

**NATIONAL INDUSTRIALIZATION COMPANY
(A SAUDI JOINT STOCK COMPANY)**

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (UNAUDITED)
AND INDEPENDENT AUDITOR'S REVIEW
REPORT**

**FOR THE THREE AND NINE MONTHS PERIODS
ENDED 30 SEPTEMBER 2019**

NATIONAL INDUSTRIALIZATION COMPANY
(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE AND NINE MONTHS PERIODS ENDED 30 SEPTEMBER 2019

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Independent Auditor's Review Report

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

Riyadh, Kingdom of Saudi Arabia

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of National Industrialization Company "Saudi Joint Stock Company" ("the Company" or "Tasnee") and its subsidiaries (the "Group") as of 30 September 2019 and the related interim condensed consolidated statements of profit or loss and comprehensive income for the three and nine months periods then ended, and the related interim condensed consolidated statements of changes in equity and cash flows for the nine months period then ended, and a summary of significant accounting policies and other selected explanatory notes from (1) to (22).

Management is responsible for the preparation and fair presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34 – ("IAS 34") "Interim Financial Reporting" 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 International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", endorsed in the Kingdom of Saudi Arabia. A review of interim condensed consolidated financial statements 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 are not prepared in all material respects in accordance with IAS 34 as endorsed in the Kingdom of Saudi Arabia.

For Dr. Mohamed Al-Amri & Co,



Gihad Al-Amri
Certified Public Accountant
Registration No. 362



Riyadh, on 27 October 2019 G
Corresponding to: 28 Safar 1441 H

NATIONAL INDUSTRIALIZATION COMPANY
(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2019

(SR in '000)

		30 September 2019 (Unaudited)	31 December 2018 (Audited)
	Note		
ASSETS			
Non-current assets			
Property, plant and equipment	5	3,138,392	8,914,200
Projects under progress		2,552,762	2,841,251
Right-of-use assets	3	161,985	-
Intangible assets		1,784,086	2,728,199
Exploration and evaluation costs		-	297,389
Investments in equity accounted associates and joint ventures	6, 17	11,400,967	7,160,336
Investment in equity instruments designated as FVOCI		815,096	751,762
Deferred tax assets		-	220,173
Other non-current assets		320,754	812,249
Total non-current assets		20,174,042	23,725,559
Current assets			
Inventories		567,344	3,261,154
Trade receivables, net		1,272,265	2,515,051
Prepayments and other current assets		717,589	1,155,032
Cash and cash equivalents		2,633,175	2,909,045
Total current assets		5,190,373	9,840,282
Total assets		25,364,415	33,565,841
EQUITY AND LIABILITIES			
Equity			
Share capital	7	6,689,142	6,689,142
Statutory reserve		1,404,259	1,354,512
Other reserves	8	273,932	(667,395)
Retained earnings		1,605,447	1,959,677
Equity attributable to the equity holders of parent		9,972,780	9,335,936
Non-controlling interests		3,538,169	3,452,802
Total equity		13,510,949	12,788,738
Liabilities			
Non-current liabilities			
Long term borrowings	9	7,025,818	11,029,283
Lease liabilities	3	140,290	-
Employee benefit obligations		464,843	610,680
Deferred tax liabilities		-	223,030
Other non-current liabilities		679,103	831,990
Total non-current liabilities		8,310,054	12,694,983
Current liabilities			
Short term facilities	10	29,000	5,028
Long term borrowings – current portion	9	560,519	3,219,069
Lease liabilities – current portion	3	25,015	-
Trade payables		1,222,579	2,513,272
Provisions and other current liabilities		1,280,992	1,913,806
Zakat and income tax payable	11	425,307	430,945
Total current liabilities		3,543,412	8,082,120
Total liabilities		11,853,466	20,777,103
Total equity and liabilities		25,364,415	33,565,841

Chief Financial Officer

Chief Executive Officer

Authorized Board Member

The accompanying notes from (1) to (22) 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 AND NINE MONTHS PERIODS ENDED 30 SEPTEMBER 2019
(SR in '000)

	Note	<u>For the three months</u> <u>period ended 30 September</u>		<u>For the nine months</u> <u>period ended 30 September</u>	
		<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Continuing Operations					
Revenue		799,585	849,045	2,269,916	2,185,655
Cost of revenue		(708,780)	(686,516)	(1,972,503)	(1,845,947)
Gross profit		90,805	162,529	297,413	339,708
Selling and distribution expenses		(35,412)	(36,962)	(118,750)	(106,657)
General and administrative expenses		(127,986)	(183,387)	(397,120)	(574,186)
Assets impairment / written off		(19,622)	(73,443)	(215,332)	(73,443)
Share of net profit / (loss) from equity accounted associates and joint ventures	6	304,276	401,640	955,922	1,147,580
Operating profit		212,061	270,377	522,133	733,002
Other income / (expenses), net		24,914	(66,432)	132,152	31,341
Finance costs		(103,560)	(152,177)	(412,156)	(412,796)
Profit before zakat and income tax from continuing operations		133,415	51,768	242,129	351,547
Zakat and income tax	11	(33,769)	(73,470)	(119,749)	(141,592)
Net profit / (loss) for the period from continuing operations		99,646	(21,702)	122,380	209,955
Discontinued operations					
Profit for the period from discontinued operations	17	-	319,949	752,097	1,167,509
Net profit for the period		99,646	298,247	874,477	1,377,464
Attributable to:					
Equity holders of parent		41,237	259,364	497,473	1,016,531
Non-controlling interests		58,409	38,883	377,004	360,933
		99,646	298,247	874,477	1,377,464
Basic and diluted earnings per share (SR)	12				
From continuing and discontinued operations					
From operating profit		0.32	0.40	0.78	1.10
From net profit attributable to equity holders of parent		0.06	0.39	0.74	1.52
From continuing operations					
From net profit / (loss) attributable to equity holders of parent		0.06	0.01	(0.22)	0.14



Chief Financial Officer



Chief Executive Officer



Authorized Board Member

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NATIONAL INDUSTRIALIZATION COMPANY
(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(UNAUDITED)
FOR THE THREE AND NINE MONTHS PERIODS ENDED 30 SEPTEMBER 2019
(SR in '000)

	<u>For the three months</u> <u>period ended 30 September</u>		<u>For the nine months</u> <u>period ended 30 September</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Net profit for the period	99,646	298,247	874,477	1,377,464
Continuing operations				
Other comprehensive income				
<i>Items that may be reclassified to profit or loss in subsequent periods:</i>				
Cash flow hedge reserves	2,714	23,683	(14,280)	16,211
Total items that may be reclassified to profit or loss in subsequent periods	2,714	23,683	(14,280)	16,211
<i>Items that will not to be reclassified to profit or loss in subsequent periods:</i>				
(Losses) / gains on investments in equity instruments designated as FVOCI	(36,229)	(10,306)	(23,287)	22,375
Total items not to be reclassified to profit or loss in subsequent periods	(36,229)	(10,306)	(23,287)	22,375
Other comprehensive income / (loss) from discontinued operations	-	(82,615)	219,196	(289,445)
Total other comprehensive income / (loss) for the period	(33,515)	(69,238)	181,629	(250,859)
Total comprehensive income for the period	66,131	229,009	1,056,106	1,126,605
Attributable to:				
Equity holders of parent	8,296	186,188	636,844	820,975
Non-controlling interests	57,835	42,821	419,262	305,630
	66,131	229,009	1,056,106	1,126,605



Chief Financial Officer



Chief Executive Officer



Authorized Board Member

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NATIONAL INDUSTRIALIZATION COMPANY
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INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2019
(SR in '000)

	Attributable to the equity holders of parent					
	Share capital	Statutory reserve	Other reserves	Retained earnings	Total equity	Non-controlling interests
As at 1 January 2018	6,689,142	1,234,303	(450,155)	877,792	8,351,082	3,438,470
Net profit for the period	-	-	-	1,016,531	1,016,531	360,933
Other comprehensive loss	-	-	(195,556)	-	(195,556)	(55,303)
Total comprehensive income for the period	-	-	(195,556)	1,016,531	820,975	305,630
Transfer to statutory reserve	-	101,653	-	(101,653)	-	-
Net movements during the period	-	-	-	-	-	(287,479)
Others	-	-	65,812	-	65,812	-
As at 30 September 2018	6,689,142	1,335,956	(579,899)	1,792,670	9,237,869	3,456,621
As at 1 January 2019	6,689,142	1,354,512	(667,395)	1,959,677	9,335,936	3,452,802
Net profit for the period	-	-	-	497,473	497,473	377,004
Other comprehensive income	-	-	99,057	40,314	139,371	42,258
Total comprehensive income for the period	-	-	99,057	537,787	636,844	419,262
Transfer to statutory reserve	-	49,747	-	(49,747)	-	-
Net movement during the period	-	-	-	-	-	(333,895)
Adjustment through disposal of a subsidiary	-	-	842,270	(842,270)	-	-
As at 30 September 2019	6,689,142	1,404,259	273,932	1,605,447	9,972,780	3,538,169


Chief Financial Officer


Chief Executive Officer


Authorized Board Member

The accompanying notes from (1) to (22) form an integral part of these interim condensed consolidated financial statements.

NATIONAL INDUSTRIALIZATION COMPANY
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INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2019
(SR in '000)

	<u>2019</u>	<u>2018</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Net profit before zakat and income tax	994,226	1,519,056
<i>Adjustments for:</i>		
Depreciation and amortization	339,611	615,883
Right-of-use assets depreciation	37,795	-
Impairment of assets	215,332	-
Gain on sale of investment	(643,120)	-
Share of net (profit) / loss from equity accounted associates and joint ventures	(955,922)	(1,147,580)
Employee benefits obligations, net	56,234	37,260
Finance costs	412,156	531,368
<i>Changes in operating assets and liabilities:</i>		
Other non-current assets	94,977	464,892
Inventories	(65,989)	(287,503)
Trade receivables	25,299	26,893
Prepayments and other current assets	89,491	479,741
Other non-current liabilities	773,592	(257,205)
Trade payables	(701,388)	(192,864)
Provisions and other current liabilities	(175,137)	(66,649)
Cash flows from operations	497,157	1,723,292
Zakat and income tax paid	(142,402)	-
Net cash flows from operating activities	354,755	1,723,292
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Additions to property, plant and equipment	(240,446)	(324,446)
Disposals / adjustments of property, plant and equipment, net	577	44,949
(Additions) / deletion to projects under progress, net	(19,698)	819
(Additions) / deletion to intangible assets, net	62,580	(2,176)
Proceeds from investment disposal	6,282,341	-
Investments in equity accounted associates and joint ventures, net	664,714	992,987
Net cash flows from investing activities	6,750,068	712,133
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Short term facilities, net	24,021	(7,243)
Long term borrowings, net	(6,826,846)	(1,331,840)
Finance costs paid	(374,838)	(531,368)
Repayment of lease liabilities	(34,475)	-
Non-controlling interests, net	(168,555)	(433,652)
Net cash flows used in financing activities	(7,380,693)	(2,304,103)
Net (decrease) / increase in cash and cash equivalents	(275,870)	131,322
Cash and cash equivalents at beginning of the period	2,909,045	2,535,215
Cash and cash equivalents at end of the period	2,633,175	2,666,537


Chief Financial Officer


Chief Executive Officer


Authorized Board Member

The accompanying notes from (1) to (22) 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
(UNAUDITED)
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2019**
(SR'000 unless otherwise noted)

1. GENERAL INFORMATION

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 mailing address of the Company is P. O. Box 26707, Riyadh 11496, Kingdom of Saudi Arabia.

1.1 Subsidiaries

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

Company Name	Legal Form	Shareholding (%)	
		2019	2018
Rowad National Plastic Company ("Rowad") and its subsidiaries (1)	Limited liability	100	100
National Lead Smelting Company Ltd. ("Rassas") and its subsidiaries (2)	Limited liability	100	100
National Marketing and Industrial Services Company ("Khadamat II")	Limited liability	100	100
Al Khadra Environment Company for Industrials Waste Management ("Khadra")	Limited liability	100	100
National Industrialization Petrochemical Marketing Company	Limited liability	100	100
National Worldwide Industrial Advancement Company Ltd.	Limited liability	100	100
National Gulf Company for Petrochemical Technology	Limited liability	100	100
National Industrialization Company for Industrial Investments	Limited liability	100	100
Taldeen Plastic Solution Company Ltd. ("Taldeen")	Limited liability	100	100
NIPRAS National Technical Company Ltd.	Limited liability	100	100
National Petrochemical Industrialization Company	Limited liability	100	100
Advanced Metal Industries Company Ltd. ("AMIC") (refer note 18) (3)	Limited liability	89.50	89.50
National Operation and Industrial Services Company ("Khadamat") - under liquidation	Limited liability	88.33	88.33
The National Titanium Dioxide Company Ltd. ("Cristal") and its subsidiaries (refer note 17) (4)	Limited liability	79	79
National Inspection and Technical Testing Company Ltd. ("Fahss")	Limited liability	69.73	69.73
TUV – Middle East WLL ("TUV")	Limited liability	69.73	69.73
Tasnee and Sahara Olefins Company and its subsidiaries (5)	Closed joint stock	60.45	60.45

NATIONAL INDUSTRIALIZATION COMPANY
(A Saudi Joint Stock Company)

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2019**
(SR'000 unless otherwise noted)

1. GENERAL INFORMATION (Contd.)

1.1 Subsidiaries (Contd.)

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 productions 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, which are Saudi Limited Liability Companies registered in Dammam, Saudi Arabia.

2. National Lead Smelting Company and its subsidiaries ("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 owns 90% of National Batteries Company ("Battariat"), a Saudi Limited Liability Company, which is registered in Riyadh, Saudi Arabia

3. Advanced Metal Industries Ltd. Company ("AMIC")

Advanced Metal Industries Ltd. Company ("AMIC") has been 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. (refer note 18).

4. The National Titanium Dioxide Limited Company ("Cristal") and its subsidiaries

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

During the period ended June 30, 2019, the Company sold its domestic and international titanium dioxide (TiO₂) business (including but not limited to the sale of (a) substantially all international subsidiaries of Cristal, (b) assets (including the Yanbu plant of Cristal) and liabilities relevant to such business; and (c) contracts, intellectual property and goodwill in respect of such business (the "Cristal Assets")). (Also, refer note 17). Up to the date of sale the subsidiaries were engaged in production and marketing of Titanium Dioxide and Sulphuric Acid, manufacturing of Titanium Metal Powder and mineral exploration and mining.

As of 30 September 2019, Cristal owns 100% equity interests of the following subsidiaries: Cristal International Holdings B.V. (formerly Cristal Inorganic Chemicals Netherlands Coöperatief W.A.), a limited liability company registered in Netherland and Sinclair Insurance Co Ltd, company incorporated in Bermuda.

During the period ended 30 September 2019, the Group has resolved to convert the Cristal Inorganic Chemicals Netherlands Cooperatief WA from cooperative into a private company with limited liability. The legal process to amend the articles of associations of the subsidiary were completed during the period.

5. Tasnee and Sahara Olefins Company and its subsidiary ("TSOC")

Tasnee and Sahara Olefins Company is a Saudi Closed Joint Stock Company with its head office based in Riyadh. 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
(UNAUDITED)
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2019**
(SR'000 unless otherwise noted)

1. GENERAL INFORMATION (Contd.)

1.2 Associates and Joint Arrangements

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

Company Name	Relationship	Legal Form	Shareholding (%)	
			2019	2018
Saudi Polyolefin Company	Joint Venture	Limited liability	75	75
Advanced Metal Industries Ltd. Company and Toho for Titanium Metal Ltd. Company	Joint Venture	Limited liability	58.18	58.18
Saudi Ethylene and Polyethylene Company	Joint Venture	Limited liability	45.34	45.34
Clariant Master batches (Saudi Arabia) Ltd. Company	Associate	Limited liability	40	40
Saudi Acrylic Monomer Company	Joint Venture	Limited liability	39.22	39.22
Saudi Acrylic Polymer Company	Joint Venture	Limited liability	39.22	39.22
National Metal Manufacturing and Casting Company (M'adaniah)	Associate	Saudi joint stock company	35.45	35.45
Tronox Holdings plc (refer note 17)	Associate	Listed in NYSE	26.43	-
Saudi Butanol Company	Joint Operation	Limited liability	17.43	17.43

2. BASIS OF PREPARATION

(i) Statement of Compliance

These interim condensed consolidated financial statements have been 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 Certified Public Accountants ("SOCPA").

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 2018.

(ii) Functional and presentation currency

These interim condensed consolidated financial statements are presented in Saudi Riyals, which is the Parent Company'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 2018 except for the adoption of the International Financial Reporting Standard 16 'Leases' ("IFRS 16") on its effective date 1 January 2019. The impact of the adoption of IFRS 16 are disclosed in note 3.1 below.

Additionally, the Group has also adopted amendments to existing standards and new interpretation mentioned below in note 3.3. The adoption of these amendments to existing standards and interpretation had no significant financial impact on these interim condensed consolidated financial statements of the Group.

3.1 Impact on adoption of IFRS 16

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2019**
(SR'000 unless otherwise noted)

3. SIGNIFICANT ACCOUNTING POLICIES (Contd.)

3.1 Impact on adoption of IFRS 16 (Contd.)

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Group is the lessor.

In the current period, the Group has adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019.

The Group elected to use the practical expedient available on transition to IFRS 16 not to reassess whether a contract contains a lease or not, allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.

The Group also adopted the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- A. Applied a single discount rate to a portfolio of leases with reasonably similar characteristics.
- B. Applied the exemption not to recognize right-of-use assets and liabilities for leases that are expiring during 2019.
- C. Excluded initial direct cost from measuring the right-of-use asset at the date of initial application.

The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

3.1.1 Nature of the effect of adoption of IFRS 16

Prior to adoption of IFRS 16:

The Group has lease contracts for various items of land, machinery, vehicles and other equipment. Before the adoption of IFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease based on the substance of the arrangement at the inception date.

A lease was classified as a finance lease that transfer to the Group substantially all of the risks and benefits incidental to ownership of the leased item, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and a reduction in the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability.

In an operating lease, the leased property was not capitalised and the lease payments were recognised as operating expense in profit or loss on a straight-line basis over the lease term. Any prepaid and accrued amounts were recognised under prepayments and other payables, respectively.

After adoption of IFRS 16:

Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases that it is the lessee, except for short-term leases and leases of low-value assets. The Group recognised lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets. In accordance with the modified retrospective method of adoption, the Group applied IFRS 16 at the date of initial application. Under modified retrospective approach right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018. Accordingly, the comparative information is not restated.

NATIONAL INDUSTRIALIZATION COMPANY
(A Saudi Joint Stock Company)

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3. SIGNIFICANT ACCOUNTING POLICIES (Contd.)

3.1 Impact on adoption of IFRS 16 (Contd.)

3.1.1 Nature of the effect of adoption of IFRS 16 (Contd.)

The change in accounting policy affected the following items in the statement of financial position as at 1 January 2019:

- Right-of-use assets of SR 435 million were recognized and presented separately in the interim condensed consolidated statement of financial position.
- Additional lease liabilities of SR 427.9 million were recognized and included under Lease liabilities.
- Prepayments of SR 7.1 million and trade and other payables of SR 0.07 million related to previous operating leases were reclassified to the right-of-use assets.

For the nine months ended 30 September 2019:

- Depreciation expense increased by SR 37.8 million relating to the depreciation of additional assets recognized (i.e., increase in right-of-use assets).
- Rent expense decreased by SR 34.57 million relating to previous operating leases.
- Finance costs increased by SR 6.39 million relating to the interest expense on additional lease liabilities recognized.
- Income tax expense decreased by SR 0.11 million relating to the tax effect of these changes in expenses.
- Cash outflows from operating activities decreased by SR 34.48 million and cash outflows from financing activities increased by the same amount, representing the payments for the principal portion of recognized lease liabilities.

3.1.2 Financial impact of adoption IFRS 16 is as follows:

(i) Impact on the interim condensed consolidated statement of financial position (increase/(decrease)) as at 1 January 2019:

Assets	
Right-of-use assets	435,030
Prepayments	(7,146)
Total assets	427,884
Liabilities	
Lease liabilities	427,955
Trade and other payables	(71)
Total liabilities	427,884

(ii) Impact on the interim condensed consolidated statement of profit or loss (increase / (decrease)) for the nine months period ended 30 September 2019:

Depreciation expense (included in cost of revenue)	16,630
Depreciation expense (included in general and administrative expenses)	21,165
Rent expense (included in cost of revenue and general and administrative expenses)	(34,566)
Operating profit	3,229
Finance costs	6,386
Income tax expense	(114)
Profit for the period	9,501

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3. SIGNIFICANT ACCOUNTING POLICIES (Contd.)

3.1 Impact on adoption of IFRS 16 (Contd.)

3.1.2 Financial impact of adoption IFRS 16 is as follows: (Contd.)

(iii) Impact on the interim condensed consolidated statement of cash flows (increase/(decrease)) for the nine months period ended 30 September 2019:

Net cash flows used in operating activities	<u>(34,476)</u>
Net cash flows from financing activities	<u>34,476</u>

(iv) Reconciliation of lease liabilities pursuant to IFRS 16:

Minimum lease payments under operating leases as of 31 December 2018	582,295
Recognition exemption:	
For short-term leases	(2,682)
For leases of low-value assets	(2,767)
Effect from discounting at the incremental borrowing rate as of 1 January 2019	(158,956)
Liabilities additionally recognised based on the initial application of IFRS 16 as of 1 January 2019	10,065
Liabilities from leases as of 1 January 2019	<u>427,955</u>

(v) Amounts recognised in the interim condensed statement of consolidated financial position

Set out below, are the carrying amounts of the Group's right-of-use assets and lease liabilities and the movements during the period:

	<u>Right-of-use assets</u>				<u>Lease liabilities</u>
	<u>Land and building</u>	<u>Equipment</u>	<u>Motor vehicle</u>	<u>Total</u>	
As at 1 January 2019	247,943	170,290	16,797	435,030	427,955
Additions	1,367	2,383	-	3,750	2,693
Depreciation expense	(20,459)	(11,870)	(5,466)	(37,795)	-
Disposal of a subsidiary (refer to note 17)	(74,117)	(162,189)	-	(236,306)	(236,427)
Foreign currency translation / others	(4,080)	1,386	-	(2,694)	(826)
Finance costs	-	-	-	-	6,386
Payments	-	-	-	-	(34,476)
As at 30 September 2019	150,654	-	11,331	161,985	165,305

Set out below, are the amounts recognised in profit or loss:

	<u>For the nine months period ended 30 September 2019</u>
Depreciation expense of right-of-use assets	37,795
Interest expense on lease liabilities	6,386
Rent expense - short-term leases	2,682
Rent expense - leases of low-value assets	2,767
Total amounts recognised in profit or loss	<u>49,630</u>

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3. SIGNIFICANT ACCOUNTING POLICIES (Contd.)

3.1 Impact on adoption of IFRS 16 (Contd.)

3.1.2 Financial impact of adoption IFRS 16 is as follows: (Contd.)

(vi) Below are the new accounting policies of the Group after adoption of IFRS 16:

Leases

The Group assesses whether a contract contains a lease, at inception of the contract. For all such lease arrangements the Group recognize right of use assets and lease liabilities except for the short term leases and leases of low value assets as follows:

Right-of-use assets

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is re-measured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Significant judgment in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases to lease the assets for additional renewable periods. The Group applies judgment in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

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3. SIGNIFICANT ACCOUNTING POLICIES (Contd.)

3.2 Non-current assets held for sale and discontinued operations

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group).

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortized once classified as held for sale. Assets and liabilities classified as held for sale are presented separately as current items in the interim condensed consolidated statement of financial position.

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations
- Is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- Is a subsidiary acquired exclusively with a view to resale.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the interim condensed consolidated statement of comprehensive income.

Additional disclosures are provided in note 17. All other notes to the interim condensed consolidated financial statements include amounts for continuing operations, unless indicated otherwise.

When a subsidiary is disposed of in exchange for consideration which comprises, in part or in whole, an interest in the previously held subsidiary which becomes part of an associate or joint venture, entities have a choice in treating the resultant gain or loss on disposal under IAS 28 (*“Investments in Associates and Joint Ventures”*) or under IFRS 10 (*“Consolidated financial statements”*). IAS 28 requires a gain or loss is recognized only to the extent of the portion that has been disposed of to the other investors (partial gain recognition). IFRS 10 requires a gain or loss is recognized on the portion of the retained interest in addition to the gain or loss on the portion no longer owned (full gain recognition).

The Group has elected to adopt the treatment of the gain on disposal under IAS 28 as a policy choice. Consequently, gain on disposal as detailed in note 17 is determined in accordance with the requirements of IAS 28.

3.3 Other amendments to existing standards and interpretation adopted from 1 January 2019

(i) Annual improvements 2015 - 2017 Cycle

There were four amendments as part of the 2015 - 2017 Annual Improvements Cycle. These were made to IFRS 3 Business Combinations and IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs.

- IFRS 3: A company re-measures its previously held interest in a joint operation when it obtains control of the business.
- IFRS 11: A company does not re-measure its previously held interest in a joint operation when it obtains joint control of the business.
- IAS 12: A company accounts for all income tax consequences of dividend payments in the same way.
- IAS 23: A company treats as part of general borrowings any borrowing originally made to develop a specific asset when that asset is ready for its intended use or sale.

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3. SIGNIFICANT ACCOUNTING POLICIES (Contd.)

3.3 Other amendments to existing standards and interpretation adopted from 1 January 2019 (Contd.)

(ii) Plan Amendment, Curtailment or Settlement – Amendments to IAS 19.

This amendment clarifies that it is now mandatory that the current service cost and the net interest for the period after the re-measurement are determined using the assumptions used for the re-measurement for a plan amendment, curtailment or settlement. In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling.

(iii) IFRIC 23 Uncertainty over Income Tax Treatments

IFRIC 23 clarifies how to apply the recognition and measurement requirements in IAS 12 Income Taxes when there is uncertainty over income tax treatments, addressing four specific issues:

- Whether an entity considers uncertain tax treatments separately;
- The assumptions an entity should make about the examination of tax treatments by taxation authorities;
- How an entity determines taxable profit or loss, tax bases, unused tax losses, unused tax credits and tax rates; and
- How an entity considers changes in facts and circumstances.

(iv) Prepayment Features with Negative Compensation – Amendments to IFRS 9

The amendment was issued to address the concerns about how IFRS 9 classifies particular pre-payable financial assets. It amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortized cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments. However, the calculation of this compensation payment must be the same for both the case of an early repayment penalty and the case of an early repayment gain.

(v) Long-term Interests in Associates and Joint Ventures – Amendments to IAS 28

This amendment clarifies that IFRS 9, including its impairment requirements, applies to long-term interests. Furthermore, in applying IFRS 9 to long-term interests, an entity does not take into account adjustments to their carrying amount required by IAS 28 (i.e. adjustments to the carrying amount of long-term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with IAS 28).

These above amendments had no material impact on these interim condensed consolidated financial statements of the Group.

4. USE OF CRITICAL ESTIMATES AND JUDGMENTS

In preparing of 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 applied to the annual consolidated financial statements for the Group.

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5. PROPERTY, PLANT AND EQUIPMENT

During the nine months period ended 30 September 2019, the Group added property, plant and equipment with a cost of SR 240 million (nine months period ended 30 September 2018: SR 324.4 million). Property, plant and equipment with a net book value of SR 0.6 million were disposed of the Group during the nine months period ended 30 September 2019 (nine months period ended 30 September 2018: SR 44.95 million). (Also refer note 17).

The capitalized borrowing costs during the nine months period ended 30 September 2019 amounted to SR 4.8 million (nine months period ended 30 September 2018: SR 4.6 million).

Property, plant and equipment increased on 1 January 2019 following an adoption of IFRS 16 - *Leases*. (Refer note 3.1).

6. INVESTMENTS IN EQUITY ACCOUNTED ASSOCIATES AND JOINT VENTURES

	30 September 2019 (Unaudited)	31 December 2018 (Audited)
At the beginning of the period/year	7,160,336	6,855,681
Additions during the period/year	4,015,308	106,797
Share in earnings, net	955,922	1,624,490
Dividends	(716,216)	(1,418,492)
Adjustments	(14,383)	(8,140)
At the end of the period/year	11,400,967	7,160,336

The purchase accounting adjustments related to the disposal of Cristal Assets to Tronox are expected to be fully ascertained and recorded by Tronox in 2019 and the impact thereof related to Tasnee's indirect share in Tronox shall be reflected in the annual consolidated financial statements of Tasnee. Refer note 17 for details on the accounting adjustments related to the disposal.

7. SHARE CAPITAL

Share capital amounted to SR 6,689,142 thousand as at 30 September 2019 (31 December 2018: SR 6,689,142 thousand) consisting of 668,914 thousand shares (31 December 2018: 668,914 thousand shares) of SR 10 each.

8. OTHER RESERVES

As at 30 September 2019, other reserves mainly consist of gains from equity investments through FVOCI amounting to SR 332 million (31 December 2018: SR 356 million) and foreign currencies differences from translation of the overseas subsidiaries financial statements amounting to SR Nil (31 December 2018: SR (129) million) and a reserve relating to the acquisition of non-controlling interests amounting to SR (84) million as at 30 September 2019 (31 December 2018: SR (926) million).

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9. LONG TERM BORROWINGS

The Groups long term borrowing details are as follows:

		30 September 2019 (Unaudited)	31 December 2018 (Audited)
	Note		
Sukuk	9.1	-	2,000,000
Saudi Industrial Development Fund	9.2	1,524,365	1,569,948
Commercial banks	9.3	6,061,972	10,678,404
Total borrowings		7,586,337	14,248,352
Less: Current portion of long term borrowings		(560,519)	(3,219,069)
Total non-current borrowings		7,025,818	11,029,283

9.1 Sukuk

On 30 Jumada II' 1433H, (corresponding to 21 May 2012G), the Company issued its first Sukuk amounting to SR 2 billion at a par value of SR 1 million each, with no discount or premium. This has the first issuance of sukuk under a sukuk program approved to be issued over various periods. The Sukuk issuance carries a variable rate of return at SAIBOR plus a pre-determined margin, payable semi-annually in advance. The Sukuk was repaid in full at maturity at par value on its expiry date of 16 Ramadan 1440H (corresponding 21 May 2019G).

9.2 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 30 September 2019 amounted to SR 1,524 million (31 December 2018: SR 1,570 million). 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 loan agreements contain certain covenants which among others, require that the companies maintain specified financial ratios.

9.3 Loans from commercial banks

The Group has multiple long-term loan facilities from commercial banks. The outstanding balance of these loans as at 30 September 2019 amounted to SR 6,062 million (31 December 2018: SR 10,922 million). These loans are secured by promissory notes and carry a commission that is commensurate with prevailing commercial rates.

On 1 January 2019, the Group entered into a SR 2 billion murabaha facility agreement with a local commercial bank to refinance its sukuk that matured on 21 May 2019. The facility is fully utilized and repayable in one installment which is due on 21 May 2026.

As further disclosed in note 17, on 10 April 2019, Cristal, a subsidiary of the Group closed a transaction over substantially all of its operating assets with Tronox Limited in return for USD 1.673 billion (SR 6.274 billion) cash and 37,580,000 of newly issued Class A shares in Tronox. Cash consideration of USD 1.673 billion generated from the transaction was used to repay the syndicated murabaha loan amounting to SR 5,749 million.

On September 9, 2019, the Group has signed Murabaha term facility agreement of SR 3 billion with local commercial banks. The facility is repayable in equal semi-annual instalments with a final instalment of SR 1,195 million due at final maturity on 2 October 2029.

10. SHORT TERM FACILITIES

The Group has several short-term credit facilities to fund its working capital requirements and short-term funding needs. The outstanding balance of these facilities as at 30 September 2019 amounted to SR 29 million (31 December 2018: SR 5 million). These facilities are secured by promissory notes and carry profit rates that is commensurate with prevailing commercial rates.

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11. ZAKAT AND INCOME TAX PAYABLE

Status of Zakat and income tax returns and assessments

The Company

During 2015, the Company received an approval from GAZT in the Kingdom of Saudi Arabia to file consolidated zakat returns of the Company and its Saudi 100% owned subsidiaries since 2008. As at 30 September 2019, the Company has filed consolidated zakat and income tax returns with GAZT up to 2018.

As of 30 September 2019, the Company has finalized its Zakat and income tax status with GAZT up to 2007, while Zakat declarations for the years from 2008 to 2018 are still under review by GAZT.

Subsidiaries

Non-wholly owned subsidiaries in KSA filed their Zakat and income tax returns individually for each company. Overseas subsidiaries filed their income tax return based on the tax laws in their countries in which the operations are conducted and income is earned.

Some of the subsidiaries in KSA have received initial assessments from the GAZT for several years, resulting requirement for additional liability amounting to SR 210 million. The same subsidiaries have submitted appeals against these assessments which is still under review by GAZT. The management of the Company is optimistic and expects to amend the GAZT assessment for its benefit. Accordingly, the management believes that the final outcome will not lead to any material additional obligations.

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 30 September 2019 (30 September 2018: 668,914 thousand shares).

13. RELATED PARTIES TRANSACTIONS AND BALANCES

In the ordinary course of its activities, the Group transacts business with related parties at terms equivalent to those that prevail in arm length transactions.

Balances and transactions between the Company and its subsidiaries are eliminated. Detail of transactions between the Group and other related parties are as follows:

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13. RELATED PARTIES TRANSACTIONS AND BALANCES (Contd.)

13.1 Trading transactions and balances

	Sales		Purchases	
	30 September 2019 (Unaudited)	30 September 2018 (Unaudited)	30 September 2019 (Unaudited)	30 September 2018 (Unaudited)
Associates	234	224	2,202	-
Joint ventures	381	-	761,301	711,740

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

	Amount due from related parties		Amount due to related parties	
	30 September 2019 (Unaudited)	31 December 2018 (Audited)	30 September 2019 (Unaudited)	31 December 2018 (Audited)
Associates	395	-	344,737	243,142
Joint ventures	187,994	364,569	975,158	1,444,853

13.2 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 period are as follows:

	30 September 2019 (Unaudited)	30 September 2018 (Unaudited)
Short term benefits (Salaries and allowances)	35,949	21,020

14. SEGMENT INFORMATION

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

Segment	Description of activities
Chemical	Includes the production of titanium dioxide and sulphuric acid, production and marketing of Titanium Dioxide and, manufacturing of Titanium Metal Powder and Mineral exploration and Mining, projects of Titanium ore, Iron ore, and manufacturing of Titanium dioxide through high pressure oxidation and production of Titanium sponge and its by-products
Petrochemical	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.

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14. SEGMENT INFORMATION (Contd.)

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 elimination column. The basis of segmentation remained unchanged for all period presented.

	Chemical	Petrochemical	Downstream & others	Eliminations/ Adjustments	Total
For the nine months period ended 30 September 2019					
Segment revenues	-	1,372,583	898,406	(1,073)	2,269,916
Segment expenses	345,688	1,305,851	835,761	1,073	2,488,373
Depreciation and amortization	175,928	62,105	101,578	-	339,611
EBITDA	296,804	974,486	347,323	-	1,618,613

**For the nine months period
ended 30 September 2018**

Segment revenues	-	1,391,797	794,583	(725)	2,185,655
Segment expenses	391,638	1,285,370	849,057	725	2,526,790
Depreciation and amortization	478,384	61,437	76,062	-	615,883
EBITDA	1,437,659	883,073	227,003	-	2,547,735

EBITDA is derived from continuing and discontinued operations. The Group's total assets and liabilities as at 30 September 2019 and 31 December 2018 by operating segments are as follows:

	Chemical	Petrochemical	Downstream & others	Eliminations/ Adjustments	Total
As at 30 September 2019					
Segment assets	8,334,425	9,059,920	16,786,776	(8,816,706)	25,364,415
Segment liabilities	1,843,231	2,650,910	7,448,412	(89,087)	11,853,466
Investments in equity accounted associates and joint ventures	4,246,154	6,997,130	157,683	-	11,400,967
As at 31 December 2018					
Segment assets	16,917,660	9,023,750	16,382,003	(8,757,572)	33,565,841
Segment liabilities	10,028,504	2,788,280	8,002,445	(42,126)	20,777,103
Investments in equity accounted associates and joint ventures	277,175	6,616,182	266,979	-	7,160,336

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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 3 are determined based on the investees' latest reported net asset values as at the date of interim condensed consolidated statement of financial position.

Foreign exchange forward contracts and 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:

Nature of financial instrument	Carrying value	Level 1	Level 2	Level 3
As at 30 September 2019				
Financial Assets				
Investments in quoted equity shares	203,179	203,179	-	-
Investments in unquoted equity shares	611,917	-	115,525	496,392
As at 31 December 2018				
Financial Assets				
Investments in quoted equity shares	226,466	226,466	-	-
Investments in unquoted equity shares	525,296	-	28,904	496,392
Financial Liabilities				
Interest rate swaps and caps	5,026	-	5,026	-
Foreign exchange forward contracts	(315)	-	(315)	-

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

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15. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Contd.)

15.2 Transfers between Levels 1 and 2

There have been no transfers between the levels during the nine months period ended 30 September 2019. There were also no changes made to any of the valuation techniques applied as of 31 December 2018.

16. COMMITMENTS AND CONTINGENCIES

16.1 Capital commitments

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

	30 September 2019 (Unaudited)	31 December 2018 (Audited)
Capital commitments for projects under progress and property, plant and equipment	32,210	133,618

16.2 Contingencies

The Group contingencies as of reporting date are as follows:

	30 September 2019 (Unaudited)	31 December 2018 (Audited)
Letters of guarantee	561,198	1,493,480
Letters of credit	11,906	33,918
	573,104	1,527,398

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 30 September 2019 such guarantees amounted to SR 1,589 million (31 December 2018: SR 1,419 million).

The Group is involved in legal litigation claims in the ordinary course of business, which are being defended. 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.

17. DISPOSAL OF TITANIUM DIOXIDE BUSINESS

On 21 February 2017, a subsidiary, the National Titanium Dioxide Company Ltd. ("Cristal") entered into a transaction agreement to sell to Tronox Limited, a public limited company registered under the laws of the State of Western Australia and listed on the New York stock exchange ("Tronox"), its domestic and international titanium dioxide (TiO₂) business (including but not limited to the sale of (a) substantially all international subsidiaries of Cristal, (b) assets (including the Yanbu plant of Cristal) and liabilities relevant to such business; and (c) contracts, intellectual property and goodwill in respect of such business (the "Cristal Assets")) in return for USD 1.673 billion (SR 6.274 billion) cash and 37,580,000 of newly issued Class A shares in Tronox, at closing.

On 10 April 2019 the U.S. Federal Trade Commission (FTC) approved Tronox Limited's proposed acquisition of the titanium dioxide ("TiO₂") business of The National Titanium Dioxide Company Limited ("Cristal"). The FTC issued an Order and Decision allowing the transaction to proceed with the remedy divestiture of Cristal's North American TiO₂ business to INEOS Enterprises, a division of INEOS ("INEOS").

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17. DISPOSAL OF TITANIUM DIOXIDE BUSINESS (Contd.)

The Cristal transaction with Tronox closed on 10 April 2019 and as such the parent Company no longer controls Cristal Assets from that date. The cash consideration received by Cristal has substantially been used to fully repay the bank loans, which were consolidated in the Group's interim condensed consolidated financial statements. The equity investment in Tronox is reported as an investment in associate in the Group's interim condensed consolidated financial statements and equity accounted in accordance with IAS 28 "*Investments in Associates and Joint Ventures*".

The TiO₂ business of Cristal sold to Tronox was previously not classified as held-for-sale or as a discontinued operation. The results of Cristal up to 31 March 2019 are included in the interim condensed consolidated statement of profit or loss and the management believes that no significant impact on profit or loss occurred between the 1 April 2019 and the date of de-recognition on 10 April 2019. Cristal has received compensation amounting to SR 8.6 million (USD 2.3 million) from Tronox for that period, also as reflected in cash consideration. The comparative interim condensed consolidated statements of profit or loss and comprehensive income has now been re-presented to show the discontinued operation separately from continuing operations.

The impact of recording disposal of Cristal Assets on the Group's interim condensed consolidated statement of financial position and interim condensed consolidated statement of profit or loss of the Group is as follows:

	10 April 2019 (Unaudited)
Property, plant and equipment	5,804,917
Inventories	2,759,799
Accounts receivable and prepayments	1,565,439
Other assets	1,788,012
Accounts payable and accruals	(589,305)
Other liabilities	(1,760,244)
Net assets and liabilities	9,568,618
Less: Non-controlling interests	(123,082)
Carrying amount of net assets sold	9,445,536
Less: Consideration	
Cash	6,282,341
Tronox shares, retained investment and deal related closing adjustments	3,956,834
Reclassification of foreign currency translation reserve	133,503
Gain on disposal before Zakat	660,136
Zakat charge related to gain on disposal	(17,016)
Gain on disposal	643,120

Carrying amount of net assets sold was derecognized on 10 April 2019, against cash consideration received, Tronox shares, retained investment (in conformity with IAS 28), and deal related closing adjustments. The closing statement with adjustments related to working capital and other debts items and any resulting adjustments are expected to finalize and reflect by the end of January 2020.

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17. DISPOSAL OF TITANIUM DIOXIDE BUSINESS (Contd.)

The results from discontinued operations are set out below:

	Nine months period ended 30 September 2019 (Unaudited)	Nine months period ended 30 September 2018 (Unaudited)
Revenue	1,832,363	6,526,265
Expenses	(1,704,878)	(5,254,037)
Profit before zakat and income tax from discontinued operations	127,485	1,272,228
Zakat and income tax	(18,508)	(104,719)
Profit after zakat and income tax from discontinued operations	108,977	1,167,509
Gain on disposal	643,120	-
Profit from discontinued operations	752,097	1,167,509
Attributable to:		
Equity holder of parent	749,888	1,145,744
Non-controlling interests	2,209	21,765
	752,097	1,167,509
Earnings per share:		
Basic and diluted earnings for the period per share from discontinued operations	1.12	1.75

	Nine months period ended 30 September 2019 (Unaudited)	Nine months period ended 30 September 2018 (Unaudited)
Presented in the interim condensed consolidated statement of profit or loss as follows:		
Profit for the period from discontinued operations	108,977	1,167,509
Gain on disposal	643,120	-
Profit from discontinued operations	752,097	1,167,509

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

On 10 May 2018, AMIC entered into an Option Agreement with Tronox Limited ("Tronox"), a public limited company registered under the laws of Western Australia, Australia. Under the Option Agreement:

(1) AMIC shall (a) incorporate a wholly owned Special Purpose Vehicle ("SPV") in the Kingdom of Saudi Arabia and (b) subject to certain exceptions as set out in the Option Agreement, transfer (or procure the transfer of) the assets, liabilities and contracts used for its Jazan-based titanium slag smelting Slagger Business (as defined in the Option Agreement) to the SPV; and

(2) subject to the satisfaction of certain conditions precedent set out in the Option Agreement (including but not limited to (a) in the case of AMIC (but not Tronox) exercising its option, the Slagger (as defined in the Option Agreement) reaching sustainable operations and (b) in the case of either party exercising its option, the completion of the transaction set out in the "Transaction Agreement" between Tronox Cristal, as referred to in note (17)), 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.

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

The execution of the Option Agreement follows a Technical Services Agreement between AMIC and Tronox executed on 15 March 2018, whereby Tronox provides certain technical assistance to AMIC to facilitate start-up of the Slagger.

As part of the Option Agreement, Tronox has agreed to lend AMIC and/or the SPV (as applicable in accordance with the Option Agreement) up to USD 125 million for capital expenditures and operational expenses (as further detailed in the Option Agreement) (the "Tronox Loan"). The total consideration payable by Tronox is USD 447 million (comprised of the effective assumption of external debt of USD 322 million, plus the provision of the USD 125 million Tronox Loan), subject to post-closing adjustments for cash, debt and working capital (as further detailed in the Option Agreement). As at 30 September 2019, neither AMIC nor Tronox may exercise its option under the Option Agreement as their respective conditions to option exercise as specified in the Option Agreement have not yet been fulfilled.

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. NEW STANDARD ISSUED BUT NOT YET EFFECTIVE

The following standard and amendment to existing standards are issued, but not yet effective, up to the date of issuance of the Group's interim condensed consolidated financial statements:

(i) IFRS 17 Insurance contracts

In May 2017, the IASB issued IFRS 17 – Insurance Contracts, which is effective for annual periods beginning on or after 01 January 2021. The standard introduces a new measurement model for insurance contracts and establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard.

(ii) Amendment to IFRS 3 – Business Combinations

The Amendment narrowed and clarified the definition of a business. It also permits a simplified assessment of whether an acquired set of activities and assets is a group of assets rather than a business. The Amendment is effective for business combinations which are entered into for annual reporting periods beginning on or after 1 January 2020.

The Group will apply the above standard and amendment from their effective dates.

20. EVENTS AFTER THE REPORTING DATE

No 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. COMPARATIVE FIGURES

Certain of the prior year amounts have been reclassified to conform to the presentation in the current period.

22. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These interim condensed consolidated financial statements were approved from the Board of Directors on 27 October 2019G (corresponding to 28 Safar 1441H).
