

SAUDI INDUSTRIAL SERVICES COMPANY
(A Saudi Joint Stock Company)

**CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS (UNAUDITED)**
For the three-month and nine-month periods ended
30 September 2021
together with the
Independent Auditors' Review Report

SAUDI INDUSTRIAL SERVICES COMPANY
(A Saudi Joint Stock Company)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
For the three-month and nine-month periods ended 30 September 2021

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KPMG Professional Services

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Kingdom of Saudi Arabia
Headquarter in Riyadh

Commercial Registration No 4030290792

كي بي إم جي للاستشارات المهنية

مركز الزهران للأعمال
شارع الأمير سلطان
ص.ب 55078
جده 21534
المملكة العربية السعودية
المركز الرئيسي الرياض

سجل تجاري رقم 4030290792

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

To the Shareholders of Saudi Industrial Services Company

Introduction

We have reviewed the accompanying 30 September 2021 condensed consolidated interim financial statements of Saudi Industrial Services Company ("the Company") and its subsidiaries ("the Group"), which comprises:

- the condensed consolidated statement of profit or loss for the three-month and nine-month periods ended 30 September 2021;
- the condensed consolidated statement of comprehensive income for the three-month and nine-month periods ended 30 September 2021;
- the condensed consolidated statement of financial position as at 30 September 2021;
- the condensed consolidated statement of changes in equity for the nine-month period ended 30 September 2021;
- the condensed consolidated statement of cash flows for the nine-month period ended 30 September 2021; 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 interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing 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.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 September 2021 condensed consolidated interim financial statements of Saudi Industrial Services Company 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, a professional closed joint stock company registered in the Kingdom of Saudi Arabia. With the paid-up capital of (25,000,000) SAR. (Previously known as "KPMG Al Fozan & Partners Certified Public Accountants") A non-partner member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

كي بي إم جي للاستشارات المهنية شركة مهنية مساهمة متقلة، مسجلة في المملكة العربية السعودية، رأس ماله (25,000,000) ريال سعودي مدفوع بالكامل، المسماة سابقاً "الشركة كي بي إم جي للفوزان وشركاه محاسبون ومراجعون قانونيون". وهي عضو غير شريك في الشبكة العالمية للشركات كي بي إم جي المستقلة والتابعة لـ كي بي إم جي العالمية المحدودة، شركة تجلزية محدودة بضمان. جميع الحقوق محفوظة

Commercial Registration of the headquarter in Riyadh is 1010425494.

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

To the Shareholders of Saudi Industrial Services Company (continued)

Other matter

The consolidated financial statements of the Saudi Industrial Services Company ("the Company") and its subsidiaries ("the Group") for the year ended 31 December 2020 and the condensed consolidated interim financial statements of the Group for the three month and nine-month periods ended 30 September 2020 were audited and reviewed respectively by another auditor who expressed an unmodified opinion and conclusion thereon vide their reports dated 4 March 2021 and 3 November 2020 respectively.

KPMG Professional Services



Ebrahim Oboud Baeshen
License No. 382



Jeddah, 2 November 2021
Corresponding to 27 Rabi Al Awal 1443H

SAUDI INDUSTRIAL SERVICES COMPANY
(A Saudi Joint Stock Company)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (UNAUDITED)

For the three-month and nine-month periods ended 30 September 2021

| | <i>Notes</i> | <i>For the three-month period ended 30 September 2021</i> SR | <i>For the three-month period ended 30 September 2020</i> SR | <i>For the nine-month period ended 30 September 2021</i> SR | <i>For the nine-month period ended 30 September 2020</i> SR |
|--|--------------|--|--|---|---|
| Service revenues | 5 | 217,940,908 | 238,987,851 | 716,079,265 | 621,851,148 |
| Construction revenue | | 5,329,460 | 20,679,533 | 17,637,092 | 20,679,533 |
| TOTAL REVENUES | | 223,270,368 | 259,667,384 | 733,716,357 | 642,530,681 |
| Direct Service costs | | (120,921,767) | (106,834,381) | (360,616,416) | (320,641,501) |
| Cost of construction | | (5,329,460) | (20,679,533) | (17,637,092) | (20,679,533) |
| COST OF REVENUE | | (126,251,227) | (127,513,914) | (378,253,508) | (341,321,034) |
| GROSS PROFIT | | 97,019,141 | 132,153,470 | 355,462,849 | 301,209,647 |
| OPERATING EXPENSES | | | | | |
| General and administration expenses | | (38,550,145) | (39,141,054) | (110,089,321) | (113,876,124) |
| Selling and distribution expenses | | (4,354,819) | (1,351,683) | (12,926,554) | (9,103,148) |
| TOTAL OPERATING EXPENSES | | (42,904,964) | (40,492,737) | (123,015,875) | (122,979,272) |
| PROFIT FROM OPERATIONS | | 54,114,177 | 91,660,733 | 232,446,974 | 178,230,375 |
| Finance cost, net | 18 | (50,738,276) | (51,094,749) | (152,925,565) | (82,067,012) |
| Other income, net | 19 | 4,064,655 | 698,830 | 11,949,888 | 79,847,303 |
| Share of profit of equity accounted investees, net | 11 | 7,578,508 | 7,124,658 | 19,423,291 | 16,025,352 |
| PROFIT BEFORE ZAKAT AND INCOME TAX | | 15,019,064 | 48,389,472 | 110,894,588 | 192,036,018 |
| Zakat and income tax | 20 | (7,644,279) | (4,224,087) | (16,819,811) | (12,953,443) |
| PROFIT FOR THE PERIOD | | 7,374,785 | 44,165,385 | 94,074,777 | 179,082,575 |
| Attributable to: | | | | | |
| Shareholders of the Parent Company | | 3,983,625 | 28,157,352 | 58,731,380 | 111,280,442 |
| Non-controlling interests | | 3,391,160 | 16,008,033 | 35,343,397 | 67,802,133 |
| | | 7,374,785 | 44,165,385 | 94,074,777 | 179,082,575 |
| Earnings per share: | | | | | |
| Basic and diluted earnings per share from net profit for the period attributable to the shareholders of the parent | 6 | 0.05 | 0.35 | 0.72 | 1.36 |

The attached notes 1 to 25 form an integral part of these condensed consolidated interim financial statements.

SAUDI INDUSTRIAL SERVICES COMPANY
(A Saudi Joint Stock Company)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(UNAUDITED)

For the three-month and nine-month periods ended 30 September 2021

| | <i>For the three- month period ended 30 September 2021 SR</i> | <i>For the three- month period ended 30 September 2020 SR</i> | <i>For the nine- month period ended 30 September 2021 SR</i> | <i>For the nine- month period ended 30 September 2020 SR</i> |
|---|---|---|--|--|
| Profit for the period | 7,374,785 | 44,165,385 | 94,074,777 | 179,082,575 |
| OTHER COMPREHENSIVE INCOME | | | | |
| <i>Items that will not be reclassified to profit or loss</i> | | | | |
| Gain on re-measurement of employees' end- of-service benefits | - | - | - | 1,491,817 |
| Change in fair value of financial assets at fair value through other comprehensive income (FVOCI) | - | (565,569) | (63,182) | (565,569) |
| <i>Items that are or may be reclassified subsequently to profit or loss</i> | | | | |
| Cash flow hedges – effective portion of changes in fair value | (2,780,745) | 440,000 | 1,220,845 | (5,396,345) |
| OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD | (2,780,745) | (125,569) | 1,157,663 | (4,470,097) |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | 4,594,040 | 44,039,816 | 95,232,440 | 174,612,478 |
| Attributable to: | | | | |
| Shareholders of the Parent Company | 3,859,110 | 27,858,423 | 60,968,647 | 108,348,729 |
| Non-controlling interests | 734,930 | 16,181,393 | 34,263,793 | 66,263,749 |
| | 4,594,040 | 44,039,816 | 95,232,440 | 174,612,478 |

The attached notes 1 to 25 form an integral part of these condensed consolidated interim financial statements.

SAUDI INDUSTRIAL SERVICES COMPANY
(A Saudi Joint Stock Company)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2021

| | | <i>30 September 2021 Unaudited SR</i> | <i>31 December 2020 Audited SR</i> |
|---|--------|---|--|
| ASSETS | | | |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 7 | 248,294,548 | 268,481,533 |
| Capital work in progress | 9 | 159,858,914 | 117,954,228 |
| Intangible assets | 8 | 3,070,073,249 | 3,141,574,145 |
| Right-of-use assets | 13 | 89,540,120 | 86,918,253 |
| Investment properties | | 120,368,255 | 128,000,604 |
| Equity-accounted investees | 11 | 194,807,374 | 136,922,460 |
| Financial assets at fair value through other comprehensive income (FVOCI) | | 14,909,532 | 14,972,714 |
| Goodwill | 10 | 8,776,760 | 8,776,760 |
| Deferred taxation | | 2,401,519 | 2,401,519 |
| TOTAL NON-CURRENT ASSETS | | 3,909,030,271 | 3,906,002,216 |
| CURRENT ASSETS | | | |
| Inventories, net | | 25,061,740 | 19,627,992 |
| Trade receivables, prepayments and other receivables | | 203,987,337 | 132,706,458 |
| Due from related parties | 21 | 12,796,348 | 12,283,133 |
| Cash and cash equivalents | 14 | 898,011,556 | 336,533,927 |
| TOTAL CURRENT ASSETS | | 1,139,856,981 | 501,151,510 |
| TOTAL ASSETS | | 5,048,887,252 | 4,407,153,726 |
| EQUITY AND LIABILITIES | | | |
| EQUITY | | | |
| Share capital | 15 | 816,000,000 | 816,000,000 |
| Share premium | | 36,409,063 | 36,409,063 |
| Statutory reserve | | 90,324,076 | 90,324,076 |
| Other components of equity | | 333,543,696 | (16,481,536) |
| Retained earnings | | 241,781,154 | 248,329,774 |
| Equity attributable to the shareholders of the parent | | 1,518,057,989 | 1,174,581,377 |
| Non-controlling interests | | 818,791,486 | 534,995,715 |
| TOTAL EQUITY | | 2,336,849,475 | 1,709,577,092 |
| NON-CURRENT LIABILITIES | | | |
| Obligation under service concession arrangement | 8.2(b) | 1,363,997,388 | 1,355,424,493 |
| Long term loans and bank facilities | 16 | 640,239,679 | 665,662,576 |
| Employees' end-of-service benefits | | 52,929,211 | 48,126,455 |
| Long term provisions | 17 | 2,028,390 | 1,984,224 |
| Derivative financial instrument | | 10,401,425 | 14,060,566 |
| Lease liabilities | 13 | 84,475,152 | 84,597,772 |
| TOTAL NON-CURRENT LIABILITIES | | 2,154,071,245 | 2,169,856,086 |
| CURRENT LIABILITIES | | | |
| Current portion of obligation under service concession arrangement | 8.2(b) | 176,721,174 | 190,530,528 |
| Current portion of long term loans and bank facilities | 16 | 112,575,717 | 70,670,666 |
| Trade payables, accrued and other current liabilities | | 242,566,104 | 247,117,181 |
| Zakat and tax payable | 20 | 14,878,577 | 12,331,613 |
| Lease liabilities | 13 | 9,756,680 | 7,033,955 |
| Due to a related party | 21 | 1,468,280 | 36,605 |
| TOTAL CURRENT LIABILITIES | | 557,966,532 | 527,720,548 |
| TOTAL LIABILITIES | | 2,712,037,777 | 2,697,576,634 |
| TOTAL EQUITY AND LIABILITIES | | 5,048,887,252 | 4,407,153,726 |

The attached notes 1 to 25 form an integral part of these condensed consolidated interim financial statements.

SAUDI INDUSTRIAL SERVICES COMPANY
(A Saudi Joint Stock Company)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the nine-month period ended 30 September 2021

| | Equity attributable to the shareholders of the Parent Company | | | | | | | | | | |
|---|---|---------------------|-------------------------|---|------------------------------------|---------------------------------|--|-------------------------|----------------------|---------------------------------|----------------------|
| | <i>Other components of equity</i> | | | | | | | | | | |
| | Share capital SR | Share premium SR | Statutory reserve SR | Effect of changes in ownership interest in subsidiaries SR | Actuarial valuation reserves SR | Cash flow hedging reserve SR | Unrealized gain on FVOCI investments SR | Retained earnings SR | Total SR | Non-controlling interests SR | Total equity SR |
| Balance at 1 January 2021 | 816,000,000 | 36,409,063 | 90,324,076 | 1,133,474 | (14,496,871) | (8,520,703) | 5,402,564 | 248,329,774 | 1,174,581,377 | 534,995,715 | 1,709,577,092 |
| Profit for the period | - | - | - | - | - | - | - | 58,731,380 | 58,731,380 | 35,343,397 | 94,074,777 |
| Other comprehensive income/(loss) | - | - | - | - | - | 2,300,449 | (63,182) | - | 2,237,267 | (1,079,604) | 1,157,663 |
| Total comprehensive income | - | - | - | - | - | 2,300,449 | (63,182) | 58,731,380 | 60,968,647 | 34,263,793 | 95,232,440 |
| Dividends paid (note 15) | - | - | - | - | - | - | - | (65,280,000) | (65,280,000) | (52,727,201) | (118,007,201) |
| Changes in ownership interests – sale of equity interest to Non-controlling interest (note 1) | - | - | - | 342,550,278 | 2,799,391 | 2,438,296 | - | - | 347,787,965 | 300,568,931 | 648,356,896 |
| Net movement in non-controlling interest | - | - | - | - | - | - | - | - | - | 1,690,248 | 1,690,248 |
| Balance at 30 September 2021 | 816,000,000 | 36,409,063 | 90,324,076 | 343,683,752 | (11,697,480) | (3,781,958) | 5,339,382 | 241,781,154 | 1,518,057,989 | 818,791,486 | 2,336,849,475 |

The attached notes 1 to 25 form an integral part of these condensed consolidated interim financial statements.

SAUDI INDUSTRIAL SERVICES COMPANY
(A Saudi Joint Stock Company)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED) (continued)

For the nine-month period ended 30 September 2021

| | Equity attributable to the shareholders of the Parent Company | | | | | | | | | | |
|--|---|----------------------|--------------------------|--|-------------------------------------|----------------------------------|---|--------------------------|----------------------|----------------------------------|----------------------|
| | <i>Other components of equity</i> | | | | | | | | | | |
| | <i>Share capital</i> | <i>Share premium</i> | <i>Statutory reserve</i> | <i>Effect of changes in ownership interest in subsidiaries</i> | <i>Actuarial valuation reserves</i> | <i>Cash flow hedging reserve</i> | <i>Unrealized gain on FVOCI investments</i> | <i>Retained earnings</i> | <i>Total</i> | <i>Non-controlling interests</i> | <i>Total equity</i> |
| SR | SR | SR | SR | SR | SR | SR | SR | SR | SR | SR | |
| Balance at 1 January 2020 | 816,000,000 | 36,409,063 | 76,382,784 | 1,133,474 | (8,677,640) | (7,940,815) | 5,968,133 | 171,818,142 | 1,091,093,141 | 499,942,039 | 1,591,035,180 |
| Profit for the period | - | - | - | - | - | - | - | 111,280,442 | 111,280,442 | 67,802,133 | 179,082,575 |
| Other comprehensive income/(loss) | - | - | - | - | 904,041 | (3,270,185) | (565,569) | - | (2,931,713) | (1,538,384) | (4,470,097) |
| Total comprehensive income | - | - | - | - | 904,041 | (3,270,185) | (565,569) | 111,280,442 | 108,348,729 | 66,263,749 | 174,612,478 |
| Dividends paid (note 15) | - | - | - | - | - | - | - | (48,960,000) | (48,960,000) | (31,462,099) | (80,422,099) |
| Net movement in non-controlling interest | - | - | - | - | - | - | - | - | - | (118,476) | (118,476) |
| Balance at 30 September 2020 | 816,000,000 | 36,409,063 | 76,382,784 | 1,133,474 | (7,773,599) | (11,211,000) | 5,402,564 | 234,138,584 | 1,150,481,870 | 534,625,213 | 1,685,107,083 |

The attached notes 1 to 25 form an integral part of these condensed consolidated interim financial statements.

SAUDI INDUSTRIAL SERVICES COMPANY
(A Saudi Joint Stock Company)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

For nine-month period ended 30 September 2021

| | Note | <i>For the nine month period ended 30 September 2021</i> SR | <i>For the nine month period ended 30 September 2020</i> SR |
|---|--------|--|--|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Profit before Zakat and income tax | | 110,894,588 | 192,036,018 |
| <i>Adjustments for:</i> | | | |
| Depreciation and amortization | | 129,373,265 | 114,550,869 |
| Provision for employees' end of service benefits | | 7,532,415 | 5,730,954 |
| Amortization of advance rental | 16 | 2,084,097 | 5,467,353 |
| Share of profits of equity accounted investees, net | 11 | (19,423,291) | (16,025,352) |
| (Reversal) of /allowance for expected credit losses | | (302,869) | 633,552 |
| Provision for slow moving and obsolete inventories | | (19,597) | 1,214,534 |
| Loss on disposal of property, plant and equipment | | 18,911 | 3,497,515 |
| Reversal of provision for asset replacement cost | | | (75,165,205) |
| Provision for decommissioning cost | | 44,166 | (138,574) |
| Reversals of provision no longer needed | 19 | (5,727,740) | - |
| Financial charges, net | 18 | 152,925,565 | 82,067,012 |
| | | 377,399,510 | 313,868,676 |
| Changes in operating assets and liabilities: | | | |
| Trade receivables, prepayments and other receivables | | (70,978,010) | (421,399) |
| Due from related parties | | (513,215) | (2,870,838) |
| Inventories | | (5,414,151) | 7,711,981 |
| Trade payable, accrued and other liabilities | | (135,927,256) | (95,528,638) |
| Due to related parties | | 1,431,675 | 449,482 |
| Cash generated from operating activities | | 165,998,553 | 223,209,264 |
| Employees' end of service benefits paid | | (2,729,658) | (3,817,454) |
| Financial charges paid | | (17,617,047) | (9,586,598) |
| Zakat and income tax paid | | (14,272,850) | (21,997,095) |
| Net cash from operating activities | | 131,378,998 | 187,808,117 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Dividends received from an equity accounted investee | 11 | 6,564,078 | 5,000,463 |
| Investment in associate made during the period | | (45,025,701) | - |
| Proceeds from sale of equity interest to NCI | | 648,356,896 | - |
| Proceeds from disposal of property, plant and equipment | | 134,551 | 683,028 |
| Additions to property, plant and equipment, capital work in progress, intangible assets and right of use assets | | (67,496,228) | (101,491,086) |
| Net cash generated from / (used in) investing activities | | 542,533,596 | (95,807,595) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Repayment of long term loans | | (52,764,868) | (46,599,053) |
| Receipt of long term loans | | 65,000,000 | 45,000,000 |
| Lease liabilities paid | | (8,353,144) | (11,277,062) |
| Dividend paid | 15 | (65,280,000) | (48,960,000) |
| Dividends paid to non-controlling interests by subsidiaries | | (52,727,201) | (31,462,099) |
| Net movement in non-controlling interests | | 1,690,248 | (118,476) |
| Net cash used in financing activities | | (112,434,965) | (93,416,690) |
| NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS | | 561,477,629 | (1,416,168) |
| Cash and cash equivalents at the beginning of the period | 14 | 336,533,927 | 295,100,801 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD | | 898,011,556 | 293,684,633 |
| SUPPLEMENTARY NON-CASH INFORMATION | | | |
| Cash flow hedges – effective portion of change in fair value | | 3,659,141 | (5,836,345) |
| Obligation under service concession arrangement | 8.2(b) | - | (1,576,719,213) |
| Transfer of assets from property plant and equipment to intangibles | 8.2(a) | - | 489,210,493 |
| Modification of lease contracts | | - | (146,694,649) |

The attached notes 1 to 25 form an integral part of these condensed consolidated interim financial statements.

SAUDI INDUSTRIAL SERVICES COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENT (UNAUDITED)

For the three-month and nine-month periods ended 30 June 2021

1. ORGANISATION AND ACTIVITIES

Saudi Industrial Services Company (“the Company” or “the Parent Company” or “SISCO”) is a joint stock company incorporated in accordance with Saudi Arabian Regulations for Companies under the Ministry of Commerce Resolution No. 223 of 7 Rabi Al Awal 1409 H (corresponding to 18 October 1988) and registered under Commercial Registration No. 4030062502 dated 10 Rabi Al Thani 1409H (corresponding to 20 November 1988) to engage in maintenance, operations and management of factories, industrial facilities, construction of residential buildings and all related facilities such as entertainment centers, malls, restaurants, catering projects, construction of hospitals and buildings to provide health services to factory and industrial company workmen, marketing factory products locally and worldwide, provide services and participate in formation of companies. The principal activity of the Parent Company is investment and management of subsidiaries. The registered head office of the Parent Company is located at the following address:

Saudi Business Center
P. O. Box 14221,
Jeddah 21424,
Kingdom of Saudi Arabia.

These condensed consolidated interim financial statements include assets, liabilities and the results of the operations of the Parent Company and its following subsidiaries collectively referred to as “the Group”. The financial statements of the subsidiaries are prepared for the same reporting period and accounting policies as that of the Parent Company.

| <u>Company</u> | <u>Country of incorporation</u> | <u>Effective shareholding</u> | | <u>Principal activities</u> |
|--|---------------------------------|-------------------------------|-------------|---|
| | | <u>2021</u> | <u>2020</u> | |
| Saudi Trade and Export Development Company (“Tusdeer”) | Saudi Arabia | 76% | 76% | Management and operation of storage and re-export project situated on the land leased from Jeddah Islamic Port. |
| Kindasa Water Services Company – Closed Joint Stock Company (“Kindasa”) | Saudi Arabia | 65% | 65% | Water desalination and treatment plant and sale of water. |
| Support Services Operation Company (“ISNAD”) | Saudi Arabia | 99.28% | 99.28% | Development and operation of industrial zones, construction and operation of restaurants, catering and entertainment centers, construction of gas stations, auto servicing and maintenance workshops, and purchase of land for the construction of building thereon and investing the same through sale or lease. |
| Red Sea Port Development Company – Closed Joint Stock Company (“RSPD”) | Saudi Arabia | 60.6% | 60.6% | Development, construction, operation and maintenance of container terminals and excavation and back filling works. |
| Red Sea Gateway Terminal Company Limited (“RSGT”) (a subsidiary company of RSPD) | Saudi Arabia | 36.36% | 60.6% | Development, construction, operation and maintenance of container terminals and excavation and back filling works. |

SISCO owns 60.6% effective interest in RSPD which in turn owns 60% interest in RSGT.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(continued)

For the three-month and nine-month periods ended 30 September 2021

1. ORGANISATION AND ACTIVITIES (continued)

On 14 July 2021 SISCO and its subsidiary Saudi Trade and Export Development Company (“Tusdeer”) completed the sale of its 21.2% and 4% direct equity stake in RSGT respectively. Total proceeds net of transaction cost for sale of these shares by SISCO and Tusdeer were SR 545.5 million and SR 102.9 million respectively. SISCO will continue to consolidate RSGT through its subsidiary Red Sea Ports Development Company Limited (“RSPD”). This transaction is accounted for in these condensed consolidated interim financial statements of the Group as change in ownership interest of the Group in RSGT without loss of control. Accordingly, the carrying amounts of non-controlling interests has increased by SR 300.6 million to reflect the increase in their relative interests in RSGT. Difference between the amount by which the non-controlling interests have increased and the consideration received by the Group net of transaction cost amounted to SR 347.8 million. This amount is recognized directly in equity as effect of changes in ownership interest in subsidiaries and is attributed to the shareholders of the Parent Company. Further in line with requirement of International Financial Reporting Standards (IFRS) the share of Actuarial Valuation Reserve and Cashflow Hedging Reserve of RSGT attributable to shareholders of Parent company in the amount of SR 2.8 million and SR 2.4 million are also adjusted to reflect the new ownership interest.

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

These condensed consolidated interim financial statements do not include all of the information required in the annual financial statements and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2020 (last annual consolidated financial statements). However, selected explanatory notes are included to explain the events and transactions that are significant to an understanding of changes in the Group’s financial position and performance since the last annual consolidated financial statements.

2.2 Significant judgments, estimates and assumptions

The preparation of Group’s condensed consolidated interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of revenues, expenses, assets, liabilities and accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

The Group based its assumptions and estimates on parameters available when the condensed consolidated interim financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur. Also see note 2.3 below.

The significant judgments exercised in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual consolidated financial statements for the year ended 31 December 2020.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(continued)

For the three-month and nine-month periods ended 30 September 2021

2. BASIS OF PREPARATION (continued)

2.3 Impact of the Pandemic

Since early 2020, the Novel Coronavirus Pandemic (COVID-19) has spread globally across various geographies causing disruption to businesses and economic activities. Whilst it is challenging to predict the full extent and duration of business and economic impacts, the management has considered the potential impacts of COVID-19 on the Group's operations and concluded that as of the issuance date of these condensed consolidated interim financial statements, no significant changes are required to the judgements and key estimates. The Group is continuously monitoring the evolving scenario and any change in the judgements and key estimates will be reflected as part of the operating results and cash flows of the future reporting periods.

2.4 Basis of measurement

These condensed consolidated interim financial statements have been prepared under the historical cost basis, except for financial assets at fair value through other comprehensive income (FVOCI) and derivative financial instruments which are carried at their fair values.

2.5 Functional and presentation currency

These condensed consolidated interim financial statements are presented in Saudi Arabian Riyals ("SR") which is the Group's functional and presentation currency.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in these condensed consolidated interim financial statements are the same as those applied in the Group's annual consolidated financial statements as at and for the year ended 31 December 2020 except for adoption of new standards effective as at 1 January 2021. Several amendments applied for the first time in 2021, but do not have material impacts on these condensed consolidated interim financial statements of the Group. Certain comparative information has been reclassified to ensure consistency with presentation in the current period.

4. STANDARDS, INTERPRETATIONS AND AMENDMENTS ISSUED BUT NOT YET EFFECTIVE

The standards, interpretations and amendments issued, but not yet effective up to the date of issuance of the condensed consolidated interim financial statements are disclosed below. The Group intends to adopt these standards, where applicable, when they become effective.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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For the three-month and nine-month periods ended 30 September 2021

4. STANDARDS, INTERPRETATIONS AND AMENDMENTS ISSUED BUT NOT YET EFFECTIVE (continued)

| <i>Standard / Interpretation</i> | <i>Description</i> | <i>Effective from periods beginning on or after the following date</i> |
|----------------------------------|---|--|
| IAS 37 | Onerous contracts – cost of fulfilling a contract | 1 January 2022 |
| IFRS Standards | Annual improvements to IFRS standards 2018 – 2020 Amendments to IFRS 1, IFRS 9, illustrative examples accompanying IFRS 16 and IAS 41 | 1 January 2022 |
| IAS 16 | Property, plant and equipment: proceeds before intended use | 1 January 2022 |
| IFRS 3 | Reference to the conceptual framework – Amendment | 1 January 2022 |
| IFRS 17 | Insurance contracts | 1 January 2023 |
| IAS 1 | Classification of liabilities as current or non-current (amendments to IAS 1) | 1 January 2023 |
| IAS 8 | Definition of Accounting Estimate – Amendment to IAS | 1 January 2023 |
| IAS 1 | Disclosure of Accounting Policies – Amendment to IAS 1 and IFRS Practice statement | 1 January 2023 |
| IAS 12 | Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendment to IAS 12 | 1 January 2023 |
| IFRS 10 and IAS 28 | Sale or contribution of assets between investor and its associate or joint venture (amendments to IFRS 10 and IAS 28) | Available for optional adoption / effective date deferred indefinitely |

The Group is currently assessing the implication of adopting the abovementioned standards, amendments or interpretations the Group's financial statements on adoption.

5. SERVICE REVENUES

| | <i>For the three-month period ended 30 September 2021</i> | <i>For the three-month period ended 30 September 2020</i> | <i>For the nine-month period ended 30 September 2021</i> | <i>For the nine-month period ended 30 September 2020</i> |
|---------------------------------|---|---|--|--|
| | <i>Unaudited SR</i> | <i>Unaudited SR</i> | <i>Unaudited SR</i> | <i>Unaudited SR</i> |
| Shipping and unloading services | 165,189,110 | 194,120,711 | 564,730,851 | 493,279,432 |
| Sale of potable water | 26,072,852 | 23,204,740 | 73,992,694 | 68,264,257 |
| Rentals and support services | 26,678,946 | 21,662,400 | 77,355,720 | 60,307,459 |
| | 217,940,908 | 238,987,851 | 716,079,265 | 621,851,148 |

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(continued)

For the three-month and nine-month periods ended 30 September 2021

6. EARNINGS PER SHARE

Basic earnings per share (EPS) is calculated by dividing profit for the period attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares in issue outstanding during the period.

| | <i>For the three-month period ended 30 September 2021 Unaudited SR</i> | <i>For the three- month period ended 30 September 2020 Unaudited SR</i> | <i>For the nine-month period ended 30 September 2021 Unaudited SR</i> | <i>For the nine-month period ended 30 September 2020 Unaudited SR</i> |
|---|--|---|---|---|
| Profit for the period attributable to ordinary equity holders of the Parent | <u>3,983,625</u> | <u>28,157,352</u> | <u>58,731,380</u> | <u>111,280,442</u> |
| Weighted average number of ordinary shares in issue | <u>81,600,000</u> | <u>81,600,000</u> | <u>81,600,000</u> | <u>81,600,000</u> |
| Basic and diluted earnings per share | <u>0.05</u> | <u>0.35</u> | <u>0.72</u> | <u>1.36</u> |

The diluted EPS is same as the basic EPS as the Group does not have any dilutive instruments.

7. PROPERTY, PLANT AND EQUIPMENT

| | <i>30 September 2021 Unaudited SR</i> | <i>31 December 2020 Audited SR</i> |
|---|---|--|
| Property, plant and equipment - Port terminal operations | <u>32,690,740</u> | <u>34,883,753</u> |
| Property, plant and equipment | <u>188,716,991</u> | <u>204,962,895</u> |
| Property, plant and equipment of Bonded and re-export project | <u>26,886,817</u> | <u>28,634,885</u> |
| | <u>248,294,548</u> | <u>268,481,533</u> |

- a) During the nine-month period ended 30 September 2021, additions amounting to SR 2.13 million (year ended 31 December 2020: SR 4 million), SR 0.27 million (year ended 31 December 2020: SR 0.4 million), SR 1.58 million (year ended 31 December 2020: SR 21.8 million) were made to the property, plant and equipment, Bonded and re-export project and Port terminal operations respectively .
- b) The Group's property and equipment – port terminal operations have been pledged against the Ijara Facility.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(continued)

For the three-month and nine-month periods ended 30 September 2021

8. INTANGIBLE ASSETS

| | <i>30 September 2021 Unaudited SR</i> | <i>31 December 2020 Audited SR</i> |
|--|---|--|
| Port concession rights (note 8.1) | 1,579,161,624 | 1,625,893,154 |
| Intangible asset related to fixed and guaranteed variable fee (note 8.2) | 1,487,497,820 | 1,511,355,369 |
| Other intangible assets | 3,413,805 | 4,325,622 |
| | <u>3,070,073,249</u> | <u>3,141,574,145</u> |

8.1 Port concession rights

| | <i>30 September 2021 Unaudited SR</i> | <i>31 December 2020 Audited SR</i> |
|--|---|--|
| <i>Cost</i> | | |
| Balance at the beginning of the period/year | 2,487,828,059 | 1,710,555,638 |
| Additions during the period/year | 4,085,134 | 75,426,303 |
| Transfer from capital work in progress | 15,875,202 | 72,065,880 |
| Disposals during the period/year | (609,966) | (2,401,843) |
| Transfers (note 8.2(a)) | - | 632,182,081 |
| | <u>2,507,178,429</u> | <u>2,487,828,059</u> |
| <i>Amortisation</i> | | |
| Balance at the beginning of the period/year | 861,934,905 | 642,815,862 |
| Charge for the period / year | 66,691,866 | 76,989,549 |
| Disposals during the period/year | (609,966) | (2,342,094) |
| Accumulated amortization pertaining to transfers (note 8.2(a)) | - | 144,471,588 |
| | <u>928,016,805</u> | <u>861,934,905</u> |
| Balance at the end of the period/year | <u>1,579,161,624</u> | <u>1,625,893,154</u> |

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(continued)

For the three-month and nine-month periods ended 30 September 2021

8. INTANGIBLE ASSETS (continued)

8.2 Intangible assets related to fixed and guaranteed variable fee

| | <i>30 September 2021 Unaudited SR</i> | <i>31 December 2020 Audited SR</i> |
|---|---|--|
| Cost: | | |
| Intangible assets recorded in accordance with IFRIC 12 (see note 'b' below) | <u>1,534,528,416</u> | <u>1,534,528,416</u> |
| Accumulated amortization: | | |
| At the beginning of the period / year | <u>23,173,047</u> | - |
| Charge for the period / year | <u>23,857,549</u> | <u>23,173,047</u> |
| At the end of the period / year | <u>47,030,596</u> | <u>23,173,047</u> |
| Net book value | <u><u>1,487,497,820</u></u> | <u><u>1,511,355,369</u></u> |

Saudi Trade and Export Development Company, a subsidiary of the Group, had entered into a Build-Operate-Transfer (the "BOT" or the "agreement") agreement with Saudi Arabian Seaports Authority ("MAWANI" or the "grantor") for the construction of a container terminal at the Re-export Zone of Jeddah Islamic Port.

The agreement was, subsequently, novated by Saudi Trade and Export Development Company to RSGT (another subsidiary of the Group), effective from 22 Shawal 1428H (corresponding to 3 November 2007). The period of the Agreement originally was for 32 years. However, on 23 December 2019, RSGT, entered into a New Concession Agreement (the New Concession Agreement) with MAWANI whereby RSGT acquired rights to operate North Container Terminal in addition to the terminal operated under the BOT agreement, effective from 1 April 2020 (the effective date) for a period of 30 years from the effective date.

On the basis that the new concession falls under IFRIC 12 intangible asset model, then the previous rights to operate the terminal operated under the BOT agreement shall still represent an intangible asset under the new agreement with no derecognition of existing intangible assets. As a result:

- a) Certain items of property and equipment and their respective accumulated depreciation, which were previously owned by the Group and used for terminal operations (being classified as non-concession arrangement assets), were transferred to intangible assets during the year ended 31 December 2020 as they are now part of the concession arrangements as per the New concession Agreement.
- b) The New Concession Agreement stipulates payment of the fixed and guaranteed variable fee on the specified rates over the life of the agreement. These fees were recorded as intangible asset under the guidance of IFRIC 12 'Service Concession Arrangements', with a corresponding liability recognized as obligation under service concession arrangement during the year ended 31 December 2020 and measured in accordance with IFRS 9 "Financial Instruments". All other variable fees are charged to condensed consolidated statement of profit or loss as and when incurred.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(continued)

For the three-month and nine-month periods ended 30 September 2021

9. CAPITAL WORK IN PROGRESS

The carrying amount of capital work in progress (CWIP) represent amounts paid to contractors and suppliers for the acquisition of the intangible assets and items of property, plant and equipment. Once complete, these assets and their carrying amount will be transferred to respective asset category. CWIP mainly comprise of Jeddah Logistic Hub and Jeddah Logistic park Projects of Tusdeer and work in progress in respect of port terminal operations of RSGT. During the nine-month period additions of SR 58.78 million were made in CWIP of the Group.

10. GOODWILL

The Group recorded a goodwill of SR 9.3 million at the time of acquisition of Kindasa Water Services Company (Kindasa), a subsidiary of the Group. Subsequently, an impairment of SR 0.5 million was recorded resulting in net carrying value of SR 8.8 million (31 December 2020: SR 8.8 million).

The management reviews goodwill for impairment annually and when there is an indicator of impairment. For the purposes of impairment testing, goodwill has been allocated to the subsidiary (i.e. cash generating unit). The recoverable amount of the cash generating unit has been determined based on a value in use calculation, using cash flow projections based on financial budgets approved by the senior management and Board of Directors of Kindasa.

11. EQUITY-ACCOUNTED INVESTEEES

| | <i>30 September</i> | <i>31 December</i> | <i>30 September</i> |
|--|---------------------|--------------------|---------------------|
| | <i>2021</i> | <i>2020</i> | <i>2020</i> |
| | <i>Unaudited</i> | <i>Audited</i> | <i>Unaudited</i> |
| | <i>SR</i> | <i>SR</i> | <i>SR</i> |
| Balance at the beginning of the period/year | 136,922,460 | 132,421,768 | 132,421,768 |
| Share in profit of equity accounted investees, net | 19,423,291 | 21,609,171 | 16,025,352 |
| Investment made during the year | 45,025,701 | | |
| Share of actuarial losses of associates recognized in other comprehensive income | - | (2,082,512) | - |
| Dividend received during the period / year | (6,564,078) | (15,025,967) | (5,000,463) |
| Balance at the end of the period/year | <u>194,807,374</u> | <u>136,922,460</u> | <u>143,446,657</u> |

SAUDI INDUSTRIAL SERVICES COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(continued)

For the three-month and nine-month periods ended 30 September 2021

11. INVESTMENTS IN EQUITY ACCOUNTED INVESTEES (continued)

11.1 Equity-accounted investees

| <i>Associates</i> | <i>Principal activities</i> | <i>Country of incorporation</i> | <i>Effective shareholding percentage</i> | | <i>Carrying amount</i> | |
|---|--|---------------------------------|--|-------------------------|--------------------------|-------------------------|
| | | | <i>30 September 2021</i> | <i>31 December 2020</i> | <i>30 September 2021</i> | <i>31 December 2020</i> |
| | | | <i>Unaudited</i> | <i>Audited</i> | <i>Unaudited</i> | <i>Audited</i> |
| International Water Distribution Company Limited (note a) | Water/waste works, water treatment and lease of water equipment | Kingdom of Saudi Arabia | 50% | 50% | 92,092,332 | 84,044,946 |
| Saudi Water and Environmental Services Company (note b) | Electrical, water and mechanical works and related operation and maintenance | Kingdom of Saudi Arabia | 31.85% | 31.85% | 4,636,430 | 6,660,855 |
| Saudi Al Jabr Talke Company Limited | Contracting, construction, operation and maintenance of factories and warehouses | Kingdom of Saudi Arabia | 33.3% | 33.3% | 51,044,736 | 43,814,661 |
| Xenmet SA, Vaduz (note c) | Trading, storage and brokerage of commodities | Principality of Liechtenstein | 19% | 19% | 2,008,175 | 2,401,998 |
| Green Dome | Investment and management of companies providing logistic services | Kingdom of Saudi Arabia | 31.6% | - | 45,025,701 | - |
| | | | | | 194,807,374 | 136,922,460 |

- a) The Parent Company does not have any control over management and operations of “International Water Distribution Company” accordingly, it is classified as associates and accounted for as equity-accounted investee.
- b) Saudi Water and Environmental Services Company is 49% owned by Kindasa Water Services Company (a subsidiary), which is 65% owned by the Parent Company.
- c) Xenmet SA, Vaduz is 25% owned by Saudi Trade and Export Development Company Limited (a subsidiary), which is 76% owned by the Parent Company.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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12. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Financial assets at FVOCI comprised of equity investment in shares of Growth Gate Capital Corporation B.S.C.. As of the statement of financial position date, management believes that the carrying amount of the investment approximates its fair value.

13. RIGHT OF USE ASSETS AND LEASE LIABILITIES

Set out below are the carrying amounts of right-of-use assets recognized and the movements during the period:

| | <i>30 September 2021 Unaudited SR</i> | <i>31 December 2020 Audited SR</i> |
|--|---|--|
| Cost: | | |
| At the beginning of the period / year | 101,081,068 | 256,622,317 |
| Lease contracts modification | - | (147,340,195) |
| Additions during the period/ year | 7,236,826 | 4,552,274 |
| Lease contract terminated during the period / year | - | (12,753,328) |
| | <u>108,317,894</u> | <u>101,081,068</u> |
| Depreciation: | | |
| At the beginning of the period/year | (14,162,815) | (14,797,077) |
| Depreciation for the period/year | (4,354,386) | (6,866,680) |
| Depreciation for the period/year (capitalized in CWIP) | (260,573) | (351,917) |
| Relating to modified and terminated contract | - | 7,852,859 |
| | <u>(18,777,774)</u> | <u>(14,162,815)</u> |
| Net value at the end of period/ year | <u>89,540,120</u> | <u>86,918,253</u> |

Set out below are the carrying amounts of lease liabilities and the movements during the period:

| | <i>30 September 2021 Unaudited SR</i> | <i>31 December 2020 Audited SR</i> |
|---|---|--|
| At the beginning of the period/year | 91,631,727 | 247,016,438 |
| Addition during the period/year | 7,236,826 | - |
| Lease contracts modification | - | (147,340,195) |
| Interest charge for the period/year | 1,876,123 | 2,342,544 |
| Unwinding of lease liability (capitalized in CWIP) | 1,840,300 | 3,923,274 |
| Payment of lease liabilities during the period/year | (8,353,144) | (9,402,420) |
| Disposals during the period/year | - | (4,907,914) |
| As the ended of the period/ year | <u>94,231,832</u> | <u>91,631,727</u> |

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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For the three-month and nine-month periods ended 30 September 2021

13. RIGHT OF USE ASSETS AND LEASE LIABILITIES (continued)

The classification of lease liabilities is as follows:

| | <i>30 September</i> <i>2021</i> <i>Unaudited</i> <i>SR</i> | <i>31 December</i> <i>2020</i> <i>Audited</i> <i>SR</i> |
|-------------------------------|---|--|
| Current lease liabilities | 9,756,680 | 7,033,955 |
| Non-current lease liabilities | 84,475,152 | 84,597,772 |
| | <u>94,231,832</u> | <u>91,631,727</u> |

14. CASH AND CASH EQUIVALENTS

| | <i>30 September</i> <i>2021</i> <i>Unaudited</i> <i>SR</i> | <i>31 December</i> <i>2020</i> <i>Audited</i> <i>SR</i> |
|--------------------------------|---|--|
| Cash in hand | 259,417 | 234,090 |
| Cash at banks (see note below) | 847,752,139 | 336,299,837 |
| Short term deposits | 50,000,000 | - |
| | <u>898,011,556</u> | <u>336,533,927</u> |

14.1 Out of the total cash at bank balance, SR 0.63 million (31 December 2020: SR 0.88 million) was held with a commercial bank in respect of accumulated unclaimed dividends.

14.2 Short term deposits are placed with a commercial bank having original maturity of less than three months and yield financial income at prevailing market rates.

15. SHARE CAPITAL AND DIVIDEND

As at 30 September 2021, the authorised and paid up capital of the Group is divided into 81.6 million shares (31 December 2020: 81.6 million shares) of SR 10 each.

On 23rd Ramadan, 1442H (corresponding to 5 May 2021), the shareholders of the Company in their Annual General Meeting approved the dividend amounting to SR 65.28 million (SR 0.8 per share) [2020: On 13 April 2020, dividend amounting to SR 48.96 million (SR 0.6 per share)]. Dividend was paid in full during the period ended 30 September 2021.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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For the three-month and nine-month periods ended 30 September 2021

16. LONG TERM LOANS AND BANK FACILITIES

| | <i>30 September 2021 Unaudited SR</i> | <i>31 December 2020 Audited SR</i> |
|-----------------------|---|--|
| Long-term loans | 752,815,396 | 736,333,242 |
| Less: current portion | (112,575,717) | (70,670,666) |
| Non-current portion | <u>640,239,679</u> | <u>665,662,576</u> |

- a) On 3 December 2007, RSGT (a subsidiary of the Company) entered into an Ijara arrangement with two local commercial banks to obtain a loan of SR 1,271 million. The Ijara facility was secured against the property and equipment of RSGT. The loan was to be repaid in semi-annual installments ending in December 2023. The loan carried special commission rate of SIBOR plus an agreed margin (see note(c) below).
- b) On 28 September 2016, RSGT entered into an Ijara arrangement with two local commercial banks to obtain a loan of SR 260 million for expansion of its existing berths. This facility was also secured against the port concession rights of RSGT. The loan was to be repaid in semi-annual installments ending in December 2023. The loan carried special commission rate of SIBOR plus an agreed margin (see note(c) below).
- c) During the year ended 31 December 2020, RSGT and the banks mutually agreed to amend the terms of the loan agreements above. These amendments, among others, included modification of the applicable rate from six months SIBOR to three months SIBOR, lowered the agreed margin, modified the repayment frequency from biannual to quarterly payment and extended the maturity period from year 2023 to 2030. The Ijara facilities are secured against property and equipment of RSGT. The modifications of the terms were assessed qualitatively and quantitatively in accordance with IFRS 9 “Financial Instruments” and, as a result, the management concluded that the changes in terms of agreement resulted in modification under the requirements of IFRS 9 “Financial Instruments”. Accordingly, the modifications resulted in a day one gain of SR 31.96 million recorded in the statement of profit or loss as at the effective date of the modification of the terms of the loans (note 18). Un-amortised balance of the modification gain as at 30 September 2021 is of SR 23.98 million which will be amortised over the remaining period of the Ijara facility, using effective interest rate.
- d) The unamortized portion of the advance rentals (loan arrangement fee) and other fees paid to the banks amounting to SR 12.9 million are amortized over the remaining period of the Ijara facility, using effective interest rate approach.
- e) During the year ended 31 December 2020, RSGT obtained a facility with sanctioned limit of SR 750 million towards its consolidation and expansion works. Out of which SR 70 million was drawn as of the date of the condensed consolidated interim statement of financial position. RSGT pays an agreed commitment fee on the undrawn balance and an agreed profit payable at SIBOR plus a margin on the drawn balance. The commitment fee paid has been deferred and amortised as part of effective interest rate on the basis that a full draw down of the loan is expected to occur in future years. The loan will be repaid in quarterly instalments starting from 2023 and ending in 2033. The loan is secured against assets relating to the consolidation and expansion works.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(continued)

For the three-month and nine-month periods ended 30 September 2021

16. LONG TERM LOANS AND BANK FACILITIES (continued)

f) The current and non-current portion of the loans of RSGT as at the period end is as follows:

| | <i>30 September 2021 Unaudited SR</i> | <i>31 December 2020 Audited SR</i> |
|-----------------------|---|--|
| Long-term loans | 709,272,653 | 731,461,973 |
| Less: current portion | (70,804,342) | (68,899,295) |
| Non-current portion | <u>638,468,311</u> | <u>662,562,678</u> |

g) During 2016, Kindasa entered into an agreement for a long-term facility with a local bank for SR 24 million to finance the construction of a new water desalination facility. The loan carries commission at commercial rates (SIBOR plus an agreed margin) and is repayable in quarterly instalments commencing one year after the first drawdown. The loan is secured by secondary mortgage over Kindasa's property and equipment. As at 30 September 2021, Kindasa has cumulatively drawn down SR 8.5 million out of total facility of SR 24 million.

| | <i>30 September 2021 Unaudited SR</i> | <i>31 December 2020 Audited SR</i> |
|-----------------------|---|--|
| Long-term loan | 3,542,743 | 4,871,269 |
| Less: current portion | (1,771,375) | (1,771,371) |
| Non-current portion | <u>1,771,368</u> | <u>3,099,898</u> |

h) During the nine-month period ended 30 September 2021, SISCO obtained a short term financing facility with sanctioned limit of SR 40 million which was completely drawn as of 30 September 2021. SISCO pays profit at an agreed margin on the drawn balance. The loan is repayable in November 2021.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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17. LONG TERM PROVISIONS

| | <i>30 September 2021 Unaudited SR</i> | <i>31 December 2020 Audited SR</i> |
|--------------------------------|---|--|
| Provision for dismantling cost | 1,880,646 | 1,821,257 |
| Others | 147,744 | 162,967 |
| | <u>2,028,390</u> | <u>1,984,224</u> |

18. FINANCE COST, NET

| | <i>For the three- month period ended 30 September 2021 Unaudited SR</i> | <i>For the three-month period ended 30 September 2020 Unaudited SR</i> | <i>For the nine- month period ended 30 September 2021 Unaudited SR</i> | <i>For the nine- month period ended 30 September 2020 Unaudited SR</i> |
|--|---|--|--|--|
| Gain on modification of loan agreement (note 16 (c)) | - | - | - | 31,959,301 |
| Finance cost on obligations under service concession arrangement | (42,006,160) | (42,164,191) | (126,183,887) | (84,354,988) |
| Finance cost on term loans | (8,083,620) | (8,751,273) | (24,708,731) | (25,249,318) |
| Others | (648,496) | (179,285) | (2,032,947) | (4,422,007) |
| | <u>(50,738,276)</u> | <u>(51,094,749)</u> | <u>(152,925,565)</u> | <u>(82,067,012)</u> |

19. OTHER INCOME, NET

| | <i>For the three-month period ended 30 September 2021 Unaudited SR</i> | <i>For the three-month period ended 30 September 2020 Unaudited SR</i> | <i>For the nine- month period ended 30 September 2021 Unaudited SR</i> | <i>For the nine- month period ended 30 September 2020 Unaudited SR</i> |
|---|--|--|--|--|
| Reversal of provision for asset replacement cost | - | - | - | 75,165,205 |
| Loss on disposal of property, plant and equipment | (7,336) | - | (18,911) | (3,497,515) |
| Reversals of provision no longer needed | - | - | 5,727,740 | 3,386,373 |
| Others | 4,071,991 | 698,830 | 6,241,059 | 4,793,240 |
| | <u>4,064,655</u> | <u>698,830</u> | <u>11,949,888</u> | <u>79,847,303</u> |

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(continued)

For the three-month and nine-month periods ended 30 September 2021

20. ZAKAT AND INCOME TAX

Parent Company

During the period, the Parent Company received an offer by the Zakat Tax and Customs Authority (“ZATCA”) Settlement Committee to pay SR 8 million as a full and final settlement against zakat and tax for years from 2002 to 2013. Management of the Parent Company confirmed their acceptance to the ZATCA Settlement Committee and, simultaneously, requested to adjust SR 3.9 million already paid by the Parent Company for those years. The ZATCA had adjusted the settlement SADAD invoice of SR 8 million by reflecting SR 3.9 million already paid. During the nine month period ended 30 September 2021 the Company paid the net due amount of SR 4.1 million and finalised the zakat assessment up to year 2013.

Furthermore, the ZATCA has also raised assessments for the years 2014 to 2015 and year 2016 to 2018 with an additional liability of SR 0.47 million and SR 1.4 million respectively. The Company accepted and paid the imposition of Zakat amounting to SR 0.47 million and SR 1.4 million during nine month period ended 30 September 2021 and finalized the assessment up to the year 2018.

During the quarter period ended 30 September 2021, ZATCA has raised the assessments for years 2019 and 2020 with an additional liability of SR 2.65 million. The Parent Company has filed an appeal with ZATCA in respect of the above assessments and settled SR 0.66 million representing 25% of the assessed amount pursuant to the requirement under the New Zakat Regulation.

The Parent Company has filed its Zakat returns for the years up to 31 December 2020.

Subsidiaries

Red Sea Gateway Terminal Company Limited and Red Sea Ports Development Company (“the Subsidiaries”)

RSGT has finalized its Zakat and income tax assessments with ZATCA up to 2013 and has filed its Zakat and income tax returns up to the year 2020. RSGT has received an assessment SR 0.115 million for year 2015 which was accepted and paid. Up to, the date of these condensed consolidated interim financial statements, ZATCA is yet to raise the assessment for the years from 2014 and 2016 through 2020.

RSPD has filed its Zakat and income tax returns with ZATCA up to the year 2020. RSPD has received an assessment for year 2018 which was accepted under protest. Up to the date of this report, ZATCA is yet to raise assessments for the years from 2009 through 2017 and 2019 to 2020.

Saudi Trade and Export Development Company Limited (“the Subsidiary”)

The Subsidiary has finalized its Zakat assessments with ZATCA up to 2016 and has filed its Zakat returns up to 2020. Up to the date of these condensed consolidated interim financial statements, ZATCA is yet to raise the assessment for the years from 2017 to 2020.

Support Services Operation Company Limited (“the Subsidiary”)

The Subsidiary has finalized its Zakat assessments with GAZT for the years 2007 to 2008 and 2016 to 2018. Isnad has filed its Zakat returns up to 2020. ZATCA has not raised the assessment for the years from 31 December 2009 to 31 December 2015 and 31 December 2019 to 31 December 2020.

Kindasa Water Service Company (“the Subsidiary”)

The Subsidiary has finalized its Zakat assessments with ZATCA up to 2015 and has filed its Zakat returns up to 2020. Up to the date of these condensed consolidated interim financial statements, ZATCA is yet to raise the assessment for the years from 2016 to 2020.

SAUDI INDUSTRIAL SERVICES COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)
For the three-month and nine-month period ended 30 September 2021

21. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent the shareholders, directors and key management personnel of the Company, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Board of Directors.

a) Significant related party transactions for the period ended 30 September are as follows:

| Name | Relationship | Nature of transactions | Amount of transactions | | | | | |
|---|--------------|--|--------------------------|-------------|-------------------------|--------------|--------------|-----------|
| | | | Three-month period ended | | Nine-month period ended | | 30 September | |
| | | | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| International Water Distribution Company Limited | Associate | Sales of goods and services | 17,465,423 | 17,347,654 | 50,860,244 | 48,126,829 | Unaudited | Unaudited |
| | | Services rendered | 189,750 | 189,750 | 569,250 | 536,250 | SR | SR |
| | | Expenses incurred on behalf of the Group | - | (52,752) | (4,362) | (62,840) | Unaudited | Unaudited |
| | | Expenses incurred on behalf of the associate | 1,016 | 16,269 | 63,298 | 99,909 | Unaudited | Unaudited |
| Arabian Bulk Trade Limited | Affiliate | Sales of goods and services | 341,270 | - | 341,270 | - | SR | SR |
| | | Lease of land and warehouses | 4,630 | (110) | 3,393 | 1,300 | Unaudited | Unaudited |
| Ambro Limited | Affiliate | Purchase of goods and services | (22,145) | (3,456) | (75,841) | (39,091) | Unaudited | Unaudited |
| Saudi Cable Company | Affiliate | Lease of land and warehouses | 2,210 | 22,656 | 45,936 | 42,656 | Unaudited | Unaudited |
| Al Jabr Talke Company Limited | Associate | Services rendered | 34,500 | 33,282 | 103,500 | 357,173 | Unaudited | Unaudited |
| | | Dividend received | 3,666,657 | - | 3,666,657 | 5,000,463 | Unaudited | Unaudited |
| | | Expenses incurred on behalf of an Associate | - | - | 264,925 | 1,218 | Unaudited | Unaudited |
| Saudi Water and Environmental Services Company Limited | Associate | Sales of goods and services | 337,728 | 1,189,079 | 2,004,993 | 4,314,189 | Unaudited | Unaudited |
| Xenel Industries Limited | Shareholder | Expenses incurred on behalf of the shareholder | 126,995 | 121,568 | 264,918 | 264,449 | Unaudited | Unaudited |
| | | Expenses incurred on behalf of the Group | (23,786) | (96,181) | (33,981) | (148,676) | Unaudited | Unaudited |
| | | Expenses cross charged to shareholder | 3,600,957 | - | 3,600,957 | - | Unaudited | Unaudited |
| Accom Arabia Limited | Affiliate | Purchase of goods and services | - | (2,250) | - | (47,250) | Unaudited | Unaudited |
| Al Karam Fedics Services Company | Affiliate | Purchase of goods and services | (4,822,338) | (4,822,382) | (14,379,434) | (13,077,976) | Unaudited | Unaudited |
| Haji Abdullah Ali Reza & Co. Limited - General Technical Division | Affiliate | Purchase of goods and services | - | (68,718) | - | (604,506) | Unaudited | Unaudited |

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(continued)

For the three-month and nine-month period ended 30 September 2021

21. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

b) Due from related parties

| | <i>30 September</i> <i>2021</i> <i>Unaudited</i> <i>SR</i> | <i>31 December</i> <i>2020</i> <i>Audited</i> <i>SR</i> |
|--|---|--|
| International Water Distribution Company Limited | 11,560,727 | 11,280,411 |
| Saudi Water and Environmental Services Company Limited | 78,445 | 249,996 |
| Xenel Industries Limited | 651,902 | 420,964 |
| Al Jabr Talke Company Limited | 23,000 | 23,000 |
| Saudi Cable Company Limited | 133,532 | 234,469 |
| Arabian Bulk Trade Limited | 348,742 | 74,293 |
| | <u>12,796,348</u> | <u>12,283,133</u> |

c) Due to a related party

| | <i>30 September</i> <i>2021</i> <i>Unaudited</i> <i>SR</i> | <i>31 December</i> <i>2020</i> <i>Audited</i> <i>SR</i> |
|---|---|--|
| Al Karam Fedics Services Company | (1,468,280) | - |
| Haji Abdullah Ali Reza & Co. Limited - General Technical Division | - | (36,605) |
| | <u>(1,468,280)</u> | <u>(36,605)</u> |

d) Key management personnel remuneration and compensation comprised of the following:

| | <i>Three-months</i> <i>period ended</i> <i>30 September</i> <i>2021</i> <i>Unaudited</i> <i>SR</i> | <i>Three-months</i> <i>period ended</i> <i>30 September</i> <i>2020</i> <i>Unaudited</i> <i>SR</i> | <i>Nine-months</i> <i>period ended</i> <i>30 September</i> <i>2021</i> <i>Unaudited</i> <i>SR</i> | <i>Nine-months</i> <i>period ended</i> <i>30 September</i> <i>2020</i> <i>Unaudited</i> <i>SR</i> |
|------------------------------|---|---|--|--|
| Short-term employee benefits | 2,050,000 | 1,941,750 | 10,292,720 | 11,106,875 |
| Post-employment benefits | 110,648 | 105,770 | 321,691 | 328,857 |
| | <u>2,160,648</u> | <u>2,047,520</u> | <u>10,614,411</u> | <u>11,435,732</u> |

Short term employee benefits of the Group's key management personnel include salaries and bonuses.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(continued)

For the three-month and nine-month period ended 30 September 2021

21. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

- e) Board of Directors / Committee members remuneration and compensation comprised of the following:

| | <i>Three-months period ended 30 September 2021 Unaudited SR</i> | <i>Three-months period ended 30 September 2020 Unaudited SR</i> | <i>Nine-months period ended 30 September 2021 Unaudited SR</i> | <i>Nine-months period ended 30 September 2020 Unaudited SR</i> |
|-------------------------|---|---|--|--|
| Meeting attendance fees | 276,000 | 93,000 | 684,000 | 423,000 |
| Other remuneration | 2,475,000 | 912,500 | 4,537,500 | 4,650,000 |
| | <u>2,751,000</u> | <u>1,005,500</u> | <u>5,221,500</u> | <u>5,073,000</u> |

22. COMMITMENTS AND CONTINGENCIES

At 30 September 2021, the Group's bankers have issued letters of guarantee amounting to SR 156.7 million (31 December 2020: SR 156.3 million) against which cash margin of SR 5.9 million (31 December 2020: SR 2.77 million) was deposited.

As at 30 September 2021, the Group has commitments for capital work in progress amounting to SR 44.6 million (31 December 2020: SR 4.8 million) mainly relating to development projects of RSGT and new logistic hub and park construction project of Tusdeer.

23. BUSINESS SEGMENTS

The Group has the following main business segments:

- Port development and operations
- Water desalination and distribution
- Logistic parks and support services
- Corporate office: Consists of investment activities and head office functions.

These business segments are located within the Kingdom of Saudi Arabia and are the Group's strategic business units.

The Group's top management reviews internal management reports of each strategic business unit at least quarterly. Segment results that are reported to the top management include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment revenues, as included in the internal management reports that are reviewed by the top management. The following table presents segment information (assets, liabilities, revenues and net income) for each of the business segments as at and for the nine-month period ended 30 September:

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(continued)

For the three-month and nine-month period ended 30 September 2021

23. BUSINESS SEGMENTS (continued)

| | Reportable Segments | | | Total | Unallocated | Total |
|---|---------------------------------|-------------------------------------|-------------------------------------|-----------|-------------|-----------|
| | Port development and operations | Logistic parks and support services | Water desalination and distribution | | | |
| | SR 000' (Unaudited) | | | | | |
| 30 September 2021 | | | | | | |
| External revenues | 564,731 | 100,402 | 74,702 | 739,835 | - | 739,835 |
| Inter-segment revenue | - | (23,047) | (709) | (23,756) | - | (23,756) |
| Construction Revenue | 17,637 | - | - | 17,637 | - | 17,637 |
| Segment revenues | 582,368 | 77,355 | 73,993 | 733,716 | | 733,716 |
| Direct costs | 259,911 | 70,449 | 54,013 | 384,373 | - | 384,373 |
| Inter-segment direct costs | (710) | (23,047) | - | (23,757) | - | (23,757) |
| Cost of construction | 17,637 | - | - | 17,637 | - | 17,637 |
| Segment cost | 276,838 | 47,402 | 54,013 | 378,253 | - | 378,253 |
| Segment gross profit | 305,530 | 29,953 | 19,980 | 355,463 | - | 355,463 |
| Profit attributable to shareholders of the Parent | 50,404 | 4,965 | 2,758 | 58,127 | 604 | 58,731 |
| Segment assets | 3,581,247 | 474,256 | 192,922 | 4,248,425 | 800,462 | 5,048,887 |
| Segment liabilities | 2,510,547 | 110,566 | 30,775 | 2,651,888 | 60,150 | 2,712,038 |

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(continued)

For the three-month and nine-month period ended 30 September 2021

23. BUSINESS SEGMENTS (continued)

| | Reportable Segments | | | Total | Unallocated | Total |
|---|---------------------------------|-------------------------------------|-------------------------------------|-----------|-------------|-----------|
| | Port development and operations | Logistic parks and support Services | Water desalination and distribution | | | |
| | -----SR 000' (Unaudited)----- | | | | | |
| 30 September 2020 | | | | | | |
| External revenues | 493,280 | 60,307 | 68,977 | 622,564 | - | 622,564 |
| Inter-segment revenues | | - | (713) | (713) | - | (713) |
| Construction Revenue | 20,680 | | | 20,680 | | 20,680 |
| Segment revenues | 513,960 | 60,307 | 68,264 | 642,531 | - | 642,531 |
| Direct costs | 235,490 | 37,127 | 48,737 | 321,354 | - | 321,354 |
| Inter-segment direct costs | (713) | - | - | (713) | - | (713) |
| Cost of construction | 20,680 | - | - | 20,680 | - | 20,680 |
| Segment cost | 255,457 | 37,127 | 48,737 | 341,321 | - | 341,321 |
| Segment gross profit | 258,503 | 23,180 | 19,527 | 301,210 | - | 301,210 |
| Profit attributable to shareholders of the Parent | 106,652 | 5,379 | 2,212 | 114,243 | (2,963) | 111,280 |
| Segment assets | 3,448,529 | 409,304 | 212,261 | 4,070,094 | 244,260 | 4,314,354 |
| Segment liabilities | 2,454,225 | 109,912 | 32,633 | 2,596,770 | 32,477 | 2,629,247 |

24. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction takes place either:

- In the accessible principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous accessible market for the asset or liability
- Fair value information of the Group's financial instruments is analysed below:

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(continued)

For the three-month and nine-month period ended 30 September 2021

24. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: quoted prices in active markets for the same or identical instrument that an entity can access at the measurement date;

Level 2: quoted prices in inactive markets for similar assets and liabilities or valuation techniques for which all significant inputs are based on observable market data; and

Level 3: valuation techniques for which any significant input is not based on observable market data.

Group's Level 3 financial assets comprise investment in unquoted investee company.

There were no transfers between level 1 and level 3 during the nine-month period 30 September 2021 (31 December 2020: nil). There were no financial assets or financial liabilities classified under level 2.

There were no changes in valuation techniques during the period.

As at 30 September 2021, the financial assets of the Group comprised of trade receivables and other receivables, due from related parties, cash and cash equivalents which are recorded at amortised cost and investment in equity securities which is recorded at fair value and the Group's financial liabilities include loans and bank facilities, obligation under service concession agreement, trade payables and other liabilities and derivative financial instruments.

The carrying amount of the financial instruments at amortized cost approximates their fair value. The Group's management determines the policies and procedures for both recurring fair value measurement and for non-recurring measurement.

25. APPROVAL OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

These condensed consolidated interim financial statements were approved and authorised to issue by the Board of Directors on 2 November 2021, corresponding to 27 Rabi Al Awal 1443H.