

**THE SAUDI ARABIAN AMIANTIT COMPANY
(A SAUDI JOINT STOCK COMPANY)
INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS (UNAUDITED) AND INDEPENDENT
AUDITOR'S LIMITED REVIEW REPORT FOR THE
THREE MONTHS PERIOD ENDED MARCH 31, 2020**

**THE SAUDI ARABIAN AMIANTIT COMPANY
(A SAUDI JOINT STOCK COMPANY)
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2020**

INDEX	PAGES
Independent auditor's limited review report	1-2
Interim condensed consolidated statement of financial position	3
Interim condensed consolidated statement of profit or loss and other comprehensive income	4-5
Interim condensed consolidated statement of changes in shareholders' equity	6
Interim condensed consolidated statement of cash flows	7
Notes to the interim condensed consolidated financial statements	8 – 28



AlKharashi & Co.

Certified Accountants And Auditors

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

To the Shareholders of The Saudi Arabian Amiantit Company
(A Saudi Joint Stock Company)

Introduction:

We have reviewed the accompanying interim condensed consolidated statement of financial position of The Saudi Arabian Amiantit Company (SAAC) (A Saudi joint stock company) (the "Company") and its subsidiaries (collectively referred to as the "Group") as at March 31, 2020 and the related interim condensed consolidated statements of profit or loss and the other comprehensive income, statements of changes of shareholders' equity and cash flows for the three-months period then ended, and notes, comprising a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard No. 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 the international standard on review engagements 2410, "Review of Interim Financial Information Performed by the Independents Auditor of the Entity", as endorsed in the Kingdom of Saudi Arabia. A review of interim financial information consists of making inquiries primarily to 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 are 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.

Basis for Qualified Conclusion:

As described in note 8 to the interim condensed consolidated financial statements, the Group's investment in Amiblu, a joint venture which is accounted for using the equity method, is carried at SR 251.003 million as at March 31, 2020 (December 2019: SR 258.3 million). Included in this amount is a goodwill of SR 37.137 million. The audit opinion in respect of carrying amount of this investment was qualified for the financial year ended December 31, 2019 due to non availability of sufficient and appropriate audit evidence on management's assessment of the impairment of Group's investment in Amiblu. Management's assessment for impairment was also not available for the period under our review. Consequently we are unable to complete our review in respect of the measurement of carrying amount of investment in Amiblu. Had we been able to complete our review, matters might have come to our attention indicating that the adjustment might be necessary to the interim condensed consolidated financial statements.

Qualified Conclusion:

Based on our review, with the exception of the matter described in the preceding paragraph, 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 International Accounting Standard No. 34 endorsed in the Kingdom of Saudi Arabia.



AlKharashi & Co.

Certified Accountants And Auditors


Emphasis of Matter Paragraph

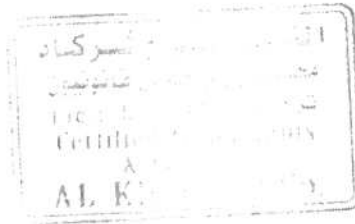
We would like to draw attention on the following:

- a. Note 6 to the accompanying interim condensed financial statements which describes the uncertainty related to the estimation of impairment loss on trade receivables, contract assets and non-current receivables.
- b. Note 9.2 to the accompanying interim condensed consolidated financial statements which indicates that the Group is in breach of certain financial covenants in respect of its credit facility agreements with commercial banks. Management of the Group believes that the breach will not affect the maturity profile of its debt or the availability of credit.
- c. **Material Uncertainty Related to Going Concern**
Note 15 to the condensed consolidated financial statements, which indicates that the Group incurred a net loss of SR 135.453 million during the three months period ended March 31, 2020 (March 31, 2019 SR 41.333 million) and its current liabilities exceed current assets by SR 590.089 million (December 31, 2019 SR 467.903 million) as at March 31, 2020. As stated in note 15, these events or conditions along with other matters as set forth in note 15, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as going concern.

Our conclusion is not modified in respect of the above matters.

AlKharashi & Co.

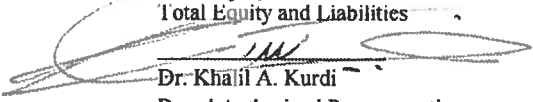

Suleiman A. AL-Kharashi
License No. 91




Riyadh:
May 31, 2020
Shawwal 08, 1441

THE SAUDI ARABIAN AMIANTIT COMPANY
(A SAUDI JOINT STOCK COMPANY)
INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2020
(Expressed in '000 Saudi Riyals unless otherwise stated)

	Notes	March 31. 2020 (Unaudited)	December 31. 2019 (Audited) (restated)	01 January. 2019 (Audited) (restated)
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents		109,145	89,819	93,280
Trade receivables	6	447,674	527,383	662,252
Contract assets	6	341,039	353,842	369,709
Prepayments and other receivables		69,824	66,514	80,912
Inventories	7	302,321	341,643	466,678
Assets held for sale		-	-	1,469
Total current assets		<u>1,270,003</u>	<u>1,379,201</u>	<u>1,674,300</u>
NON-CURRENT ASSETS:				
Non-current receivables	6	377,041	367,811	381,656
Equity accounted investments	8	402,903	407,445	366,948
Property, plant and equipment		237,979	246,864	402,788
Other non-current assets		17,141	17,496	44,061
Total non current assets		<u>1,035,064</u>	<u>1,039,616</u>	<u>1,195,453</u>
Total Assets		<u>2,305,067</u>	<u>2,418,817</u>	<u>2,869,753</u>
LIABILITIES AND EQUITY				
LIABILITIES				
CURRENT LIABILITIES:				
Borrowings	9	1,220,334	1,206,260	1,184,970
Accounts payable		336,329	332,785	324,125
Accrued expenses and other liabilities		81,533	80,794	74,417
Contract liabilities		68,267	80,153	91,957
Current portion of lease liability		867	1,136	-
Provision for zakat and income tax	14	152,762	145,976	128,928
Total current liabilities		<u>1,860,092</u>	<u>1,847,104</u>	<u>1,804,397</u>
NON-CURRENT LIABILITIES:				
Borrowings		-	-	157,916
Employees' termination benefits		70,817	69,522	67,691
Warranty provisions		5,496	4,752	6,216
Provisions for onerous contracts		125,871	128,655	119,102
Non-current portion of lease liability		6,657	6,547	-
Other non-current liabilities		-	30	181
Total non current liabilities		<u>208,841</u>	<u>209,506</u>	<u>351,106</u>
Total liabilities		<u>2,068,933</u>	<u>2,056,610</u>	<u>2,155,503</u>
EQUITY:				
Share capital		344,517	344,517	1,155,000
Statutory reserve		189,472	189,472	189,472
Accumulated losses		(149,588)	(18,294)	(486,920)
Employee share ownership plan and reserve		(31,914)	(31,914)	(31,914)
Change in fair value of interest rate swap		-	(30)	(182)
Foreign currency translation reserve		(138,802)	(146,483)	(142,432)
Equity attribute to shareholders of the company		<u>213,685</u>	<u>337,268</u>	<u>683,024</u>
Non- controlling interest		22,449	24,939	31,226
Total equity		<u>236,134</u>	<u>362,207</u>	<u>714,250</u>
Total Equity and Liabilities		<u>2,305,067</u>	<u>2,418,817</u>	<u>2,869,753</u>


Dr. Khalil A. Kurdi
Board Authorized Representative


Dr. Sulaiman A. Al-Twajri
Chief Executive Officer

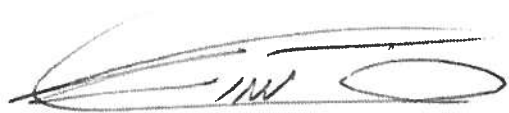
The accompanying notes form an integral part of these interim condensed consolidated financial statements.

THE SAUDI ARABIAN AMIANTIT COMPANY
(A SAUDI JOINT STOCK COMPANY)
INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2020
(Expressed in '000 Saudi Riyals unless otherwise stated)

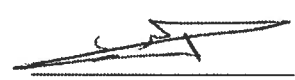
	Notes	For the three months period ended	
		March 31.	
		2020	2019
		(Unaudited)	(Unaudited)
Continuing operations:			
Revenue from contracts with customers	10	162,044	233,033
Cost of revenue		(167,918)	(217,399)
Gross (loss) / profit		(5,874)	15,634
Net impairment (loss) / gain on financial assets		(63,298)	3,841
Selling, general and administrative expenses		(24,420)	(29,409)
Operating loss		(93,592)	(9,934)
Other income / expenses, net		(19,117)	(2,592)
Share in results of equity accounted investments	8	7,291	(527)
Finance costs		(22,691)	(26,465)
Loss before zakat and foreign income tax		(128,109)	(39,518)
Zakat		(7,024)	(5,750)
Foreign income tax		(187)	494
Loss from continuing operations		(135,320)	(44,774)
Discontinued operations:			
Loss (profit) after zakat from discontinued operations	3	(133)	3,441
Loss for the Period		(135,453)	(41,333)
Attributable to:			
Shareholders of the Company		(131,294)	(40,366)
Non-controlling interests		(4,159)	(967)
		(135,453)	(41,333)
Loss per share			
Loss per share for year attributed to the shareholder of the company:			
Basic ('000 shares)		(3.88)	(1.19)
Diluted ('000 shares)		(3.88)	(1.19)
Loss per share from continuing operations			
Loss per share for year from continuing operations attributed to the shareholder of the company:			
Basic ('000 shares)		(3.99)	(1.32)
Diluted ('000 shares)		(3.99)	(1.32)
Weighted average number of shares outstanding:			
Basic ('000 shares)		33,875	33,875
Diluted ('000 shares)		33,875	33,875
Dr. Khalil A. Kurdi		Dr. Sulaiman A. Al-Twajri	
Board Authorized Representative		Chief Executive Officer	

THE SAUDI ARABIAN AMIANTIT COMPANY
(A SAUDI JOINT STOCK COMPANY)
INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2020
(Expressed in '000 Saudi Riyals unless otherwise stated)

	For the three months period	
	March 31,	March 31,
	2020	2019
	<u>(Unaudited)</u>	<u>(Unaudited)</u>
Loss for the period	<u>(135,453)</u>	<u>(41,333)</u>
Other comprehensive income		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	9,350	(6,052)
Change in the fair value of interest rate swap	30	-
Other comprehensive income	<u>9,380</u>	<u>(6,052)</u>
Total comprehensive loss for the period	<u>(126,073)</u>	<u>(47,385)</u>
Attributable to:		
Shareholders of the Company	(123,583)	(46,633)
Non-controlling interests	<u>(2,490)</u>	<u>(752)</u>
	<u>(126,073)</u>	<u>(47,385)</u>



Dr. Khalil A. Kurdi
Board Authorized Representative



Dr. Sulaiman A. Al-Twajri
Chief Executive Officer

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

THE SAUDI ARABIAN AMIANTIT COMPANY
(A SAUDI JOINT STOCK COMPANY)
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2020
(Expressed in '000 Saudi Riyals unless otherwise stated)

	Share capital	Statutory reserve	Accumulated losses	Employee share ownership plan and reserve	Change in fair value of interest rate swap	Foreign currency translation reserve	Total	Non-controlling interest	Total Equity
As at January 01, 2020 (Audited)	344,517	189,472	(18,294)	(31,914)	(30)	(146,483)	337,268	24,939	362,207
Loss for the period	-	-	(131,294)	-	-	-	(131,294)	(4,159)	(135,453)
Settlement of interest rate swap	-	-	-	-	30	-	30	-	30
Other comprehensive loss	-	-	-	-	-	7,681	7,681	1,669	9,350
Total comprehensive loss	-	-	(131,294)	-	30	7,681	(123,583)	(2,490)	(126,073)
Balance as at March 31, 2020 (Unaudited)	<u>344,517</u>	<u>189,472</u>	<u>(149,588)</u>	<u>(31,914)</u>	<u>-</u>	<u>(138,802)</u>	<u>213,685</u>	<u>22,449</u>	<u>236,134</u>
As 1 January 2019 (Audited)	1,155,000	189,472	(514,367)	(31,914)	(182)	(142,432)	655,577	31,226	686,803
Prior period adjustment (Note 17)	-	-	27,447	-	-	-	27,447	-	27,447
As 1 January 2019 (restated)	1,155,000	189,472	(486,920)	(31,914)	(182)	(142,432)	683,024	31,226	714,250
Loss for the period	-	-	(40,366)	-	-	-	(40,366)	(967)	(41,333)
Other comprehensive loss	-	-	-	-	-	(6,267)	(6,267)	215	(6,052)
Total comprehensive loss	-	-	(40,366)	-	-	(6,267)	(46,633)	(752)	(47,385)
Balance as at March 31, 2019 (Unaudited)	<u>1,155,000</u>	<u>189,472</u>	<u>(527,286)</u>	<u>(31,914)</u>	<u>(182)</u>	<u>(148,699)</u>	<u>636,391</u>	<u>30,474</u>	<u>666,865</u>



Dr. Khalil A. Kurdi
Board Authorized Representative




Dr. Sulaiman A. Al-Twaijri
Chief Executive Officer

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

THE SAUDI ARABIAN AMIANTIT COMPANY
(A SAUDI JOINT STOCK COMPANY)
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2020
(Expressed in '000 Saudi Riyals unless otherwise stated)

	For the three months period ended March 31.	
	2020	2019
	(Unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	(135,453)	(41,333)
Adjustments for non-cash items:		
Depreciation and amortization	7,882	14,116
Share in results of equity accounted investments	(7,291)	527
Zakat and income tax - net	6,786	5,275
Employees' termination benefits, net	1,295	(440)
Warranty provisions, net	768	703
Gain on sale of investment	(7,500)	-
Foreign currency translation reserve	23,190	-
Loss on disposal of property, plant and equipment	1,277	-
Finance costs	22,691	26,465
	<u>(86,355)</u>	<u>5,313</u>
Changes in working capital:		
Trade receivables (current and non-current) and contract assets	78,512	36,463
Prepayments and other receivables	(4,528)	12,809
Inventories	38,110	23,980
Accounts payable	1,254	(8,282)
Accrued expenses, contract liabilities and other liabilities	(9,347)	(6,984)
Finance costs paid	(22,691)	(26,465)
Net cash (used in) / generated from operating activities- continued operations	<u>(5,045)</u>	<u>36,834</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash proceeds from sale of investment	7,500	-
Cash proceeds from disposal of property, plant and equipment	-	46
Dividends received from equity accounted investments	3,544	4,901
Purchase of property, plant and equipment	(392)	(1,923)
Net change in other non-current assets	-	21,268
Net cash generated from investing activities	<u>10,652</u>	<u>24,292</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Movement in short-term borrowings	15,363	(17,534)
Net movement in long-term borrowings	-	36,564
Net change in lease obligations	(159)	-
Net change in other non-current liabilities	(30)	22
Net cash generated from financing activities	<u>15,174</u>	<u>19,052</u>
Net change in cash and cash equivalents	20,781	80,178
Cash and cash equivalents at the beginning of the period	89,819	93,280
Foreign currency translation effect on cash and cash equivalents	(1,455)	(612)
Cash And Cash Equivalents At The End Of The Period	<u>109,145</u>	<u>172,846</u>


Dr. Khalil A. Kurdi
Board Authorized Representative


Dr. Sulāīman A. Al-Twajri
Chief Executive Officer

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

THE SAUDI ARABIAN AMIANTIT COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2020
(Expressed in '000 Saudi Riyals unless otherwise stated)

1. ORGANIZATION STRUCTURE AND PRINCIPAL ACTIVITIES

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

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

Following is the list of significant operating subsidiaries of the Group:

Subsidiary	Principal activity	Country of Incorporation	Ownership percentage as at	
			31 March 2020	31 December 2019
Amiantit Fiberglass Industries Limited (AFIL)	A	Saudi Arabia	100%	100%
Factory of Saudi Arabian Ductile Iron Pipe Company Limited (SADIP)	A	Saudi Arabia	100%	100%
International Infrastructure Management and Operations Company Limited (AMIWATER)	B	Saudi Arabia	100%	100%
Infrastructure Engineering Contracting Company (ISECC)	C	Saudi Arabia	100%	100%
Factory of Amiantit Rubber Industries Company Limited (ARIL) (note 2.1)	A	Saudi Arabia	100%	100%
Ameron Saudi Arabia Limited (ASAL)	A.E	Saudi Arabia	100%	100%
Bondstrand Limited (BSL)	A	Saudi Arabia	60%	60%
Saudi Arabia Concrete Products Limited (SACOP)	A.E	Saudi Arabia	100%	100%
Fiberglass Pipes and Ductile Iron Pipes Factory Company Ltd (FPC)	A	Saudi Arabia	100%	100%
Flowtite Technology Bahrain W.L.L.	D	Bahrain	100%	100%
PWT Wasser - und Abwassertechnik GmbH (PWT)	C	Germany	100%	100%
Amitech Astana LLC	A	Kazakhstan	51%	51%

- A- Pipe manufacturing
- B- Water management
- C- Contracting
- D- Research and development
- E- Discontinued operations (note 2.2)

The country of incorporation for these subsidiaries is also their principal place of business

**THE SAUDI ARABIAN AMIANTIT COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2020
(Expressed in '000 Saudi Riyals unless otherwise stated)**

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

These interim condensed consolidated financial statements for the three-month period ended March 31, 2020 have been prepared in accordance with IAS 34 'Interim Financial Reporting' ("IAS 34") as endorsed in the KSA and other standards and pronouncements that are issued by the Saudi Organization for Certified Public Accountants ("SOCPA").

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements and should therefore be read in conjunction with the Group's annual consolidated financial statements for the year ended December 31, 2019. Comparative condensed interim consolidated statement of financial position is extracted from annual financial statements as at December 31, 2019 whereas comparative condensed interim consolidated statement of profit or loss account and other comprehensive income, condensed interim consolidated statement of cash flows and condensed interim consolidated statement of changes in equity are extracted from unaudited condensed interim consolidated financial information of the Group for the period ended March 31, 2019.

The interim condensed consolidated financial statements comprise the financial statements of the Company and its subsidiaries ("Group").

2.2 Summary of significant accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2019.

Amendments to the IFRS, effective from January 1, 2020 or later-on, do not have any effect on the Company's financial statements. Further, the Group has not early adopted any new standard, interpretation or amendment that have been issued but that are not yet effective.

2.3 Use of estimation and judgments

The preparation of the accompanying IFRS financial statements, in conformity with IFRS as endorsed in Kingdom of Saudi Arabia and other standards pronouncements issued by SOCPA, requires the use of judgements, estimates and assumptions. Such estimates and assumptions may affect the balances reported for certain assets and liabilities as well disclosure of certain contingent assets and liabilities as at the date of the interim condensed statements of financial position date. Any estimates or assumptions affecting assets and liabilities may also affect the reported revenues and expenses for the same reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the year in which the estimate is revised if the revision affects only that year or in the year of revision and future years if the revision affects both current and future years.

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

- Provisions for doubtful debts
- Estimated useful lives and residual values of property, plant and equipment;
- Provisions and accruals.
- Defined benefit obligations – Employees' benefits

**THE SAUDI ARABIAN AMIANTIT COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2020
(Expressed in '000 Saudi Riyals unless otherwise stated)**

2. SIGNIFICANT ACCOUNTING POLICIES:(continued)

2.3 Use of estimation and judgments (continued)

- Revenue recognition – judgements in respect of nature and timings of the satisfaction of performance obligation including significant payment terms and related revenue recognition policies. This results in decision on whether revenue is to be recognised overtime or at appoint in time
- Impact of COVID-19- In evaluating the impact of the Covid-19 pandemic, Group has made significant judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on experience of Group's management after considering all relevant factors. Actual results may differ from these estimates.

THE SAUDI ARABIAN AMIANTIT COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2020
(Expressed in '000 Saudi Riyals unless otherwise stated)

3. CHANGES IN THE REPORTING ENTITY

3.1 Discontinued Operations

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

The discontinued operations comprise the following entities:

Company name	Country of incorporation	Ownership percentage
Saudi Arabia Concrete Products Limited (SACOP)	Saudi Arabia	100%
Ameron Saudi Arabia Limited (ASAL)	Saudi Arabia	100%

On 31 December 2019, the operations of these subsidiaries were presented as discontinued operations. The business of the discontinued operations represented part of the Group's Saudi Arabian operating segment (geographical segment) until 31 December 2019.

3.1.1 Discontinued Operations of SACOP

The results of SACOP for the three-month period ended 31 March are presented below:

	2020	2019
Revenue	-	35
Expenses	(39)	(400)
Operating loss	(39)	(365)
Finance costs	-	(718)
Other income (expense), net		3,460
Profit (loss) before zakat	(39)	2,377
Zakat	-	-
Profit (loss) for the period from discontinued operations	(39)	2,377
Profit (loss) per share from discontinued operations:		
Basic (SR)	0.00	0.07
Diluted (SR)	0.00	0.07

THE SAUDI ARABIAN AMIANTIT COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2020
(Expressed in '000 Saudi Riyals unless otherwise stated)

3. CHANGES IN THE REPORTING ENTITY (continued)

The major classes of assets and liabilities of SACOP were as follows:

	31 March 2020 (Unaudited)	31 December 2019 (Audited)
Assets		
Bank balances and cash	2	2
Trade receivables	9	41
	<u>11</u>	<u>43</u>
Liabilities		
Accounts payable	13,658	13,097
Accrued expenses and other liabilities	69	99
Zakat payable	996	1,521
	<u>14,723</u>	<u>14,717</u>
Carrying amount of net assets directly related to the discontinued operation	<u>(14,712)</u>	<u>(14,674)</u>

The net cash flows incurred by SACOP for the three-month period ended 31 March are as follows:

	2020	2019
Operating	-	(1)
Net cash (outflow) inflow	<u>-</u>	<u>(1)</u>

3.1.2 Discontinued Operations of ASAL

The results of ASAL for the three-month period ended 31 March are presented below:

	2020 (Unaudited)	2019 (Audited)
Revenue	-	3,687
Expenses	(94)	(3,872)
Operating loss	(94)	(185)
Finance costs		(175)
Other income (expense), net		1,424
Profit (loss) before zakat	(94)	1,064
Zakat	-	-
Profit (loss) for the period from discontinued operations	<u>(94)</u>	<u>1,064</u>
Profit (loss) per share from discontinued operations:		
Basic (SR)	<u>-</u>	<u>(0.03)</u>
Diluted (SR)	<u>-</u>	<u>(0.03)</u>

THE SAUDI ARABIAN AMIANTIT COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2020
(Expressed in '000 Saudi Riyals unless otherwise stated)

3. CHANGES IN THE REPORTING ENTITY (continued)

The major classes of assets and liabilities of ASAL were as follows:

	<u>31 March</u> 2020 (Unaudited)	<u>31 December</u> 2019 (Audited)
Assets		
Bank balances and cash	2,541	303
Trade receivables	24,438	24,619
Prepayments and other receivables	-	48
	<u>26,979</u>	<u>24,970</u>
Liabilities		
Accounts payable	3,501	895
Accrued expenses and other liabilities	1,081	1,124
Zakat payable	7,377	6,851
Employee termination benefit	-	-
	<u>11,959</u>	<u>8,870</u>
Carrying amount of net assets directly related to the discontinued operation	<u>15,020</u>	<u>16,100</u>

The net cash flows incurred by ASAL for the three-month period ended 31 March are as follows:

	<u>2020</u> (Unaudited)	<u>2019</u> (Unaudited)
Operating	2,238	23
Investing	-	-
Financing	-	-
Net cash (outflow) inflow	<u>2,238</u>	<u>23</u>

THE SAUDI ARABIAN AMIANTIT COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2020
(Expressed in '000 Saudi Riyals unless otherwise stated)

4. SEGMENT INFORMATION

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

which are as follows:

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

Selected financial information as at 31 March 2020 and 31 December 2019 and for the three-month period ended 31 March 2020 and 2019, summarized by the above business segments, are as follows:

	Pipe manufacturing and technology	Water management	Eliminations	Total
As at and for the period ended 31 March 2020				
Sales to external customers	145,750	16,294	-	162,044
Inter-segment	7,093	-	(7,093)	-
Total revenue	152,843	16,294	(7,093)	162,044
Share in results of equity accounted investments	5,724	1,567	-	7,291
Finance costs	(22,423)	(268)	-	(22,691)
Depreciation and amortization	(7,607)	(275)	-	(7,882)
Zakat and taxes	(7,052)	(159)	-	(7,211)
Net loss	(127,937)	(7,516)	-	(135,453)
Capital expenditures	(358)	(34)	-	(392)
Equity accounted investments	313,656	89,247	-	402,903
Total assets	1,424,460	880,607	-	2,305,067
Total liabilities	(1,162,560)	(906,373)	-	(2,068,933)
For the period ended 31 March 2019				
Sales to external customers	198,324	34,709	-	233,033
Inter-segment	12,672	-	(12,672)	-
Total revenue	210,996	34,709	(12,672)	233,033
Share in results of equity accounted investments	(2,407)	1,880	-	(527)
Finance costs	(23,614)	(2,851)	-	(26,465)
Depreciation and amortization	(13,767)	(349)	-	(14,116)
Zakat and foreign taxes	(5,752)	496	-	(5,256)
Net loss	(32,389)	(8,944)	-	(41,333)
Capital expenditures	(1,909)	(14)	-	(1,923)
As at 31 December 2019				
Equity accounted investments	317,223	90,222	-	407,445
Total assets	1,758,025	660,792	-	2,418,817
Total liabilities	(1,293,577)	(763,033)	-	(2,056,610)

THE SAUDI ARABIAN AMIANTIT COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2020
(Expressed in '000 Saudi Riyals unless otherwise stated)

4. SEGMENT INFORMATION (continued)

The Group's operations are conducted in Saudi Arabia, Europe and other geographical areas. Selected financial information as at 31 March 2020 and 31 December 2019 and for the three-month period ended 31 March 2020 and 2019, summarized by geographic area, are as follows:

	Saudi Arabia	Europe	Other Countries	Eliminations	Total
As at and for the period ended 31 March 2020					
Revenue	150,583	16,394	2,160	(7,093)	162,044
Non-current assets:					
- Property, plant and equipment	222,499	4,003	11,477	-	237,979
- Other non-current assets	481,516	259,115	56,454	-	797,085
For the period ended 31 March 2019					
Revenue	200,554	34,709	10,442	(12,672)	233,033
As at 31 December 2019					
Non-current assets:					
- Property, plant and equipment	230,533	4,306	12,025	-	246,864
- Other non-current assets	469,495	269,093	54,164	-	792,752

THE SAUDI ARABIAN AMIANTIT COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2020
(Expressed in '000 Saudi Riyals unless otherwise stated)

6. CONTRACT BALANCES

	31 March 2020 (Unaudited)	31 December 2019 (Audited)
Trade receivables - current (see note 6.1)	447,674	527,383
Trade receivables - non current (see note 6.3)	377,041	367,811
Contract assets (see note (a) (6.2) below)	341,039	353,842
Contract liabilities (see note (b) below)	68,267	80,153

a) Contract assets:

Contract assets are initially recognized for revenue earned from construction contracts as receipt of consideration is conditional on successful completion of specific milestones. Upon completion of a milestone and acceptance by the customer, the amounts recognized as contract assets are reclassified to trade receivables. As at 31 March 2020, the contract assets are carried net of an expected credit losses.

b) Contract liabilities:

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

c) Loss allowance

The Group uses a provision matrix to calculate Expected Credit Losses "ECLs" for trade receivables, financial and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e. by customer type, and coverage by guarantees and other forms of credit insurance) and also on future based macro economic factors incorporated in the calculation of ECL matrix (i.e rate of unemployment, inflation, industry growth and other macroeconomic factors).

The provision matrix is initially based on the Group's historical observed default rates. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. The letters of credit and other forms of credit insurance are considered an integral part of trade receivables and considered in the calculation of impairment. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The Group determines loss allowance for receivables under legal collection on life time basis. The lifetime expected credit loss is determined separately for each counter party receivable balance under legal collection by considering legal opinion in respect of the probability of successful outcome of the legal proceedings together with probability of recovery thereto, and the maximum amount of recovery that can be enforced in case of favourable legal outcome. The maximum amount of recovery includes the realistic estimate of the financial situation of the counterparty.

THE SAUDI ARABIAN AMIANTIT COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2020
(Expressed in '000 Saudi Riyals unless otherwise stated)

6. CONTRACT BALANCES (continued)

The Group uses historic default rates to calculate loss allowance for long term retentions which are not yet due. The loss allowance for past due retentions is based on the lifetime expected credit loss. The lifetime expected loss is determined separately in respect of each counterparty balance based on managements best estimate of probability weighted impact on future cashflows.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

In respect of the receivables under legal collection, the assessment of the probability of favourable outcome of the legal proceedings along with the probability of recovery of receivables thereto is also a significant estimate based on current status of the legal proceedings. The actual outcome and recovery may be significantly different from expectations based on future course of legal proceedings.

6.1 Trade Receivables

	31 March 2020	31 December 2019
Trade receivables	570,209	624,676
Trade receivables - related parties	23,946	24,175
	594,155	648,851
Less: allowance for impairment	(146,481)	(121,468)
	<u>447,674</u>	<u>527,383</u>

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

6.2 Contract Assets

	31 March 2020	31 December 2019
Contract assets	352,325	362,013
Less: allowance for impairment	(11,286)	(8,171)
	<u>341,039</u>	<u>353,842</u>

Movement in contract assets and liabilities is as below:

	31 March 2020	
	Contract assets	Contract liabilities
Opening balance	362,013	80,153
Revenue recognized during the period	25,337	(11,886)
Invoiced during the period	(22,204)	372
Adjustment during the period	(12,822)	(372)
Closing balance	<u>352,324</u>	<u>68,267</u>

THE SAUDI ARABIAN AMIANTIT COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2020
(Expressed in '000 Saudi Riyals unless otherwise stated)

6. CONTRACT BALANCES (continued)

6.3 Non-current Receivable

The balance under non-current receivable comprise the following:

	31 March 2020 (Unaudited)	31 December 2019 (Audited)
Trade receivables under legal collection	460,981	424,242
Retentions receivable	76,316	68,993
	<u>537,297</u>	<u>493,235</u>
Less: allowance for impairment	<u>(160,256)</u>	<u>(125,424)</u>
	<u><u>377,041</u></u>	<u><u>367,811</u></u>

The loss allowance for trade receivables and contract assets as at 31 March 2020 reconcile to the opening loss allowances as follows:

	Contract Assets	
	2020	2019
Opening loss allowance at 1 January	8,171	500
Increase in loss allowance recognized in profit or loss during the period / year	3,115	7,671
Closing balance as at 31 March 2020 and 31 December 2019	<u><u>11,286</u></u>	<u><u>8,171</u></u>

	Trade receivables	
	2020	2019
Opening loss allowance at 1 January	246,892	264,681
Increase in loss allowance recognized in profit or loss during the period / year	60,183	4,132
Amounts reversed during the period / year	-	(15,409)
Currency translation adjustment	(338)	(6,512)
Closing balance as at 31 March 2020 and 31 December 2019	<u><u>306,737</u></u>	<u><u>246,892</u></u>

THE SAUDI ARABIAN AMIANTIT COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2020
(Expressed in '000 Saudi Riyals unless otherwise stated)

7. INVENTORY

	<u>March 31.</u>	<u>December 31.</u>
	2020	2019
	<u>(Unaudited)</u>	<u>(Audited)</u>
Raw materials	80,798	98,144
Work in process	5,770	6,275
Suppliers, not held for sale	80,793	79,957
Finished products	215,506	239,115
Good in transit	2,383	1,081
Less: provision for obsolescence	(82,929)	(82,929)
Total	<u>302,321</u>	<u>341,643</u>

THE SAUDI ARABIAN AMIANTIT COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2020
(Expressed in '000 Saudi Riyals unless otherwise stated)

8. EQUITY ACCOUNTED INVESTMENTS

The equity accounted investments comprise the following:

	31 March 2020 (Unaudited)	31 December 2019 (Audited)
Interests in joint ventures		
Amiblu Holding GmbH ("Amiblu")	251.003	258.259
International Water Distribution Company ("Tawzea")	82.422	81.157
Total interests in joint ventures	<u>333.425</u>	<u>339.416</u>
Investments in associates:		
Amiantit Qatar Pipe Company Limited ("AQAP")	49.149	44.554
Other associates	20.329	23.475
Total investment in associates	<u>69.478</u>	<u>68.029</u>
Total equity accounted investments	<u><u>402.903</u></u>	<u><u>407.445</u></u>

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

	For the three- month period ended 31 March 2020 (Unaudited)	For the year ended 31 December 2019 (Audited)
Interests in joint ventures		
At the beginning of the period / year	339.416	302.088
Share in results	1.927	15.200
Transferred from due from related party	4.782	26.387
Currency translation adjustments	(12.700)	(3.662)
Share of other comprehensive income (loss)	-	(597)
At the end of the period / year	<u>333.425</u>	<u>339.416</u>

The movement in the investment in associates is as follows:

	For the three- month period ended 31 March 2020 (Unaudited)	For the year ended 31 December 2019 (Audited)
Investments in associates		
At the beginning of the period / year	68.029	64.860
Share in results	5.364	10.311
Share of other comprehensive income (loss)	-	25
Dividends	(3.544)	(6.947)
Currency translation adjustments	(371)	(220)
At the end of the period / year	<u>69.478</u>	<u>68.029</u>

THE SAUDI ARABIAN AMIANTIT COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2020
(Expressed in '000 Saudi Riyals unless otherwise stated)

9. BORROWINGS

Short-term borrowings comprise the following:

	<u>Notes</u>	<u>31 March</u> <u>2020</u> <u>(Unaudited)</u>	<u>31 December</u> <u>2019</u> <u>(Audited)</u>
Short-term loans and bank overdrafts	9.1	<u>1,220,334</u>	<u>1,206,260</u>

9.1 These represent borrowing facilities obtained from various commercial banks and bear financial charges at prevailing market rates which are based on inter-bank offered rates plus a fixed margin. Management intends to roll-over the majority of short-term loans as they mature. This also includes loan from partner amounting SR 8.148.

Commercial bank loans:

The Group has obtained loan facilities from various commercial banks. These loans generally bear financial charges based on inter-bank offered rates plus a fixed margin. The original maturities of the loans outstanding at 31 March 2020 in aggregate, based on their respective repayment schedules, are repayable at dates starting 2020 and 2021.

9.2 BREACHES OF LOAN COVENANTS

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

<u>Covenant</u>	<u>Requirements</u>
Total liabilities to tangible net worth	200% - 250%
Current ratio	100% - 125%
Minimum shareholders' equity	SR 950m - SR 1,312.5m

None of the Group's lenders exercised their rights to cancel credit facilities or accelerate repayment of future payments. Management of the Group believes that the breaches will not affect the maturity profile of its debt or the availability of credit.

THE SAUDI ARABIAN AMIANTIT COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2020
(Expressed in '000 Saudi Riyals unless otherwise stated)

10. REVENUE FROM CONTRACTS WITH CUSTOMERS

10.1 DISAGGREGATED REVENUE INFORMATION

	For the three-month period ended 31 March	
	2020 (Unaudited)	2019 (Unaudited)
Segments		
Type of goods or service		
Sale of goods	129,962	183,288
Construction contracts	32,082	49,745
Total revenue from contracts with customers	162,044	233,033
Type of customer		
Government and quasi-government customers	13,465	30,343
Corporate customers	148,579	202,690
Total revenue from contracts with customers	162,044	233,033
Geographical markets		
Central region	23,351	19,839
Western region	32,302	10,243
Eastern region	67,490	67,565
European region	3,848	6,758
Exports and other foreign subsidiaries	35,053	128,628
Total revenue from contracts with customers	162,044	233,033

11. CONTINGENCIES AND COMMITMENTS:

11.1 The Group is contingently liable for bank guarantees issued in favor of subsidiaries in the normal course of the business amounting to SR 102,981 at 31 March 2020. The Company, collectively with other shareholders of associated companies, is also contingently liable for corporate guarantees amounting to SR 172,418 at 31 March 20120 in relation to the borrowing facilities of related associated companies.

11.2 The capital expenditure contracted by the Group but not yet incurred till 31 March 2020 was approximately SR 2,500.

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

11.4 As at March 31, 2020, the Group is involved in certain law-suits for an amount of SR 12,269 by a number of vendors and customers against the Group. The Group management believes that no material loss will arise upon the ultimate resolution of these matters and accordingly, no provision has been recorded in the accompanying interim condensed consolidated financial statements.

THE SAUDI ARABIAN AMIANTIT COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2020
(Expressed in '000 Saudi Riyals unless otherwise stated)

12. LIQUIDITY RISK

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value.

The calculation of net debt was as follows:

	<u>31 March</u> 2020 (Unaudited)	<u>31 December</u> 2019 (Audited)
Cash and cash equivalents	109,145	89,819
Borrowings	1,220,334	1,206,260
Lease liabilities	7,524	7,683
Net debt	<u>1,118,713</u>	<u>1,124,124</u>

At the statement of financial position date, gearing ratio analysis by the management was as follows:

	<u>31 March</u> 2020 (Unaudited)	<u>31 December</u> 2019 (Audited)
Equity	236,134	362,207
Liabilities	2,068,933	2,056,610
Total Capital Structure	<u>2,305,067</u>	<u>2,418,817</u>
Net debt to equity ratio	474%	310%
Gearing ratio	89.76%	85.03%
Current ratio	68.28%	74.67%

13. CAPITAL AND FINANCIAL RISK MANAGEMENT

The Group's capital and financial risk management strategies were not significantly changed since last year end. All financial assets and financial liabilities were classified and measured at amortized cost.

THE SAUDI ARABIAN AMIANTIT COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2020
(Expressed in '000 Saudi Riyals unless otherwise stated)

14. PROVISION FOR ZAKAT AND INCOME TAX

	<u>31 March</u> 2020 <u>(Unaudited)</u>	<u>31 December</u> 2019 <u>(Audited)</u>
At the beginning of the period / year	145,976	128,928
Charge for the period / year	7,211	22,158
Payments during the period / year	<u>(425)</u>	<u>(5,110)</u>
At the end of the period / year	<u><u>152,762</u></u>	<u><u>145,976</u></u>

Status of zakat assessment and certificate:

The company and its Saudi Arabian subsidiaries file their zakat return on a consolidated basis. The company and its Saudi Arabian subsidiaries have received final or restricted zakat and income tax certificates for the years up to 2019. The company has received final assessments from General Authority of Zakat and Tax ('GAZT') up to 2009. The assessments for the years from 2010 to 2018 are yet to be raised by GAZT.

15. GOING CONCERN

These condensed consolidated financial statements have been prepared on going concern basis, which assumes the Group will be able to meet its obligations unforeseeable future.

The group has incurred a net loss of SR 135,453 during the three months period ended March 31, 2020 (March 31, 2019 SR 41,333) and its current liabilities exceed current assets by SR 590,089 (December 31, 2019 SR 467,903) as at March 31, 2020. In addition the group is in breach of certain financial covenants related to bank facilities as disclosed in note 9.2. Furthermore the Group has capital expenditure commitments amounting to SR 2,500 and is contingently liable for bank guarantees amounting to SR 102,981 and collectively with shareholders of associates for bank guarantees provided for borrowing facilities amounting to SR 172,418 (see note 11).

The management acknowledges that material uncertainty exists related to aforementioned conditions that, individually or collectively, may cast significant doubt on the Group's ability to continue as going concern. The Group management has performed an assessment of its ability to continue as going concern based on which it has concluded that Group has adequate resources to continue in operational existence for the foreseeable future. In performing the assessment the management has considered following significant assumptions:

- a. The breach of financial covenants stated in note 9.2 would not have impact on the availability and maturity of Groups credit facilities;
- b. The Group does not expect call of guarantees in respect of the borrowing facilities of subsidiaries. The Group management has relied on the fact that no default of scheduled payments to lender has been made;
- c. The Group does not expect to incur all capital expenditure commitments in next twelve months.
- d. Group expects rescheduling of its current bank borrowings before the year end.

THE SAUDI ARABIAN AMIANTIT COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2020
(Expressed in '000 Saudi Riyals unless otherwise stated)

16. SIGNIFICANT EVENTS DURING THE PERIOD

Impact of Covid-19 on Group Operations:

The existence of novel coronavirus (Covid-19) was confirmed in early 2020 and declared as Public Health Emergency of International Concern on January 30, 2020 by World Health Organization. Covid-19 has spread across multiple geographic regions around the world, causing disruptions to businesses and economic activity. In response to the spread of the Covid-19 in GCC and other territories where Group operates and its resulting disruptions to the social and economic activities in those markets, SAAC's management has proactively assessed its impacts on its operations and has taken a series of preventive measures, including the creation of on-going crisis management teams and processes, to ensure the health and safety of its employees, customers and wider community to ensure the continuity of supply of its products throughout its markets. Notwithstanding these challenges, SAAC's business operations currently remain largely unaffected as the capital goods and other industries in which the Group operates in general are exempted from various bans and constraints imposed by various regulatory authorities including exemption from curfew hours and cargo shipping. Based on these factors, Covid-19 pandemic has had no material effects on SAAC's reported financial results for the period ended March 31, 2020.

SAAC has evaluated potential impacts of the current economic uncertainties and volatility on the carrying values of the Group's assets and liabilities. However, detailed annual impairment testing of non-financial assets is not due until Quarter 2 of 2020, management has therefore relied on high level impact analysis of expected non financial assets impairment. Accordingly, management believes that the reported carrying values of assets and liabilities represent their best assessment based on observable information on the period end date. Markets however remain volatile and the recorded amounts remain sensitive to market fluctuations.

Sale of investments:

During the period, two of the investment companies (Amiantit Fiber Glass Egypt S.A.E and Ameron Egypt S.A.E) have been sold by the group. Carrying values of the investments in those companies were Nil, however the group has managed to earn sale proceeds of SR 7,500.

THE SAUDI ARABIAN AMIANTIT COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2020
 (Expressed in '000 Saudi Riyals unless otherwise stated)

17. REARRANGEMENTS, COMPARATIVE FIGURES AND CORRECTION OF PRIOR PERIOD ERRORS:

Corresponding figures have been re-arranged and re-classified where necessary to represent more appropriate presentation of transactions and events for the purpose of comparison. Significant re-arrangements and re-classifications are as follows:

		March 31, 2019		
From		To	Reason	Saudi Riyals '000'
Statement of comprehensive income				
Selling- general and administrative expenses		Net impairment (loss) / gain on financial assets	Better presentation	(275)
Other expenses, net		Net impairment (loss) / gain on financial assets	Better presentation	4,116
January 01, 2019				
From		To	Reason	Saudi Riyals '000'
Other non-current liabilities		Other non current assets	Better presentation	745
December 31, 2019				
From		To	Reason	Saudi Riyals '000'
Other non-current liabilities		Other non current assets	Better presentation	541

17.1 Omissions and misstatements to the previously published financial statements as at December 31, 2018 were discovered after the results of comparative period i.e. Jan-March 31, 2019 had been authorized. These omissions and misstatements were retrospectively adjusted by restating comparative financial information in the financial statements for year ended December 31, 2019. The net impact of restatement on total equity was 13,372. These events leading to the restatement were described in note 39 of the financial statements for the year ended December 31, 2019. The prior period adjustment to the comparative information contained in statement of changes of equity represents the restatement of opening equity as at January 1, 2019 recognized at year ended December 31, 2019 as result of above events.

THE SAUDI ARABIAN AMIANTIT COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2020
(Expressed in '000 Saudi Riyals unless otherwise stated)

17. REARRANGEMENTS, COMPARATIVE FIGURES AND CORRECTION OF PRIOR PERIOD ERRORS (continued):

17.2 During the current period, errors in previously recorded liabilities amounting to SR 14,075 were identified which did not represent any present obligation of the Group and management does not expect any future outflow of the resources in respect of those erroneously recorded liabilities. Hence, the identified error has been corrected in these interim condensed consolidated financial statements and opening equity balance of 2019 has been restated accordingly. The effect of the restatement is summarized as below:

	January 01, 2019
	<u>Saudi Riyals '000'</u>
Decrease in non current liabilities	(14,075)
Increase in equity	14,075

18. BOARD OF DIRECTORS APPROVAL:

These interim condensed financial statements were approved by the Board of Directors of the Group on May 29, 2020.