

EARNINGS RELEASE: 2Q & 1H 2022

11 August 2022

Saudi Arabia's SISCO reports 8.7% quarterly growth in revenues to SAR 213.2 million¹; Gross profit of SAR 99.7 million up 10.5%

- Healthy gross profit margin of 46.8% for Q2 2022 as revenues recover
- Recovery of momentum for Ports segment after supply chain headwinds impacted Q1

Jeddah, Saudi Arabia, 11 August 2022: Saudi Industrial Services Company ("SISCO", the "Company" or the "Group"), Saudi Arabia's leading strategic investor in ports and terminals, logistics parks and services, and water solutions, has announced its financial results for the three-month and six-month periods ended 30 June 2022.

Revenues for the second quarter of 2022, excluding accounting construction revenue, reached SAR 213.2 million compared to SAR 196.2 million for the first quarter, increasing by 8.7%. Ports segment performance gained momentum after being impacted by ongoing global supply chain disruptions in Q1, which had negatively affected gateway and transshipment volumes. SISCO's Water segment also showed improvement during the quarter as production and volumes improved following a decrease in production during Q1 2022. Logistics segment performance was broadly stable compared to the previous quarter.

First-half revenues for 2022, excluding accounting construction revenues, were 17.8% behind 1H 2021 on the back of weaker first-quarter results, due to global supply chain disruptions and the temporary disruption of operations at the Kindasa water facility in February-March 2022.

Gross profit of SAR 99.7 million for Q2 increased by 10.5% compared to the previous quarter. The gross profit margin for the quarter was 46.8%, compared to 46.0% in Q1 2022. For the first-half, gross profit was SAR 189.9 million, 26.5% lower than 1H 2021, mainly due to market challenges on Ports segment revenue in Q1, coupled with a decline in Water segment revenue during the first quarter.

Net income for the second quarter was SAR 3.1 million compared to SAR 0.8 million during the first quarter, due to increased profitability from Kindasa company coupled with performance improvement from associate companies.

¹ Excluding accounting construction revenues

Adjusted net income for 1H 2022 declined by 92.2% year-on-year, despite improvement in the result from associate companies, is mainly due to the decline in Ports segment revenue and margins as a result of continued pressure on gateway volumes.

Mohammed Al-Mudarres, Chief Executive Officer at SISCO, commented:

“Q2 2022 revenues showed promising signs of recovery compared to the previous quarter, which bodes well for the second half of the year. With the Kindasa plant back to normal operations after disruption in Q1, revenues for the Water segment improved by 50.3% from the previous quarter, returning to a normalized contribution. Revenues for the Ports segment improved by 6.0% from the previous quarter on improved gateway and transshipment volumes, showing clear signs of recovery in the local gateway market supported by an increase in shipping line capacity and reduction in container rates. Pleasingly, gross profit has improved along with the recovery of our revenues.

“Looking ahead, we anticipate strong local consumption in 2H 2022 due to the forecast increase in Umrah activities in the Kingdom. Meanwhile, estimated growth of 4.0% for Saudi Arabia’s non-oil sector in 2022 will provide further support to increased business activity across our portfolio.”

Total shareholders’ equity decreased to SAR 1,459.4 million as at 30 June 2022, from SAR 1,486.0 million as at 31 December 2021. Basic and diluted earnings per share stood at SAR 0.05 as compared to SAR 0.67 for the same period in the prior year.

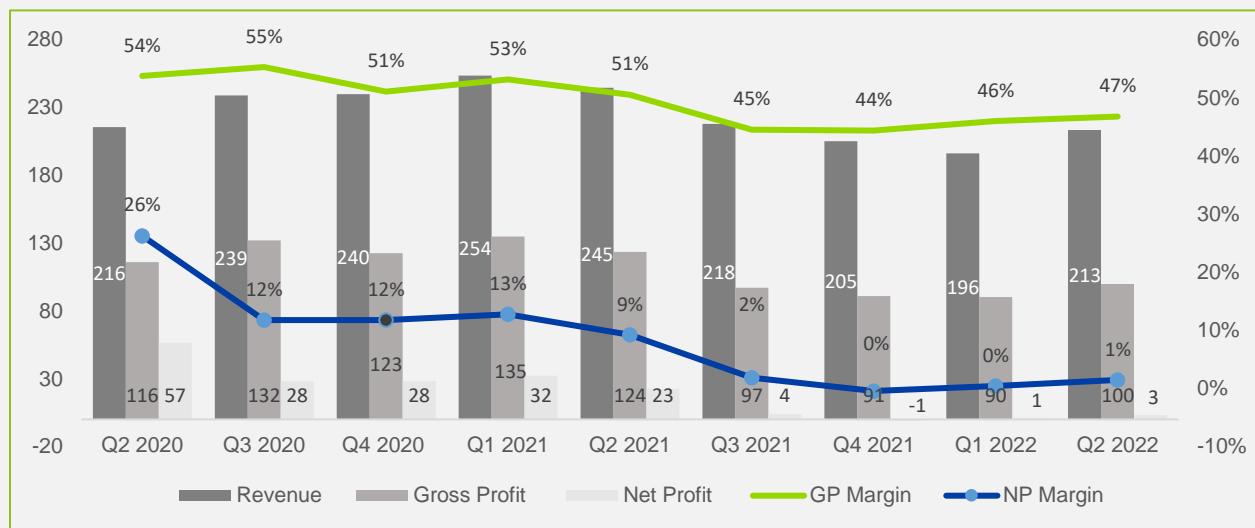
Outlook and strategy

SISCO remains committed to the delivery of its five-year strategy to drive long-term value creation, aiming to double revenues to SAR 2 billion by 2025. SISCO’s investment approach focuses on value accretive investments that are in line with its strategic focus areas of Ports, Logistics and Water. The Company will announce updates to the market as other opportunities materialize.

Management believes that improved gateway and transshipment volumes are showing promising signs of recovery, which will be supportive to the local gateway market, benefitting from the expected increase in shipping line capacity. Management is also of the opinion that Saudi domestic consumption will be stronger in 2H 2022, on the back of forecast growth in Umrah activities.

Income statement summary

SAR million



SAR million	Q1 '22	Q2' 22	Var.	Var. %	Q2 '21	Q2' 22	Var.	Var. %
Revenue*	196.2	213.2	17.0	8.7%	244.5	213.2	-31.3	-12.8%
Direct costs*	106.0	-113.5	-7.5	-7.1%	-121.0	-113.5	7.5	-6.2%
Gross profit	90.2	99.7	9.5	10.5%	123.6	99.7	-23.9	-19.3%
Operating expenses	-43.8	-47.0	-3.2	-7.3%	-40.0	-47.0	-7.0	17.5%
Operating profit	46.4	52.7	6.3	13.6%	83.6	52.7	-30.9	-37.0%
Investment income	6.4	8.4	2.0	31.3%	6.0	8.4	2.4	40.0%
Finance charges	-50.6	-53.4	-2.8	-5.5%	-50.9	-53.4	-2.5	4.9%
Other income / expenses & Zakat	-1.0	-3.1	-2.1	-210.0%	-1.7	-3.1	-1.4	82.4%
Group net income	1.2	4.7	3.5	291.7%	37.1	4.7	-32.4	-87.3%
Minority interest	-0.4	1.5	1.9	-	14.6	1.5	-13.1	-89.7%
Net income - reported	0.8	3.1	2.3	287.5%	22.5	3.1	-19.4	-86.2%

*Excludes construction revenue and cost

SAR million	1H '21	1H '22	Var.	Var. %
Revenue*	498.1	409.3	-88.8	-17.8%
Direct costs*	-239.7	-219.4	20.3	8.6%
Gross profit	258.4	189.9	-68.5	-26.5%
Operating expenses	-80.1	-90.7	-10.6	-13.2%
Operating profit	178.3	99.2	-79.1	-44.4%
Investment income	11.8	14.8	3.0	25.4%
Finance charges	-102.2	-104.0	-1.8	-1.8%
Other income / expenses & Zakat	-1.3	-4.1	-2.8	-215.4%
Group net income	86.7	5.9	-80.8	-93.2%
Minority interest	32.0	2.0	-30.0	-93.8%
Net income - reported	54.7	3.9	-50.8	-92.9%

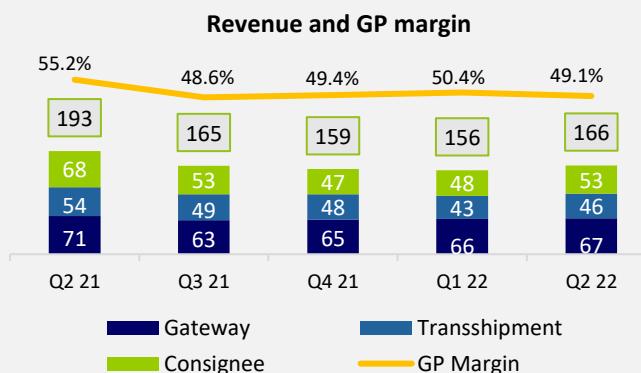
*Excludes construction revenue and cost

Operational highlights

Ports and terminals

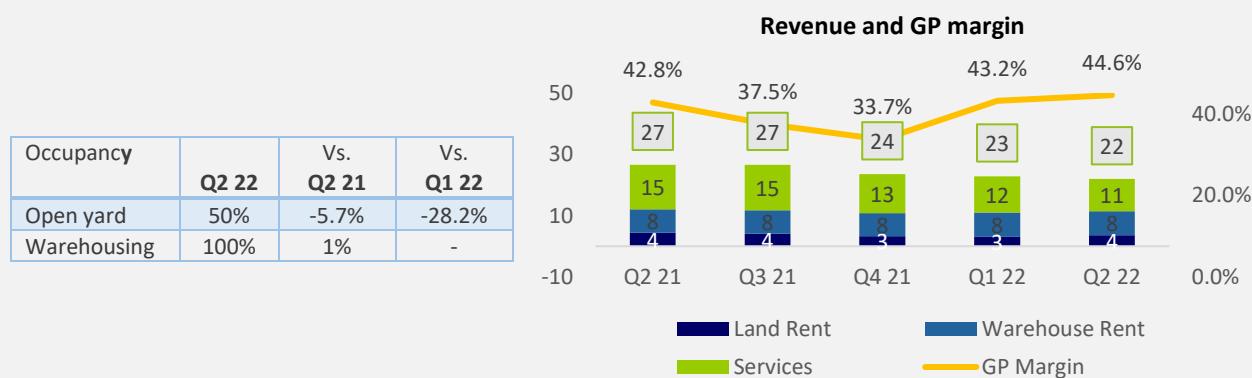
Quarterly gateway and transshipment volumes recovered this quarter having declined in Q1 as a result of global supply chain disruptions and consequences of pandemic restrictions in China. This uptick in volumes signals the possibility of further improvement throughout 2H '22. Total volumes for Q2 improved by 3.5% compared to Q1' 22. Consequently, Q2' 22 revenue was SAR 165.7 million compared to SAR 156.4 recorded in Q1' 22, marking a 6.0% increase. Revenues showed a 14.1% decline compared to Q2' 21.

Volume, thousand TEUs	Q2 22	Vs. Q2 21	Vs. Q1 22
Gateway	257	-10%	5.8%
Transshipment	431	-7.3%	2.1%
Total volume	688	-8.3%	3.5%



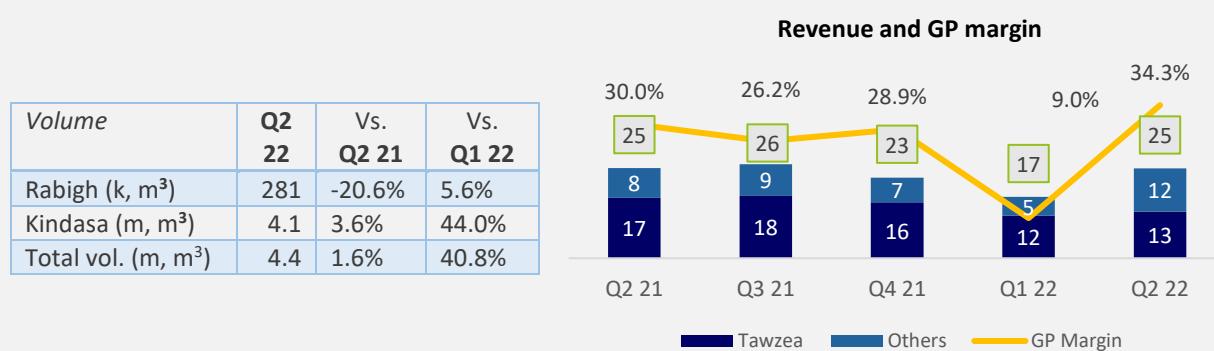
Logistics parks and services

Logistics parks and services revenue for Q2' 22 remained stable compared to Q1' 22. Gross margin improved from 43.2% in Q1' 22 to reach 44.6% in Q2' 22. Despite the decline in open yard occupancy, the average rates have improved, giving stability in the segment's overall performance. It is worth noting that SISCO is planning to increase warehouse capacity by the end of this year which will increase total segment contribution in group revenues.



Water solutions

Water solutions performance saw a strong recovery in Q2' 22 after being impacted by a temporary decrease in the production of the Kindasa facility for two months in Q1' 22. With all production issues at Kindasa resolved, volumes recovered to pass the 4 million cubic meters in Q2' 22, marking a 40.8% recovery compared to the previous quarter. Q2' 22 revenue recorded SAR 25.4 million, marking an improvement of 50.3% over Q1' 22 while remaining relatively flat compared to the same quarter last year.



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About SISCO

Saudi Industrial Services Company (“SISCO”) is an investment holding company with a diversified portfolio of unique assets spanning ports, industrial parks and services, and water solutions. The Company was established in 1988 and is the first private sector developer of a bonded re-export zone in Saudi Arabia. SISCO’s portfolio includes 6 subsidiaries/ associates, supported by a team of more than 3,000 employees. SISCO provides strategic support to portfolio companies with a clear and long-term investment philosophy to unlock growth opportunities.

Analyst call and earnings presentation

SISCO will be hosting an analyst call on the Company’s Q2 2022 results on [16 August 2022] at [15:00] Saudi time. For conference call details, please email ir@sisco.com.sa. The earnings presentation will be hosted on the company website in due course: <http://www.sisco.com.sa/poverview.php>