



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

**UNAUDITED INTERIM CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS AND REVIEW REPORT**

**FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2021**

**THE SAUDI ARABIAN AMIANTIT COMPANY**

(A Saudi Arabian Joint Stock Company)

**UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND REVIEW REPORT  
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2021**

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**INDEPENDENT AUDITOR'S REVIEW REPORT**

To the shareholders

**The Saudi Arabian Amiantit Company**

(A Saudi Arabian Joint Stock Company)

**Introduction**

We have reviewed the accompanying interim condensed consolidated statement of financial position of The Saudi Arabian Amiantit Company (the "Company") and its subsidiaries (collectively referred to as the "Group") as at September 30, 2021, and the related interim condensed consolidated statements of profit or loss and comprehensive income for the three-month and nine-month periods then ended, and the interim condensed consolidated statements of changes in equity and cash flows for the nine-month period ended September 30, 2021, and notes, comprising significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34 'Interim Financial Reporting' ("IAS 34") as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

**Scope of Review**

We conducted our review in accordance with the International Standard on Review Engagements 2410 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' as endorsed in the Kingdom of Saudi Arabia. A review of interim financial 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, as endorsed in the Kingdom of Saudi Arabia, and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements do not present fairly, in all material respects, the financial position of the Group as at September 30, 2021, its financial performance for the three-month and nine-month periods then ended, and its cash flows for the nine-month period ended September 30, 2021 in accordance with IAS 34 as endorsed in the Kingdom of Saudi Arabia.

**Material Uncertainty Related to Going Concern**

We draw attention to note 4 to the accompanying interim condensed consolidated financial statements, which indicates that as at September 30, 2021,

- The Group had accumulated losses of SR 221.1 million (December 31, 2020: SR 205.5 million) which is more than 50% of the share capital of the Company. Due to this event, Article 150(2) of the Companies Law requires the Board of Directors to call for an extraordinary general assembly to be convened in order to discuss whether to maintain or dissolve the Company within the set duration mentioned in Article 150. However, based on Royal Decree (15016) dated Rabi'I 16, 1442H (corresponding to November 2, 2020), provisions of Article 150(2) have been suspended until the end of Sha'ban 1, 1443H (corresponding to March 4, 2022).
- The Group had current liabilities exceed current assets by SR 665.7 million (December 31, 2020: SR 582.5 million). Also, as at that date, the Group is in breach of certain financial covenants stated in credit facility agreements which are subject to annual review by lenders. The Group's ability to continue as a going concern depends to a large extent on the success of Group's management in raising the Company's capital and rescheduling its bank borrowings.

Our conclusion is not modified in respect of these matters.

AlKharashi & Co.



**Suleiman A. AL-Kharashi**

License No. 91

Riyadh

November 4, 2021

Rabi' I 29, 1443H



**THE SAUDI ARABIAN AMIANTIT COMPANY**

(A Saudi Arabian Joint Stock Company)

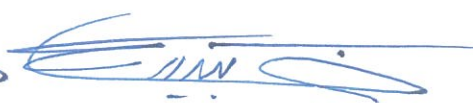
**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

**AS AT SEPTEMBER 30, 2021**

|   | <i>Note</i> | <i>September 30,<br/>2021</i> | <i>December 31,<br/>2020</i> |
|---|-------------|-------------------------------|------------------------------|
|   |             | <i>SR '000</i>                | <i>SR '000</i>               |
|   |             | <i>(Unaudited)</i>            | <i>(Audited)</i>             |
| <b>ASSETS</b>   |             |                               |                              |
| <b>Current assets</b>   |             |                               |                              |
| Cash and cash equivalents                                     |             | 97,128                        | 53,255                       |
| Trade receivables   | 8           | 256,640                       | 343,852                      |
| Contract assets   | 8           | 377,940                       | 372,358                      |
| Prepayments and other receivables                             |             | 88,152                        | 202,731                      |
| Inventories   | 13          | 258,881                       | 271,551                      |
|   |             | <u>1,078,741</u>              | <u>1,243,747</u>             |
| <b>Non-current assets</b>                                     |             |                               |                              |
| Non-current receivables                                       | 8           | 328,934                       | 345,371                      |
| Equity accounted investments                                  | 9           | 418,173                       | 429,692                      |
| Property, plant and equipment                                 | 10          | 194,923                       | 217,319                      |
| Other non-current assets                                      |             | 16,392                        | 16,779                       |
|   |             | <u>958,422</u>                | <u>1,009,161</u>             |
| <b>TOTAL ASSETS</b>   |             | <u>2,037,163</u>              | <u>2,252,908</u>             |
| <b>LIABILITIES AND EQUITY</b>                                 |             |                               |                              |
| <b>Current liabilities</b>                                    |             |                               |                              |
| Short-term borrowings   | 11          | 1,116,029                     | 1,142,730                    |
| Accounts payable  |             | 261,070                       | 325,047                      |
| Accrued expenses and other liabilities                        |             | 83,423                        | 87,296                       |
| Contract liabilities  | 12          | 76,184                        | 81,901                       |
| Current maturity of lease liabilities                         |             | 130                           | 1,039                        |
| Zakat and foreign taxes payable                               |             | 207,652                       | 188,195                      |
|   |             | <u>1,744,488</u>              | <u>1,826,208</u>             |
| <b>Non-current liabilities</b>                                |             |                               |                              |
| Employees' termination benefits                               |             | 65,600                        | 66,558                       |
| Warranty provision  |             | 5,331                         | 8,896                        |
| Provisions for onerous contracts                              |             | 205,180                       | 175,145                      |
| Lease liabilities   |             | 6,946                         | 7,343                        |
| Other non-current liabilities                                 |             | 2,282                         | -                            |
|   |             | <u>285,339</u>                | <u>257,942</u>               |
| <b>Total liabilities</b>                                      |             | <u>2,029,827</u>              | <u>2,084,150</u>             |
| <b>Equity</b>   |             |                               |                              |
| Share capital   | 15          | 320,000                       | 320,000                      |
| Statutory reserve   | 16          | -                             | 132,176                      |
| Accumulated losses  |             | (221,146)                     | (205,499)                    |
| Employee share ownership plan and reserve                     |             | (2,282)                       | (7,146)                      |
| Foreign currency translation reserve                          |             | (109,422)                     | (90,952)                     |
| <b>Equity attributable to the shareholders of the Company</b> |             | <u>(12,850)</u>               | <u>148,579</u>               |
| Non-controlling interests                                     |             | 20,186                        | 20,179                       |
| <b>Total equity</b>   |             | <u>7,336</u>                  | <u>168,758</u>               |
| <b>TOTAL LIABILITIES AND EQUITY</b>                           |             | <u>2,037,163</u>              | <u>2,252,908</u>             |



Dr. Mohammed Saud Al-Bader  
Board Authorised Representative



Dr. Khaleel bin Adulfattah Kordi  
Chief Executive Officer



Feras Ghassab Al Harbi  
Group Chief Financial Officer

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

**THE SAUDI ARABIAN AMIANTIT COMPANY**

(A Saudi Arabian Joint Stock Company)

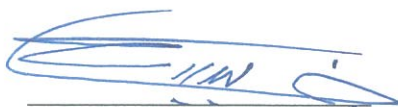
**INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS**

**FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2021**

|  | Note  | For the three-month period<br>ended September 30, |                 | For the nine-month period<br>ended September 30, |                  |
|--|-------|---|-----------------|--|------------------|
|  |       | 2021<br>SR '000                                   | 2020<br>SR '000 | 2021<br>SR '000                                  | 2020<br>SR '000  |
| <i>(Unaudited)</i>   |       |   |                 |  |                  |
| <b>Continuing operations:</b>  |       |   |                 |  |                  |
| Revenue from contracts with customers  | 12    | 96,110  | 115,969         | 321,768  | 361,197          |
| Cost of revenue  |       | (129,738)   | (122,205)       | (398,553)  | (388,259)        |
| <b>Gross loss</b>  |       | <b>(33,628)</b>                                   | <b>(6,236)</b>  | <b>(76,785)</b>                                  | <b>(27,062)</b>  |
| Net impairment loss on financial assets  |       | (14,629)  | (12,967)        | (16,002)   | (77,941)         |
| Selling, general and administrative expenses   |       | (21,158)  | (20,730)        | (74,355)   | (65,925)         |
| <b>Operating loss</b>  |       | <b>(69,415)</b>                                   | <b>(39,933)</b> | <b>(167,142)</b>                                 | <b>(170,928)</b> |
| Other income (expenses), net   |       | (780)   | (4,266)         | 37,793   | (26,556)         |
| Share in results of equity accounted investments   | 9     | 2,941   | 8,119           | 10,578   | 21,634           |
| Finance (costs) income   |       | (8,734)   | (14,075)        | 1,652  | (55,727)         |
| <b>Loss before zakat and foreign income tax</b>  |       | <b>(75,988)</b>                                   | <b>(50,155)</b> | <b>(117,119)</b>                                 | <b>(231,577)</b> |
| Zakat  |       | (10,000)  | (5,000)         | (30,103)   | (17,024)         |
| Foreign income tax   |       | (75)  | (93)            | (565)  | (281)            |
| <b>Loss from continuing operations</b>   |       | <b>(86,063)</b>                                   | <b>(55,248)</b> | <b>(147,787)</b>                                 | <b>(248,882)</b> |
| <b>Discontinued operations:</b>  |       |   |                 |  |                  |
| Loss after zakat from discontinued operations  | 2.1.1 | (1)   | (65)            | (28)   | 804              |
| <b>LOSS FOR THE PERIOD</b>   |       | <b>(86,064)</b>                                   | <b>(55,313)</b> | <b>(147,815)</b>                                 | <b>(248,078)</b> |
| <b>Attributable to:</b>  |       |   |                 |  |                  |
| Shareholders of the Company  |       | (87,347)  | (55,498)        | (147,797)  | (244,088)        |
| Non-controlling interests  |       | 1,283   | 185             | (18)   | (3,990)          |
|  |       | <b>(86,064)</b>                                   | <b>(55,313)</b> | <b>(147,815)</b>                                 | <b>(248,078)</b> |
| <b>Loss per share</b>  |       |   |                 |  |                  |
| Loss per share attributable to the shareholders of the Company:                            |       |   |                 |  |                  |
| Basic (SR) (2020: restated)  |       | (2.74)  | (1.74)          | (4.64)   | (7.67)           |
| Diluted (SR) (2020: restated)  |       | (2.74)  | (1.74)          | (4.64)   | (7.67)           |
| <b>Loss per share from continuing operations</b>   |       |   |                 |  |                  |
| Loss per share from continuing operations attributable to the shareholders of the Company: |       |   |                 |  |                  |
| Basic (SR) (2020: restated)  |       | (2.70)  | (1.74)          | (4.64)   | (7.82)           |
| Diluted (SR) (2020: restated)  |       | (2.70)  | (1.74)          | (4.64)   | (7.82)           |
| <b>Weighted average number of shares outstanding:</b>                                      |       |   |                 |  |                  |
| Basic ('000 shares) (2020: restated)   |       | 31,829  | 31,829          | 31,829   | 31,829           |
| Diluted ('000 shares) (2020: restated)   |       | 31,829  | 31,829          | 31,829   | 31,829           |



Dr. Mohammed Saud Al-Bader  
Board Authorised Representative



Dr. Khaleel bin Adulfattah Kordi  
Chief Executive Officer



Feras Ghassab Al Harbi  
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**THE SAUDI ARABIAN AMIANTIT COMPANY**

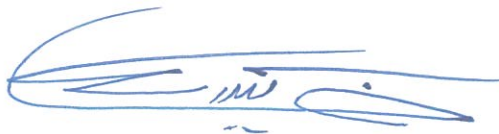
(A Saudi Arabian Joint Stock Company)

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2021**

|  | <i>For the three-month period<br/>ended September 30,</i> |                 | <i>For the nine-month period<br/>ended September 30,</i> |                  |
|--|---|-----------------|--|------------------|
|  | <i>2021</i>   | <i>2020</i>     | <i>2021</i>  | <i>2020</i>      |
|  | <i>SR '000</i>  | <i>SR '000</i>  | <i>SR '000</i>   | <i>SR '000</i>   |
|  | <i>(Unaudited)</i>  |                 |  |                  |
| <b>LOSS FOR THE PERIOD</b>   | <b>(86,064)</b>   | <b>(55,313)</b> | <b>(147,815)</b>   | <b>(248,078)</b> |
| <b>Other comprehensive (loss) income</b>   |   |                 |  |                  |
| <i>Other comprehensive (loss) income to be reclassified to<br/>profit or loss in subsequent periods:</i> |   |                 |  |                  |
| Exchange differences on translation of foreign operations  | (7,735)   | 21,029          | (18,445)   | 41,908           |
| Change in the fair value of interest rate swap   | -   | -               | -  | 30               |
|  | <b>(7,735)</b>  | <b>21,029</b>   | <b>(18,445)</b>  | <b>41,938</b>    |
| <i>Other comprehensive loss not to be reclassified<br/>to profit or loss in subsequent periods:</i>      |   |                 |  |                  |
| Other comprehensive loss from equity accounted<br>investments  | -   | -               | (26)   | -                |
|  | <b>(7,735)</b>  | <b>21,029</b>   | <b>(18,471)</b>  | <b>41,938</b>    |
| <b>OTHER COMPREHENSIVE (LOSS) INCOME</b>   | <b>(7,735)</b>  | <b>21,029</b>   | <b>(18,471)</b>  | <b>41,938</b>    |
| <b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</b>   | <b>(93,799)</b>   | <b>(34,284)</b> | <b>(166,286)</b>   | <b>(206,140)</b> |
| <b>Attributable to:</b>  |   |                 |  |                  |
| Shareholders of the Company  | (95,034)  | (35,463)        | (166,293)  | (204,287)        |
| Non-controlling interests  | 1,235   | 1,179           | 7  | (1,853)          |
|  | <b>(93,799)</b>   | <b>(34,284)</b> | <b>(166,286)</b>   | <b>(206,140)</b> |



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**THE SAUDI ARABIAN AMIANTIT COMPANY**

(A Saudi Arabian Joint Stock Company)

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2021**

*Attributable to the shareholders of the Company*

|   | 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 interests | Total equity |
|---|----------------|----------------|-------------------|--------------------|---|------------------|--|--------------------------------------|----------------|---------------------------|--------------|
|   | SR '000        | SR '000        |                   |                    | SR '000                                   | SR '000          |  |                                      |                |                           |              |
| <b>2021:</b>  |                |                |                   |                    |   |                  |  |                                      |                |                           |              |
| As January 1, 2021 (audited)                        | 320,000        | 132,176        | (205,499)         | (7,146)            | -   | (90,952)         | 148,579                                    | 20,179                               | 168,758        |                           |              |
| Loss for the period                                 | -              | -              | (147,797)         | -                  | -   | -                | (147,797)                                  | (18)                                 | (147,815)      |                           |              |
| Other comprehensive loss                            | -              | -              | (26)              | -                  | -   | (18,470)         | (18,496)                                   | 25                                   | (18,471)       |                           |              |
| Total comprehensive loss                            | -              | -              | (147,823)         | -                  | -   | (18,470)         | (166,293)                                  | 7                                    | (166,286)      |                           |              |
| Employee share ownership plan and reserve movement  | -              | -              | -                 | 4,864              | -   | -                | 4,864                                      | -                                    | 4,864          |                           | 4,864        |
| Transfer from statutory reserve (note 16)           | -              | (132,176)      | 132,176           | -                  | -   | -                | -  | -                                    | -              |                           | -            |
| <b>BALANCE AS AT SEPTEMBER 30, 2021 (unaudited)</b> | <b>320,000</b> | <b>-</b>       | <b>(221,146)</b>  | <b>(2,282)</b>     | <b>-</b>                                  | <b>(109,422)</b> | <b>(12,850)</b>                            | <b>20,186</b>                        | <b>7,336</b>   |                           |              |
| <b>2020:</b>  |                |                |                   |                    |   |                  |  |                                      |                |                           |              |
| As January 1, 2020 (audited)                        | 344,517        | 189,472        | (18,294)          | (31,914)           | (30)                                      | (146,483)        | 337,268                                    | 24,939                               | 362,207        |                           |              |
| Loss for the period                                 | -              | -              | (244,088)         | -                  | -   | -                | (244,088)                                  | (3,990)                              | (248,078)      |                           |              |
| Settlement of interest rate swap                    | -              | -              | -                 | -                  | 30  | -                | 30   | -                                    | 30             |                           |              |
| Other comprehensive income                          | -              | -              | -                 | -                  | -   | 39,771           | 39,771                                     | 2,137                                | 41,908         |                           |              |
| Total comprehensive income (loss)                   | -              | -              | (244,088)         | -                  | 30  | 39,771           | (204,287)                                  | (1,853)                              | (206,140)      |                           |              |
| Absorption of losses                                | -              | (57,296)       | 57,296            | -                  | -   | -                | -  | -                                    | -              |                           | -            |
| <b>BALANCE AS AT SEPTEMBER 30, 2020 (unaudited)</b> | <b>344,517</b> | <b>132,176</b> | <b>(205,086)</b>  | <b>(31,914)</b>    | <b>-</b>                                  | <b>(106,712)</b> | <b>132,981</b>                             | <b>23,086</b>                        | <b>156,067</b> |                           |              |



Dr. Mohammed Saud Al-Bader  
Board Authorised Representative



Dr. Khaleel bin Adulfattah Kordi  
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Feras Ghassab Al Harbi  
Group Chief Financial Officer

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**THE SAUDI ARABIAN AMIANTIT COMPANY**  
(A Saudi Arabian Joint Stock Company)  
**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2021**

|  | <i>For the nine-month period ended</i> |                  |
|--|--|------------------|
|  | <i>September 30,</i>                   |                  |
|  | <i>2021</i>                            | <i>2020</i>      |
|  | <i>SR '000</i>                         | <i>SR '000</i>   |
|  | <i>(Unaudited)</i>                     |                  |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                      |  |                  |
| Loss for the period  | (147,815)                              | (248,078)        |
| <i>Adjustments for non-cash items:</i>                           |  |                  |
| Depreciation and amortisation                                    | 23,244                                 | 26,385           |
| Share in results of equity accounted investments                 | (10,578)                               | (21,634)         |
| Zakat and foreign income tax                                     | 30,668                                 | 17,305           |
| Employees' termination benefits, net                             | (958)                                  | 1,426            |
| Warranty provision, net  | 717                                    | 1,194            |
| Gain on sale of investment                                       | (12,412)                               | (7,500)          |
| Foreign currency translation reserve                             | -                                      | 23,190           |
| Property, plant and equipment write off                          | 742                                    | 966              |
| Provision for onerous contract                                   | 40,289                                 | -                |
| Gain on loan rescheduling settlement                             | (20,100)                               | -                |
| Finance costs incurred, net                                      | 1,652                                  | 55,727           |
|  | <b>(94,551)</b>                        | <b>(151,019)</b> |
| <i>Changes in working capital:</i>                               |  |                  |
| Trade receivables (current and non-current) and contract assets  | 79,326                                 | 151,224          |
| Prepayments and other receivables                                | 113,486                                | (246)            |
| Inventories  | 12,558                                 | 59,571           |
| Accounts payable   | (62,429)                               | (25,002)         |
| Accrued expenses, contract liabilities and other liabilities     | (6,107)                                | 7,043            |
|  | <b>42,283</b>                          | <b>41,571</b>    |
| Zakat and foreign income tax paid                                | (11,211)                               | -                |
| Finance costs paid   | (1,652)                                | (55,727)         |
| <b>Net cash flows from (used in) operating activities</b>        | <b>29,420</b>                          | <b>(14,156)</b>  |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                      |  |                  |
| Cash proceeds from sale of investment                            | 12,412                                 | 7,500            |
| Dividends received from equity accounted investments             | 9,238                                  | 7,665            |
| Purchase of property, plant and equipment                        | (1,671)                                | (2,052)          |
| Net change in other non-current assets                           | 8                                      | -                |
| <b>Net cash flows from investing activities</b>                  | <b>19,987</b>                          | <b>13,113</b>    |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                      |  |                  |
| Movement in short-term borrowings                                | (6,439)                                | 9,026            |
| Net movement in long-term borrowings                             | -                                      | (28,156)         |
| Net change in lease obligations                                  | (1,306)                                | 285              |
| Net change in other non-current liabilities                      | 2,927                                  | (76)             |
| <b>Net cash used in financing activities</b>                     | <b>(4,818)</b>                         | <b>(18,921)</b>  |
| <b>Net change in cash and cash equivalents</b>                   | <b>44,589</b>                          | <b>(19,964)</b>  |
| Cash and cash equivalents at the beginning of the period         | 53,255                                 | 89,819           |
| Foreign currency translation effect on cash and cash equivalents | (716)                                  | 1,245            |
| <b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>        | <b>97,128</b>                          | <b>71,100</b>    |

  
Dr. Mohammed Saud Al-Bader  
Board Authorised Representative

  
Dr. Khaleel bin Adulfattah Kordi  
Chief Executive Officer

  
Feras Ghassab Al Harbi  
Chief Financial Officer

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



**THE SAUDI ARABIAN AMIANTIT COMPANY**

(A Saudi Arabian Joint Stock Company)

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2021****1. CORPORATE INFORMATION**

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

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

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

| <i>Subsidiaries incorporated in the Kingdom of Saudi Arabia</i>                     | <i>Principal activity</i> | <i>Ownership percentage as at</i> |                          |
|---|---------------------------|-----------------------------------|--------------------------|
|   |                           | <i>September 30, 2021</i>         | <i>December 31, 2020</i> |
| Amiantit Fiberglass Industries Limited ("AFIL")                                     | A                         | 100%                              | 100%                     |
| Saudi Arabian Ductile Iron Pipe Company Limited ("SADIP")                           | A                         | 100%                              | 100%                     |
| International Infrastructure Management and Operations Company Limited ("AMIWATER") | B                         | 100%                              | 100%                     |
| Infrastructure Engineering Contracting Company ("ISECC")                            | C                         | 100%                              | 100%                     |
| Factory of Amiantit Rubber Industries Company Limited ("ARIL")                      | A                         | 100%                              | 100%                     |
| Factory of Bondstrand Limited ("BSL")   | A                         | 60%                               | 60%                      |
| Saudi Amicon Company Limited  | A                         | 99.93%                            | 99.93%                   |
| <i>Discontinued operation (note 2.1):</i>   |                           |                                   |                          |
| Ameron Saudi Arabia Limited ("ASAL")  | A                         | 100%                              | 100%                     |
| <i>Joint venture incorporated in the Kingdom of Saudi Arabia</i>                    |                           |                                   |                          |
| International Water Distribution Company ("Tawzea")                                 | B,C,D                     | 50%                               | 50%                      |
| <i>Subsidiaries incorporated outside the Kingdom of Saudi Arabia</i>                |                           |                                   |                          |
| PWT Wasser - und Abwassertechnik GmbH ("PWT"), Germany                              | C                         | 100%                              | 100%                     |
| Amitech Astana LLC, Kazakhstan  | A                         | 51%                               | 51%                      |
| <i>Joint venture incorporated outside the Kingdom of Saudi Arabia</i>               |                           |                                   |                          |
| Amiblu Holding GmbH ("Amiblu")  | A                         | 50%                               | 50%                      |

A- Pipe manufacturing

B- Water management

C- Contracting

D-Electrical and mechanical installations

The country of incorporation for these subsidiaries and joint ventures is also their principal place of business.

**2. CHANGES IN THE REPORTING ENTITY****2.1 Discontinued Operations**

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

On September 30, 2021, the operation of the subsidiary was presented as discontinued operation. The business of the discontinued operation represented part of the Group's Saudi Arabian operating segment (geographical segment) until September 30, 2021.

During the year ended December 31, 2020, Saudi Arabia Concrete Products Limited ("SACOP"), a 100% owned subsidiary of the Company in the Kingdom of Saudi Arabia was formally liquidated.

2. CHANGES IN THE REPORTING ENTITY (continued)

2.1.1 The result for the nine-month period ended September 30, are presented below:

|   | <i>ASAL</i>    |                |
|---|----------------|----------------|
|   | <i>2021</i>    | <i>2020</i>    |
|   | <i>SR '000</i> | <i>SR '000</i> |
| Revenue   | -              | -              |
| Expenses  | (28)           | 711            |
| <b>Loss before zakat</b>                            | <b>(28)</b>    | <b>711</b>     |
| Zakat   | -              | -              |
| Loss for the year from discontinued operations      | <b>(28)</b>    | <b>711</b>     |
| <b>Loss per share from discontinued operations:</b> |                |                |
| Basic (SR)  | -              | 0.02           |
| Diluted (SR)  | -              | 0.02           |

The result reported by discontinued operation as recorded in the interim condensed consolidated statement of profit or loss for the nine-month period ended September 30, 2020 included SR 93 thousand related to SACOP.

2.1.2 The major classes of assets and liabilities of the subsidiary as at September 30, were as follows:

|  | <i>ASAL</i>                   |                              |
|--|-------------------------------|------------------------------|
|  | <i>September 30,<br/>2021</i> | <i>December 31,<br/>2020</i> |
|  | <i>SR '000</i>                | <i>SR '000</i>               |
| <b>Assets</b>  |                               |                              |
| Bank balances and cash   | -                             | 297                          |
| Trade receivables (includes receivable<br>from SAAC SR 24.0 million/(2020: SR 23.8 million)) | <b>24,026</b>                 | 23,831                       |
| Prepayments and other receivables  | -                             | 2                            |
|  | <b>24,026</b>                 | <b>24,130</b>                |
| <b>Liabilities</b>   |                               |                              |
| Accounts payable   | <b>1</b>                      | -                            |
| Accrued expenses and other liabilities   | <b>8,998</b>                  | 1,081                        |
| Zakat and income tax payable   | -                             | 7,372                        |
|  | <b>8,999</b>                  | <b>8,453</b>                 |
| <b>Carrying amount of net assets<br/>directly related to the discontinued operation</b>      | <b>15,027</b>                 | <b>15,677</b>                |

2.1.3 The net cash flows incurred by subsidiary for the quarter ended September 30, are as follows:

|                         | <i>ASAL</i>                   |                              |
|-------------------------|-------------------------------|------------------------------|
|                         | <i>September 30,<br/>2021</i> | <i>December 31,<br/>2020</i> |
|                         | <i>SR '000</i>                | <i>SR '000</i>               |
| Operating               | (297)                         | (6)                          |
| Investing               | -                             | -                            |
| Financing               | -                             | -                            |
| <b>Net cash outflow</b> | <b>(297)</b>                  | <b>(6)</b>                   |

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

#### 3.1. BASIS OF PREPARATION

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard IAS 34 '*Interim Financial Reporting*' that is endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization for Chartered and Professional Accountants ("SOCPA") and should be read in conjunction with the Group's last annual consolidated financial statements for the year ended December 31, 2020.

These interim condensed consolidated financial statements do not include all of the information normally required for a complete set of consolidated financial statements; however, accounting policies and selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since September 30, 2021.

#### 3.2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2020.

The disclosures in these interim condensed consolidated financial statements do not include the information reported for full annual consolidated financial statements and should therefore be read in conjunction with the financial statements of the Group for the year ended December 31, 2020. Comparative interim condensed consolidated statement of financial position is extracted from annual financial statements as at December 31, 2020 whereas comparative interim condensed consolidated statement of profit or loss account and other comprehensive income, interim condensed consolidated statement of cash flows and interim condensed consolidated statement of changes in equity are extracted from unaudited interim condensed consolidated financial statements of the Group for the nine-month period ended September 30, 2020.

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

Certain new accounting standards, amendments to standards and interpretations have been published by the IASB that are not mandatory for September 30, 2021 reporting period and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

##### 3.3.1 New and amended IFRS standard adopted by the Group

The Group has applied the following amendments to the standard for their reporting periods commencing on or after January 1, 2021:

###### **Amendment to IFRS 16, 'Leases', Covid 19 - Related rent concessions**

The amendment provides the lessees with option to account for rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as a variable lease payment. The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met:

- (a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- (b) there is no substantive change to other terms and conditions of the lease.

The amendment was intended to apply until 30 June 2021, but as the impact of the Covid-19 pandemic is continuing, the IASB extended the period of application of the practical expedient to 30 June 2022. However, the Group has not received Covid-19-related rent concessions but plans to apply the practical expedient if it becomes applicable within allowed period of application.

**The new standards as noted below are not applicable to the Group**

###### **IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Interest rate benchmark (IBOR) reform – Phase 2**

Phase 1 of these amendments provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that Interbank Offered Rate ("IBOR") reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the statement of profit or loss and other comprehensive income.

**3.3. NEW IFRS STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS (continued)**

The new standards as noted below are not applicable to the Group (continued)

*IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Interest rate benchmark (IBOR) reform – Phase 2 (continued)*

The phase 2 amendments require an entity to:

- account for a change in the basis for determining the contractual cash flows as a result of IBOR reform by updating the effective interest rate without the recognition of an immediate gain or loss; and
- prospectively cease to apply the Phase 1 reliefs to a non- contractually specified risk component at the earlier of when changes are made to the non-contractually specified risk component, or when the hedging relationship is discontinued.

**4. GOING CONCERN BASIS OF ACCOUNTING**

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

As at September 30, 2021, the Group had accumulated losses of SR 221.1 million (December 31, 2020: SR 205.5 million) which is more than 50% of the share capital of the Company and had current liabilities exceeding current assets by SR 665.7 million (December 31, 2020: SR 582.5 million). Also, as at that date, the Group is in breach of certain financial covenants stated in credit facility agreements which are subject to annual review by lenders.

During the year 2020, the Company's Board of Directors increased the share capital by SR 120 million through issuance of a priority rights shares. Management has also hired a third party advisor to work on loan restructuring plan and certain terms were signed with the commercial banks and certain loans were restructured and repaid in full that resulted in a gain of SR 20.1 million during the nine-month period ended September 30, 2021 (2020: 12.5 million) (note 11).

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

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

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

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

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

**THE SAUDI ARABIAN AMIANTIT COMPANY**

(A Saudi Arabian Joint Stock Company)

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)  
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2021**

**6. SEGMENT INFORMATION**

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

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

Selected financial information as at September 30, 2021 and December 31, 2020 and for the nine-month periods ended September 30, 2021 and 2020, summarized by the above business segments, are as follows:

|  | <i>Pipe manufacturing<br/>and technology</i> | <i>Water<br/>management</i> | <i>Eliminations</i> | <i>Total</i>   |
|--|--|-----------------------------|---------------------|----------------|
|  | <i>SR '000</i>                               | <i>SR '000</i>              | <i>SR '000</i>      | <i>SR '000</i> |
| <b>As at and for the nine-month period ended September 30, 2021:</b> |  |                             |                     |                |
| Sales to external customers  | 276,236                                      | 45,532                      | -                   | 321,768        |
| Inter-segment  | 31,807                                       | 45                          | (31,852)            | -              |
| Total revenue  | 308,043                                      | 45,577                      | (31,852)            | 321,768        |
| Share in results of equity accounted investments                     | 2,192  | 8,386                       | -                   | 10,578         |
| Finance costs  | 5,390  | (3,738)                     | -                   | 1,652          |
| Depreciation, amortisation and impairment                            | (22,549)                                     | (695)                       | -                   | (23,244)       |
| Zakat and foreign income taxes                                       | (30,107)                                     | (561)                       | -                   | (30,668)       |
| Net loss   | (89,767)                                     | (58,048)                    | -                   | (147,815)      |
| Capital expenditure  | (1,518)                                      | (153)                       | -                   | (1,671)        |
| Equity accounted investments   | 327,141                                      | 91,032                      | -                   | 418,173        |
| Total assets   | 1,078,641                                    | 958,522                     | -                   | 2,037,163      |
| Total liabilities  | (1,006,020)                                  | (1,023,807)                 | -                   | (2,029,827)    |
|  |  |                             |                     |                |
| <b>As at and for the nine-month period ended September 30, 2020:</b> |  |                             |                     |                |
| Sales to external customers  | 323,334                                      | 37,863                      | -                   | 361,197        |
| Inter-segment  | 15,851                                       | 554                         | (16,405)            | -              |
| Total revenue  | 339,185                                      | 38,417                      | (16,405)            | 361,197        |
| Share in results of equity accounted investments                     | 15,862                                       | 5,772                       | -                   | 21,634         |
| Finance costs  | (53,263)                                     | (2,464)                     | -                   | (55,727)       |
| Depreciation and amortization  | (25,532)                                     | (853)                       | -                   | (26,385)       |
| Zakat and foreign income taxes                                       | (17,053)                                     | (252)                       | -                   | (17,305)       |
| Net loss   | (217,234)                                    | (30,844)                    | -                   | (248,078)      |
| Capital expenditures   | (1,911)                                      | (141)                       | -                   | (2,052)        |
| <b>As at December 31, 2020:</b>                                      |  |                             |                     |                |
| Equity accounted investments   | 347,157                                      | 82,535                      | -                   | 429,692        |
| Total assets   | 1,416,658                                    | 836,250                     | -                   | 2,252,908      |
| Total liabilities  | (1,116,098)                                  | (968,052)                   | -                   | (2,084,150)    |

**THE SAUDI ARABIAN AMIANTIT COMPANY**  
(A Saudi Arabian Joint Stock Company)  
**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
**FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2021**

**6. SEGMENT INFORMATION (continued)**

The Group's operations are conducted in Saudi Arabia, Europe and other geographical areas. Selected financial information as at September 30, 2021 and December 31, 2020 and for the nine-month periods ended September 30, 2021 and 2020, summarized by geographic area, are as follows:

|  | <i>Saudi Arabia</i> | <i>Europe</i>  | <i>Other Countries</i> |                | <i>Eliminations</i> | <i>Total</i>   |
|--|---------------------|----------------|------------------------|----------------|---------------------|----------------|
|  | <i>SR '000</i>      | <i>SR '000</i> | <i>SR '000</i>         | <i>SR '000</i> | <i>SR '000</i>      | <i>SR '000</i> |
| <b>As at and for the nine-month period ended September 30, 2021:</b> |                     |                |                        |                |                     |                |
| Revenue from contracts with customers                                | 300,010             | 45,577         | 8,033                  |                | (31,852)            | 321,768        |
| Non-current assets:  |                     |                |                        |                |                     |                |
| - Property, plant and equipment                                      | 181,093             | 3,092          | 10,738                 |                | -                   | 194,923        |
| - Other non-current assets   | 441,829             | 272,838        | 48,832                 |                |                     | 763,499        |
| <b>As at and for the nine-month period ended September 30, 2020:</b> |                     |                |                        |                |                     |                |
| Revenue from contracts with customers                                | 326,667             | 38,417         | 12,518                 |                | (16,405)            | 361,197        |
| <b>As at December 31, 2020:</b>                                      |                     |                |                        |                |                     |                |
| Non-current assets:  |                     |                |                        |                |                     |                |
| - Property, plant and equipment                                      | 202,017             | 3,870          | 11,432                 |                | -                   | 217,319        |
| - Other non-current assets   | 450,122             | 288,708        | 53,012                 |                | -                   | 791,842        |

**THE SAUDI ARABIAN AMIANTIT COMPANY**  
(A Saudi Arabian Joint Stock Company)  
**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
**FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2021**

**7. FINANCIAL INSTRUMENTS**

**Fair value measurements of financial instruments**

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.

|   | September 30, 2021    |                           |                  |                    | December 31, 2020  |                    |                  |                  |
|---|-----------------------|---------------------------|------------------|--------------------|--------------------|--------------------|------------------|------------------|
|   | Carrying amount       |                           | Fair value       |                    | Carrying amount    |                    | Fair value       |                  |
|   | Fair value<br>SR '000 | Amortised cost<br>SR '000 | Total<br>SR '000 | Level 1<br>SR '000 | Level 2<br>SR '000 | Level 3<br>SR '000 | Total<br>SR '000 | Total<br>SR '000 |
| <b>Financial assets:</b>                    |                       |                           |                  |                    |                    |                    |                  |                  |
| Trade receivables (current and non-current) | -                     | 585,574                   | 585,574          | -                  | -                  | -                  | -                | -                |
| Contract assets                             | -                     | 377,940                   | 377,940          | -                  | -                  | -                  | -                | -                |
| Cash and cash equivalents                   | -                     | 97,128                    | 97,128           | -                  | -                  | -                  | -                | -                |
|   | -                     | <b>1,060,642</b>          | <b>1,060,642</b> | -                  | -                  | -                  | -                | -                |
| <b>Financial liabilities:</b>               |                       |                           |                  |                    |                    |                    |                  |                  |
| Short-term borrowings                       | -                     | 1,116,029                 | 1,116,029        | -                  | -                  | -                  | -                | -                |
| Accounts payable                            | -                     | 261,070                   | 261,070          | -                  | -                  | -                  | -                | -                |
| Accrued expenses and other liabilities      | -                     | 83,423                    | 83,423           | -                  | -                  | -                  | -                | -                |
| Contract liabilities                        | -                     | 76,184                    | 76,184           | -                  | -                  | -                  | -                | -                |
|   | -                     | <b>1,536,706</b>          | <b>1,536,706</b> | -                  | -                  | -                  | -                | -                |
|   |                       |                           |                  |                    |                    |                    |                  |                  |
| <b>Financial assets:</b>                    |                       |                           |                  |                    |                    |                    |                  |                  |
| Trade receivables (current and non-current) | -                     | 689,223                   | 689,223          | -                  | -                  | -                  | -                | -                |
| Contract assets                             | -                     | 372,358                   | 372,358          | -                  | -                  | -                  | -                | -                |
| Cash and cash equivalents                   | -                     | 53,255                    | 53,255           | -                  | -                  | -                  | -                | -                |
|   | -                     | <b>1,114,836</b>          | <b>1,114,836</b> | -                  | -                  | -                  | -                | -                |
| <b>Financial liabilities:</b>               |                       |                           |                  |                    |                    |                    |                  |                  |
| Short-term borrowings                       | -                     | 1,142,730                 | 1,142,730        | -                  | -                  | -                  | -                | -                |
| Accounts payable                            | -                     | 325,047                   | 325,047          | -                  | -                  | -                  | -                | -                |
| Accrued expenses and other liabilities      | -                     | 87,296                    | 87,296           | -                  | -                  | -                  | -                | -                |
| Contract liabilities                        | -                     | 81,901                    | 81,901           | -                  | -                  | -                  | -                | -                |
|   | -                     | <b>1,636,974</b>          | <b>1,636,974</b> | -                  | -                  | -                  | -                | -                |

**THE SAUDI ARABIAN AMIANTIT COMPANY**

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

**FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2021**

**8. RECEIVABLES AND CONTRACT ASSETS**

**8.1. Trade receivables**

|   | <i>September 30,</i><br><i>2021</i> | <i>December 31,</i><br><i>2020</i> |
|---|-------------------------------------|------------------------------------|
|   | <i>SR'000</i>                       | <i>SR'000</i>                      |
| Trade receivables-third parties           | 382,969                             | 482,615                            |
| Less: impairment loss on financial assets | <u>(127,172)</u>                    | <u>(140,412)</u>                   |
|   | <u>255,797</u>                      | <u>342,203</u>                     |
| Trade receivables-related parties         | 12,014                              | 11,717                             |
| Less: impairment loss on financial assets | <u>(11,171)</u>                     | <u>(10,068)</u>                    |
|   | <u>843</u>                          | <u>1,649</u>                       |
|   | <u><u>256,640</u></u>               | <u><u>343,852</u></u>              |

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

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

|                                  | <i>Not past due</i> | <i>Days past due</i> |                     |                     |                      | <i>Total</i>   |
|----------------------------------|---------------------|----------------------|---------------------|---------------------|----------------------|----------------|
|                                  |                     | <i>&lt; 180 days</i> | <i>181-365 days</i> | <i>366-730 days</i> | <i>&gt; 730 days</i> |                |
|                                  | <i>SR'000</i>       | <i>SR'000</i>        | <i>SR'000</i>       | <i>SR'000</i>       | <i>SR'000</i>        | <i>SR'000</i>  |
| <b>September 30, 2021:</b>       |                     |                      |                     |                     |                      |                |
| Gross carrying amount at default | 30,736              | 67,189               | 25,549              | 158,540             | 100,955              | 382,969        |
| Expected credit loss             | (460)               | (5,639)              | (7,451)             | (30,513)            | (83,109)             | (127,172)      |
| Net trade receivables            | <u>30,276</u>       | <u>61,550</u>        | <u>18,098</u>       | <u>128,027</u>      | <u>17,846</u>        | <u>255,797</u> |
| <b>December 31, 2020:</b>        |                     |                      |                     |                     |                      |                |
| Gross carrying amount at default | 49,031              | 126,689              | 40,258              | 180,612             | 86,025               | 482,615        |
| Expected credit loss             | (1,774)             | (11,260)             | (11,724)            | (43,220)            | (72,434)             | (140,412)      |
| Net trade receivables            | <u>47,257</u>       | <u>115,429</u>       | <u>28,534</u>       | <u>137,392</u>      | <u>13,591</u>        | <u>342,203</u> |

**8.2. Contract assets**

|  | <i>September 30,</i><br><i>2021</i> | <i>December 31,</i><br><i>2020</i> |
|--|-------------------------------------|------------------------------------|
|  | <i>SR'000</i>                       | <i>SR'000</i>                      |
| Contract assets (note 12.2.a)            | 389,071                             | 384,718                            |
| Less: impairment loss on contract assets | <u>(11,131)</u>                     | <u>(12,360)</u>                    |
|  | <u>377,940</u>                      | <u>372,358</u>                     |

**8.3. Non-current receivables**

The balance under non-current receivables comprises the following:

|   | <i>September 30,</i><br><i>2021</i> | <i>December 31,</i><br><i>2020</i> |
|---|-------------------------------------|------------------------------------|
|   | <i>SR'000</i>                       | <i>SR'000</i>                      |
| Trade receivables under legal collection  | 442,468                             | 477,079                            |
| Less: impairment loss on financial assets | <u>(180,082)</u>                    | <u>(186,814)</u>                   |
|   | <u>262,386</u>                      | <u>290,265</u>                     |
| Retentions receivable                     | 74,825                              | 62,740                             |
| Less: discount on retentions receivable   | <u>(8,277)</u>                      | <u>(7,634)</u>                     |
|   | <u>66,548</u>                       | <u>55,106</u>                      |
|   | <u><u>328,934</u></u>               | <u><u>345,371</u></u>              |



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**9. EQUITY ACCOUNTED INVESTMENTS**

The equity accounted investments comprise the following:

|   | <i>September 30,<br/>2021</i> | <i>December 31,<br/>2020</i> |
|---|-------------------------------|------------------------------|
|   | <i>SR'000</i>                 | <i>SR'000</i>                |
| <b>Interests in joint ventures</b>                  |                               |                              |
| Amiblu Holding GmbH ("Amiblu")                      | 264,556                       | 279,499                      |
| International Water Distribution Company ("Tawzea") | 90,908                        | 82,549                       |
| <b>Total interests in joint ventures</b>            | <b>355,464</b>                | <b>362,048</b>               |
| <b>Investments in associates:</b>                   |                               |                              |
| Amiantit Qatar Pipe Company Limited ("AQAP")        | 48,295                        | 52,450                       |
| Other associates                                    | 14,414                        | 15,194                       |
| <b>Total investment in associates</b>               | <b>62,709</b>                 | <b>67,644</b>                |
| <b>Total equity accounted investments</b>           | <b>418,173</b>                | <b>429,692</b>               |

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

|                                     | <i>For the nine-<br/>month period<br/>ended<br/>September 30,<br/>2021</i> | <i>For the year<br/>ended<br/>December 31,<br/>2020</i> |
|-------------------------------------|--|---|
|                                     | <i>SR'000</i>  | <i>SR'000</i>   |
| <b>Interests in joint ventures</b>  |  |   |
| At the beginning of the period/year | 362,048  | 339,416   |
| Share in results                    | 6,189  | 10,263  |
| Additions                           | -  | 7,615   |
| Impairment                          | -  | (9,909)   |
| Dividends                           | -  | (4,000)   |
| Currency translation adjustments    | (12,747)   | 19,393  |
| Share of other comprehensive income | (26)   | (730)   |
| At the end of the period/year       | <b>355,464</b>   | <b>362,048</b>  |

The movement in the investment in associates is as follows:

|                                     | <i>For the nine-<br/>month period<br/>ended<br/>September 30,<br/>2021</i> | <i>For the year<br/>ended<br/>December 31,<br/>2020</i> |
|-------------------------------------|--|---|
|                                     | <i>SR'000</i>  | <i>SR'000</i>   |
| <b>Investments in associates</b>    |  |   |
| At the beginning of the period/year | 67,644   | 68,029  |
| Revenue                             | -  | (7,401)   |
| Share in results                    | 4,389  | 14,545  |
| Dividends                           | (9,238)  | (7,665)   |
| Currency translation adjustments    | (86)   | 138   |
| Share of other comprehensive income | -  | (2)   |
| At the end of the period/year       | <b>62,709</b>  | <b>67,644</b>   |

During the quarter ended March 31, 2021, the Company's 100% owned-subsiidiary ("AIH") has sold its full ownership in Amitech Morocco to Joint venture Company to the Group ("Amiblu") and a third party. Distribution of sale was 65% to Amiblu while remaining 35% to a third party for an amount of SR 12.4 million. Since, the investment was fully impaired prior to the sale in the books of AIH, the Group recorded SR 12.4 million in its interim condensed consolidated statement of profit or loss during the nine-month period ended September 30, 2021.

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**10. PROPERTY, PLANT AND EQUIPMENT**

|   | <i>Opening</i>        |                  |                  | <i>Reclassific</i> | <i>Foreign</i>     |                       |
|---|-----------------------|------------------|------------------|--------------------|--------------------|-----------------------|
|   | <i>1 January</i>      | <i>Additions</i> | <i>Disposals</i> | <i>ation</i>       | <i>currency</i>    | <i>Closing</i>        |
|   | <i>SR'000</i>         | <i>SR'000</i>    | <i>SR'000</i>    | <i>SR'000</i>      | <i>translation</i> | <i>SR'000</i>         |
|   |                       |                  |                  |                    | <i>adjustments</i> | <i>SR'000</i>         |
|   |                       |                  |                  |                    | <i>SR'000</i>      |                       |
| <b><u>September 30, 2021</u></b>                |                       |                  |                  |                    |                    |                       |
| <b>Cost:</b>                                    |                       |                  |                  |                    |                    |                       |
| Land  | 213,117               | -                | -                | -                  | -                  | 213,117               |
| Buildings and land improvements                 | 288,014               | 67               | -                | 1,065              | (54)               | 289,092               |
| Plant, machinery and equipment                  | 987,527               | 2,295            | (22,997)         | 1,835              | (489)              | 968,171               |
| Furniture, fixtures and office equipment        | 57,992                | 540              | (1,945)          | -                  | (873)              | 55,714                |
| Construction in progress                        | 12,551                | (1,231)          | -                | (1,121)            | -                  | 10,199                |
|   | <u>1,559,201</u>      | <u>1,671</u>     | <u>(24,942)</u>  | <u>1,779</u>       | <u>(1,416)</u>     | <u>1,536,293</u>      |
| <b>Accumulated depreciation and impairment:</b> |                       |                  |                  |                    |                    |                       |
| Land  | (161,802)             | (2,119)          | -                | -                  | -                  | (163,921)             |
| Buildings and land improvements                 | (238,341)             | (5,465)          | -                | (883)              | 54                 | (244,635)             |
| Plant, machinery and equipment                  | (886,778)             | (13,267)         | 22,994           | (2,296)            | 437                | (878,910)             |
| Furniture, fixtures and office equipment        | (50,355)              | (1,432)          | 1,767            | -                  | 722                | (49,298)              |
| Construction in progress                        | (4,606)               | -                | -                | -                  | -                  | (4,606)               |
|   | <u>(1,341,882)</u>    | <u>(22,283)</u>  | <u>24,761</u>    | <u>(3,179)</u>     | <u>1,213</u>       | <u>(1,341,370)</u>    |
| <b>Net book value</b>                           | <u><u>217,319</u></u> |                  |                  |                    |                    | <u><u>194,923</u></u> |
| <b><u>December 31, 2020</u></b>                 |                       |                  |                  |                    |                    |                       |
| <b>Cost:</b>                                    |                       |                  |                  |                    |                    |                       |
| Land  | 204,656               | -                | -                | 8,461              | -                  | 213,117               |
| Buildings and land improvements                 | 273,486               | -                | (1,007)          | 16,007             | (472)              | 288,014               |
| Plant, machinery and equipment                  | 897,860               | 741              | (65)             | 89,824             | (833)              | 987,527               |
| Furniture, fixtures and office equipment        | 55,470                | 677              | (52)             | 536                | 1,361              | 57,992                |
| Construction in progress                        | 11,417                | 1,136            | -                | -                  | (2)                | 12,551                |
|   | <u>1,442,889</u>      | <u>2,554</u>     | <u>(1,124)</u>   | <u>114,828</u>     | <u>54</u>          | <u>1,559,201</u>      |
| <b>Accumulated depreciation and impairment:</b> |                       |                  |                  |                    |                    |                       |
| Land  | (151,089)             | (2,252)          | -                | (8,461)            | -                  | (161,802)             |
| Buildings and land improvements                 | (216,409)             | (7,380)          | 1,007            | (16,007)           | 448                | (238,341)             |
| Plant, machinery and equipment                  | (777,764)             | (18,816)         | (1,131)          | (89,824)           | 757                | (886,778)             |
| Furniture, fixtures and office equipment        | (46,157)              | (2,530)          | (44)             | (536)              | (1,088)            | (50,355)              |
| Construction in progress                        | (4,606)               | -                | -                | -                  | -                  | (4,606)               |
|   | <u>(1,196,025)</u>    | <u>(30,978)</u>  | <u>(168)</u>     | <u>(114,828)</u>   | <u>117</u>         | <u>(1,341,882)</u>    |
| <b>Net book value</b>                           | <u><u>246,864</u></u> |                  |                  |                    |                    | <u><u>217,319</u></u> |

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**11. BORROWINGS**

**11.1. SHORT-TERM BORROWINGS**

Short-term borrowings comprise the following:

|                                    | <i>September 30,<br/>2021</i> | <i>December 31,<br/>2020</i> |
|------------------------------------|-------------------------------|------------------------------|
|                                    | <i>SR'000</i>                 | <i>SR'000</i>                |
| Short-term bank loans              | 1,106,607                     | 883,207                      |
| Current portion of long-term loans | 9,422                         | 259,523                      |
|                                    | <u>1,116,029</u>              | <u>1,142,730</u>             |

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

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

|                | <i>September 30,<br/>2021</i> | <i>December 31,<br/>2020</i> |
|----------------|-------------------------------|------------------------------|
|                | <i>SR'000</i>                 | <i>SR'000</i>                |
| Saudi Riyals   | 1,101,909                     | 841,112                      |
| US Dollars     | 3,349                         | 37,500                       |
| Other currency | 1,349                         | 4,595                        |
|                | <u>1,106,607</u>              | <u>883,207</u>               |

Long term borrowings comprise the following:

|   | <i>September 30,<br/>2021</i> | <i>December 31,<br/>2020</i> |
|---|-------------------------------|------------------------------|
|   | <i>SR'000</i>                 | <i>SR'000</i>                |
| Commercial bank loans                                   | 9,422                         | 259,523                      |
| Current portion shown under current liabilities         | (9,422)                       | (259,523)                    |
| Non-current portion shown under non-current liabilities | -                             | -                            |

**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 aggregate maturities of the loans outstanding at September 30, 2021, based on their respective repayment schedules, are repayable at dates from 2021 to 2022.

During the nine-month period ended September 30, 2021 and the year ended December 31, 2020, the Group's management rolled over its loans, rescheduling the terms of those loans and taking certain remedial actions e.g. the loan restructuring plan. Certain loans from commercial banks were repaid in full that resulted in a gain of SR 20.1 million during the nine-month period ended September 30, 2021 (2020: SR 12.5 million).

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

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

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**12. REVENUE FROM CONTRACTS WITH CUSTOMERS**

**12.1. DISAGGREGATED REVENUE INFORMATION**

| <u>Segment</u>                                     | <i>For the nine-month period ended</i> |                |
|--|--|----------------|
|  | <i>September 30,</i>                   |                |
|  | <i>2021</i>                            | <i>2020</i>    |
|  | <i>SR '000</i>                         | <i>SR '000</i> |
| <b>Type of goods or service</b>                    |  |                |
| Sale of goods                                      | 247,905                                | 280,583        |
| Construction contracts                             | 73,863                                 | 80,614         |
| <b>Total revenue from contracts with customers</b> | <b>321,768</b>                         | <b>361,197</b> |
| <b>Type of customer</b>                            |  |                |
| Government and quasi-government customers          | 38,622                                 | 40,682         |
| Corporate customers                                | 283,146                                | 320,515        |
| <b>Total revenue from contracts with customers</b> | <b>321,768</b>                         | <b>361,197</b> |
| <b>Geographical markets</b>                        |  |                |
| Central region                                     | 36,034                                 | 49,854         |
| Western region                                     | 21,763                                 | 55,886         |
| Eastern region                                     | 166,056                                | 156,004        |
| Europe   | 17,782                                 | 12,517         |
| Exports and other foreign subsidiaries             | 80,133                                 | 86,936         |
| <b>Total revenue from contracts with customers</b> | <b>321,768</b>                         | <b>361,197</b> |

**12.2. CONTRACT BALANCES**

|   | <i>September 30,</i> | <i>December 31,</i> |
|---|----------------------|---------------------|
|   | <i>2021</i>          | <i>2020</i>         |
|   | <i>SR'000</i>        | <i>SR'000</i>       |
| Trade receivables - current and non-current (notes 8.1 and 8.3) | 585,574              | 689,223             |
| Contract assets (notes 8.2 and (a) below)                       | 377,940              | 372,358             |
| Contract liabilities (see note (b) below)                       | 76,184               | 81,901              |

**a) Contract assets:**

Contract assets are initially recognised for revenue earned from construction contracts as receipt of consideration is conditional on successful completion of specific milestones. Upon completion of a milestone and acceptance by the customer, the amounts recognised as contract assets are reclassified to trade receivables. As at September 30, 2021, contract assets are carried net of expected credit losses of SR 11.1 million (December 31, 2020: SR 12.4 million).

**b) Contract liabilities:**

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

Revenue from contracts with customers recognised from amounts included in contract liabilities at the beginning of 2021 amounted to SR 5.7 million for the nine-month period ended September 30, 2021.

**c) Movement in contract assets and liabilities is as below:**

|   | <i>September 30, 2021</i> |                             |
|---|---------------------------|-----------------------------|
|   | <i>Contract assets</i>    | <i>Contract liabilities</i> |
|   | <i>SR '000</i>            | <i>SR '000</i>              |
| Opening balance                                     | 384,719                   | 81,901                      |
| Revenue recognized during the period                | 56,753                    | (14,331)                    |
| Invoiced during the period                          | (33,209)                  | 11,547                      |
| Currency translation adjustments                    | (19,192)                  | (2,933)                     |
|   | 389,071                   | 76,184                      |
| Less: impairment loss on contract assets (note 8.2) | (11,131)                  | -                           |
| Closing balance                                     | 377,940                   | 76,184                      |

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

**b) Construction contracts:**

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

**13. INVENTORIES**

|                             | <i>September 30,</i> | <i>December 31,</i> |
|-----------------------------|----------------------|---------------------|
|                             | <i>2021</i>          | <i>2020</i>         |
|                             | <u>SR'000</u>        | <u>SR'000</u>       |
| Raw materials               | 53,485               | 60,291              |
| Work in process             | 8,035                | 6,045               |
| Supplies, not held for sale | 47,381               | 46,355              |
| Finished products           | 149,980              | 158,860             |
|                             | <u>258,881</u>       | <u>271,551</u>      |

**14. CONTINGENCIES AND COMMITMENTS**

14.1. The Group was contingently liable for bank guarantees issued in the normal course of the business amounting to SR 62.7 million at September 30, 2021. The Company, collectively with other shareholders of associated companies, is also contingently liable for corporate guarantees amounting to SR 541.3 million at September 30, 2021 in relation to the borrowing facilities of related associated companies.

14.2. The capital expenditure contracted by the Group but not yet incurred till September 30, 2021 was approximately SR 0.8 million.

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

**15. SHARE CAPITAL**

The authorized share capital of the Company comprised 32 million ordinary shares stated at SR 10 per share. All shares are issued and fully paid. (December 31, 2020: 32 million ordinary shares stated at SR 10 per share).

**16. SIGNIFICANT EVENTS DURING THE PERIOD**

Having reviewed the consolidated financial statement of the Company for the year ended December 31, 2020, which has been approved by the Board of Directors on March 25, 2021, the total accumulated losses reached approximately SR 205.5 million, which represented 64% of the share capital. In accordance with Article 130 of the Companies' Law, the Company through Board of Directors Resolution passed on 27/03/2021G decided to fully utilize the remaining statutory reserve balance amounting to SR 132,175,687, to partially adjust the accumulated losses of the Company reducing the balance to SR 221.1 million which is 69.1% of the share capital of the Company as at September 30, 2021.

**17. COVID-19 UPDATES**

In response to the spread of the Covid-19 in GCC and other territories where the Group operates and its resulting disruptions to the social and economic activities in those markets, Management continues to proactively assess its impacts on its operations. The preventive measures taken by the Group in early 2020 are still in effect including the on-going crisis management teams and processes, to ensure the health and safety of its employees, customers, consumers and the wider community as well as to ensure the continuity of supply of its products throughout its markets. Manufacturing facilities continue to observe restricted access; however, the management is currently in the process of formulating protocols to arrange for access of fully vaccinated individuals on such sites.

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**17. COVID-19 UPDATES (continued)**

Based on these factors, management believes that the Covid-19 pandemic has had no material effect on Company's reported financial results for the period ended 30 September 2021. The Group continues to monitor the Covid-19 situation closely although at this time management is not aware of any factors that are expected to change the impact of the pandemic on the Group's operations during 2021 or beyond.

**18. SUBSEQUENT EVENTS**

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

Subsequent to the nine-month period ended September 30, 2021, the Group's management is in the process of rescheduling the terms of certain loans from certain commercial banks and taking certain remedial actions e.g. the loan restructuring plan.

**19. DATE OF AUTHORIZATION:**

These interim condensed consolidated financial statements were authorized for issue by the Company's Board of Directors on November 4, 2021 (corresponding to Rabi' I 29, 1443H).