

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

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE-MONTH PERIOD
ENDED MARCH 31, 2023 WITH
INDEPENDENT AUDITOR'S REVIEW REPORT**

SAUDI STEEL PIPES COMPANY
(A SAUDI JOINT STOCK COMPANY)

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2023
WITH INDEPENDENT AUDITOR'S REVIEW REPORT**

Index	Page
1. Independent auditor's review report on the interim condensed consolidated financial statements	2
2. Interim condensed consolidated statement of financial position	3
3. Interim condensed consolidated statement of profit or loss and other comprehensive income	4
4. Interim condensed consolidated statement of changes in equity	5
5. Interim condensed consolidated statement of cash flows	6
6. Notes to the interim condensed consolidated financial statements	7 - 18

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

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

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 March 31, 2023 and the related interim condensed consolidated statement of profit or loss and other comprehensive income, changes in equity and cash flows for the three 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.

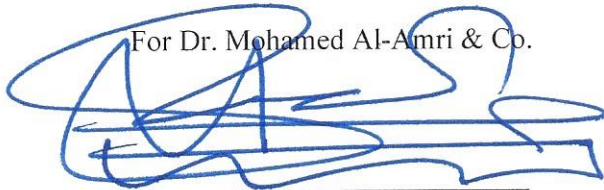
Emphasis of Matter

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 which became inactive due to cancellation by a Court Order. Our conclusion is not qualified in respect of this matter.

Other Matter

The interim condensed consolidated financial statements of the Group for the three-month period ended March 31, 2022, were reviewed by another auditor who expressed an unmodified conclusion on those statements on April 27, 2022.

For Dr. Mohamed Al-Amri & Co.



Maher Al-Khatieb
Certified Public Accountant
Registration No. 514




Damman on: May 04, 2023 G
Corresponding: Shawaal 14, 1444 H

SAUDI STEEL PIPES COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2023

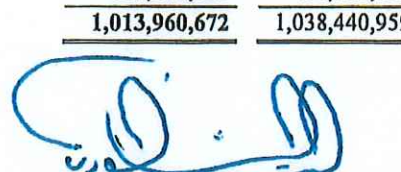
	Note	March 31, 2023 (Un-audited) SR	December 31, 2022 (Audited) SR
ASSETS			
Non-current assets			
Property, plant and equipment, net	5	444,430,331	453,910,003
Right-of-use assets, net	6	5,770,861	5,767,916
Intangible assets, net		104,619	145,691
Investments, net	7	117,875,635	114,140,390
Trade and other receivables – non-current	8	3,148,466	3,244,825
Deferred tax asset		13,670,037	12,859,081
		<u>584,999,949</u>	<u>590,067,906</u>
Current assets			
Inventories, net		226,112,565	254,310,061
Trade and other receivables, net	8	128,309,637	114,730,725
Cash at banks		74,538,521	79,332,267
		<u>428,960,723</u>	<u>448,373,053</u>
TOTAL ASSETS		<u>1,013,960,672</u>	<u>1,038,440,959</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		(4,820,282)	(4,820,282)
Retained earnings / (accumulated losses)		203,626	(6,167,721)
Treasury shares		(11,502,225)	(11,502,225)
		<u>556,887,673</u>	<u>550,516,326</u>
LIABILITIES			
Non-current liabilities			
Borrowings – non-current	9	62,812,500	99,335,476
Employees' end of service benefits		30,640,249	29,963,005
Lease liabilities	10	4,419,001	4,328,249
Trade and other payables – non-current	11	30,000,000	30,000,000
		<u>127,871,750</u>	<u>163,626,730</u>
Current liabilities			
Borrowings -current	9	118,127,519	123,965,564
Lease liabilities	10	1,172,072	1,067,581
Trade and other payables	11	198,572,737	190,071,479
Zakat and income tax		11,328,921	9,193,279
		<u>329,201,249</u>	<u>324,297,903</u>
TOTAL LIABILITIES		<u>457,072,999</u>	<u>487,924,633</u>
TOTAL EQUITY AND LIABILITIES		<u>1,013,960,672</u>	<u>1,038,440,959</u>


Mohammad AbdulAziz Al Shayea

Authorized Director


Mariano Armengol Lamazares

Chief Executive Officer


Mohammed Anwar Alshakhouri

Chief Financial Officer

The accompanying notes 1 to 18 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 PERIOD ENDED MARCH 31, 2023**

	Note	March 31, 2023 (Un-audited) SR	March 31, 2022 (Un-audited) SR
Revenue	12	166,891,292	184,081,571
Cost of revenue		(143,035,706)	(155,126,486)
Gross profit		23,855,586	28,955,085
Selling, marketing and distribution expenses		(8,492,188)	(3,803,296)
Administrative expenses		(6,344,772)	(5,593,107)
Allowance of expected credit loss	8.1	(2,494,777)	(436,008)
Other income, net		236,678	858,977
Operating income		6,760,527	19,981,651
Share of profit / (loss) in an associate	7.1	3,735,245	(115,758)
Finance charges		(2,730,624)	(2,836,170)
Profit before zakat and income tax		7,765,148	17,029,723
Zakat and income tax expense	14	(1,324,686)	(2,601,626)
Profit for the period from continuing operations		6,440,462	14,428,097
(Loss) / profit from discontinued operations	15.1	(69,115)	100,515
Net profit for the period		6,371,347	14,528,612
Other comprehensive income		-	-
Total comprehensive income		6,371,347	14,528,612

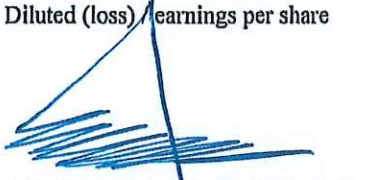
Earnings / (loss) per share


Continuing operations:

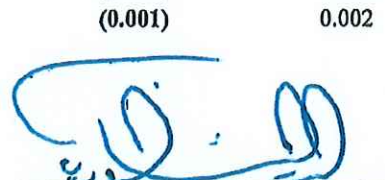
Basic earnings per share	16	0.127	0.285
Diluted earnings per share	16	0.126	0.283

Discontinued operations:

Basic (loss) / earnings per share	16	(0.001)	0.002
Diluted (loss) / earnings per share	16	(0.001)	0.002


Mohammad AbdulAziz Al Shayea
Authorized Director


Mariano Amengol Lamazares
Chief Executive Officer

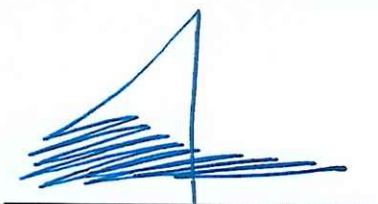

Mohammed Anwar Alshakhouri
Chief Financial Officer

The accompanying notes 1 to 18 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 CHANGES IN EQUITY
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2023

	Share capital SR	Share premium SR	Statutory reserve SR	Other reserves SR	Retained earnings / (Accumulated losses) SR	Treasury shares SR	Total equity SR
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	-	-	-	-	14,528,612	-	14,528,612
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	14,528,612	-	14,528,612
Balance as at March 31, 2022 (Un-audited)	510,000,000	4,512,330	58,494,224	(5,926,730)	(45,844,753)	(11,502,225)	509,732,846
Balance as at January 1, 2023 (Audited)	510,000,000	4,512,330	58,494,224	(4,820,282)	(6,167,721)	(11,502,225)	550,516,326
Net profit for the period	-	-	-	-	6,371,347	-	6,371,347
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	6,371,347	-	6,371,347
Balance as at March 31, 2023 (Un-audited)	510,000,000	4,512,330	58,494,224	(4,820,282)	203,626	(11,502,225)	556,887,673


Mohammad AbdulAziz Al Shayea
Authorized Director


Mariano Armengol Lamazares
Chief Executive Officer

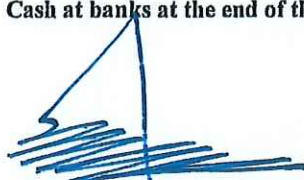

Mohammed Anwar Alshakhouri
Chief Financial Officer

The accompanying notes 1 to 18 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 CASH FLOWS
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2023

	March 31, 2023 (Un-audited) SR	March 31, 2022 (Un-audited) SR
<u>Cash flows from operating activities:</u>		
Profit / (loss) before zakat and income tax:		
– continuing operations	7,765,148	17,029,723
– discontinued operations	(69,115)	100,515
Adjustments for:		
Depreciation of property, plant and equipment	9,483,467	9,915,281
Depreciation of right-of-use assets	290,426	270,840
Amortization of intangible assets	50,418	521,703
Gain on disposal of property, plant and equipment	-	(20,784)
Property, plant and equipment – written off	-	2,803
Allowance of ECL	2,494,777	113,585
Allowance / (Reversal) for provision for inventories	360,102	(1,173,791)
Share of (profit) / loss in an associate	(3,735,245)	115,758
Provision for employees' end of service benefits	937,934	2,108,846
Finance charges	2,730,624	2,836,249
	<u>20,308,536</u>	<u>31,820,728</u>
Movement in working capital		
Inventories	27,837,394	(24,758,477)
Trade and other receivables	6,141,653	(1,855,330)
Trade and other payables	3,404,700	(1,364,820)
Due to / from related parties	(16,963,932)	(61,371,367)
Cash generated from / (used in) operations	<u>40,728,351</u>	<u>(57,529,266)</u>
Employees' end of service benefits paid	(260,690)	(1,469,766)
Finance charges paid	(2,698,739)	(1,289,498)
Net cash generated from / (used in) operating activities	<u>37,768,922</u>	<u>(60,288,530)</u>
<u>Cash flows from investing activities:</u>		
Additions to property, plant and equipment and intangible assets	(13,141)	(955,573)
Proceeds from sale of property, plant and equipment	-	64,565
Net cash used in investing activities	<u>(13,141)</u>	<u>(891,008)</u>
<u>Cash flows from financing activities:</u>		
(Repayment) / proceeds of borrowings, net	(42,420,137)	65,746,841
Payment of lease liabilities	(129,390)	(741,749)
Net cash (used in) / generated from financing activities	<u>(42,549,527)</u>	<u>65,005,092</u>
Net change in cash at banks	<u>(4,793,746)</u>	<u>3,825,554</u>
Cash at banks at the beginning of the period	<u>79,332,267</u>	<u>99,367,399</u>
Cash at banks at the end of the period	<u>74,538,521</u>	<u>103,192,953</u>



Mohammad AbdulAziz Al Shayea

Authorized Director



Mariano Armengol Lamazares

Chief Executive Officer



Mohammed Anwar Alshakhouri

Chief Financial Officer

The accompanying notes 1 to 18 form an integral part of these interim condensed consolidated financial statements

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2023**

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 interim condensed consolidated 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 March 31, 2023 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>2023</u>	<u>2022</u>
Titanium and Steel Manufacturing Company Limited ("TSM Arabia")	Manufacture Stationary process equipment	100%	100%

TSM Arabia

TSM Arabia was formed under commercial registration number 2050073985 dated 4 Safar 1432H (corresponding to January 8, 2011 G) in the Kingdom of Saudi Arabia, 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 March 31, 2023, the accumulated losses of TSM Arabia exceeded its share capital by SR 123.4 million (December 31, 2022: SR 123.3 million). Further, in 2021, TSM Arabia sold its main operating assets, which include buildings, machinery and equipment and other assets, for a selling price equivalent SR 36.4 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, 2022 (“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 PERIOD ENDED MARCH 31, 2023**

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 2023. 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 8	Amendment- Definition of accounting estimates	January 1, 2023
IAS 1, IFRS practice statement 2	Amendment- Disclosure of Accounting Policies	January 1, 2023
IAS 12	Amendment- Deferred Tax Related to Assets and Liabilities arising from a Single Transaction	January 1, 2023
IFRS 17	Insurance Contracts	January 1, 2023

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, 2023 (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 PERIOD ENDED MARCH 31, 2023**

5. PROPERTY, PLANT AND EQUIPMENT, NET

Carrying amounts of:

	Note	March 31, 2023 (Un-audited)	December 31, 2022 (Audited)
		SR	SR
Operating fixed assets	5.1	444,430,331	453,910,003
Capital work-in-progress (CWIP)	5.3	-	-
		444,430,331	453,910,003

-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

	Note	March 31, 2023 (Un-audited)	December 31, 2022 (Audited)
		SR	SR
Net book value at beginning of period / year		453,910,003	491,212,757
Transferred from CWIP during the period / year	5.2	3,795	2,229,464
Written off /adjustment during the period / year		-	(114,462)
Disposal during the period / year		-	(43,780)
Depreciation charged during the period / year - continuing operations		(9,483,467)	(39,310,014)
Depreciation charged during the period / year - discontinued operations		-	(63,962)
Net book value at the end of the period / year		444,430,331	453,910,003

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

	March 31, 2023 (Un-audited)	December 31, 2022 (Audited)
	SR	SR
Machinery and equipment	-	1,407,578
Building on leasehold land	-	604,297
Office and equipment	3,795	217,589
	3,795	2,229,464

5.3 Capital work-in-progress

	March 31, 2023 (Un-audited)	December 31, 2022 (Audited)
	SR	SR
At beginning of period / year	-	652,335
Additions during the period / year	3,795	1,774,503
Transferred to operating fixed assets during the period / year	(3,795)	(2,229,464)
Transferred to intangible assets during the period / year	-	(197,374)
At the end of the period / year	-	-

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2023**

6. RIGHT-OF-USE ASSETS, NET

Movement in right-of-use assets is as follows:

	March 31, 2023 (Un-audited)	December 31, 2022 (Audited)
	SR	SR
Net book value at beginning of period / year	5,767,916	6,648,368
Additions during the period / year	293,371	272,585
Depreciation charged during the period / year - continuing operations	(290,426)	(1,139,964)
Adjustments during the period / year	-	(13,073)
Net book value at the end of the period / year	5,770,861	5,767,916

7. INVESTMENTS, NET

	Note	March 31, 2023 (Un-audited)	December 31, 2022 (Audited)
		SR	SR
Investment in an associate, net	7.1	117,875,635	114,140,390
Investment at fair value through profit or loss	7.2	-	-
		117,875,635	114,140,390

7.1 Investment in an associate, net

Movement in investment in an associate is as follows:

	March 31, 2023 (Un-audited)	December 31, 2022 (Audited)
	SR	SR
Global Pipe Company ("GPC")		
Opening value of investment	114,140,390	104,966,006
Share of profit for the period / year	3,735,245	9,174,384
	117,875,635	114,140,390
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	25,390,390	16,216,006
Share of profit for the period / year	3,735,245	9,174,384
Net investment value	117,875,635	114,140,390

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%.

Exercise of right first refusal to acquire additional stake in GPC

In December 2022, EEW, a German company that owns another 35% interest in GPC, expressed its intention to sell its entire interest in GPC for a cash amount of SR 37.1 million and a release of EEW's corporate guarantees with respect to GPC's debt. SSPC and another shareholder that owns a 20% interest in GPC exercised their respective rights of first refusal. Each such acquisition is subject to customary conditions, including competition clearance and bank consents. If both acquisitions are consummated, SSPC will acquire a 22.3% additional interest in GPC (thus totaling a 57.3% interest) and will assume a portion of EEW's corporate guarantees (so that SSPC's exposure under the guarantees will increase to SR 573.5 million based on debt amounts as of March 31, 2023).

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2023**

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:

	March 31, 2023 (Un-audited) SR	December 31, 2022 (Audited) SR
Chemical Development Company Limited ("CDC")		
Opening value of investment	-	-
Changes in fair value during the period / year	-	-
	-	-
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	-	-

8. TRADE AND OTHER RECEIVABLES, NET

	March 31, 2023 (Un-audited) SR	December 31, 2022 (Audited) SR
Trade receivables	41,643,060	44,857,735
Allowance for expected credit loss (ECL)	(7,485,590)	(4,990,813)
Trade receivables, net	34,157,470	39,866,922
Due from related parties	87,675,618	65,615,128
Employee loans	3,358,151	3,271,259
Prepayments and advances to suppliers	4,252,778	2,926,695
Other receivables	2,014,086	4,014,678
Value added tax (VAT)	-	2,280,868
	131,458,103	117,975,550
Less: non-current portion of employee loans and other receivables	(3,148,466)	(3,244,825)
Total current portion, net	128,309,637	114,730,725

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

	March 31, 2023 (Un-audited) SR	December 31, 2022 (Audited) SR
Opening balance for the period / year	4,990,813	4,823,785
Allowance for the period / year – Continuing operations	2,494,777	580,391
Reversal for the period / year – Discontinued operations	-	(322,424)
Utilized against receivables written off – Continuing operations	-	(90,939)
Closing balance for the period / year	7,485,590	4,990,813

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2023

9. BORROWINGS

	March 31, 2023 (Un-audited)	December 31, 2022 (Audited)
	SR	SR
Non-current borrowings	62,812,500	99,335,476
Current borrowings	118,127,519	123,965,564
Total borrowings	180,940,019	223,301,040

Term loans

Saudi Industrial Development Fund (SIDF) – I	30,046,455	44,577,166
Saudi Investment Bank (SAIB)	36,696,168	39,486,234
SIDF – II	74,067,595	73,609,035
	140,810,218	157,672,435
Current portion – term loans	(77,997,718)	(58,336,959)
	62,812,500	99,335,476

Short term financing

Murabaha financing	40,129,801	65,628,605
	40,129,801	65,628,605
Current portion – term loans	77,997,718	58,336,959
	118,127,519	123,965,564

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	30,046,455	Capital Expenditure	2	Semi-annual	April 2018 to Feb- ruary 2024	Upfront fee + Follow-up cost
SAIB	36,696,168	Working Capital	13	Quarterly	September 2022 to June 2026	SIBOR+Mar- gin
SIDF – II	74,067,595	Working Capital	4	Other	September 2022 to September 2024	Upfront fee + Follow-up cost
Total term loans	140,810,218					
Murabaha financing	40,129,801	Working Capital	-	6 to 12 months	-	SIBOR+Mar- gin
Total short-term financ- ing	40,129,801					
Total borrowings	180,940,019					

10. LEASE LIABILITIES

The contractual maturity of leases liabilities is as follows:

	March 31, 2023 (Un-audited)	December 31, 2022 (Audited)
	SR	SR
Within one year	1,329,184	1,233,804
Years two to five	3,879,236	3,786,966
Years five and above	913,808	928,208
Minimum lease payments	6,122,228	5,948,978
Less: finance charges	(531,155)	(553,148)
Net minimum lease payments	5,591,073	5,395,830
Non-current portion	4,419,001	4,328,249
Current portion	1,172,072	1,067,581

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2023**

11. TRADE AND OTHER PAYABLES

	Note	March 31, 2023 (Un-audited) SR	December 31, 2022 (Audited) SR
<u>Current</u>			
Trade payables		146,251,059	147,565,897
Accrued expenses		21,043,892	12,401,774
Due to related parties	13 B	23,307,981	18,211,423
BoD remuneration payable		4,090,968	3,503,466
Advances from customers		1,273,213	7,645,169
Retention payable		806,785	743,750
Value added Tax (VAT) payable		1,798,839	-
		198,572,737	190,071,479
<u>Non-current</u>			
Provision for liability against corporate guarantee	11.1	30,000,000	30,000,000
		228,572,737	220,071,479

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 crystalize 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 TSM. With TSM 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.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2023**

12. SEGMENTAL REPORTING (CONTINUED)

The selected financial information covering the revenue for the three months period ended March 31, categorized by these geographic segments is as follows:

	Three-month period ended March 31, 2023 (Un-audited)	Three-month period ended March 31, 2022 (Un-audited)
	SR	SR
Saudi Arabia	87,094,999	111,256,676
Other countries	79,796,293	72,824,895
	166,891,292	184,081,571

TRANSACTIONS WITH MAJOR CUSTOMERS

Revenue from one major customer and one major related party accounted for 83% of the total revenue for the period (66% for three-month period ended March 31, 2022).

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
Tenaris Solutions East SRL	Affiliate
Tenaris Global Services Uruguay	Affiliate
Exiros Saudi Arabia Limited	Affiliate
Siderca S.A.I.C.	Affiliate
Tenaris Connections B.V.	Affiliate
Testing and Technical Solutions	Affiliate
Global Pipe Company	Associate

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2023**

13. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

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

Related party	Nature of transaction	Three-month period ended	Three-month period ended
		March 31, 2023	March 31, 2022
		(Un-audited)	(Un-audited)
		SR	SR
Dalmine S.P.A.	Technical services received	38,434	84,006
Dalmine S.P.A.	IT Services	1,147	-
Tenaris Global Services Uruguay	Purchases	759,385	2,821,038
Tenaris Global Services Uruguay	Sales, net	74,888,286	52,902,685
Tenaris Saudi Arabia Limited	Services agreements	1,057,526	1,069,007
Tenaris Saudi Arabia Limited	Services received	-	1,498,953
Exiros Saudi Arabia Limited	Services received	669,102	411,525
Siderca S.A.I.C.	Fees	205	-
Tenaris Connections B.V.	Technical services received	-	1,313
Testing and Technical Solutions	Fees	205	-
Husteel Co. Ltd	Technical services received	19,672	-

A) Amounts receivable from related parties are as follows:

	March 31, 2023 (Un-audited)	December 31, 2022 (Audited)
	SR	SR
Tenaris Global Services Uruguay	80,921,064	59,911,283
Tenaris Saudi Arabia Limited	5,964,832	4,914,039
Tenaris Global Services Far East Pte Ltd.	63,077	63,161
Global Pipe Company	726,645	726,645
	87,675,618	65,615,128

B) Amounts payable to related parties are as follows:

	March 31, 2023 (Un-audited)	December 31, 2022 (Audited)
	SR	SR
Tenaris Global Services Uruguay	6,081,486	1,131,591
Tenaris Saudi Arabia Limited	15,835,752	15,856,849
Exiros Saudi Arabia Limited	1,193,318	1,065,681
Siderca S.A.I.C	137,976	138,160
Dalmine S.P.A.	59,449	19,142
	23,307,981	18,211,423

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2023**

13. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

C) Remuneration of directors and key management personnel:

	Three-month period ended March 31, 2023 (Un-audited)		Three-month period ended March 31, 2022 (Un-audited)	
	Directors	Key management	Directors	Key management
	SR	personnel	SR	personnel
	SR	SR	SR	SR
Board remuneration	587,500	-	578,000	-
Salaries and wages	-	503,292	-	462,243
Allowances	-	119,957	-	395,799
End of service	-	30,901	-	23,212
	587,500	654,150	578,000	881,254

14. ZAKAT AND INCOME TAX EXPENSE

	Three-month period ended March 31, 2023 (Un-audited)	Three-month period ended March 31, 2022 (Un-audited)
	SR	SR
Current zakat and income tax	2,135,642	2,372,298
Deferred tax (benefit) / expense	(810,956)	229,328
	1,324,686	2,601,626

15. DISCONTINUED OPERATIONS

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

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

	Three-month period ended March 31, 2023 (Un-audited)	Three-month period ended March 31, 2022 (Un-audited)
	SR	SR
Revenue	-	-
Cost of revenue	-	-
Gross profit	-	-
Selling, marketing and distribution expenses	(8,750)	-
Administrative expenses	-	(193,007)
Other expense, net	(60,365)	(28,822)
Reversal of ECL	-	322,423
Operating (loss) / profit	(69,115)	100,594
Finance charges	-	(79)
(Loss) / profit before zakat and tax	(69,115)	100,515
Zakat and income tax expense	-	-
Net (loss) / profit for the period	(69,115)	100,515
Other comprehensive income	-	-
Total comprehensive (loss) / income	(69,115)	100,515
<u>Earnings (loss) / per share from discontinued operations:</u>		
Basic (loss) / earnings	(0.001)	0.002
Diluted (loss) / earnings	(0.001)	0.002

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2023**

15. DISCONTINUED OPERATIONS (CONTINUED)

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

	Three-month Period Ended March 31, 2023 (Un-audited) SR	Three-month Period Ended March 31, 2022 (Un-audited) SR
Administrative expenses	-	25,559
	-	25,559

15.3 Cash flows from discontinued operation

Net cash generated from operating activities	-	3,816,049
Net cash generated from investing activities	-	53,194
Net cash used in financing activities	-	-
Net cash flows for the period	-	3,869,243

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> March 31, 2023 (Un-audited)	<u>March 31, 2022 (Un-audited)</u>
Profit / (loss) for the period:		
From continuing operations	6,440,462	14,428,097
From discontinued operations	(69,115)	100,515
	6,371,347	14,528,612
Basic earnings / (loss) per share:		
From continuing operations	0.127	0.285
From discontinued operations	(0.001)	0.002
Weighted average number of outstanding shares	50,542,311	50,542,311
Diluted earnings / (loss) per share:		
From continuing operations	0.126	0.283
From discontinued operation	(0.001)	0.002
Adjusted weighted average number of outstanding shares	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
<u>Add:</u> Treasury shares	457,689	457,689
Adjusted weighted average number of outstanding shares	51,000,000	51,000,000

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2023**

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. 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 April 26, 2023.