

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

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE-MONTH AND SIX-MONTH
PERIODS ENDED JUNE 30, 2022 WITH
INDEPENDENT AUDITOR'S REVIEW REPORT**

SAUDI STEEL PIPES COMPANY
(A SAUDI JOINT STOCK COMPANY)

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED JUNE 30, 2022
WITH INDEPENDENT AUDITOR'S REVIEW REPORT**

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

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

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Saudi Steel Pipes Company "Saudi Joint Stock Company" ("the Company"), and its Subsidiary (collectively referred to as "the Group") that include the interim condensed consolidated statement of financial position as of June 30, 2022 and the related interim condensed consolidated statements of profit or loss and other comprehensive income for the three-month and six-month periods then ended, and the interim condensed consolidated statements of changes in equity and cash flows for the six months period then ended, and a summary of selected significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34 – ("IAS 34") "Interim Financial Reporting" 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", endorsed in the Kingdom of Saudi Arabia. A review of interim condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing 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 endorsed in the Kingdom of Saudi Arabia.

Emphasis of Matter

We draw attention to note 16 to the accompanying interim condensed consolidated financial statements with respect to certain plots of land owned by the Group became inactive due to cancellation by a court order. We are not qualifying our conclusion in respect of this matter

Other Matter

The financial statements of the Company for the year ended December 31, 2021, were audited by another auditor who expressed an unmodified opinion on those statements on February 16, 2022.

For Dr. Mohamed Al-Amri & Co.



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

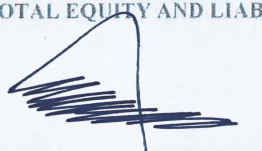



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SAUDI STEEL PIPES COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2022

	Note	June 30, 2022 (Un-audited) SR	December 31, 2021 (Audited) SR
ASSETS			
Non-current assets			
Property, plant and equipment, net	4	473,451,110	491,865,092
Right of use assets, net	5	6,096,500	6,648,368
Intangible assets, net		1,066,982	1,992,174
Investments, net	6	104,563,969	104,966,006
Trade and other receivables – non-current	7	3,496,999	3,790,356
Deferred tax asset		13,472,226	13,700,495
		<u>602,147,786</u>	<u>622,962,491</u>
Current assets			
Inventories, net		89,087,233	118,228,716
Trade and other receivables, net	7	176,483,039	131,448,550
Cash at banks		100,216,121	99,367,399
		<u>365,786,393</u>	<u>349,044,665</u>
TOTAL ASSETS		<u>967,934,179</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		(34,100,753)	(60,373,365)
Treasury shares		(11,502,225)	(11,502,225)
		<u>521,476,846</u>	<u>495,204,234</u>
LIABILITIES			
Non-current liabilities			
Borrowings – non-current	8	63,534,292	44,479,133
Employees' end of service benefits		30,697,360	29,538,287
Lease liabilities	9	5,102,577	5,186,411
Trade and other payables – non-current	10	30,000,000	30,000,000
		<u>129,334,229</u>	<u>109,203,831</u>
Current liabilities			
Borrowings – current	8	138,738,120	182,866,429
Lease liabilities	9	982,431	1,658,251
Trade and other payables	10	172,477,407	180,913,801
Zakat and income tax		4,925,146	2,160,610
		<u>317,123,104</u>	<u>367,599,091</u>
TOTAL LIABILITIES		<u>446,457,333</u>	<u>476,802,922</u>
TOTAL EQUITY AND LIABILITIES		<u>967,934,179</u>	<u>972,007,156</u>


Mohammed AbdulAziz Al
Shayea
Authorized Director


Mariano Amengol Larrazares
Chief Executive Officer


Mohamed Anwar Alshakhouri
Chief Financial Officer

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

SAUDI STEEL PIPES COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED JUNE 30, 2022

	Note	Three Months Period Ended		Six Months Period Ended	
		June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
		(Un-audited)	(Un-audited)	(Un-audited)	(Un-audited)
		SR	SR	SR	SR
Revenue	11	211,820,173	88,476,533	395,901,744	180,551,656
Cost of revenue		(184,540,617)	(83,651,466)	(339,667,103)	(173,373,429)
Gross profit		27,279,556	4,825,067	56,234,641	7,178,227
Selling, marketing and distribution expenses		(5,001,622)	(2,072,723)	(8,804,918)	(4,980,889)
Administrative expenses		(5,574,194)	(7,992,757)	(11,167,301)	(15,081,677)
Reversal of ECL allowance	7.1	1,128,327	119,706	692,319	1,617,806
Other income, net		713,052	161,699	1,572,029	548,184
Operating income / (loss)		18,545,119	(4,959,008)	38,526,770	(10,718,349)
Share of loss in an associate	6.1	(286,279)	(1,892,864)	(402,037)	(4,880,984)
Finance charges		(3,170,401)	(827,086)	(6,006,571)	(2,491,056)
Profit / (loss) before zakat and income tax		15,088,439	(7,678,958)	32,118,162	(18,090,389)
Zakat and income tax (expense) / benefit	13	(2,657,192)	699,104	(5,258,818)	1,556,378
Profit / (loss) for the period from continuing operations		12,431,247	(6,979,854)	26,859,344	(16,534,011)
Loss from discontinued operations	14.1	(687,247)	(1,097,621)	(586,732)	(22,001)
Total profit / (loss) for the period		11,744,000	(8,077,475)	26,272,612	(16,556,012)
Other comprehensive income		-	-	-	-
Total comprehensive income / (loss)		11,744,000	(8,077,475)	26,272,612	(16,556,012)

Earnings / (loss) per share

Continued operations:

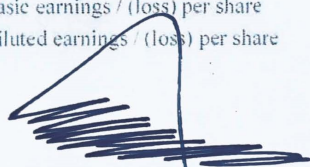
Basic earnings / (loss) per share 15 0.25 (0.14) 0.53 (0.33)

Diluted earnings / (loss) per share 15 0.24 (0.14) 0.53 (0.32)

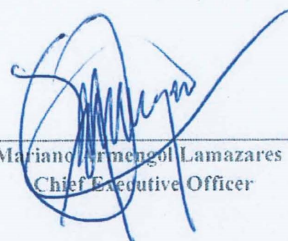
Discontinued operations:

Basic earnings / (loss) per share 15 (0.01) (0.02) (0.01) (0.00)

Diluted earnings / (loss) per share 15 (0.01) (0.02) (0.01) (0.00)



Mohammed Abdul Aziz
Al Shayea
Authorized Director



Mariano Bermingol Lamazares
Chief Executive Officer



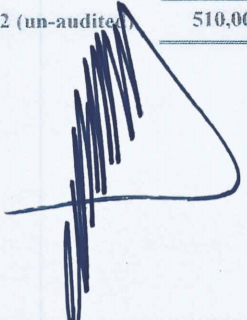
Mohamed Anwar Alshakhouri
Chief Financial Officer

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SAUDI STEEL PIPES COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2022

	Share capital SR	Share premium SR	Statutory reserve SR	Other reserves SR	Accumulated losses SR	Treasury shares SR	Total equity 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	-	-	-	-	(16,556,012)	-	(16,556,012)
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	-	(16,556,012)	-	(16,556,012)
Balance as at June 30, 2021 (Un-audited)	510,000,000	4,512,330	58,494,224	(7,014,507)	(77,861,022)	(11,502,225)	476,628,800
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	-	-	-	-	26,272,612	-	26,272,612
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	26,272,612	-	26,272,612
Balance as at June 30, 2022 (un-audited)	510,000,000	4,512,330	58,494,224	(5,926,730)	(34,100,753)	(11,502,225)	521,476,846


Mohamed AbdulAziz Al
Shaya
Authorized Director


Mariano Emanuel Lamazares
Chief Executive Officer


Mohamed Anwar Alshakhouri
Chief Financial Officer

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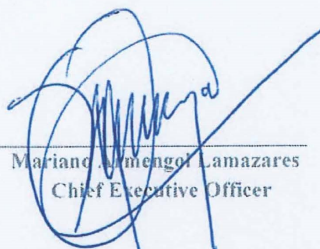
SAUDI STEEL PIPES COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2022

	June 30, 2022 (Un-audited) SR	June 30, 2021 (Un-audited) SR
<u>Cash flows from operating activities:</u>		
Profit / (loss) before zakat and income tax:		
– continuing operations	32,118,162	(18,090,389)
– discontinued operations	(310,434)	(22,001)
Adjustments for:		
Depreciation of property, plant and equipment	19,762,773	21,030,966
Depreciation of right of use assets	538,795	559,265
Amortization of intangible assets	1,041,781	1,013,728
Gain on disposal of property, plant and equipment	(20,784)	-
Property, plant and equipment – Witten off	2,801	-
Reversal for impairment of trade receivables	(1,014,743)	(1,617,806)
Provision for inventories	40,583	25,245
Share of loss in an associate	402,037	4,880,984
Employees' end of service benefits	1,715,530	2,081,054
Finance cost	6,006,696	2,709,017
	<u>60,283,197</u>	<u>12,570,063</u>
Movement in working capital		
Inventories	29,100,900	23,005,741
Trade and other receivables	46,921,223	62,433,744
Trade and other payables	(3,868,316)	(30,093,634)
Due to / from related parties	(95,110,804)	2,759,613
Cash generated from operations	<u>37,326,200</u>	<u>70,675,527</u>
Zakat and income tax paid	(2,542,311)	(1,828,304)
Employees' end of service benefits paid	(556,457)	(3,043,979)
Finance cost paid	(4,940,960)	(3,468,708)
Net cash generated from operating activities	<u>29,286,472</u>	<u>62,334,536</u>
<u>Cash flows from investing activities:</u>		
Additions to property, plant and equipment and intangible assets	(1,511,962)	(4,256,020)
Proceeds from sale of property, plant and equipment	64,565	-
Net cash used in investing activities	<u>(1,447,397)</u>	<u>(4,256,020)</u>
<u>Cash flows from financing activities:</u>		
Repayment of borrowings, net	(26,145,014)	(56,263,788)
Repayment of lease liabilities	(845,339)	(270,476)
Net cash used in financing activities	<u>(26,990,353)</u>	<u>(56,534,264)</u>
Net change in cash at banks	<u>848,722</u>	<u>1,544,252</u>
Cash at banks at the beginning of the period	<u>99,367,399</u>	<u>149,054,921</u>
Cash at banks at the end of the period	<u>100,216,121</u>	<u>150,599,173</u>



Mohammed AbdulAziz
Al Shayea
Authorized Director



Mariano Amengol Lamazares
Chief Executive Officer



Mohamed Anwar Alshakhouri
Chief Financial Officer

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

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED JUNE 30, 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 11 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 interim condensed consolidated financial statements as at June 30, 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%. As of June 30, 2022, the accumulated losses of TSM Arabia exceeded its share capital by SR 123.2 million (December 31, 2021: SR 122.6 million).

3. BASIS OF PREPARATION

3.1 Statement of compliance

These interim condensed consolidated financial statements of the Group have been prepared in accordance with the requirements of International Accounting Standard 34 - “Interim Financial Reporting” as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncement as endorsed by the Saudi Organization for Chartered and Professional Accountants (“SOCPA”) and should be read in conjunction with the Group’s latest annual consolidated financial statements for the year ended December 31, 2021 (“latest annual consolidated financial statements”). These interim condensed consolidated financial statements do not include all of the information required for a complete set of consolidated financial statements. 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.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED JUNE 30, 2022**

3. BASIS OF PREPARATION (Continued)

3.2 Preparation of the interim condensed consolidated financial statements

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 consolidated financial statements for the year ended December 31, 2021.

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.

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 INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED JUNE 30, 2022**

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 interim condensed 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 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 in current period

There are no new standards issued, however, there are amendments to the following standards, which are effective in current period and have no material impact on Group's interim condensed consolidated financial statement;

Amendments to standard	Description	Effective for annual years beginning on or after
IAS 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 Impact of accounting standards to be applied in future periods

There are a number of standards and interpretations which have been issued by the International Accounting standards Board that are effective for periods beginning subsequent to December 31, 2022 (the date of the Group's next annual financial statements) that the Group has decided not to adopt early. The Group does not believe these standards and interpretations will have a material impact on the financial statements once adopted.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED JUNE 30, 2022

4. PROPERTY, PLANT AND EQUIPMENT, NET

Carrying amounts of:

	June 30, 2022	December 31, 2021
Note	(Un-audited)	(Audited)
	SR	SR
Operating fixed assets	4.1 473,451,110	491,212,757
Capital work-in-progress (CWIP)	4.3 -	652,335
	473,451,110	491,865,092

4.1 Operating fixed assets

	June 30, 2022	December 31, 2021
Note	(Un-audited)	(Audited)
	SR	SR
Net book value at beginning of period / year	491,212,757	541,384,229
Transferred from CWIP	4.2 2,047,708	8,240,083
Written off	(2,801)	(16,800)
Disposal	(43,781)	(16,162,621)
Depreciation charged during the period / year - continued operations	(19,720,866)	(41,785,206)
Depreciation charged during the period / year - discontinued operations	(41,907)	(446,928)
Net book value at the end of the period / year	473,451,110	491,212,757

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

	June 30, 2022	December 31, 2021
	(Un-audited)	(Audited)
	SR	SR
Machinery and equipment	1,407,578	4,518,514
Building on leasehold land	434,791	3,293,308
Office and equipment	205,339	428,261
	2,047,708	8,240,083

4.3 Capital work-in-progress

	June 30, 2022	December 31, 2021
	(Un-audited)	(Audited)
	SR	SR
At beginning of period / year	652,335	2,717,841
Additions during the period / year	1,511,962	6,640,461
Transferred to operating fixed assets	(2,047,708)	(8,240,083)
Transferred to intangible assets	(116,589)	(465,884)
At the end of the period / year	-	652,335

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED JUNE 30, 2022**

5. RIGHT OF USE ASSETS, NET

Movement in right of use assets is as follows:

	June 30, 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	(538,795)	(1,083,362)
Depreciation charged during the period / year- discontinued operations	-	(17,583)
Disposals during the period / year	(13,073)	(685,775)
Net book value at the end of the period / year	6,096,500	6,648,368

6. INVESTMENTS, NET

		June 30, 2022	December 31, 2021
	Note	(Un-audited)	(Audited)
		SR	SR
Investment in an associate, net	6.1	104,563,969	104,966,006
Investment at fair value through profit or loss	6.2	-	-
		104,563,969	104,966,006

6.1 Investment in an associate, net

Movement in investment in an associate is as follows:

	June 30, 2022	December 31, 2021
	(Un-audited)	(Audited)
	SR	SR
Global Pipe Company (“GPC”)		
Opening value of investment	104,966,006	110,192,967
Share of loss for the period / year	(402,037)	(5,226,961)
	104,563,969	104,966,006

Investment in an associate represents the following:

Cost of acquisition (including loan contribution and contribution to a subsequent capital increase)	88,750,000	88,750,000
Share of retained earnings (opening balance)	16,216,006	21,442,967
Share of loss for the period / year	(402,037)	(5,226,961)
Net investment value	104,563,969	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 was 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 total share capital of GPC is SR 250 million of which, Saudi Steel Pipes owns 35%.

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FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED JUNE 30, 2022**

6. INVESTMENTS, NET (Continued)

6.2 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 2016, based on an valuation study, SR 43 million of this investment was reduced from the fair value of the investments and adjusted against the consolidated statement of profit or loss for the year ended December 31, 2016. During 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, additional reduction of the fair value was made for the remaining balance of this investment with total amount of SR 23.6 million, as the investment amount was deemed to be unrecoverable and accordingly the fair value of the investment is considered as zero value.

Movement for Investment at fair value through profit or loss "FVTPL" is as follows:

	June 30, 2022 (Un-audited)	December 31, 2021 (Audited)
	SR	SR
Chemical Development Company Limited ("CDC")		
Opening value of investment	-	-
Share of loss for the period / year	-	-
	<u>-</u>	<u>-</u>
Investment at FVTPL represents the following:		
Cost of acquisition	75,950,000	75,950,000
Changes in fair value	(75,950,000)	(75,950,000)
Net balance at the end of period/year	<u>-</u>	<u>-</u>

7. TRADE AND OTHER RECEIVABLES, NET

	Note	June 30, 2022 (Un-audited)	December 31, 2021 (Audited)
		SR	SR
Trade receivables		81,062,422	131,000,804
Allowance for Expected credit loss (ECL)	7.1	(3,736,537)	(4,823,785)
Trade receivables, net		77,325,885	126,177,019
Due from related parties	12 A	91,444,509	901,783
Employee loans		5,143,043	3,869,176
Prepayments and advances to suppliers		5,450,752	2,647,169
Other receivables		615,849	1,643,759
		179,980,038	135,238,906
Less: non-current portion of employee loans and other receivables		(3,496,999)	(3,790,356)
Total current portion, net		176,483,039	131,448,550

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

	June 30, 2022 (Un-audited)	December 31, 2021 (Audited)
	SR	SR
Opening balance for the period / year	4,823,785	6,961,690
Reversal for the period / year – Continuing operations	(692,319)	(1,177,731)
Reversal for the period / year – Discontinued operations	(322,424)	(26,103)
Utilized against receivables written off - Continuing operations	(72,505)	(57,847)
Utilized against receivables written off –Discontinued operations	-	(876,224)
Closing balance for the period / year	3,736,537	4,823,785

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8. BORROWINGS

	Current		Non-current	
	June 30, 2022 (Un-audited)	December 31, 2021 (Audited)	June 30, 2022 (Un-audited)	December 31, 2021 (Audited)
	SR	SR	SR	SR
Term loans				
Saudi Industrial Development Fund (SIDF)	-	-	58,185,181	70,184,497
Saudi Investment Bank (SAIB)	-	-	45,115,502	-
Short term financing				
SIDF – working capital	-	59,445,434	-	-
Murabaha financing	98,971,729	97,715,631	-	-
	98,971,729	157,161,065	103,300,683	70,184,497
Current portion of term loans	39,766,391	25,705,364	(39,766,391)	(25,705,364)
Total borrowings	138,738,120	182,866,429	63,534,292	44,479,133

The financing terms are as follows:

Loan Name	Balance In SR	Type of loan	Number of remaining installments	Payment term	Period	Mark up
SIDF – I	58,185,181	Long-term	4	Semi-annual	April 2018 to February 2024	Follow-up cost every 6 months
SAIB	45,115,502	Medium-term	16	Quarterly	September 2022 to June 2026	SIBOR+3%
Total term loans	103,300,683					
SIDF – working capital loan	-	Short-term	-	Within 12 months	July 2020 to June 2022	Upfront fee
Murabaha financing	98,971,729	Short-term	-	6 to 12 months	-	SI-BOR+1.75% to 2.0%
Total short-term financing	98,971,729					
Total borrowings	202,272,412					

9. LEASE LIABILITIES

Commitment for minimum lease payments under leases is as follows:

	June 30, 2022 (Un-audited)	December 31, 2021 (Audited)
	SR	SR
Within one year	1,161,204	1,848,304
Years two to five	3,860,466	4,016,966
Years five and above	1,703,112	1,717,512
Minimum lease payments	6,724,782	7,582,782
Less: finance charges	(639,774)	(738,120)
Net minimum lease payments	6,085,008	6,844,662
Non-current portion	5,102,577	5,186,411
Current portion	982,431	1,658,251

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FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED JUNE 30, 2022**

10. TRADE AND OTHER PAYABLES

	<u>Note</u>	June 30, 2022 (Un-audited) SR	December 31, 2021 (Audited) SR
<u>Current</u>			
Trade payables		114,847,525	130,672,063
Accrued expenses		27,849,576	12,706,048
Due to related parties	12 B	23,499,942	28,068,020
BOD remuneration payable		2,679,643	3,036,643
Advances from customers		2,146,956	5,051,642
Retention payable		1,440,498	1,377,463
Value added Tax (VAT) payable		13,267	1,922
		<u>172,477,407</u>	<u>180,913,801</u>
<u>Non-current</u>			
Provision for liability against guarantee to an investee company	10.1	30,000,000	30,000,000
		<u>202,477,407</u>	<u>210,913,801</u>

10.1 The Group had provided a corporate guarantee to one of its investee companies in prior years. Investment in this company has been fully impaired in previous years due to the company's inactive status and its future viability in light of the existing circumstances at the date of impairment, where investment was deemed unrecoverable. Shareholders of the investee decided not to support the company and accordingly, have been assessing various options in this regard. Based on these circumstances and the status of the company, the Group's Board of Directors considered that the contingent liability in respect of the guarantee may crystalize and, accordingly, a full provision for a liability amounting to SR 30 million was made in prior years. Based on the latest information available, the management believes that guarantee is not expected to be maturing for payment within the next twelve months and accordingly, is classified as a non-current liability.

11. SEGMENTAL REPORTING

In 2021, 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 INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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11. SEGMENTAL REPORTING (Continued)

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

	Six months period ended June 30, 2022 (Un-audited)	Six months period ended June 30, 2021 (Un-audited)
	SR	SR
Saudi Arabia	230,966,704	171,110,176
Other countries	164,935,040	9,441,480
	395,901,744	180,551,656

TRANSACTIONS WITH A MAJOR CUSTOMER

Revenue from one major customer and one major related party accounted for 75.25% of the total revenue for the period (40.45% for six months period ended June 30, 2021).

12. 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	Investee
Dalmine S.P.A.	Affiliate
Tenaris Global Services Far East Pte Ltd.	Affiliate
S.C. SilcoTub S.A.	Affiliate
Tenaris Solutions East SRL	Affiliate
Tenaris Global Services Uruguay	Affiliate
Exiros Saudi Arabia Limited	Affiliate
Tenaris Siderca	Affiliate
Tenaris Connections B.V.	Affiliate
Global Pipe Company	Associate

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12. RELATED PARTIES' TRANSACTIONS AND BALANCES (Continued)

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

<u>Related party</u>	<u>Nature of transaction</u>	Six months period ended June 30, 2022 (Un-audited)	Six months period ended June 30, 2021 (Un-audited)
		SR	SR
Dalmine S.P.A.	Technical services	102,687	1,463,082
Dalmine S.P.A.	IT services	-	19,151
Tenaris Global Services Uruguay	Purchases	2,821,038	4,536,049
Tenaris Global Services Uruguay	Sale	141,829,445	1,108,621
Tenaris Saudi Arabia Co. Ltd. ("TESA")	Services agreement	2,137,453	1,631,359
Tenaris Saudi Arabia Co. Ltd. ("TESA")	Other	-	1,875
Tenaris Saudi Arabia Co. Ltd. ("TESA")	Services received	5,294,112	-
Tenaris Siderca	IT services	-	29,391
Exiros Saudi Arabia	Services received	823,050	969,124
Exiros Saudi Arabia	Rent	-	34,687
Tenaris Connections B.V.	Technical services received	2,142	-
Tenaris Connections B.V.	Royalties	69,860	-
S.C. SilcoTub S.A.	IT services	46,899	-
Tenaris Solutions East SRL	IT services	45,268	-
Tenaris Global Services Far East Pte Ltd.	Services	32,603	-

A) Amounts receivable from related parties is as follows:

	June 30, 2022 (Un-audited)	December 31, 2021 (Audited)
	SR	SR
Tenaris Global Services Uruguay	88,906,060	855,682
Tenaris Saudi Arabia Co. Ltd. ("TESA")	2,475,381	15,617
Tenaris Global Services Far East Pte Ltd.	63,068	30,484
	91,444,509	901,783

B) Amounts payable to related parties are as follows:

	June 30, 2022 (Un-audited)	December 31, 2021 (Audited)
	SR	SR
S.C. SilcoTub S.A.	6,638,696	12,834,933
Tenaris Global Services Uruguay	7,817,632	5,451,017
Tenaris Saudi Arabia Limited ("TESA")	7,904,682	2,635,780
Exiros Saudi Arabia Limited	788,756	838,869
Tenaris Siderca	116,673	116,767
Dalmine S.P.A.	97,908	6,172,346
Tenaris Connections B.V.	90,308	18,308
Tenaris Solutions East SRL	45,287	-
	23,499,942	28,068,020

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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12. RELATED PARTIES' TRANSACTIONS AND BALANCES (Continued)

C) Remuneration of directors and key management personnel:

	Six months period ended June 30, 2022 (Un-audited)		Six months period ended June 30, 2021 (Un-audited)	
	Directors	Key management personnel	Directors	Key management personnel
	SR	SR	SR	SR
Board remuneration	1,210,000	-	875,975	-
Salaries and wages	-	932,820	-	946,323
Allowances	-	675,039	-	308,438
End of service	-	48,991	-	143,809
	1,210,000	1,656,850	875,975	1,398,570

13. ZAKAT AND INCOME TAX (EXPENSE) / BENEFIT

	Six months period ended June 30, 2022 (Un-audited)	Six months period ended June 30, 2021 (Un-audited)
	SR	SR
Current zakat and income tax	(5,030,549)	(1,740,946)
Deferred tax	(228,269)	3,297,324
	(5,258,818)	1,556,378

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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14. DISCONTINUED OPERATION

In 2021, 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.

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

	Three Months Period Ended		Six Months Period Ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
	(Un-audited)	(Un-audited)	(Un-audited)	(Un-audited)
	SR	SR	SR	SR
Revenue	-	-	-	2,619,584
Cost of revenue (note 14.2)	-	-	-	(1,002,471)
Gross profit	-	-	-	1,617,113
Administrative expenses (note 14.2)	(137,933)	(1,095,904)	(330,940)	(1,636,191)
Other (loss) / income, net	(272,970)	227,264	(301,792)	215,038
Reversal for ECL allowance	-	-	322,423	-
Operating (loss) / profit	(410,903)	(868,640)	(310,309)	195,960
Finance charges	(46)	(228,981)	(125)	(217,961)
Loss before zakat and tax	(410,949)	(1,097,621)	(310,434)	(22,001)
Zakat and income tax expense	(276,298)	-	(276,298)	-
Net loss for the period	(687,247)	(1,097,621)	(586,732)	(22,001)
Other comprehensive income	-	-	-	-
Total comprehensive loss	(687,247)	(1,097,621)	(586,732)	(22,001)

Loss per share from discontinued operations:

Basic loss per share	(0.01)	(0.02)	(0.01)	(0.00)
Diluted loss per share	(0.01)	(0.02)	(0.01)	(0.00)

14.2 Depreciation for the period for discontinued operation / held for sale has been allocated as follows;

	Three Month Period Ended		Six Month Period Ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
	(Un-audited)	(Un-audited)	(Un-audited)	(Un-audited)
	SR	SR	SR	SR
Cost of revenue	-	-	-	291,257
Administrative expenses	16,348	48,591	41,907	95,316
	16,348	48,591	41,907	386,573

Cash flows from discontinued operation

Net cash generated from operating activities	25,127	1,491,277	3,841,176	17,171,943
Net cash generated from investing activities	-	-	53,194	-
Net cash used in financing Activities	-	-	-	(24,482,707)
Net cash flows for the period	25,127	1,491,277	3,894,370	(7,310,764)

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15. 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 conversion of treasury shares into ordinary shares.

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

	<u>Three Months Period Ended</u>		<u>Six Months Period Ended</u>	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
	<u>(Un-audited)</u>	<u>(Un-audited)</u>	<u>(Un-audited)</u>	<u>(Un-audited)</u>
Profit / (loss) for the period:				
From continuing operations	12,431,247	(6,979,854)	26,859,344	(16,534,011)
From discontinued operations	(687,247)	<u>(1,097,621)</u>	(586,732)	<u>(22,001)</u>
	11,744,000	(8,077,475)	26,272,612	(16,556,012)
Basic earnings / (loss) per share:				
From continuing operations	0.25	(0.14)	0.53	(0.33)
From discontinued operations	(0.01)	(0.02)	(0.01)	(0.00)
Weighted average number of outstanding shares	50,542,311	50,542,311	50,542,311	50,542,311
Diluted earnings / (loss) per share:				
From continuing operations	0.24	(0.14)	0.53	(0.32)
From discontinued operation	(0.01)	(0.02)	(0.01)	(0.00)
Adjusted weighted average number of outstanding shares	51,000,000	51,000,000	51,000,000	51,000,000
Reconciliation of weighted average number of outstanding shares				
Weighted average number of outstanding shares	50,542,311	50,542,311	50,542,311	50,542,311
<u>Add:</u> Treasury shares	457,689	457,689	457,689	457,689
Adjusted weighted average number of outstanding shares	51,000,000	51,000,000	51,000,000	51,000,000

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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16. SIGNIFICANT EVENTS

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

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

17. RECLASSIFICATION

A comparative period amount, as set out below, has been reclassified to conform with the current period presentation, and there was no effect of this reclassification on the reported results for the period.

Interim statement of financial position

Reclassification from	Reclassification to	December 31, 2021 (Audited)
Property, Plant and Equipment, net	Right of use assets	6,648,368

This reclassification does not affect previously reported profit for the Three and Six months periods June 30, 2021 in the interim statement of profit or loss and other comprehensive income and the previously reported cash flows from operating activities in the interim statement of cash flows for the six months period then ended.

18. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The condensed consolidated interim financial statements were approved by the Board of Directors and authorized for issue on August 03, 2022.