

Saudi Steel Pipe Company

Results for the Three Months Ending March 31, 2022

The financial and operational information herein highlights the main results of the period based on unaudited consolidated condensed interim financial statements presented in Saudi Riyals and prepared in accordance with International Financial Reporting Standards (IFRSs) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Certified Public Accountants (SOCPA). Additionally, this summary includes non-IFRS alternative performance measures i.e., EBITDA, Net cash (debt) and Free Cash Flow. See "exhibit I" for more details on these alternative performance measures.

Summary of the Results

(Comparison with 1Q 2021 and 4Q 2021)

	Three Months Period				
	1Q 2022	1Q 2021		4Q 2021	
Sales (SAR Thousands)	184,082	92,075	100%	109,617	68%
Operating (loss) income (SAR Thousands)	19,982	(5,759)	-	6,001	233%
Net (loss) income (SAR Thousands)*	14,529	(8,479)	-	1,569	826%
Earnings per share (SAR)*	0.29	(0.17)	-	0.03	826%
EBITDA** (SAR Thousands)	30,664	5,129	498%	17,505	75%
EBITDA margin (% of net sales)	17%	6%		16%	
Free Cash Flow (SAR Thousands)	(61,244)	39,173		(17,260)	
Net cash (debt) (SAR Thousands)	(191,458)	(177,740)		(127,978)	
Gearing Ratio (Equity/Net Debts)	2.7x	2.7x		3.9x	

* Includes the results of discontinued operations.

** Excludes the results of discontinued operations. EBITDA is defined as operating (loss) income plus depreciation, amortization and impairment charges /(reversals).

1Q 2022 compared with 1Q 2021:

- SSP recorded a positive EBITDA of SR 30.7 million, 17% margin, compared to SR 5.1 million, 6% margin in 1Q 2021.
- Due to a higher level of activity, SSP's working capital rose in 1Q 2022 and recorded a negative free cash flow of SR (61.2) million compared to a positive free cash flow of 39.2 million in 1Q 2021. Consequently, Net debt increased to SR 191.5 million as at the end of 1Q 2022 from SR 177.7 million as at the end of 1Q 2021.

1Q 2022 compared with 4Q 2021:

- SSP recorded a positive EBITDA of SR 30.7 million, 17% margin, compared to SR 17.5 million, 16% margin in 4Q 2021.
- Due to a higher level of activity, SSP's working capital rose in 1Q 2022 and recorded a negative free cash flow of SR (61.18) million compared to a negative free cash flow of (17.26) million in 4Q 2021. Consequently, Net debt increased to SR 191.5 million as at the end of 1Q 2022 from SR 128.0 million as at the end of 4Q 2021.

Saudi Steel Pipe Company

Exhibit I – Alternative performance measures

Highlights 1Q 2022

EBITDA, Earnings before interest, tax, depreciation and amortization.

EBITDA provides an analysis of the operating results, excluding depreciation and amortization and impairments being non-cash variables which can vary substantially from company to company depending on accounting policies and the accounting value of the assets. EBITDA is an approximation to pre-tax operating cash flow and reflects cash generation before working capital variation. EBITDA is widely used by investors when evaluating businesses (multiples valuation), as well as by rating agencies and creditors to evaluate the level of debt, comparing EBITDA with net debt.

EBITDA is calculated as follows:

EBITDA= Operating results + Depreciation and amortization + Impairment charges/(reversals).

(all amounts in thousands of SAR)

	Three months period ended March 31,	
	2022	2021
	Unaudited	
Net sales	184,082	92,075
Operating income (loss)	19,982	(5,759)
Depreciation and amortization*	10,682	10,888
EBITDA	30,664	5,129
EBITDA %	17%	6%

* Excludes depreciation related to discontinued operations.

SSP recorded a positive EBITDA margin of 17% compared to 6% in 1Q 2021. This improvement resulted mainly from cost optimization, efficiencies improvement, increased volume and better mix of products sold.

Saudi Steel Pipe Company

Highlights 1Q 2022

Free Cash Flow

Free cash flow is a measure of financial performance, calculated as operating cash flow less capital expenditures. FCF represents the cash that a company is able to generate after spending the money required to maintain or expand its asset base.

Free cash flow is calculated in the following manner:

Free cash flow= Net cash (used in) provided by operating activities – Capital expenditures.

(all amounts in thousands of SAR)

	Three months period ended March 31,	
	2022	2021
Net cash provided by operating activities	(60,289)	42,023
Capital expenditures	(956)	(2,849)
Free cash flow	(61,244)	39,173

Due to higher level of activity, SSP's working capital rose in 1Q 2022 and recorded a negative free cash flow of SR (61.2) million compared to a positive free cash flow of 39.2 million in 1Q 2021.

Net Cash (Debt)

This is the net balance of cash and cash equivalents, other current investments and non-current investments less total borrowings. It provides a summary of the financial solvency and liquidity of the company. Net cash (debt) is widely used by investors and rating agencies and creditors to assess the company's leverage, financial strength, flexibility and risks.

Net cash/debt is calculated in the following manner:

Net cash= Cash and cash equivalents + Other investments (Current and Non-Current) +/- Derivatives hedging borrowings and investments – Borrowings (Current and Non-Current)

(all amounts in thousands of SAR)

	At March 31,	
	2022	2021
Cash and cash equivalents	103,193	110,883
Current Borrowings	(264,997)	(230,837)
Non-current Borrowings	(29,654)	(57,786)
Net cash (debt)	(191,458)	(177,740)
Equity	509,733	484,706
Gearing Ratio (Equity/Net Debts)	2.7	2.7

As a consequence of the working capital increase due to higher level of activity, net debt increased to SAR 191.5 million in 1Q 2022 compared to SAR 177.7 million in 1Q 2021. Gearing ratio remained comparable at 2.7x.