

SAUDI STEEL PIPES COMPANY (SSPC)
(A SAUDI JOINT STOCK COMPANY)

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE-MONTH AND NINE-MONTH
PERIODS ENDED SEPTEMBER 30, 2022 WITH
INDEPENDENT AUDITOR'S REVIEW REPORT**

SAUDI STEEL PIPES COMPANY
(A SAUDI JOINT STOCK COMPANY)

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2022
WITH INDEPENDENT AUDITOR'S REVIEW REPORT**

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

**The Shareholders of
Saudi Steel Pipes Company**
(A Saudi Joint Stock Company)
Kingdom of Saudi Arabia

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Saudi Steel Pipes Company "Saudi Joint Stock Company" ("the Company"), and its Subsidiary (collectively referred to as "the Group") that include the interim condensed consolidated statement of financial position as at September 30, 2022 and the related interim condensed consolidated statement of profit or loss and other comprehensive income for the three-month and nine-month periods then ended, and the interim condensed consolidated statements of changes in equity and cash flows for the nine months period then ended, and a summary of selected significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34 – ("IAS 34") "Interim Financial Reporting" endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", endorsed in the Kingdom of Saudi Arabia. A review of interim condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared in all material respects, in accordance with IAS 34 endorsed in the Kingdom of Saudi Arabia.

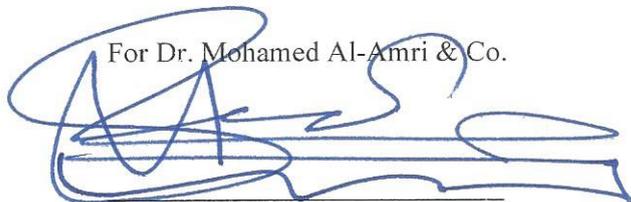
Emphasis of Matter

We draw attention to note 17 to the accompanying interim condensed consolidated financial statements with respect to certain plots of land owned by the Group became inactive due to cancellation by a court order. Our conclusion is not qualified in respect of this matter.

Other Matter

The financial statements of the Group for the year ended December 31, 2021, were audited by another auditor who expressed an unmodified opinion on those statements on February 16, 2022. The interim condensed consolidated financial statements of the Group for the three-month and nine-month periods ended September 30, 2021, were reviewed by the same auditor who expressed an unmodified conclusion on those statements on November 07, 2021.

For Dr. Mohamed Al-Amri & Co.



Maher Al-Khatieb
Certified Public Accountant
Registration No. 514



November 9, 2022 G
Rabi "II" 15, 1444 H

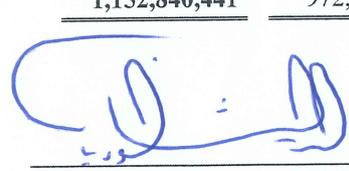
SAUDI STEEL PIPES COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2022

	Note	September 30, 2022 (Un-audited) SR	December 31, 2021 (Audited) SR
ASSETS			
Non-current assets			
Property, plant and equipment, net	5	463,635,747	491,865,092
Right of use assets, net	6	6,068,500	6,648,368
Intangible assets, net		553,738	1,992,174
Investments, net	7	107,386,700	104,966,006
Trade and other receivables – non-current	8	3,360,753	3,790,356
Deferred tax asset		13,245,517	13,700,495
		<u>594,250,955</u>	<u>622,962,491</u>
Current assets			
Inventories, net		213,628,206	118,228,716
Trade and other receivables, net	8	208,649,513	131,448,550
Cash at banks		136,311,767	99,367,399
		<u>558,589,486</u>	<u>349,044,665</u>
TOTAL ASSETS		<u>1,152,840,441</u>	<u>972,007,156</u>
EQUITY AND LIABILITIES			
Equity			
Share capital		510,000,000	510,000,000
Share premium		4,512,330	4,512,330
Statutory reserve		58,494,224	58,494,224
Other reserves		(5,926,730)	(5,926,730)
Accumulated losses		(17,306,579)	(60,373,365)
Treasury shares		(11,502,225)	(11,502,225)
		<u>538,271,020</u>	<u>495,204,234</u>
LIABILITIES			
Non-current liabilities			
Borrowings – non-current	9	102,082,013	44,479,133
Employees' end of service benefits		30,744,109	29,538,287
Lease liabilities	10	5,036,233	5,186,411
Trade and other payables – non-current	11	30,000,000	30,000,000
		<u>167,862,355</u>	<u>109,203,831</u>
Current liabilities			
Borrowings – current	9	248,017,871	182,866,429
Lease liabilities	10	1,080,228	1,658,251
Trade and other payables	11	189,762,119	180,913,801
Zakat and income tax		7,846,848	2,160,610
		<u>446,707,066</u>	<u>367,599,091</u>
TOTAL LIABILITIES		<u>614,569,421</u>	<u>476,802,922</u>
TOTAL EQUITY AND LIABILITIES		<u>1,152,840,441</u>	<u>972,007,156</u>


Mohammed AbdulAziz Al Shayea
Authorized Director


Mariano Armengol Lamazares
Chief Executive Officer


Mohammed Anwar Alshakhouri
Chief Financial Officer

The accompanying notes 1 to 19 form an integral part of these interim condensed consolidated financial statements.

SAUDI STEEL PIPES COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2022

	Note	Three-Month Period Ended		Nine-Month Period Ended	
		September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
		(Un-audited)	(Un-audited)	(Un-audited)	(Un-audited)
		SR	SR	SR	SR
Revenue	12	204,776,740	83,315,475	600,678,484	263,867,131
Cost of revenue		(174,417,220)	(75,733,436)	(514,084,323)	(249,106,864)
Gross profit		30,359,520	7,582,039	86,594,161	14,760,267
Selling, marketing and distribution expenses		(4,273,020)	(2,256,292)	(13,077,938)	(7,237,182)
Administrative expenses		(5,583,881)	(6,349,240)	(16,751,182)	(21,430,918)
(Allowance) / reversal for ECL	8.1	(172,152)	(388,367)	520,167	1,229,439
Other income, net		673,528	719,682	2,245,557	1,267,865
Operating income / (loss)		21,003,995	(692,178)	59,530,765	(11,410,529)
Share of profit / (loss) in an Associate	7.1	2,822,731	133,401	2,420,694	(4,747,583)
Finance charges		(3,927,249)	(2,193,106)	(9,933,820)	(4,684,163)
Profit / (loss) before zakat and income tax		19,899,477	(2,751,883)	52,017,639	(20,842,275)
Zakat and income tax (expense) / benefit	14	(3,148,446)	(537,330)	(8,407,264)	1,019,048
Profit / (loss) for the period from continuing operations		16,751,031	(3,289,213)	43,610,375	(19,823,227)
Profit / (loss) from discontinued operations	15.1	43,143	19,207,690	(543,589)	19,185,689
Total profit / (loss) for the period		16,794,174	15,918,477	43,066,786	(637,538)
Other comprehensive income		-	-	-	-
Total comprehensive income / (loss)		16,794,174	15,918,477	43,066,786	(637,538)

Earnings / (loss) per share

Continuing operations:

Basic earnings / (loss) per share	16	0.331	(0.065)	0.863	(0.392)
Diluted earnings / (loss) per share	16	0.328	(0.064)	0.855	(0.389)

Discontinued operations:

Basic earnings / (loss) per share	16	0.001	0.380	(0.011)	0.380
Diluted earnings / (loss) per share	16	0.001	0.377	(0.011)	0.376

Mohammed AbdulAziz Al Shayea

Authorized Director

Mariano Armengol Lamazares

Chief Executive Officer

Mohammed Anwar Alshakhouri

Chief Financial Officer

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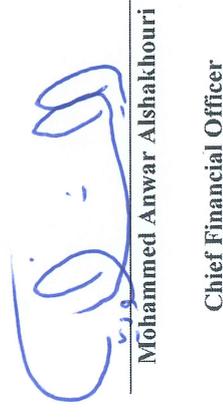
SAUDI STEEL PIPES COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2022

	Share capital SR	Share premium SR	Statutory reserve SR	Other reserves SR	Accumulated losses SR	Treasury shares SR	Total equity SR
Balance as at January 1, 2021 (Audited)	510,000,000	4,512,330	58,494,224	(7,014,507)	(61,305,010)	(11,502,225)	493,184,812
Net loss for the period	-	-	-	-	(637,538)	-	(637,538)
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	-	(637,538)	-	(637,538)
Balance as at September 30, 2021 (Un-audited)	510,000,000	4,512,330	58,494,224	(7,014,507)	(61,942,548)	(11,502,225)	492,547,274
Balance as at January 1, 2022 (Audited)	510,000,000	4,512,330	58,494,224	(5,926,730)	(60,373,365)	(11,502,225)	495,204,234
Net profit for the period	-	-	-	-	43,066,786	-	43,066,786
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	43,066,786	-	43,066,786
Balance as at September 30, 2022 (Un-audited)	510,000,000	4,512,330	58,494,224	(5,926,730)	(17,306,579)	(11,502,225)	538,271,020


Mohammed AbdulAziz Al Shayea
Authorized Director


Mariam Al-mengol Lamazares
Chief Executive Officer


Mohammed Anwar Alshakhouri
Chief Financial Officer

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SAUDI STEEL PIPES COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2022

	September 30, 2022 (Un-audited) SR	September 30, 2021 (Un-audited) SR
<u>Cash flows from operating activities:</u>		
Profit / (loss) before zakat and income tax:		
– continuing operations	52,017,639	(20,842,275)
– discontinued operations	(267,291)	19,227,745
Adjustments for:		
Depreciation of property, plant and equipment	29,749,692	31,585,704
Depreciation of right of use assets	839,380	830,104
Amortization of intangible assets	1,619,295	1,526,932
Gain on disposal of property, plant and equipment	(20,784)	(19,511,125)
Property, plant and equipment – written off	2,801	16,800
Reversal of ECL allowance	(842,590)	(1,229,439)
Provision for inventories	285,664	835,241
Share of (profit) / loss in an associate	(2,420,694)	4,747,583
Provision for employees' end of service benefits	2,567,220	3,121,582
Finance charges	9,933,955	5,109,147
	<u>93,464,287</u>	<u>25,417,999</u>
Movement in working capital		
Inventories	(95,685,154)	16,200,022
Trade and other receivables	46,783,654	45,541,495
Trade and other payables	25,058,242	753,217
Due to / from related parties	(138,759,319)	1,498,232
Cash (used in) / generated from operations	<u>(69,138,290)</u>	<u>89,410,965</u>
Zakat and income tax paid	(2,542,346)	(1,870,360)
Employees' end of service benefits paid	(1,361,398)	(5,103,382)
Finance charges paid	(9,824,920)	(4,258,463)
Net cash (used in) / generated from operating activities	<u>(82,866,954)</u>	<u>78,178,760</u>
<u>Cash flows from investing activities:</u>		
Additions to property, plant and equipment and intangible assets	(1,747,788)	(5,718,926)
Proceeds from sale of property, plant and equipment	64,565	7,274,944
Net cash (used in) / generated from investing activities	<u>(1,683,223)</u>	<u>1,556,018</u>
<u>Cash flows from financing activities:</u>		
Proceeds / (repayment) of borrowings, net	122,630,438	(115,951,551)
Payment of lease liabilities	(1,135,893)	(460,226)
Net cash generated from / (used in) financing activities	<u>121,494,545</u>	<u>(116,411,777)</u>
Net change in cash at banks	<u>36,944,368</u>	<u>(36,676,999)</u>
Cash at banks at the beginning of the period	<u>99,367,399</u>	<u>149,054,921</u>
Cash at banks at the end of the period	<u><u>136,311,767</u></u>	<u><u>112,377,922</u></u>

Mohammed AbdulAziz Al Shayea

Authorized Director

Mariano Armengol Lamazares

Chief Executive Officer

Mohammed Anwar Alshakhouri

Chief Financial Officer

The accompanying notes 1 to 19 form an integral part of these interim condensed consolidated financial statements

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2022**

1. ORGANIZATION AND PRINCIPAL ACTIVITIES

Saudi Steel Pipes Company (“the Company” or “SSPC”) was initially incorporated as a limited liability company in the Kingdom of Saudi Arabia under the commercial registration number 2050009144 dated 27 Rajab 1400 (corresponding to 11 June 1980). On 4 Rajab 1430 (corresponding to 27 June 2009), the Company’s legal status was transformed from a limited liability company to joint stock company (listed in the stock exchange).

As described in note 2, the condensed consolidated interim financial statements include the financial statements of the Company and its subsidiary Titanium and Steel Manufacturing Company Limited (“TSM Arabia”) (collectively referred to as “the Group”).

The Group’s authorized and issued share capital after the initial public offering is SR 510 million divided into 51 million shares at SR 10 per share.

The Group’s registered office is located at P.O Box 11680, Postal Code 31463, Dammam, Kingdom of Saudi Arabia.

The principal activities of the Group are the manufacturing and wholesale of black and galvanized steel pipes, production of ERW/HFI galvanized and threaded steel pipes and seamless pipes, pipes with three-layer external coating by polyethylene and polypropylene in different diameters, pipes with epoxy coating inside, bended pipes in different diameters, space frame, and submerged arc welded pipes, wholesale of pipes, tubes and hollow shapes from iron and steel, ferrous and non-ferrous metal pipes and accessories, locks, hinges and other hand tools, wholesale of other metal accessories, locks, hinges and hand tools, wholesale of other construction and metal materials.

2. STRUCTURE OF THE GROUP

The interim condensed consolidated financial statements as at September 30, 2022 include the financial statements of the Company and its following subsidiary (collectively referred to as “the Group”):

<u>Name of consolidated subsidiary</u>	<u>Principal activity</u>	<u>Effective ownership</u>	
		<u>2022</u>	<u>2021</u>
Titanium and Steel Manufacturing Company Limited (“TSM Arabia”)	Manufacture Stationary process equipment	100%	100%

Titanium and Steel Manufacturing Company Limited (TSM Arabia)

TSM Arabia was formed under commercial registration number 2050073985 dated 4 Safar 1432H (corresponding to January 8, 2011 G) to produce stationary process equipment such as heat exchangers and pressure vessels. The subsidiary’s total share capital is SR 32 million of which the Group owns 100%. As of September 30, 2022, the accumulated losses of TSM Arabia exceeded its share capital by SR 123.2 million (December 31, 2021: SR 122.6 million).

3. BASIS OF PREPARATION

These interim condensed consolidated financial statements of the Group have been prepared in accordance with the requirements of International Accounting Standard 34 - “Interim Financial Reporting” as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncement as endorsed by the Saudi Organization for Chartered and Professional Accountants (“SOCPA”) and should be read in conjunction with the Group’s latest annual consolidated financial statements for the year ended December 31, 2021 (“latest annual consolidated financial statements”). These interim condensed consolidated financial statements do not include all of the information required for a complete set of consolidated financial statements.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2022**

4. SIGNIFICANT ACCOUNTING POLICIES

The Group has applied the same accounting policies and methods of computation in its interim condensed consolidated financial statements as in its latest annual consolidated financial statements, except for the following amendments which apply for the first time in 2022. However, not all are expected to impact the Group as they are either not relevant to the Group's activities or require accounting which is consistent with the Group's current accounting policies.

4.1 Standards and amendments issued and applied effective in current period

There are no new standards issued, however, there are amendments to the following standards, which are effective in current period and have no material impact on Group's interim condensed consolidated financial statement;

Amendments to standard	Description	Effective for annual years beginning on or after
IAS 37	Onerous Contracts – Cost of Fulfilling a Contract	January 1, 2022
IFRS 16, IFRS 9, IAS 41 and IFRS 1	Annual Improvements to IFRS Standards 2018–2020	January 1, 2022
IAS 16	Property, Plant and Equipment: Proceeds before Intended Use	January 1, 2022
IFRS 3	Reference to the Conceptual Framework	January 1, 2022

4.2 Impact of accounting standards to be applied in future periods

There are a number of standards and interpretations which have been issued by the International Accounting standards Board that are effective for periods beginning subsequent to December 31, 2022 (the date of the Group's next annual financial statements) that the Group has decided not to adopt early. The Group does not believe these standards and interpretations will have a material impact on the financial statements once adopted.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2022**

5. PROPERTY, PLANT AND EQUIPMENT, NET

Carrying amounts of:

		September 30, 2022	December 31, 2021
	Note	(Un-audited)	(Audited)
		SR	SR
Operating fixed assets	5.1	463,635,747	491,212,757
Capital work-in-progress (CWIP)	5.3	-	652,335
		463,635,747	491,865,092

-The operating fixed assets include plots of land with a total carrying value of SR 157.9 million, for which the electronic title deeds become inactive due to cancellation by a court order as referred in note 17.

5.1 Operating fixed assets

		September 30, 2022	December 31, 2021
	Note	(Un-audited)	(Audited)
		SR	SR
Net book value at beginning of period / year		491,212,757	541,384,229
Transferred from CWIP during the period / year	5.2	2,219,264	8,240,083
Written off during the period / year		(2,801)	(16,800)
Disposal during the period / year		(43,781)	(16,162,621)
Depreciation charged during the period / year - continuing operations		(29,691,326)	(41,785,206)
Depreciation charged during the period / year - discontinued operations		(58,366)	(446,928)
Net book value at the end of the period / year		463,635,747	491,212,757

5.2 Transfers from capital work-in-progress to operating fixed assets during the period / year are as follows:

		September 30, 2022	December 31, 2021
		(Un-audited)	(Audited)
		SR	SR
Machinery and equipment		1,407,578	4,518,514
Building on leasehold land		604,297	3,293,308
Office and equipment		207,389	428,261
		2,219,264	8,240,083

5.3 Capital work-in-progress

		September 30, 2022	December 31, 2021
		(Un-audited)	(Audited)
		SR	SR
At beginning of period / year		652,335	2,717,841
Additions during the period / year		1,747,788	6,640,461
Transferred to operating fixed assets during the period / year		(2,219,264)	(8,240,083)
Transferred to intangible assets during the period / year		(180,859)	(465,884)
At the end of the period / year		-	652,335

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2022**

6. RIGHT OF USE ASSETS, NET

Movement in right of use assets is as follows:

	September 30, 2022	December 31, 2021
	(Un-audited)	(Audited)
	SR	SR
Net book value at beginning of period / year	6,648,368	8,435,088
Additions during the period / year	272,585	-
Depreciation charged during the period / year - continuing operations	(839,380)	(1,083,362)
Depreciation charged during the period / year - discontinued operations	-	(17,583)
Adjustments during the period / year	(13,073)	(685,775)
Net book value at the end of the period / year	6,068,500	6,648,368

7. INVESTMENTS, NET

		September 30, 2022	December 31, 2021
	Note	(Un-audited)	(Audited)
		SR	SR
Investment in an associate, net	7.1	107,386,700	104,966,006
Investment at fair value through profit or loss	7.2	-	-
		107,386,700	104,966,006

7.1 Investment in an associate, net

Movement in investment in an associate is as follows:

	September 30, 2022	December 31, 2021
	(Un-audited)	(Audited)
	SR	SR
Global Pipe Company ("GPC")		
Opening value of investment	104,966,006	110,192,967
Share of profit / (loss) for the period / year	2,420,694	(5,226,961)
	107,386,700	104,966,006

Investment in an associate represents the following:

Cost of acquisition (including loan contribution and contribution to a subsequent capital increase)	88,750,000	88,750,000
Share of retained earnings - opening balance	16,216,006	21,442,967
Share of profit / (loss) for the period / year	2,420,694	(5,226,961)
Net investment value	107,386,700	104,966,006

GPC

GPC is a closed joint stock company. The Company was a limited liability company up to December 17, 2017 and its legal structure was changed to closed joint stock on December 18, 2017. It is owned by the Group, EEW Company of Germany ("EEW") and other Saudi shareholders. GPC is engaged in producing various types of large welded pipes up to 60 inches' diameter and large structural tubular pipes. The total share capital of GPC is SR 250 million, of which SSPC owns 35%.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2022**

7. INVESTMENTS, NET (Continued)

7.2 Investment at fair value through profit or loss

Investment at fair value through profit or loss represented a 20% share in Chemical Development Company Limited (CDC), a holding company whose purpose is to develop strategic industrial projects.

In prior years, the investment amount was deemed to be irrecoverable and accordingly the fair value of the investment is considered to be nil.

Movement for Investment at fair value through profit or loss "FVTPL" is as follows:

	September 30, 2022 (Un-audited)	December 31, 2021 (Audited)
	SR	SR
Chemical Development Company Limited ("CDC")		
Opening value of investment	-	-
Changes in fair value during the period / year	-	-
	<u>-</u>	<u>-</u>
Investment at FVTPL represents the following:		
Cost of acquisition	75,950,000	75,950,000
Changes in fair value – in prior periods /years	(75,950,000)	(75,950,000)
Net balance at the end of period / year	<u>-</u>	<u>-</u>

8. TRADE AND OTHER RECEIVABLES, NET

	Note	September 30, 2022 (Un-audited)	December 31, 2021 (Audited)
		SR	SR
Trade receivables		61,663,707	131,000,804
Allowance for expected credit loss (ECL)	8.1	(3,909,009)	(4,823,785)
Trade receivables, net		<u>57,754,698</u>	126,177,019
Due from related parties	13 A	123,451,178	901,783
Employee loans		3,473,736	3,869,176
Prepayments and advances to suppliers		4,223,510	2,647,169
Other receivables		4,508,368	1,643,759
Value added tax (VAT)		18,598,776	-
		<u>212,010,266</u>	135,238,906
Less: non-current portion of employee loans and other receivables		(3,360,753)	(3,790,356)
Total current portion, net		<u>208,649,513</u>	<u>131,448,550</u>

8.1 Movement in the allowance for ECL of trade receivables is as follows:

	September 30, 2022 (Un-audited)	December 31, 2021 (Audited)
	SR	SR
Opening balance for the period / year	4,823,785	6,961,690
Reversal for the period / year – Continuing operations	(520,167)	(1,177,731)
Reversal for the period / year – Discontinued operations	(322,423)	(26,103)
Utilized against receivables written off – Continuing operations	(72,186)	(57,847)
Utilized against receivables written off – Discontinued operations	-	(876,224)
Closing balance for the period / year	<u>3,909,009</u>	<u>4,823,785</u>

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9. BORROWINGS

	September 30, 2022 (Un-audited)	December 31, 2021 (Audited)
	SR	SR
Non-current borrowings	102,082,013	44,479,133
Current borrowings	248,017,871	182,866,429
Total borrowings	350,099,884	227,345,562
Term loans		
Saudi Industrial Development Fund (SIDF) – I	44,764,004	70,184,497
Saudi Investment Bank (SAIB)	42,299,231	-
SIDF – II	73,140,285	-
	160,203,520	70,184,497
Current portion – term loans	(58,121,507)	(25,705,364)
	102,082,013	44,479,133
Short term financing		
SIDF – working capital	-	59,445,434
Murabaha financing	189,896,364	97,715,631
	189,896,364	157,161,065
Current portion – term loans	58,121,507	25,705,364
	248,017,871	182,866,429

The financing terms are as follows:

Loan Name	Balance In SR	Type of loan	Number of remaining installments	Payment term	Period	Mark up
SIDF – I	44,764,004	Capital Expenditure	3	Semi-annual	April 2018 to February 2024	Follow-up cost
SAIB	42,299,231	Working Capital	15	Quarterly	September 2022 to June 2026	SIBOR+Margin
SIDF – II	73,140,285	Working Capital	4	Other	September 2022 to September 2024	Upfront fee + Follow-up cost
Total term loans	160,203,520					
Murabaha financing	189,896,364	Working Capital	-	6 to 12 months	-	SIBOR+Margin
Total short-term financing	189,896,364					
Total borrowings	350,099,884					

10. LEASE LIABILITIES

The contractual maturity of leases liabilities is as follows:

	September 30, 2022 (Un-audited)	December 31, 2021 (Audited)
	SR	SR
Within one year	1,271,804	1,848,304
Years two to five	3,895,716	4,016,966
Years five and above	1,564,208	1,717,512
Minimum lease payments	6,731,728	7,582,782
Less: finance charges	(615,267)	(738,120)
Net minimum lease payments	6,116,461	6,844,662
Non-current portion	5,036,233	5,186,411
Current portion	1,080,228	1,658,251

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11. TRADE AND OTHER PAYABLES

	Note	September 30, 2022 (Un-audited) SR	December 31, 2021 (Audited) SR
<u>Current</u>			
Trade payables		148,798,053	130,672,063
Accrued expenses		16,350,754	12,706,048
Due to related parties	13 B	11,858,096	28,068,020
BoD remuneration payable		2,952,968	3,036,643
Advances from customers		8,995,463	5,051,642
Retention payable		806,785	1,377,463
Value added Tax (VAT) payable		-	1,922
		189,762,119	180,913,801
<u>Non-current</u>			
Provision for liability against guarantee to an investee company	11.1	30,000,000	30,000,000
		219,762,119	210,913,801

11.1 The Group had provided a corporate guarantee to one of its investee companies in prior years. Investment in this company has been fully impaired in previous years due to the company's inactive status and its future viability in light of the existing circumstances at the date of impairment, where investment was deemed unrecoverable. Shareholders of the investee decided not to support the company and accordingly, have been assessing various options in this regard. Based on these circumstances and the status of the company, the Group's Board of Directors considered that the contingent liability in respect of the guarantee may crystallize and, accordingly, a full provision for a liability amounting to SR 30 million was made in prior years. Based on the latest information available, management believes the guarantee is not expected to be maturing for payment within the next twelve months and accordingly, is classified as a non-current liability.

12. SEGMENTAL REPORTING

In 2021, the Group sold the main operating fixed assets of its wholly owned subsidiary Titanium Steel & Manufacturing Co. Limited. With Titanium Steel & Manufacturing Co. Ltd being classified as discontinued operations, the Process equipment segment has been ceased to be presented as a separate operating segment and accordingly, steel pipes constitute 100% of the revenue and operations of the Group.

Geographical segment

A geographical segment is a Group of assets, operations or entities engaged in revenue producing activities within a particular economic environment that are subject to risks and returns different from those operating in other economic environments. The Group's operations are conducted mainly in the Kingdom of Saudi Arabia.

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12. SEGMENTAL REPORTING (Continued)

The selected financial information covering the revenue for the nine months period ended September 30, categorized by these geographic segments is as follows:

	Nine months period ended September 30, 2022 (Un-audited)	Nine months period ended September 30, 2021 (Un-audited)
	SR	SR
Saudi Arabia	311,871,139	242,588,670
Other countries	288,807,345	21,278,461
	600,678,484	263,867,131

TRANSACTIONS WITH MAJOR CUSTOMERS

Revenue from one major customer and one major related party accounted for 77% of the total revenue for the period (31% for nine months period ended September 30, 2021).

13. RELATED PARTY TRANSACTIONS AND BALANCES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties consist of the shareholders, directors and businesses in which shareholders and directors, individually or combined, have significant influence. The Group's transactions with related parties are entered at arm's length basis in a normal course of business and are authorized by the management.

<u>Company</u>	<u>Relationship</u>
Tenaris Saudi Arabia Limited	Shareholder
Hu Steel Company Ltd.	Shareholder
Chemical Development Company	Investee
Dalmine S.P.A.	Affiliate
Tenaris Global Services Far East Pte Ltd.	Affiliate
S.C. SilcoTub S.A.	Affiliate
Tenaris Solutions East SRL	Affiliate
Tenaris Global Services Uruguay	Affiliate
Exiros Saudi Arabia Limited	Affiliate
Tenaris Siderca	Affiliate
Tenaris Connections B.V.	Affiliate
Global Pipe Company	Associate

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13. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

The significant transactions with related parties during the period are as follows:

<u>Related party</u>	<u>Nature of transaction</u>	Nine-month period ended September 30, 2022 (Un-audited)	Nine-month period ended September 30, 2021 (Un-audited)
		SR	SR
Dalmine S.P.A	Technical services received	110,644	1,509,333
Dalmine S.P.A	IT services	-	19,151
Tenaris Global Services Uruguay	Purchases	2,851,788	5,183,484
Tenaris Global Services Uruguay	Sales	260,849,193	-
Tenaris Saudi Arabia Limited	Services agreements	3,195,659	2,700,242
Tenaris Saudi Arabia Limited	Sales	-	1,207,797
Tenaris Saudi Arabia Limited	Purchases	4,445,843	-
Tenaris Saudi Arabia Limited	Services received	5,294,112	-
Tenaris Siderica	IT services	21,305	29,391
Exiros Saudi Arabia Limited	Services received	1,234,575	1,380,649
Exiros Saudi Arabia Limited	Rent	-	34,687
Tenaris Connections B.V.	Technical services received	2,142	13,818
Tenaris Connections B.V.	Royalties	69,860	-
S.C. SilcoTub S.A.	IT services	46,899	-
Tenaris Solutions East SRL	IT services	45,268	-
Tenaris Global Services Far East Pte Ltd.	Services agreements	32,603	-
Global Pipe Company	Sales	631,865	-

A) Amounts receivable from related parties are as follows:

	September 30, 2022 (Un-audited)	December 31, 2021 (Audited)
	SR	SR
Tenaris Global Services Uruguay	118,965,358	855,682
Tenaris Saudi Arabia Limited	3,696,023	15,617
Tenaris Global Services Far East Pte Ltd.	63,152	30,484
Global Pipe Company	726,645	-
	123,451,178	901,783

B) Amounts payable to related parties are as follows:

	September 30, 2022 (Un-audited)	December 31, 2021 (Audited)
	SR	SR
S.C. SilcoTub S.A.	-	12,834,933
Tenaris Global Services Uruguay	30,761	5,451,017
Tenaris Saudi Arabia Limited	11,207,969	2,635,780
Exiros Saudi Arabia Limited	473,254	838,869
Tenaris Siderca	138,141	116,767
Dalmine S.P.A.	7,971	6,172,346
Tenaris Connections B.V.	-	18,308
	11,858,096	28,068,020

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13. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

C) Remuneration of directors and key management personnel:

	Nine-month period ended September 30, 2022 (Un-audited)		Nine-month period ended September 30, 2021 (Un-audited)	
	Directors SR	Key management personnel SR	Directors SR	Key management personnel SR
Board remuneration	1,771,500	-	1,453,976	-
Salaries and wages	-	1,439,777	-	1,435,254
Allowances	-	856,753	-	592,607
End of service	-	72,157	-	164,958
	1,771,500	2,368,687	1,453,976	2,192,819

14. ZAKAT AND INCOME TAX (EXPENSE) / BENEFIT

	Nine-month period ended September 30, 2022 (Un-audited) SR	Nine-month period ended September 30, 2021 (Un-audited) SR
Current zakat and income tax	(7,952,286)	(2,364,892)
Deferred tax (expense) / benefit	(454,978)	3,383,940
	(8,407,264)	1,019,048

15. DISCONTINUED OPERATIONS

In 2021, the Group sold the main operating fixed assets of its wholly owned subsidiary Titanium Steel & Manufacturing Co. Limited and ceased its operations. Accordingly, TSM has been presented as discontinued operations in the condensed consolidated interim financial statements.

15.1 Components of income and expenses, related to discontinued operation are set out below;

	Three-month Period Ended		Nine-month Period Ended	
	September 30, 2022 (Un-audited) SR	September 30, 2021 (Un-audited) SR	September 30, 2022 (Un-audited) SR	September 30, 2021 (Un-audited) SR
Revenue	-	-	-	2,619,584
Cost of revenue (note 15.2)	-	-	-	(1,002,471)
Gross profit	-	-	-	1,617,113
Administrative expenses (note 15.2)	(10,705)	(381,915)	(341,645)	(2,018,105)
Other income / (loss), net	53,858	198,030	(247,934)	413,066
Reversal for ECL allowance	-	-	322,423	-
Operating profit / (loss)	43,153	(183,885)	(267,156)	12,074
Finance charges	(10)	(207,024)	(135)	(424,984)
Gain on disposal of main operating as- sets and consumables	-	19,640,655	-	19,640,655
Profit / (loss) before zakat and tax	43,143	19,249,746	(267,291)	19,227,745
Zakat and income tax expense	-	(42,056)	(276,298)	(42,056)
Net profit / (loss) for the period	43,143	19,207,690	(543,589)	19,185,689
Other comprehensive income	-	-	-	-
Total comprehensive income / (loss)	43,143	19,207,690	(543,589)	19,185,689

Earnings / (loss) per share from discontinued operations:

Basic earnings / (loss) per share	0.001	0.380	(0.011)	0.380
Diluted earnings / (loss) per share	0.001	0.377	(0.011)	0.376

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15. DISCONTINUED OPERATIONS (Continued)

15.2 Depreciation for the period for discontinued operation / held for sale has been allocated as follows;

	Three-month Period Ended		Nine-month Period Ended	
	September 30, 2022 (Un-audited) SR	September 30, 2021 (Un-audited) SR	September 30, 2022 (Un-audited) SR	September 30, 2021 (Un-audited) SR
Cost of revenue	-	26,871	-	344,968
Administrative expenses	16,459	16,507	58,366	84,983
	<u>16,459</u>	<u>43,378</u>	<u>58,366</u>	<u>429,951</u>
Cash flows from discontinued operation				
Net cash generated from operating activities			3,815,244	38,157,071
Net cash generated from investing activities			53,193	7,274,944
Net cash used in financing activities			-	(56,507,894)
Net cash flows for the period			<u>3,868,437</u>	<u>(11,075,879)</u>

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16. EARNINGS / (LOSS) PER SHARE

Basic earnings / (loss) per share is calculated by dividing the earnings / (loss) attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period. With regard to diluted earnings / (loss) per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares, which includes conversion of treasury shares into ordinary shares.

Earnings / (loss) per share are represented as follows:

	<u>Three-month Period Ended</u>		<u>Nine-month Period Ended</u>	
	<u>September 30, 2022</u> <u>(Un-audited)</u>	September 30, 2021 <u>(Un-audited)</u>	<u>September 30, 2022</u> <u>(Un-audited)</u>	September 30, 2021 <u>(Un-audited)</u>
Profit / (loss) for the period:				
From continuing operations	16,751,031	(3,289,213)	43,610,375	(19,823,227)
From discontinued operations	43,143	19,207,690	(543,589)	19,185,689
	<u>16,794,174</u>	<u>15,918,477</u>	<u>43,066,786</u>	<u>(637,538)</u>
Basic earnings / (loss) per share:				
From continuing operations	0.331	(0.065)	0.863	(0.392)
From discontinued operations	0.001	0.380	(0.011)	0.380
Weighted average number of outstanding shares	50,542,311	50,542,311	50,542,311	50,542,311
Diluted earnings / (loss) per share:				
From continuing operations	0.328	(0.064)	0.855	(0.389)
From discontinued operation	0.001	0.377	(0.011)	0.376
Adjusted weighted average number of outstanding shares	51,000,000	51,000,000	51,000,000	51,000,000
Reconciliation of weighted average number of outstanding shares				
Weighted average number of outstanding shares	50,542,311	50,542,311	50,542,311	50,542,311
<u>Add: Treasury shares</u>	<u>457,689</u>	<u>457,689</u>	<u>457,689</u>	<u>457,689</u>
Adjusted weighted average number of outstanding shares	<u>51,000,000</u>	<u>51,000,000</u>	<u>51,000,000</u>	<u>51,000,000</u>

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17. SIGNIFICANT EVENTS

In prior periods, the Group has learned through the Ministry of Justice’s online portal that the electronic title deeds to plots of land owned by the Group had become inactive due to cancellation by a court order.

These plots of land, with a total surface area of 811,284 square meters, are located in Dammam, and were purchased from a private entity in February 2010, pursuant to a written purchase agreement duly executed by the Group in full compliance with the laws of the Kingdom of Saudi Arabia. The affected plots are not part of the production facility of the Group, have been partially used as a warehouse, and have a carrying value on the Group’s condensed consolidated interim financial statements of SR 157.9 million.

As of the date hereof, neither the cancellation nor the court order have been notified to the Group or otherwise been made public by the authorities, and the legal basis for the court order is unknown. On May 4, 2021, the Group filed a petition with an ad-hoc newly created special committee at the Saudi Ministry of Justice, seeking to have its title deeds reinstated. At this time, it is not possible to predict the outcome of this matter.

18. RECLASSIFICATION

A comparative period amount, as set out below, has been reclassified to conform with the current period presentation, and there was no effect of this reclassification on the reported results for the period.

Interim condense consolidated statement of financial position

Reclassification from	Reclassification to	December 31, 2021 (Audited)
Property, plant and equipment, net	Right of use assets, net	6,648,368

This reclassification does not affect previously reported profit for the Three- and nine-months periods September 30, 2021 in the interim condensed consolidated statement of profit or loss and other comprehensive income and the previously reported cash flows from operating activities in the interim statement of cash flows for the nine months period then ended.

19. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The interim condensed consolidated financial statements were approved by the Board of Directors and authorized for issue on November 03, 2022.