

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, 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 NINE-MONTH PERIODS ENDED SEPTEMBER 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 September 30, 2023 and the related interim condensed consolidated statements 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 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.

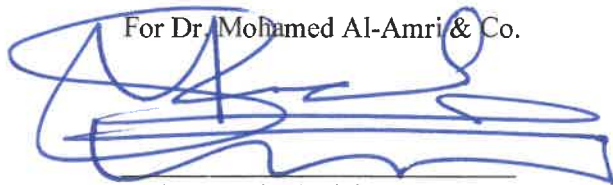
Conclusion

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 became aware of 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: 25 Rabi' al Thani, 1445 H
Corresponding: 09 November, 2023 G



SAUDI STEEL PIPES COMPANY
(A SAUDI JOINT STOCK COMPANY)

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

		September 30, 2023	December 31, 2022
	Note	(Un-audited)	(Audited)
		SR	SR
ASSETS			
Non-current assets			
Property, plant and equipment, net	6	1,068,685,026	453,910,003
Right-of-use assets, net	7	11,347,550	5,767,916
Intangible assets, net		66,971	145,691
Investment in associate	8	-	114,140,390
Trade and other receivables – non-current	10	2,905,037	3,244,825
Deferred tax asset		12,330,815	12,859,081
		<u>1,095,335,399</u>	<u>590,067,906</u>
Current assets			
Inventories, net		645,687,233	254,310,061
Trade and other receivables, net	10	189,760,922	114,730,725
Cash and cash equivalents		174,626,782	79,332,267
		<u>1,010,074,937</u>	<u>448,373,053</u>
TOTAL ASSETS		<u>2,105,410,336</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)		109,723,096	(6,167,721)
Treasury shares		(11,502,225)	(11,502,225)
Equity attributable to the shareholders of the Company		<u>666,407,143</u>	<u>550,516,326</u>
Non-controlling interests		143,845,870	-
Total equity		<u>810,253,013</u>	<u>550,516,326</u>
LIABILITIES			
Non-current liabilities			
Borrowings – non-current	11	19,687,500	99,335,476
Employees' end of service benefits		40,304,445	29,963,005
Lease liabilities	12	8,450,298	4,328,249
Trade and other payables – non-current	13	30,000,000	30,000,000
Deferred tax liability		11,765,967	-
		<u>110,208,210</u>	<u>163,626,730</u>
Current liabilities			
Borrowings - current	11	703,694,094	123,965,564
Lease liabilities	12	2,934,100	1,067,581
Trade and other payables	13	461,133,661	190,071,479
Zakat and income tax		17,187,258	9,193,279
		<u>1,184,949,113</u>	<u>324,297,903</u>
TOTAL LIABILITIES		<u>1,295,157,323</u>	<u>487,924,633</u>
TOTAL EQUITY AND LIABILITIES		<u>2,105,410,336</u>	<u>1,038,440,959</u>

Mohammad AbdulAziz Al Shayea

Authorized Director

Renwar Berzinji

Chief Executive Officer

Mohammed Anwar Alshakhouri

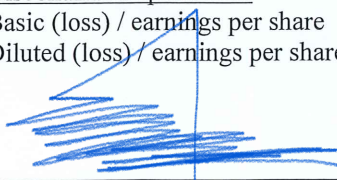
Chief Financial Officer

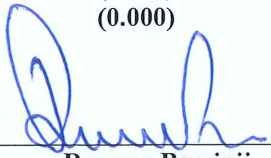
The accompanying notes 1 to 20 form an integral part of these interim condensed consolidated financial statements.

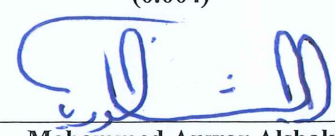
SAUDI STEEL PIPES COMPANY
(A SAUDI JOINT STOCK COMPANY)

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED SEPTEMBER 30,
2023**

	Note	Three-Month Period Ended		Nine-Month Period Ended	
		September 30, 2023 (Un-audited) SR	September 30, 2022 (Un-audited) SR	September 30, 2023 (Un-audited) SR	September 30, 2022 (Un-audited) SR
Revenue	14	317,466,658	204,776,740	845,736,455	600,678,484
Cost of revenue		(253,928,834)	(174,417,220)	(665,759,416)	(514,084,323)
Gross profit		63,537,824	30,359,520	179,977,039	86,594,161
Selling, marketing and distribution expenses		(5,907,183)	(4,273,020)	(21,573,849)	(13,077,938)
Administrative expenses		(11,869,423)	(5,583,881)	(27,070,438)	(16,751,182)
(Allowance) / Reversal of expected credit loss	10.1	1,576,745	(172,152)	(2,534,232)	520,167
Other income, net		5,214,108	673,528	4,759,532	2,245,557
Operating income		52,552,071	21,003,995	133,558,052	59,530,765
Share of profit of an associate	8	-	2,822,731	3,119,168	2,420,694
Finance charges		(14,455,750)	(3,927,249)	(24,753,517)	(9,933,820)
Gain on bargain purchase		-	-	40,330,649	-
Loss on derecognition of an equity interest in associate		-	-	(9,675,029)	-
Interest income		1,369,710	-	1,369,710	-
Profit before zakat and income tax		39,466,031	19,899,477	143,949,033	52,017,639
Zakat and income tax expense	16	(1,533,510)	(3,148,446)	(12,025,878)	(8,407,264)
Profit for the period from continuing operations		37,932,521	16,751,031	131,923,155	43,610,375
(Loss) / profit from discontinued operations	17.1	(16,980)	43,143	(185,785)	(543,589)
Net profit for the period		37,915,541	16,794,174	131,737,370	43,066,786
Other comprehensive income		-	-	-	-
Total comprehensive income		37,915,541	16,794,174	131,737,370	43,066,786
Total comprehensive income attributable to:					
Shareholders of the Company		24,956,544	16,794,174	115,890,817	43,066,786
Non-controlling interests		12,958,997	-	15,846,553	-
		<u>37,915,541</u>	<u>16,794,174</u>	<u>131,737,370</u>	<u>43,066,786</u>
Earnings / (loss) per share attributable to the Shareholders of the Company:					
Continued operations:					
Basic earnings per share	18	0.494	0.331	2.297	0.863
Diluted earnings per share	18	0.490	0.328	2.276	0.855
Discontinued operations:					
Basic (loss) / earnings per share	18	(0.000)	0.001	(0.004)	(0.011)
Diluted (loss) / earnings per share	18	(0.000)	0.001	(0.004)	(0.011)


Mohammad AbdulAziz Al Shayea
Authorized Director


Renwar Berzinji
Chief Executive Officer

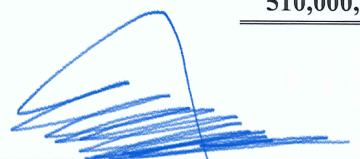

Mohammed Anwar Alshakhouri
Chief Financial Officer

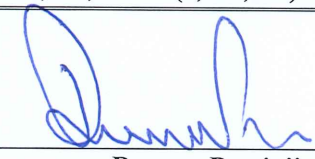
The accompanying notes 1 to 20 form an integral part of these interim condensed consolidated financial statements.

SAUDI STEEL PIPES COMPANY
(A SAUDI JOINT STOCK COMPANY)

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 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	-	-	-	-	43,066,786	-	43,066,786	-	43,066,786
Other comprehensive income	-	-	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	43,066,786	-	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	-	538,271,020
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	-	-	-	-	115,890,817	-	115,890,817	15,846,553	131,737,370
Other comprehensive income	-	-	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	115,890,817	-	115,890,817	15,846,553	131,737,370
Balance as at September 30, 2023 (Un-audited)	510,000,000	4,512,330	58,494,224	(4,820,282)	109,723,096	(11,502,225)	666,407,143	143,845,870	810,253,013


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.

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2023**

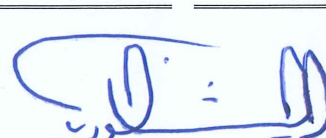
	September 30, 2023 (Un-audited) SR	September 30, 2022 (Un-audited) SR
<u>Cash flows from operating activities:</u>		
Profit / (loss) before zakat and income tax:		
– continuing operations	143,949,033	52,017,639
– discontinued operations	(115,780)	(267,291)
Adjustments for:		
Depreciation of property, plant and equipment	38,185,059	29,749,692
Depreciation of right-of-use assets	1,438,039	839,380
Amortization of intangible assets	333,258	1,619,295
Gain on disposal of property, plant and equipment	(55,217)	(20,784)
Property, plant and equipment – written off	-	2,801
Allowance/ (reversal) of ECL	2,534,232	(842,590)
Provision for inventories	2,335,503	285,664
Share of profit of an associate	(3,119,168)	(2,420,694)
Provision for employees' end of service benefits	3,708,674	2,567,220
Finance charges	24,753,517	9,933,955
Gain on bargain purchase	(40,330,649)	-
Loss on derecognition of an equity interest in associate	9,675,029	-
Interest income	(121,739)	-
	183,169,791	93,464,287
Movement in working capital		
Inventories	(204,980,747)	(95,685,154)
Trade and other receivables	55,848,013	46,783,654
Trade and other payables	22,542,769	25,058,242
Due to / from related parties	58,831,008	(138,759,319)
Cash generated from / (used in) operations	115,410,834	(69,138,290)
Zakat and income tax paid	(10,320,152)	(2,542,346)
Employees' end of service benefits paid	(2,899,413)	(1,361,398)
Finance charges paid	(17,393,963)	(9,824,920)
Net cash generated from / (used in) operating activities	84,797,306	(82,866,954)
<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	(5,440,115)	(1,747,788)
Proceeds from sale of property, plant and equipment	55,217	64,565
Net cash used in investing activities	(20,791,981)	(1,683,223)
<u>Cash flows from financing activities:</u>		
Proceeds of borrowings, net	32,219,372	122,630,438
Payment of lease liabilities	(930,182)	(1,135,893)
Net cash generated from financing activities	31,289,190	121,494,545
Net change in cash and cash equivalents	95,294,515	36,944,368
Cash and cash equivalents at the beginning of the period	79,332,267	99,367,399
Cash and cash equivalents at the end of the period	174,626,782	136,311,767



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 NINE-MONTH PERIOD ENDED SEPTEMBER 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, Dammam 31463, 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, 2023 include the financial statements of the Company and its following subsidiaries:

<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 September 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 6, 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 NINE-MONTH PERIOD ENDED SEPTEMBER 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 NINE-MONTH PERIOD ENDED SEPTEMBER 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 in 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 amount 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 nine-month period ended September 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 345 million based on debt amounts as of September 30, 2023.

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

6. PROPERTY, PLANT AND EQUIPMENT, NET

Carrying amounts of:

		September 30, 2023 (Un-audited)	December 31, 2022 (Audited)
	Note	SR	SR
Operating fixed assets	6.1	835,805,382	453,910,003
Capital work-in-progress (CWIP)	6.3	232,879,644	-
		1,068,685,026	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 to note 19.

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

6.1 Operating fixed assets

		September 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	379,555	2,229,464
Additions during the period / year		961,378	-
Written off / adjustment during the period / year		-	(114,462)
Disposal during the period / year		-	(43,780)
Depreciation charged during the period / year - continuing operations		(38,185,059)	(39,310,014)
Depreciation charged during the period / year - discontinued operations		-	(63,962)
Net book value at the end of the period / year		835,805,382	453,910,003

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

	September 30, 2023 (Un-audited)	December 31, 2022 (Audited)
	SR	SR
Machinery and equipment	-	1,407,578
Building on leasehold land	375,760	604,297
Office and equipment	3,795	217,589
	379,555	2,229,464

6.3 Capital work-in-progress

	September 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	4,419,199	1,774,503
Transferred to operating fixed assets during the period / year	(379,555)	(2,229,464)
Transferred to intangible assets during the period / year	-	(197,374)
At the end of the period / year	232,879,644	-

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

7. RIGHT-OF-USE ASSETS, NET

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

	September 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	(1,438,039)	(1,139,964)
Adjustments during the period / year	-	(13,073)
Net book value at the end of the period / year	11,347,550	5,767,916

8. INVESTMENT IN ASSOCIATE

Movement in investment in an associate is as follows:

	September 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:

	September 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 NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2023**

10. TRADE AND OTHER RECEIVABLES, NET

	Note	September 30, 2023 (Un-audited)	December 31, 2022 (Audited)
		SR	SR
Trade receivables		165,951,377	44,857,735
Allowance for expected credit loss (ECL)	10.1	(8,770,669)	(4,990,813)
Trade receivables, net		157,180,708	39,866,922
Due from related parties	15 A	12,232,213	65,615,128
Employee loans		3,624,656	3,271,259
Prepayments and advances to suppliers		13,406,609	2,926,695
Other receivables		6,221,773	4,014,678
Value added tax (VAT)		-	2,280,868
		192,665,959	117,975,550
Less: non-current portion of employee loans and other receivables		(2,905,037)	(3,244,825)
Total current portion, net		189,760,922	114,730,725

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

	September 30, 2023 (Un-audited)	December 31, 2022 (Audited)
	SR	SR
Opening balance for the period / year	4,990,813	4,823,785
Acquired in business combination	1,245,624	-
Allowance for the period / year – Continuing operations	2,534,232	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	8,770,669	4,990,813

11. BORROWINGS

	September 30, 2023 (Un-audited)	December 31, 2022 (Audited)
	SR	SR
Non-current borrowings	19,687,500	99,335,476
Current borrowings	703,694,094	123,965,564
Total borrowings	723,381,594	223,301,040

Term loans

Saudi Industrial Development Fund (SIDF) – I	15,334,512	44,577,166
Saudi Investment Bank (SAIB)	31,057,129	39,486,234
SIDF – II	56,250,000	73,609,035
Saudi Awwal Bank (SAB)	147,870,466	-
SIDF – III	71,486,000	-
Banque Saudi Fransi (BSF)	25,157,193	-
	347,155,300	157,672,435
Current portion – term loans	(327,467,800)	(58,336,959)
	19,687,500	99,335,476

Short term financing

Murabaha financing	376,226,294	65,628,605
Current portion – term loans	327,467,800	58,336,959
	703,694,094	123,965,564

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

12. LEASE LIABILITIES

The contractual maturity of leases liabilities is as follows:

	September 30, 2023 (Un-audited)	December 31, 2022 (Audited)
	SR	SR
Within one year	3,323,196	1,233,804
Years two to five	5,265,313	3,786,966
Years five and above	4,554,945	928,208
Minimum lease payments	13,143,454	5,948,978
Less: finance charges	(1,759,056)	(553,148)
Net minimum lease payments	11,384,398	5,395,830
Non-current portion	8,450,298	4,328,249
Current portion	2,934,100	1,067,581

13. TRADE AND OTHER PAYABLES

	Note	September 30, 2023 (Un-audited)	December 31, 2022 (Audited)
		SR	SR
<u>Current</u>			
Trade payables		190,186,013	147,565,897
Accrued expenses		22,431,760	12,401,774
Due to related parties	15 B	23,659,516	18,211,423
BOD remuneration payable		4,122,492	3,503,466
Advances from customers		193,951,351	7,645,169
Retention payable		806,785	743,750
Value added Tax (VAT) payable		25,975,744	-
		461,133,661	190,071,479
<u>Non-current</u>			
Provision for liability against corporate guarantee	13.1	30,000,000	30,000,000
		491,133,661	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 NINE-MONTH PERIOD ENDED SEPTEMBER 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 nine months period ended September 30, categorized by these geographic segments is as follows:

	Nine-month period ended September 30, 2023 (Un-audited)	Nine -month period ended September 30, 2022 (Un-audited)
	SR	SR
Saudi Arabia	591,160,566	311,871,139
Other countries	254,575,889	288,807,345
	845,736,455	600,678,484

14.1 Transactions with major customers

Revenue from one major customer and one major related party accounted for 80% of the total revenue for the period (77% for nine-month period ended September 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
Husteel 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 NINE-MONTH PERIOD ENDED SEPTEMBER 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	Nine-month period ended September 30, 2023 (Un-audited) SR	Nine -month period ended September 30, 2022 (Un-audited) SR
Dalmine S.P.A.	Technical services received	59,207	110,644
Dalmine S.P.A.	IT services	1,147	-
Tenaris Global Services Uruguay	Purchases	505,538	2,851,788
Tenaris Global Services Uruguay	Sales, net	182,167,366	260,849,193
Tenaris Saudi Arabia Limited	Services agreements	2,269,599	3,195,659
Tenaris Saudi Arabia Limited	Services, net	4,149,137	5,294,112
Tenaris Saudi Arabia Limited	Purchases	-	4,445,843
Exiros Saudi Arabia Limited	Services received	1,948,900	1,234,575
Siderca S.A.I.C.	Fees	205	-
Siderca S.A.I.C.	IT services	29,857	21,305
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 Company Ltd.	Technical services received	19,672	-
Khonaini Travel and Tourism Agency	Travel and air tickets	219,855	-
Globetech	Coating Services	138,000	-
AWS Schäfer Technologie GmbH	Services received	51,304	-
Khonaini Petroleum Services	Services received	17,875	-
Jubail Tourism Company	Services received	24,161	-

A) Amounts receivable from related parties are as follows:

	September 30, 2023 (Un-audited) SR	December 31, 2022 (Audited) SR
Tenaris Global Services Uruguay	827,605	59,911,283
Tenaris Saudi Arabia Limited	11,341,585	4,914,039
Tenaris Global Services Far East Pte Ltd.	63,023	63,161
Global Pipe Company	-	726,645
	12,232,213	65,615,128

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

15. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

B) Amounts payable to related parties are as follows:

	September 30, 2023 (Un-audited)	December 31, 2022 (Audited)
	SR	SR
Tenaris Global Services Uruguay	-	1,131,591
Tenaris Saudi Arabia Limited	16,251,345	15,856,849
Exiros Saudi Arabia Limited	958,789	1,065,681
Siderca S.A.I.C.	167,856	138,160
Dalmine S.P.A.	78,513	19,142
EEW Holding GmbH & Co. KG	96,198	-
AWS Schäfer Technologie GmbH	1,344,729	-
Khonaini Petroleum Services	1,696,522	-
EEW Gulf Steel	166,044	-
Welding Solution Company	124,380	-
Globetech	175,066	-
Khonaini Travel and Tourism Agency	168,260	-
EEW GmbH	2,431,814	-
	23,659,516	18,211,423

C) Remuneration of directors and key management personnel:

	Nine-month period ended September 30, 2023 (Un-audited)		Nine-month period ended September 30, 2022 (Un-audited)	
	Directors SR	Key management personnel SR	Directors SR	Key management personnel SR
Board remuneration	1,762,500	-	1,771,500	-
Salaries and wages	-	2,539,407	-	1,439,777
Allowances	-	686,897	-	856,753
End of service	-	152,991	-	72,157
	1,762,500	3,379,295	1,771,500	2,368,687

16. ZAKAT AND INCOME TAX EXPENSE

	Nine-month period ended September 30, 2023 (Un-audited)	Nine-month period ended September 30, 2022 (Un-audited)
	SR	SR
Current zakat and income tax	12,682,659	7,952,286
Deferred tax (income) / expense	(656,781)	454,978
	12,025,878	8,407,264

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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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		Nine-Month Period Ended	
	September	September	September	September
	30, 2023	30, 2022	30, 2023	30, 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	(8,752)	(10,705)	(26,250)	(341,645)
Other (expense) / income, net	(8,228)	53,858	(89,530)	(247,934)
Reversal for ECL	-	-	-	322,423
Operating (loss) / profit	(16,980)	43,153	(115,780)	(267,156)
Finance charges	-	(10)	-	(135)
(Loss) / profit before zakat and tax	(16,980)	43,143	(115,780)	(267,291)
Zakat and income tax expense	-	-	(70,005)	(276,298)
Net (loss) / profit for the period	(16,980)	43,143	(185,785)	(543,589)
Other comprehensive income	-	-	-	-
Total comprehensive (loss) / income	(16,980)	43,143	(185,785)	(543,589)
<u>(Loss) / earnings per share from discontinued operations:</u>				
Basic (loss) / earnings per share	(0.000)	0.001	(0.004)	(0.011)
Diluted (loss) earnings per share	(0.000)	0.001	(0.004)	(0.011)

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

	Three-Month Period Ended		Nine-Month Period Ended	
	September	September	September	September
	30, 2023	30, 2022	30, 2023	30, 2022
	(Un-audited)	(Un-audited)	(Un-audited)	(Un-audited)
	SR	SR	SR	SR
Administrative expenses	-	16,459	-	58,366
	-	16,459	-	58,366

Cash flows from discontinued operation

Net cash generated from operating activities	1,263,687	3,815,244
Net cash generated from investing activities	-	53,193
Net cash flows for the period	1,263,687	3,868,437

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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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>Nine-Month Period Ended</u>	
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
	<u>(Un-audited)</u>	<u>(Un-audited)</u>	<u>(Un-audited)</u>	<u>(Un-audited)</u>
Profit / (loss) for the period attributable to the shareholders of the company:				
From continuing operations	24,973,524	16,751,031	116,076,602	43,610,375
From discontinued operations	(16,980)	43,143	(185,785)	(543,589)
	24,956,544	16,794,174	115,890,817	43,066,786
Basic earnings / (loss) per share:				
From continuing operations	0.494	0.331	2.297	0.863
From discontinued operations	(0.000)	0.001	(0.004)	(0.011)
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	0.490	0.328	2.276	0.855
From discontinued operation	(0.000)	0.001	(0.004)	(0.011)
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 NINE-MONTH PERIOD ENDED SEPTEMBER 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 November 01, 2023.