

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, 2021
WITH INDEPENDENT AUDITOR'S REVIEW REPORT

SAUDI STEEL PIPES COMPANY
(A SAUDI JOINT STOCK COMPANY)

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2021
WITH INDEPENDENT AUDITOR'S REVIEW REPORT**

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

**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

(1/2)

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, 2021 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.

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

**The Shareholders of
 Saudi Steel Pipes Company (SSPC)**

(2/2)

Emphasis of Matters

Without qualifying our conclusion, we draw attention to followings;

- Note 2 to the accompanying condensed consolidated interim financial statements; where the accumulated losses of TSM Arabia (the subsidiary) as of March 31, 2021 have exceeded its share capital by SR 140.5 million (December 31, 2020: SR 141.6 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. Further, as stated in note 15 to the accompanying condensed consolidated interim financial statements, subsequent to the period end, TSM Arabia has entered into a definitive asset purchase agreement for sale of its main operating assets for SR 36.3 million subject to certain approvals.
- Note 14 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 which management has learned during the period ended March 31, 2021.

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 16, 1442H
 April 28, 2021

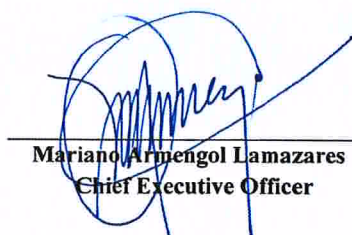
SAUDI STEEL PIPES COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2021

	Note	March 31, 2021 (Un-audited) SR	December 31, 2020 (Audited) SR
ASSETS			
Non-current assets			
Property, plant and equipment	4	544,626,190	552,537,158
Intangible assets		3,233,248	3,699,140
Investments	5	107,204,846	110,192,967
Trade and other receivables - non-current	6	4,622,920	5,235,672
Deferred tax asset		12,683,932	11,241,922
		<u>672,371,136</u>	<u>682,906,859</u>
Current assets			
Inventories		123,417,561	127,137,204
Trade and other receivables	6	97,795,439	151,245,473
Cash and cash equivalents		110,882,993	149,054,921
		<u>332,095,993</u>	<u>427,437,598</u>
TOTAL ASSETS		<u>1,004,467,129</u>	<u>1,110,344,457</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		(7,014,507)	(7,014,507)
Accumulated losses		(69,783,563)	(61,305,010)
Treasury shares		(11,502,225)	(11,502,225)
		<u>484,706,259</u>	<u>493,184,812</u>
LIABILITIES			
Non-current liabilities			
Borrowings – non-current	7	57,785,950	78,630,477
Employees’ end of service benefits		34,080,005	34,692,686
Trade and other payables- non-current	9	30,000,000	30,000,000
Lease liabilities – non-current	8	6,734,180	6,870,670
Retention payables		647,113	633,713
		<u>129,247,248</u>	<u>150,827,546</u>
Current liabilities			
Trade and other payables	9	157,502,921	176,903,201
Borrowings – current	7	230,836,579	287,663,123
Lease liabilities – current	8	1,148,580	1,115,859
Zakat and income tax		1,025,542	649,916
		<u>390,513,622</u>	<u>466,332,099</u>
TOTAL LIABILITIES		<u>519,760,870</u>	<u>617,159,645</u>
TOTAL EQUITY AND LIABILITIES		<u>1,004,467,129</u>	<u>1,110,344,457</u>



Ahmed Al Debasi
Authorized Director



Mariano Armengol Lamazares
Chief Executive Officer



Mohamed Anwar Alshakhouri
CFO

The accompanying notes 1 through 16 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, 2021**

	Note	March 31, 2021 (Un-audited) SR	March 31, 2020 (Un-audited) SR
Revenue	10	94,694,708	122,344,222
Cost of revenue	10	(90,724,433)	(117,851,911)
Gross profit		3,970,275	4,492,311
Selling, marketing and distribution expenses		(2,908,166)	(3,004,881)
Administrative expenses		(7,456,206)	(18,765,937)
Other income / (expenses), net		201,194	(35,263)
Reversal / (allowance) for impairment of trade receivables	6	1,498,147	(751,199)
Operating loss		(4,694,756)	(18,064,969)
Share of (loss) / profit in an associate	5	(2,988,121)	37,820
Financial charges		(1,652,950)	(3,141,129)
Loss before zakat and income tax		(9,335,827)	(21,168,278)
Zakat and income tax benefit	12	857,274	3,398,279
Loss for the period		(8,478,553)	(17,769,999)
Other comprehensive income		-	-
Total comprehensive loss		(8,478,553)	(17,769,999)
Loss per share			
Basic loss per share	13	(0.17)	(0.35)
Diluted loss per share	13	(0.17)	(0.35)



Ahmed Al Debasi
Authorized Director



Mariano Armengol Lamazares
Chief Executive Officer



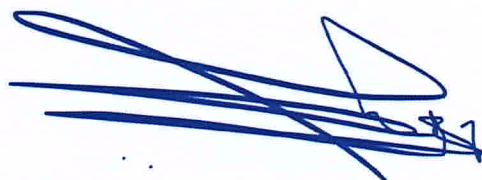
Mohamed Anwar Alshakhouri
CFO

The accompanying notes 1 through 16 form an integral part of these condensed consolidated interim financial statements.

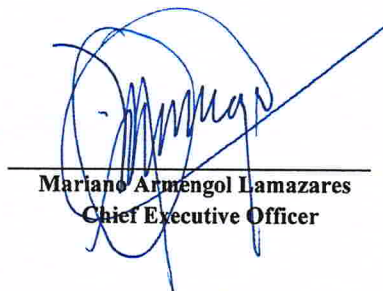
SAUDI STEEL PIPES COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2021

	Share capital	Share premium	Statutory reserve	Other reserves	Accumulated losses	Treasury shares	Total equity
	SR	SR	SR	SR	SR	SR	SR
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)	510,000,000	4,512,330	58,494,224	(6,617,758)	(44,598,586)	(11,502,225)	510,287,985
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)
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



Ahmed Al Debasi
Authorized Director



Mariano Armengol Lamazares
Chief Executive Officer




Mohamed Anwar Alshakhouri
CFO

The accompanying notes 1 through 16 form an integral part of these condensed consolidated interim financial statements.

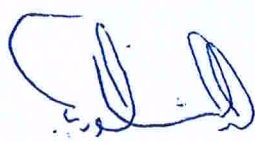
SAUDI STEEL PIPES COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2021

	March 31, 2021 (Un-audited) SR	March 31, 2020 (Un-audited) SR
<u>Cash flows from operating activities:</u>		
Loss before zakat and income tax	(9,335,827)	(21,168,278)
Adjustments for:		
Depreciation of property, plant and equipment and right of use assets	10,720,838	10,848,777
Amortization of intangible assets	505,454	307,954
(Reversal) / allowance for impairment of trade receivables	(1,498,147)	751,199
Provision / (reversal) for inventories	1,361,221	(220,029)
Share of loss / (profit) in an associate	2,988,121	(37,820)
Employees' end of service benefits	1,040,527	1,761,722
Finance cost	1,652,950	3,141,129
	<u>7,435,137</u>	<u>(4,615,346)</u>
Movement in working capital		
Inventories	2,358,422	(46,209,620)
Trade and other receivables	55,582,659	23,454,269
Trade and other payables	(19,708,166)	6,368,237
Due to / from related parties	299,559	2,816,305
Cash generated from / (used in) operations	<u>45,967,611</u>	<u>(18,186,155)</u>
Zakat and income tax paid	(209,109)	-
Employees' end of service benefits paid	(1,653,208)	(11,219,989)
Finance cost paid	(2,082,485)	(1,665,511)
Net cash generated from / (used in) operating activities	<u>42,022,809</u>	<u>(31,071,655)</u>
<u>Cash flows from investing activities:</u>		
Additions to property, plant and equipment and intangible assets	(2,849,432)	(4,282,266)
Net cash used in investing activities	<u>(2,849,432)</u>	<u>(4,282,266)</u>
<u>Cash flows from financing activities:</u>		
(Repayment of) / proceeds from borrowings, net	(77,180,579)	341,787
Repayment of lease liability	(164,726)	(636,000)
Net cash used in financing activities	<u>(77,345,305)</u>	<u>(294,213)</u>
Net change in cash and cash equivalents	<u>(38,171,928)</u>	<u>(35,648,134)</u>
Cash and cash equivalent at the beginning of the period	149,054,921	39,506,781
Cash and cash equivalents at the end of the period	<u>110,882,993</u>	<u>3,858,647</u>
<u>Non-cash transactions</u>		
Addition in right of use / lease liability	-	381,574


Ahmed Al Debasi
Authorized Director


Mariano Armengol Lamazares
Chief Executive Officer


Mohamed Anwar Alshakhouri
CFO

The accompanying notes 1 through 16 form an integral part of these condensed consolidated interim financial statements.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2021**

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 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 condensed consolidated interim financial statements as at March 31, 2021 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>2021</u>	<u>2020</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, 2021, the accumulated losses of TSM Arabia exceeded its share capital by SR 140.5 million (December 31, 2020: SR 141.6 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 CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2021**

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, 2021 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, 2020 ("latest annual 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, 2020.

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.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2021**

3. BASIS OF PREPARATION (Continued)

3.3 Basis of Consolidation (Continued)

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.

3.4 Standards and amendments issued and applied effective January 1, 2021

There are no new standards issued, however, there are amendments to the following standards, which are effective from 1 January 2021;

Amendments to standard	Description	Effective for annual years beginning on or after
IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2	January 1, 2021

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

The Group has not applied 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
IFRS 16	Amendment to extend the exemption from assessing whether a COVID-19-related rent concession is a lease modification	April 1, 2021
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
IFRS 4	Amendments regarding the expiry date of the deferral approach	January 1, 2023
IFRS 17	Insurance Contracts	January 1, 2023
IAS 1	Classification of Liabilities as Current or Non-current	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 may have no material impact on the consolidated financial statements of the Group in the year of initial application.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2021

4. PROPERTY, PLANT AND EQUIPMENT

Carrying amounts of:

	Note	March 31, 2021 (Un-audited) SR	December 31, 2020 (Audited) SR
Operating fixed assets	4.1	534,869,518	541,384,229
Capital work-in-progress	4.3	1,610,008	2,717,841
Right of use	4.4	8,146,664	8,435,088
		544,626,190	552,537,158

4.1 Operating fixed assets

	Note	March 31, 2021 (Un-audited) SR	December 31, 2020 (Audited) SR
Net book value at beginning of period / year		541,384,229	573,856,241
Transferred from CWIP	4.2, 4.3	4,060,636	10,259,989
Disposals		(142,933)	(278,897)
Depreciation charge during the period / year		(10,432,414)	(42,453,104)
Net book value at the end of the period / year		534,869,518	541,384,229

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

	March 31, 2021 (Un-audited) SR	December 31, 2020 (Audited) SR
Building and structures	1,516,246	5,659,494
Machinery and equipment	2,246,005	4,187,536
Office and electrical equipment	298,385	412,959
	4,060,636	10,259,989

4.3 Capital work-in-progress

	March 31, 2021 (Un-audited) SR	December 31, 2020 (Audited) SR
Net book value at beginning of period / year	2,717,841	-
Additions during the period / year	2,952,803	15,528,196
Transferred to operating fixed assets	(4,060,636)	(10,259,989)
Transferred to intangible assets	-	(2,550,366)
Net book value at the end of the period / year	1,610,008	2,717,841

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2021

4. PROPERTY, PLANT AND EQUIPMENT (Continued)

4.4 Right of use

Movement in right of use is as follows:

	March 31, 2021 (Un-audited) SR	December 31, 2020 (Audited) SR
Opening balance – carrying value	8,435,088	7,564,511
Addition during the period / year	-	1,760,818
Depreciation charged during the period / year	(288,424)	(890,241)
Closing balance	<u>8,146,664</u>	<u>8,435,088</u>

5. INVESTMENTS

	Note	March 31, 2021 (Un-audited) SR	December 31, 2020 (Audited) SR
Investment in an associate, net	5.1	107,204,846	110,192,967
Investment at fair value through profit or loss	5.2	-	-
		<u>107,204,846</u>	<u>110,192,967</u>

5.1 Investment in an associate, net

Movement for investment in an associate is as follows:

	March 31, 2021 (Un-audited) SR	December 31, 2020 (Audited) SR
Global Pipe Company (“GPC”)		
Opening value of investment	110,192,967	105,421,605
Share of (loss) / income for the period / year	(2,988,121)	4,771,362
	<u>107,204,846</u>	<u>110,192,967</u>
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 accumulated earnings (opening balance)	21,442,967	16,671,605
Share of net (loss) / income for the period / year	(2,988,121)	4,771,362
Net investment value	<u>107,204,846</u>	<u>110,192,967</u>

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.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2021**

5. INVESTMENTS (Continued)

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.

6. TRADE AND OTHER RECEIVABLES

	March 31, 2021	December 31, 2020
Note	(Un-audited)	(Audited)
	SR	SR
Trade receivables	96,339,581	148,817,204
Revenue recognized in excess of billings	-	937,499
Allowance for impairment of trade receivables	6.1 (5,410,579)	(6,961,690)
Trade receivables, net	90,929,002	142,793,013
Due from related parties	11 A 1,045,793	1,024,067
Prepayments and advances to suppliers	3,817,193	2,469,860
Employee loans	4,374,386	5,047,697
Other receivables	2,251,985	5,146,508
	102,418,359	156,481,145
Less: non-current portion of employee loans	(4,622,920)	(5,235,672)
Total current portion, net	97,795,439	151,245,473

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

	March 31, 2021	December 31, 2020
	(Un-audited)	(Audited)
	SR	SR
Opening balance	6,961,690	7,586,779
Reversal for the period / year	(1,498,147)	(28,561)
Utilization	(52,964)	(596,528)
Closing balance	5,410,579	6,961,690

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2021

7. BORROWINGS

	Current		Non-current	
	March 31, 2021 (Un-audited)	December 31, 2020 (Audited)	March 31, 2021 (Un-audited)	December 31, 2020 (Audited)
	SR	SR	SR	SR
Term loans				
Saudi Industrial Development Fund (SIDF)	-	-	108,182,890	108,230,993
Short term				
SIDF – working capital loan	83,431,749	83,033,500	-	-
Murabaha loan	97,007,890	175,029,107	-	-
	180,439,639	258,062,607	108,182,890	108,230,993
Current portion of long term loans	50,396,940	29,600,516	(50,396,940)	(29,600,516)
Total borrowings	230,836,579	287,663,123	57,785,950	78,630,477

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	78,503,380	Long-term	6	Semi-annual	April 2018 to February 2024	Follow-up cost every 6 month
SIDF – II	29,679,510	Long-term	4	Semi-annual	July 2016 to May 2022	Follow-up cost every 6 month
Total term loans	108,182,890					
SIDF – working capital loan	83,431,749	Short-term	-	Within 12 months	July 2020 to June 2021	Upfront fee
Murabaha loan	97,007,890	Short-term	-	From 3 to 6 months	-	SIBOR+1.25% to 1.75%
Total short term loans	180,439,639					
Total borrowings	288,622,529					

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 29.7 million. The management is in process of taking necessary remedial action to resolve the breach, including obtaining the required waiver document. However, the waiver was not obtained until period ended March 31, 2021. Accordingly, full amount of loan has been reclassified in current liabilities.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2021

8. LEASE LIABILITIES

Commitment for minimum lease payments under leases is as follows:

	March 31, 2021 (Un-audited) SR	December 31, 2020 (Audited) SR
Within one year	1,380,304	1,355,280
Years two to five	4,670,216	4,509,216
Years five and above	2,926,816	3,193,568
Minimum lease payments	8,977,336	9,058,064
Less: finance charges	(1,094,576)	(1,071,535)
Net minimum lease payments	<u>7,882,760</u>	<u>7,986,529</u>
Non-current portion	6,734,180	6,870,670
Current portion	<u>1,148,580</u>	<u>1,115,859</u>

9. TRADE AND OTHER PAYABLES

	Note	March 31, 2021 (Un-audited) SR	December 31, 2020 (Audited) SR
<u>Current</u>			
Trade payables		115,214,243	129,454,634
Due to related parties	11-B	24,184,032	23,862,747
Accrued expenses		10,203,441	11,076,464
VAT payable		541,097	5,769,215
Advances from customers		3,653,995	3,316,504
BOD payable remuneration		2,625,785	2,343,309
Retention payable		1,080,328	1,080,328
		<u>157,502,921</u>	<u>176,903,201</u>
<u>Non-current</u>			
Provision for liability against guarantee to an investee company (Note 9.1)		<u>30,000,000</u>	30,000,000
		<u>187,502,921</u>	<u>206,903,201</u>

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 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 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.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2021**

10. SEGMENTAL REPORTING

The accounting policies used by the Group in reporting segments internally are the same as explained in annual consolidated financial statements for the year ended December 31, 2020.

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

	<u>Steel pipes</u>	<u>Process equipment</u>	<u>Unallocated</u>	<u>Total</u>
	SR	SR	SR	SR
<u>As at March 31, 2021</u>				
<u>(Un-audited)</u>				
Non-current assets	547,191,369	17,974,921	107,204,846	672,371,136
Total assets	860,716,788	36,545,495	107,204,846	1,004,467,129
Total liabilities	441,727,488	45,690,075	32,343,307	519,760,870

**For the three months period ended
March 31, 2021 (Un-audited)**

Revenue	92,075,123	2,619,585	-	94,694,708
Cost of revenue	(89,721,962)	(1,002,471)	-	(90,724,433)
(Loss) / gain for the period	(6,331,666)	1,075,620	(3,222,507)	(8,478,553)
Share of loss in an associate	-	-	(2,988,121)	(2,988,121)
Unallocated other expenses	-	-	(234,386)	(234,386)

	<u>Steel pipes</u>	<u>Process equipment</u>	<u>Unallocated</u>	<u>Total</u>
	SR	SR	SR	SR
<u>As at December 31, 2020</u>				
<u>(audited)</u>				

Non-current assets	554,258,056	18,455,836	110,192,967	682,906,859
Total assets	938,330,389	61,821,101	110,192,967	1,110,344,457
Total liabilities	513,087,450	71,728,888	32,343,307	617,159,645

For the period ended March 31, 2020
(Un-audited)

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)

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, 2021	March 31, 2020
	(Un-audited)	(Un-audited)
	SR	SR
Saudi Arabia	91,941,395	120,071,596
Other countries	2,753,313	2,272,626
	94,694,708	122,344,222

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2021**

10. SEGMENTAL REPORTING (Continued)

TRANSACTIONS WITH A MAJOR CUSTOMER

Revenue from one major customer accounted for 41% of the total revenue for the period. (59.48% for 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>
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
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, 2021 (Un-audited)	Three months period ended March 31, 2020 (Un-audited)
		SR	SR
Dalmine S.P.A	Technical services	793,684	829,392
Dalmine S.P.A	IT services	12,120	-
Tenaris Saudi Arabia Co. Ltd ("TESA")	Services agreement	(815,690)	(556,007)
Tenaris Saudi Arabia Co. Ltd ("TESA")	Purchase	(1,875)	-
Exiros Saudi Arabia Limited	Services received	484,562	408,000
Exiros Saudi Arabia Limited	Office rent	(17,344)	-
Tenaris Global Services Uruguay	Purchase	190,526	-
Siderca S.A.I.C.	IT services	29,391	51,113
S.C. SilcoTub S.A.	Purchases	-	618,928

A) Balance receivable from related parties is as follows:

	March 31, 2021 (Un-audited)	December 31, 2020 (Audited)
	SR	SR
Tenaris Saudi Arabia Limited ("TESA")	940,150	938,419
Exiros Saudi Arabia Limited	105,643	85,648
	1,045,793	1,024,067

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2021**

11. RELATED PARTIES' TRANSACTIONS AND BALANCES (Continued)

B) Balances payable to related parties are as follows:

	March 31, 2021 (Un-audited)	December 31, 2020 (Audited)
	SR	SR
S.C. SilcoTub S.A.	12,817,161	13,152,446
Dalmine S.P.A.	5,633,996	5,036,740
Tenaris Saudi Arabia Limited ("TESA")	2,619,261	2,620,279
Siderca S.A.I.C.	1,884,820	2,118,801
Exiros Saudi Arabia Limited	742,995	557,246
Tenaris Global Services Uruguay	450,560	260,165
Tenaris Global Services Switzerland	-	79,336
NKK Tubes	35,239	37,734
	24,184,032	23,862,747

C) Remuneration of directors and key management personnel

	March 31, 2021 (Un-audited)		March 31, 2020 (Un-audited)	
	Directors SR	Key management personnel SR	Directors SR	Key management personnel SR
Board remuneration	282,476	-	615,498	-
Salaries and wages	-	457,392	-	948,702
Allowances	-	175,754	-	623,183
End of service	-	122,891	-	21,246
	282,476	756,037	615,498	1,593,131

12. ZAKAT AND INCOME TAX BENEFIT

	March 31, 2021 (Un-audited)	March 31, 2020 (Un-audited)
	SR	SR
Current zakat and income tax	(584,736)	-
Deferred tax	1,442,010	3,398,279
	857,274	3,398,279

13. LOSS PER SHARE

Basic loss 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 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.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2021**

13. LOSS PER SHARE (Continued)

Loss per share are represented as follows:

	March 31, 2021 (Un-audited)	March 31, 2020 (Un-audited)
Loss per share	(0.17)	(0.35)
Loss for the period	(8,478,553)	(17,769,999)
Weighted average number of outstanding shares	50,542,311	50,542,311
Diluted loss per share	(0.17)	(0.35)
Loss for the period	(8,478,553)	(17,769,999)
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
Number of outstanding shares	50,542,311	50,542,311
Weighted average number of outstanding shares	50,542,311	50,542,311

14. SIGNIFICANT EVENTS

The Group has recently 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 on February 13, 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, and the legal basis for the court order is unknown. The Group intends to file 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.

15. SUBSEQUENT EVENT

Subsequent to the period ended March 31, 2021, Group's wholly owned subsidiary Titanium Steel & Manufacturing Co. Ltd. has entered into a definitive asset purchase agreement with Koch Chemical Technology Group Saudi Arabia Limited for the sale of its main operating assets. The transaction price is USD 9.7 million (equivalent to SR 36.3 million) to be paid in cash on closing. The transaction, which is subject to certain approvals, including approval by the General Authority for Competition, is expected to close within the third quarter of 2021. The Group considers this matter as a non-adjusting post interim financial statements date event.

In the opinion of the management, there have been no other significant subsequent events, expect for disclosed aforesaid that would have a material impact on the consolidated financial position of the Group as reflected in these condensed consolidated interim financial statements.

16. 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 28, 2021 corresponding to Ramadan 16, 1442 AH.