

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

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE-MONTH AND SIX-MONTH
PERIODS ENDED JUNE 30, 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 AND SIX-MONTH PERIODS ENDED JUNE 30, 2023
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)

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Saudi Steel Pipes Company "Saudi Joint Stock Company" ("the Company"), and its Subsidiaries (together "the Group") that include the interim condensed consolidated statement of financial position as of June 30, 2023 and the related interim condensed consolidated statements of profit or loss and other comprehensive income for the three-month and six-month periods then ended, and the interim condensed consolidated statements of changes in equity and cash flows for the six month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34 – ("IAS 34") "Interim Financial Reporting" that is 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", that is 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 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 interim condensed consolidated financial statements are not prepared in all material respects, in accordance with IAS 34 that is endorsed in the Kingdom of Saudi Arabia.

Emphasis of Matter

We draw attention to note 19 to the accompanying interim condensed consolidated financial statements with respect to certain electronic title deeds related to the Group's land plots which became inactive due to cancellation by the Court Order, which management has known during 2021. Our conclusion is not modified in respect of this matter.

For Dr. Mohamed Al-Amri & Co.

Maher T. Al-Khatieb
Certified Public Accountant
Registration No. 514

Dammam on: August 09, 2023 G
Corresponding: Muharram 22, 1445 H



SAUDI STEEL PIPES COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2023

	Note	June 30, 2023 (Un-audited) SR	December 31, 2022 (Audited) SR
ASSETS			
Non-current assets			
Property, plant and equipment, net	6	1,080,336,302	453,910,003
Right-of-use assets, net	7	12,044,454	5,767,916
Intangible assets, net		217,937	145,691
Investment in associate	8	-	114,140,390
Trade and other receivables – non-current	10	3,016,481	3,244,825
Deferred tax asset		12,081,785	12,859,081
		<u>1,107,696,959</u>	<u>590,067,906</u>
Current assets			
Inventories, net		376,941,015	254,310,061
Trade and other receivables, net	10	296,928,239	114,730,725
Cash and cash equivalents		196,415,419	79,332,267
		<u>870,284,673</u>	<u>448,373,053</u>
TOTAL ASSETS		<u>1,977,981,632</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)		84,766,552	(6,167,721)
Treasury shares		(11,502,225)	(11,502,225)
Equity attributable to the shareholders of the Company		<u>641,450,599</u>	<u>550,516,326</u>
Non-controlling interests		130,886,873	-
Total equity		<u>772,337,472</u>	<u>550,516,326</u>
LIABILITIES			
Non-current liabilities			
Borrowings – non-current	11	41,250,000	99,335,476
Employees' end of service benefits		40,733,135	29,963,005
Lease liabilities	12	9,156,881	4,328,249
Trade and other payables – non-current	13	30,000,000	30,000,000
Deferred tax liability		12,776,788	-
		<u>133,916,804</u>	<u>163,626,730</u>
Current liabilities			
Borrowings -current	11	695,507,149	123,965,564
Lease liabilities	12	2,665,458	1,067,581
Trade and other payables	13	358,196,540	190,071,479
Zakat and income tax		15,358,209	9,193,279
		<u>1,071,727,356</u>	<u>324,297,903</u>
TOTAL LIABILITIES		<u>1,205,644,160</u>	<u>487,924,633</u>
TOTAL EQUITY AND LIABILITIES		<u>1,977,981,632</u>	<u>1,038,440,959</u>


Mohammad AbdulAziz Al Shayea

Authorized Director


Renwar Berzinji

Chief Executive Officer


Mohammed Anwar Alshakhouri

Chief Financial Officer

The accompanying notes 1 to 20 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 SIX-MONTH PERIODS ENDED JUNE 30, 2023**

	Note	Three-Month Period Ended		Six-Month Period Ended	
		June 30, 2023 (Un-audited) SR	June 30, 2022 (Un-audited) SR	June 30, 2023 (Un-audited) SR	June 30, 2022 (Un-audited) SR
Revenue	14	361,378,505	211,820,173	528,269,797	395,901,744
Cost of revenue		(268,794,876)	(184,540,617)	(411,830,582)	(339,667,103)
Gross profit		92,583,629	27,279,556	116,439,215	56,234,641
Selling, marketing and distribution expenses		(7,174,478)	(5,001,622)	(15,666,666)	(8,804,918)
Administrative expenses		(8,856,243)	(5,574,194)	(15,201,015)	(11,167,301)
(Allowance) / Reversal of expected credit loss	10.1	(1,616,200)	1,128,327	(4,110,977)	692,319
Other (expense) / income, net		(691,254)	713,052	(454,576)	1,572,029
Operating income		74,245,454	18,545,119	81,005,981	38,526,770
Share of (loss) / profit in an associate	8	(616,077)	(286,279)	3,119,168	(402,037)
Finance charges		(7,567,143)	(3,170,401)	(10,297,767)	(6,006,571)
Gain on bargain purchase		40,330,649	-	40,330,649	-
Loss on derecognition of an equity interest in associate		(9,675,029)	-	(9,675,029)	-
Profit before zakat and income tax		96,717,854	15,088,439	104,483,002	32,118,162
Zakat and income tax expense	16	(9,167,682)	(2,657,192)	(10,492,368)	(5,258,818)
Profit for the period from continuing operations		87,550,172	12,431,247	93,990,634	26,859,344
Loss from discontinued operations	17.1	(99,690)	(687,247)	(168,805)	(586,732)
Net profit for the period		87,450,482	11,744,000	93,821,829	26,272,612
Other comprehensive income		-	-	-	-
Total comprehensive income		87,450,482	11,744,000	93,821,829	26,272,612
Total comprehensive income attributable to:					
Shareholders of the Company		84,562,926	11,744,000	90,934,273	26,272,612
Non-controlling interests		2,887,556	-	2,887,556	-
		87,450,482	11,744,000	93,821,829	26,272,612


Earnings per share attributable to the Shareholders of the Company:

Continued operations:

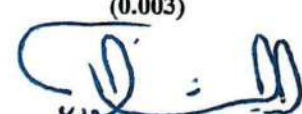
Basic earnings per share	18	1.675	0.246	1.803	0.531
Diluted earnings per share	18	1.660	0.244	1.786	0.527

Discontinued operations:

Basic loss per share	18	(0.002)	(0.014)	(0.003)	(0.012)
Diluted loss per share	18	(0.002)	(0.013)	(0.003)	(0.012)


Mohammad AbdulAziz Al Shayea
Authorized Director


Renwar Berzini
Chief Executive Officer

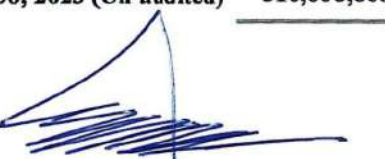

Mohammed Anwar Alshakhouri
Chief Financial Officer

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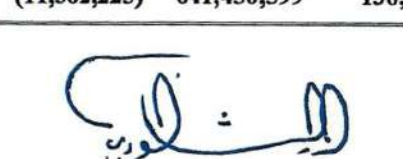
SAUDI STEEL PIPES COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2023

	Share capital SR	Share premium SR	Statutory reserve SR	Other reserves SR	Retained earnings / (Accumulate d losses) SR	Treasury shares SR	Total SR	Non-control- ling interests 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	-	495,204,234
Net profit for the period	-	-	-	-	26,272,612	-	26,272,612	-	26,272,612
Other comprehensive income	-	-	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	26,272,612	-	26,272,612	-	26,272,612
Balance as at June 30, 2022 (Un-audited)	510,000,000	4,512,330	58,494,224	(5,926,730)	(34,100,753)	(11,502,225)	521,476,846	-	521,476,846
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	-	550,516,326
At acquisition	-	-	-	-	-	-	-	127,999,317	127,999,317
Net profit for the period	-	-	-	-	90,934,273	-	90,934,273	2,887,556	93,821,829
Other comprehensive income	-	-	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	90,934,273	-	90,934,273	2,887,556	93,821,829
Balance as at June 30, 2023 (Un-audited)	510,000,000	4,512,330	58,494,224	(4,820,282)	84,766,552	(11,502,225)	641,450,599	130,886,873	772,337,472


Mohammad AbdulAziz Al Shayea
Authorized Director


Renwar Berzouji
Chief Executive Officer

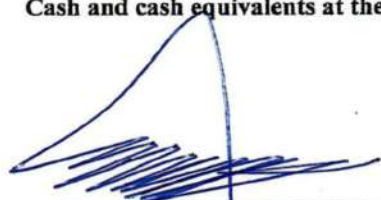

Mohammed Anwar Alshakhouri
Chief Financial Officer

The accompanying notes 1 to 20 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 SIX-MONTH PERIOD ENDED JUNE 30, 2023

	June 30, 2023 (Un-audited) SR	June 30, 2022 (Un-audited) SR
<u>Cash flows from operating activities:</u>		
Profit / (loss) before zakat and income tax:		
– continuing operations	104,483,002	32,118,162
– discontinued operations	(98,800)	(310,434)
Adjustments for:		
Depreciation of property, plant and equipment	22,182,162	19,762,773
Depreciation of right-of-use assets	741,135	538,795
Amortization of intangible assets	158,158	1,041,781
Gain on disposal of property, plant and equipment	(55,217)	(20,784)
Property, plant and equipment – written off	-	2,801
Allowance/ (reversal) of ECL	4,110,977	(1,014,743)
(Reversal) / provision of inventories	(1,431,692)	40,583
Share of (profit) / loss in an associate	(3,119,168)	402,037
Provision for employees' end of service benefits	2,261,561	1,715,530
Finance charges	10,297,767	6,006,696
Gain on bargain purchase	(40,330,649)	-
Loss on derecognition of an equity interest in associate	9,675,029	-
	<u>108,874,265</u>	<u>60,283,197</u>
Movement in working capital		
Inventories	67,532,666	29,100,900
Trade and other receivables	(6,100,263)	46,921,223
Trade and other payables	(81,386,542)	(3,868,316)
Due to / from related parties	12,621,338	(95,110,804)
Cash generated from operations	<u>101,541,464</u>	<u>37,326,200</u>
Zakat and income tax paid	(9,355,844)	(2,542,311)
Employees' end of service benefits paid	(1,023,610)	(556,457)
Finance charges paid	(7,373,653)	(4,940,960)
Net cash generated from operating activities	<u>83,788,357</u>	<u>29,286,472</u>
<u>Cash flows from investing activities:</u>		
Acquisition of subsidiary, net of cash acquired	(15,407,083)	-
Additions to property, plant and equipment and intangible assets	(1,063,409)	(1,511,962)
Proceeds from sale of property, plant and equipment	55,217	64,565
Net cash used in investing activities	<u>(16,415,275)</u>	<u>(1,447,397)</u>
<u>Cash flows from financing activities:</u>		
Proceeds / (repayment) of borrowings, net	50,081,428	(26,145,014)
Payment of lease liabilities	(371,358)	(845,339)
Net cash generated from / (used in) financing activities	<u>49,710,070</u>	<u>(26,990,353)</u>
Net change in cash and cash equivalents	<u>117,083,152</u>	<u>848,722</u>
Cash and cash equivalents at the beginning of the period	<u>79,332,267</u>	<u>99,367,399</u>
Cash and cash equivalents at the end of the period	<u><u>196,415,419</u></u>	<u><u>100,216,121</u></u>



Mohammad AbdulAziz Al Shayea
Authorized Director



Renwar Berzinji
Chief Executive Officer



Mohammed Anwar Alshakhouri
Chief Financial Officer

The accompanying notes 1 to 20 form an integral part of these interim condensed consolidated financial statements

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2023**

1. ORGANIZATION AND PRINCIPAL ACTIVITIES

Saudi Steel Pipes Company (“the Company”) 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 June 11, 1980). On 4 Rajab 1430 (corresponding to June 27, 2009), the Company's legal status was transformed from a limited liability company to joint stock company (listed on the stock exchange).

As described in note 2, the interim condensed consolidated financial statements include the financial statements of the Company and its subsidiaries Titanium and Steel Manufacturing Company Limited (“TSM Arabia”) and Global Pipe Company (“GPC”) (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 June 30, 2023 include the financial statements of the Company and its following subsidiaries (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	100.00%	100.00%
Global Pipe Company (GPC)	Production of welded Pipes	57.27%	35.00%

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 June 30, 2023, the accumulated losses of TSM Arabia exceeded its share capital by SR 123.5 million (December 31, 2022: SR 123.3 million). Further, in 2021, TSM Arabia sold its main operating assets, which included buildings, machinery and equipment and other assets, for a selling price equivalent to SR 36.4 million.

GPC

GPC is a closed joint stock company incorporated in the Kingdom of Saudi Arabia under commercial registration No. 2055011330 dated 20 Muharram 1431H (corresponding to January 06, 2010 G) GPC is located in Jubail industrial city and is engaged in the production of welded pipes with different sizes and diameters, stainless steel pipes, 3-D pipe fittings, Aluminium alloy pipes, high-density welded pipes and diameters. (refer to note 5.1)

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2023**

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.

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.

5. BUSINESS COMBINATION

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Company, liabilities incurred by the Company to the former owners of the acquiree and the equity interests issued by the Company in exchange for control of the acquiree. Acquisition-related costs are generally recognized in profit or loss as incurred.

As per IFRS 10, at the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value with the exception of liabilities related to employee benefit arrangements which are recognized and measured in accordance with IAS 19 - "Employee benefits".

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net identifiable assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2023**

5. BUSINESS COMBINATION (CONTINUED)

The initial accounting for a business combination can be determined provisionally by the end of the measurement period (not exceeding 12 months from the acquisition date) and the business combination is accounted for using provisional amounts. Adjustments to provisional amounts and the recognition of newly identified asset and liabilities are made within the 'measurement period' where they reflect new information obtained about facts and circumstances that were in existence at the acquisition date.

5.1 Global Pipe Company ("GPC") acquisition

Acquisition and price determination

On May 17, 2023, the Company closed the acquisition of 22.27% of the shares of GPC for a purchase price of \$6.3 million (equivalent to SR 23.6 million) paid cash. The company already owned 35% interest in GPC, following completion of this transaction, the company holds 57.27% interest of GPC.

The Company consolidated GPC's balances and results of operations as from May 17, 2023. Had the transaction been consummated on January 1, 2023, then the company's unaudited pro forma net income would not have changed materially.

Fair value of net assets acquired

The application of the purchase method requires certain estimates and assumptions, mainly concerning the determination of the fair values of the acquired property, plant and equipment as well as the liabilities assumed at the date of the acquisition, including the timing and amounts of cash flow projections, the revenue growth rates, the customer attrition rates and the discount rate. The fair values determined at the acquisition date are based mainly on discounted cash flows and other valuation techniques.

The preliminary purchase price allocation was carried out with the assistance of a third-party expert. In accordance with IFRS 3, the Company used provisional amounts for a various component of the business combination as of the acquisition date, and will continue reviewing the allocation and make any necessary adjustments during the twelve months (measurement period) following the acquisition date.

The allocation of the fair values determined for the assets and liabilities arising from the acquisition is as follows:

Fair value of acquired assets and liabilities as of the acquisition date (May 17, 2023):	SR '000
Property, Plant and Equipment	647,582
Working capital	131,902
Cash and Cash Equivalents	8,231
Borrowings	(460,648)
Other assets and liabilities, net	(27,513)
Net assets	299,554

The company accounted for this transaction as a step-acquisition whereby the company's ownership interest in GPC held before the acquisition, which amounted to SR 117.3 million, was remeasured to fair value at that date. As a result, the company recorded a loss of approximately SR 9.7 million resulting from the difference between the carrying value of its previously held interest in GPC and the fair value which is presented separately in the interim condensed consolidated statement of profit or loss and other comprehensive income.

The company has chosen to recognize the non-controlling interest at the proportionate share of the acquiree's net identifiable assets.

The company acquired 22.27% of total assets and liabilities shown above, amounting to approximately SR 299.6 million. As a result of the acquisition, the company recognized a bargain purchase gain for approximately SR 40.3 million which is presented separately in the interim condensed consolidated statement of profit or loss and other comprehensive income.

Acquisition-related costs for the year ended 2022 were not material and for the six-month period ended June 30, 2023 amounted to SR 1.2 million and were included in administrative expenses.

As consequence of this acquisition the company additionally assumed a portion of EEW's corporate guarantees. The total exposure under these guarantees amounted to SR 407 million based on debt amounts as of June 30, 2023.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2023**

6. PROPERTY, PLANT AND EQUIPMENT, NET

Carrying amounts of:

		June 30, 2023 (Un-audited)	December 31, 2022 (Audited)
	Note	SR	SR
Operating fixed assets	6.1	850,689,998	453,910,003
Capital work-in-progress (CWIP)	6.3	229,646,304	-
		1,080,336,302	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 19.

Operating fixed assets of SSP are pledged as collateral against loans from SIDF.

6.1 Operating fixed assets

		June 30, 2023 (Un-audited)	December 31, 2022 (Audited)
	Note	SR	SR
Net book value at beginning of period / year		453,910,003	491,212,757
Acquired in business combination		418,739,505	-
Transferred from CWIP during the period / year	6.2	3,795	2,229,464
Additions during the period		218,857	-
Written off /adjustment during the period / year		-	(114,462)
Disposal during the period / year		-	(43,780)
Depreciation charged during the period / year - continuing operations		(22,182,162)	(39,310,014)
Depreciation charged during the period / year - discontinued operations		-	(63,962)
Net book value at the end of the period / year		850,689,998	453,910,003

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

	June 30, 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

6.3 Capital work-in-progress

	June 30, 2023 (Un-audited)	December 31, 2022 (Audited)
	SR	SR
At beginning of period / year	-	652,335
Acquired in business combination	228,840,000	-
Additions during the period / year	843,158	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	(33,059)	(197,374)
At the end of the period / year	229,646,304	-

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2023**

7. RIGHT-OF-USE ASSETS, NET

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

	June 30, 2023 (Un-audited)	December 31, 2022 (Audited)
	SR	SR
Net book value at beginning of period / year	5,767,916	6,648,368
Acquired in business combination	5,442,792	-
Additions during the period / year	1,574,881	272,585
Depreciation charged during the period / year - continuing operations	(741,135)	(1,139,964)
Adjustments during the period / year	-	(13,073)
Net book value at the end of the period / year	12,044,454	5,767,916

8. INVESTMENT IN ASSOCIATE

Movement in investment in an associate is as follows:

	June 30, 2023 (Un-audited)	December 31, 2022 (Audited)
	SR	SR
GPC		
Opening value of investment	114,140,390	104,966,006
Share of profit for the period till acquisition / year	3,119,168	9,174,384
Derecognition of associate	(117,259,558)	-
	-	114,140,390

9. 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:

	June 30, 2023 (Un-audited)	December 31, 2022 (Audited)
	SR	SR
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	-	-

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2023**

10. TRADE AND OTHER RECEIVABLES, NET

	Note	June 30, 2023 (Un-audited) SR	December 31, 2022 (Audited) SR
Trade receivables		147,815,954	44,857,735
Allowance for expected credit loss (ECL)	10.1	(10,347,414)	(4,990,813)
Trade receivables, net		137,468,540	39,866,922
Due from related parties	15 A	59,435,050	65,615,128
Employee loans		4,124,338	3,271,259
Prepayments and advances to suppliers		97,157,225	2,926,695
Other receivables		1,759,567	4,014,678
Value added tax (VAT)		-	2,280,868
		299,944,720	117,975,550
Less: non-current portion of employee loans and other receivables		(3,016,481)	(3,244,825)
Total current portion, net		296,928,239	114,730,725

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

	June 30, 2023 (Un-audited) SR	December 31, 2022 (Audited) SR
Opening balance for the period / year	4,990,813	4,823,785
Effect of business combination	1,245,624	-
Allowance for the period / year – Continuing operations	4,110,977	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	10,347,414	4,990,813

11. BORROWINGS

	June 30, 2023 (Un-audited) SR	December 31, 2022 (Audited) SR
Non-current borrowings	41,250,000	99,335,476
Current borrowings	695,507,149	123,965,564
Total borrowings	736,757,149	223,301,040

Term loans

Saudi Industrial Development Fund (SIDF) – I	30,004,292	44,577,166
Saudi Investment Bank (SAIB)	33,874,503	39,486,234
SIDF – II	74,531,250	73,609,035
Saudi Awwal Bank (SAB)	144,635,060	-
SIDF – III	71,000,000	-
Banque Saudi Fransi (BSF)	30,188,633	-
	384,233,738	157,672,435
Current portion – term loans	(342,983,738)	(58,336,959)
	41,250,000	99,335,476

Short term financing

Murabaha financing	352,523,411	65,628,605
Current portion – term loans	342,983,738	58,336,959
	695,507,149	123,965,564

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2023**

12. LEASE LIABILITIES

The contractual maturity of leases liabilities is as follows:

	June 30, 2023 (Un-audited)	December 31, 2022 (Audited)
	SR	SR
Within one year	3,009,190	1,233,804
Years two to five	6,539,295	3,786,966
Years five and above	4,153,843	928,208
Minimum lease payments	13,702,328	5,948,978
Less: finance charges	(1,879,989)	(553,148)
Net minimum lease payments	11,822,339	5,395,830
Non-current portion	9,156,881	4,328,249
Current portion	2,665,458	1,067,581

13. TRADE AND OTHER PAYABLES

	June 30, 2023 (Un-audited)	December 31, 2022 (Audited)
	SR	SR
<u>Current</u>		
Trade payables	182,403,068	147,565,897
Accrued expenses	23,435,958	12,401,774
Due to related parties	24,652,683	18,211,423
BOD remuneration payable	4,678,469	3,503,466
Advances from customers	82,107,798	7,645,169
Retention payable	806,785	743,750
Value added Tax (VAT) payable	40,111,779	-
	358,196,540	190,071,479
<u>Non-current</u>		
Provision for liability against corporate guarantee	30,000,000	30,000,000
	388,196,540	220,071,479

13.1 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.

14. 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 including GPC constitute 100% of the revenue and operations of the Group.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2023**

14. SEGMENTAL REPORTING (CONTINUED)

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.

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

	Six-month period ended June 30, 2023 (Un-audited)	Six-month period ended June 30, 2022 (Un-audited)
	SR	SR
Saudi Arabia	314,352,931	230,966,704
Other countries	213,916,866	164,935,040
	528,269,797	395,901,744

14.1 Transactions with major customers

Revenue from one major customer and one major related party accounted for 80.83% of the total revenue for the period (75.25% for six-month period ended June 30, 2022).

15. 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 and the Board.

<u>Company</u>	<u>Relationship</u>
Tenaris Saudi Arabia Limited	Shareholder
Hu Steel Company Ltd.	Shareholder
Chemical Development Company	Investee
Pan Gulf Industrial Investment Company	Affiliate
EEW Holding GmbH & Co. KG	Affiliate
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
Jubail Tourism Company	Affiliate
AWS Schäfer Technologie GmbH	Affiliate
Khonaini Petroleum Services	Affiliate
Khonaini Travel and Tourism Agency	Affiliate
EEW Gulf Steel	Affiliate
Welding Solution Company	Affiliate
EEW GmbH	Affiliate
Globetech	Affiliate
S.C. SilcoTub S.A.	Affiliate

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2023**

15. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

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

Related party	Nature of transaction	Six-month period ended June 30, 2023 (Un-audited)	Six-month period ended June 30, 2022 (Un-audited)
		SR	SR
Dalmine S.P.A.	Technical services received	46,404	102,687
Dalmine S.P.A.	IT services	1,147	-
Tenaris Global Services Uruguay	Purchases	505,538	2,821,038
Tenaris Global Services Uruguay	Sales, net	172,483,122	141,829,445
Tenaris Saudi Arabia Limited	Services agreements	1,409,747	2,137,453
Tenaris Saudi Arabia Limited	Services received	39,399	5,294,112
Exiros Saudi Arabia Limited	Services received	1,338,204	823,050
Siderca S.A.I.C.	Fees	205	-
Siderca S.A.I.C.	IT services	23,279	-
Tenaris Connections B.V.	Technical services received	-	2,142
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	-	32,603
Testing and Technical Solutions	Fees	205	-
Husteel Co. Ltd	Technical services received	19,672	-
Khonaini Travel and Tourism Agency	Travel and air tickets	92,587	-
Globetech	Coating Services	120,000	-

A) Amounts receivable from related parties are as follows:

	June 30, 2023 (Un-audited)	December 31, 2022 (Audited)
	SR	SR
Tenaris Global Services Uruguay	52,901,901	59,911,283
Tenaris Saudi Arabia Limited	6,314,415	4,914,039
Tenaris Global Services Far East Pte Ltd.	63,048	63,161
Pan Gulf Industrial Investment Company	155,686	-
Global Pipe Company	-	726,645
	59,435,050	65,615,128

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2023**

15. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

B) Amounts payable to related parties are as follows:

	June 30, 2023 (Un-audited)	December 31, 2022 (Audited)
	SR	SR
Tenaris Global Services Uruguay	1,634,828	1,131,591
Tenaris Saudi Arabia Limited	16,254,378	15,856,849
Exiros Saudi Arabia Limited	1,025,957	1,065,681
Siderca S.A.I.C.	161,192	138,160
Dalmine S.P.A.	67,839	19,142
EEW Holding Gmbh & Co. KG	96,198	-
Jubail Tourism Company	12,500	-
AWS Schäfer Technologie GmbH	626,866	-
Khonaini Petroleum Services	1,678,646	-
Khonaini Travel and Tourism Agency	149,860	-
EEW Gulf Steel	166,044	-
Welding Solution Company	171,495	-
EEW GmbH	2,431,814	-
Globetech	175,066	-
	24,652,683	18,211,423

C) Remuneration of directors and key management personnel:

	Six-month period ended June 30, 2023 (Un-audited)		Six-month period ended June 30, 2022 (Un-audited)	
	Directors	Key management personnel	Directors	Key management personnel
	SR	SR	SR	SR
Board remuneration	1,175,000	-	1,210,000	-
Salaries and wages	-	1,274,384	-	932,820
Allowances	-	317,352	-	675,039
End of service	-	84,620	-	48,991
	1,175,000	1,676,356	1,210,000	1,656,850

16. ZAKAT AND INCOME TAX EXPENSE

	Six-month period ended June 30, 2023 (Un-audited)	Six-month period ended June 30, 2022 (Un-audited)
	SR	SR
Current zakat and income tax	9,889,297	5,030,549
Deferred tax expense	603,071	228,269
	10,492,368	5,258,818

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2023**

17. 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.

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

	Three Month Period Ended		Six Month Period Ended	
	June 30,	June 30,	June 30,	June 30,
	2023	2022	2023	2022
	(Un-audited)	(Un-audited)	(Un-audited)	(Un-audited)
	SR	SR	SR	SR
Revenue	-	-	-	-
Cost of revenue	-	-	-	-
Gross profit	-	-	-	-
Selling, marketing and distribution expenses	-	-	-	-
Administrative expenses	(8,748)	(137,933)	(17,498)	(330,940)
Other expense, net	(20,937)	(272,970)	(81,302)	(301,792)
Reversal for ECL	-	-	-	322,423
Operating loss	(29,685)	(410,903)	(98,800)	(310,309)
Finance charges	-	(46)	-	(125)
Loss before zakat and tax	(29,685)	(410,949)	(98,800)	(310,434)
Zakat and income tax expense	(70,005)	(276,298)	(70,005)	(276,298)
Net loss for the period	(99,690)	(687,247)	(168,805)	(586,732)
Other comprehensive income	-	-	-	-
Total comprehensive loss	(99,690)	(687,247)	(168,805)	(586,732)

Loss per share from discontinued operations:

Basic loss per share	(0.002)	(0.014)	(0.003)	(0.012)
Diluted loss per share	(0.002)	(0.013)	(0.003)	(0.012)

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

	Three Month Period Ended		Six Month Period Ended	
	June 30,	June 30,	June 30,	June 30,
	2023	2022	2023	2022
	(Un-audited)	(Un-audited)	(Un-audited)	(Un-audited)
	SR	SR	SR	SR
Administrative expenses	-	16,348	-	41,907
	-	16,348	-	41,907

Cash flows from discontinued operation

Net cash generated from operating activities	1,263,687	25,127	1,263,687	3,841,176
Net cash generated from investing activities	-	-	-	53,194
Net cash used in financing Activities	-	-	-	-
Net cash flows for the period	1,263,687	25,127	1,263,687	3,894,370

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2023**

18. EARNINGS / (LOSS) PER SHARE

Basic earnings / (loss) per share is calculated by dividing the earnings / (loss) attributable to ordinary shareholders of the Company 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>Six Months Period Ended</u>	
	June 30, 2023 <u>(Un-audited)</u>	June 30, 2022 <u>(Un-audited)</u>	June 30, 2023 <u>(Un-audited)</u>	June 30, 2022 <u>(Un-audited)</u>
Profit / (loss) for the period attributable to the shareholders of the company:				
From continuing operations	84,662,616	12,431,247	91,103,078	26,859,344
From discontinued operations	(99,690)	(687,247)	(168,805)	(586,732)
	84,562,926	11,744,000	90,934,273	26,272,612
Basic earnings / (loss) per share:				
From continuing operations	1.675	0.246	1.803	0.531
From discontinued operations	(0.002)	(0.014)	(0.003)	(0.012)
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	1.660	0.244	1.786	0.527
From discontinued operation	(0.002)	(0.013)	(0.003)	(0.012)
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
Add: Treasury shares	457,689	457,689	457,689	457,689
Adjusted weighted average number of outstanding shares	51,000,000	51,000,000	51,000,000	51,000,000

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2023**

19. STATUS OF INACTIVE LAND DEEDS

In prior periods, the Group had 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 interim condensed consolidated 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.

20. 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 August 2, 2023.