

THE NATIONAL SHIPPING COMPANY OF SAUDI ARABIA

(A Saudi Joint Stock Company)

Condensed Consolidated Interim
Financial Statements (Unaudited)

and review report for the three-month
and nine-month periods ended 30 September 2023

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KPMG Professional Services

Roshn Front, Airport Road
P. O. Box 92876
Riyadh 11663
Kingdom of Saudi Arabia
Commercial Registration No 1010425494

Headquarters in Riyadh

كي بي إم جي للاستشارات المهنية

واجهة روشن، طريق المطار
صندوق بريد ٩٢٨٧٦
الرياض ١١٦٦٣
المملكة العربية السعودية
سجل تجاري رقم ١٠١٠٤٢٥٤٩٤

المركز الرئيسي في الرياض

Independent auditor's report on review of condensed consolidated interim financial statements

To the Shareholders of The National Shipping Company of Saudi Arabia

Introduction

We have reviewed the accompanying 30 September 2023 condensed consolidated interim financial statements of The National Shipping Company of Saudi Arabia ("the Company") and its subsidiaries ("the Group") which comprises:

- the condensed consolidated statement of financial position as at 30 September 2023;
- the condensed consolidated statement of profit or loss for the three-month and nine-month periods ended 30 September 2023;
- the condensed consolidated statement of other comprehensive income for the three-month and nine-month periods ended 30 September 2023;
- the condensed consolidated statement of cash flows for the nine-month period ended 30 September 2023;
- the condensed consolidated statement of changes in equity for the nine-month period ended 30 September 2023; and
- the notes to the condensed consolidated interim financial statements.

Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these condensed consolidated interim 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' that is endorsed in the Kingdom of Saudi Arabia. A review of condensed consolidated 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 that 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.

Independent auditor's report on review of condensed consolidated interim financial statements

To the Shareholders of The National Shipping Company of Saudi Arabia (continued)

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 September 2023 condensed consolidated interim financial statements of The National Shipping Company of Saudi Arabia and its subsidiaries are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia.

KPMG Professional Services



Fahad Mubark Aldossari
License No: 469



Riyadh, 30 October 2023
Corresponding to 15 Rabi II 1445H

THE NATIONAL SHIPPING COMPANY OF SAUDI ARABIA
(A Saudi Joint Stock Company)
Condensed consolidated statement of financial position
As at 30 September 2023

	Note	30 September 2023 (Unaudited) SAR '000	31 December 2022 (Audited) SAR'000
ASSETS			
NON-CURRENT ASSETS			
Property and equipment	6	14,301,665	13,960,421
Projects under construction	7	910,876	935,512
Right of use assets		600,106	420,412
Intangible assets		333,351	373,897
Equity accounted investees		1,781,145	1,575,117
Other non-current financial assets		63,661	64,205
TOTAL NON-CURRENT ASSETS		17,990,804	17,329,564
CURRENT ASSETS			
Inventories		515,498	511,198
Trade receivables and contract assets		1,271,885	2,069,025
Prepayments and other current assets		541,008	458,952
Cash and cash equivalents		3,189,165	2,529,358
TOTAL CURRENT ASSETS		5,517,556	5,568,533
TOTAL ASSETS		23,508,360	22,898,097
EQUITY AND LIABILITIES			
EQUITY			
Share capital	1	7,382,812	4,921,875
Statutory reserve		-	351,750
Share premium		1,489,103	1,489,103
Other reserves		30,213	34,403
Retained earnings		2,550,944	3,694,023
Equity attributable to equity holders of the Parent Company		11,453,072	10,491,154
Non-controlling interests		751,436	624,196
TOTAL EQUITY		12,204,508	11,115,350
LIABILITIES			
NON-CURRENT LIABILITIES			
Loans and borrowings	8	7,906,496	8,537,438
Employees' end of service benefits		90,987	79,315
Lease liabilities		443,834	341,298
Derivative financial instruments		4,168	5,002
TOTAL NON-CURRENT LIABILITIES		8,445,485	8,963,053
CURRENT LIABILITIES			
Loans and borrowings	8	806,299	980,634
Lease liabilities		185,671	97,069
Trade and other payables		1,647,193	1,486,545
Provision for Zakat and income tax	11	219,204	255,446
TOTAL CURRENT LIABILITIES		2,858,367	2,819,694
TOTAL LIABILITIES		11,303,852	11,782,747
TOTAL EQUITY AND LIABILITIES		23,508,360	22,898,097


Chief Financial Officer


Chief Executive Officer


Authorized Board Member

The accompanying notes 1 to 16 form an integral part of these condensed consolidated interim financial statements

THE NATIONAL SHIPPING COMPANY OF SAUDI ARABIA
(A Saudi Joint Stock Company)
Condensed consolidated statement of profit or loss
For the three-month and nine-month periods ended 30 September 2023

		For the three-month period ended 30 September		For the nine-month period ended 30 September	
	Note	2023 (Unaudited) SAR'000	2022 (Unaudited) SAR'000	2023 (Unaudited) SAR'000	2022 (Unaudited) SAR'000
Revenue		2,026,664	2,292,724	6,754,065	5,865,076
Operating costs		(1,704,852)	(1,913,168)	(5,271,902)	(5,133,574)
Gross profit before bunker subsidy		321,812	379,556	1,482,163	731,502
Bunker subsidy		38,926	3,679	74,530	54,871
Gross profit		360,738	383,235	1,556,693	786,373
General and administrative expenses		(53,600)	(46,549)	(148,300)	(129,512)
Reversal of provision on trade receivables and contract assets		8,725	44,812	2,796	35,171
Other income, net		131,000	30,840	256,238	41,185
Total operating profit		446,863	412,338	1,667,427	733,217
Finance costs, net		(167,620)	(90,938)	(474,941)	(181,181)
Share in results of equity accounted investees		2,835	973	205,569	39,842
Profit before zakat and income tax		282,078	322,373	1,398,055	591,878
Zakat and income tax		(19,583)	(16,402)	(58,612)	(56,310)
Profit for the period		262,495	305,971	1,339,443	535,568
Profit for the period attributable to:					
Equity holders of the Parent Company		224,335	269,870	1,212,203	462,788
Non-controlling interests		38,160	36,101	127,240	72,780
		262,495	305,971	1,339,443	535,568
Earnings per share (Saudi Riyal):					
Basic & diluted	9	0.30	0.37	1.64	0.63


Chief Financial Officer


Chief Executive Officer


Authorized Board Member

The accompanying notes 1 to 16 form an integral part of these condensed consolidated interim financial statements

THE NATIONAL SHIPPING COMPANY OF SAUDI ARABIA
(A Saudi Joint Stock Company)
Condensed consolidated statement of other comprehensive income
For the three-month and nine-month periods ended 30 September 2023

	For the three-month period ended 30 September		For the nine-month period ended 30 September	
	2023 (Unaudited)	2022 (Unaudited)	2023 (Unaudited)	2022 (Unaudited)
	SAR'000	SAR'000	SAR'000	SAR'000
Profit for the period	262,495	305,971	1,339,443	535,568
Items that will not be reclassified to profit or loss				
Re-measurement of employees' end of service benefits	127	55	383	165
Items that are or may be reclassified subsequently to profit or loss				
Equity accounted investees share of OCI	967	(4,625)	(4,573)	35,612
Total comprehensive income for the period	263,589	301,401	1,335,253	571,345
Total comprehensive income attributable to:				
Equity holders of the Parent Company	225,429	265,300	1,208,013	498,565
Non-controlling interests	38,160	36,101	127,240	72,780
Total comprehensive income for the period	263,589	301,401	1,335,253	571,345


Chief Financial Officer


Chief Executive Officer


Authorized Board Member

The accompanying notes 1 to 16 form an integral part of these condensed consolidated interim financial statements

THE NATIONAL SHIPPING COMPANY OF SAUDI ARABIA
(A Saudi Joint Stock Company)
Condensed consolidated statement of cash flows
For the nine-month period ended 30 September 2023

	30 September 2023 (Unaudited) SAR'000	30 September 2022 (Unaudited) SAR'000
OPERATING ACTIVITIES		
Profit for the period	1,339,443	535,568
Adjustments for non-cash items:		
Depreciation of property and equipment	865,224	839,898
Depreciation of right of use assets	128,379	95,835
Amortization/ derecognition of intangible assets	44,421	48,179
Reversal of provision on trade receivables and contract assets	(2,796)	(35,171)
Finance costs, net	474,941	181,181
Share in results of equity accounted investees	(205,569)	(39,842)
Unrealized gain from investment in Murabaha fund at FVTPL	-	(1,482)
Gain on disposal of property and equipment	(127,412)	(5,634)
Zakat and income tax	58,612	56,310
Employees' end of service benefits	14,313	8,468
	<u>2,589,556</u>	<u>1,683,310</u>
Changes in operating assets and liabilities:		
Inventories	(4,300)	(116,190)
Trade receivables and contract assets	799,936	(760,501)
Prepayments and other current assets	(65,455)	115,009
Trade and other payables	215,952	43,697
Cash from operating activities	<u>3,535,689</u>	<u>965,325</u>
Finance costs paid	(516,854)	(179,551)
Zakat and income tax paid	(94,854)	(37,729)
Employees' end of service benefits paid	(2,258)	(7,306)
Net cash flows generated from operating activities	<u>2,921,723</u>	<u>740,739</u>
INVESTING ACTIVITIES		
Additions of property and equipment	(183,447)	(158,525)
Additions of projects under construction	(1,284,754)	(780,364)
Additions of intangible assets	(3,875)	(2,643)
Proceeds from disposal of property and equipment	413,781	203,918
Investment in equity accounted investee	(90,259)	(94,626)
Dividends from equity accounted investees	85,227	-
Proceed from sale of investment in Murabaha fund at FVTPL	-	105,000
Other non-current financial assets	4,649	10,287
Net cash flows used in investing activities	<u>(1,058,678)</u>	<u>(716,953)</u>
FINANCING ACTIVITIES		
Proceeds from loans and borrowings	886,800	4,863,827
Repayment of loans and borrowings	(1,708,678)	(4,730,041)
Dividends paid	(246,095)	-
Payment of lease liabilities	(135,265)	(97,079)
Net change in non-controlling interest	-	(27,320)
Net cash flows (used in)/ generated from financing activities	<u>(1,203,238)</u>	<u>9,387</u>
Net increase in cash and cash equivalents	659,807	33,173
Cash and cash equivalents at beginning of the period	2,529,358	1,178,269
Cash and cash equivalents at end of the period	<u>3,189,165</u>	<u>1,211,442</u>
Details of other non-cash transactions:		
Projects under construction transferred to property and equipment	1,309,390	984,271
Additions to right of use assets	308,073	33,302


Chief Financial Officer


Chief Executive Officer


Authorized Board Member

The accompanying notes 1 to 16 form an integral part of these condensed consolidated interim financial statements

Condensed consolidated statement of changes in equity
For the nine-month period ended 30 September 2023


Financial Officer


Chief Executive Officer



Authorized Board Member

The accompanying notes 1 to 16 form an integral part of these condensed consolidated interim financial statements

THE NATIONAL SHIPPING COMPANY OF SAUDI ARABIA
(A Saudi Joint Stock Company)
Notes to the condensed consolidated interim financial statements
For the nine-month period ended 30 September 2023

1. THE COMPANY, ITS SUBSIDIARIES AND BUSINESS DESCRIPTION

The National Shipping Company of Saudi Arabia (the “Company” or “Bahri” or “Parent Company”), a Saudi Joint Stock Company, was established under the Royal Decree No. M/5 dated 12 Safar 1398H (corresponding to 21 January 1978) and registered under Commercial Registration No. 1010026026 dated 1 Dhul Hijjah 1399H (corresponding to 22 October 1979) issued in Riyadh. The Company’s head office is located in Olaya district, Olaya Towers (Tower B), Floors 12-15, P.O Box 5101, Riyadh, 1142, Kingdom of Saudi Arabia.

The Company and its subsidiaries listed below (the “Group”) are primarily engaged in purchasing, selling and operating vessels for the coordination of transport & storage on board vessels, transportation of cargo, cargo clearance, agencies for maritime shipping companies and all marine transport activities. The Group performs its operations through four distinct segments which are crude oil transportation, chemicals transportation, logistics and dry bulk transportation. The Group is also engaged in the ownership of land, properties inside or outside the Kingdom, ownership of shares in other existing companies or merging with them and participating with others in establishing companies with similar activities or complementary activities.

The Company’s share capital amounting to SAR 7,382,812,500 as at 30 September 2023 is divided into 738,281,250 shares (31 December 2022: SAR 4,921,875,000 divided into 492,187,500 shares) with a par value of SAR 10 each.

Based on a resolution passed at the Extraordinary General Assembly in its meeting held on 01 Dhul Hijjah 1444H (Corresponding to 19 June 2023), the capital of the Company was increased from SAR 4,921,875 thousand to SAR 7,382,812 thousand by transferring SAR 351,750 thousand from the “statutory reserve” and SAR 2,109,187 thousand from “retained earnings” accounts to “share capital” account.

The subsidiaries whose financial information are incorporated into these condensed consolidated interim financial statements are as follows:

Subsidiary	Date of incorporation	Effective Ownership %		Principal Activity	Location
		2023	2022		
NSCSA Inc. – USA	1991	100	100	Company's ship agent	USA
Mideast Ship Management Limited (JLT)	2010	100	100	Ships technical management	UAE
Bahri Logistics Company	2017	100	100	Logistics services	KSA
National Chemical Carriers Company limited (NCC)	1990	80	80	Petrochemical transportation	KSA
Bahri Dry Bulk Company (BDB)	2010	60	60	Dry bulk transportation	KSA

The equity accounted investee companies’ financial information incorporated in these condensed consolidated interim financial statements are as follows:

Equity accounted investees	Date of incorporation	Effective Ownership %		Principal Activity	Location
		2023	2022		
Petredec Pte limited (note a)	1980	-	30.3	Liquefied petroleum gas transportation	Singapore
Petredec group limited (note a)	2012	30.3	-	Liquefied petroleum gas transportation	BVI
International Maritime Industries Company (note b)	2017	19.9	19.9	Maritime industries	KSA
National Grain Company (note c)	2021	50	50	Packing and storage of grain	KSA

a) During 2022, Petredec Pte. (“Petredec”) changed its year end from 31 August to 31 December. The Group share of Petredec results for the financial period are recorded as per the latest financial statements prepared by Petredec. The difference between the latest financial statements prepared by Petredec and the Group condensed consolidated interim financial statements is two months.

THE NATIONAL SHIPPING COMPANY OF SAUDI ARABIA

(A Saudi Joint Stock Company)

Notes to the condensed consolidated interim financial statements (continued)

For the nine-month period ended 30 September 2023

1. THE COMPANY, ITS SUBSIDIARIES AND BUSINESS DESCRIPTION (CONTINUED)

On 6 March 2023, Bahri entered into a Shareholders Agreement (“the Agreement”) with Petredec partners (formerly Haydock partners) to swap its shares from Petredec Pte. Limited to Petredec Group Limited (formerly Haydock Holdings Limited). As per the Agreement, Bahri transferred its 30.3% shares in Petredec Pte. Limited to Petredec Group Limited (resulting in Petredec Group Limited becoming 100% shareholder of Petredec Pte. Limited) and thereby Petredec Group Limited issued 30.3% of its shares to Bahri. The above transactions were without any cash consideration and with no changes to the net assets ownership of Bahri in its equity accounted investee. The legal process was completed during this quarter.

- b) International Maritime Industries Company (IMI) was established in KSA with capital of SAR 1,107 million between the Company, ARAMCO, Maritime Offshore Limited (Lamprell), and Korea Shipbuilding & Offshore Engineering Company Ltd.
- c) During August 2020, the Company entered into a joint venture (“JV”) agreement to establish the National Grain Company with United Farmers Investment Company (“UFIC”). The JV aims to build and establish a terminal for handling grains at Yanbu Commercial Port, to meet the future needs of the Kingdom of Saudi Arabia for major crops and cereals. The legal formalities were finalized, and the commercial register was issued on 31 March 2021. The JV has not yet commenced operations.

The Company operates through the following branches:

Trade Name	Registration No.	Registration Date	City
The National Shipping Company of Saudi Arabia	1010026026	23/10/1979	Riyadh
The National Shipping Company of Saudi Arabia	4030033402	21/2/1982	Jeddah
The National Shipping Company of Saudi Arabia	2050013881	30/7/1983	Dammam
The National Shipping Company of Saudi Arabia	2055001309	25/7/1984	Jubail
The National Shipping Company of Saudi Arabia	JLT-65807	06/12/2010	Dubai
The National Shipping Company of Saudi Arabia	F06135	26/08/2016	New Delhi

Group Fleet:

As at 30 September 2023, the Group operated 92 owned vessels and 9 vessels under lease contract (31 December 2022: 92 owned vessels and 6 vessels under lease contract) operating in the following sectors:

Oil transportation sector: Consists of 41 vessels (31 December 2022: 42 vessels) out of which 39 very large crude carriers (VLCCs) are operating in the spot market. The Group also owns 2 product tankers managed commercially by NCC.

Chemicals transportation sector: This sector is fully operated by NCC. It owns 34 vessels and 9 vessels under lease contract (31 December 2022: owned 35 vessels and 6 vessels under lease contract). Specialized tankers distributed as follows:

- 37 tankers operate in the spot market.
- 6 tankers are under charter agreements.

Logistics sector: This sector consists of 6 RoCon vessels (31 December 2022: 6 RoCon vessels) operating on commercial lines between North America, Europe, Middle East, the Indian Subcontinent and Asia.

Dry bulk transportation sector: This sector is fully operated by BDB and it owns 11 vessels (31 December 2022: 9 vessels) specialized in transporting dry bulk cargo. 5 of them are chartered to the Arabian Agricultural Services Company (ARASCO) and 6 vessels are operating in the spot market.

2. BASIS OF PREPARATION

2.1. Statement of Compliance

These condensed consolidated interim financial statements of the Group have been prepared in accordance with International Accounting Standard 34 (“IAS 34”) Interim Financial Reporting as endorsed in the Kingdom of Saudi Arabia (“KSA”) and other standards and pronouncements that are issued by the Saudi Organization for Chartered and Professional Accountants (“SOCPA”).

THE NATIONAL SHIPPING COMPANY OF SAUDI ARABIA

(A Saudi Joint Stock Company)

Notes to the condensed consolidated interim financial statements (continued)

For the nine-month period ended 30 September 2023

2. BASIS OF PREPARATION (CONTINUED)

2.2. Preparation of condensed consolidated interim financial statements

The condensed consolidated interim financial statements do not include all of the information and disclosures required in a full set of annual consolidated financial statements and should therefore be read in conjunction with the last annual consolidated financial statements for the year ended 31 December 2022 ("last annual consolidated financial statements"). However, selected explanatory notes are included to explain events and transactions that are significant to the understanding of the changes in the Group financial position and performance since the last annual consolidated financial statements. The interim results may not be an indicator of the annual results of the Group.

(i) Historical cost convention

These condensed consolidated interim financial statements have been prepared on a historical cost basis, except for:

- Derivative financial instruments and unquoted equity shares which are measured at fair value.
- Employees' end of service benefits are recognized at the present value of future obligations using the projected unit credit method.

(ii) Functional and presentation currency

These condensed consolidated interim financial statements are presented in Saudi Riyal ("SAR"), which is the Company's functional and presentation currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

3. BASIS OF CONSOLIDATION

The Company and its subsidiaries are referred to collectively as the "Group". Subsidiaries are entities controlled by the Group. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement in the investee;
- The ability to use its power over the investee to affect its returns.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the period are included in these condensed consolidated interim financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Parent Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the condensed consolidated interim financial statements to bring the accounting policies of the subsidiaries in line with the Group accounting policies. All intra-group assets and liabilities, income and expenses and cash flows relating to transactions are eliminated in full on consolidation.

Non-controlling interests are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it:

- De-recognizes the assets and liabilities of the subsidiary;
- De-recognizes the carrying amount of any non-controlling interest;
- De-recognizes the cumulative translation differences, recorded in equity;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained; and
- Recognizes any surplus or deficit in the condensed consolidated statement of profit or loss;

THE NATIONAL SHIPPING COMPANY OF SAUDI ARABIA

(A Saudi Joint Stock Company)

Notes to the condensed consolidated interim financial statements (continued)

For the nine-month period ended 30 September 2023

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies used in the preparation of the condensed consolidated interim financial statements are consistent with those followed in preparing the Group's annual consolidated financial statements for the year ended 31 December 2022.

4.1. Significant accounting judgments, estimates and assumptions

The preparation of condensed consolidated interim financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Therefore, actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

In the process of applying the Group's accounting policies, management has made the following estimates and judgments, which are significant to the condensed consolidated interim financial statements:

- Impairment assessment of vessels;
- Measurement of defined benefit obligations; key actuarial assumptions; and
- Measurement of ECL allowance for trade receivables and contract assets: key assumptions in determining the weighted average loss rate.

4.2. New Standards, Amendment to Standards and Interpretations:

There are no new standards issued which are applicable on the Group, however, there are a number of amendments to standards which are effective from 1 January 2023 and are explained in the Group's annual consolidated financial statements for the year ended 31 December 2022, but they do not have a material effect on the Group's condensed consolidated interim financial statements.

THE NATIONAL SHIPPING COMPANY OF SAUDI ARABIA

(A Saudi Joint Stock Company)

Notes to the condensed consolidated interim financial statements (continued)

For the nine-month period ended 30 September 2023

5. OPERATING SEGMENTS

The Group has the following four strategic divisions, which are its reportable segments. These divisions offer different services and are managed separately because they have different economic characteristics – such as trends in sales growth, rates of return and level of capital investment – and have different marketing strategies.

a) The following schedule illustrates the Group's activities according to the operating segments for the period:

	SAR'000					
30 September 2023 (Unaudited)	Transportation of oil	Transportation of chemicals	Logistics	Transportation of dry bulk	Head office and Others	Total
Revenue	3,856,451	2,003,738	671,378	212,531	9,967	6,754,065
Operating costs	(3,024,564)	(1,406,832)	(638,540)	(138,249)	(63,717)	(5,271,902)
Bunker subsidy	62,015	4,362	8,153	-	-	74,530
Gross profit	893,902	601,268	40,991	74,282	(53,750)	1,556,693
General and administrative expenses	(11,177)	(12,359)	(17,589)	(11,148)	(96,027)	(148,300)
Reversal/ (provision) on trade receivables and contract assets	10,518	(8,947)	1,190	35	-	2,796
Other income, net	118,710	94,405	2,539	5,470	35,114	256,238
Finance costs, net	(275,776)	(118,864)	(10,409)	(21,117)	(48,775)	(474,941)
Share in results of equity accounted investees	-	-	-	-	205,569	205,569
Profit before Zakat and income tax	736,177	555,503	16,722	47,522	42,131	1,398,055

The Group's vessels are deployed throughout the world and are not concentrated in certain geographical areas. The Group's management does not consider the geographical distribution of the group's operations to be relevant for their internal management analysis and therefore no geographical segment information has been disclosed.

All operating segment results are reviewed regularly by the Group's management to make decisions about resources to be allocated to the segment and assess the performance of segments, for which discrete financial information is available.

THE NATIONAL SHIPPING COMPANY OF SAUDI ARABIA

(A Saudi Joint Stock Company)

Notes to the condensed consolidated interim financial statements (continued)

For the nine-month period ended 30 September 2023

5. OPERATING SEGMENTS (continued)

	SAR'000					
30 September 2022 (Unaudited)	Transportation of oil	Transportation of chemicals	Logistics	Transportation of dry bulk	Head office and Others	Total
Revenue	3,442,070	1,380,543	812,654	221,696	8,113	5,865,076
Operating costs	(3,047,235)	(1,171,375)	(802,983)	(108,479)	(3,502)	(5,133,574)
Bunker subsidy	44,909	2,608	7,354	-	-	54,871
Gross profit	439,744	211,776	17,025	113,217	4,611	786,373
General and administrative expenses	(10,417)	(9,722)	(16,517)	(7,290)	(85,566)	(129,512)
Reversal/ (provision) on trade receivables and contract assets	14,743	1,055	19,124	265	(16)	35,171
Other income, net	21,043	3,123	12,341	908	3,770	41,185
Finance costs, net	(130,341)	(43,671)	(9,961)	(1,999)	4,791	(181,181)
Share in results of equity accounted investees	-	-	-	-	39,842	39,842
Profit/(loss) before Zakat and income tax	334,772	162,561	22,012	105,101	(32,568)	591,878

THE NATIONAL SHIPPING COMPANY OF SAUDI ARABIA

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5. OPERATING SEGMENTS (continued)

b) The following schedule illustrates the distribution of the Group's assets and liabilities according to the operating segments:

	SAR'000					
30 September 2023 (Unaudited)	Transportation of oil	Transportation of chemicals	Logistics	Transportation of dry bulk	Head office and Others	Total
Property and equipment	8,785,971	3,315,267	1,070,529	1,117,936	11,962	14,301,665
Other assets	1,535,229	1,606,454	685,979	184,501	5,194,532	9,206,695
Total assets	10,321,200	4,921,721	1,756,508	1,302,437	5,206,494	23,508,360
Total liabilities	5,944,711	2,403,186	487,495	683,114	1,785,346	11,303,852

31 December 2022 (Audited)	Transportation of oil	Transportation of chemicals	Logistics	Transportation of dry bulk	Head office and Others	Total
Property and equipment	8,513,430	3,435,307	1,086,510	904,129	21,045	13,960,421
Other assets	2,372,476	1,173,957	605,979	294,140	4,491,124	8,937,676
Total assets	10,885,906	4,609,264	1,692,489	1,198,269	4,512,169	22,898,097
Total liabilities	5,963,743	2,638,673	763,753	601,961	1,814,617	11,782,747

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6. PROPERTY AND EQUIPMENT

SAR'000									
30 September 2023 (Unaudited)	Buildings and improvements	Fleet and equipment	Containers and trailers	Furniture and fixtures	Tools and office equipment	Motor vehicles	Computer equipment	Container yards - equipment	Total
Cost									
At 1 January 2023	64,138	22,725,081	11,963	9,342	1,968	2,916	22,638	14,264	22,852,310
Additions/ Transfers*	2,372	1,486,273	193	175	205	209	3,410	-	1,492,837
Disposals	(39,632)	(759,665)	(4,194)	(1,796)	(761)	(58)	(6,676)	(8,310)	(821,092)
At 30 September 2023	26,878	23,451,689	7,962	7,721	1,412	3,067	19,372	5,954	23,524,055
Accumulated depreciation									
At 1 January 2023	48,724	8,791,014	7,462	5,998	1,789	2,916	19,790	14,196	8,891,889
Charge for the period	1,656	860,767	646	578	129	31	1,417	-	865,224
Disposals	(30,994)	(482,107)	(4,194)	(1,668)	(760)	(58)	(6,632)	(8,310)	(534,723)
At 30 September 2023	19,386	9,169,674	3,914	4,908	1,158	2,889	14,575	5,886	9,222,390
Net book value:									
At 30 September 2023	7,492	14,282,015	4,048	2,813	254	178	4,797	68	14,301,665

* During 2023, 5 new vessels were received, and other projects were completed and capitalized amounting to SAR 1,309 million which was transferred from projects under construction (refer note 7).

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6. PROPERTY AND EQUIPMENT (continued)

	SAR'000								
31 December 2022 (Audited)	Buildings and improvements	Fleet and equipment	Containers and trailers	Furniture and fixtures	Tools and office equipment	Motor vehicles	Computer equipment	Container yards - equipment	Total
Cost									
At 1 January 2022	65,354	22,393,220	10,265	12,402	4,878	3,076	30,636	14,264	22,534,095
Additions/ transfers*	801	1,663,837	1,799	561	13	-	1,521	-	1,668,532
Disposals	(2,017)	(1,331,976)	(101)	(3,621)	(2,923)	(160)	(9,519)	-	(1,350,317)
At 31 December 2022	64,138	22,725,081	11,963	9,342	1,968	2,916	22,638	14,264	22,852,310
Accumulated depreciation									
At 1 January 2022	48,110	8,473,037	6,882	8,798	4,437	2,166	27,320	14,193	8,584,943
Charge for the year	2,474	1,115,693	681	818	275	910	1,988	3	1,122,842
Disposals	(1,860)	(797,716)	(101)	(3,618)	(2,923)	(160)	(9,518)	-	(815,896)
At 31 December 2022	48,724	8,791,014	7,462	5,998	1,789	2,916	19,790	14,196	8,891,889
Net book value:									
At 31 December 2022	15,414	13,934,067	4,501	3,344	179	-	2,848	68	13,960,421

* During 2022, 9 new vessels were received, and other projects were completed and capitalized amounting to SAR 1,443 million which was transferred from projects under construction (refer note 7).

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7. PROJECTS UNDER CONSTRUCTION

The movement in projects under construction is as follows:

	30 September 2023 (Unaudited) SAR '000	31 December 2022 (Audited) SAR'000
Beginning balance	935,512	1,298,464
Additions	1,284,754	1,080,084
Transferred to property and equipment	(1,309,390)	(1,443,036)
Ending balance	910,876	935,512

The Company signed an agreement on 17 December 2019 with Saline Water Conversion Corporation ("Arrows project") for the construction of 3 floating stations for water desalination with a total cost of SAR 760 million, for supplying desalinated water from floating mobile stations to the desalination plants tanks. The construction commenced in January 2020 and the operation is expected to commence during the first half of the year 2024.

8. LOANS AND BORROWINGS

	Note	30 September 2023 (Unaudited) SAR '000	31 December 2022 (Audited) SAR'000
Sukuk	8.1	3,900,000	3,900,000
Murabaha loans	8.2	4,848,697	5,670,575
Total loans and borrowings		8,748,697	9,570,575
Less: total current portion		(806,299)	(980,634)
Non-current loans and borrowings		7,942,398	8,589,941
Less: prepaid financing		(35,902)	(52,503)
Net non-current loans and borrowings		7,906,496	8,537,438
Loans and borrowings - Current Liabilities		806,299	980,634
Loans and borrowings - Non-Current Liabilities		7,906,496	8,537,438
		8,712,795	9,518,072

8.1. Sukuk

On 6 Dhul-Hijjah 1443H (corresponding to 5 July 2022), the Company completed the issuance and offering of a local Sukuk denominated in Saudi Riyal for public offering with nominal value amounting to SAR 3,900 million, and a nominal value of SAR 1 million for each Suk. The Sukuk issuance bears a variable rate of return at SIBOR plus a predetermined margin, payable semi-annually. The Sukuk is due to mature at par value on its expiry date of 27 Safar 1451H (corresponding to 5 July 2029).

8.2. Murabaha borrowings

The Group obtained Murabaha long term loans during period ended 30 September 2023 for a total of SAR 887 million (31 December 2022: SAR 1,099 million). Loans are secured by promissory notes and mortgages against vessels. These loans are repayable over 10 years on a quarterly or semi-annual basis and a repayment of SAR 1,709 million was made for the period ended 30 September 2023 (31 December 2022: SAR 1,075 million). The loans carry commission at normal commercial rates. The balance of loans against which profit is to be paid based on SOFR as of 30 September 2023 is equivalent to SAR 301 million (31 December 2022: SAR 1,522 million) and the balance of loans against which profit is to be paid based on SIBOR as of 30 September 2023 totaled to SAR 4,547 million (31 December 2022: SAR 4,148 million). The balance in the prepaid financing account related to Murabaha loans at the end of 30 September 2023 is SAR 35.9 million (31 December 2022: SAR 52.5 million).

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8. LOANS AND BORROWINGS (continued)

8.3. Covenants

Borrowing agreements include covenants mainly related to maintaining certain ratios of leverage and debt to equity ratio. Under the terms of these agreements, lenders are entitled to demand immediate repayment of loans if these covenants are not met.

9. EARNINGS PER SHARE

	For the three-month period ended on 30 September 2023	For the three-month period ended on 30 September 2022	For the nine-month period ended on 30 September 2023	For the nine-month period ended on 30 September 2022
Profit for the period (SAR 000')	224,335	269,870	1,212,203	462,788
Average number of share outstanding during the period	738,281	738,281	738,281	738,281
Earnings per share - Basic and Diluted (Saudi Riyals)	0.30	0.37	1.64	0.63

The basic and diluted earnings per share is calculated by dividing the profit of the period for ordinary shareholders of the parent company by the weighted average number of ordinary shares in place during the period. The calculation of the basic and diluted earnings per share for the three-month and nine-month periods ended 30 September 2023 and 30 September 2022 was adjusted retrospectively based on the number of shares issued after the increase of the company's capital shares to 738,281 thousand shares (note 1).

10. FINANCIAL INSTRUMENTS

Fair values of financial instruments

30 September 2023 (Unaudited)				
	Quoted prices in the active market (Level 1)	Significant observable inputs (Level 2)	Significant Unobservable inputs (Level 3)	Total
	SAR'000	SAR'000	SAR'000	SAR'000
FVOCI – equity instrument:				
Unquoted equity shares	-	-	13,950	13,950
Financial instruments measured at FVTPL				
CAP commission option				
Assets	-	49,628	-	49,628
Liabilities	-	4,168	-	4,168
31 December 2022 (Audited)				
	Quoted prices in the active market (Level 1)	Significant observable inputs (Level 2)	Significant Unobservable inputs (Level 3)	Total
	SAR'000	SAR'000	SAR'000	SAR'000
FVOCI – equity instrument:				
Unquoted equity shares	-	-	11,899	11,899
Financial instruments measured at FVTPL				
CAP commission option				
Assets	-	46,691	-	46,691
Liabilities	-	5,002	-	5,002

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11. ZAKAT AND INCOME TAX

The Company's Zakat is based on the financial statements of the Company and its wholly owned subsidiaries, in accordance with the Zakat, Tax and Customs Authority ("ZATCA") regulations. The Company and its other subsidiaries file their Zakat and tax returns separately.

The Company has filed its Zakat returns up to 2022 and obtained the Zakat certificate for the year 2022.

ZATCA issued the Zakat assessments for the years 2015 to 2017, claiming additional Zakat of SAR 67.8 million despite closing the mentioned years previously through the fast-track initiative. The Company has submitted an appeal against the assessment and ZATCA has rejected the appeal, accordingly, the Company escalated the appeal to the General Secretariat of Tax Committees ("GSTC"). The Committee for Resolution of Tax Violations and Disputes "CRTVD" has issued its decision in the appeal with partial acceptance. The Company has escalated the appeal to the Appellate Committee for Tax Violations and Disputes Resolution "ACTVDR" and is awaiting their response.

ZATCA issued the Zakat assessment for the year 2018 claiming additional Zakat of SAR 27.9 million. The Company has submitted an appeal against the assessment and ZATCA has partially accepted the appeal and issued a revised assessment which has been escalated by the Company to the GSTC. The CRTVD has issued its decision in the appeal with partial acceptance. The Company has escalated the appeal to the ACTVDR and is awaiting their response.

The Company did not receive the Zakat assessments for the years from 2019 to 2022 from ZATCA.

12. DIVIDENDS

The Board of Directors recommended in its meeting held on 14 March 2023 to the General Assembly of the Company the distribution of cash dividends of SAR 246 million to the shareholders for the financial year ended 31 December 2022 amounting to SAR 0.5 per share. The General Assembly had approved the recommendation in its meeting held on 19 June 2023. These dividends have been paid on 16 July 2023.

13. RELATED PARTIES

The Group transacts with related parties in the ordinary course of its activities, as many of the Group's transactions and arrangements are based on signed agreements between the Group and those companies. The balances are unsecured, interest-free, and repayable on demand unless otherwise stated.

The transactions with related parties during the period were as follows:

Related parties	Nature of the transaction	For the nine-month period ended 30 September	
		2023	2022
		(Unaudited) SAR'000	(Unaudited) SAR'000
ARAMCO and its subsidiaries – shareholder	Operating revenue	2,867,534	2,313,747
SABIC and its subsidiaries – affiliate	Operating revenue	305,567	205,809
Arabian Agricultural Services Company (ARASCO) – affiliate	Operating revenue	85,492	92,610
International Maritime Industries (IMI) – affiliate	Operating revenue	2,765	3,189

Related party balances included in trade receivables and contract assets is as follows:

	30 September 2023 (Unaudited) SAR'000	31 December 2022 (Audited) SAR'000
ARAMCO and its subsidiaries	597,353	1,312,119
SABIC and its subsidiaries	78,191	36,906
International Maritime Industries (IMI)	2,206	2,691
Arabian Agricultural Services Company (ARASCO)	28	412
	<u>677,778</u>	<u>1,352,128</u>

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13. RELATED PARTIES (continued)

Long-term loan and payables due to related parties are as follows:

	30 September 2023 (Unaudited) SAR'000	31 December 2022 (Audited) SAR'000
Loan from Public Investment fund (PIF) - shareholder	-	39,375
ARAMCO and its subsidiaries	515,516	151,152
Arabian Agricultural Services Company (ARASCO)	-	14,075
	515,516	165,227

14. CAPITAL COMMITMENTS

The Group's capital commitment related to projects under construction and the purchase of property and equipment was SAR 73 million as of 30 September 2023 (31 December 2022: SAR 199 million).

15. SUBSEQUENT EVENTS

In the opinion of management, there have been no significant subsequent events for the period ended 30 September 2023 that would have a material impact on the financial position and performance of the Group as reflected in these condensed consolidated interim financial statements.

16. DATE OF AUTHORIZATION

These condensed consolidated interim financial statements were authorized for issuance on 10 Rabi' II 1445H (corresponding to 25 October 2023).