

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

**THE INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED
MARCH 31, 2020**

SAUDI STEEL PIPES COMPANY
(A SAUDI JOINT STOCK COMPANY)

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2020**

Index	Page
1. Independent auditor's review report on the interim condensed consolidated financial statements	1-2
2. Interim consolidated statement of financial position	3
3. Interim consolidated statement of profit or loss and other comprehensive income	4
4. Interim consolidated statement of changes in shareholders' equity	5
5. Interim 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 (SSPC)
(A Saudi Joint Stock Company)
Dammam, Kingdom of Saudi Arabia**

(1/2)

Introduction

We have reviewed the accompanying interim consolidated statement of financial position of Saudi Steel Pipes Company (the "Company") and its Subsidiary (collectively referred to as "the Group") as of March 31, 2020 and the related interim consolidated statements of profit or loss and other comprehensive income, changes in shareholders' equity and cash flows for the three months period then ended, and a summary of significant accounting policies and other explanatory notes (the "interim condensed consolidated financial statements"). Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34 - "Interim Financial Reporting (IAS 34)" 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 the 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.

**INDEPENDENT AUDITOR'S REVIEW REPORT ON THE
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****The Shareholders of
Saudi Steel Pipes Company (SSPC)**

(2/2)

Emphasis of Matter

Without qualifying our conclusion, we draw attention to note 2 to the accompanying interim condensed consolidated financial statements; where the accumulated losses of TSM Arabia (the subsidiary) as of March 31, 2020 have exceeded its share capital by SR 142.5 million (December 31, 2019: SR 140.2 million). The Board of Directors of the Group has resolved to provide sufficient financial support to enable TSM Arabia to meet its financial obligations as and when they fall due. Accordingly, the subsidiary's financial statements were prepared on a going concern basis. Additionally, the subsidiary was in breach of its loan facilities financial covenants. The management of the subsidiary is in the process of taking the necessary remedial actions to resolve the breach including obtaining the required waiver documents. Accordingly, the loans are continued to be classified as per their original terms of payment.

Al Bassam & Co.
P.O. Box 4636
Al Khobar 31952
Kingdom of Saudi Arabia**Ibrahim Ahmed Al Bassam**
Certified Public Accountant
License No. 337
Ramadan 6, 1441H
April 29, 2020

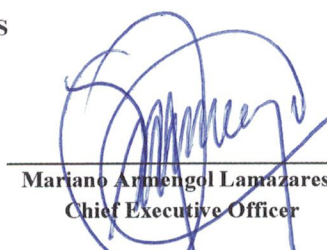
SAUDI STEEL PIPES COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2020

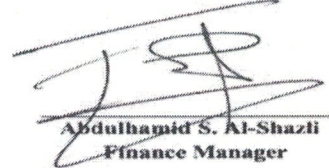
	Note	March 31, 2020 (Un-audited) SR	December 31, 2019 (Audited) SR
ASSETS			
Non-current assets			
Property, plant and equipment	4	574,833,000	581,420,752
Intangible assets		2,861,499	2,766,638
Investments	5	105,459,425	105,421,605
Trade and other receivables - non-current	6	6,387,729	7,385,212
Deferred tax asset		12,094,513	8,696,234
		<u>701,636,166</u>	<u>705,690,441</u>
Current assets			
Inventories		196,495,773	150,066,124
Trade and other receivables	6	199,312,440	223,630,444
Cash and cash equivalents		3,858,647	39,506,782
		<u>399,666,860</u>	<u>413,203,350</u>
TOTAL ASSETS		<u>1,101,303,026</u>	<u>1,118,893,791</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
Actuarial reserves		(6,617,758)	(6,617,758)
Accumulated losses		(44,598,586)	(26,828,587)
Treasury shares		(11,502,225)	(11,502,225)
		<u>510,287,985</u>	<u>528,057,984</u>
LIABILITIES			
Non-current liabilities			
Borrowings – non-current	7	42,148,549	59,804,917
Employees’ end of service benefits		46,096,152	55,554,419
Trade and other payables- non-current	9	30,000,000	30,000,000
Lease liabilities – non-current	8	6,637,093	6,978,705
Retention payables		647,113	647,113
		<u>125,528,907</u>	<u>152,985,154</u>
Current liabilities			
Trade and other payables	9	217,843,353	209,768,831
Borrowings – current	7	246,865,730	227,456,517
Lease liabilities – current	8	777,051	625,305
Zakat and income tax		-	-
		<u>465,486,134</u>	<u>437,850,653</u>
TOTAL LIABILITIES		<u>591,015,041</u>	<u>590,835,807</u>
TOTAL EQUITY AND LIABILITIES		<u>1,101,303,026</u>	<u>1,118,893,791</u>



Ahmed Al-Debasi
Authorized Director



Mariano Armengol Lamazares
Chief Executive Officer



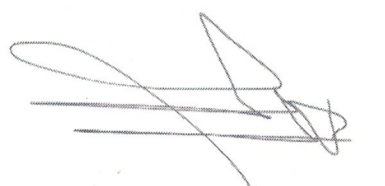
Abdulhamid S. Al-Shazli
Finance Manager

The accompanying notes 1 through 17 form an integral part of these interim condensed consolidated financial statements.

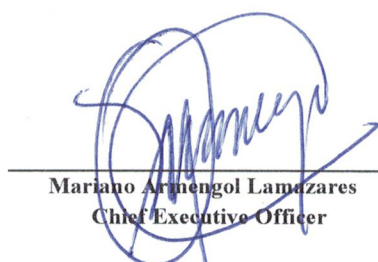
SAUDI STEEL PIPES COMPANY
(A SAUDI JOINT STOCK COMPANY)

**INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2020**

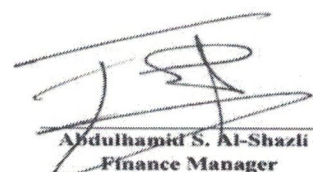
	Note	March 31, 2020 (Un-audited) SR	March 31, 2019 (Un-audited) SR
Revenue	10	122,344,222	195,311,944
Cost of revenue	10	(117,851,911)	(182,784,217)
Gross profit		4,492,311	12,527,727
Selling, marketing and distribution expenses		(3,004,881)	(3,733,934)
Administrative expenses		(18,765,937)	(7,092,066)
Other (expenses) / income, net		(35,263)	278,222
(Allowance) / reversal for impairment of trade receivables	6	(751,199)	625,486
Operating (loss) / profit		(18,064,969)	2,605,435
Share of profit in an associate	5	37,820	3,063,854
Financial charges		(3,141,129)	(5,182,706)
(Loss) / profit before zakat and income tax		(21,168,278)	486,583
Zakat and income tax benefit / (expense)	12	3,398,279	(161,943)
(Loss) / income for the period		(17,769,999)	324,640
Other comprehensive income		-	-
Total comprehensive (loss) / income		(17,769,999)	324,640
<u>(Loss) / earnings per share</u>			
Basic (loss) / earnings per share	13	(0.35)	0.01
Diluted (loss) / earnings per share	13	(0.35)	0.01



Ahmed Al Debasi
Authorized Director



Mariano Armengol Lamazares
Chief Executive Officer




Abdulhamid S. Al-Shazli
Finance Manager

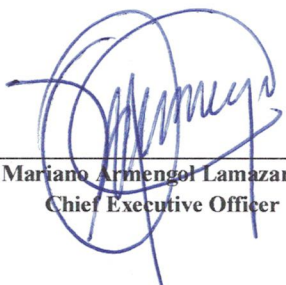
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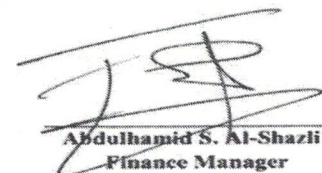
SAUDI STEEL PIPES COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2020

	Share capital	Share premium	Statutory reserve	Actuarial reserves	Accumulated losses	Treasury shares	Total equity
	SR	SR	SR	SR	SR	SR	SR
Balance as at January 1, 2019 (Audited)	510,000,000	131,306,055	58,494,224	(2,061,237)	(126,793,725)	(11,502,225)	559,443,092
Net income for the period	-	-	-	-	324,640	-	324,640
Balance as at March 31, 2019 (Un-audited)	<u>510,000,000</u>	<u>131,306,055</u>	<u>58,494,224</u>	<u>(2,061,237)</u>	<u>(126,469,085)</u>	<u>(11,502,225)</u>	<u>559,767,732</u>
Balance as at January 1, 2020 (Audited)	510,000,000	4,512,330	58,494,224	(6,617,758)	(26,828,587)	(11,502,225)	528,057,984
Net loss for the period	-	-	-	-	(17,769,999)	-	(17,769,999)
Balance as at March 31, 2020 (Un-audited)	<u>510,000,000</u>	<u>4,512,330</u>	<u>58,494,224</u>	<u>(6,617,758)</u>	<u>(44,598,586)</u>	<u>(11,502,225)</u>	<u>510,287,985</u>


Ahmed Al Debasi
 Authorized Director


Mariano Armengol Lamazares
 Chief Executive Officer



Abdulhamid S. Al-Shazli
 Finance Manager

The accompanying notes 1 through 17 form an integral part of these interim condensed consolidated financial statements.


SAUDI STEEL PIPES COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2020

	March 31, 2020 (Un-audited) SR	March 31, 2019 (Un-audited) SR
<u>Cash flows from operating activities:</u>		
(Loss) / profit before zakat and income tax	(21,168,278)	486,583
<u>Adjustments for:</u>		
Depreciation of property, plant and equipment	10,848,777	11,210,762
Amortization of intangible assets	307,954	85,927
Allowance / (reversal) for impairment of trade receivables	751,199	(625,486)
(Reversal) / provision for inventories	(220,029)	1,085,390
Share of profit in an associate	(37,820)	(3,063,854)
Employees' end of service benefits	1,761,722	1,905,786
Finance cost	3,141,129	5,182,706
	(4,615,346)	16,267,814
<u>Movement in working capital</u>		
Inventories	(46,209,620)	15,479,150
Trade and other receivables	23,454,269	28,316,573
Trade and other payables	6,368,237	(27,442,147)
Due to / from related parties	2,816,305	(181,528)
Cash (used in) / generated from operations	(18,186,155)	32,439,862
Employees' end of service benefits paid	(11,219,989)	(800,762)
Finance cost paid	(1,665,511)	(4,413,115)
Net cash (used in) / generated from operating activities	(31,071,655)	27,225,985
<u>Cash flows from investing activities:</u>		
Additions to property, plant and equipment and intangible assets	(4,282,266)	(806,146)
Net cash used in investing activities	(4,282,266)	(806,146)
<u>Cash flows from financing activities:</u>		
Proceeds from / (repayment of) borrowings, net	341,787	(44,450,014)
Repayment of lease liability	(636,000)	(89,150)
Net cash used in financing activities	(294,213)	(44,539,164)
Net change in cash and cash equivalents	(35,648,134)	(18,119,325)
Cash and cash equivalent at the beginning of the period	39,506,781	23,499,467
Cash and cash equivalents at the end of the period	3,858,647	5,380,142
<u>Non-cash transactions</u>		
Addition in right of use / lease liability	381,574	-
Transfer of due from related parties balances to trade receivables	-	7,078,836
Prepaid expenses adjusted against right of use	-	743,778


Ahmed Al Debasi
Authorized Director


Mariano Armengol Lamazares
Chief Executive Officer


Abdulhamid S. Al-Shazli
Finance Manager

The accompanying notes 1 through 17 form an integral part of these interim condensed consolidated financial statements.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2020**

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 10 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 31326, 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, 2020 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>2020</u>	<u>2019</u>
Titanium and Steel Manufacturing Company Limited (“TSM Arabia”)	Manufacture Stationary process equipment	100%	100%

Titanium and Steel Manufacturing (TSM Arabia)

TSM Arabia was formed under commercial registration number 2050073985 dated 4 Safar 1432H (corresponding to January 8, 2011 G) to produce stationary process equipment such as heat exchangers and pressure vessels. The subsidiary’s total share capital is SR 32 million of which the Group owns 100%. Initially the Group owned 70 % of share capital of TSM Arabia. On February 22, 2016, the Group signed an agreement with TSM Tech Company to acquire remaining 30% shareholding in TSM Arabia. The legal formalities associated with the acquisition were completed and the articles of association of the subsidiary were amended accordingly.

As of March 31, 2020, the accumulated losses of TSM Arabia exceeded its share capital by SR 142.5 million (December 31, 2019: SR 140.2 million). Furthermore, the Board of Directors of the Group has resolved to provide sufficient financial support to enable TSM Arabia to meet its financial obligations as and when they fall due. Accordingly, the subsidiary’s financial statements were prepared on a going concern basis.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2020**

3. BASIS OF PREPARATION

3.1 Statement of compliance

These interim condensed consolidated financial statements of the Group for the three months period ended March 31, 2020 has been prepared in accordance with the requirements of International Accounting Standard 34 - "Interim Financial Reporting" that are endorsed in Saudi Arabia and other standards and pronouncement that are issued by the Saudi Organization for Certified Public Accountants ("SOCPA") and should be read in conjunction with the Group's latest annual consolidated financial statements for the year ended December 31, 2019 ("latest annual financial statements"). These interim condensed consolidated financial statements do not include all of the information required for a complete set of IFRS financial statements. However, accounting policies and selected explanatory notes are included to reflect events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the latest annual financial statements.

3.2 Preparation of the interim condensed consolidated financial statements

The interim condensed consolidated financial information has been prepared under the historical cost convention, unless it is allowed by the IFRS to be measured at other valuation method.

The preparation of interim condensed consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts in interim condensed consolidated financial statements. The significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the latest annual financial statements as at December 31, 2019.

Items included in the interim condensed consolidated financial statements of the Group are measured using the currency of the primary economic environment in which the Group operates ('the functional currency'). The Group's board of directors has resolved during the current period ending March 31, 2020 to change the Group's functional currency from Saudi Riyal to USD. The change was made to reflect that USD is the predominant currency in the Group and mainly influence the sales price for its goods and services, and purchase costs of its raw materials. As such, change in functional currency has no material impact on the measurement of assets, liabilities or equity. The interim condensed consolidated financial statements continued to be presented in Saudi Riyals (SR) which is the presentation currency. As the USD and Saudi Riyal exchange rate are pegged to each other, the translations did not result in any material adjustments. Figures have been rounded off to the nearest Riyal except where mentioned otherwise.

3.3 Basis of Consolidation

The interim condensed consolidated financial statements comprise those of Saudi Steel Pipes Company and of its subsidiary (the Group) as detailed in Note 2.

Control is achieved when the Group:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2020**

3. BASIS OF PREPARATION (Continued)

3.3 Basis of Consolidation (Continued)

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the period are included in the interim consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Interim consolidated statement of profit or loss and each component of other comprehensive income are attributed to the shareholders of the Group. Total comprehensive income of subsidiary is attributed to the shareholders of the Group.

When necessary, adjustments are made to the interim condensed consolidated financial statements of subsidiary to bring its accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to shareholders of the Group.

When the Group loses control of a subsidiary, a gain or loss is recognized in the interim consolidated statement of profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to consolidated statement of profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

3.4 New Standards, Amendment to Standards and Interpretations:

There are no new standards issued, however, there are number of amendments to standards, which are effective from 1 January 2020;

- i- The definition of materiality (Amendments to IAS 1 and IAS 8)
- ii- The definition of a business (Amendments to IFRS 3)
- iii- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)

These amendments do not have a material effect on the Group's interim condensed consolidated financial statements.

4. PROPERTY, PLANT AND EQUIPMENT

Carrying amounts of:

	Note	March 31, 2020 (Un-audited) SR	December 31, 2019 (Audited) SR
Operating fixed assets	4.1	563,829,852	573,856,241
Capital work-in-progress	4.3	3,265,921	-
Right of use	4.4	7,737,227	7,564,511
		574,833,000	581,420,752

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2020

4. PROPERTY, PLANT AND EQUIPMENT (Continued)

4.1 Operating fixed assets

		March 31, 2020	December 31, 2019
	Note	(Un-audited)	(Audited)
		SR	SR
Net book value at beginning of period / year		573,856,241	608,393,446
Additions during the period / year	4.2	-	816,730
Transferred from CWIP	4.2, 4.3	613,530	10,302,633
Disposals and write offs, net		-	(2,066,659)
Depreciation charge during the period / year		(10,639,919)	(43,589,909)
Net book value at the end of the period / year		<u>563,829,852</u>	<u>573,856,241</u>

4.2 Additions to operating fixed assets during the period / year (including transfers from capital work-in-progress) are as follows:

		March 31, 2020	December 31, 2019
		(Un-audited)	(Audited)
		SR	SR
Building and structures		304,809	6,436,013
Machinery and equipment		282,724	683,799
Vehicles		-	147,634
Office and electrical equipment		25,997	3,851,917
		<u>613,530</u>	<u>11,119,363</u>

4.3 Capital work-in-progress

		March 31, 2020	December 31, 2019
		(Un-audited)	(Audited)
		SR	SR
Net book value at beginning of period / year		-	7,278,529
Additions during the period / year		4,282,266	4,937,612
Transferred to operating fixed assets		(613,530)	(10,302,633)
Transferred to intangible assets		(402,815)	(1,913,508)
Net book value at the end of the period / year		<u>3,265,921</u>	<u>-</u>

4.4 Right of use

Movement in right of use is as follows:

		March 31, 2020	December 31, 2019
		(Un-audited)	(Audited)
		SR	SR
Opening balance – carrying value		7,564,511	8,315,197
Addition during the period / year		381,574	-
Depreciation charged during the period / year		(208,858)	(750,686)
Closing balance		<u>7,737,227</u>	<u>7,564,511</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2020

5. INVESTMENTS

	Note	March 31, 2020 (Un-audited) SR	December 31, 2019 (Audited) SR
Investment in an associate, net	5.1	105,459,425	105,421,605
Investment at fair value through profit or loss	5.2	-	-
		105,459,425	105,421,605

5.1 Investment in an associate, net

Movement for investment in an associate is as follows:

	March 31, 2020 (Un-audited) SR	December 31, 2019 (Audited) SR
Global Pipe Company ("GPC")		
Opening value of investment	105,421,605	96,481,720
Share of income for the period / year	37,820	8,939,885
	105,459,425	105,421,605

Investment in an associate represents the following:

Cost of acquisition	45,000,000	45,000,000
Loan contribution toward capital increase	43,750,000	43,750,000
Share of accumulated earnings (opening balance)	16,671,605	7,731,720
Share of net income for the period / year	37,820	8,939,885
Net investment value	105,459,425	105,421,605

Global Pipe Company ("GPC")

Global Pipe Company Limited (GPC) is a closed joint stock company. The Company was a limited liability company up-to December 17, 2017 and its legal structure has been 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 initial total share capital of GPC was SR 125 million of which, Saudi Steel Pipes owns 35%, which was later increased to SR 250 million.

5.2 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 year 2016, and based on an impairment study, SR 43 million of this investment was impaired and adjusted against the consolidated statement of profit or loss for the year ended December 31, 2016. During the year 2017, a further assessment was made by management with respect to this investment, taking in consideration the current status of the Company and its future viability and accordingly in 4th quarter, Board of Directors had decided to impair the remaining balance of this investment of SR 23.6 million, as the investment amount in light of the existing circumstances is deemed to be unrecoverable.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2020

6. TRADE AND OTHER RECEIVABLES

	Note	March 31, 2020 (Un-audited) SR	December 31, 2019 (Audited) SR
Trade receivables		175,863,569	181,966,732
Revenue recognized in excess of billings		16,197,570	34,604,194
Allowance for impairment of trade receivables	6.1	(8,337,978)	(7,586,779)
Trade receivables, net		183,723,161	208,984,147
Due from a related party	11 A	-	1,110,020
Prepayments and advances to suppliers		12,776,965	9,308,981
Employee loans		9,060,708	11,084,428
Other receivables		139,335	528,080
		205,700,169	231,015,656
Less: non-current portion of employee loans		(6,387,729)	(7,385,212)
Total current portion, net		199,312,440	223,630,444

6.1 Movement in the allowance for impairment of trade receivables is as follows:

	March 31, 2020 (Un-audited) SR	December 31, 2019 (Audited) SR
Opening balance	7,586,779	6,704,798
Allowance for the period / year	751,199	892,831
Utilization	-	(10,850)
Closing balance	8,337,978	7,586,779

7. BORROWINGS

	Current		Non-Current	
	March 31, 2020 (Un-audited) SR	December 31, 2019 (Audited) SR	March 31, 2020 (Un-audited) SR	December 31, 2019 (Audited) SR
Term loans				
Saudi Industrial Development Fund (SIDF)	-	-	107,994,889	107,279,671
Short term				
Overdraft	6,160,035	-	-	-
Murabaha loan	174,859,355	179,981,763	-	-
	181,019,390	179,981,763	107,994,889	107,279,671
Current portion of long term loans	65,846,340	47,474,754	(65,846,340)	(47,474,754)
Total borrowings	246,865,730	227,456,517	42,148,549	59,804,917

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2020**

7. BORROWINGS (Continued)

The term of finances are as under:

Loan Name	Balance In SR	Type of loan	Number of installments	Payment term	Period	Mark up
SIDF – I	79,965,751	Long-term	7	Semi-annual	April 2018 to March 2022	Follow-up cost every 6 month
SIDF – II	28,029,138	Long-term	7	Semi-annual	July 2017 to July 2022	Follow-up cost every 6 month
Total SIDF	107,994,889					
Murabaha loan	174,859,355	Short-term	-	From 3 to 6 months	-	SIBOR+1.25% to 1.75%
Overdraft	6,160,035	Short-term	-	From 1 to 3 months	-	9%
Total borrowings	289,014,279					

During the period ended March 31, 2020, Ministry of Industry announced the deferral and rescheduling of the loan installment that are due in 2020 for medium and large factories. The Group has requested to restructure the loans with Saudi Industrial Development Fund (SIDF), which is currently under approval. Hence, the loans are classified according to original repayment terms of the contract.

These borrowings facility agreements are subject to certain financial and non-financial covenants. The Group is complying with all the covenants except for a long-term loan obtained by the subsidiary that has a balance of SR 28 million. The management is in the process of taking the necessary remedial actions to resolve the breach, including obtaining the required waiver documents. The management expects, based on its current negotiations and its experience with SIDF, that the breach will not result in loan to be payable on demand. Accordingly, loans are continued to be classified as per their original terms of payment.

8. LEASE LIABILITIES

Commitment for minimum lease payments under leases is as follows:

	March 31, 2020 (Un-audited)	December 31, 2019 (Audited)
	SR	SR
Within one year	1,027,305	1,509,304
Years two to five	3,746,217	4,198,520
Years five and above	3,800,121	3,094,816
Minimum lease payments	8,573,643	8,802,640
Less: finance charges	(1,159,499)	(1,198,630)
Net minimum lease payments	7,414,144	7,604,010
Non-current portion	6,637,093	6,978,705
Current portion	777,051	625,305

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2020

9. TRADE AND OTHER PAYABLES

	March 31, 2020 (Un-audited) SR	December 31, 2019 (Audited) SR
<u>Current</u>		
Trade payables	139,100,927	156,482,724
Due to related parties (Note 11 B)	15,214,481	13,508,196
Accrued expenses and other liabilities	53,046,392	24,217,925
Advances from customers	9,525,872	13,608,146
VAT payable	955,681	1,951,840
	<u>217,843,353</u>	<u>209,768,831</u>
<u>Non-current</u>		
Provision for liability against guarantee to an investee company (Note 9.1)	30,000,000	30,000,000
	<u>247,843,353</u>	<u>239,768,831</u>

9.1 The Group had provided a corporate guarantee to one of its investee companies in the past. 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 has decided not to support the company and accordingly, are assessing various options in this regard. Based on these circumstances and the existing status of the Company, the Group's Board of Directors accordingly considered the whole guarantee balance amounting to SR 30 million, to be a liability on the Group and hence charged the whole amount to the Group's consolidated statement of profit or loss and other comprehensive income in prior years. Based on the information available, the management believes that guarantee is not expected to be maturing for payment within next twelve months and accordingly, classified as non-current liability.

10. SEGMENTAL REPORTING

The accounting policies used by the Group in reporting segments internally are the same as explained in annual financial statements for the year ended December 31, 2019.

The Group's operations consist of the following operating segments:

	<u>Steel pipes</u> SR	<u>Process equipment</u> SR	<u>Unallocated</u> SR	<u>Total</u> SR
<u>As at March 31, 2020</u> <u>(Un-audited)</u>				
Non-current assets	576,201,252	19,975,489	105,459,425	701,636,166
Total assets	924,748,789	71,094,812	105,459,425	1,101,303,026
Total liabilities	502,261,301	85,908,506	2,845,234	591,015,041
<u>For the three months period ended</u> <u>March 31, 2020 (Un-audited)</u>				
Revenue	111,599,667	10,744,555	-	122,344,222
Cost of revenue	(107,066,799)	(10,785,112)	-	(117,851,911)
Loss for the period	(14,895,195)	(2,297,126)	(577,678)	(17,769,999)
Share of profit in an associate	-	-	37,820	37,820
Unallocated other expenses	-	-	(615,498)	(615,498)

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2020**

10. SEGMENTAL REPORTING (Continued)

	<u>Steel pipes</u>	<u>Process equipment</u>	<u>Unallocated</u>	<u>Total</u>
	SR	SR	SR	SR
<u>As at December 31, 2019</u> <u>(audited)</u>				
Non-current assets	579,928,485	20,340,351	105,421,605	705,690,441
Total assets	924,286,305	89,185,881	105,421,605	1,118,893,791
Total liabilities	397,013,592	191,969,477	1,852,738	590,835,807
<u>For the period ended March 31, 2019</u> <u>(Un-audited)</u>				
Revenue	176,755,172	18,556,772	-	195,311,944
Cost of revenue	(163,571,585)	(19,212,632)	-	(182,784,217)
Profit / (loss) for the period	2,871,750	(5,003,678)	2,456,568	324,640
Share of profit in an associate	-	-	3,063,854	3,063,854
Unallocated other expenses	-	-	(607,286)	(607,286)

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 operation is conducted mainly in the Kingdom of Saudi Arabia. The selected financial information covering the revenue for the three months period ended March 31, categorized by these geographic segments is as follows:

	March 31, 2020 (Un-audited)	March 31, 2019 (Un-audited)
	SR	SR
Saudi Arabia	120,071,596	188,732,711
Other countries	2,272,626	6,579,233
	<u>122,344,222</u>	<u>195,311,944</u>

TRANSACTIONS WITH A MAJOR CUSTOMER

Revenue from one major customer accounted for 59.48% of the total revenue for the period (57.36% for three months period ended March 31, 2019).

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2020**

11. RELATED PARTIES' 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>
Rabiah & Nassar Group	Former shareholder
Saudi Pan Gulf Company	Former affiliate
Hu Steel Company Ltd.	Shareholder
Global Pipe Company	Associate
Chemical Development Company	Affiliate
Exiros Saudi Arabia	Affiliate
Tenaris Saudi Arabia Co. Ltd ("TESA")	Shareholder
Dalmine S.P.A	Affiliate
Silco Tube	Affiliate
Tenaris Global Services Switzerland	Affiliate
Tenaris Global Services Uruguay	Affiliate
Tenaris Siderca	Affiliate

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

<u>Related party</u>	<u>Nature of transaction</u>	Three months period ended March 31, 2020	Three months period ended March 31, 2019
		(Un-audited)	(Un-audited)
		SR	SR
Dalmine S.P.A	Technical services	829,392	-
Silco Tube	Purchases	618,928	1,260,000
Tenaris Saudi Arabia Co. Ltd ("TESA")	Services agreement	556,007	-
Tenaris Siderca	IT services	51,113	-
Exiros Saudi Arabia	Services received	408,000	-
Rabiah & Nassar Group	Sales	-	190,604
Saudi Pan Gulf	Sales	-	850,422
Hu Steel Company Ltd.	Service rendered	-	79,899

A) Balance receivable from a related party is as follows:

	March 31, 2020	December 31, 2019
	(Un-audited)	(Audited)
	SR	SR
Tenaris Saudi Arabia Co. Ltd	-	1,110,020

B) Balances payable to related parties are as follows:

	March 31, 2020	December 31, 2019
	(Un-audited)	(Audited)
	SR	SR
Silco Tube	12,379,755	11,760,000
Dalmine S.P.A.	1,708,583	879,191
Tenaris Siderca	840,448	796,683
Exiros Saudi Arabia	214,200	-
Tenaris Global Services Switzerland	71,495	72,322
	15,214,481	13,508,196

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2020

11. RELATED PARTIES' TRANSACTIONS AND BALANCES (Continued)

C) Remuneration of directors and key management personnel

	March 31, 2020 (Un-audited)		March 31, 2019 (Un-audited)	
	Directors SR	Key management personnel SR	Directors SR	Key management personnel SR
Board remuneration	615,498	-	607,286	-
Salaries and wages	-	948,702	-	662,897
Allowances	-	623,183	-	285,168
End of service	-	21,246	-	221,002
	615,498	1,593,131	607,286	1,169,067

12. ZAKAT AND INCOME TAX BENEFIT / (EXPENSE)

	March 31, 2020 (Un-audited) SR	March 31, 2019 (Un-audited) SR
Current zakat and income tax	-	(161,943)
Deferred tax	3,398,279	-
	3,398,279	(161,943)

13. (LOSS) / EARNINGS PER SHARE

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

(Loss) / earnings per share are represented as follows:

	March 31, 2020 (Un-audited)	March 31, 2019 (Un-audited)
Basic (loss) / earnings per share	(0.35)	0.01
(Loss) / income for the period	(17,769,999)	324,640
Weighted average number of outstanding shares	50,542,311	50,542,311
Diluted (loss) / earnings per share	(0.35)	0.01
(Loss) / income for the period	(17,769,999)	324,640
Weighted average number of outstanding shares	51,000,000	51,000,000
Reconciliation of weighted average number of outstanding shares		
Number of issued shares	51,000,000	51,000,000
Less: Treasury shares - shares kept for the employee share program	(762,812)	(762,812)
Add: Weighted average number of shares issued to employees	305,123	305,123
Number of outstanding shares	50,542,311	50,542,311
Weighted average number of outstanding shares	50,542,311	50,542,311

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2020**

14. SIGNIFICANT EVENTS

In light of the regulatory measures adopted by the authorities of the Kingdom of Saudi Arabia to limit the spread of the Coronavirus (COVID-19), the Group's facilities are currently operating at a reduced capacity in compliance with such regulatory measures.

Due to the current uncertainty around the extent and timing of the future spread of COVID-19, the imposition or relaxation of protective measures adopted in response to the pandemic, and their effect on the energy industry generally and the Group's business in particular, the Group cannot currently determine the extent of any adverse impact on the Group's business outlook and financial condition.

As for the government initiatives recently announced to support private sector companies, the Group is not yet able to assess the financial impact of such initiatives. The Group is working closely with relevant authorities to identify the support packages available.

15. SUBSEQUENT EVENT

In the opinion of the management, there have been no significant subsequent events since the period end that would have a material impact on the financial position of the Group as reflected in these interim condensed consolidated financial statements.

16. PRIOR YEAR RECLASIFICATIONS

Certain comparative figures for year 2019 have been reclassified to conform to the presentation in the current period.

17. 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 29, 2020 corresponding to Ramadan 6, 1441H.