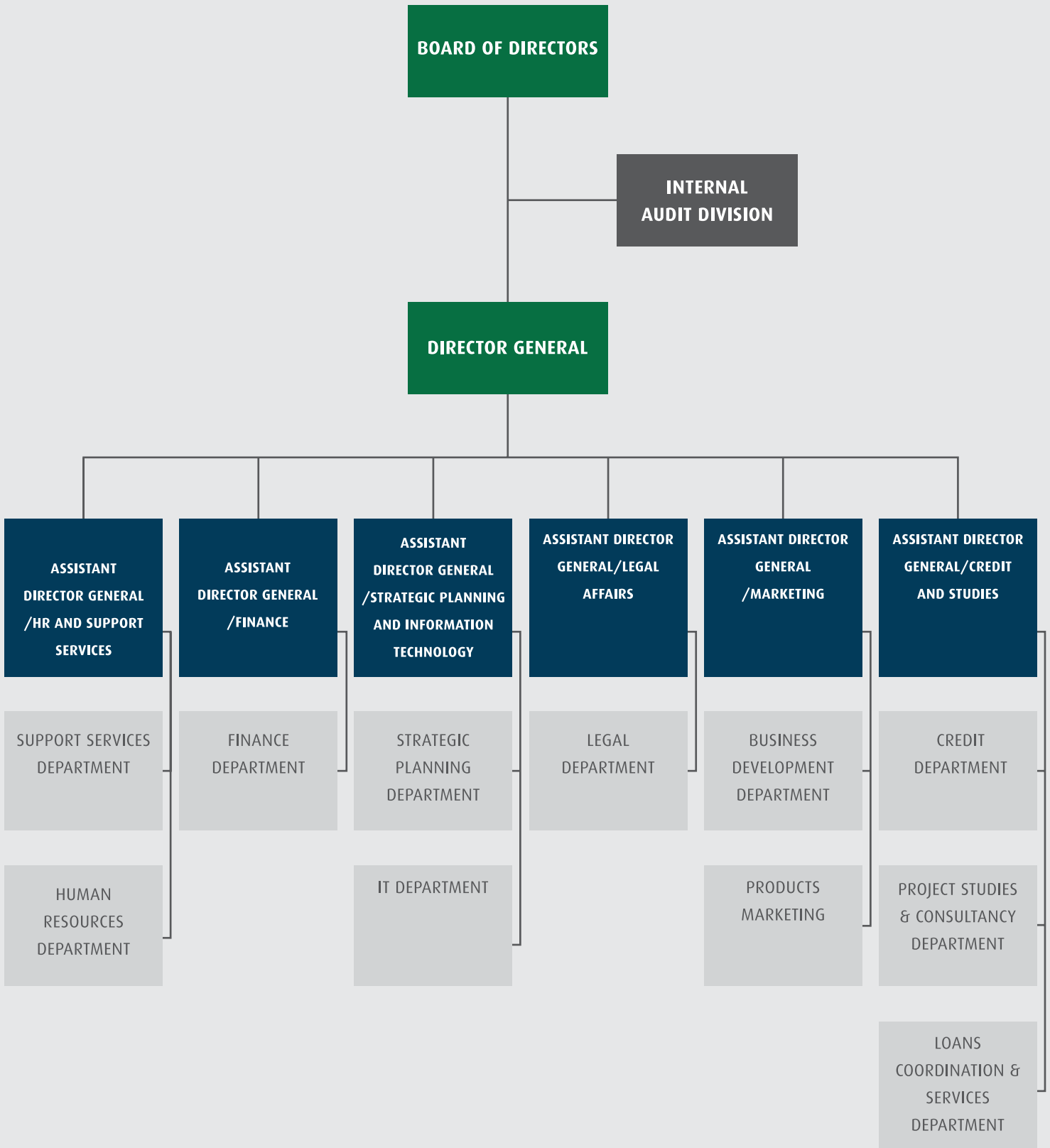
Also, I would like to thank the Fund's Board members, management and staff for their efforts which culminated in the achieved successes and a quantum leap in performance. This will have a positive impact on the national industrial achievements, God willing.

Khalid Abdulaziz Al-Faleh

Minister of Energy, Industry and Mineral Resources

Chairman of the Board of Directors of the Saudi Industrial Development Fund

SIDF Organizational Structure



SIDF Organizational Structure

To more effectively confront the significant challenges associated with the implementation of the Fund's new business strategy, the Board of Directors approved the creation of new departments during the fiscal year 1436/1437H and restructured some existing departments as follows:

1- Created the Marketing Department to take the responsibility for marketing the products of the Fund. Of particular importance will be creating greater awareness of the Fund's role and accomplishments through the effective use of a wide variety of communication mechanisms (events, meetings, seminars, conferences, social media etc.)

2- Created the Business Development Department to develop the Fund's core business using new methods in accordance with modern professional standards and the Fund's future vision to improve performance and productivity.

3- Created the Strategic Planning Department to prepare a strategic plan for the Fund in coordination with all SIDF departments.

4- Restructured some departments to focus on specialized functions and activate their roles. The Operations and Administration Department was split into two focused departments: the Financial Department and the Support Services Department.

5- Five positions have been created under the name of (Assistant Director General): in Marketing, Law, Strategic Planning/Information Technology, Finance, and Human Resources/Support Services, under the supervision of the Fund's Director General. The spirit of the team at the leadership level is consolidated through periodic weekly meetings to tackle all subjects in a transparent and professional manner.

Preface

Trends and Indicators in the Domestic Economy

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KSA Economic Review for The Year 2016:

The Saudi economy continued to grow in 2016 despite the economic and geopolitical challenges that included a global economic slowdown and decline in oil prices by more than 17.8% on average compared to their levels in 2015. However, the Kingdom's experience in properly dealing with the oil market challenges together with ongoing structural and regulatory reforms have been effective in enabling the Saudi economy to successfully overcome such challenges. According to the Ministry of Finance's statement accompanying the announcement of the state budget, the Kingdom's gross domestic product (GDP) is expected by the General Authority for Statistics to reach SR 2,581 billion in 2016, an increase of 1.4% at constant prices compared to the previous fiscal year. The non-oil sector is expected to grow steadily by 0.23%, thanks to the good results of activities like home ownership and transportation, warehousing and telecommunication which are expected to grow by 3.6% and 2.6% respectively.

Inflation levels increased in 2016 as the cost of living index is estimated by the General Authority for Statistics to go up by 3.4%, compared to 2.2% in 2015 (calculated on the base year of 2007). Non-oil GDP deflator, a key economic indicator for calculating inflation for the whole economy, is expected to increase slightly by 0.99% in 2016 compared to the preceding year.

According to the preliminary estimates of the Saudi Arabian Monetary Agency (SAMA), the deficit of the current account of the balance of payments is expected to decline to SR 92.3 billion until the third quarter of 2016, compared to a deficit of SR 212.7 billion in 2015. Likewise, the trade balance in 2016 is expected to record a deficit of SR 13.4 billion until the third quarter of 2016, compared to the preceding year's deficit of SR 110 billion. Commodity exports are expected to reach 673.4 billion whereas non-oil commodity exports are expected to approximate SR 169.5 billion, a decrease of 10.71% compared to the preceding year. On the other hand, commodity imports are expected to reach SR 492.9 billion in 2016, a decrease of 24.76% compared to the preceding year.



As for financial and monetary developments, and in light of the developments encountered by the national and global economy, the Kingdom continued its stable monetary and financial policy with the aim of achieving a suitable level of liquidity to satisfy the requirements of its national economy. The measures taken against expenditure helped reduce the deficit below budgeted levels as it is expected to fall to SR 297 billion, and the public debt is estimated to reach SR 316.5 billion at the end of 2016 (12.3% of GDP at constant prices). The money supply, in its broad definition term, achieved a growth rate of 0.75% in comparison with the same period in the preceding year.

With reference to the banking sector, commercial banks continued to strengthen their financial position in 2016. Capital and reserves of the commercial banks rose by 10.3% to SR 298.9 billion while their total claims on public and private sectors increased by 9.1% in the same year. Bank deposits, on an annual basis, grew by 0.8%, compared with the preceding year.



Moreover, commercial banks continued to play a vital role in supporting and expanding the private sector's economic activities. Credit provided by commercial banks to various economic activities of the private sector increased by 3% to approximately SR 1400 billion in 2016. Commercial bank financing grew for certain subsectors such as agriculture and fishery (15.3%), commercial subsector (5%), industry and production (2.2%) and water, electricity, gas and health services (1.5%). On the other hand, financing declined for some subsectors such as mining and quarrying which fell by 8.4%.

Similarly, the Saudi Industrial Development Fund continued its vital role in the support of all local industrialization activities in the Kingdom. SIDF's loan approvals in the fiscal year 2016 increased to 155 loans totaling SR 7.9 billion.

The Saudi General Share Index increased by 4.3% at the end of 2016 registering 7,210 points, compared to 6,912 points at the end of 2015. The value of traded stocks decreased by 30.3% to SR 1,156 billion in 2016, compared to SR 1,660 billion in 2015 . The Capital Market Authority (CMA) worked on expanding the market base by enhancing credit and growth opportunities for companies and opening up channels for investment. An additional five companies were put up for public offering while three retail and construction companies opted for a partial public offering, increasing the number of listed companies to 176 by the end of 2016 with a total value of SR 9.16 billion. In addition, the Capital Market Authority Board of Directors has approved parallel market listing rules, which is an alternative platform for companies wishing to be listed with more flexible terms in comparison to the main market. It aims to help expansion, growth and sustainability of SMEs by diversifying financing sources.

In the area of structural and organizational reforms aimed at strengthening the national economy, the Vision of the Kingdom of Saudi Arabia 2030 was adopted as an approach and road map for the economic development of the Kingdom.



A number of executive programs have been announced to achieve the vision such as the National Transition Program 2020, which includes strategic objectives linked to interim targets until 2020 through 24 government agencies relevant to the economic and development sectors. An amount of SR 286 billion was allocated for the initiatives of the National Transition Program 2020. Moreover, the Fiscal Balance Program was launched to strengthen financial management, restructure the Kingdom's financial situation and introduce various mechanisms to review and approve revenues, expenditures and projects.

The National Center for Public Agencies Performance Measurement was established to measure the performance of public agencies through unified and binding models, approaches and tools to support their adequacy and effectiveness, as well as preparation of periodic reports on its performance results. The Fund was established in the name of "Fund of Funds" with a capital of SR 4 billion. It aims at activating the role of the private sector and increasing its contribution to GDP by stimulating investments related to bold capital and private ownership and approving the executive regulations of the white land tax.

In their assessment of the national economy, a number of reputable international economic institutions and agencies have commended the strength of the Saudi economy. The International Monetary Fund (IMF), in its latest 2016 advisory report, has appraised the consistently strong performance of the Saudi economy emphasizing that the Kingdom has been among the best performers in the G20 economies. IMF officials also praised Saudi Arabia's Vision for 2030 and the National Transition Program 2020, as well as the Kingdom's policy to counter the decline in oil prices and diversify the economy. They also praised the strength of the Saudi banking sector and supported continued efforts to strengthen regulation and oversight in the financial sector. The report also highlighted the strong position of the Saudi banking sector. Despite economic challenges and structural reforms, Standard & Poor's has maintained the sovereign rating of the Kingdom at a high credit rating of (A-) with a stable outlook. Similarly, Fitch has also maintained its sovereign rating of the Kingdom at (AA-) on the long term.

In conclusion, despite low oil prices and slow pace of the global economic growth, the Saudi economy continued to perform satisfactorily in 2016. This attests to the Saudi economy's strength and consolidation, the government's successful economic and structural reforms implemented in pursuit of economic growth and diversification of income sources.

Performance of The Kingdom's Industrial Sector in 2016:

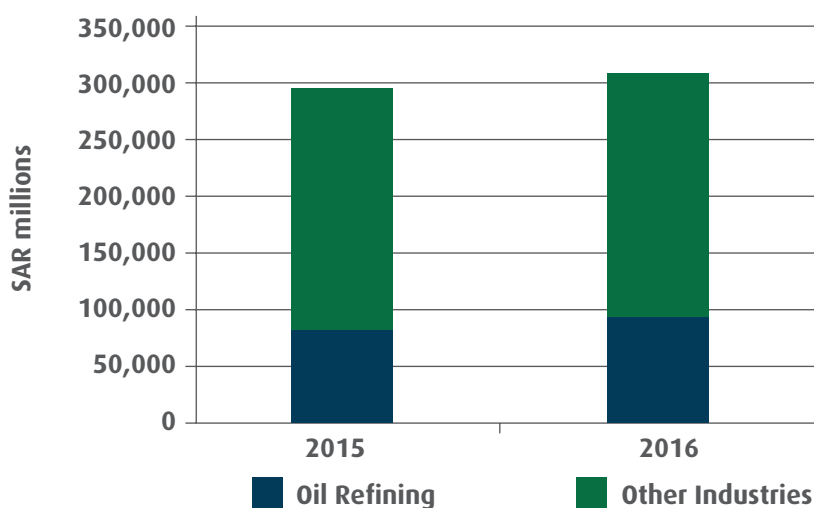
Introduction:

The global industrial sector has been affected by the economic slowdown and some political changes. The United Nations Industrial Development Organization (UNIDO) estimates that the average value added growth of the industrial sector in industrialized countries will decline to less than 1% in 2016, compared to 1.5% in 2015. It is expected that the growth of value added of the industrial sector will slow down in the emerging and developing countries from 4.5% in 2015 to about 2.5% in 2016. The Organization attributed the weak expectations of global industry growth in 2016 to the lack of clarity in the global markets and the potential impact of international trade agreements by some political changes such as Britain's exit from the European Union. The manufacturing sector in the Kingdom recorded a growth of 3.3%, due to the significant growth of the oil refining sector by 14.8%.

Development of Industrial GDP:

The GDP of the manufacturing sector increased in 2016 to SR 308 billion at constant prices, growing by 3.3% over the preceding year. The contribution of the industrial sector in the national economy increased to 11.9%, compared to 11.7% in the preceding year. Such increase is mainly attributed to the significant growth of 14.8% in the oil refining sector. In contrast, non-oil manufacturing sectors recorded a contraction of 1.2% due to low demand.

Volume and Distribution of Industrial GDP in the Kingdom by Main Sectors 2015 - 2016 (at constant prices - 2010)

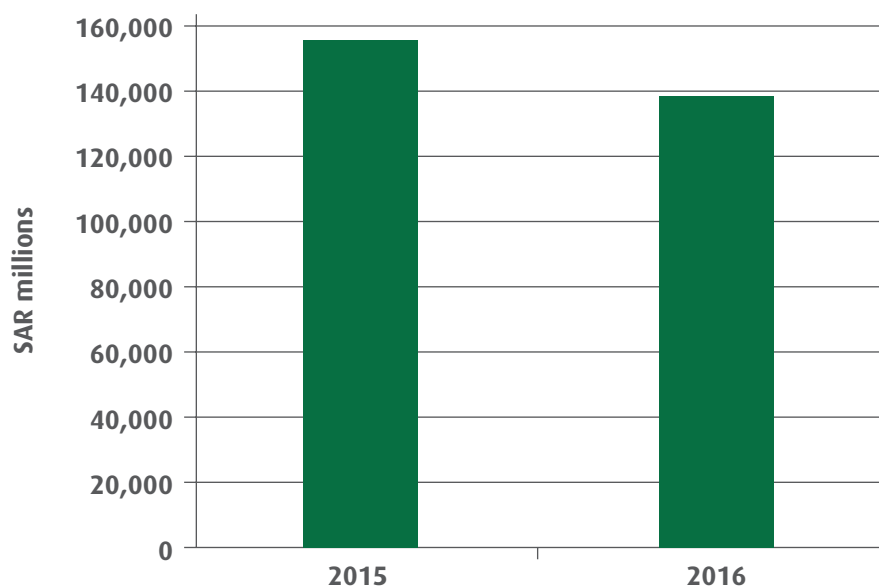


Source: General Organization for Statistics

Development of Industrial Exports:

The value of non-oil industrial exports were preliminarily estimated at SR 139 billion in 2016, compared to SR 156 billion in 2015. This decrease is due to the drop of petrochemical export value, the largest industrial export of the Kingdom, due to the decline in global demand. This highlights the importance of focusing on diversification of industrial products and encouraging their export, especially high value added products, in order to help diversify income sources and create economic stability in the Kingdom.

Value of non-oil industrial exports in the Kingdom



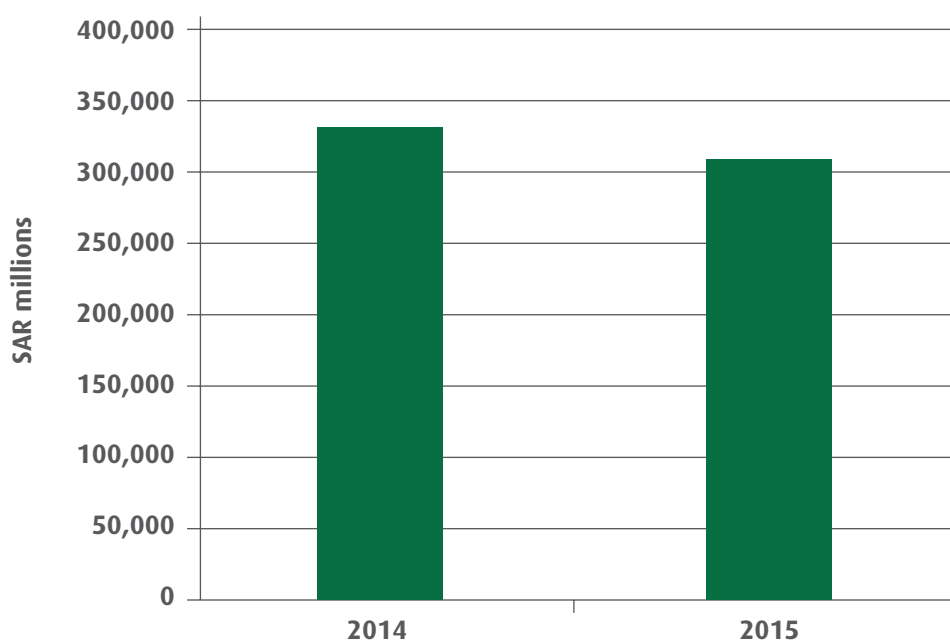
Source: General Organization for Statistics



Development of Worker Productivity in The Local Industrial Sector:

The average productivity of worker in the industrial sector in 2015 approximated SR 311,000 per worker, decreasing from SR 334,000 (7%) in 2014. The decline in worker productivity is mainly due to the increase in the number of workers during that year by 62,000 workers, with relative stability of factors and structure of local production. The petrochemical sector was the highest in terms of worker productivity (SR 477,000 per worker), while the furniture sector was the lowest with SR 103,000 per worker.

Development of Worker Productivity in the Industrial Sector of the Kingdom



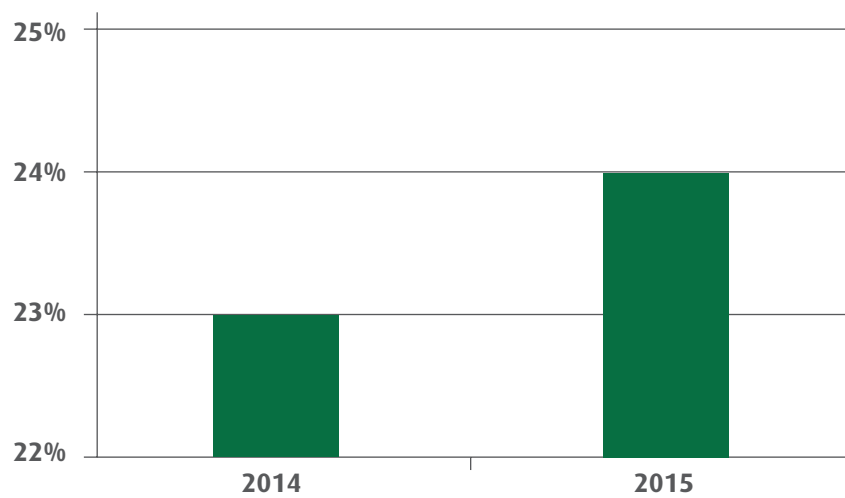
Source: General Organization for Statistics



Ratio of Saudi Labor to Total Labor:

The average ratio of Saudi labor in the industrial sector increased to 24% in 2015, compared to 23% in 2014. The petrochemical sector was the most attractive to citizens with a Saudization rate of 38%, followed by the basic metals sector (36%). On the other hand, metal fabrication and wood and cork industries were the least attractive with a Saudization rate of 13% and 11%, respectively.

Ratio of Saudi Labor to Total Labor



Source: General Organization for Statistics

SIDF Performance Review



Lending Activity During The Fiscal Year 1437/1438H (2016):

SIDF has continued its outstanding performance in developing the local industrial sector. The number of loans approved by the Fund during the year amounted to 155 worth SR 7.943 million. They helped to set up 136 new industrial projects and expand 19 existing ones, with total investments of SR 17 billion. The amounts disbursed during the year stood at SR 6,377 million, an 11% decrease compared to preceding year. The amount of loans repaid by borrowers during the year totaled SR 4,334 million.



General Manager
Abdulkarim Ibrahim Al-Nafie

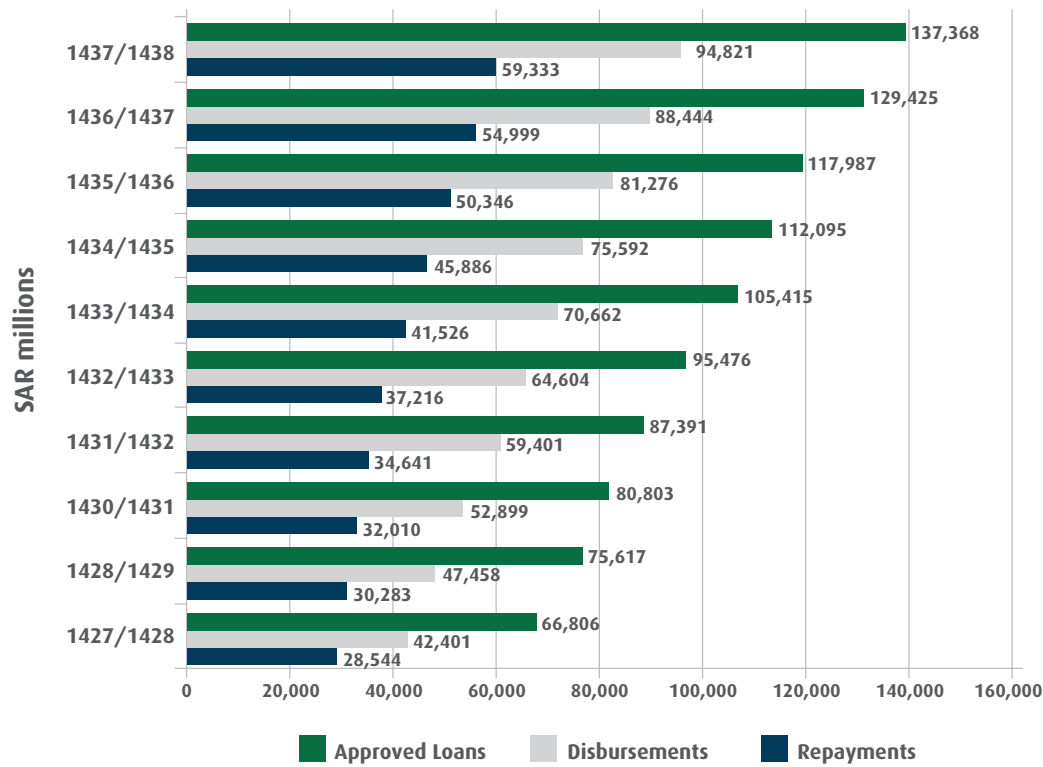
SIDF approvals during FY 1437/1438H (2016) indicate that the new industrial projects share of SIDF total approved loans was significantly greater than approvals for expansion projects. In fact, 136 loans were provided to finance new industrial projects valued at SR 6,526 million. Consequently, new industrial projects accounted for 88% of the total number of loans granted and 82% of the value.

SIDF lending activity during the fiscal year 1437/1438H (2016) featured a much higher rate of loans provided to industrial projects located in the promising regions and cities in terms of number (51%) and value (25%) of the total of SIDF approved loans. In contrast, loans to promising region were only 14% of the total number of approved loans and 15% of their value prior to recent implementation of the rules under which the Fund's financing to industrial projects located in the less-developed regions and cities was increased from 50% to up to 75% of the project cost. The repayment period was extended from 15 years to up to 20 years.

A further feature of SIDF achievements during FY 1437/1438H (2016) is the high percentage of loans approved to small industrial projects (With loans up-to SR15 million each), accounting for 61% of the total number of loans approved by the Fund during the FY.

Overall, and since its inception in 1394H until FY-end of 1437/1438H, the Fund approved a total of 4079 loans at a value of SR137,368 million. The loans helped to set up 2,988 new industrial projects and expand 1,091 existing ones Kingdom-wide. Furthermore, the loans disbursed under these approved commitments totaled SR 94,821 million, of which SR 59,333 million was repaid. These figures testify to the success of the projects which benefited from SIDF's loans and the professional expertise and advisory services it has provided, particularly in the technical, managerial, financial, and marketing areas.

Approved Loans, Disbursements and Repayments (SAR millions)



1. Distribution of Loans by Sector:

A review of the major industrial sectors, classified by approved loan value, reveals the following salient features:



Chemical Industries:

Cumulative Amount of Loans:

This sector still leads all other sectors in terms of the amount of loan commitments since SIDF's inception until the end of the fiscal year 1437/1438H (2016). Cumulative commitments extended to the sector totaled SR 52,818 million, representing 38% of the total value of loans approved by the Fund during the year.

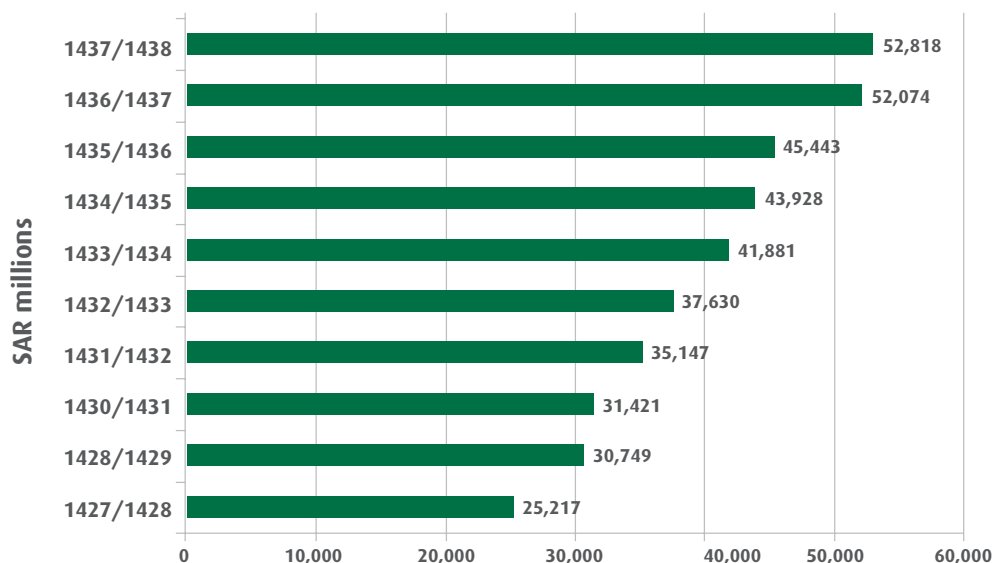
Projects Approved During 1437/1438H (2016):

During FY 1437/1438H (2016), SIDF approved 48 loans for this sector valued at SR 744 million, representing 31% and 9% of the total number and value of loans approved during the year respectively. Hence for the year, this sector ranks second in terms of number and value of approved loans which were provided to support setting up 42 new industrial projects and the expansion of 6 existing ones.

Among the loans committed to this sector in 1437/1438H (2016) were two loans valued at SR 195 million approved to support setting up two pharmaceutical factories in Rabigh and Sudair, two loans worth SR 41 million for setting up two bottle pellet factories in Madinah and Kharj, a loan of SR 36 million for a calcium carbonate plant in Jeddah, a loan of SR 30 million for a lubricating oils plant in Jazan, and a loan of SR 16 million for a medical appliances plant in Sudair.

The Fund's loans to expansion projects included a loan worth SR 84 million for the expansion of a bottle pellet plant in Kharj, four loans totaling SR 77 million for the expansion of four projects in Dammam producing non-woven polypropylene, natural gas distribution, shrink films, and plastbau walls and floors, and a loan of SR 7 million for the expansion of a polyethylene film plant in Rabigh.

Cumulative Loans Amount for The Chemical Industries Sector (SAR millions)





Engineering Industries:

Cumulative Amount of Loans:

This sector comes second in terms of loans approved since the Fund's inception until FY 1437/1438H (2016). Cumulative commitments of loans approved to this sector totaled SR 28,548 million, accounting for 21% of the total value of SIDF approved loans.

Projects Approved During 1437/1438H (2016):

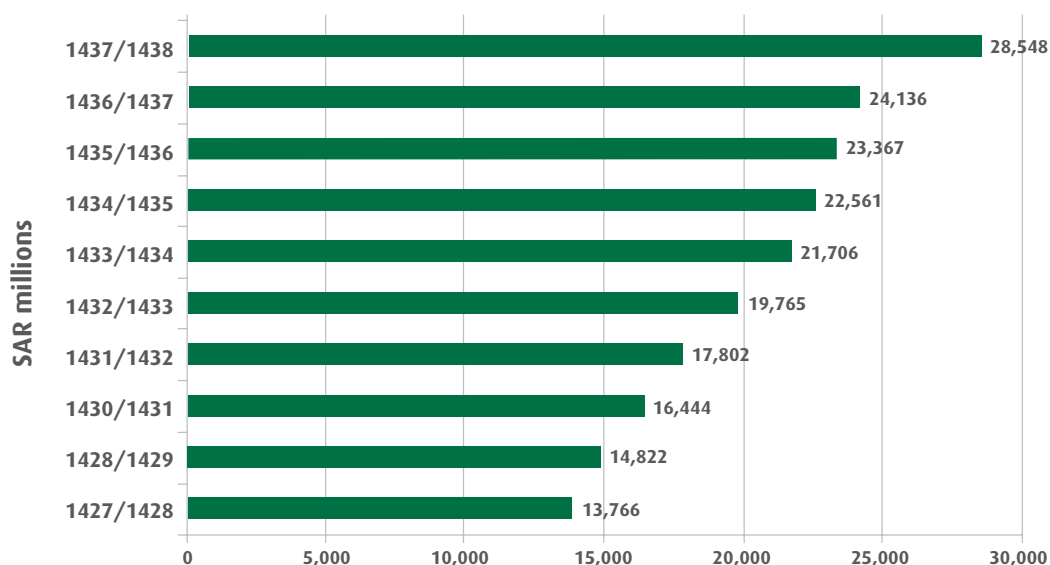
During FY 1437/1438H (2016), SIDF approved 34 loans to this sector valued at SR 4,412 million, representing 22% of the total number of loans approved during the year and about 56% of their value. Hence, the sector ranks third and first in terms of the number and value of approved loans respectively. These loans were provided to support setting up 29 new industrial projects and the expansion of 5 existing ones.



The loans approved to this sector during the reporting year included a loan of SR 3,750 million to set up an integrated marine complex in Ras Al Khair for ship services, a loan of SR 116 million for a HV cables factory in Rabigh, a loan worth SR 90 million for a steel pipe factory in Jeddah, a loan of SR 81 million for an aluminum profile factory in Sudair, and two loans totaling SR 44 million for setting up two steel billet factories in Dammam and Jeddah.

SIDF loans to finance expansion projects in this sector included a loan worth SAR 62 million to expand an aluminum factory in Dammam, a loan of SR 20 million to expand a copper wire factory in Jubail, two loans worth SR 15 million to expand two factories in Riyadh producing steel rebars and billets, and a loan of SR 10 million for the expansion of a LV cables factory in Jeddah.

Cumulative Loans Amount for The Engineering Industries Sector (SAR millions)





Consumer Industries:

Cumulative Amount of Loans:

This sector ranks third in terms of the value of the approved loans totaling SR 22,824 by the end of the reporting year, accounting for 17% of the total loans approved by SIDF since its inception until the end of the fiscal year 1437/1438H (2016).



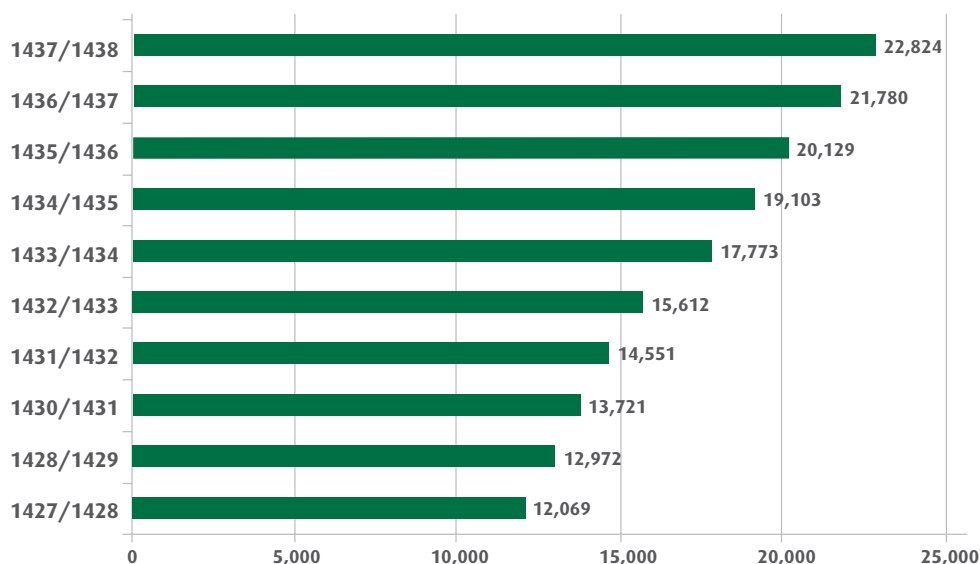
Projects Approved During 1437/1438H (2016):

During FY 1437/1438H (2016), SIDF approved 51 loans to this sector valued at SR 1,044 million, accounting for 33% of the total number of approved loans and 13% of their value. Hence, the sector ranks first and second in terms of the number and value of approved loans respectively. The loans committed to this sector during the reporting year contributed to setting up 45 new industrial projects and the expansion of 6 existing ones.

The loans approved to this sector during the reporting year included a loan worth SR 255 million to set up a pastry factory in Hail, five loans worth SR 143 million for five paper projects in Kharj, Riyadh, Sudair, Buraidah and Sudair, a loan of SR 90 million for six bottled water projects in Madinah, Jazan, Shaqra, Aqeeq, Jeddah and Tanumah, in addition to two loans worth SR 54 million for two cardboard factories in Madinah and Jazan.

SIDF loans to finance expansion projects in this sector included a loan worth SAR 67 million for the expansion of a biscuit factory in Riyadh, a loan of SR 56 million for a duplex carton factory in Dammam, a loan of SR 35 million for a wooden cabinet factory in Sudair, a loan of SR 30 million for a baked food factory in Kharj, and a loan of SR 22 million for a non-concentrated fruit and vegetable juice plant in Hofuf.

Cumulative Loans Amount for The Consumer Industries Sector (SAR millions)





Cement Industry:

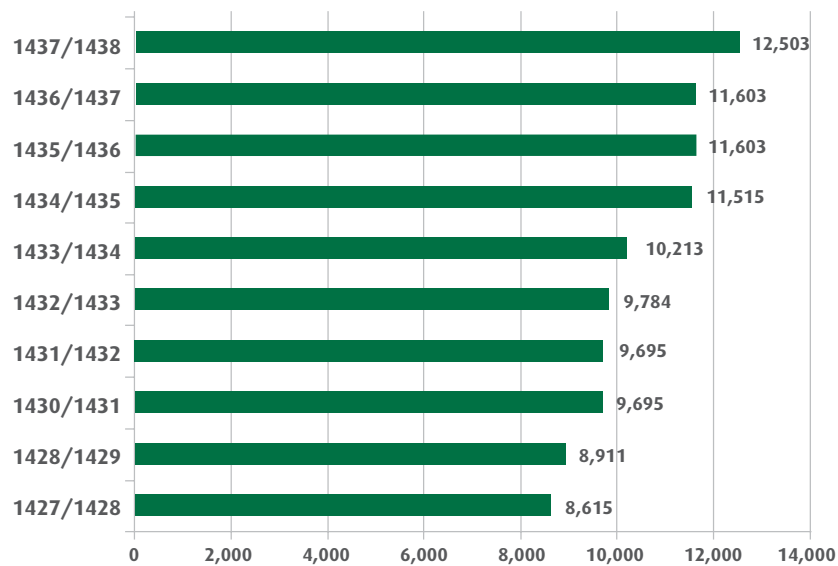
Cumulative Amount of Loans:

Since SIDF's inception until the end of the fiscal year 1437/1438H (2016), the cumulative amount of loans committed to the cement sector totaled SR 12,503 million, representing about 9% of the total value of the loans approved by the Fund, thereby ranking fifth in terms of total value of committed loans.

Projects Approved During 1437/1438H (2016):

One loan has been committed to the cement sector during the reporting year worth SR 900 million, representing 1% of the total number of loans approved during the year and about 11% of their value. The sector ranks sixth and third in terms of the number and value of approved loans respectively. The above mentioned loan helped expansion of an existing project.

Cumulative Loans Amount for The Cement Sector (SAR millions)





Other Building Materials Industries:

Cumulative Amount of Loans:

The cumulative amount of SIDF loans committed to the “Other Building Materials” Sector until the end of the fiscal year 1437/1438H (2016) totaled SR 13,812 million, representing 10% of the total value of loans approved by the Fund for industrial projects since its inception. This ranks the sector fourth in terms of the number and value of approved loans.



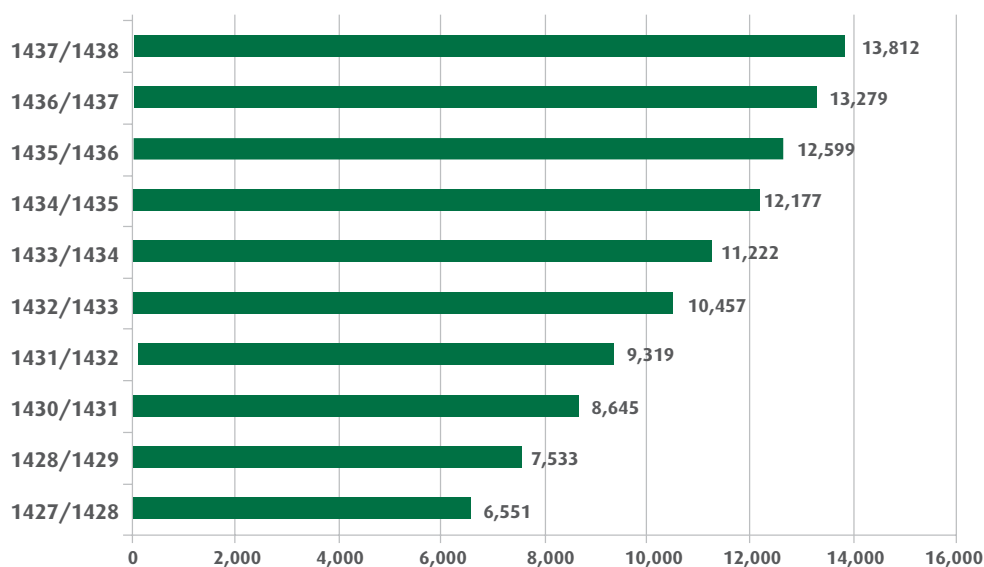
Projects Approved During 1437/1438H (2016):

During the year 1437/1438H (2016), SIDF approved 13 loans for this sector valued at SR 533 million, accounting for 8% and approximately 7% of the number and value of the approved loans respectively. This brings the sector to the fourth rank in terms of the number of approved loans and fifth in terms of value. Loans provided to this sector contributed to setting up 12 new industrial projects and expanding an existing one.

The loans approved to this sector during the reporting year included a loan of SR 153 million for setting up a precast concrete factory in Jazan, two loans worth SR 139 million for two red brick factories in Shaqra and Baqaa, a loan of SR 106 million for a glass products factory in Yanbu, a loan of SR 46 million for a granite tile factory in Najran and a loan of SR 22 million for an interlock factory in Sudair.

As for expansion projects, there is only one loan worth SR 30 million which helped expansion of a gypsum factory in Yanbu.

Cumulative Loans Amount for The Other Building Materials Industries Sector (SAR millions)



Other Industries:

Cumulative Amount of Loans:

SIDF cumulative loans committed to this sector since its inception until the end of the fiscal year 1437/1438H (2016), totaled SR 6,863 million, representing 5% of the total value of loans approved by the Fund, thereby ranking the sector sixth in terms of the value of loans approved.

Projects Approved During 1437/1438H (2016):

During 1437/1438H (2016), SIDF approved 8 loans for this sector valued at SR 310 million, accounting for about 5% and 4% of the total number and value of approved loans respectively. This ranks the sector fifth and sixth in terms of the number and value of loans approved during the year respectively. SIDF loans provided to this sector during the year helped set up 8 new industrial projects.

Among the new loans committed to this sector during the reporting year are three loans worth SR 166 million for setting up three labour housing complexes in Jeddah, Dammam and Sudair, two loans of SR 119 million for the establishment of hotels and warehouses in Jeddah, and a loan of SR 26 million for the production of solar energy equipment.



Projects Which Commenced Production in 2016:

SIDF-financed industrial projects that started commercial production during the year totaled 63 projects, 54 of which are new and the remaining nine are the expansion of already existing projects, as shown below:

Sector	Number of Projects that Commenced Production in 2016	Projected Workforce Number
Consumer Industries	22	1733
Chemical Industries	15	741
Engineering Industries	10	788
Other Building Materials Industries	9	1455
Other Industries	6	485
Cement Industries	1	553
Total	63	5755

2. Distribution of Loans by Region:

A review of the geographical distribution of the total number and value of approved loans by region Kingdom-wide reveals a pattern of distribution as follows:



Riyadh Province:

Cumulative Amount of Loans:

SIDF's cumulative number of loans committed to contribute to setting up industrial projects in Riyadh Province stood at 1,497 loans provided to finance 1,074 industrial projects, accounting for nearly 37% of the total loans approved over the period from SIDF's inception until the end of the fiscal year 1437/1438H (2016). This places Riyadh Province in the first and second ranks in terms of number and value of approved loans respectively. SIDF loans to industrial projects located in Riyadh Province totaled SR 26,464 million, or about 19% of the Fund's total approved loans.

Loans Approved During 1437/1438H (2016):

During the FY 1437/1438H (2016), SIDF approved 54 loans worth SR 1,999 million to contribute to setting up of 46 new industrial projects and the expansion of 8 existing ones located in Riyadh Province, representing approximately 35% and 25% of the total number and value of loans approved by the Fund. Riyadh Province is ranked first and second in terms of number and value of approved loans during the reporting year respectively.



Makkah Province:

Cumulative Amount of Loans:

SIDF's cumulative number of loans committed to contribute to the establishment of industrial projects in Makkah Province stood at 999 loans valued at SR 23,078 million provided to finance 703 industrial projects. Thus, Makkah Province is ranked third in terms of both number and value of loans approved over the period from SIDF's inception until the end of the fiscal year 1437/1438H (2016), representing 24% and 17% of total number and value of loans respectively.

Loans Approved During the Year 1437/1438H (2016):

During FY 1437/1438H (2016), SIDF approved 40 loans valued at SR 850 million to finance the establishment of 38 new industrial projects and the expansion of two existing ones located in Makkah Province, accounting for 26% and approximately 11% of the total number and value of SIDF approved loans during the year respectively. This ranks Makkah Province second in terms of number and third in terms of value of loans approved during the year.



Eastern Province:

Cumulative Amount of Loans:

SIDF's cumulative number of loans approved by the Fund to finance projects located in the Eastern Province totaled 1076 worth SR 57,601 million, contributing to the setting up of 768 industrial projects, comprising 27% and 42% of the total number and value of approved loans respectively. Thus, the Eastern Province ranked first in terms of value and second in terms of number of loans approved by the Fund over the period from SIDF's inception until the end of the fiscal year 1437/1438H (2016). This region's high loan value percentage is attributable to the very significant average capital volume invested in industrial projects located in Jubail Industrial City in the Eastern Province.

Loans Approved During the Year 1437/1438H (2016):

During the year 1437/1438H (2016), the Fund approved 25 loans valued at SR 4,080 million to contribute to setting up 17 new industrial projects and the expansion of 8 existing ones in the Eastern Province. The region is ranked first in terms of value (51%) and third in terms of the number (16%) of loans approved during the reporting year.



Madinah Province:

Cumulative Amount of Loans:

SIDF's cumulative number of loans committed to this region contributed to the setting up of 144 projects by the end of the fiscal year 1437/1438H (2016) and totaled 181 loans, amounting to SR 15,540 million. This represented 4% and 11% of the total number and value of SIDF approved loans respectively.

Madinah Province is ranked fourth in terms of both number and value of loans approved over the period from the SIDF's inception to the end of the fiscal year 1437/1438H (2016). This region's high percentage of loan value, as opposed to loan number, is attributed to the very significant average capital invested in the industrial projects located in Yanbu Industrial City, which is part of Madinah Province.

Loans Approved During the Year 1437/1438H (2016):

During the year 1437/1438H (2016), the Fund approved 12 loans valued at SR 229 million to contribute to the setting up of 11 new industrial projects and the expansion of an existing one in Madinah Province, accounting for approximately 7% and 3% of the total number and value of loans approved during the reporting year respectively. Madinah Province placed fourth in terms of number and second in terms of value of loans approved during the year.



Jazan Province:

Cumulative Amount of Loans:

SIDF's cumulative number of committed loans (46 loans valued at SR 4,147 million) contributed to the setting up of 39 industrial projects in Jazan Province, and accounted for approximately 1% and 3% of the total number and value of approved loans. As such, Jazan Province is ranked fifth in terms of the value of the loans approved over the period from SIDF's inception until the end of the fiscal year 1437/1438H (2016).

Loans Approved During the Year 1437/1438H (2016):

During the year 1437/1438H (2016), the Fund approved 9 loans valued at SR 328 million to set up nine new industrial projects in Jazan Province, which placed the region fifth in terms of number and value of loans approved during the reporting year, accounting for about 6% and 4% of the number and value of approved loans respectively. Jazan Province, classified as a promising region, has greatly benefited from the new regulations which stipulate that SIDF lending limit to less developed regions and cities be increased from 50% up to 75% of a project's cost; with the loan repayment period extended from 15 to 20 years.



Hail Province:

Cumulative Amount of Loans:

SIDF's cumulative number of committed loans (38 valued at SR2,290 million) contributed to setting up 37 industrial projects in this region. As such, Hail Province is ranked seventh and sixth in terms of number and value of loans approved over the period from SIDF's inception until the end of the fiscal year 1437/1438H (2016).

Loans Approved During the Year 1437/1438H (2016):

During the year 1437/1438H (2016), the Fund approved three loans valued at SR 328 million to set up three new industrial projects in the region, which is placed sixth and fourth in terms of number and value of loans approved during the reporting year. Being a promising region, Hail has also benefited from the new regulations regarding the lending limit and loan repayment period.



Qassim Province:

Cumulative Amount of Loans:

SIDF's cumulative number of loans committed (90 valued at SR1,640 million) contributed to setting up 78 industrial projects in this region. As such, Qassim Province is ranked fifth and seventh in terms of number and value of loans approved over the period from SIDF's inception until the end of the fiscal year 1437/1438H (2016), representing 2% and 1% of the number and value of approved loans respectively.

Loans Approved During the Year 1437/1438H (2016):

During the year 1437/1438H (2016), the Fund approved three loans valued at SR 31 million to contribute to setting up three new industrial projects, which placed the region seventh and sixth in terms of number and value of loans approved during the reporting year.



Other Provinces of The Kingdom:

Cumulative Amount of Loans:

SIDF's cumulative number of loans committed (152 valued at SR 6,608 million) up to the end of the fiscal year 1437/1438H (2016) contributed to setting up 145 projects in the other provinces of the Kingdom, representing 4% and 5% of total number and value of loans approved over the period from SIDF's inception until the end of the reporting year.

Loans Approved During the Year 1437/1438H (2016):

During the year 1437/1438H (2016), the Fund approved nine loans totaling SR 98 million to contribute to the setting up of nine new industrial projects located in other regions of the Kingdom, specifically four projects in Baha; two projects each in Aseer and Najran and one project in Jouf .

Geographical Distribution of Loans by the End of 1437-1438H (2016)

Province	Number of Approved Loans	Approved Loans (SAR millions)
Riyadh	1497	26 ,464
Makkah	999	23 ,078
Eastern Province	1,076	57,601
Madinah	181	15,540
Jazan	46	4,147
Hail	38	2,290
Qassim	90	1,640
Others	152	6,608
Total	4,079	137,368

3- Financing of Joint Venture Projects

Since its inception, SIDF has spared no efforts in promoting the implementation of industrial joint venture projects. It firmly believes that Foreign Direct Investment (FDI) is an effective tool for the attraction and transfer of modern technologies to the Kingdom and the creation of new employment opportunities for Saudi citizens. In addition, FDI has a crucial role in providing access for national products to export markets. Therefore, the Fund does not require Saudi partnership in these projects, as it also finances projects that are wholly owned by foreign investors. In this context, SIDF treats wholly foreign-owned projects on an equal footing with projects wholly or partly owned by Saudi investors.

The number of joint venture projects approved by the Fund since its inception up to the end of the FY 1437/1438H (2016) totaled 717 projects, accounting for 24% of total number of approved projects. The value of loans committed to these JVs totaled SR 53,329 million, representing 39% of the total value of SIDF approved loans. Foreign partners' capital shares in these projects represent 34%,

It is worth mentioning that the ownership of 134 projects of these JVs, for which SIDF provided loans amounting to SR 7,606 million, have been wholly transferred to Saudi investors who have acquired their foreign partners' capital shares in these JVs, after operating successfully and generating enough cash flow to fully repay their debts.

The Chemical Industries sector surpassed all industrial sectors in terms of value of loans approved for JVs over the period from SIDF's inception to the end of FY 1437/1438H (2016), due to very significant volume of capital invested in the projects in this sector. SIDF's approved loans to this sector accounted for about 52%, followed by the Engineering Industries sector (31%), and the Consumer Industries sector (8%).

During the reporting year 1437/1438H (2016), SIDF approved 15 loans to contribute to setting up 14 new industrial joint venture projects and expansion of one existing project. The value of these loans totaled SR 4,159 million, representing about 52% of the total Fund's approved loans during the year. Eight loans were provided to finance projects in the Engineering Industries sector; four loans to the Chemical Industries sector, and two loans for the Other Industries sector and one loan for the Building Materials sector.

The SIDF-financed joint venture projects during the 1437/1438H (2016) created 10,608 new jobs, representing 51% of the total number of jobs provided by the projects financed by the Fund during the year 1437/1438H (20806 opportunities).

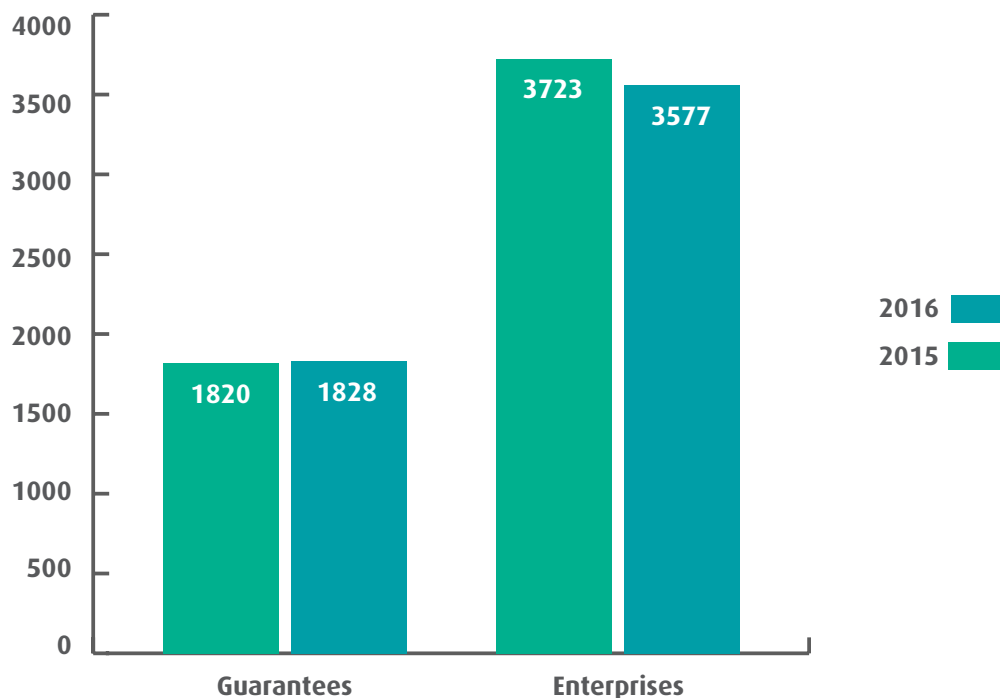
Small and Medium Enterprises (SMEs) Loan Guarantee Program (KAFALAH)

The SMEs Loan Guarantee Program (KAFALAH) has maintained its key ongoing role in supporting small and medium enterprises Kingdom-wide with the aim of expanding the beneficiaries base and creating new job opportunities to reduce unemployment rates in the Kingdom.

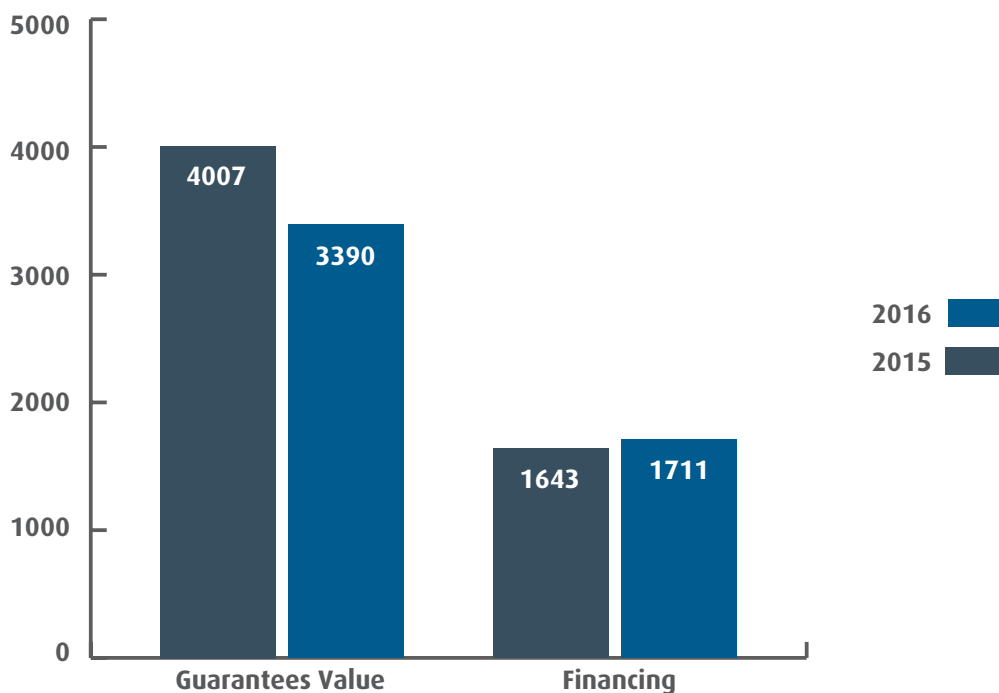


During the FY 1437/1438H (2016), KAFALAH Management approved 3,390 guarantees in contrast with 4,007 guarantees in the preceding year, a decline rate of 15%. These approved guarantees have benefited 1,711 SMEs compared to 1,643 SMEs in the preceding year, representing an increase of 4%. The value of these guarantees totaled SR 1,828 million compared to SR 1,820 million in the preceding year, representing a slight growth of 0.4%. Credits provided by KAFALAH's participating commercial banks to SMEs during the year amounted to SR 3,557 million in contrast with SR 3,723 million in the preceding year, a decrease of approximately 4%.

Number of Enterprises and Guarantees in 2016 and 2015

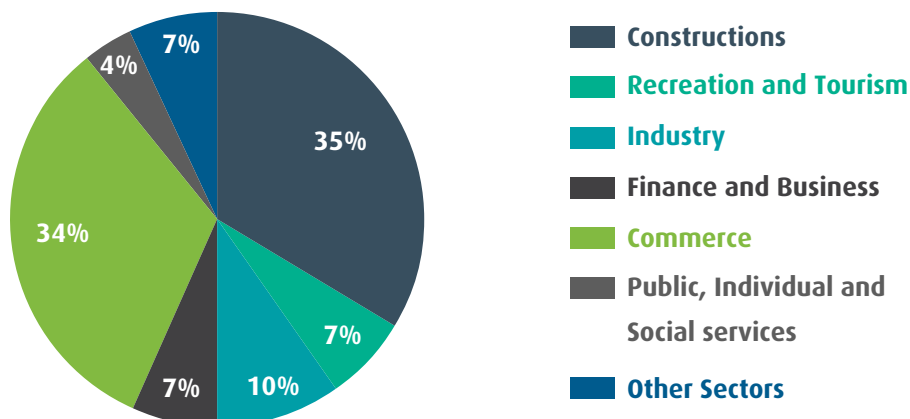


Value of Financing and Guarantees in 2016 and 2015



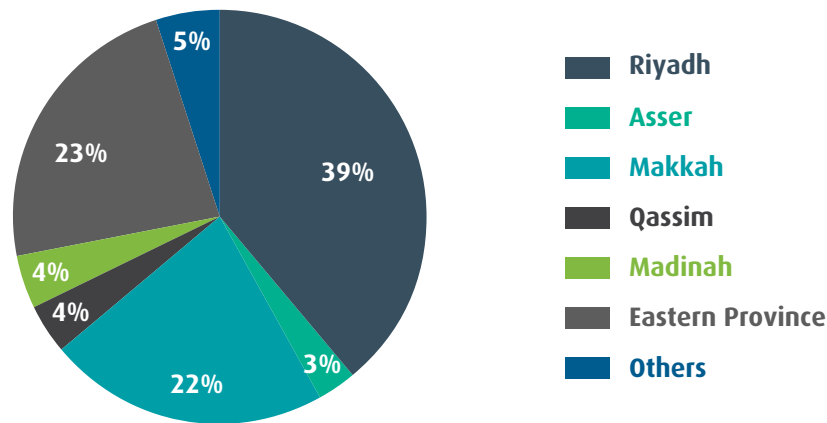
The Construction/Building and Contracting sectors which led all other sectors with 1459 enterprises benefited from guarantees at a value totaled SR 653 million, representing 43% of the number of guarantees and 36% of their value during the FY 1437/1438H (2016). The Commercial Sector came second with 1004 guarantees with a value of SR 602 million, accounting for 30% of the number of guarantees and 33% of their value, followed by the Manufacturing sector with 284 guarantees (SR 192 million) representing 8% and 11% of the number and value of guarantees respectively. The Finance and Business sector comes next with 272 guarantees with a value of SR 134 million (8% and 7% of the number and value of guarantees respectively). The remaining 371 guarantees with a value of SR 247 million (11% and 13% of the number and value of guarantees) were distributed among different sectors including the Recreation and Tourism (180), Public, Individual and Social services (117), Transport, Warehousing and Cooling (40), Electricity, Gas, Water and Related Businesses (18), Mining, Petroleum and Related Businesses (11), and Agriculture, Fisheries and Related-Businesses (5).

Ranks of Sectors in 2016



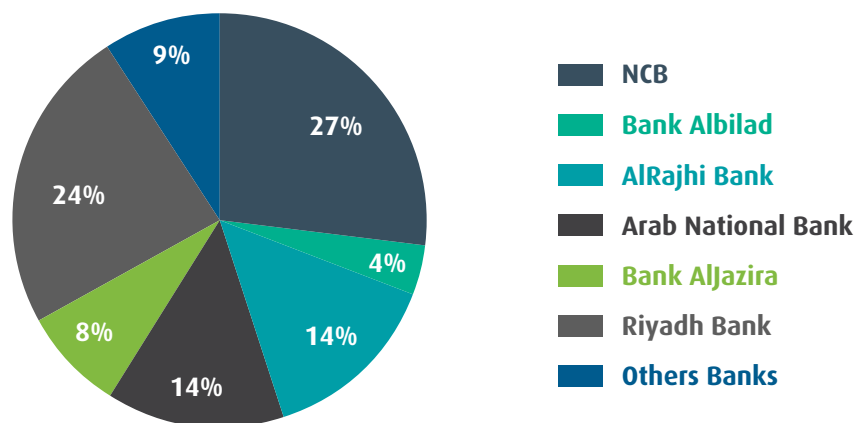
In pursuance of its aim of achieving balanced regional development, the Program Management has been keen to ensure optimal use of KAFALAH guarantees in all administrative regions of the Kingdom. Riyadh Province came first in terms of the number of enterprises and value of guarantees issued by the Program during the reporting year with 1399 guarantees with a value of SR 735 million. The Eastern Province came second with 720 guarantees (SR 433 million), followed by Makkah Province with 698 guarantees (SR 380 million), Qassim Province with 117 guarantees (SR 74 million), Madinah Province with 157 guarantees (SR 62 million), Aseer Province with 86 guarantees (SR 49 million), Najran Province with 82 guarantees (SR 33 million), and finally the other provinces with 131 guarantees (SR 62 million) including Baha (28), Jouf (23), Jazan (30), Northern Borders (15), Tabouk (10) and Hail (25). It is worth noting that the Program's guarantees issued during the FY 1437/1438H (2016) have covered all the Kingdom's provinces.

Ranks of Provinces in 2016



As for KAFALAH participating banks, the National Commercial Bank (NCB) led all other participating banks with a number of 1,344 guarantees with a value of SR 529 million, representing 40% and 29% of the total number and value of guarantees respectively. Riyadh Bank comes second with 625 guarantees (SR 427 million) representing 18% and 23% of the total number and value of guarantees respectively, followed by Al-Rajhi Bank with 391 guarantees (SR 302 million) representing 12% and 17% of the total number and value of guarantees respectively, and Arab National Bank (ANB) with 339 guarantees (SR 158 million) representing 10% and 9% of the total number and value of guarantees respectively. The remaining number of 691 guarantees (SR 412 million) was distributed among the other banks, representing 20% and 22% of the total number and value of guarantees respectively.

Ranks of Banks in 2016



Since its launch in 1426/1427H (2006G) until the end of the FY 1437/1438H (2016), KAFALAH has issued a total of 18,289 guarantees to 8,933 SMEs with a total value of SR 8,925 million, in contrast with the total approved financing of SR 17,929 million.

During the year 1437/1438H (2016), 47 guarantees were liquidated at a value of SR 30.4 million in favor of KAFALAH's participating banks, increasing the number of liquidated guarantees, since SIDF inception until the end of the FY 1437/1438H, to 184 with a total value of SR 100.8 million. Distribution of liquidated guarantees is as follows: 61 guarantees for NCB, 47 for Alrajhi Bank, 19 for SABB; 15 for Riyadh Bank, 13 for Alawwal Bank, 9 for Arab National Bank, 6 each for AlJazira Bank and Saudi Investment Bank, 4 for Bank Albilad, 3 for Saudi French Bank, and one for the Samba Financial Group. The liquefied guarantees disbursed by the Program accounted for 1.01% and 3.8% of total number and value of the guarantees issued over the period from KAFALAH's launch until the end of the FY 1437/1438H.

Number and Value of Approved Guarantees and Beneficiary Enterprises by Commercial Bank Creditors (SAR thousands)

Bank	2016 Approved Guarantees				Total Since Launch of the Program			
	Number of Beneficiary Enterprises	Value of Guarantees	Value of Finance	Number of Guarantees	Number of Beneficiary Enterprises	Value of Guarantees	Value of Finance	Number of Guarantees
National Commercial Bank (NCB)	470	529,426	1,199,862	1,344	2,735	2,755,639	5,953,320	7,750
Riyad Bank	409	426,561	846,304	625	2,260	2,090,944	4,272,424	3,408
Al-Rajhi Bank	247	301,525	539,339	391	1,153	1,174,953	2,074,198	1,968
Arab National Bank (ANB)	237	157,938	265,207	339	925	868,702	2,134,062	1,951
Al-Jazira Bank	117	132,212	175,062	200	349	414,617	565,401	694
Bank Albilad	62	75,535	183,329	106	267	275,960	602,954	405
Saudi Investment Bank	38	46,120	82,341	88	134	160,580	297,028	291
Alawwal Bank	37	42,971	66,772	50	457	535,452	802,678	558
Saudi French Bank	37	46,538	75,494	41	172	193,973	383,651	222
SAMBA Financial Group	29	37,093	68,050	136	290	290,895	537,762	732
Saudi British Bank (SABB)	24	27,070	48,600	63	187	158,922	298,125	303
Emirates NBD	3	3,440	5,000	6	3	3,440	5,000	6
Alinma Bank	1	1,360	2,000	1	1	1,360	2,000	1
TOTAL	1,711	1,827,789	3,557,400	3,390	8,933	8,925,437	17,928,643	18,289

Human Resources and Training:

SIDF Management has managed to attract and employ, through its effectively designed training programs, suitably qualified Saudi cadres to work at the Fund in various positions and specialties. SIDF's employment procedures are closely linked to career development and the career ladder program, covering such areas as financial analysis, auditing, information technology, economic and statistical studies, marketing, documentary accounting/financial sciences, management, technical consultancy/studies, information analysis, and legal studies, etc.

During the fiscal year 1437/1438H, 771 in-house and overseas training programs were provided for Saudi employees, including specialized basic courses, master's degrees, short courses, workshops, seminars, and professional conferences. In addition to SIDF in-house training courses, 1078 Saudi employees have been trained in accordance with work requirements and scheduled dates of in-house and overseas training courses. Eleven of those employees have attended specialized basic courses abroad, including master's degrees and financial analysis. 563 Saudi employees have attended short courses held abroad, while 376 have attended short courses provided in the Kingdom, 128 Saudi employees participated in short courses conducted in the Fund, and 24 Saudis from various Saudi universities have been provided on-the-job professional and practical cooperative training in various departments of SIDF.

SIDF has invariably capitalized on its good relations with many similar financial institutions and participated in professional activities inside and outside the Kingdom to further develop the professional skills of SIDF's Saudi staff through effective participation in specialized and professional conferences, seminars, and workshops organized and conducted by these institutions. Such collaboration ensures a valuable exchange of professional expertise and experience which, in turn, has been instrumental in improving the skills and capabilities of Saudi cadres which have been positively reflected in the overall impressive performance of the Fund. The Fund's good relationship with the Saudi universities has been employed by participating in annual profession days and has contributed to the active social partnership by attracting university students for cooperative training in various departments of the Fund.

In keeping with contemporary advanced financial and administrative systems, SIDF has successfully implemented the Saudization programs it had adopted for FY 1437/1438H as evidenced by recruitment of 34 Saudi employees to fill various vacancies in the Fund's departments in accordance with SIDF's approved budget.

Human Resources Department Initiatives in 2016:

Aiming to keep pace with the latest development in HR field, the Human Resources Department introduced many initiatives as shown below:

1. Reviewed and updated all human resources policies to keep up with the latest developments in various relevant fields. Such policies will be available to all SIDF employees through open meetings and via the intranet.

2. Amended performance reports to insure fairness and transparency in relation to annual increases, bonuses and promotions.

3. Updated the organizational structure, review job classification and handle remunerations and entitlements fairly and objectively of supervisory and leadership positions, and update job descriptions of senior positions in the Fund.

4. Utilized communication channels to spread knowledge, welcome returnees from overseas training courses, and published all policies and procedures related to employees as internal announcement and through Yammer.

5. Signed the housing loan agreement with the Saudi Investment Bank, organize introductory meetings for all employees, contract Bupa Arabia and join LinkedIn to recruit employees.

6. Automated HR procedures and launch of SAP (Sprint 1).

7. Amended the procedures used in preparing the budget for jobs, employees and training using modern technology.

8. Monitored amendments and impacts of changes to the Saudi Labor Law approved by the Ministry of Labor, as well as the amendments approved by the SIDF Board's executive management.



Overview on SIDF Strategy:

Values

-  Proactive in Development
-  Partnership in Growth
-  Responsibility in Investment
-  Experience in Advice
-  Success in Industrialization

Mission

Support and diversify the local economy by structuring the industrial sectors, developing competitive enterprises and supporting strategic initiatives.

Vision

Help the Kingdom to become an advanced industrial country by providing financial and advisory solutions.

Currently, the Fund has 29 initiatives underway in order to achieve its strategy. They are broken down into 9 projects:

1. Enhancing governance.
2. Initiating strategic steering and performance measurement.
3. Raising the value-added by increasing products and services.
4. Improving credit and risk departments.
5. Diversifying financing resources.
6. Developing human resources.
7. Digital Transformation.
8. Activating change management.
9. Supporting the SME program.

So far, four initiatives have been completed.

Development of Business Procedures:

The Fund is currently working on the development and automation of all procedures to enhance its internal capabilities in order to serve clients efficiently. The most important of these procedures is the automation of the main business procedures and performance indicators to measure the efficiency of business performance in a better way. Moreover, the Fund will be equipped with a data center to enhance information security, and with several systems to help improve work efficiency including project management office (PMO) and content management system (CMS), in addition to the IT system.



Digital Transformation and IT Management Initiatives:

The Fund is paying great attention to the use of modern technology and is currently implementing a strategic plan to transform to electronic transactions in the field of information and communications technology as a response to royal decisions and government initiatives in this respect. The Fund participated in the seventh measurement of the transformation into e-government transactions for the year 1437/1438 H (2016) and achieved a distinguished achievement of 87.18% in the phase of excellence and improvement, and ranked second among the government institutions classified in the sector of planning, development and investment. This highlights the compatibility of the electronic services provided by the Fund with the requirements in the

measurement model and the provision of data and information related to them. In the same context, the Fund launched a number of systems, applications and initiatives to make the most of modern technology in order to facilitate procedures and enhance internal capabilities. The most important projects completed can be summarized as follows:

- ISO certification (ISO9001, ISO27001, ISO20000) in the field of information technology.
- Electronic connectivity with 25 government entities through the secure government network (Yesser).
- Reengineering of key business processes.
- Launch of the Resource Planning System (Mawared).
- Launch of the loan application system.
- Launch of the non-borrowing certificate service.
- Completion of the unified communications system (Tawasul).
- Launch of notification and alerts service through SMS and email notification to employees and customers.



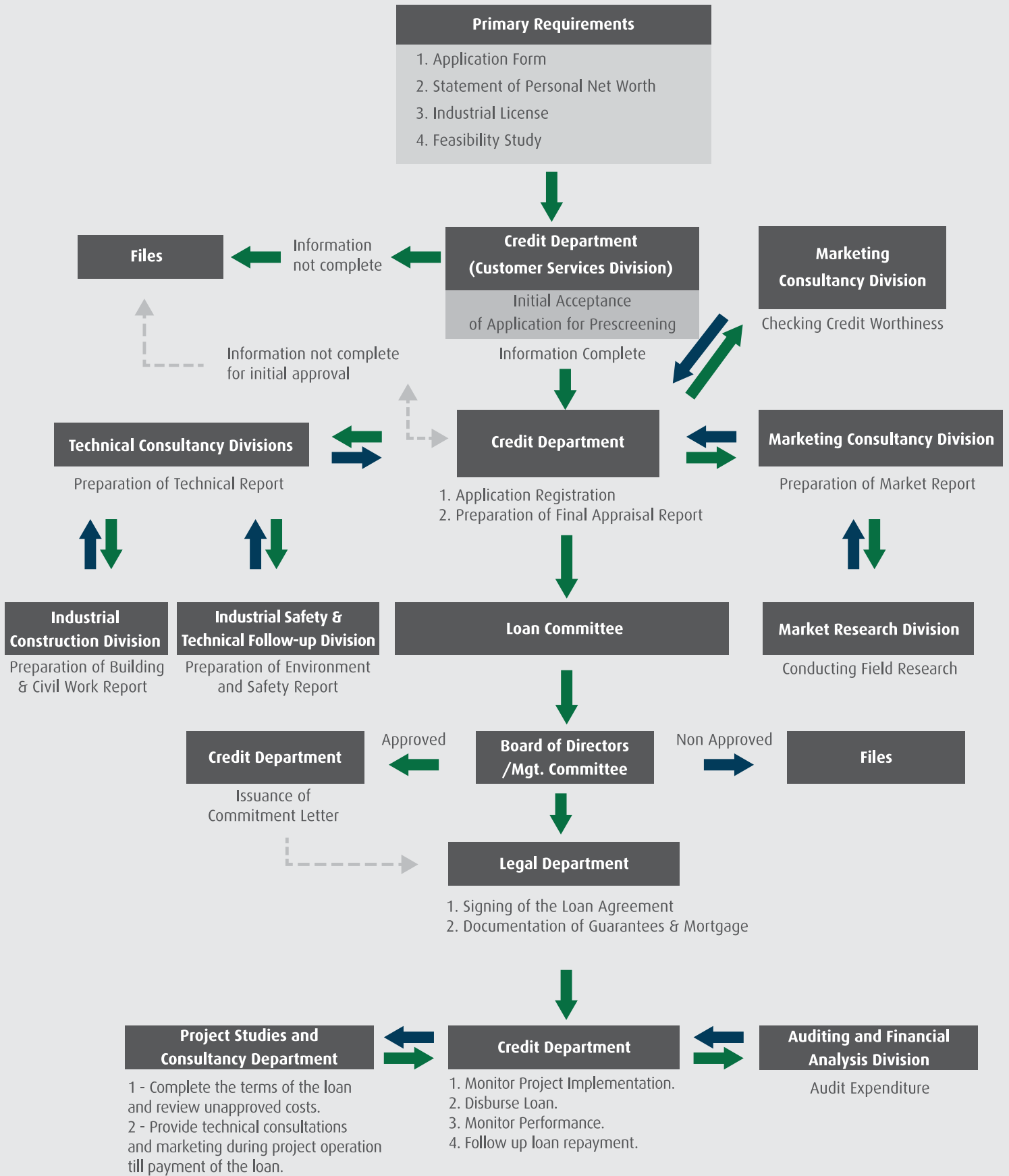
SIDF Loan Application Cycle:

The Fund's management is unceasing in its efforts to extend its lending services to national and foreign industrialists with speed and efficiency. Therefore, it is constantly developing procedures, guidelines, and policies to improve the lending activities of the Fund to effectively respond to these requirements and keep pace with the lending models of similar financial institutions worldwide.

All of these efforts are embodied in the adopted application cycle which is modified from time to time in line with prevailing practices to facilitate the adoption of the latest developments in the fields of administrative organization, financial analysis, and technological progress.

The flowchart shows the application cycle currently adopted by the Fund including processing, appraisal, and implementation/follow-up procedures related to the projects to be financed. It also indicates the disbursement to borrowing projects and the monitoring of loan maturities repayment by beneficiary borrowers:

Loan Application Processing Flowchart

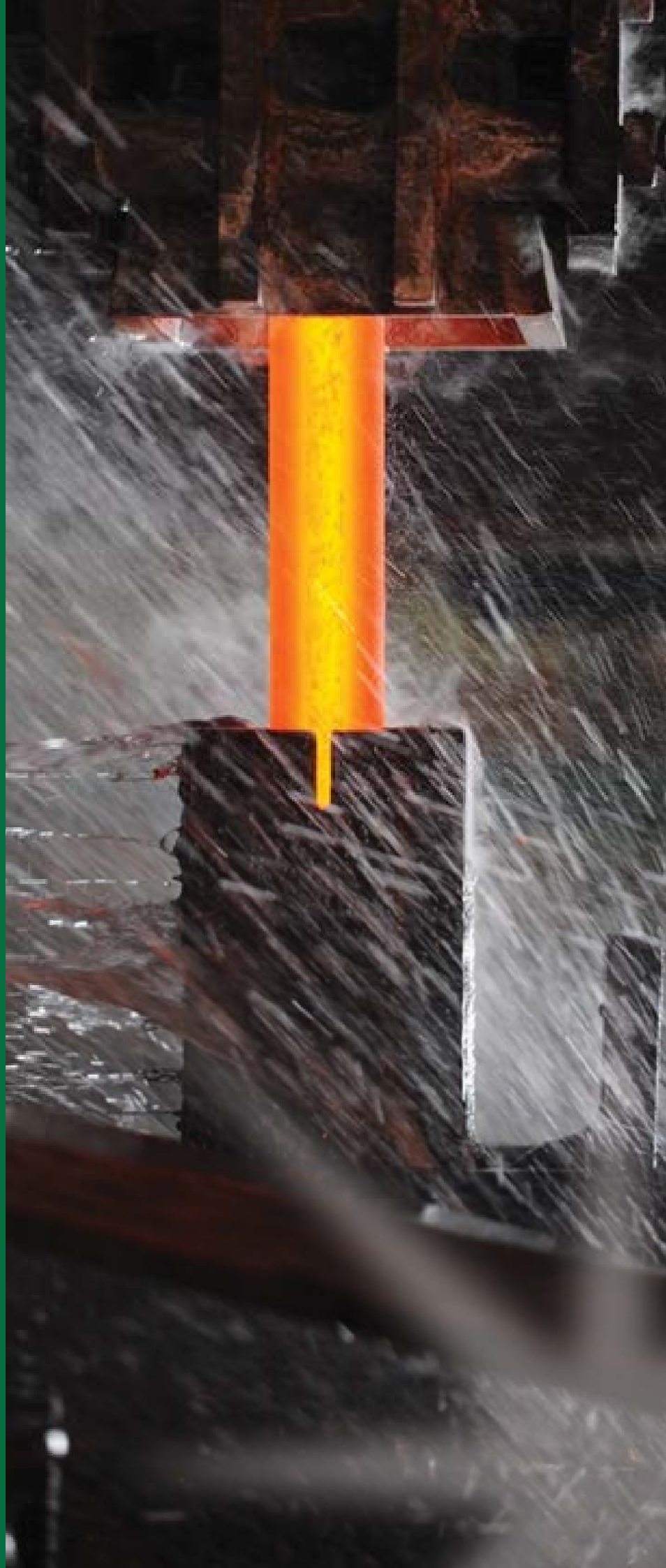


For SMEs, SME form and industrial license are sufficient.

Note:

1. The duration of the project evaluation period is determined by the applicant cooperation and the timely submission of required information.
2. For expansion projects, the stages outlined above also apply though some are likely to be omitted.

Industrial study



Mining Sector in Saudi Arabia

1. Introduction:

Saudi Arabia seeks to maximize the contribution of the mining sector to its GDP and transform it into a major driving force for its economic activity, which is clearly reflected in the 2030 Vision. Accordingly, the overall strategy for the mining and metallurgical industries in the Kingdom is being worked out. To achieve it, there is a need for joint cooperation between all concerned governmental and non-governmental institutions and sectors.



2. Importance and Characteristics of the Mining Sector:

Minerals are one of the most important natural resources in our world. They represent the architecture of modern life and have contributed significantly to the growth and development of the economies of many countries. In general, the role of the mining sector can be summarized as follows:

- Contribute to GDP.
- Create job opportunities.
- Supply local industries with raw materials.
- Improve the balance of payments by increasing exports or reducing imports.
- Feed state treasury from taxes and fees.
- Develop infrastructure in areas where mineral resources exist.

The mining sector is characterized by the fact that its ores are often located in remote areas where appropriate infrastructure such as power and roads are required to transport all mining and processing equipment to mining sites. Investment in this sector also requires appreciable amounts of capital obtainable by borrowing from financing institutions, resulting in higher fixed production costs as a percentage of total costs. The sector is also characterized by the length of the pre-production period. In addition, mineral

resources are non-renewable, hence exploitation must be based on scientific grounds and sustainable development. Investment in mining also involves high risk, both financial and geological.

3. Development of Mining in The Kingdom:

The Kingdom has made great efforts in the field of mining (in various stages) since the reign of King Abdul Aziz Al Saud (may ALLAH have mercy on him). This is evident from the report of Mineral Exploration in the Kingdom of Saudi Arabia issued by the Saudi Geological Survey which demonstrates that exploration and mining in the Kingdom went through three pivotal stages, as shown below:

Stages of Mining Activity Development in The Kingdom

Stage	Period	Development
First	1934-1963	The first mineral exploration in the Kingdom was initiated by King Abdul Aziz Al Saud (may ALLAH have mercy on him). Geologists had been recruited to study the state of water, petroleum and minerals in the Kingdom. Later, oil was discovered in Ahsa and gold in Hijaz. Upon his order, gold was extracted from Mahd adh-Dhahab (7.21 tons of gold and 28 tons of silver).
Second	1963-1998	It is the qualitative shift stage in the field of mineral exploration as the aerial survey of various regions and geological maps of the Kingdom had been completed. Also, the Directorate General of Mineral Resources was established in 1963 to achieve the following objectives: <ul style="list-style-type: none"> - Prepare an exploration strategy for minerals in the Kingdom. - Identify practical tracks to ensure achievement of this strategy.
Third	1998 to the present	The stage of technical and cognitive revolution, development of exploration and productivity, restructuring of the mining sector and establishment of organizations and companies supporting the sector, including the following: <ul style="list-style-type: none"> - Saudi Geological Survey, which assumed responsibility for mineral exploration in the Kingdom. - Commencement of Ma'aden Company, which made a quantitative leap in the field of construction and operation of mines. - Issue of the first law related to mining activity under the reign of King Fahd Bin Abdulaziz (may ALLAH have mercy on him), which set the general framework for investment in the mining sector. Based on this law, much of the legislation and many of the regulations governing mining activity in the Kingdom came into being.

4. Current Situation of The Mining Sector in The Kingdom:

In the last few decades, the mining sector in the Kingdom has increased its capabilities in extracting and exploiting mineral raw materials, especially after improvement in the investment structure of the mining sector after issuance of the Investment Act in 1424/1425H (2004) and the encouragement of investment in this sector. This resulted in a significant increase in the number of private companies investing in the sector.

The most significant achievements were the privatization of the Saudi Arabian Mining Company (Ma'aden), which was wholly owned by the state until 2008. Ma'aden is one of the main companies in development of the mining sector in the Kingdom as it owns the Mahd adh-Dhahab and Sukhaybarat mines, as well as mining licenses for phosphate, bauxite and others. In order to enhance the investment role of the private sector in the mining sector, the government has developed special policies to attract national and foreign investment. The information bases for investment opportunities have been provided on the website of the Ministry of Energy, Industry and Mineral Resources and exhibitions and conferences have been organized inside and outside the Kingdom.



As a result of such efforts, the mining sector in the Kingdom has witnessed a development and diversification in terms of minerals extracted. This has led to the production of many metals and non-metallic minerals in addition to precious metals. Non-metallic ores and industrial minerals account for more than 80% of ores extracted from mineral activity such as sand, gravel, granite, marble and raw materials used in production of gypsum and cement such as limestone, iron, sand and others. The following table shows the quantities of mineral ores exploited in the Kingdom during the years 2004-2015.

Exploited Ores in The Kingdom from 2004 to 2015 (thousand tons)

Ore	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Limestone	31.000	30.000	30.500	33.000	36.000	37.000	45.750	46.300	48.615	56.700	59.500	62.300
Clay	4.000	4.300	3.800	3.900	5.000	5.250	5.800	6.547	8.300	6.880	7.220	7.690
Salt	1.430	1.700	1.752	1.507	1.600	1.680	1.800	1.864	1.611	1.900	1.990	2.080
Silica Sand	592	518	782	820	799	840	820	1.303	1.270	1.160	1.210	1.270
Gravel	156.000	190.000	217.000	234.000	248.000	260.000	277.000	272.700	300.000	300.000	315.000	330.000
Sand	33.000	28.000	34.000	26.000	22.000	23.100	26.000	25.400	30.000	29.000	30.400	31.800
Iron Sand	495	443	584	642	581	600	550	652	987	644	676	708
Gypsum	2.553	2.000	2.200	2.100	2.300	2.415	2.100	2.239	1.700	1.700	1.780	1.470
Industrial	680	642	810	832	1.000	1.050	1.500	1.352	1.300	3.000	3.150	3.300
Marble Blocks	83	85	85	85	85	90	48	24	25	11	12	12
Granite Blocks	716	850	962	954	110	116	1.100	993	834	1.100	1.100	1.150
Limestone	409	462	308	308	242	254	256	770	484	1.200	1.260	1.320
Kaolin	214	1.5	4	44	--	--	62	70	137	101	106	111
Barrett	15	15	23	30	--	--	30	30	32	30	32	43
Feldspar	42	42	42	73	55	58	42	160	227	160	194	198
Basalt	43	43	53	--	--	--	--	--	--	--	--	--
Bozlan	277	372	400	784	810	850	915	1.010	941	460	480	500
Dolomite	532	500	550	465	465	480	583	616	153	181	190	199
Schist	663	582	722	608	608	640	603	738	683	650	680	710
Pyrophyllite	--	--	40	40	40	40	24	8	8	6	7	8
Low Bauxite	--	--	--	--	--	246	284	634	835	934	967	1.026
Bauxite	--	--	--	--	--	--	--	--	--	1.044	1.096	1.128
Diammonium	--	--	--	--	--	--	--	--	1.534	1.820	1.911	2.002

Source: Annual Report Statistics (52)/Saudi Arabian Monetary Agency

The cement industry is at the forefront of the industries dependent on exploited mineral ores because it is meeting the requirements of the local market and exporting surpluses abroad. The local production of cement increased from about 94,000 tons in 1970 to more than 62 million tons in 2015.

The Kingdom produces many metals mainly copper, zinc, lead, silver and gold as shown in the following table:

Year	Gold (kg)	Silver (kg)	Copper (ton)	Zinc (ton)	Lead (ton)
2003	8.769	17.402	627	1.797	--
2004	8.268	14.494	652	--	--
2005	7.459	13.501	668	---	---
2006	5.182	9.104	730	983	---
2007	4.440	9.028	737	716	---
2008	4.527	8.232	1.465	3.663	--
2009	4.858	7.527	1.719	5.507	685
2010	4.477	7.670	1.603	4.218	543
2011	4.612	5.839	1.954	4.934	396
2012	5.215	5.212	17.639	21.213	--
2013	4.158	4.655	41.332	39.813	--
2014	4.789	4.800	33.116	39.798	--
2015	5.078	4.463	34.750	41.700	--

Source: Annual Report Statistics (52)/Saudi Arabian Monetary Agency

In addition to the metals mentioned above, the Kingdom has started to exploit phosphate and bauxite ores in the last two years. The exploitation of the Jalamid Phosphate Mine in the north of the Kingdom has started by laying a railway line connecting the mine with the manufacturing and export areas on the east coast. Ma'aden also set up an aluminum project to exploit the bauxite ore in the northeast of the Kingdom in producing 650,000 tpa of aluminum alloys for local and export markets. It is projected in the next few years that the Kingdom will exploit bauxite ore for the production of aluminum, and phosphate ore to produce ammonium phosphate, the most common phosphate fertilizer in the world.

5. Imports and Exports of Minerals:

The follower of the global trade movement notes the importance of mineral ores in the global economy due to the fact that minerals are the basis of all modern life. The Kingdom is one of the largest importers of metal products worldwide. The following is a summary of the Kingdom's mineral imports in 2015:

Kingdom's Imports of Minerals in 2015

Product Type	Net Import Value (SR, billion)
Iron	37.5
Precious metals (such as gold and silver)	18.8
Basic metals (such as zinc and copper)	7.9
Aluminum	1.5
Others	10.1
Total	75.8

Source: General Organization for Statistics

The Kingdom's imports of minerals reached about SR 76 billion in 2015, representing around 12% of the Kingdom's total imports in the same year. On the other hand, the Kingdom's exports of minerals amounted to SR 745 million, representing only 0.4% of the Kingdom's total exports in the same year (excluding oil and natural gas). This reflects the consumption of minerals in large volumes and indicates that investment in the mining sector will help reduce imports and strengthen the trade balance of the Kingdom.



6. Contribution of the Mining Sector in the Local Economy:

6.1 Development of the mining Sector Contribution to GDP:

The output of the mining sector increased from SR 8 billion in 2011 to SR 9.4 billion in 2016, registering a real growth rate of 2.6% in the last five years. However, its contribution to GDP is still below expectations when compared to oil and gas.

Development of The Mining and Quarrying Output in The Kingdom (2011-2016)

Description	2011	2012	2013	2014	2015	2016
Mining and quarrying output (SAR millions)	8,427	8,774	9,051	9,318	9,703	9,426
Mining and quarrying output growth rate (%)	4.28	4.11	3.16	2.95	4.13	- 2.86
Contribution of mining and quarrying to GDP (%)	0.39	0.38	0.38	0.38	0.38	0.37
GDP (SR Million)	2,178,792	2,296,697	2,358,690	2,444,841	2,545,236	2,580,820

Source: General Authority for Statistics

6.2 Employment in The Mining Sector:

The number of workers in the mining sector in 2015 (excluding oil and natural gas) was approximately 14,000 workers; Saudis accounted for 24% of the total. The employment rate in this sector represents 0.6% of the total workforce in the local economy in 2015.

Employment in the Mining Sector (2015)

Description	Value
Number of workers in the mining sector (excluding oil and natural gas)	13,524
Ratio of workers in the mining sector to total employment	0.6%
Number of Saudi workers in the mining sector	3,205
Percentage of Saudis in the mining sector (excluding oil and natural gas)	24%

Source: General Organization for Statistics

7. Role of The Mining Sector in Balanced Development:

Due to the direct connection of the mining sector to mineral ore sites which are in different parts of the Kingdom, investment in this sector is considered important for achieving balanced development between the regions. Less developed regions should be given a priority in mining activities such as exploration and feasibility studies as well as infrastructure to enhance exploitation of such ores.

8. SIDF Role in Encouraging Investment in The Mining Sector:

Saudi Industrial Development Fund is a key supporter of the mining activity in the Kingdom and has made significant contributions through the loans granted to this sector, which exceeded SR 6.5 billion. The SIDF role is not only direct support to investors in the mining sector but it also extends to various value-added chains of the mining sector.

9. Opportunities and Challenges:

9.1 Opportunities:

- The Kingdom has long experience in the field of mining resulting from extensive exploration which has created a rich information bank. This will greatly support the future development of the mining sector. Undoubtedly, the Ministry of Energy, Industry and Mineral Resources is making every effort to provide considerable assistance and overcome all obstacles to achieve state ambitions related to the development of the mining sector. Among these efforts is the launching of a comprehensive strategy for the mining and metallurgical industries, which will increase the efficiency and effectiveness of exploration activity in the Kingdom.
- Large domestic demand is the biggest driving force in the pursuit of mineral production. It is noteworthy that there is a large local demand for minerals as proven by the statistics of the kingdom's imports of various minerals in 2015, amounting to about SR 76 billion. Intermediate industries (major metal producers) and manufacturing industries (finished and semi-finished metal products producers) are the main drivers of this demand.
- Increasing global demand, which is another incentive to boost local production in the mining sector, reports show steady growth in demand for (most) metals from year to year. This growth varies from one country to another and from one mineral to another.

- The cost of energy in the Kingdom is a key input in mining activity. There is no doubt that the cost of energy constitutes a large part of the cost of production of metals. Thus, the lower the cost of energy, the more advantageous the product will be in terms of profitability and pricing. Current energy prices in the Kingdom are one of the main drivers of investment in the mining sector.
- As proven by exploratory studies, there are significant reserves of mineral ores, nonmetallic minerals and industrial minerals, including ornamental stones, granite, iron, copper, aluminum, phosphates, manganese, chromium, nickel, uranium, zinc, limestone, gypsum and many others.
- The limited impact on the Saudi economy by the slowdown of the global economy.
- Encouraging incentives granted to foreign and local investors in the field of mineral investment, including financing from the Saudi Industrial Development Fund.
- Availability of logistics such as railways that help transfer minerals to the export port on the east coast.



9.2 Challenges:

- **Motivating foreign investors:** The Kingdom seeks to develop the investment environment in the mining sector to be more motivating for foreign investors by overcoming obstacles and providing constituents that ensure mutual benefit between the government and foreign investors.
- **Sharp global competition:** The mining sector is experiencing stiff global competition. The majority of countries have mining activity of varying size and strength. This requires development of a comprehensive

mining strategy for the Kingdom that ensures efficiency and effectiveness of inputs and continued success of outputs.

- **Diversification of the mineral resources production base:** Despite the achievements made in this area, the mineral resources sector in the Kingdom has great potential. Efforts should be intensified to maximize the utilization of untapped mineral deposits by increasing awareness of mining investment opportunities and developments.
- **Land use disputes:** mining sites are associated with many other land uses such as agriculture, tourism and construction. This requires enactment of legislations and laws governing the optimal use of such sites.
- **Lack of utilities:** A lot of mineral ores are located in remote areas which lack utilities such as transport, electricity and water. It is a hindrance to mining investment and, therefore, coordination with the relevant authorities is necessary to provide quality utilities.
- **Environmental and social considerations:** investment in mining requires compliance with global standards and practices, intensification of environmental measurements and treatment of pollutants from mining activities and the promotion of environment-friendly production technologies.



- **Integration between the mining sector and other productive sectors:** This requires further efforts to increase integration between the mining sector and the promising metal industries by restricting the Kingdom's imports of mineral products and stimulating the private sector to invest in them.
- **Volatility of global mineral ores prices:** The prices of basic metals fell sharply in 2008 as a result of the global financial crisis that hit most of the world's economies, which negatively affected global demand for mineral products. Major global mining companies reduced their capital investment in this area and the prices of basic metals declined two years ago due to the slowdown of the world economy, especially in China which is the largest consumer of metals in the world. This highlights the importance of encouraging local investment in mineral manufacturing industries, which are dependent on locally available raw materials.
- **Improving the productivity of workers in the mining sector:** This requires specialists in geological exploration, prospecting and extraction techniques. Also, it requires the geological studies sector to develop its research plans to meet the requirements and trends of the development of the mining sector.



- **Information on the main mineral markets:** availability of information on foreign markets is important for the success of the mining industry. Demand for mineral products is connected with the global and regional economic conditions, which requires the establishment of basic information centers on foreign markets, their needs and their growth rates, product specifications required. In addition, information on marketing channels, major importers, competitive goods and other important information on export is essential.

- **Clean energy:** Extractive and mineral industries consume large quantities of fossil fuels, increasing pollution. This requires exploring the possibility of using alternative, clean energy sources such as solar energy.



10. Future Vision:

The 2030 Vision builds upon the sector to reduce dependence on oil as a major source of income and diversify non-oil resources, particularly the mining sector. It is hoped that this sector will generate about SR 100 billion and create about 90,000 jobs by 2020 through intensifying mineral exploration, technical and economic studies, rapid transition to mineral investment, supporting scientific research and developing technical databases, providing attractive investment structure for local and foreign investors, investing in infrastructure, and developing financing approaches and national labor capacities.

Subject Under Scrutiny



Economic Impact of SIDF Loans:

The Saudi Industrial Development Fund is one of the most important governmental development agencies that is concerned with strengthening the national economy. The Fund has been established to develop the private industrial sector in Saudi Arabia by providing medium or long term loans to new or existing industrial projects willing to expand their activities or modernize production technology, as well as providing economic, technical and managerial consultancy that helps these projects to succeed and sustain.

Since its inception, the Fund has successfully contributed to expansion and diversification of the Kingdom's industrial base and the creation of the industrial investment culture in the Kingdom as one of the most profitable and sustainable investment channels through the positive results of the projects financed by the Fund. This is attributed to the Fund's high professional evaluation of the economic feasibility of projects.

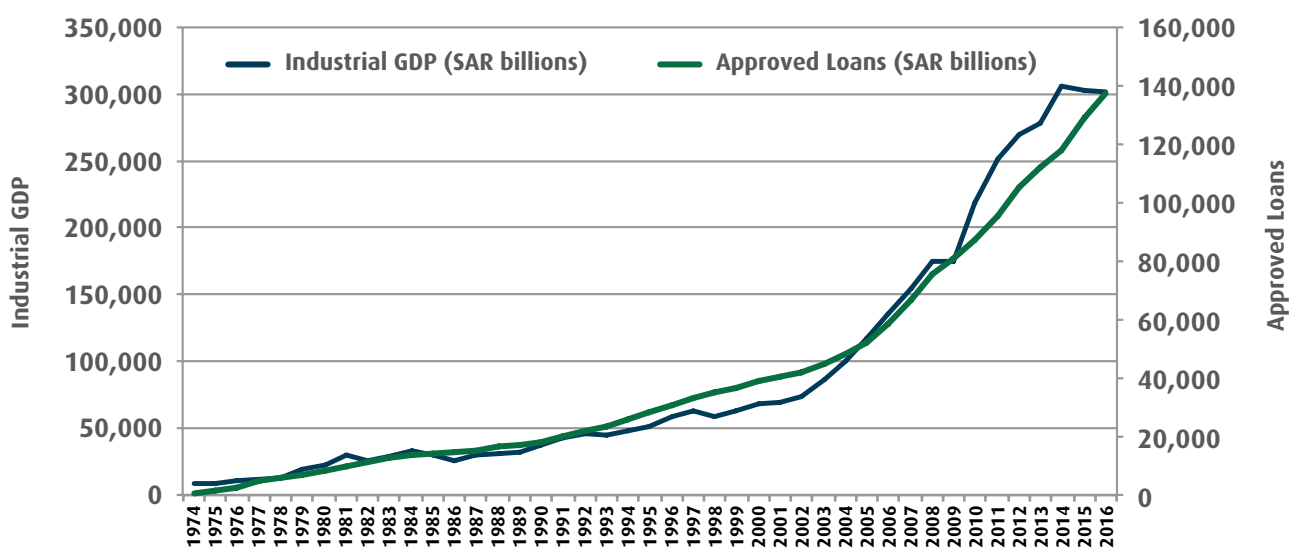
The Fund's philosophy is based on the principle of partnership with the private sector in financed projects. Moreover, the Fund is keen to enhance the success and sustainability of these projects, and this is why investors have trusted the Fund as an ideal partner for the success of their investments. The Fund-financed projects have also been highly valued by banks as the projects' applications for funding have been processed positively by banks, given the high confidence in the Fund's evaluation of industrial projects.

The Fund is keen to ensure that these projects achieve a number of developmental considerations that are positively reflected in the national economy. These include achieving adequate local added value, meeting local demand, replacing imports with local products, enhancing non-oil exports, exploiting local raw materials, creating new jobs opportunities, attracting foreign capital, transferring and localizing technology, enhancing local product quality, upgrading industrial interlinkages, saving the environment, and other development considerations.

The synchronization of the industrial development in the Kingdom with the Fund's commencement in 1974 is a clear indication of the Fund's role in the development of the industrial sector in the Kingdom. The number of active factories, governmental and semi-governmental, jumped from 206 factories in 1974 to 7,742 factories in 2016. In parallel, the invested capital increased from about SR 4.3 billion in 1974 to more than SR 1.1 trillion in 2016. The number of workers also increased from about 7,000 workers in 1974 to more than one million workers in 2016. In the same context, the number of industrial loans approved by the Fund for the private sector projects increased from 6 loans amounting to SR 150 million in the year of SIDF establishment (1974) to 4,079 loans and SR 137 billion in 2016.

As a result of the great momentum of the industrial sector during this period in terms of increase of factories and investment volume, the GDP of the industrial sector increased from about SR 7.8 billion in 1974 with a contribution of 4.9% to GDP to about SR 302 billion in 2016 with a contribution of 12.6% to GDP. The figure below shows the correlation between IFAD loans and industrial GDP.

Increase of SIDF Loans and Industrial GDP (SAR millions)



According to a recent study conducted by the Fund on the economic impact of its loans disbursed during the period from 2000 to 2015, it was found that each SR1 billion of the Fund's loans contributed to the establishment of industrial projects with an average investment size of SR4.7 billion. The projects achieved annual sales worth about SR 4 billion, including local sales of SR 3 billion and sales exported to international markets valued at SR 1 billion. The average value of the local production inputs purchased annually by such projects from the local market reached SR1.3 billion, which helped increase of interdependence of industries and strength of the local value added chain. These figures were positively reflected in the balance of payments at a total value of SR 5.3 billion. This was as a local saving of SR 4.3 billion which contributed to finding alternative local products for imports, as well as exports amounting to SR 1 billion.

Economic Impact of SIDF Loans

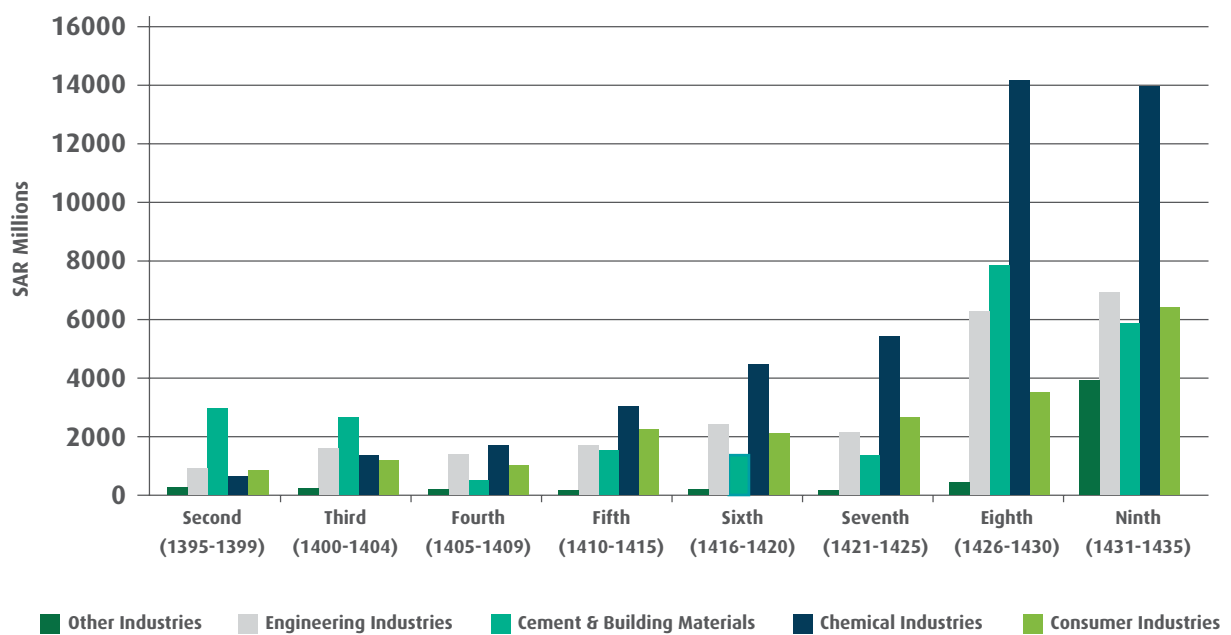


The industrial projects financed by the Fund have also generated about 2.2 thousand new job opportunities with a Saudization rate of about 25% for every billion SAR borrowed. The average productivity of a worker in these projects is about SR 451,000, compared to SR 311,000 for the total industrial sector in the Kingdom. The total impact of financed projects on GDP is about 2.3% compared to 2% for the total industrial sector. This means that each SR 1 billion of the added value produced by financed projects contributed to generating about SR 2.3 Billion in GDP.

The Fund's loans have always been consistent with the directions of the development plans as they focused in the second and third phases on financing building materials and engineering products industries to keep pace with the government tendency to implement many infrastructure projects which have grown substantially during these two plans. Through the development plans from the fourth to the seventh, the Fund continued in strengthening the economic role of the private sector in all industries, with a focus on financing the establishment of petrochemical industries to take advantage of the advantage given by ALLAH to this country.

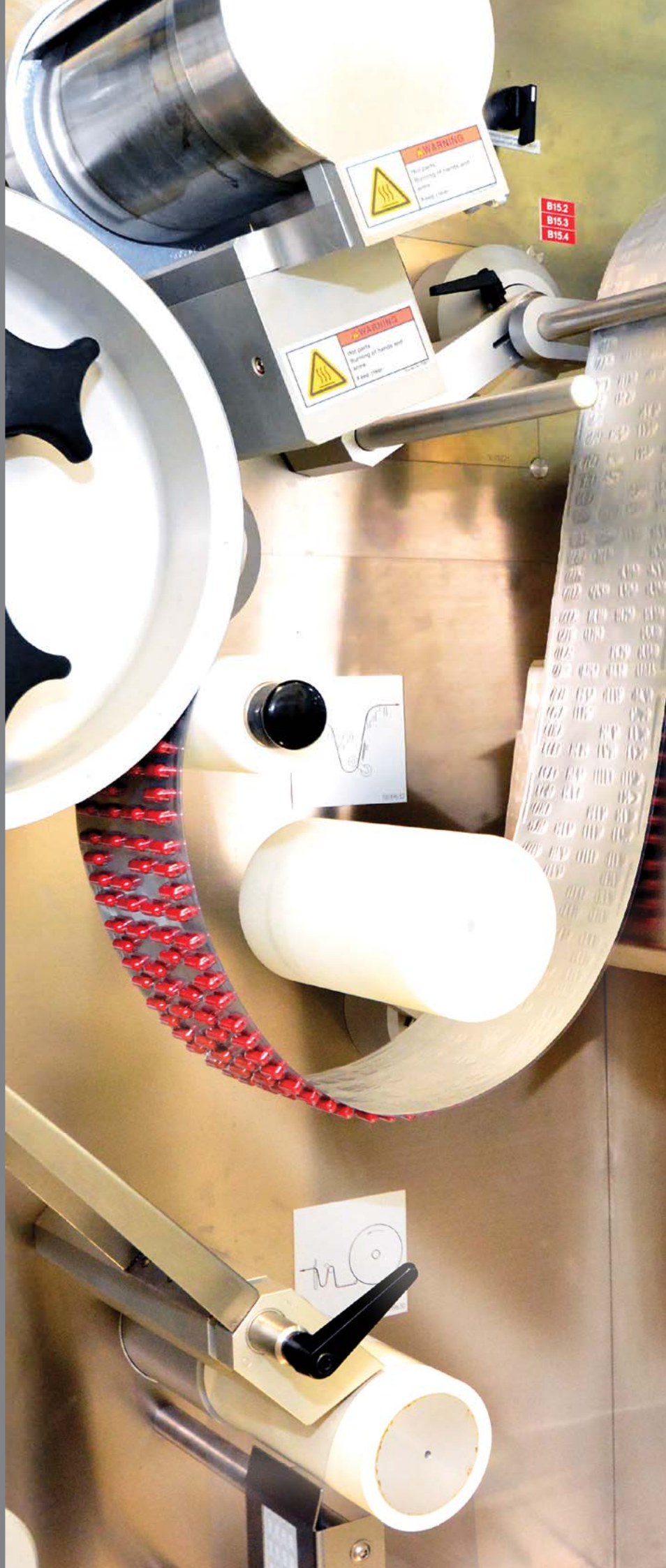
With the open global economy and free trade during the eighth and ninth development plans, the Fund focused on enhancing competitiveness in the petrochemical industry on one hand and on providing materials for infrastructure projects by strengthening loans for the construction materials and engineering products sectors. The role of the Fund was clearly highlighted in the ninth plan in financing logistics and mining projects. Throughout the development plans, the Fund has been financing consumer goods industries to meet growing local demand.

Development of Approved SIDF Loans During the Kingdom’s Five-Year Development Plans by Major Industrial Sectors



The above chart shows the high performance level of projects funded by the Fund and the harmony of its loans with the development plans. This reflects the high efficiency and professionalism of the Fund in evaluating the feasibility of financed projects in all aspects, and makes the Fund one of the most important development institutions implementing the directions of the 2030 Vision.

SIDF Lending Activity Charts



SIDF Lending Activity Charts:

Number of Newly Approved SIDF Industrial Projects by Subsector

Sector	1436/1437H (2016)	Cumulative Total
Consumer Products	45	810
Food	18	380
Beverages	9	90
Textiles	4	82
Leather & substitutes	0	25
Carpentry products	3	24
Wooden furniture	1	61
Paper products	10	111
Printing	0	37
Chemical Products	42	759
Chemicals	18	355
Oil & gas products	4	42
Rubber Products	2	24
Plastic Products	18	338
Building Materials	12	478
Ceramic Products	0	15
Glass Products	6	75
Other Building Material	6	388
Cement	0	33
Engineered Products	29	819
Metal Products	17	502
Machinery	2	96
Electrical Equipment	4	151
Transport Equipment	6	70
Other Manufacturing	8	89
Total	136	2988*

* of which 604 loans were terminated.

Value of Approved SIDF Industrial Loans by Minor Sector (SAR millions)

Sector	1436/1437H	Cumulative Total
Consumer Products	1,044	22,824
Food	586	13,022
Beverages	96	2,386
Textiles	18	2,456
Leather & substitutes	0	141
Carpentry products	15	292
Wooden furniture	55	486
Paper products	274	3,814
Printing	0	227
Chemical Products	744	52,818
Chemicals	337	41,934
Oil & gas products	69	3,467
Rubber Products	12	847
Plastic Products	326	6,570
Building Materials	533	13,812
Ceramic Products	0	1,946
Glass Products	139	3,793
Other Building Material	394	8,073
Cement	900	12,503
Engineered Products	4,412	28,548
Metal Products	469	18,868
Machinery	8	977
Electrical Equipment	152	3,617
Transport Equipment	3,783	5,086
Other Manufacturing	310	6,863
Total	7,943 *	137,368 **

* Approved for financing 136 new projects and expanding 19 existing ones.

** of which 14,000 million were terminated or reduced.

Number of New Industrial Projects Approved by the Fund (by Region)

Region	1436/1437H (2016)	Cumulative Total
Riyadh	46	1074
Makkah	38	703
Madinah	11	144
Qassim	3	78
Eastern Province	17	768
Aseer	2	55
Tabouk	-	13
Hail	3	37
Jazan	9	39
Najran	2	27
Baha	4	14
Jouf	1	24
Northern Borders	-	12
Total	136	2988*

* of which 604 loans were terminated.

Value of Approved Industrial Loans by Region (SR Million)

Region	1436/1437H (2016)	Cumulative Total
Riyadh	1,999	26,464
Makkah	850	23,078
Madinah	229	15,540
Qassim	31	1,640
Eastern Province	4,080	57,601
Aseer	17	1,154
Tabouk	0	574
Hail	328	2,290
Jazan	328	4,147
Najran	53	1,256
Baha	23	60
Jouf	5	342
Northern Borders	0	3,222
Total	7,943 *	137,368 **

* Approved for financing 136 new projects and expanding 19 existing ones.

** of which SR 14,000 million were terminated or reduced.

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