

## Saudi Steel Pipe Company

### Results For The Three-Month Period Ending March 31<sup>st</sup>, 2023

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 2022 and 4Q 2022)

	Three-Month Period			
	1Q 2023	1Q 2022		4Q 2022
Net sales (SAR Thousands)	166,891	184,082	(9%)	146,944
Operating income (SAR Thousands)	6,761	19,982	(66%)	9,981
Net income (SAR Thousands)	6,371	14,529	(56%)	11,139
Earnings per share (SAR)	0.13	0.29	(56%)	0.22
EBITDA* (SAR Thousands)	16,585	30,664	(46%)	20,325
EBITDA margin (% of net sales)	10%	17%		14%
Free Cash Flow (SAR Thousands)	37,756	(61,244)		70,686
Net cash (debt) (SAR Thousands)	(106,401)	(191,458)		(143,969)
Gearing Ratio (Equity/Net Debts)	5.2x	2.7x		3.8x

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

#### **1Q 2023 compared with 1Q 2022:**

- SSP recorded a positive EBITDA of SAR 16.6 million, 10% margin in 1Q 2023, compared to a positive EBITDA of SAR 30.7 million, 17% margin in 1Q 2022.
- SSP recorded a positive Free Cash Flow of SAR 37.8 million in 1Q 2023 compared to a negative Free Cash Flow of SAR (61.2) million in 1Q 2022. Consequently, Net Debt decreased to SAR 106.4 million at the end of 1Q 2023 from SAR 191.5 million at the end of 1Q 2022.

#### **1Q 2023 compared with 4Q 2022:**

- SSP recorded a positive EBITDA of SAR 16.6 million, 10% margin in 1Q 2023, compared to a positive EBITDA of SAR 20.3 million, 14% margin in 4Q 2022.
- SSP recorded a positive Free Cash Flow of SAR 37.8 million in 1Q 2023 compared to a positive Free Cash Flow of SAR 70.7 million in 4Q 2022. Consequently, Net Debt decreased to SAR 106.4 million at the end of 1Q 2023 from SAR 144.0 million at the end of 4Q 2022.

### Exhibit I - Alternative performance measures

Alternative performance measures should be considered in addition to, not as a substitute for or superior to, other measures of financial performance prepared in accordance with IFRS.

### 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)

Operating income  
Depreciation and amortization\*

**EBITDA**  
**EBITDA %**

Three-Month Period Ended March 31st	
2023	2022
Unaudited	
6,761	19,982
9,824	10,682
<b>16,585</b>	<b>30,664</b>
<b>10%</b>	<b>17%</b>

\*Excluding depreciation related to discontinued operations.

SSP recorded a positive EBITDA margin of 10% in 1Q 2023 compared to 17% in 1Q 2022, mainly as a result of lower volume, mix of products sold and a non-recurrent charge to selling, marketing and distribution expenses.

### 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)

Net cash provided by (used in) operating activities

Capital expenditures

**Free Cash Flow**

Three-Month Period Ended March 31 <sup>st</sup>	
2023	2022
Unaudited	
37,769	(60,289)
(13)	(956)
<b>37,756</b>	<b>(61,244)</b>

As a result of effective working capital management, SSP recorded a positive Free Cash Flow of SAR 37.8 million in 1Q 2023 compared to a negative Free Cash Flow of SAR (61.2) million in 1Q 2022.

### 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)

Cash and cash equivalents

Current Borrowings

Non-current Borrowings

**Net cash (debt)**

Equity

**Gearing Ratio (Equity/Net Debts)**

Three-Month Period Ended March 31 <sup>st</sup>	
2023	2022
Unaudited	
74,539	103,193
(118,128)	(264,997)
(62,813)	(29,654)
<b>(106,401)</b>	<b>(191,458)</b>
556,888	509,733
<b>5.2</b>	<b>2.7</b>

Net Debt decreased to SAR 106.4 million in 1Q 2023 compared to SAR 191.5 million in 1Q 2022. Gearing ratio improved to 5.2x as at the end of 1Q 2023 compared to 2.7x as at the end of 1Q 2022.