

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

**CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2022
WITH INDEPENDENT AUDITOR'S REVIEW REPORT**

SAUDI STEEL PIPES COMPANY
(A SAUDI JOINT STOCK COMPANY)

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

The Shareholders of
Saudi Steel Pipes Company (SSPC)
 (A Saudi Joint Stock Company)
 Dammam, Kingdom of Saudi Arabia

(1/1)

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of Saudi Steel Pipes Company (the "Company"), a Saudi Joint Stock Company, and its Subsidiary (collectively referred to as "the Group") as of March 31, 2022 and the related condensed consolidated interim statements of profit or loss and other comprehensive income, changes in equity and cash flows for the three months period then ended, and a summary of significant accounting policies and other explanatory notes (the "condensed consolidated interim financial statements"). Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with International Accounting Standard 34 - "Interim Financial Reporting (IAS 34)" as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these condensed consolidated interim 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", as endorsed in the Kingdom of Saudi Arabia. A review of the condensed consolidated interim 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, as 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 condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with IAS 34, as endorsed in the Kingdom of Saudi Arabia.

Emphasis of Matters

Without qualifying our conclusion, we draw attention to note 15 to the accompanying condensed consolidated interim financial statements with respect to certain electronic title deeds related to the Group land plots which became inactive due to cancellation by court order.

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 26, 1443H
 April 27, 2022




CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2022

	Note	March 31, 2022 (Un-audited) SR	December 31, 2021 (Audited) SR
ASSETS			
Non-current assets			
Property, plant and equipment	4	489,227,767	498,513,460
Intangible assets		1,479,032	1,992,174
Investments	5	104,850,248	104,966,006
Trade and other receivables - non-current	6	3,628,669	3,790,356
Deferred tax asset		13,471,167	13,700,495
		<u>612,656,883</u>	<u>622,962,491</u>
Current assets			
Inventories		144,160,985	118,228,716
Trade and other receivables	6	186,697,709	131,448,550
Cash and cash equivalents		103,192,953	99,367,399
		<u>434,051,647</u>	<u>349,044,665</u>
TOTAL ASSETS		<u>1,046,708,530</u>	<u>972,007,156</u>
EQUITY AND LIABILITIES			
Equity			
Share capital		510,000,000	510,000,000
Share premium		4,512,330	4,512,330
Statutory reserve		58,494,224	58,494,224
Other reserves		(5,926,730)	(5,926,730)
Accumulated losses		(45,844,753)	(60,373,365)
Treasury shares		(11,502,225)	(11,502,225)
		<u>509,732,846</u>	<u>495,204,234</u>
LIABILITIES			
Non-current liabilities			
Borrowings – non-current	7	29,654,455	44,479,133
Employees’ end of service benefits		30,177,367	29,538,287
Lease liabilities – non-current	8	5,149,264	5,186,411
Trade and other payables- non-current	9	30,000,000	30,000,000
		<u>94,981,086</u>	<u>109,203,831</u>
Current liabilities			
Borrowings – current	7	264,996,994	182,866,429
Lease liabilities – current	8	1,004,794	1,658,251
Trade and other payables	9	171,459,903	180,913,801
Zakat and income tax		4,532,907	2,160,610
		<u>441,994,598</u>	<u>367,599,091</u>
TOTAL LIABILITIES		<u>536,975,684</u>	<u>476,802,922</u>
TOTAL EQUITY AND LIABILITIES		<u>1,046,708,530</u>	<u>972,007,156</u>



Ahmed Al Debasi
Authorized Director



Mariano Arango Lamazares
Chief Executive Officer



Mohamed Anwar Alshakhouri
Chief Financial Officer

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

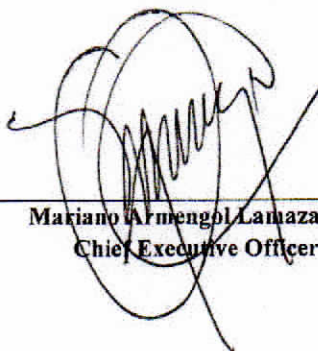
SAUDI STEEL PIPES COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2022

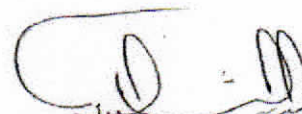
	Note	March 31, 2022 (Un-audited) SR	March 31, 2021 (Un-audited) SR
Revenue	10	184,081,571	92,075,123
Cost of revenue		(155,126,486)	(89,721,962)
Gross profit		28,955,085	2,353,161
Selling, marketing and distribution expenses		(3,803,296)	(2,908,166)
Administrative expenses		(5,593,107)	(7,088,920)
Other income, net		858,977	386,470
(Allowance) / reversal for impairment of trade receivables	6	(436,008)	1,498,100
Operating income / (loss)		19,981,651	(5,759,355)
Share of loss in an associate	5	(115,758)	(2,988,121)
Finance charges		(2,836,170)	(1,663,971)
Profit / (loss) before zakat and income tax		17,029,723	(10,411,447)
Zakat and income tax (expense) / benefit	12	(2,601,626)	857,274
Profit / (loss) for the period from continuing operations		14,428,097	(9,554,173)
Profit from discontinued operations	13	100,515	1,075,620
Total profit / (loss) for the period		14,528,612	(8,478,553)
Other comprehensive income		-	-
Total comprehensive income / (loss)		14,528,612	(8,478,553)
<u>Profit / (loss) / earnings per share</u>			
Continued operations:			
Basic earnings / (loss) per share	14	0.285	(0.189)
Diluted earnings / (loss) per share	14	0.283	(0.187)
Discontinued operations:			
Basic earnings per share	14	0.002	0.021
Diluted earnings per share	14	0.002	0.021



Ahmed Al Debasi
Authorized Director



Mariano Armengol Lamazares
Chief Executive Officer



Mohamed Anwar Alshakhouri
Chief Financial Officer

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SAUDI STEEL PIPES COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED MARCH 31, 2022

	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, 2021 (Audited)	510,000,000	4,512,330	58,494,224	(7,014,507)	(61,305,010)	(11,502,225)	493,184,812
Net loss for the period	-	-	-	-	(8,478,553)	-	(8,478,553)
Other comprehensive income	-	-	-	-	-	-	-
Balance as at March 31, 2021 (Un-audited)	510,000,000	4,512,330	58,494,224	(7,014,507)	(69,783,563)	(11,502,225)	484,706,259
Balance as at January 1, 2022 (Audited)	510,000,000	4,512,330	58,494,224	(5,926,730)	(60,373,365)	(11,502,225)	495,204,234
Net profit for the period	-	-	-	-	14,528,612	-	14,528,612
Other comprehensive income	-	-	-	-	-	-	-
Balance as at March 31, 2022 (un-audited)	510,000,000	4,512,330	58,494,224	(5,926,730)	(45,844,753)	(11,502,225)	509,732,846



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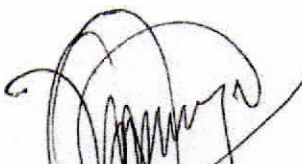
SAUDI STEEL PIPES COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2022

	March 31, 2022 (Un-audited) SR	March 31, 2021 (Un-audited) SR
Cash flows from operating activities:		
Profit / (loss) before zakat and income tax:		
– continuing operations	17,029,723	(10,411,447)
– discontinued operation	100,515	1,075,620
Adjustments for:		
Depreciation of property, plant and equipment and right of use assets	10,186,121	10,720,838
Amortization of intangible assets	521,703	505,454
Gain on disposal of property, plant and equipment	(20,784)	-
Property, plant and equipment – Witten off	2,803	-
Allowance / (reversal) for impairment of trade receivables	113,585	(1,498,100)
(Reversal) / allowance for provision for inventories	(1,173,791)	1,361,221
Share of loss / (profit) in an associate	115,758	2,988,121
Employees' end of service benefits	2,108,846	1,040,527
Finance cost	2,836,249	1,663,971
	<u>31,820,728</u>	<u>7,446,205</u>
Movement in working capital		
Inventories	(24,758,477)	2,358,422
Trade and other receivables	(1,855,330)	55,582,612
Trade and other payables	(1,364,820)	(19,708,166)
Due to / from related parties	(61,371,367)	299,559
Cash (used in) / generated from operations	<u>(57,529,266)</u>	<u>45,978,632</u>
Zakat and income tax paid	-	(209,109)
Employees' end of service benefits paid	(1,469,766)	(1,653,208)
Finance cost paid	(1,289,498)	(2,093,506)
Net cash (used in) / generated from operating activities	<u>(60,288,530)</u>	<u>42,022,809</u>
Cash flows from investing activities:		
Additions to property, plant and equipment and intangible assets	(955,573)	(2,849,432)
Proceeds from sale of property, plant and equipment	64,565	-
Net cash used in investing activities	<u>(891,008)</u>	<u>(2,849,432)</u>
Cash flows from financing activities:		
Proceeds from borrowings, net	65,746,841	(77,180,579)
Repayment of lease liabilities	(741,749)	(164,726)
Net cash generated / (used in) from financing activities	<u>65,005,092</u>	<u>(77,345,305)</u>
Net change in cash and cash equivalents	<u>3,825,554</u>	<u>(38,171,928)</u>
Cash and cash equivalent at the beginning of the period	99,367,399	149,054,921
Cash and cash equivalents at the end of the period	<u>103,192,953</u>	<u>110,882,993</u>



Ahmed Al Debasi
Authorized Director



Mariado Armengol Lamazares
Chief Executive Officer



Mohamed Anwar Alshakhouri
Chief Financial Officer

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

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2022**

1. ORGANIZATION AND PRINCIPAL ACTIVITIES

Saudi Steel Pipes Company (“the Company” or “SSPC”) was initially incorporated as a limited liability company in the Kingdom of Saudi Arabia under the commercial registration number 2050009144 dated 27 Rajab 1400 (corresponding to 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 condensed consolidated interim financial statements include the financial statements of the Company and its subsidiary Titanium and Steel Manufacturing Company Limited (“TSM Arabia”) (collectively referred to as “the Group”).

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

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

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

2. STRUCTURE OF THE GROUP

The condensed consolidated interim financial statements as at March 31, 2022 include the financial statements of the Company and its following subsidiary (collectively referred to as “the Group”):

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

Titanium and Steel Manufacturing Company Limited (TSM Arabia)

TSM Arabia was formed under commercial registration number 2050073985 dated 4 Safar 1432H (corresponding to January 8, 2011 G) to produce stationary process equipment such as heat exchangers and pressure vessels. The subsidiary’s total share capital is SR 32 million of which the Group owns 100%. 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, 2022, the accumulated losses of TSM Arabia exceeded its share capital by SR 122.5 million (December 31, 2021: SR 122.6 million).

3. Basis of preparation

3.1 Statement of compliance

These condensed consolidated interim financial statements of the Group for the three months period ended March 31, 2022 have been prepared in accordance with the requirements of International Accounting Standard 34 - “Interim Financial Reporting” as endorsed in Saudi Arabia and other standards and pronouncement as endorsed by the Saudi Organization for Chartered and Professional Accountants (“SOCPA”) and should be read in conjunction with the Group’s latest annual consolidated financial statements for the year ended December 31, 2021 (“latest annual consolidated financial statements”). These condensed consolidated interim 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 consolidated financial statements.

3.2 Preparation of the condensed consolidated interim financial statements

The condensed consolidated interim 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 condensed consolidated interim 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 condensed consolidated interim 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 consolidated financial statements as at December 31, 2021.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2022**

3. BASIS OF PREPARATION

3.3 Basis of Consolidation

The condensed consolidated interim 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.

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 condensed consolidated interim 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.

Condensed consolidated interim 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 financial statements of subsidiary to bring its accounting policies in 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 condensed consolidated interim 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 condensed consolidated interim 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2022

3. BASIS OF PREPARATION (Continued)

3.3 Basis of Consolidation (Continued)

3.4 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 condensed consolidated interim financial statement;

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

3.5 New standards, amendments and revised IFRS issued but not yet effective

The Group has not early adopted the following new and revised IFRSs and amendments that have been issued but are not yet effective.

Amendments to standard	Description	Effective for annual years beginning on or after
IAS 1	Classification of Liabilities as Current or Non-current	January 1, 2023
IAS 8	Amendments regarding the definition of accounting estimates	January 1, 2023
IAS 12	Amendments regarding deferred tax on leases and decommissioning obligations	January 1, 2023
IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	N/A

Management anticipates that these new interpretations and amendments will be adopted in the Group's consolidated financial statements as and when they are applicable and adoption of these interpretations and amendments are expected to have no material impact on the consolidated financial statements of the Group in the year of initial application.

4. PROPERTY, PLANT AND EQUIPMENT

Carrying amounts of:

	Note	March 31, 2022 (Un-audited) SR	December 31, 2021 (Audited) SR
Operating fixed assets	4.1	482,821,627	491,212,757
Capital work-in-progress	4.3	28,612	652,335
Right of use assets	4.4	6,377,528	6,648,368
		489,227,767	498,513,460

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2022

4. PROPERTY, PLANT AND EQUIPMENT (Continued)

4.1 Operating fixed assets

		March 31, 2022	December 31, 2021
	<u>Note</u>	(Un-audited)	(Audited)
		SR	SR
Net book value at beginning of period / year		491,212,757	541,384,229
Transferred from CWIP	4.2	1,570,735	8,240,083
Write off		(2,803)	(16,800)
Disposal		(43,781)	(16,162,621)
Depreciation charged during the period / year- continued operations		(9,889,722)	(41,911,795)
Depreciation charged during the period / year- discontinued operations		(25,559)	(320,339)
Net book value at the end of the period / year		<u>482,821,627</u>	<u>491,212,757</u>

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

		March 31, 2022	December 31, 2021
		(Un-audited)	(Audited)
		SR	SR
Machinery and equipment		1,411,949	4,518,514
Building and structures		66,886	3,293,308
Office and electrical equipment		91,900	428,261
		<u>1,570,735</u>	<u>8,240,083</u>

4.3 Capital work-in-progress

		March 31, 2022	December 31, 2021
		(Un-audited)	(Audited)
		SR	SR
At beginning of period / year		652,335	2,717,841
Additions during the period / year		955,573	6,640,461
Transferred to operating fixed assets		(1,570,735)	(8,240,083)
Transferred to intangible assets		(8,561)	(465,884)
At the end of the period / year		<u>28,612</u>	<u>652,335</u>

4.4 Right of use assets

Movement on right of use assets is as follows:

		March 31, 2022	December 31, 2021
		(Un-audited)	(Audited)
		SR	SR
Net book value at beginning of period / year		6,648,368	8,435,088
Depreciation charged during the period / year- continued operations		(270,840)	(1,083,362)
Depreciation from discontinued operation		-	(17,583)
Disposals during the period / year		-	(685,775)
Net book value at the end of the period / year		<u>6,377,528</u>	<u>6,648,368</u>

5. INVESTMENTS

		March 31, 2022	December 31, 2021
	<u>Note</u>	(Un-audited)	(Audited)
		SR	SR
Investment in an associate, net	5.1	104,850,248	104,966,006
Investment at fair value through profit or loss	5.2	-	-
		<u>104,850,248</u>	<u>104,966,006</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2022

5. INVESTMENTS

5.1 Investment in an associate, net

Movement for investment in an associate is as follows:

	March 31, 2022 (Un-audited) SR	December 31, 2021 (Audited) SR
Global Pipe Company ("GPC")		
Opening value of investment	104,966,006	110,192,967
Share of loss for the period / year	(115,758)	(5,226,961)
	104,850,248	104,966,006
Investment in an associate represents the following:		
Cost of acquisition (including loan contribution)	45,000,000	45,000,000
Loan contribution toward capital increase	43,750,000	43,750,000
Share of retained earnings (opening balance)	16,216,006	21,442,967
Share of net loss for the period / year	(115,758)	(5,226,961)
Net investment value	104,850,248	104,966,006

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 the 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 status of the Company and its future viability and accordingly in the 4th quarter of year 2017, the Board of Directors decided to impair the remaining balance of this investment of SR 23.6 million, as the investment amount was deemed to be unrecoverable.

6. TRADE AND OTHER RECEIVABLES

	March 31 2022 (Un-audited) SR	December 31, 2021 (Audited) SR
Trade receivables	129,058,580	131,000,804
Allowance for impairment of trade receivables	6.1 (4,937,370)	(4,823,785)
Trade receivables, net	124,121,210	126,177,019
Due from related parties	11 A 54,184,069	901,783
Employee loans	3,633,217	3,869,176
Prepayments and advances to suppliers	5,962,329	2,647,169
Other receivables	2,425,553	1,643,759
	190,326,378	135,238,906
Less: non-current portion of employee loans and other receivables	(3,628,669)	(3,790,356)
Total current portion, net	186,697,709	131,448,550

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2022**

6. TRADE AND OTHER RECEIVABLES (Continued)

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

	March 31 2022 (Un-audited) SR	December 31, 2021 (Audited) SR
Opening balance	4,823,785	6,961,690
Allowance / (reversal) for the period / year – Continuing operations	436,008	(1,177,731)
Reversal for the period / year – Discontinued operation	(322,423)	(26,103)
Utilized against receivables written off - Continuing operation	-	(57,847)
Utilized against receivables written off –Discontinued operations	-	(876,224)
Closing balance for the period / year	4,937,370	4,823,785

7. BORROWINGS

	Current		Non-current	
	March 31, 2022 (Un-audited) SR	December 31, 2021 (Audited) SR	March 31, 2022 (Un-audited) SR	December 31, 2021 (Audited) SR
<u>Term loans</u>				
Saudi Industrial Development Fund (SIDF)	-	-	59,225,951	70,184,497
<u>Short term</u>				
SIDF – working capital loan	59,722,717	59,445,434	-	-
Murabaha loans	175,702,781	97,715,631	-	-
	235,425,498	157,161,065	59,225,951	70,184,497
Current portion of long term loans	29,571,496	25,705,364	(29,571,496)	(25,705,364)
Total borrowings	264,996,994	182,866,429	29,654,455	44,479,133

The term of finances are as under:

Loan Name	Balance In SR	Type of loan	Number of remaining installments	Payment term	Period	Mark up
SIDF – I	59,225,951	Long-term	4	Semi-annual	April 2018 to February 2024	Follow-up cost every 6 months
Total long term loan	59,225,951					
SIDF – working capital loan	59,722,717	Short-term	-	Within 12 months	July 2020 to June 2022	Upfront fee
Murabaha loan	175,702,781	Short-term	-	From 6 to 12 months	-	SIBOR+1.75% to 2.0%
Total short term loans	235,425,498					
Total borrowings	294,651,449					

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2022**

8. LEASE LIABILITIES

Commitment for minimum lease payments under leases is as follows:

	March 31, 2022	December 31, 2021
	(Un-audited)	(Audited)
	SR	SR
Within one year	1,190,304	1,848,304
Years two to five	3,933,216	4,016,966
Years five and above	1,717,512	1,717,512
Minimum lease payments	6,841,032	7,582,782
Less: finance charges	(686,974)	(738,120)
Net minimum lease payments	6,154,058	6,844,662
Non-current portion	5,149,264	5,186,411
Current portion	1,004,794	1,658,251

9. TRADE AND OTHER PAYABLES

		March 31, 2022	December 31, 2021
	Note	(Un-audited)	(Audited)
		SR	SR
<u>Current</u>			
Trade payables		124,824,649	130,672,063
Due to related parties	11 B	19,978,939	28,068,020
Accrued expenses		18,021,299	12,706,048
Advances from customers		3,536,755	5,051,642
BOD payable remuneration		3,614,643	3,036,643
Retention payable		1,440,498	1,377,463
VAT payable		43,120	1,922
		171,459,903	180,913,801
<u>Non-current</u>			
Provision for liability against guarantee to an investee company	9.1	30,000,000	30,000,000
		201,459,903	210,913,801

9.1 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 have 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 condensed consolidated interim statement of profit or loss and other comprehensive income in prior years. Based on the latest information available, the management believes that guarantee is not expected to be maturing for payment within next twelve months and accordingly, was classified as non-current liability.

10. SEGMENTAL REPORTING

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

Geographical segment

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

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2022**

10. SEGMENTAL REPORTING (Continued)

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

	March 31, 2022 (Un-audited)	March 31, 2021 (Un-audited)
	SR	SR
Saudi Arabia	111,256,676	89,321,810
Other countries	72,824,895	2,753,313
	184,081,571	92,075,123

TRANSACTIONS WITH A MAJOR CUSTOMER

Revenue from two major customers each (2021: one) accounted for more 10% (cumulative 66.45%) of the total revenue for the period (42.06% for three months period ended March 31, 2021).

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>
Tenaris Saudi Arabia Co. Ltd. ("TESA")	Shareholder
Hu Steel Company Ltd.	Shareholder
Chemical Development Company	Affiliate
Dalmine S.P.A.	Affiliate
NKK Tubes	Affiliate
S.C. SilcoTub S.A.	Affiliate
Tenaris Global Services Switzerland	Affiliate
Tenaris Global Services Uruguay	Affiliate
Exiros Saudi Arabia Limited	Affiliate
Siderca S.A.I.C.	Affiliate
Tenaris Connections B.V.	Affiliate
Global Pipe Company	Associate

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, 2022 (Un-audited)	Three months period ended March 31, 2021 (Un-audited)
		SR	SR
Dalmine S.P.A.	Technical services	84,006	793,684
Dalmine S.P.A.	IT services	-	12,120
Tenaris Global Services Uruguay	Purchases	2,821,038	190,526
Tenaris Global Services Uruguay	Sale	(52,902,685)	-
Tenaris Saudi Arabia Co. Ltd. ("TESA")	Services agreement	(1,069,007)	(815,690)
Tenaris Saudi Arabia Co. Ltd. ("TESA")	Services	1,498,953	-
Tenaris Saudi Arabia Co. Ltd. ("TESA")	Purchase	-	(1,875)
Exiros Saudi Arabia	Services received	411,525	484,562
Exiros Saudi Arabia	Office rent	-	(17,344)
Tenaris Connections B.V.	Technical services	1,313	-
S.C. SilcoTub S.A.	Purchases	-	29,391

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2022**

11. RELATED PARTIES' TRANSACTIONS AND BALANCES (Continued)

A) Balance receivable from related parties is as follows:

	March 31, 2022 (Un-audited)	December 31, 2021 (Audited)
	SR	SR
Tenaris Global Services Uruguay	52,908,480	855,682
Tenaris Saudi Arabia Co. Ltd. ("TESA")	1,245,089	15,617
Tenaris Global Services Far East Pte Ltd	30,500	30,484
	<u>54,184,069</u>	<u>901,783</u>

B) Balances payable to related parties are as follows:

	March 31, 2022 (Un-audited)	December 31, 2021 (Audited)
	SR	SR
S.C. SilcoTub S.A.	6,589,845	12,834,933
Dalmine S.P.A.	84,130	6,172,346
Tenaris Global Services Uruguay	7,815,341	5,451,017
Tenaris Saudi Arabia Limited ("TESA")	4,356,764	2,635,780
Exiros Saudi Arabia Limited	996,620	838,869
Siderca S.A.I.C.	116,639	116,767
Tenaris Connections B.V.	19,600	18,308
	<u>19,978,939</u>	<u>28,068,020</u>

C) Remuneration of directors and key management personnel:

	March 31, 2022 (Un-audited)		March 31, 2021 (Un-audited)	
	Directors	Key management personnel	Directors	Key management personnel
	SR	SR	SR	SR
Board remuneration	578,000	-	282,476	-
Salaries and wages	-	462,243	-	457,392
Allowances	-	395,799	-	175,754
End of service	-	23,212	-	122,891
	<u>578,000</u>	<u>881,254</u>	<u>282,476</u>	<u>756,037</u>

12. ZAKAT AND INCOME TAX EXPENSE / (BENEFIT)

	March 31, 2022 (Un-audited)	March 31, 2021 (Un-audited)
	SR	SR
Current zakat and income tax	2,372,298	584,736
Deferred tax	229,328	(1,442,010)
	<u>2,601,626</u>	<u>(857,274)</u>

13. DISCONTINUED OPERATION

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2022

13. DISCONTINUED OPERATION (Continued)

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

	Three Months Period Ended	
	March 31, 2022 (Un-audited) SR	March 31, 2021 (Un-audited) SR
Revenue	-	2,619,584
Cost of revenue (note 13.2)	-	(1,002,471)
Gross profit	-	1,617,113
Selling, marketing and distribution expenses	-	-
Administrative expenses (note 13.2)	(193,007)	(540,287)
Reversal for allowance for impairment of trade receivables	322,423	-
Other expenses, net	(28,822)	(1,206)
Operating profit	100,594	1,075,620
Finance charges	(79)	-
Profit before zakat	100,515	1,075,620
Zakat expense	-	-
Total profit for the period	100,515	1,075,620
Other comprehensive income	-	-
Total comprehensive income	100,515	1,075,620
<u>Earnings per share from discontinued operations:</u>		
Basic earnings per share	0.002	0.021
Diluted earnings per share	0.002	0.021

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

	Three months period ended	
	March 31, 2022 (Un-audited) SR	March 31, 2021 (Un-audited) SR
Cost of revenue	-	291,257
Administrative expenses	25,559	46,725
	25,559	337,982

13.3 Cash flows from discontinued operation

Net cash generated from operating activities	3,816,049	15,757,710
Net cash generated from investing activities	53,194	142,934
Net cash used in financing activities	-	(24,702,685)
Net cash flows for the period	3,869,243	(8,802,041)

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2022**

14. EARNINGS / (LOSS) PER SHARE

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

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

	Three months period ended	
	March 31, 2022 (Un-audited)	March 31, 2021 (Un-audited)
Basic earnings / (loss) per share:		
From continuing operations	0.285	(0.189)
From discontinued operation	0.002	0.021
Profit / (loss) for the period:		
From continuing operations	14,428,097	(9,554,173)
From discontinued operation	100,515	1,075,620
	14,528,612	(8,478,553)
Weighted average number of outstanding shares	50,542,311	50,542,311
Diluted earnings / (loss) per share:		
From continuing operations	0.283	(0.187)
From discontinued operation	0.002	0.021
Profit / (loss) for the period:		
From continuing operations	14,428,097	(9,554,173)
From discontinued operation	100,515	1,075,620
	14,528,612	(8,478,553)
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
<u>Less:</u> Treasury shares - shares kept for the employee share program	(762,812)	(762,812)
<u>Add:</u> Weighted average number of shares issued to employees	305,123	305,123
Weighted average number of outstanding shares	50,542,311	50,542,311

15. SIGNIFICANT EVENTS

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

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

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

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2022**

16. 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 condensed consolidated interim financial statements.

17. COMPARATIVE FIGURES

In addition to matter defined in note 13, certain comparative figures have been reclassified, split or merged to conform with the presentation in the current period.

18. APPROVAL OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The condensed consolidated interim financial statements were approved by the Board of Directors and authorized for issue on April 27, 2022 corresponding to Ramadan 26, 1443H.