



**THE SAUDI ARABIAN AMIAANTIT COMPANY**  
(A Saudi Arabian Joint Stock Company)

**UNAUDITED INTERIM CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS AND REVIEW REPORT  
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2022**

**THE SAUDI ARABIAN AMIANTIT COMPANY**

(A Saudi Arabian Joint Stock Company)

**UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND REVIEW REPORT  
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2022**

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## INDEPENDENT AUDITOR'S REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

To the shareholders  
**The Saudi Arabian Amiantit Company**  
 (A Saudi Arabian Joint Stock Company)

### Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of The Saudi Arabian Amiantit Company (the "Company") and its subsidiaries (collectively referred to as the "Group") as at March 31, 2022, and the related interim condensed consolidated statements of profit or loss and comprehensive income for the three-month period then ended, and the interim condensed consolidated statements of changes in equity and cash flows for the three-month period ended March 31, 2022, and notes, comprising significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34 'Interim Financial Reporting' ("IAS 34") as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

### Scope of Review

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

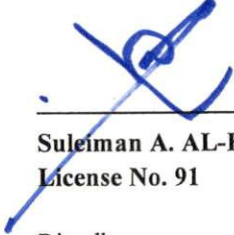
### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements do not present fairly, in all material respects, the financial position of the Group as at March 31, 2022, its financial performance and its cash flows for the three-month period then ended, in accordance with IAS 34 as endorsed in the Kingdom of Saudi Arabia.

### Material Uncertainty Related to Going Concern

We draw attention to note 4 to the accompanying interim condensed consolidated financial statements, which indicates that the Group is in breach of certain financial covenants stated in credit facility agreements and that the Group's current liabilities as at March 31, 2022 exceeds its current assets by SR 735.1 million (December 31, 2021 SR 738.1 million). As stated in note 4, the Group's ability to continue as a going concern depends to a large extent on the success of Group's management in raising the Company's capital and rescheduling its bank borrowings. Our conclusion is not modified in respect of this matter.

AlKharashi & Co.


  
 Suleiman A. AL-Kharashi  
 License No. 91


Riyadh:  
 May 19, 2022  
 Shawwal 18, 1443H

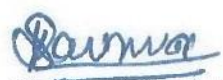


**THE SAUDI ARABIAN AMIANTIT COMPANY**  
(A Saudi Arabian Joint Stock Company)  
**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT MARCH 31, 2022**

|  | <i>Note</i> | <i>March 31,<br/>2022</i> | <i>December 31,<br/>2021</i> |
|--|-------------|---------------------------|------------------------------|
|  |             | <i>SR '000</i>            | <i>SR '000</i>               |
|  |             | <i>(Unaudited)</i>        | <i>(Audited)</i>             |
| <b>ASSETS</b>  |             |                           |                              |
| <b>Current assets</b>                                  |             |                           |                              |
| Cash and cash equivalents                              |             | 42,459                    | 75,136                       |
| Trade receivables                                      | 8           | 238,531                   | 253,279                      |
| Contract assets  | 8           | 315,832                   | 322,812                      |
| Prepayments and other receivables                      |             | 91,380                    | 94,785                       |
| Inventories  | 13          | 294,935                   | 242,122                      |
|  |             | <u>983,137</u>            | <u>988,134</u>               |
| <b>Non-current assets</b>                              |             |                           |                              |
| Non-current receivables                                | 8           | 318,562                   | 326,912                      |
| Equity accounted investments                           | 9           | 400,852                   | 407,200                      |
| Property, plant and equipment                          | 10          | 181,746                   | 187,059                      |
| Other non-current assets                               |             | 19,260                    | 19,575                       |
|  |             | <u>920,420</u>            | <u>940,746</u>               |
| <b>TOTAL ASSETS</b>                                    |             | <u>1,903,557</u>          | <u>1,928,880</u>             |
| <b>LIABILITIES AND EQUITY</b>                          |             |                           |                              |
| <b>Current liabilities</b>                             |             |                           |                              |
| Short-term borrowings                                  | 11          | 1,120,666                 | 1,126,238                    |
| Accounts payable                                       |             | 225,724                   | 234,939                      |
| Accrued expenses and other liabilities                 |             | 81,644                    | 69,548                       |
| Contract liabilities                                   | 12          | 89,535                    | 99,240                       |
| Current maturity of lease liabilities                  |             | 820                       | 895                          |
| Zakat and foreign taxes payable                        |             | 199,890                   | 195,387                      |
|  |             | <u>1,718,279</u>          | <u>1,726,247</u>             |
| <b>Non-current liabilities</b>                         |             |                           |                              |
| Employees' termination benefits                        |             | 61,904                    | 59,835                       |
| Warranty provision                                     |             | 3,542                     | 3,289                        |
| Provisions for onerous contracts                       |             | 158,386                   | 162,174                      |
| Lease liabilities                                      |             | 5,771                     | 5,354                        |
| Other non-current liabilities                          |             | 644                       | 2,083                        |
|  |             | <u>230,247</u>            | <u>232,735</u>               |
| <b>Total liabilities</b>                               |             | <u>1,948,526</u>          | <u>1,958,982</u>             |
| <b>Equity</b>  |             |                           |                              |
| Share capital  | 15          | 99,000                    | 320,000                      |
| Accumulated losses                                     |             | (28,614)                  | (243,634)                    |
| Employee share ownership plan and reserve              |             | (644)                     | (2,083)                      |
| Foreign currency translation reserve                   |             | (133,604)                 | (123,705)                    |
| Equity attributable to the shareholders of the Company |             | <u>(63,862)</u>           | <u>(49,422)</u>              |
| Non-controlling interests                              |             | 18,893                    | 19,320                       |
| <b>Total equity</b>                                    |             | <u>(44,969)</u>           | <u>(30,102)</u>              |
| <b>TOTAL LIABILITIES AND EQUITY</b>                    |             | <u>1,903,557</u>          | <u>1,928,880</u>             |

  
Dr. Mohammed Saud Al-Bader  
Board Authorised Representative


  
Feras Ghassab Al Harbi  
Chief Executive Officer

  
Asgar Yusuf Sarguroh  
Chief Financial Officer

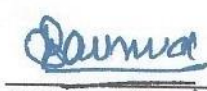
The accompanying notes form an integral part of these interim condensed consolidated financial statements.

**THE SAUDI ARABIAN AMIANTIT COMPANY**  
(A Saudi Arabian Joint Stock Company)  
**INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS**  
**FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2022**

|  | Note  | For the three-month period ended March 31, |                |
|--|-------|--|----------------|
|  |       | 2022                                       | 2021           |
|  |       | SR '000                                    | SR '000        |
| <i>(Unaudited)</i>   |       |  |                |
| <b>Continuing operations:</b>  |       |  |                |
| Revenue from contracts with customers  | 12    | 119,517                                    | 114,564        |
| Cost of revenue  |       | (110,336)                                  | (132,897)      |
| Gross profit (loss)  |       | 9,181                                      | (18,333)       |
| Net impairment loss on financial assets  |       | 12,883                                     | 48             |
| Selling, general and administrative expenses   |       | (18,599)                                   | (31,682)       |
| Operating profit (loss)  |       | 3,465                                      | (49,967)       |
| Other income, net  |       | 1,610                                      | 37,569         |
| Share in results of equity accounted investments   | 9     | 616  | 1,640          |
| Finance (costs) income   |       | (8,052)                                    | 19,007         |
| (Loss) profit before zakat and foreign income tax  |       | (2,361)                                    | 8,249          |
| Zakat  |       | (5,000)                                    | (10,104)       |
| Foreign income tax   |       | (15)                                       | (406)          |
| Loss from continuing operations  |       | (7,376)                                    | (2,261)        |
| <b>Discontinued operations:</b>  |       |  |                |
| Loss after zakat from discontinued operations  | 2.2.1 | (1)  | (27)           |
| <b>LOSS FOR THE PERIOD</b>   |       | <b>(7,377)</b>                             | <b>(2,288)</b> |
| <b>Attributable to:</b>  |       |  |                |
| Shareholders of the Company  |       | (5,980)                                    | (1,345)        |
| Non-controlling interests  |       | (1,397)                                    | (943)          |
|  |       | <b>(7,377)</b>                             | <b>(2,288)</b> |
| <b>Loss per share</b>  |       |  |                |
| Loss per share attributable to the shareholders of the Company:                            |       |  |                |
| Basic (SR) (2021: restated)  |       | (0.61)                                     | (0.14)         |
| Diluted (SR) (2021: restated)  |       | (0.61)                                     | (0.14)         |
| <b>Loss per share from continuing operations</b>   |       |  |                |
| Loss per share from continuing operations attributable to the shareholders of the Company: |       |  |                |
| Basic (SR) (2021: restated)  |       | (0.75)                                     | (0.23)         |
| Diluted (SR) (2021: restated)  |       | (0.75)                                     | (0.23)         |
| <b>Weighted average number of shares outstanding:</b>                                      |       |  |                |
| Basic ('000 shares) (2021: restated)   |       | 9,852                                      | 9,852          |
| Diluted ('000 shares) (2021: restated)   |       | 9,852                                      | 9,852          |

  
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Asgar Yusuf Sarguroh  
Chief Financial Officer

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**THE SAUDI ARABIAN AMIANTIT COMPANY**  
(A Saudi Arabian Joint Stock Company)  
**INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2022**

|   | <i>For the three-month period<br/>ended March 31,</i> |                 |
|---|---|-----------------|
|   | <u>2022</u>   | <u>2021</u>     |
|   | <u>SR '000</u>  | <u>SR '000</u>  |
|   | <i>(Unaudited)</i>                                    |                 |
| <b>LOSS FOR THE PERIOD</b>  | <u>(7,377)</u>  | <u>(2,288)</u>  |
| <b>Other comprehensive income</b>   |   |                 |
| <i>Other comprehensive loss to be reclassified to<br/>profit or loss in subsequent periods:</i>     |   |                 |
| Exchange differences on translation of foreign operations   | <u>(8,929)</u>  | <u>(18,513)</u> |
| <i>Other comprehensive loss not to be reclassified<br/>to profit or loss in subsequent periods:</i> |   |                 |
| Other comprehensive loss from equity accounted investments  | <u>-</u>  | <u>(26)</u>     |
|   | <u>-</u>  | <u>(26)</u>     |
| <b>OTHER COMPREHENSIVE LOSS</b>   | <u>(8,929)</u>  | <u>(18,539)</u> |
| <b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</b>  | <u>(16,306)</u>                                       | <u>(20,827)</u> |
| <b>Attributable to:</b>   |   |                 |
| Shareholders of the Company   | <u>(15,879)</u>                                       | <u>(19,923)</u> |
| Non-controlling interests   | <u>(427)</u>  | <u>(904)</u>    |
|   | <u>(16,306)</u>                                       | <u>(20,827)</u> |



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**THE SAUDI ARABIAN AMIANTT COMPANY**  
(A Saudi Arabian Joint Stock Company)  
**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2022**

|  | Attributable to the shareholders of the Company |                             |                              |   |  |  |                 |                                     |                        |  |
|--|---|-----------------------------|------------------------------|---|--|--|-----------------|-------------------------------------|------------------------|--|
|  | Share capital<br>SR 000                         | Statutory reserve<br>SR 000 | Accumulated losses<br>SR 000 | Employee share ownership plan and reserve<br>SR 000 | Change in fair value of interest rate swap<br>SR 000 | Foreign currency translation reserve<br>SR 000 | Total<br>SR 000 | Non-controlling interests<br>SR 000 | Total equity<br>SR 000 |  |
| <b>2022:</b>                                       |   |                             |                              |   |  |  |                 |                                     |                        |  |
| As January 1, 2022 (audited)                       | 320,000   | -                           | (243,634)                    | (2,083)   | -  | (123,705)                                      | (49,422)        | 19,320                              | (30,102)               |  |
| Loss for the period                                | -   | -                           | (5,980)                      | -   | -  | -  | (5,980)         | (1,397)                             | (7,377)                |  |
| Other comprehensive loss                           | -   | -                           | -                            | -   | -  | (9,899)  | (9,899)         | 970                                 | (8,929)                |  |
| Total comprehensive loss                           | -   | -                           | (5,980)                      | -   | -  | (9,899)  | (15,879)        | (427)                               | (16,306)               |  |
| Employee share ownership plan and reserve movement | -   | -                           | -                            | 1,439   | -  | -  | 1,439           | -                                   | 1,439                  |  |
| Capital reduction                                  | (221,000)                                       | -                           | 221,000                      | -   | -  | -  | -               | -                                   | -                      |  |
| <b>BALANCE AS AT MARCH 31, 2022 (unaudited)</b>    | <b>99,000</b>                                   | <b>-</b>                    | <b>(28,614)</b>              | <b>(644)</b>  | <b>-</b>   | <b>(133,604)</b>                               | <b>(63,862)</b> | <b>18,893</b>                       | <b>(44,969)</b>        |  |
| <b>2021:</b>                                       |   |                             |                              |   |  |  |                 |                                     |                        |  |
| As January 1, 2021 (audited)                       | 320,000   | 132,176                     | (205,499)                    | (7,146)   | -  | (90,952)                                       | 148,579         | 20,179                              | 168,758                |  |
| Loss for the period                                | -   | -                           | (1,345)                      | -   | -  | -  | (1,345)         | (943)                               | (2,288)                |  |
| Other comprehensive income                         | -   | -                           | (26)                         | -   | -  | (18,552)                                       | (18,578)        | 39                                  | (18,539)               |  |
| Total comprehensive income (loss)                  | -   | -                           | (1,371)                      | -   | -  | (18,552)                                       | (19,923)        | (904)                               | (20,827)               |  |
| Absorption of losses through statutory reserve     | -   | (132,176)                   | 132,176                      | -   | -  | -  | -               | -                                   | -                      |  |
| <b>BALANCE AS AT MARCH 31, 2021 (unaudited)</b>    | <b>320,000</b>                                  | <b>-</b>                    | <b>(74,694)</b>              | <b>(7,146)</b>                                      | <b>-</b>   | <b>(109,504)</b>                               | <b>128,656</b>  | <b>19,275</b>                       | <b>147,931</b>         |  |

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**THE SAUDI ARABIAN AMIANTIT COMPANY**  
(A Saudi Arabian Joint Stock Company)  
**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2022**

|  | <i>For the three-month period ended March 31,</i> |                 |
|--|---|-----------------|
|  | <i>2022</i>                                       | <i>2021</i>     |
|  | <i>SR '000</i>                                    | <i>SR '000</i>  |
|  | <i>(Unaudited)</i>                                |                 |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                              |   |                 |
| Loss for the period  |   |                 |
| <i>Adjustments for non-cash items:</i>                                   |   |                 |
| Depreciation and amortisation  | (7,377)   | (2,288)         |
| Share in results of equity accounted investments                         | 6,487   | 7,878           |
| Zakat and foreign income tax   | (616)   | (1,640)         |
| Employees' termination benefits, net                                     | 5,015   | 10,510          |
| Warranty provision, net  | 2,069   | 731             |
| Gain on sale of investment   | 280   | 241             |
| (Reversal) impairment loss on financial assets                           | -   | (12,412)        |
| Reversal of allowance for obsolete and slow-moving inventories (note 13) | (12,883)  | -               |
| Property, plant and equipment write off                                  | (1,153)   | -               |
|  | -   | 317             |
|  | <u>(8,178)</u>                                    | <u>3,337</u>    |
| <i>Changes in working capital:</i>                                       |   |                 |
| Trade receivables (current and non-current) and contract assets          | 35,928  | 6,641           |
| Prepayments and other receivables  | 2,605   | 112,139         |
| Inventories  | (51,116)  | 9,673           |
| Accounts payable   | (8,090)   | (89,905)        |
| Accrued expenses, contract liabilities and other liabilities             | 2,796   | (19,356)        |
|  | <u>(26,055)</u>                                   | <u>22,529</u>   |
| Zakat and foreign income tax paid  | (512)   | (2,461)         |
| <i>Net cash flows (used in) from operating activities</i>                | <u>(26,567)</u>                                   | <u>20,068</u>   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                              |   |                 |
| Cash proceeds from sale of investment                                    | -   | 12,412          |
| Dividends received from equity accounted investments                     | -   | 910             |
| Purchase of property, plant and equipment                                | (694)   | (777)           |
| Net change in other non-current assets                                   | (429)   | 7               |
| <i>Net cash flows (used in) from investing activities</i>                | <u>(1,123)</u>                                    | <u>12,552</u>   |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                              |   |                 |
| Movement in short-term borrowings  | (4,916)   | (32,772)        |
| Net change in lease obligations  | 342   | (732)           |
| Net change in other non-current liabilities                              | -   | 7,146           |
| <i>Net cash flows used in financing activities</i>                       | <u>(4,574)</u>                                    | <u>(26,358)</u> |
| <b>Net change in cash and cash equivalents</b>                           | <u>(32,264)</u>                                   | <u>6,262</u>    |
| Cash and cash equivalents at the beginning of the period                 | 75,136  | 53,255          |
| Foreign currency translation effect on cash and cash equivalents         | (413)   | (595)           |
| <b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>                | <u>42,459</u>                                     | <u>58,922</u>   |

  
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The accompanying notes form an integral part of these interim condensed consolidated financial statements.



**THE SAUDI ARABIAN AMIANTIT COMPANY**

(A Saudi Arabian Joint Stock Company)

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2022**

**1. CORPORATE INFORMATION**

The Saudi Arabian Amiantit Company ("the Company" or "SAAC") and its subsidiaries (collectively referred to as "the Group") consist of the Company and its various Saudi Arabian and foreign subsidiaries. The Group is principally engaged in manufacturing and selling various types of pipes and related products, licensing of related technologies, and water management services including related consultancy, engineering and operations.

The Company is a joint stock company registered in the Kingdom of Saudi Arabia under Commercial Registration number 2050002103 issued in Dammam on 17 Rabi' I 1388 H (13 June 1968 G). The registered address of the Company is P.O. Box 589, First Industrial Area, Dammam 31421, Kingdom of Saudi Arabia. The Company's shares are publicly traded on the Saudi Stock Exchange ("Tadawul").

Following is the list of significant operating subsidiaries and joint ventures of the Group:

| <i>Subsidiary</i>   | <i>Principal activity</i> | <i>Country of incorporation</i> | <i>Effective ownership percentage as at</i> |                          |
|---|---------------------------|---------------------------------|---|--------------------------|
|   |                           |                                 | <i>March 31, 2022</i>                       | <i>December 31, 2021</i> |
|   |                           |                                 | <i>%</i>                                    | <i>%</i>                 |
| Factory of Amiantit Fiberglass Industries Limited ("AFIL")                          | A                         | Saudi Arabia                    | 100   | 100                      |
| Saudi Arabian Ductile Iron Pipes Company Limited ("SADIP")                          | A                         | Saudi Arabia                    | 100   | 100                      |
| International Infrastructure Management and Operations Company Limited ("AMIWATER") | B                         | Saudi Arabia                    | 100   | 100                      |
| Infrastructure Engineering Contracting Company ("ISECC")                            | C                         | Saudi Arabia                    | 100   | 100                      |
| Factory of Amiantit Rubber Industries limited ("ARIL")                              | A                         | Saudi Arabia                    | 100   | 100                      |
| Factory of Bondstrand Limited ("BSL")   | A                         | Saudi Arabia                    | 60  | 60                       |
| Saudi Amicon Company Limited  | A                         | Saudi Arabia                    | 99.93                                       | 99.93                    |
| <i>Discontinued operation (note 2.2)</i>  |                           |                                 |   |                          |
| Ameron Saudi Arabia Limited ("ASAL")  | A                         | Saudi Arabia                    | 100   | 100                      |
| <i>Joint venture incorporated in the Kingdom of Saudi Arabia</i>                    |                           |                                 |   |                          |
| International Water Distribution Company ("Tawzea")                                 | B,C,D                     | Saudi Arabia                    | 50  | 50                       |
| <i>Subsidiary incorporated outside Kingdom of Saudi Arabia</i>                      |                           |                                 |   |                          |
| PWT Wasser - und Abwassertechnik GmbH ("PWT")                                       | C                         | Germany                         | 100   | 100                      |
| Amitech Astana LLC  | A                         | Kazakhstan                      | 51  | 51                       |
| <i>Joint venture incorporated outside Kingdom of Saudi Arabia</i>                   |                           |                                 |   |                          |
| Amiblu Holding GmbH ("Amiblu")  | A                         | Austria                         | 50  | 50                       |

A- Pipe manufacturing

B- Water management

C- Contracting

D-Electrical and mechanical installations

The countries of incorporation for these subsidiaries and joint ventures are also their principal places of business.

**2. CHANGES IN THE REPORTING ENTITY**

**2.1 FLOWtite Eksport AS Liquidation**

During the year ended December 31, 2021, FLOWtite Eksport AS, a 100% owned subsidiary of the Company in Norway was formally liquidated. Before liquidation, the carrying amount of this subsidiary in the books of the Company was SR 464 thousand. Management recorded SR 41 thousand under share in results of equity accounted investment and SR 423 thousand as cash received from disposal of the investment to another 100%-owned subsidiary of the Company.

**2.2 Discontinued Operation**

On February 20, 2019 (corresponding to 15 Jumada II 1440H), management resolved to discontinue ASAL operation and transfer its assets, liabilities and operations to SAAC at book value, from the date of obtaining approval from the regulatory authority. The legal formalities in this regard are in progress.

**THE SAUDI ARABIAN AMIANTIT COMPANY**

(A Saudi Arabian Joint Stock Company)

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)  
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2022**

**2. CHANGES IN THE REPORTING ENTITY (continued)**

**2.2 Discontinued Operation (continued)**

On March 31, 2022, the operation of the subsidiary was presented as discontinued operation. The business of the discontinued operation represented part of the Group's Saudi Arabian operating segment (geographical segment) until March 31, 2022.

2.2.1 The result for the three-month period ended March 31, are presented below:

|   | <i>ASAL</i>    |                |
|---|----------------|----------------|
|   | <i>2022</i>    | <i>2021</i>    |
|   | <i>SR '000</i> | <i>SR '000</i> |
| Revenue   | -              | -              |
| Expenses  | (1)            | (27)           |
| <b>Loss before zakat</b>                            | <b>(1)</b>     | <b>(27)</b>    |
| Zakat   | -              | -              |
| Loss for the period from discontinued operations    | <b>(1)</b>     | <b>(27)</b>    |
| <b>Loss per share from discontinued operations:</b> |                |                |
| Basic (SR)  | -              | -              |
| Diluted (SR)  | -              | -              |

2.2.2 The major classes of assets and liabilities of the subsidiary as at March 31, were as follows:

|   | <i>ASAL</i>               |                              |
|---|---------------------------|------------------------------|
|   | <i>March 31,<br/>2022</i> | <i>December 31,<br/>2021</i> |
|   | <i>SR '000</i>            | <i>SR '000</i>               |
| <b>Assets</b>   |                           |                              |
| Bank balances and cash  | -                         | -                            |
| Trade receivables (includes receivable<br>from SAAC SR 24.0 million/(2021: SR 24.0 million) | <b>24,034</b>             | 24,034                       |
| Prepayments and other receivables   | -                         | -                            |
|   | <b>24,034</b>             | 24,034                       |
| <b>Liabilities</b>  |                           |                              |
| Accrued expenses and other liabilities  | <b>1,270</b>              | 1,062                        |
| Zakat and income tax payable  | <b>8,349</b>              | 7,936                        |
|   | <b>9,619</b>              | 8,998                        |
| <b>Carrying amount of net assets<br/>directly related to the discontinued operation</b>     | <b>14,415</b>             | 15,036                       |

2.2.3 The net cash flows incurred by subsidiary for the quarter ended March 31, are as follows:

|                  | <i>ASAL</i>               |                           |
|------------------|---------------------------|---------------------------|
|                  | <i>March 31,<br/>2022</i> | <i>March 31,<br/>2021</i> |
|                  | <i>SR '000</i>            | <i>SR '000</i>            |
| Operating        | -                         | (297)                     |
| Net cash outflow | -                         | (297)                     |

**3. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES**

**3.1. BASIS OF PREPARATION**

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard IAS 34 '*Interim Financial Reporting*' that is endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization for Chartered and Professional Accountants ("SOCPA") and should be read in conjunction with the Group's last annual consolidated financial statements for the year ended December 31, 2021.

These interim condensed consolidated financial statements do not include all of the information normally required for a complete set of consolidated financial statements; however, accounting policies and selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since December 31, 2021.

These interim condensed consolidated financial statements have been prepared on a historical cost basis, except for employees' termination benefits provision which are recognized at the present value of future obligations using the Projected Unit Credit Method ("PUCM"). These interim condensed consolidated financial statements are presented in Saudi Riyals which is also the functional currency of the Company and all values are rounded to the nearest thousand (SR '000), except when otherwise indicated.

**3.2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2021.

Comparative interim condensed consolidated statement of financial position is extracted from annual financial statements as at December 31, 2021 whereas comparative interim condensed consolidated statement of profit or loss account and other comprehensive income, interim condensed consolidated statement of cash flows and interim condensed consolidated statement of changes in equity are extracted from unaudited interim condensed consolidated financial statements of the Group for the three-month period ended March 31, 2021.

**3.3. NEW IFRS STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS**

There are no new standards issued, however, there are number of amendments to standards which are effective from 1 January 2022 and has been explained in Group annual consolidated financial statements for the year ended December 31, 2021, but they do not have a material effect on the Group's interim condensed consolidated financial statements.

#### 4. GOING CONCERN BASIS OF ACCOUNTING

These interim condensed consolidated financial statements have been prepared on a going concern basis, which assumes that the Group will be able to meet the mandatory repayment terms of the credit facilities as disclosed in note 11 and trade payables.

As at March 31, 2022, the Company's current liabilities exceeded current assets by SR 735.1 million (2021: SR 738.1 million). In addition, the Group has defaulted on the repayment of its bank borrowings and is in breach of certain financial covenants related to bank facilities as disclosed in note 11. Moreover, as stated in note 17, the existence of an outbreak of a pandemic virus, experienced throughout the world, forced the Group to temporarily and partially shut down its production facilities in the Kingdom of Saudi Arabia.

During the year 2021, management has hired a third party advisor to work on loan restructuring plan and certain terms were signed with the commercial banks and certain loans were restructured and repaid in full that resulted in a gain of SR 20.1 million during the year ended December 31, 2021 .

Management acknowledges that uncertainty remains over the Group's ability to meet its funding requirements and to refinance or repay its credit facilities as they fall due. However, as described above, management has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. If for any reason the Group is unable to continue as a going concern, then this could have an impact on the Group's ability to realise assets at their recognised values and to extinguish liabilities in the normal course of business at the amounts stated in the interim condensed consolidated financial statements.

#### 5. SIGNIFICANT ACCOUNTING ESTIMATES, JUDGEMENTS AND ASSUMPTIONS

The preparation of the Group's interim condensed consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of asset or liability affected in future periods. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

The significant areas of estimation uncertainty and critical adjustments in applying accounting policies that have most significant effect on the amounts recognized in the accompanying interim condensed consolidated financial statements are as follows:

- a) Uncertain zakat and tax positions,
- b) Impairment loss on financial assets - trade receivables, non-current receivables and contract assets.
- c) Impairment of equity accounted investments,
- d) Impairment of property, plant and equipment,
- e) Economic useful lives of property, plant, equipment
- f) Use of percentage of completion and estimated cost to complete a contract,
- g) Long-term assumptions for employees' termination benefits,
- h) Right-of-use assets and lease liabilities,
- i) Revenue recognition – judgements in respect of nature and timings of the satisfaction of performance obligation including significant payment terms and related revenue recognition policies. This results in decision on whether revenue is to be recognised overtime or at appoint in time.
- j) Impact of COVID-19- In evaluating the impact of the Covid-19 pandemic, Group has made significant judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on experience of Group's management after considering all relevant factors. Actual results may differ from these estimates.

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**FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2022**

**6. SEGMENT INFORMATION**

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

- (i) Manufacturing and selling various types of pipes and development and licensing of related technologies; and
- (ii) Water management and related consultancy, engineering and operations.

Selected financial information as at March 31, 2022 and December 31, 2021 and for the three-month periods ended March, 2022 and 2021, summarized by the above business segments, are as follows:

|   | <i>Pipe manufacturing<br/>and technology</i> | <i>Water<br/>management</i> | <i>Eliminations</i> | <i>Total</i>       |
|---|--|-----------------------------|---------------------|--------------------|
|   | <i>SR '000</i>                               | <i>SR '000</i>              | <i>SR '000</i>      | <i>SR '000</i>     |
| <b>As at and for the three-month period ended March 31, 2022</b>  |  |                             |                     |                    |
| Sales to external customers                                       | 108,602                                      | 10,915                      | -                   | 119,517            |
| Inter-segment   | 8,748  | 14                          | (8,762)             | -                  |
| Total revenue   | 117,350                                      | 10,929                      | (8,762)             | 119,517            |
| Share in results of equity accounted investments                  | (912)  | 1,528                       | -                   | 616                |
| Finance costs   | (7,479)                                      | (573)                       | -                   | (8,052)            |
| Depreciation, amortisation and impairment                         | (6,305)                                      | (182)                       | -                   | (6,487)            |
| Zakat and foreign income taxes                                    | (5,001)                                      | (14)                        | -                   | (5,015)            |
| Net loss  | (877)  | (6,500)                     | -                   | (7,377)            |
| Capital expenditure   | (669)  | (25)                        | -                   | (694)              |
| Equity accounted investments                                      | <u>307,847</u>                               | <u>93,005</u>               | <u>-</u>            | <u>400,852</u>     |
| Total assets  | <u>956,327</u>                               | <u>947,230</u>              | <u>-</u>            | <u>1,903,557</u>   |
| Total liabilities   | <u>(979,974)</u>                             | <u>(968,552)</u>            | <u>-</u>            | <u>(1,948,526)</u> |
| <b>As at and for the three-month period ended March 31, 2021:</b> |  |                             |                     |                    |
| Sales to external customers                                       | 98,207                                       | 16,357                      | -                   | 114,564            |
| Inter-segment   | 13,516                                       | 15                          | (13,531)            | -                  |
| Total revenue   | 111,723                                      | 16,372                      | (13,531)            | 114,564            |
| Share in results of equity accounted investments                  | (514)  | 2,154                       | -                   | 1,640              |
| Finance costs   | 20,941                                       | (1,934)                     | -                   | 19,007             |
| Depreciation and amortization                                     | (7,644)                                      | (234)                       | -                   | (7,878)            |
| Zakat and foreign income taxes                                    | (10,106)                                     | (404)                       | -                   | (10,510)           |
| Net loss  | 17,872                                       | (20,160)                    | -                   | (2,288)            |
| Capital expenditures  | (696)  | (81)                        | -                   | (777)              |
| <b>As at December 31, 2021:</b>                                   |  |                             |                     |                    |
| Equity accounted investments                                      | <u>315,605</u>                               | <u>91,595</u>               | <u>-</u>            | <u>407,200</u>     |
| Total assets  | <u>1,043,865</u>                             | <u>885,015</u>              | <u>-</u>            | <u>1,928,880</u>   |
| Total liabilities   | <u>(987,723)</u>                             | <u>(971,259)</u>            | <u>-</u>            | <u>(1,958,982)</u> |

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**FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2022**

**6. SEGMENT INFORMATION (continued)**

The Group's operations are conducted in Saudi Arabia, Europe and other geographical areas. Selected financial information as at March 31, 2022 and December 31, 2021 and for the three-month periods ended March 31, 2022 and 2021, summarized by geographic area, are as follows:

|   | <i>Saudi Arabia</i> | <i>Europe</i>  | <i>Other<br/>Countries</i> | <i>Eliminations</i> | <i>Total</i>   |
|---|---------------------|----------------|----------------------------|---------------------|----------------|
|   | <i>SR '000</i>      | <i>SR '000</i> | <i>SR '000</i>             | <i>SR '000</i>      | <i>SR '000</i> |
| <b>As at and for the three-month period ended March 31, 2022:</b> |                     |                |                            |                     |                |
| Revenue from contracts with customers                             | 115,017             | 10,929         | 2,333                      | (8,762)             | 119,517        |
| Non-current assets:   |                     |                |                            |                     |                |
| - Property, plant and equipment                                   | 168,698             | 2,648          | 10,400                     | -                   | 181,746        |
| - Other non-current assets  | 436,981             | 251,401        | 50,292                     | -                   | 738,674        |
| <b>As at and for the three-month period ended March 31, 2021:</b> |                     |                |                            |                     |                |
| Revenue from contracts with customers                             | 110,531             | 16,371         | 1,192                      | (13,530)            | 114,564        |
| <b>As at December 31, 2021:</b>                                   |                     |                |                            |                     |                |
| Non-current assets:   |                     |                |                            |                     |                |
| - Property, plant and equipment                                   | 173,551             | 2,840          | 10,668                     | -                   | 187,059        |
| - Other non-current assets  | 443,540             | 259,626        | 50,521                     | -                   | 753,687        |



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8. RECEIVABLES AND CONTRACT ASSETS

8.1. Trade receivables

|   | <i>March 31,</i><br><i>2022</i> | <i>December 31,</i><br><i>2021</i> |
|---|---------------------------------|------------------------------------|
|   | <i>SR'000</i>                   | <i>SR'000</i>                      |
| Trade receivables-third parties           | 340,712                         | 363,811                            |
| Less: impairment loss on financial assets | <b>(114,183)</b>                | <b>(122,518)</b>                   |
|   | <u>226,529</u>                  | <u>241,293</u>                     |
| Trade receivables-related parties         | 15,397                          | 15,381                             |
| Less: impairment loss on financial assets | <b>(3,395)</b>                  | <b>(3,395)</b>                     |
|   | <u>12,002</u>                   | <u>11,986</u>                      |
|   | <u><b>238,531</b></u>           | <u><b>253,279</b></u>              |

Trade receivables are non-interest bearing and are generally on terms of 30 to 90 days.

Set out below is the information about the credit risk exposure on the Company third parties' trade receivables using a provision matrix:

|                                  | <i>Not past due</i> | <i>Days past due</i> |                     |                     |                      | <i>Total</i>          |
|----------------------------------|---------------------|----------------------|---------------------|---------------------|----------------------|-----------------------|
|                                  |                     | <i>&lt; 180 days</i> | <i>181-365 days</i> | <i>366-730 days</i> | <i>&gt; 730 days</i> |                       |
|                                  | <i>SR'000</i>       | <i>SR'000</i>        | <i>SR'000</i>       | <i>SR'000</i>       | <i>SR'000</i>        | <i>SR'000</i>         |
| <b>March 31, 2022:</b>           |                     |                      |                     |                     |                      |                       |
| Gross carrying amount at default | 40,107              | 49,537               | 25,218              | 26,769              | 199,081              | 340,712               |
| Expected credit loss             | (708)               | (3,185)              | (6,988)             | (12,270)            | (91,032)             | <b>(114,183)</b>      |
| Net trade receivables            | <u>39,399</u>       | <u>46,352</u>        | <u>18,230</u>       | <u>14,499</u>       | <u>108,049</u>       | <u><b>226,529</b></u> |
| <b>December 31, 2021:</b>        |                     |                      |                     |                     |                      |                       |
| Gross carrying amount at default | 47,231              | 40,072               | 30,401              | 29,015              | 217,092              | 363,811               |
| Expected credit loss             | (425)               | (3,509)              | (7,756)             | (9,371)             | (101,457)            | <b>(122,518)</b>      |
| Net trade receivables            | <u>46,806</u>       | <u>36,563</u>        | <u>22,645</u>       | <u>19,644</u>       | <u>115,635</u>       | <u><b>241,293</b></u> |

8.2. Contract assets

|  | <i>March 31,</i><br><i>2022</i> | <i>December 31,</i><br><i>2021</i> |
|--|---------------------------------|------------------------------------|
|  | <i>SR'000</i>                   | <i>SR'000</i>                      |
| Contract assets (note 12.2.a)            | 328,238                         | 340,361                            |
| Less: impairment loss on contract assets | <b>(12,406)</b>                 | <b>(17,549)</b>                    |
|  | <u><b>315,832</b></u>           | <u><b>322,812</b></u>              |

8.3. Non-current receivables

The balance under non-current receivables comprises the following:

|   | <i>March 31,</i><br><i>2022</i> | <i>December 31,</i><br><i>2021</i> |
|---|---------------------------------|------------------------------------|
|   | <i>SR'000</i>                   | <i>SR'000</i>                      |
| Trade receivables under legal collection  | 441,621                         | 441,947                            |
| Less: impairment loss on financial assets | <b>(180,887)</b>                | <b>(180,323)</b>                   |
|   | <u>260,734</u>                  | <u>261,624</u>                     |
| Retentions receivable                     | 65,523                          | 74,650                             |
| Less: discount on retentions receivable   | <b>(7,695)</b>                  | <b>(9,362)</b>                     |
|   | <u>57,828</u>                   | <u>65,288</u>                      |
|   | <u><b>318,562</b></u>           | <u><b>326,912</b></u>              |



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**9. EQUITY ACCOUNTED INVESTMENTS**

The equity accounted investments comprise the following:

|   | <i>March 31,<br/>2022</i> | <i>December 31,<br/>2021</i> |
|---|---------------------------|------------------------------|
|   | <i>SR'000</i>             | <i>SR'000</i>                |
| <b>Interests in joint ventures</b>                  |                           |                              |
| Amiblu Holding GmbH ("Amiblu")                      | 243,429                   | 251,563                      |
| International Water Distribution Company ("Tawzea") | 92,998                    | 91,471                       |
| <b>Total interests in joint ventures</b>            | <b>336,427</b>            | <b>343,034</b>               |
| <b>Investments in associates:</b>                   |                           |                              |
| Amiantit Qatar Pipe Company Limited ("AQAP")        | 49,540                    | 49,718                       |
| Other associates                                    | 14,885                    | 14,448                       |
| <b>Total investment in associates</b>               | <b>64,425</b>             | <b>64,166</b>                |
| <b>Total equity accounted investments</b>           | <b>400,852</b>            | <b>407,200</b>               |

The movement in the interests in joint ventures is as follows:

|                                     | <i>For the three-<br/>month period<br/>ended March<br/>31, 2022</i> | <i>For the year<br/>ended<br/>December 31,<br/>2021</i> |
|-------------------------------------|---|---|
|                                     | <i>SR'000</i>   | <i>SR'000</i>   |
| <b>Interests in joint ventures</b>  |   |   |
| At the beginning of the period/year | 343,034   | 362,048   |
| Share in results                    | 316   | 1,733   |
| Dividends                           | -   | (4,000)   |
| Currency translation adjustments    | (6,923)   | (19,144)  |
| Share of other comprehensive income | -   | 2,397   |
| At the end of the period/year       | <b>336,427</b>  | <b>343,034</b>  |

The movement in the investment in associates is as follows:

|                                     | <i>For the three-<br/>month period<br/>ended March<br/>31, 2022</i> | <i>For the year<br/>ended<br/>December 31,<br/>2021</i> |
|-------------------------------------|---|---|
|                                     | <i>SR'000</i>   | <i>SR'000</i>   |
| <b>Investments in associates</b>    |   |   |
| At the beginning of the period/year | 64,166  | 67,644  |
| Revenue                             | -   | (423)   |
| Share in results                    | 300   | 6,317   |
| Dividends                           | -   | (9,238)   |
| Currency translation adjustments    | (41)  | (100)   |
| Share of other comprehensive income | -   | (34)  |
| At the end of the period/year       | <b>64,425</b>   | <b>64,166</b>   |

During the quarter ended March 31, 2021, the Company's 100% owned-subsiidiary ("AIH") has sold its full ownership in Amitech Morocco to Joint venture Company to the Group ("Amiblu") and a third party. Distribution of sale was 65% to Amiblu while remaining 35% to a third party for an amount of SR 12.4 million. Since, the investment was fully impaired prior to the sale in the books of AIH, the Group recorded SR 12.4 million in its interim condensed consolidated statement of profit or loss during the three-month period ended March 31, 2021.

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FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2022

10. PROPERTY, PLANT AND EQUIPMENT

|   | <i>Opening</i><br><i>1 January</i> | <i>Additions</i> | <i>Disposals</i> | <i>Reclassific</i><br><i>ation</i> | <i>Foreign</i><br><i>currency</i><br><i>translation</i><br><i>adjustments</i> | <i>Closing</i>     |
|---|------------------------------------|------------------|------------------|------------------------------------|---|--------------------|
|   | <i>SR'000</i>                      | <i>SR'000</i>    | <i>SR'000</i>    | <i>SR'000</i>                      | <i>SR'000</i>   | <i>SR'000</i>      |
| <b><u>March 31, 2022</u></b>                    |                                    |                  |                  |                                    |   |                    |
| <b>Cost:</b>                                    |                                    |                  |                  |                                    |   |                    |
| Land  | 213,117                            | -                | -                | -                                  | -   | 213,117            |
| Buildings and land improvements                 | 265,111                            | -                | -                | -                                  | (308)   | 264,803            |
| Plant, machinery and equipment                  | 989,929                            | -                | -                | -                                  | (1,040)   | 988,889            |
| Furniture, fixtures and office equipment        | 55,331                             | 98               | (12)             | -                                  | (379)   | 55,038             |
| Construction in progress                        | 11,144                             | 596              | -                | -                                  | -   | 11,740             |
|   | <u>1,534,632</u>                   | <u>694</u>       | <u>(12)</u>      | <u>-</u>                           | <u>(1,727)</u>  | <u>1,533,587</u>   |
| <b>Accumulated depreciation and impairment:</b> |                                    |                  |                  |                                    |   |                    |
| Land  | (164,532)                          | (543)            | -                | -                                  | -   | (165,075)          |
| Buildings and land improvements                 | (246,728)                          | (1,737)          | -                | -                                  | 888   | (247,577)          |
| Plant, machinery and equipment                  | (882,345)                          | (3,643)          | -                | -                                  | 782   | (885,206)          |
| Furniture, fixtures and office equipment        | (49,362)                           | (351)            | 12               | -                                  | 324   | (49,377)           |
| Construction in progress                        | (4,606)                            | -                | -                | -                                  | -   | (4,606)            |
|   | <u>(1,347,573)</u>                 | <u>(6,274)</u>   | <u>12</u>        | <u>-</u>                           | <u>1,994</u>  | <u>(1,351,841)</u> |
| <b>Net book value</b>                           | <u>187,059</u>                     |                  |                  |                                    |   | <u>181,746</u>     |
| <b><u>December 31, 2021</u></b>                 |                                    |                  |                  |                                    |   |                    |
| <b>Cost:</b>                                    |                                    |                  |                  |                                    |   |                    |
| Land  | 213,117                            | -                | -                | -                                  | -   | 213,117            |
| Buildings and land improvements                 | 288,014                            | 73               | (23,861)         | 1,065                              | (180)   | 265,111            |
| Plant, machinery and equipment                  | 987,527                            | 1,231            | -                | 2,178                              | (1,007)   | 989,929            |
| Furniture, fixtures and office equipment        | 57,992                             | 476              | (1,896)          | -                                  | (1,241)   | 55,331             |
| Construction in progress                        | 12,551                             | -                | -                | (1,406)                            | (1)   | 11,144             |
|   | <u>1,559,201</u>                   | <u>1,780</u>     | <u>(25,757)</u>  | <u>1,837</u>                       | <u>(2,429)</u>  | <u>1,534,632</u>   |
| <b>Accumulated depreciation and impairment:</b> |                                    |                  |                  |                                    |   |                    |
| Land  | (161,802)                          | (2,730)          | -                | -                                  | -   | (164,532)          |
| Buildings and land improvements                 | (238,341)                          | (7,684)          | -                | (883)                              | 180   | (246,728)          |
| Plant, machinery and equipment                  | (886,778)                          | (17,313)         | 23,210           | (2,360)                            | 896   | (882,345)          |
| Furniture, fixtures and office equipment        | (50,355)                           | (1,826)          | 1,785            | -                                  | 1,034   | (49,362)           |
| Construction in progress                        | (4,606)                            | -                | -                | -                                  | -   | (4,606)            |
|   | <u>(1,341,882)</u>                 | <u>(29,553)</u>  | <u>24,995</u>    | <u>(3,243)</u>                     | <u>2,110</u>  | <u>(1,347,573)</u> |
| <b>Net book value</b>                           | <u>217,319</u>                     |                  |                  |                                    |   | <u>187,059</u>     |

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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)  
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2022****11. BORROWINGS**

The Company has signed agreements to reschedule Islamic Banking facilities agreements with commercial banks, which management believes will have positive impact on enhancing the Company's performance during the next periods. Management believes Company's cashflows will improve and the rescheduling will enhance the operations of the Company which is appropriate with the new schedule period stated as follows:

**11.1. Bai Ajel borrowings**

New terms signed including new schedule period i.e. 10 years, resulting in reduction of the annual financial charges ranging from SIBOR +3.25% to 2.75% to be SIBOR +1.5%. The financing periods scheduled are as follows:

i- Bai Ajel for one time SAR 367,700,000 (non-revolving) and Bai Ajel limit of SAR 268,000,000 (one off) (new) for total tenor of 10 years inclusive of 2 years grace period repaid on semi-annual installments and profit to be paid semiannually during grace period. The Company utilized a total of SR 634,364,066 as at March 31, 2022.

ii- Bai Ajel sub-limit ,L/C, L/G SAR 157,600,000 (revolving) to be availed against any repaid installment from the main limit not exceeding 30% from Gross Limit to finance working capital requirements through direct purchases of raw material, for aggregate period not exceeding 12 months. The Company utilized this facility fully as at March 31, 2022.

iii- Bai Ajel/ LC Musharakah sublimit (SAR 80,000,000) to be availed against any repaid installment from the main limit not exceeding 30% from Gross Limit to finance working capital requirements through direct purchases of raw material and maintenance CAPEX or issuance of Musharakah LCs (sight, deferred) (local, international) for a maximum of 12 months inclusive of LC deferral period. The Company is yet to utilize this facility as at March 31, 2022.

**11.2. Tayseer Tijari borrowings**

New terms signed including new schedule period i.e. 10 years, resulting in reduction of the annual financial charges from SIBOR +3.25% to be SIBOR +1.5%. The financing period as scheduled are as follows:

i-Tayseer Tijari for one time SAR 219,100,000 (non-revolving ) for total tenor of 10 years inclusive of 2 years grace period repaid on semiannual installments and profit to be paid semiannually during grace period (last installment not to exceed December 31, 2031). The Company utilized this facility fully as at March 31, 2022.

ii- Tayseer Tijari sub-limit ,L/C, L/G SAR 110,900,000 to be availed against any repaid installment from the main limit not exceeding 30% from Gross Limit to finance working capital requirements through direct purchases of raw material and CAPEX, for aggregate period not exceeding 12 months. The Company utilized SR 97,563,750 as at March 31, 2022.

**11.3. Short-term borrowings**

Short-term borrowings comprise the following:

|                                    | <i>March 31,<br/>2022</i> | <i>December 31,<br/>2021</i> |
|------------------------------------|---------------------------|------------------------------|
|                                    | <i>SR'000</i>             | <i>SR'000</i>                |
| Short-term bank loans              | 825,345                   | 830,332                      |
| Current portion of long-term loans | 295,321                   | 295,906                      |
|                                    | <b>1,120,666</b>          | <b>1,126,238</b>             |

These represent borrowing facilities obtained from various commercial banks and bear financial charges at prevailing market rates which are based on inter-bank offered rates plus a fixed margin. Management intends to roll-over the majority of short-term loans as they mature.

**11.4. The carrying values of the short-term bank loans are denominated in the following currencies:**

|                | <i>March 31,<br/>2022</i> | <i>December 31,<br/>2021</i> |
|----------------|---------------------------|------------------------------|
|                | <i>SR'000</i>             | <i>SR'000</i>                |
| Saudi Riyals   | 824,586                   | 824,476                      |
| US Dollars     | -                         | 4,540                        |
| Other currency | 759                       | 1,316                        |
|                | <b>825,345</b>            | <b>830,332</b>               |

**THE SAUDI ARABIAN AMIANTIT COMPANY**

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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2022**

**11. BORROWINGS (continued)**

11.5. Long term borrowings comprise the following:

|   | <i>March 31,<br/>2022</i> | <i>December 31,<br/>2021</i> |
|---|---------------------------|------------------------------|
|   | <i>SR'000</i>             | <i>SR'000</i>                |
| Commercial bank loans                                   | 295,321                   | 295,906                      |
| Current portion shown under current liabilities         | <u>(295,321)</u>          | <u>(295,906)</u>             |
| Non-current portion shown under non-current liabilities | <u>-</u>                  | <u>-</u>                     |

The long-term borrowings are secured by promissory notes given by the Group and the carrying values are denominated in the following currency:

|              | <i>March 31,<br/>2022</i> | <i>December 31,<br/>2021</i> |
|--------------|---------------------------|------------------------------|
|              | <i>SR'000</i>             | <i>SR'000</i>                |
| Saudi Riyals | 286,479                   | 286,479                      |
| US dollars   | <u>8,842</u>              | <u>9,427</u>                 |
|              | <u>295,321</u>            | <u>295,906</u>               |

11.6. In view of the rescheduling and restructuring plans taken by the Company, certain loans from commercial banks were repaid in full that resulted in a gain of SR 20.1 million during the period ended March 31, 2021.

11.7. Management of the Company in view of the loans rescheduling and restructuring agreements signed with commercial banks had reversed certain facility fees accrued for the erstwhile terms of the loans and management believed these facility fees were no longer needed for the period ended March 31, 2021.

**11.8. Breach of loan covenants**

The covenants of certain of the short-term and long-term borrowing facilities require the Group to maintain a certain level of financial conditions, require lenders' prior approval for dividends distribution above a certain amount, and limit the amount of annual capital expenditure and certain other requirements. The Group has breached some of the financial covenants stated in the credit facility agreements with commercial banks. The main financial covenants the Group has breached are as follows:

| <u>Covenant</u>                         | <u>Requirement</u> |
|---|--------------------|
| Total liabilities to tangible net worth | 200% - 250%        |
| Current ratio                           | 100% - 125%        |
| Minimum shareholders' equity            | SR 950m            |

As a result of the above mentioned breach, the lenders have the right to accelerate repayment of future instalments. Accordingly, the entire balance of long term loans have been presented under current liabilities on the consolidated statement of financial position.

**12. REVENUE FROM CONTRACTS WITH CUSTOMERS**

**12.1. DISAGGREGATED REVENUE INFORMATION**

| <u>Segment</u>                                     | <i>For the three-month period ended</i> |                           |
|--|---|---------------------------|
|  | <i>2022</i>                             | <i>March 31,<br/>2021</i> |
|  | <i>SR '000</i>                          | <i>SR '000</i>            |
| <b>Type of goods or service</b>                    |   |                           |
| Sale of goods                                      | 90,978                                  | 85,608                    |
| Construction contracts                             | 28,539                                  | 28,956                    |
| <b>Total revenue from contracts with customers</b> | <u>119,517</u>                          | <u>114,564</u>            |
| <b>Type of customer</b>                            |   |                           |
| Government and quasi-government customers          | 25,911                                  | 14,478                    |
| Corporate customers                                | 93,606                                  | 100,086                   |
| <b>Total revenue from contracts with customers</b> | <u>119,517</u>                          | <u>114,564</u>            |

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FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2022**

**12. REVENUE FROM CONTRACTS WITH CUSTOMERS (continued)**

**12.1. DISAGGREGATED REVENUE INFORMATION (continued)**

| <u>Segment</u>                                     | <i>For the three-month period ended</i> |                |
|--|---|----------------|
|  | <i>March 31,</i>                        |                |
|  | <i>2022</i>                             | <i>2021</i>    |
|  | <i>SR '000</i>                          | <i>SR '000</i> |
| <b>Geographical markets</b>                        |   |                |
| Central region                                     | 11,444                                  | 12,265         |
| Western region                                     | 4,052                                   | 12,370         |
| Eastern region                                     | 80,133                                  | 59,488         |
| Europe   | 9,713                                   | 3,896          |
| Exports and other foreign subsidiaries             | 14,175                                  | 26,545         |
| <b>Total revenue from contracts with customers</b> | <b>119,517</b>                          | <b>114,564</b> |

**12.2. CONTRACT BALANCES**

|   | <i>March 31,</i> | <i>December 31,</i> |
|---|------------------|---------------------|
|   | <i>2022</i>      | <i>2021</i>         |
|   | <i>SR'000</i>    | <i>SR'000</i>       |
| Trade receivables - current and non-current (notes 8.1 and 8.3) | 557,093          | 580,191             |
| Contract assets (notes 8.2 and 12.2.a below)                    | 315,832          | 322,812             |
| Contract liabilities (see note 12.2.b below)                    | 89,535           | 99,240              |

**a) Contract assets:**

Contract assets are initially recognised for revenue earned from construction contracts as receipt of consideration is conditional on successful completion of specific milestones. Upon completion of a milestone and acceptance by the customer, the amounts recognised as contract assets are reclassified to trade receivables. As at March 31, 2022, contract assets are carried net of expected credit losses of SR 12.4 million (December 31, 2021: SR 17.5 million).

Movement in contract assets is as follows:

|  | <i>March 31,</i> | <i>December 31,</i> |
|--|------------------|---------------------|
|  | <i>2022</i>      | <i>2021</i>         |
|  | <i>SR '000</i>   | <i>SR '000</i>      |
| Opening balance                                      | 340,361          | 384,719             |
| Revenue recognized during the period/year            | 28,555           | 97,403              |
| Invoiced during the period/year                      | (33,210)         | (72,051)            |
| Write down of contract assets during the period/year | -                | (44,631)            |
| Currency translation adjustments                     | (7,468)          | (25,079)            |
|  | 328,238          | 340,361             |
| Impairment loss on financial asset                   | (12,406)         | (17,549)            |
| Closing balance                                      | 315,832          | 322,812             |

**b) Contract liabilities:**

Contract liabilities include long-term advances against construction contracts and short-term advances received to install pipes as well as transaction price allocated to unsatisfied performance obligations.

Revenue from contracts with customers recognised from amounts included in contract liabilities at the beginning of 2022 amounted to SR 2.0 million for the three-month period ended March 31, 2022.

Movement in contract liabilities is as follows:

|  | <i>March 31,</i> | <i>December 31,</i> |
|--|------------------|---------------------|
|  | <i>2022</i>      | <i>2021</i>         |
|  | <i>SR '000</i>   | <i>SR '000</i>      |
| Opening balance                                | 99,240           | 81,901              |
| Revenue recognized during the period/year      | 25               | (14,330)            |
| Invoiced during the period/year                | (830)            | 28,110              |
| Advances from customers during the period/year | (7,707)          | 7,707               |
| Currency translation adjustments               | (1,193)          | (4,148)             |
| Closing balance                                | 89,535           | 99,240              |

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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)****FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2022****12. REVENUE FROM CONTRACTS WITH CUSTOMERS (continued)****12.3. PERFORMANCE OBLIGATIONS****a) Sale of goods:**

The performance obligation is satisfied upon delivery of the goods and payment is generally due in advance or within 90 days from delivery.

**b) Construction contracts:**

Revenue is recognised over time based on the cost-to-cost method. The related costs are recognised in statement of profit or loss when they are incurred. Payment terms comprise a long-term advance, progress payments and payment of retentions one or two years after completion of the project. The duration of each project depends on the size and complexity of customer design and normally span for more than one year.

**13. INVENTORIES**

|                             | <i>March 31,</i><br><i>2022</i> | <i>December 31,</i><br><i>2021</i> |
|-----------------------------|---------------------------------|------------------------------------|
|                             | <i>SR'000</i>                   | <i>SR'000</i>                      |
| Raw materials               | 88,001                          | 37,199                             |
| Work in process             | 9,766                           | 9,138                              |
| Supplies, not held for sale | 46,222                          | 46,160                             |
| Finished products           | 149,549                         | 148,994                            |
| Goods in transit            | 1,397                           | 631                                |
|                             | <u>294,935</u>                  | <u>242,122</u>                     |

As at March 31, 2022, the Company had a total allowance for obsolete and slow-moving inventories for SR 83.79 million (December 31, 2021: SR 84.94 million). The allowance for obsolete and slow moving inventories is based on nature of inventories, ageing profile, their expiry and sales expectation based on historic trends and other qualitative factors.

**14. CONTINGENCIES AND COMMITMENTS**

14.1. The Group was contingently liable for bank guarantees issued in the normal course of the business amounting to SR 61.5 million at March 31, 2022. The Company, collectively with other shareholders of associated companies, is also contingently liable for corporate guarantees amounting to SR 166.7 million at March 31, 2022 in relation to the borrowing facilities of related associated companies.

14.2. The capital expenditure contracted by the Group but not yet incurred till March 31, 2022 was approximately SR 1.3 million.

14.3. The Group owns a parcel of industrial land in Jeddah which was acquired in 2009 through the acquisition, from a related party, of a subsidiary that owns this land. The ownership of this parcel is being contested in the Saudi Arabian judicial system. Management of the Group believes that the outcome of the litigation process will not result in any liabilities.

**15. SHARE CAPITAL**

The authorized share capital of the Company comprised 9.9 million ordinary shares stated at SR 10 per share. All shares are issued and fully paid. (December 31, 2021: 32 million ordinary shares stated at SR 10 per share).

**16. SIGNIFICANT EVENT DURING THE PERIOD**

Subsequent to the Capital Market Authority ("CMA") publishing on its official website on 17-02-2022 regarding its approval of reduction of the share capital of the Company, the Company's shareholders in their Extraordinary General Assembly ("EGA") on 27-02-2022 approved the share capital reduction from SR 320 million to SR 99 million reducing the total number of shares from 32,000,000 to 9,900,000 of SR 10 each to offset SR 221 million of the Company's accumulated losses.

**17. COVID-19 UPDATES**

In response to the spread of the Covid-19 in GCC and other territories where the Group operates and its resulting disruptions to the social and economic activities in those markets over the last two years, management continues to proactively assess its impacts on its operations. In particular the Group is closely monitoring the current surge in cases due to the outbreak of a new variant - Omicron. The preventive measures taken by the Group in 2020 are still in effect including the creation of ongoing crisis management teams and processes, to ensure the health and safety of its employees, customers, consumers and the wider community as well as to ensure the continuity of supply of its products throughout its markets.

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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)  
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**17. COVID-19 UPDATES (continued)**

Access of fully vaccinated individuals to farming and manufacturing facilities has been restored. Employee health continues to be a key area of focus with programs being implemented to assist with increasing awareness, identification, support and monitoring of employee health. More than 99% of the employees of the Group have been fully vaccinated for at least two doses of vaccines and the management is working on a plan to encourage booster shots.

Globally, there has been significant drop in the number of registered cases. As a result, restrictions related to Covid-19 such as social distancing, travel bans, requirement for travelers to present a negative PCR or rapid antigen test on arrival test have been lifted. Based on these factors, management believes that the Covid-19 pandemic has had no material effect on the Group's reported financial results for the period ended March 31, 2022 including the significant accounting judgements and estimates. The Group continues to monitor the Covid-19 situation closely although at this time management is not aware of any factors that are expected to change the impact of the pandemic on the Group's operations during 2022 or beyond.

**18. SUBSEQUENT EVENTS**

In the opinion of the management, there have been no significant subsequent events since the period-end that require disclosure of or adjustment in these interim condensed consolidated financial statements except below.

The Board of Directors of the Company has recommended to the general assembly a share capital increase by offering rights shares of SR 346,500,000 that will result in an increase in number of shares from 9.9 million shares to 44.55 million shares. Post rights shares issuance, the share capital of the Company will increase from SR 99,000,000 to SR 445,500,000. The process is pending approvals from the Company's general assembly and the CMA.

**19. DATE OF AUTHORIZATION:**

These interim condensed consolidated financial statements were authorized for issue by the Company's Board of Directors on May 19, 2022 (corresponding to Shawwal 18, 1443H).