

NATIONAL INDUSTRIALIZATION COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2021
AND INDEPENDENT AUDITOR'S REPORT

NATIONAL INDUSTRIALIZATION COMPANY

(A Saudi Joint Stock Company)

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2021**

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Report on review of Interim Financial Information

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

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of National Industrialization Company ("the Company"), a Saudi Joint Stock Company and its subsidiaries (collectively referred to as the "Group") as of 31 March 2021 and the related interim condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the three-month period then ended and other explanatory notes. Management is responsible for the preparation and presentation of this condensed consolidated interim financial information 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 this condensed consolidated interim financial information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of interim financial information performed by the independent auditor of the entity", 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, as endorsed in the Kingdom of Saudi Arabia, 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 condensed consolidated interim financial information is not prepared, in all material respects, in accordance with IAS 34, as endorsed in the Kingdom of Saudi Arabia.

PricewaterhouseCoopers

Bader I. Benmohareb
License Number 471

May 02, 2021

NATIONAL INDUSTRIALIZATION COMPANY

(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(All amounts in SR'000 unless otherwise stated)

		As at 31 March 2021 (Unaudited)	As at 31 December 2020 (Audited)
	Note		
ASSETS			
Non-current assets			
Property, plant and equipment	5	2,937,854	2,976,364
Projects under progress	6	1,916,318	1,916,318
Right-of-use assets		131,509	137,414
Intangible assets		118,605	124,534
Investments in equity accounted associates and joint ventures	7	11,321,787	10,662,306
Investment in equity instruments designated as FVOCI		841,291	805,423
Other non-current assets		513,688	526,063
Total non-current assets		17,781,052	17,148,422
Current assets			
Inventories		602,984	579,512
Accounts receivable		1,435,900	1,087,861
Prepayments and other current assets		909,712	850,222
Cash and cash equivalents		2,436,483	2,654,849
Total current assets		5,385,079	5,172,444
Total assets		23,166,131	22,320,866
EQUITY AND LIABILITIES			
Equity			
Share capital	8	6,689,142	6,689,142
Statutory reserve		1,387,264	1,354,512
Other reserves	9	(648,282)	(662,623)
Retained earnings / (Accumulated losses)		183,388	(111,375)
Equity attributable to the equity holders of parent		7,611,512	7,269,656
Non-controlling interests		2,430,876	2,313,357
Total equity		10,042,388	9,583,013
Liabilities			
Non-current liabilities			
Long-term borrowings	10	6,465,717	6,544,745
Employee benefits obligations		519,280	514,644
Lease liabilities		119,960	119,780
Other non-current liabilities		1,899,880	1,917,989
Total non-current liabilities		9,004,837	9,097,158
Current liabilities			
Long-term borrowings – current portion	10	654,518	645,346
Lease liabilities – current portion		20,801	22,705
Accounts payable		1,797,821	1,388,416
Provisions and other current liabilities		1,063,226	1,057,658
Zakat and income tax payable	11	582,540	526,570
Total current liabilities		4,118,906	3,640,695
Total liabilities		13,123,743	12,737,853
Total equity and liabilities		23,166,131	22,320,866


 Chief Financial Officer


 Chief Executive Officer


 Authorized Board Member

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

NATIONAL INDUSTRIALIZATION COMPANY

(A Saudi Joint Stock Company)

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (UNAUDITED)
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2021**

(All amounts in SR'000 unless otherwise stated)

	2021	2020
<u>Note</u>		(Restated note 19)
Revenue	725,376	654,371
Cost of revenue	(538,812)	(560,312)
Gross profit	186,564	94,059
Selling and distribution expenses	(41,622)	(45,649)
General and administrative expenses	(121,918)	(125,034)
Impairment of non-financial assets	-	(13,231)
Impairment of financial assets	(794)	(1,137)
Share of net profit / (loss) from associates and joint ventures, net	539,707	153,777
Operating profit	561,937	62,785
Other income	31,368	20,390
Other Expenses	(17,444)	(28,621)
Finance costs, net	(44,533)	(58,261)
Profit/ (loss) before zakat and income tax	531,328	(3,707)
Zakat and income tax	(79,802)	(28,754)
Profit / (loss) for the period	451,526	(32,461)
Attributable to:		
Equity holders of Parent	327,515	(51,754)
Non-controlling interests	124,011	19,293
	451,526	(32,461)
Basic and diluted earnings per share (SR)	12	
From Operating profit	0.84	0.09
From Profit/ (loss) attributable to equity holders of Parent	0.49	(0.08)



Chief Financial Officer



Chief Executive Officer



Authorized Board Member

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

NATIONAL INDUSTRIALIZATION COMPANY
(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2021
(All amounts in SR'000 unless otherwise stated)

	2021	2020 (Restated note 19)
Profit / (loss) for the period	451,526	(32,461)
Other comprehensive (loss) / income		
<i>Items that may be reclassified to profit or loss in subsequent</i>		
Cash flow hedge reserve	2,896	2,236
Share of other comprehensive income / (loss) of associates and joint ventures, net	5,254	(342,027)
Total items that may be reclassified to profit or loss in subsequent periods	8,150	(339,791)
<i>Items that will not be reclassified to profit or loss in subsequent periods:</i>		
Income / (Loss) from investments in equity instruments	35,868	(67,382)
Share of other comprehensive (loss) / income of associates and joint ventures, net	(36,169)	983
Total items that will not be reclassified to profit or loss in subsequent periods	(301)	(66,399)
Total other comprehensive income / (loss) for the period	7,849	(406,190)
Total comprehensive income / (loss) for the period	459,375	(438,651)
Attributable to:		
Equity holders of Parent	341,856	(386,286)
Non-controlling interests	117,519	(52,365)
	459,375	(438,651)


Chief Financial Officer


Chief Executive Officer


Authorized Board Member

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


NATIONAL INDUSTRIALIZATION COMPANY
(A Saudi Joint Stock Company)

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2021**
(All amounts in SR'000 unless otherwise stated)

	Attributable to the equity holders of parent					Total equity
	Share capital	Statutory reserve	Other reserves	Retained earnings / (Accumulated losses)	Total shareholders' equity	
As at 1 January 2020 (Audited)- (note 19)	6,689,142	1,354,512	(552,434)	335,372	7,826,592	10,192,622
Loss for the period	-	-	-	(51,754)	(51,754)	(32,461)
Other comprehensive loss	-	-	(334,532)	-	(334,532)	(406,190)
Total comprehensive loss for the period	-	-	(334,532)	(51,754)	(386,286)	(438,651)
Net movement during the period	-	-	-	-	-	3,067
As at 31 March 2020 (Unaudited)	6,689,142	1,354,512	(886,966)	283,618	7,440,306	9,757,038
As at 1 January 2021 (Audited)	6,689,142	1,354,512	(652,623)	(111,375)	7,269,656	9,583,013
Profit for the period	-	-	-	327,515	327,515	451,526
Other comprehensive income	-	-	14,341	-	14,341	7,849
Total comprehensive income for the period	-	-	14,341	327,515	341,856	459,375
Transfer to statutory reserve	-	32,752	-	(32,752)	-	-
As at 31 March 2021 (Unaudited)	6,689,142	1,387,264	(648,282)	183,388	7,611,512	10,042,388


Chief Financial Officer


Chief Executive Officer


Authorized Board Member

The accompany notes from (1) to (21) form an integral part of these interim condensed consolidated financial statements.

NATIONAL INDUSTRIALIZATION COMPANY

(A Saudi Joint Stock Company)

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2021**

(All amounts in SR'000 unless otherwise stated)

	2021	2020
	Note	(Restated note 19)
<u>CASH FLOW FROM OPERATING ACTIVITIES</u>		
Profit /(loss) before zakat and income tax	531,327	(3,707)
Adjustments for:		
Depreciation and amortization	58,826	55,002
Right-of-use assets depreciation	5,789	6,489
Impairment / write-off of non-financial assets	-	13,231
Share of net loss from equity accounted associates and joint ventures	(539,707)	(153,777)
Impairment of financial assets	794	1,137
Write off accounts receivable	(1,499)	-
Employee benefits expenses	5,983	12,565
Finance costs	44,533	58,261
<u>Changes in operating assets and liabilities:</u>		
Other non-current assets	12,375	342
Inventories	(23,472)	40,502
Accounts receivables	(347,334)	253,584
Prepayments and other current assets	(59,490)	(14,804)
Other non-current liabilities	(18,109)	16,413
Accounts payables	409,405	(137,483)
Provisions and other current liabilities	5,568	(165,386)
Cash from / (used in) operations	84,989	(17,631)
Employee benefits paid	(1,347)	(247)
Zakat and income tax paid	(23,832)	-
Net cash flows from / (used in) operating activities	59,810	(17,878)
<u>CASH FLOW FROM INVESTING ACTIVITIES</u>		
Additions to property, plant and equipment	(14,574)	(24,904)
Disposals of property, plant and equipment	577	11,518
Additions to projects under progress	-	(15,712)
Additions / (Disposals) to intangible assets	(390)	14,372
Dividend received	11,274	-
Loan (given)/settlement from joint ventures and associate	(160,000)	80,787
Net cash flows (used in) / from investing activities	(163,113)	66,061
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Short-term facilities	-	(3,000)
Repayment of long-term borrowings	(69,856)	315
Finance costs paid	(31,789)	(53,911)
Repayment of lease liabilities	(13,418)	(13,406)
Loan settlement to non-controlling interests	-	(68,581)
Net cash flows used in financing activities	(115,063)	(138,583)
Net decrease in cash and cash equivalents	(218,366)	(90,400)
Cash and cash equivalents at beginning of the period	2,654,849	2,723,226
Cash and cash equivalents at end of the period	2,436,483	2,632,826


 Chief Financial Officer


 Chief Executive Officer


 Authorized Board Member

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

NATIONAL INDUSTRIALIZATION COMPANY
(A SAUDI JOINT STOCK COMPANY)

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2021**
(All amounts in SR'000 unless otherwise noted)

1. STATUS AND NATURE OF ACTIVITIES

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

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

The registered office of the Company is as follows:
National Industrialization Company
P. O. Box 26707
Riyadh 11496, Kingdom of Saudi Arabia

1.1. Subsidiaries

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

Company Name	Legal Form	Shareholding (%)	
		31 March 2021	31 December 2020
Rowad National Plastic Company ("Rowad") and its subsidiaries (1)	Limited liability	100.00	100.00
National Lead Smelting Company Ltd. ("Rassas") and its subsidiaries (2)	Limited liability	100.00	100.00
National Marketing and Industrial Services Company ("Khadamat II") (3)	Limited liability	100.00	100.00
Taldeen Plastic Solution Company Ltd. ("Taldeen") (4)	Limited liability	100.00	100.00
Al Khadra Environment Company for Industrials Waste Management ("Khadra") (5)	Limited liability	100.00	100.00
National Industrialization Petrochemical Marketing Company (6)	Limited liability	100.00	100.00
National Petrochemical Industrialization Company (7)	Limited liability	100.00	100.00
National Worldwide Industrial Advancement Company Ltd. (7)	Limited liability	100.00	100.00
NIPRAS National Technical Company Ltd. (7)	Limited liability	100.00	100.00
National Gulf Company for Petrochemical Technology (7)	Limited liability	100.00	100.00
National Industrialization Company for Industrial Investments (7)	Limited liability	100.00	100.00
National Operation and Industrial Services Company ("Khadamat") under liquidation (8)	Limited liability	96.67	96.67
Advanced Metal Industries Company Ltd. ("AMIC") (9)	Limited liability	89.50	89.50
The National Titanium Dioxide Company Ltd. ("Cristal") and its subsidiaries (10)	Limited liability	79.00	79.00
National Inspection and Technical Testing Company Ltd. ("Fahss") (11)	Limited liability	73.42	73.42
TUV – Middle East WLL ("TUV") (12)	Limited liability	73.42	73.42
Tasnee and Sahara Olefins Company and its subsidiaries (13)	Closed joint stock	60.45	60.45

NATIONAL INDUSTRIALIZATION COMPANY
(A SAUDI JOINT STOCK COMPANY)

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2021**
(All amounts in SR'000 unless otherwise noted)

1. STATUS AND NATURE OF ACTIVITIES (continued)

1.1. Subsidiaries (continued)

1. Rowad National Plastic Company and its subsidiaries ("Rowad")

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

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

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

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

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

National Lead Smelting Company Limited also owns 90% of equity interest in National Batteries Company ("Battariat"), a Saudi Limited Liability Company, which is registered in Riyadh, Saudi Arabia.

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

National Marketing and Industrial Services Company is a Saudi Limited Liability Company based in Riyadh, Saudi Arabia. The company is engaged in marketing, sale and distribution of industrial products, including car batteries, plastic sheets, imports and exports, trading agencies for industrial products and investment in industrial services fields.

4. Taldeen Plastic Solution Company limited ("Taldeen")

Taldeen Plastic Solutions Company Ltd. is a Saudi Limited Liability Company based in Hail, Saudi Arabia. The Company has four plants and engaged in producing plastic pallets, plastic pipes, agri-film and waste-water treatment units.

5. Al Khadra Environment Company for Industrials Waste Management ("Khadra")

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

6. National Industrialization Petrochemical Marketing Company

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

7. Other subsidiaries

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

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

National Operating and Industrial Services Company is a Saudi Limited Liability Company based in Riyadh, Saudi Arabia. The company is engaged in marketing, sale and distribution of industrial products, including car batteries, plastic sheets, imports and exports, trading agencies for industrial products and investment in industrial services fields. The Company is currently under liquidation and the procedures for liquidation are ongoing as at the date of these consolidated financial statements

NATIONAL INDUSTRIALIZATION COMPANY
(A SAUDI JOINT STOCK COMPANY)

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2021**
(All amounts in SR'000 unless otherwise noted)

1. STATUS AND NATURE OF ACTIVITIES (continued)

1.1 Subsidiaries (continued)

9. Advanced Metal Industries Cluster Company Ltd. ("AMIC")

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

10. The National Titanium Dioxide Limited Company ("Cristal")

The National Titanium Dioxide Limited Company is a Saudi Limited Liability Company with its head office based in Jeddah, Saudi Arabia.

Cristal owns 100% equity interest in Cristal International Holdings B.V., a limited liability company registered in The Netherlands and Sinclair Insurance Co. Ltd, incorporated in Bermuda.

During 2020, Cristal sold its 100% shares in Sinclair Insurance Company Ltd., a subsidiary company incorporated and registered in Bermuda.

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

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

12. TUV – Middle East WLL

TUV - Middle East WLL is a Limited Liability Company incorporated in Kingdom of Bahrain. The Company is engaged in inspection of mechanical equipment and industrial instruments, quality management and environment systems (ISO), academic trainings, information technology consultancy and laboratory testing services for various products within GCC countries. TUV - Middle East WLL owns 100% beneficial ownership of a subsidiary, German Safety and Quality Inspection Company LLC, a limited liability company, which is registered in Doha, Qatar.

13. Tasnee and Sahara Olefins Company ("TSOC")

Tasnee and Sahara Olefins Company is a Saudi Closed Joint Stock Company with its head office based in Riyadh, Saudi Arabia. The main objectives of the company are the production and marketing of petrochemical and chemical materials.

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

NATIONAL INDUSTRIALIZATION COMPANY
(A SAUDI JOINT STOCK COMPANY)

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2021**

(All amounts in SR'000 unless otherwise noted)

1. STATUS AND NATURE OF ACTIVITIES (continued)

1.2. Associates and Joint Arrangements

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

Company Name	Relationship	Legal Form	Effective Shareholding (%)	
			31 March 2021	31 December 2020
Saudi Polyolefins Company ("SPC")	Joint Venture	Limited liability	75.00	75.00
Advanced Metal Industries Ltd. Company and Toho for Titanium Metal Ltd. Company ("ATTM")	Joint Venture	Limited liability	58.18	58.18
Saudi Ethylene and Polyethylene Company (SEPC)	Joint Venture	Limited liability	45.34	45.34
Clariant Masterbatches (Saudi Arabia) Ltd. ("Clariant")	Associate	Limited liability	40.00	40.00
Saudi Acrylic Monomers Company ("SAMCO")	Joint Venture	Limited liability	39.22	39.22
Saudi Acrylic Polymers Company ("SAPCO")	Joint Venture	Limited liability	39.22	39.22
National Metal Manufacturing and Casting Company ("Maadaniyah")		Saudi joint stock company	35.45	35.45
Evonik Tasnee Marketing Company ("ETM")	Associate	Limited liability	25.00	25.00
Tronox Holdings plc ("Tronox")	Associate	Listed in NYSE	19.37	20.92
Saudi Butanol Company ("SABUCO")	Joint Operations	Limited liability	17.43	17.43

2. BASIS OF PREPARATION

(i) Statement of Compliance

These interim condensed consolidated financial statements are prepared in accordance with the International Accounting Standard No. 34 – "Interim Financial Reporting" as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA"). The Group has prepared the consolidated financial statements on the basis that it will continue to operate as a going concern.

These interim condensed consolidated financial statements do not include all information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2020.

The interim results may not be an indicator of the annual results of the Group.

(ii) Functional and presentation currency

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

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies used in the preparation of these interim condensed consolidated financial statements are consistent with those used in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020. There are no new standards effective from January 1, 2021, however, several amendments to existing standards are effective from 1 January 2021 and have been explained in the Group's annual consolidated financial statements. These amendments to existing standards do not have a material effect on these interim condensed consolidated financial statements.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2021**

(All amounts in SR'000 unless otherwise noted)

4. USE OF CRITICAL ESTIMATES AND JUDGMENTS

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

The significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the annual consolidated financial statements for the year ended 31 December 2020. However, the existence of novel coronavirus (Covid-19) was confirmed in early 2020 and has spread across the globe causing business and economic disruption including the Kingdom of Saudi Arabia and the declaration of this pandemic by the World Health Organization necessitated the Group's management to revisit its significant judgments in applying the Group's accounting policies and the methods of computation and the key sources of estimation applied to the annual financial statements for the year ended 31 December 2020.

The Group's management has proactively assessed the potential of the Covid-19 pandemic for any further regulatory and government restrictions both locally and in the market in which the Group operates that could adversely affect our supply chain and our production capabilities, demand of our products, as well as our sales distribution network that could cause a negative impact on our financial performance. Management has concluded that our critical accounting judgements, estimates and assumptions remain appropriate under the current circumstances and the Group has sufficient liquidity to meet its financial obligations for the foreseeable future. However, in view of the current uncertainty, any future change in the assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future periods. Management will continue to assess the impact based on prospective developments.

5. PROPERTY, PLANT AND EQUIPMENT

During the three-months period ended 31 March 2021, the Group added property, plant and equipment with a cost of SR 14.6 million (three months period ended 31 March 2020: SR 24.9 million). Property, plant and equipment with a net book value of SR 0.6 million were disposed of the Group during the three-months period ended 31 March 2021 (three months period ended 31 March 2020: SR 11.5 million).

6. PROJECTS UNDER PROGRESS

This mainly represents costs of establishing a project relating to Titanium metals of various types and other related substances including Titanium ore, Iron ore and manufacturing of Titanium dioxide through high pressure oxidation at Jizan by a subsidiary. There is no additional cost capitalized for Slagger Project, however, during the three-months period ended 31 March 2021, the Group addition to the certain ongoing capital improvements amounting to SR nil million (three months period ended 31 March 2020: SR 15.7 million).

7. INVESTMENTS IN EQUITY ACCOUNTED ASSOCIATES AND JOINT VENTURES

	31 March 2021 (Unaudited)	31 December 2020 (Audited)
Investments in associates (note 7.1)	2,175,290	2,212,112
Investments in joint ventures (note 7.2)	9,146,497	8,450,194
	11,321,787	10,662,306

- 7.1 The Group acquired ordinary shares in Tronox as part of the consideration for the disposal of the Cristal business on 10 April 2019. The Group has assessed that it has significant influence on Tronox and accordingly, the equity investment in Tronox has been recorded as an investment in associate and equity accounted in accordance with IAS 28 "Investments in Associates and Joint Ventures". The equity stake in Tronox is held by the Group through Cristal International Holdings B.V. ("CIH"), a wholly owned subsidiary of Cristal. The equity stake held by CIH in Tronox as of 31 March 2021 was 24.52% (31 March 2020: 26.21%).

The Group completed its purchase price allocation exercise during the three-months ended 31 March 2020 with the assistance of independent experts. The changes in the fair value of net assets acquired in Tronox resulting from purchase price allocation exercise were adjusted retrospectively as required by the relevant accounting standards.

- 7.2 During the three-month period the group has provided additional funding to support operation of joint venture amounting SR160 million.

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8. SHARE CAPITAL

Share capital amounted to SR 6,689,142 thousand as at 31 March 2021 and 31 December 2020 consisting of 668,914 thousand shares of SR 10 each.

9. OTHER RESERVES

As at 31 March 2020, other reserves mainly consists of gain from equity investments through FVOCI amounting to SR (36) million (31 December 2020: SR (50) million) and foreign currencies translation reserves amounting to SR nil million (31 December 2020: SR 37 million), hedging reserves amounting to SR 3 million (31 December 2020: SR 5 million) and a reserve relating to the acquisition of non-controlling interests amounting to SR (926) million as at 31 March 2021 (31 December 2020: SR (926) million).

10. LONG-TERM BORROWINGS

The Group's long-term borrowings were as follows:

		31 March 2021 (Unaudited)	31 December 2020 (Audited)
Saudi Industrial Development Fund	Note 10.1	1,333,979	1,324,488
Commercial banks	Note 10.2	5,786,256	5,865,603
Total loans		7,120,235	7,190,091
Less: Long term borrowings – current portion		(654,518)	(645,346)
Total non-current loans		6,465,717	6,544,745

10.1 Saudi Industrial Development Fund ("SIDF")

The Group has multiple long-term facilities from the Saudi Industrial Development Fund. The total outstanding balance of these loans as at 31 March 2021 amounted to SR 1,334 million (31 December 2020: SR 1,324 million). Up-front and annual administrative fees are charged by SIDF under the loan agreements. These facilities are secured by mortgages on all property, plant, and equipment of the subsidiaries for which the loans were granted and promissory notes, and corporate guarantees from the shareholders. The maturities of the loans based on their respective repayment schedules spread from 2015 through 2025. The loan agreements contain certain covenants which require that pertinent companies maintain specified financial ratios, mainly current ratio and tangible net worth ratio.

10.2 Commercial banks

The Group has multiple Islamic long-term loan facilities from commercial banks. The outstanding balance of these loans as at 31 March 2021 amounted to SR 5,786 million (31 December 2020: SR 5,866 million). These loans are secured by promissory notes and carry a commission which commensurate with prevailing commercial rates. The maturities of the loans based on their respective repayment schedules spread from 2016 through 2029. The loan agreements contain certain covenants which among others, require that pertinent companies maintain specified financial ratios, mainly current ratio, gearing ratio and interest cover ratio. The covenants are monitored regularly by Management, and in case of breach, actions are taken to ensure compliance.

11. ZAKAT AND INCOME TAX PAYABLE

Status of Zakat and income tax returns and assessments

The Company

During 2015, the Parent Company received an approval from GAZT in the Kingdom of Saudi Arabia to file consolidated zakat returns of the Parent Company and its 100% owned Saudi subsidiaries since 2008. The Company has filed consolidated zakat returns while non-wholly subsidiaries have filed their zakat and income tax returns with GAZT up to the year ended 31 December 2019. The Company has finalized its Zakat and income tax status with GAZT up to 2007 and received initial assessments for the years up to 2018 resulting in additional liability of SR 246 million. The Company and has filed appeal against these assessments, which are still under review. The management believes that sufficient provisions are recorded, and no material additional liability is likely to arise from open assessments, once finalized.

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11. ZAKAT AND INCOME TAX PAYABLE (continued)

Status of Zakat and income tax returns and assessments

Subsidiaries

Non-wholly owned subsidiaries in KSA file their Zakat and income tax returns individually. Some of these subsidiaries have received initial assessments for several years from the GAZT, resulting in additional liability amounting to SR 226 million. The subsidiaries have submitted appeal against these assessments which are still under review. The management believes sufficient provisions are recorded by the Group wherever necessary and no material additional liability is likely to arise from open assessments, once finalized. Any additional zakat and income tax liabilities or adjustments are recorded when known and finalized.

12. BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share are calculated by dividing operating profit and net profit attributable to equity holder of parent by the weighted average number of ordinary shares issued, that is 668,914 thousand shares as at 31 March 2021 (31 March 2020: 668,914 thousand shares).

13. RELATED PARTIES TRANSACTIONS AND BALANCES

In the ordinary course of its activities, the Group transacts business with related parties, based on mutually agreed terms and conditions. Balances and transactions between the Company and its subsidiaries are eliminated. For the three months period ended 31 March 2021 and 2020, the Group has not recorded any impairment of receivables relating to amounts owed by related parties. A summary of such transactions and balances with the related parties are as follows:

13.1 Trading transactions

The following are the significant related party transactions:

	Sale of goods and services		Purchase of goods and services		Other income/expenses*	
	For the three-months period ended		For the three-months period ended		For the three-months period ended	
	31 March 2021	31 March 2020	31 March 2021	31 March 2020	31 March 2021	31 March 2020
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Associates	4,791	-	-	-	2,477	2,596
Joint ventures	41,401	41,842	293,789	358,709	150,725	156,478

Sale of goods include the provision of utilities and administrative services for the three months period ended 31 March 2021 of SR 32.6 million (for the three months ended 31 March 2020: SR 35.7 million) to its affiliates at cost plus basis and marketing services charge for the three months period ended 31 March 2021 of SR 49.2 million (for the three months ended 31 March 2020: SR 34.9 million).

Purchases of goods include purchase of petrochemical products from affiliates at agreed prices.

Other income / expenses include subsidy to affiliates for the three months period ended 31 March 2021 amounting to SR 18.47 million (for the three months period ended 31 March 2020: SR 33.68 million) and commission income for the three months period ended 31 March 2021 is SR 2 million (for the three months period ended 31 March 2020: SR 2.9 million).

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13. RELATED PARTIES TRANSACTIONS AND BALANCES (continued)

13.2 Amounts due from / to related parties

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

	Due from related parties		Due to related parties	
	31 March 2021 (Unaudited)	31 December 2020 (Audited)	31 March 2021 (Unaudited)	31 December 2020 (Audited)
Associates				
Trade	-	-	16,522	49,324
Other non-trade	8,755	11,296	186,496	187,907
Loans	-	-	491,542	491,532

Other non-trade payable mainly related to the vat and cost allocation.

Loans payable mainly includes interest bearing loan provided by Tronox to a subsidiary at market rates.

Joint ventures				
Trade	83,769	81,659	1,474,303	1,029,194
Other non-trade	488,347	265,177	130,380	132,110
Loans	317,563	318,058	410,013	422,760
Loans from minority shareholders'				
Loans	-	-	321,564	318,813

Other non-trade receivable mainly related to the receivable pertains to provision of services to the Group's joint ventures and fund support.

Loans receivable mainly includes loan receivable from ATTM at market interest rate, the loan is a prepayment under the forward sale agreement and Loans payable mainly includes loan provided by SEPC and SPC. In case where these loans are interest free, they are fair valued at market interest rate.

13.3 Compensation of key management personnel

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

	For the three-months period ended	
	31 March 2021 (Unaudited)	31 March 2020 (Unaudited)
Short-term benefits (Salaries and allowances)	6,118	7,233
Post-employment benefits	505	495

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14. SEGMENT INFORMATION

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

Segment	Description of activities
Chemicals	Includes the Group's investment in TiO2 business, production of Titanium sponge and its by-products, project under progress for production of Titanium metals of various types and related substances including Titanium and Iron ore.
Petrochemicals	Includes basic chemicals and polymers.
Downstream & Others	Includes the production of liquid batteries for cars, production of lead and sodium sulfate, all kinds of plastic productions and the production of acrylic panels. Also, includes the operations of the head office, and technical centers, innovations and investment activities.

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

The Group's total revenue, expenses items for the year then ended from continuing operations, by operating segments, are as follows:

	Chemicals	Petrochemicals	Downstream & others	Eliminations / adjustments	Total
For the three-months period ended 31 March 2021 (Unaudited)					
Sale of goods	-	341,994	280,823	(378)	622,439
Rendering of services	-	-	28,707	-	28,707
Others	-	43,893	30,337	-	74,230
Total Segment revenue	-	385,887	339,867	(378)	725,376
Segment expenses	47,407	319,052	350,346	378	717,183
Share of profit (loss) from associates and joint ventures, net	6,431	535,696	(2,420)	-	539,707
Depreciation and amortization	2,705	20,715	41,195	-	64,615
Segment EBITDA	(36,448)	377,816	299,109		640,476
For the three-months period ended 31 March 2020 (Unaudited)					
Sale of goods	-	296,683	251,480	(324)	547,839
Rendering of services	-	-	6,247	-	6,247
Others	-	45,059	55,226	-	100,285
Total Segment revenue	-	341,742	312,953	(324)	654,371
Segment expenses	53,092	358,534	358,230	324	770,180
Share of profit (loss) from associates and joint ventures, net	(628)	156,928	(2,523)	-	153,777
Depreciation and amortization	1,231	25,979	34,281	-	61,491
Segment EBITDA	(131,348)	142,921	104,472		116,045

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14. SEGMENT INFORMATION (continued)

The Group's total assets and liabilities as at 31 March 2021 and 31 December 2020 by operating segments are as follows:

	Chemicals	Petro-chemicals	Downstream & others	Eliminations / adjustments	Total
As at 31 March 2021 (Unaudited)					
Segment assets	4,977,639	9,139,779	17,465,584	(8,416,871)	23,166,131
Segment liabilities	2,427,512	2,869,024	8,049,261	(222,054)	13,123,743
Investments in equity accounted associates and joint ventures	2,190,617	8,995,210	135,960	-	11,321,787
As at 31 December 2020 - Audited					
Segment assets	5,093,140	8,585,532	16,582,358	(7,940,164)	22,320,866
Segment liabilities	2,772,202	2,731,294	7,503,295	(268,938)	12,737,853
Investments in equity accounted associates and joint ventures	2,066,375	8,458,905	137,026	-	10,662,306

15. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

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

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

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

15.1 Fair valuation techniques

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

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

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

Fair values of investments in unquoted equity shares classified in Level 2 & 3 are determined based on the investees' latest reported net asset values as at the date of interim condensed consolidated statement of financial position. Interest rate swaps and caps are classified as Level 2.

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

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15. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

Nature of financial instrument	Carrying value	Level 1	Level 2	Level 3
As at 31 March 2021				
Financial Assets				
Investments in quoted equity shares	321,036	321,036		
Investments in unquoted equity shares	520,255		42,178	478,077
Financial Liabilities				
Interest rate swaps and caps	4,192	-	4,192	-
As at 31 December 2020				
Financial Assets				
Investments in quoted equity shares	285,168	285,168	-	-
Investments in unquoted equity shares	520,255	-	42,178	478,077
Financial Liabilities				
Interest rate swaps and caps	7,868	-	7,868	-

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

15.2 Transfers between Levels 1 and 2

There have been no transfers between the levels during the three-months ended 31 March 2021. There were also no changes made to any of the valuation techniques applied as of 31 December 2020.

16. DERIVATIVE FINANCIAL INSTRUMENTS

	31 March 2021 (Unaudited)	31 December 2020 (Audited)
Derivatives designated as hedges		
Interest rate swaps and caps	4,192	7,868

The Group is exposed to fluctuations in variable interest rates on its short term and long-term debt. The Group maintains an interest rate risk management strategy that uses derivatives instruments to economically convert a portion of its variable rate debt to fixed rate debt. The Group has entered into interest rate swap contracts and interest rate caps with certain local banks. The fair value amounts of such contracts outstanding as at 31 March 2021 was SR 4.2 million (31 December 2020: SR 7.9 million).

17. COMMITMENTS AND CONTINGENCIES

17.2 Capital commitments:

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

	31 March 2021 (Unaudited)	31 December 2020 (Audited)
Capital commitments for projects under progress and property, plant and equipment	28,112	29,103

17.3 Contingencies

The Group contingencies as of reporting date are as follows:

	31 March 2021 (Unaudited)	31 December 2020 (Audited)
Letters of guarantee	306,650	314,623
Letters of credit	20,639	913
	327,289	315,536

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Additionally, the Group has issued corporate guarantees to commercial banks and Saudi Industrial Development Fund by its share owned in share capital of some joint ventures against the loans, which have been obtained by these joint ventures from such parties. As at 31 March 2021 such guarantees amounted to SR 1,948 million (31 December 2020: SR 2,020 million).

The Group bears the obligations of pre-closing tax and zakat liabilities related to acquisition of one of its associates resulting from any final assessments determined by relevant tax authorities. The ultimate outcome of any such final assessments and their timeline are not presently known, however, the management based on its best estimates has provided for such potential obligations in the interim condensed consolidated financial statements.

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

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

A subsidiary "AMIC" has signed an Option agreement with Tronox Holdings Plc ("Tronox"). Under the Option Agreement, AMIC shall incorporate a wholly owned Special Purpose Vehicle ("SPV") in the Kingdom of Saudi Arabia and subject to certain exceptions as set out in the Option Agreement, transfer the assets, liabilities and contracts used for its Jazan-based titanium slag smelting Slagger Business to the SPV; and subject to the satisfaction of certain conditions precedent set out in the Option Agreement including reaching the Sustainable Operations, AMIC shall have an option to require Tronox to purchase, and Tronox shall have an option to require AMIC to sell, 90% of AMIC's ownership in the SPV.

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

19. RESTATEMENT OF PRIOR YEAR FIGURES

As explained in the Group's annual consolidated financial statements for the year ended 31 December 2020, the Group has restated certain of the prior year amounts of its consolidated statement of financial position and consolidated statement of changes in equity, which are also adjusted in these interim condensed consolidated financial statements. Consistent with these changes a restatement of the Group's interim condensed consolidated statement of profit and loss and interim condensed consolidated statement of cash flows also been made and are explained below:

- a) The Group has adjusted certain revenues and cost of revenue related to intercompany eliminations for its joint operation amounting to SR 5.063 million.
- b) The Group has reversed the amortization of deferred cost amounting to SR 7.02 million as the complete balance of deferred cost and was charged off in prior period.
- c) The Group has reclassified income on Murabaha to SR 15.58 million based deposits from other income to finance cost and research center expense to other expense amounting to SR 24.18 million. Also, the management has shown Impairment of financial and non-financial asset to Statement of profit on loss and reclassified from general and administrative expenses
- d) The Group has reversed the goodwill written off amounting to SR 17 million as the goodwill was derecognized in prior period.

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Impact on interim condensed consolidated statement of profit or loss (increase/(decrease) in loss for the three months period ended 31 March 2020

		As reported	Restatement	Restated
Revenue	a	659,434	(5,063)	654,371
Cost of revenue	a	(565,375)	5,063	(560,312)
General and administrative expenses	c	(164,219)	39,185	(125,034)
Impairment of non-financial asset	c	-	(13,231)	(13,231)
Impairment of financial asset	c	-	(1,137)	(1,137)
Other (expenses) / income, net	c,d	14,723	(14,723)	-
Other income	c,d		20,390	20,390
Other expenses	c,d		(28,621)	(28,621)
Finance costs	b, c	(81,108)	22,847	(58,261)
Loss before zakat and income tax		(28,417)	24,710	(3,707)
Net impact on loss for the period		(57,171)	24,710	(32,461)
Basic and diluted earnings per share		(0.08)	0.03	(0.05)

Impact on interim condensed consolidated statement of cash flows (extract) for the three months period ended 31 March 2020

	As reported	Restatement	Restated
Net cash flows from operating activities	(19,732)	1,854	(17,878)
Net cash flows from investing activities	68,936	(2,875)	66,061
Net cash flows from financing activities	(139,604)	1,021	(138,583)
Net decrease in cash and cash equivalents	(90,400)	-	(90,400)

20. EVENTS AFTER THE REPORTING DATE

No material events have occurred subsequent to the reporting date and before the issuance of these interim condensed consolidated financial statements which require adjustment to, or disclosure, in these interim condensed consolidated financial statements.

21. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These interim condensed consolidated financial statements were approved from the Board of Directors on 29 April 2021G (corresponding to 17 Ramadan 1442H).