

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

CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE MONTHS AND NINE MONTHS PERIOD ENDED
SEPTEMBER 30, 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 AND NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2021
WITH INDEPENDENT AUDITOR'S REVIEW REPORT**

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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

(1/2)

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 September 30, 2021 and the related condensed consolidated interim statement of profit or loss and other comprehensive income for the three months and nine months period then ended, and the condensed consolidated interim statements of changes in equity and cash flows for the nine 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:

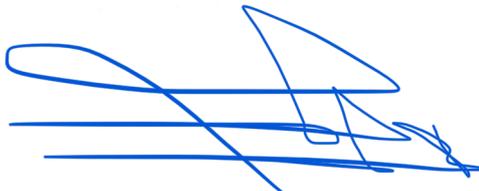
- Note 2 to the accompanying condensed consolidated interim financial statements; where the accumulated losses of TSM Arabia (the subsidiary) as of September 30, 2021 have exceeded its share capital by SR 122.4 million (December 31, 2020: SR 141.6 million).
- Note 15 to the accompanying condensed consolidated 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 which management has learned during the period ended September 30, 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
Rabi' Al-Thani 2, 1443AH
November 7, 2021

SAUDI STEEL PIPES COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2021

	Note	September 30, 2021 (Un-audited) SR	December 31, 2020 (Audited) SR
ASSETS			
Non-current assets			
Property, plant and equipment	4	508,924,325	552,537,158
Intangible assets		2,222,967	3,699,140
Investments	5	105,445,384	110,192,967
Trade and other receivables - non-current	6	3,902,291	5,235,672
Deferred tax asset		14,625,862	11,241,922
		<u>635,120,829</u>	<u>682,906,859</u>
Current assets			
Inventories		110,244,873	127,137,204
Trade and other receivables	6	139,171,571	151,245,473
Cash and cash equivalents		112,377,922	149,054,921
		<u>361,794,366</u>	<u>427,437,598</u>
TOTAL ASSETS		<u><u>996,915,195</u></u>	<u><u>1,110,344,457</u></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		(61,942,548)	(61,305,010)
Treasury shares		(11,502,225)	(11,502,225)
		<u>492,547,274</u>	<u>493,184,812</u>
LIABILITIES			
Non-current liabilities			
Borrowings – non-current	7	44,283,114	78,630,477
Employees’ end of service benefits		32,710,886	34,692,686
Lease liabilities – non-current	8	5,880,457	6,870,670
Trade and other payables- non-current	9	30,000,000	30,000,000
Retention payables		633,713	633,713
		<u>113,508,170</u>	<u>150,827,546</u>
Current liabilities			
Borrowings – current	7	206,700,181	287,663,123
Lease liabilities – current	8	1,169,509	1,115,859
Trade and other payables	9	181,803,557	176,903,201
Zakat and income tax		1,186,504	649,916
		<u>390,859,751</u>	<u>466,332,099</u>
TOTAL LIABILITIES		<u><u>504,367,921</u></u>	<u><u>617,159,645</u></u>
TOTAL EQUITY AND LIABILITIES		<u><u>996,915,195</u></u>	<u><u>1,110,344,457</u></u>


Ahmed Al Debasi
Authorized Director


Mariano 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.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME
FOR THE THREE MONTHS AND NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2021

	Note	Three Months Period Ended		Nine Months Period Ended	
		September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
		(Un-audited) SR	(Un-audited) SR	(Un-audited) SR	(Un-audited) SR
Revenue	10	83,315,475	150,314,907	263,867,131	320,171,625
Cost of revenue		(75,733,436)	(128,850,462)	(249,106,864)	(309,141,965)
Gross profit		7,582,039	21,464,445	14,760,267	11,029,660
Selling, marketing and distribution expenses		(2,256,292)	(2,157,834)	(7,237,182)	(7,085,015)
Administrative expenses		(6,349,240)	(7,679,628)	(21,430,918)	(35,806,633)
Other income / (expenses), net		719,682	(114,848)	1,267,865	(911,146)
(Allowance) / reversal for impairment of trade receivables	6	(388,367)	986,389	1,229,439	(985,267)
Operating (loss) / income		(692,178)	12,498,524	(11,410,529)	(33,758,401)
Share of profit / (loss) in an associate	5	133,401	1,409,165	(4,747,583)	5,023,720
Finance charges		(2,193,106)	(2,530,353)	(4,684,163)	(7,040,188)
(Loss) / profit before zakat and income tax		(2,751,883)	11,377,336	(20,842,275)	(35,774,869)
Zakat and income tax	12	(537,330)	(1,860,123)	1,019,048	1,599,031
(Loss) / profit for the period from continuing operations		(3,289,213)	9,517,213	(19,823,227)	(34,175,838)
Profit / (loss) from discontinued operations	13	19,207,690	58,235	19,185,689	(1,038,102)
Total profit / (loss) for the period		15,918,477	9,575,448	(637,538)	(35,213,940)
Other comprehensive income		-	1,141,831	-	1,141,831
Total comprehensive income / (loss)		15,918,477	10,717,279	(637,538)	(34,072,109)
(Loss) / earnings per share					
Continued operations:					
Basic (loss) / earnings per share	14	(0.065)	0.188	(0.392)	(0.676)
Diluted (loss) / earnings per share	14	(0.064)	0.187	(0.389)	(0.670)
Discontinued operations:					
Basic earnings / (loss) per share	14	0.380	0.001	0.380	(0.021)
Diluted earnings / (loss) per share	14	0.377	0.001	0.376	(0.020)


Ahmed Al Debasi
Authorized Director


Mariano Armengol Lamazares
Chief Executive Officer


Mohamed Anwar Alshakhouri
Chief Financial Officer

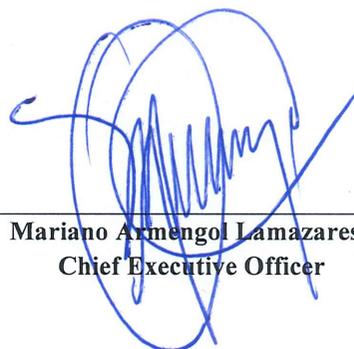
SAUDI STEEL PIPES COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2021

	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, 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	-	-	-	-	(35,213,940)	-	(35,213,940)
Other comprehensive income	-	-	-	1,141,831	-	-	1,141,831
Balance as at September 30, 2020 (Un-audited)	<u>510,000,000</u>	<u>4,512,330</u>	<u>58,494,224</u>	<u>(5,475,927)</u>	<u>(62,042,527)</u>	<u>(11,502,225)</u>	<u>493,985,875</u>
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	-	-	-	-	(637,538)	-	(637,538)
Balance as at September 30, 2021 (Un-audited)	<u>510,000,000</u>	<u>4,512,330</u>	<u>58,494,224</u>	<u>(7,014,507)</u>	<u>(61,942,548)</u>	<u>(11,502,225)</u>	<u>492,547,274</u>



Ahmed Al Debasi
Authorized Director



Mariano Armengol Lamazares
Chief Executive Officer

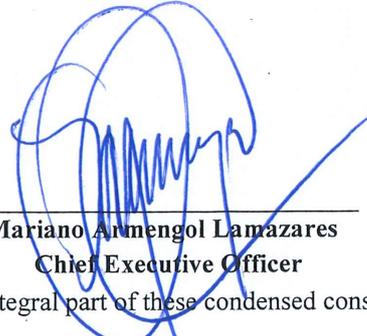


Mohamed Anwar Alshakhouri
Chief Financial Officer

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

SAUDI STEEL PIPES COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2021

	September 30, 2021 (Un-audited) SR	September 30, 2020 (Un-audited) SR
Cash flows from operating activities:		
(Loss) / profit before zakat and income tax:		
– continuing operations	(20,842,275)	(35,774,869)
– discontinued operation	19,227,745	(1,038,102)
Adjustments for:		
Depreciation of property, plant and equipment and right of use assets	32,415,808	32,521,580
Amortization of intangible assets	1,526,932	1,121,672
Gain on disposal of property, plant and equipment	(19,511,125)	(280,180)
Property, plant and equipment – Witten off	16,800	-
(Reversal) / allowance for impairment of trade receivables	(1,229,439)	985,267
Allowance / (reversal) for provision for inventories	835,241	(817,674)
Share of loss / (profit) in an associate	4,747,583	(5,023,720)
Employees' end of service benefits	3,121,582	1,615,539
Finance cost	5,109,147	8,745,813
	25,417,999	2,055,326
Movement in working capital		
Inventories	16,200,022	(50,249,758)
Trade and other receivables	45,541,495	24,734,407
Trade and other payables	753,217	(25,908,686)
Due to / from related parties	1,498,232	8,544,651
Cash generated from / (used in) operations	89,410,965	(40,824,060)
Zakat and income tax paid	(1,870,360)	(901,554)
Employees' end of service benefits paid	(5,103,382)	(21,916,616)
Finance cost paid	(4,258,463)	(8,505,430)
Net cash generated from / (used in) operating activities	78,178,760	(72,147,660)
Cash flows from investing activities:		
Additions to property, plant and equipment and intangible assets	(5,718,926)	(11,919,800)
Proceeds from sale of property, plant and equipment	7,274,944	471,247
Net cash generated from / (used in) investing activities	1,556,018	(11,448,553)
Cash flows from financing activities:		
Repayment of borrowings, net	(115,951,551)	86,726,309
Repayment of lease liability	(460,226)	(926,574)
Net cash (used in) / generated from financing activities	(116,411,777)	85,799,735
Net change in cash and cash equivalents	(36,676,999)	2,203,522
Cash and cash equivalent at the beginning of the period	149,054,921	39,506,782
Cash and cash equivalents at the end of the period	112,377,922	41,710,304
Non-cash transactions		
Sale of operating fixed assets	28,255,866	-
Fixed assets transferred to inventory	142,932	-
Write off of right of use asset against lease liability	685,775	-
Addition in right of use / lease liability	-	381,574
		
Ahmed Al Debasi Authorized Director	Mariano 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 AND NINE MONTHS PERIOD ENDED SEPTEMBER 30, 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 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 September 30, 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 September 30, 2021, the accumulated losses of TSM Arabia exceeded its share capital by SR 122.4 million (December 31, 2020: SR 141.6 million). Further, during the period ended September 30, 2021, TSM Arabia has sold its main operating assets, which include buildings, machinery and equipment and other assets, for a selling price of SR 36.3 million (note 13).

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS AND NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2021**

3. BASIS OF PREPARATION

3.1 Statement of compliance

These condensed consolidated interim financial statements of the Group for the nine months period ended September 30, 2021 has 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, 2020 ("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, 2020, except for the following:

3.2.1 Discontinued operations and non-current assets held for sale

The results of discontinued operations are presented separately in the condensed consolidated interim statement of profit and loss and other comprehensive income. Non-current assets (or disposal groups) classified as held for sale are measured at the lower of their carrying amount or fair value less costs to sell.

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This is the case when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sale of such assets (or disposal groups) and the sale is considered to be highly probable.

A sale is considered to be highly probable if the appropriate level of management is committed to a plan to sell the asset (or disposal group), and an active program to locate a buyer and complete the plan has been initiated. Further, the asset (or disposal group) has been actively marketed for sale at a price that is reasonable in relation to its current fair value. In addition, the sale is expected to qualify for recognition as a completed sale within one-year from the date that it is classified as held for sale.

Non-current assets held for sale are not depreciated or amortized while they are classified as held for sale. Interest and other expenses attributable to the liabilities of the disposal group continued to be recognized.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the condensed consolidated interim statement of financial position. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the condensed consolidated interim statement of financial position.

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.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS AND NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2021**

3. BASIS OF PREPARATION (Continued)

3.3 Basis of Consolidation (Continued)

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.

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;

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
IFRS 16	Amendment to extend the exemption from assessing whether a COVID-19-related rent concession is a lease modification	April 1, 2021

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS AND NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2021

3. BASIS OF PREPARATION (Continued)

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
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
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	September 30, 2021 (Un-audited) SR	December 31, 2020 (Audited) SR
Operating fixed assets	4.1	501,052,914	541,384,229
Capital work-in-progress	4.3	952,202	2,717,841
Right of use assets	4.4	6,919,209	8,435,088
		508,924,325	552,537,158

4.1 Operating fixed assets

	Note	September 30, 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	7,433,806	10,259,989
Transfer to inventory		(142,932)	-
Write off		(16,800)	-
Disposal		(16,019,685)	(278,897)
Depreciation charge during the period / year		(31,585,704)	(42,453,104)
Net book value at the end of the period / year		501,052,914	541,384,229

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS AND NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2021

4. PROPERTY, PLANT AND EQUIPMENT (Continued)

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

	September 30, 2021 (Un-audited) SR	December 31, 2020 (Audited) SR
Machinery and equipment	4,163,240	4,187,536
Building and structures	2,842,306	5,659,494
Office and electrical equipment	428,260	412,959
	<u>7,433,806</u>	<u>10,259,989</u>

4.3 Capital work-in-progress

	September 30, 2021 (Un-audited) SR	December 31, 2020 (Audited) SR
At beginning of period / year	2,717,841	-
Additions during the period / year	5,718,926	15,528,196
Transferred to operating fixed assets	(7,433,806)	(10,259,989)
Transferred to intangible assets	(50,759)	(2,550,366)
At the end of the period / year	<u>952,202</u>	<u>2,717,841</u>

4.4 Right of use assets

Movement in right of use assets is as follows:

	September 30, 2021 (Un-audited) SR	December 31, 2020 (Audited) SR
Net book value at beginning of period / year	8,435,088	7,564,511
Additions during the period / year	-	1,760,818
Depreciation charged during the period / year	(830,104)	(890,241)
Disposals during the period / year	(685,775)	-
Net book value at the end of the period / year	<u>6,919,209</u>	<u>8,435,088</u>

5. INVESTMENTS

	Note	September 30, 2021 (Un-audited) SR	December 31, 2020 (Audited) SR
Investment in an associate, net	5.1	105,445,384	110,192,967
Investment at fair value through profit or loss	5.2	-	-
		<u>105,445,384</u>	<u>110,192,967</u>

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5. INVESTMENTS (Continued)

5.1 Investment in an associate, net

Movement for investment in an associate is as follows:

	September 30, 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	(4,747,583)	4,771,362
	105,445,384	110,192,967
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)	21,442,967	16,671,605
Share of net (loss) / income for the period / year	(4,747,583)	4,771,362
Net investment value	105,445,384	110,192,967

Global Pipe Company ("GPC")

Global Pipe Company Limited (GPC) is a closed joint stock company. The Company was a limited liability company up to December 17, 2017 and its legal structure has been changed to closed joint stock on December 18, 2017. It is owned by the Group, EEW Company of Germany ("EEW") and other Saudi shareholders. GPC is engaged in producing various types of large welded pipes up to 60 inches' diameter and large structural tubular pipes. The initial total share capital of GPC was SR 125 million of which, Saudi Steel Pipes owns 35%, which was later increased to SR 250 million.

5.2 Investment at fair value through profit or loss

Investment at fair value through profit or loss represented a 20% share in Chemical Development Company Limited (CDC), a holding company whose purpose is to develop strategic industrial projects.

In year 2016, and based on an impairment study, SR 43 million of this investment was impaired and adjusted against the consolidated statement of profit or loss for the year ended December 31, 2016. During the year 2017, a further assessment was made by management with respect to this investment, taking in consideration the current status of the Company and its future viability and accordingly in 4th quarter of year 2017, 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

	September 30, 2021 (Un-audited) SR	December 31, 2020 (Audited) SR
Trade receivables	104,866,981	148,817,204
Revenue recognized in excess of billings	-	937,499
Allowance for impairment of trade receivables	(5,674,254)	(6,961,690)
Trade receivables, net	99,192,727	142,793,013
Receivable for sale of TSM Arabia main operating assets	31,931,250	-
Due from related parties	3,672,974	1,024,067
Employee loans	3,837,272	5,047,697
Prepayments and advances to suppliers	2,650,031	2,469,860
Other receivables	1,789,608	5,146,508
	143,073,862	156,481,145
Less: non-current portion of employee loans and other receivables	(3,902,291)	(5,235,672)
Total current portion, net	139,171,571	151,245,473

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6. TRADE AND OTHER RECEIVABLES (Continued)

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

	September 30, 2021 (Un-audited) SR	December 31, 2020 (Audited) SR
Opening balance	6,961,690	7,586,779
Reversal for the period / year	(1,229,439)	(28,561)
Utilization	(57,997)	(596,528)
Closing balance	5,674,254	6,961,690

7. BORROWINGS

	Current		Non-current	
	September 30, 2021 (Un-audited) SR	December 31, 2020 (Audited) SR	September 30, 2021 (Un-audited) SR	December 31, 2020 (Audited) SR
<u>Term loans</u>				
Saudi Industrial Development Fund (SIDF)	-	-	69,934,243	108,230,993
<u>Short term</u>				
SIDF – working capital loan	59,168,150	83,033,500	-	-
Murabaha loan	121,880,902	175,029,107	-	-
	181,049,052	258,062,607	69,934,243	108,230,993
Current portion of long term loans	25,651,129	29,600,516	(25,651,129)	(29,600,516)
Total borrowings	206,700,181	287,663,123	44,283,114	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	69,934,243	Long-term	5	Semi-annual	April 2018 to February 2024	Follow-up cost every 6 months
Total long term loan	69,934,243					
SIDF – working capital loan	59,168,150	Short-term	-	Within 12 months	July 2020 to June 2022	Upfront fee
Murabaha loan	121,880,902	Short-term	-	From 3 to 6 months	-	SIBOR+1.25% to 1.75%
Total short term loans	181,049,052					
Total borrowings	250,983,295					

These borrowings facility agreements are subject to certain financial and non-financial covenants. Further, during the period, SIDF working capital loan was rescheduled where the loan was partially repaid and maturity of remaining loan has been extended to be payable by June 30, 2022.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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8. LEASE LIABILITIES

Commitment for minimum lease payments under leases is as follows:

	September 30, 2021 (Un-audited)	December 31, 2020 (Audited)
	SR	SR
Within one year	1,365,608	1,355,280
Years two to five	4,122,716	4,509,216
Years five and above	2,353,512	3,193,568
Minimum lease payments	7,841,836	9,058,064
Less: finance charges	(791,870)	(1,071,535)
Net minimum lease payments	7,049,966	7,986,529
Non-current portion	5,880,457	6,870,670
Current portion	1,169,509	1,115,859

9. TRADE AND OTHER PAYABLES

	Note	September 30, 2021 (Un-audited)	December 31, 2020 (Audited)
		SR	SR
<u>Current</u>			
Trade payables		126,800,116	129,454,634
Due to related parties	11 B	28,009,886	23,862,747
Accrued expenses		11,959,582	11,076,464
VAT payable		4,171,696	5,769,215
Advances from customers		7,265,463	3,316,504
BOD payable remuneration		2,516,486	2,343,309
Retention payable		1,080,328	1,080,328
		181,803,557	176,903,201
<u>Non-current</u>			
Provision for liability against guarantee to an investee company	9.1	30,000,000	30,000,000
		211,803,557	206,903,201

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
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10. SEGMENTAL REPORTING

During the period ended September 30, 2021, Group's has entered into an agreement to sale the main operating fixed assets of its wholly owned subsidiary Titanium Steel & Manufacturing Co. Limited. The transaction was completed in third quarter of 2021 and the related operating fixed assets, which were classified as a disposal group held for sale, were sold to a third party, Koch Chemical Technology Group Saudi Arabia Limited (note 13). The business of Titanium Steel & Manufacturing Co. Ltd represented the entirety of the Group's Process equipment segment. With Titanium Steel & Manufacturing Co. Ltd operating fixed assets 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. The selected financial information covering the revenue for the nine months' period ended September 30, categorized by these geographic segments is as follows:

	Nine months period ended September 30, 2021 (Un-audited)	Nine months period ended September 30, 2020 (Un-audited)
	SR	SR
Saudi Arabia	242,588,670	312,517,863
Other countries	21,278,461	7,653,762
	263,867,131	320,171,625

TRANSACTIONS WITH A MAJOR CUSTOMER

Revenue from one major customer accounted for 30.15% of the total revenue for the period. (64.78% for nine months' period ended September 30, 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
Tenaris Connections B.V.	Affiliate
Global Pipe Company	Associate

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11. 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>	Nine months period ended September 30, 2021 (Un-audited) SR	Nine months period ended September 30, 2020 (Un-audited) SR
Dalmine S.P.A.	Technical services	1,509,333	2,584,880
Dalmine S.P.A.	IT services	19,151	541,047
Tenaris Global Services Uruguay	Purchases	5,183,484	-
Tenaris Saudi Arabia Co. Ltd. ("TESA")	Services agreement	2,700,242	1,927,173
Tenaris Saudi Arabia Co. Ltd. ("TESA")	Sales / Trading	1,207,797	64,266
Tenaris Saudi Arabia Co. Ltd. ("TESA")	Purchase	-	750,803
Exiros Saudi Arabia	Services received	1,380,649	1,504,562
Exiros Saudi Arabia	Office rent	34,687	57,132
Tenaris Siderca	IT services	29,391	1,277,067
Tenaris Connections B.V.	Technical services	13,818	-
S.C. SilcoTub S.A.	Purchases	-	1,278,998
S.C. SilcoTub S.A.	IT services	-	108,346

A) Balance receivable from related parties is as follows:

	September 30, 2021 (Un-audited) SR	December 31, 2020 (Audited) SR
Tenaris Global Services Uruguay	1,272,292	-
Tenaris Saudi Arabia Co. Ltd. ("TESA")	2,274,900	938,419
Exiros Saudi Arabia	125,782	85,648
	3,672,974	1,024,067

B) Balances payable to related parties are as follows:

	September 30, 2021 (Un-audited) SR	December 31, 2020 (Audited) SR
S.C. SilcoTub S.A.	12,818,870	13,152,446
Dalmine S.P.A.	6,271,292	5,036,740
Tenaris Global Services Uruguay	5,444,195	260,165
Tenaris Saudi Arabia Co. Ltd. ("TESA")	2,619,600	2,620,279
Exiros Saudi Arabia	844,751	557,246
Tenaris Connections B.V.	11,178	-
Siderca S.A.I.C.	-	2,118,801
Tenaris Global Services Switzerland	-	79,336
NKK Tubes	-	37,734
	28,009,886	23,862,747

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

C) Remuneration of directors and key management personnel:

	Nine months period ended September 30, 2021 (Un-audited)		Nine months period ended September 30, 2020 (Un-audited)	
	Directors SR	Key management personnel SR	Directors SR	Key management personnel SR
Board remuneration	1,453,976	-	1,207,927	-
Salaries and wages	-	1,435,254	-	2,398,352
Allowances	-	592,607	-	1,328,193
End of service	-	164,958	-	123,908
	1,453,976	2,192,819	1,207,927	3,850,453

12. ZAKAT AND INCOME TAX BENEFIT

	Nine months period ended September 30, (Un-audited)	Nine months period ended September 30, (Un-audited)
	SR	SR
Current zakat and income tax	(2,364,892)	(1,431,085)
Deferred tax	3,383,940	3,030,116
	1,019,048	1,599,031

13. DISCONTINUED OPERATION

During the period ended September 30, 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 and some spare and consumables (disposal group) having net book value of SR 16.7 million for a price of SR 36.4 million (equivalent to USD 9.7 million, exclusive of applicable taxes). The closing took place on September 30, 2021, after all required approvals including the approval by the General Authority for Competition, have been obtained and full payment has been received subsequent to period end. The transaction aims at focusing on the Company's core tubular and services businesses for Oil & Gas and Industrial & Construction applications, and reducing exposure towards its subsidiary as the sale proceeds will be used mainly to offset Titanium Steel & Manufacturing Co. Ltd. outstanding loans and other obligations.

The business of Titanium Steel & Manufacturing Co. Ltd represented the entirety of the Group's process equipment segment and it is classified as discontinued in result of disposal of main operating assets and cessation of operations.

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13. DISCONTINUED OPERATION (Continued)

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

	Three Months Period Ended		Nine Months Period Ended	
	September 30,	September 30,	September 30,	September 30,
	2021	2020	2021	2020
	(Un-audited)	(Un-audited)	(Un-audited)	(Un-audited)
	SR	SR	SR	SR
Revenue	-	6,232,691	2,619,584	31,350,395
Cost of revenue (note 13.2)	-	(4,381,625)	(1,002,471)	(26,957,188)
Gross profit	-	1,851,066	1,617,113	4,393,207
Selling, marketing and distribution expenses	-	-	-	(218,323)
Administrative expenses (note 13.2)	(381,915)	(965,811)	(2,018,105)	(3,254,465)
Gain on disposal of main operating assets and consumables	19,640,655	-	19,640,655	-
Other income, net	198,030	(21,864)	413,066	549,844
Operating profit	19,456,770	863,391	19,652,729	1,470,263
Finance charges	(207,024)	(805,156)	(424,984)	(2,508,365)
Profit / (loss) before zakat	19,249,746	58,235	19,227,745	(1,038,102)
Zakat expense	(42,056)	-	(42,056)	-
Total profit / (loss) for the period	19,207,690	58,235	19,185,689	(1,038,102)
Other comprehensive income	-	-	-	-
Total comprehensive income / (loss)	19,207,690	58,235	19,185,689	(1,038,102)
<u>Earnings / (loss) per share from discontinued operations:</u>				
Basic earnings / (loss) per share	0.380	0.001	0.380	(0.021)
Diluted earnings / (loss) per share	0.377	0.001	0.376	(0.020)

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

	Three months period ended		Nine months period ended	
	September 30,	September 30,	September 30,	September 30,
	2021	2020	2021	2020
	(Un-audited)	(Un-audited)	(Un-audited)	(Un-audited)
	SR	SR	SR	SR
Cost of revenue	26,871	305,247	344,968	926,005
Administrative expenses	16,507	48,662	84,983	155,465
	43,378	353,909	429,951	1,081,470

13.3 Cash flows from discontinued operation

Net cash generated from operating activities	38,157,071	16,888,541
Net cash generated from investing activities	7,274,944	471,247
Net cash used in financing activities	(56,507,894)	(17,285,216)
Net cash flows for the period	(11,075,879)	74,572

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14. (LOSS) / EARNINGS PER SHARE

Basic loss per share is calculated by dividing the losses / 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.

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

	Three months period ended		Nine months period ended	
	September 30, 2021 (Un-audited)	September 30, 2020 (Un-audited)	September 30, 2021 (Un-audited)	September 30, 2020 (Un-audited)
Basic (loss) / earnings per share:				
From continuing operations	(0.065)	0.188	(0.392)	(0.676)
From discontinued operation	0.380	0.001	0.380	(0.021)
(Loss) / profit for the period:				
From continuing operations	(3,289,213)	9,517,213	(19,823,227)	(34,175,838)
From discontinued operation	19,207,690	58,235	19,185,689	(1,038,102)
	15,918,477	9,575,448	(637,538)	(35,213,940)
Weighted average number of outstanding shares	50,542,311	50,542,311	50,542,311	50,542,311
Diluted (loss) / earnings per share:				
From continuing operations	(0.064)	0.187	(0.389)	(0.670)
From discontinued operation	0.377	0.001	0.376	(0.020)
(Loss) / profit for the period:				
From continuing operations	(3,289,213)	9,517,213	(19,823,227)	(34,175,838)
From discontinued operation	19,207,690	58,235	19,185,689	(1,038,102)
	15,918,477	9,575,448	(637,538)	(35,213,940)
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				
Number of issued shares	51,000,000	51,000,000	51,000,000	51,000,000
<u>Less:</u> Treasury shares - shares kept for the employee share program	(762,812)	(762,812)	(762,812)	(762,812)
<u>Add:</u> Weighted average number of shares issued to employees	305,123	305,123	305,123	305,123
Weighted average number of outstanding shares	50,542,311	50,542,311	50,542,311	50,542,311

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

During the period ended September 30, 2021, 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.

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, splitted 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 November 3, 2021 corresponding to Rabi' Al-Awwal 28, 1443AH.