

Saudi Steel Pipe Company

Results For The Three Months And Six Months Period Ending June 30, 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 2Q 2021; 1Q 2022 and 6M 2021)

	Three Months Period			Six Months Period				
	2Q 2022	2Q 2021	1Q 2022	6M 2022	6M 2021			
Sales (SAR Thousands)	211,820	88,477	139%	184,082	15%	395,902	180,552	119%
Operating income (SAR Thousands)	18,545	(4,959)	-	19,982	(7%)	38,527	(10,718)	-
Net (loss) income (SAR Thousands)*	11,744	(8,077)	-	14,529	(19%)	26,273	(16,556)	-
Earnings per share (SAR)*	0.23	(0.16)	-	0.29	(19%)	0.52	(0.33)	-
EBITDA** (SAR Thousands)	29,164	6,370	358%	30,664	(5%)	59,828	11,499	420%
EBITDA margin (% of net sales)	14%	7%		17%		15%	6%	
Free Cash Flow (SAR Thousands)	89,019	18,905		(61,244)		27,774	58,079	
Net cash (debt) (SAR Thousands)	(102,056)	(158,555)		(191,458)		(102,056)	(158,555)	
Gearing Ratio (Equity/Net Debts)	5.1x	3.0x		2.7x		5.1x	3.0x	

* 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).

2Q 2022 compared with 2Q 2021:

- SSP recorded a positive EBITDA of SR 29.2 million, 14% margin, compared to SR 6.4 million, 7% margin in 2Q 2021.
- SSP recorded a positive free cash flow of SAR 89.0 million, compared to SAR 18.9 million in 2Q 2021.
- Net debt decreased to SAR 102.1 million, compared to SAR 158.6 million as at the end of 2Q 2021. This improvement reflects cash discipline measures and working capital management implemented by the Company.

2Q 2022 compared with 1Q 2022:

- SSP recorded a positive EBITDA of SR 29.2 million, 14% margin, compared to SR 30.7 million, 17% margin in 1Q 2022.
- SSP recorded a positive free cash flow of SAR 89.0 million, compared to a negative free cash flow SAR (61.2) million in 1Q 2022.
- Net debt decreased to SAR 102.1 million, compared to SAR 191.5 million as at the end of 1Q 2022. This improvement reflects cash discipline measures and working capital management implemented by the Company.

6M 2022 compared with 6M 2021:

- SSP recorded a positive EBITDA of SR 59.8 million, 15% margin, compared to SR 11.5 million, 6% margin in the 6M 2021.
- Due to higher level of activity SSP's working capital rose in the 6M 2022 and SSP recorded a positive free cash flow of SAR 27.8 million, compared to SAR 58.1 million in 6M 2021.
- Net debt decreased to SAR 102.1 million in the 6M 2022 compared to SAR 158.6 million in the 6M 2021. This improvement reflects cash discipline measures and working capital management implemented by the Company.

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Highlights 2Q2022

Exhibit I – Alternative performance measures

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-month period ended June 30,		Six-month period ended June 30,	
	2022	2021	2022	2021
	Unaudited		Unaudited	
Net sales	211,820	88,477	395,902	180,552
Operating income (loss)	18,545	(4,959)	38,527	(10,718)
Depreciation and amortization*	10,619	11,329	21,301	22,217
EBITDA	29,164	6,370	59,828	11,499
EBITDA %	14%	7%	15%	6%

* Excludes depreciation related to discontinued operations.

SSP recorded a positive EBITDA margin of 14% in 2Q 2022 compared to 7% in 2Q 2021, and a positive EBITDA margin of 15% in 6M 2022 compared to 6% in 6M 2021. This improvement resulted mainly from cost optimization, efficiency improvement, increased volume and better mix of products sold.

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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-month period ended June 30,		Six-month period ended June 30,	
	2022	2021	2022	2021
Net cash provided by operating activities	89,575	20,312	29,286	62,335
Capital expenditures	(556)	(1,407)	(1,512)	(4,256)
Free cash flow	89,019	18,905	27,774	58,079

As a result of improvement in the profitability and working capital management, SSP recorded a positive free cash flow of SAR 89.0 million in 2Q 2022 compared to SAR 18.9 million in 2Q 2021. Due to higher level of activity SSP's working capital rose in the 6M 2022 and the Company recorded a positive free cash flow of SAR 27.8 million in 6M 2022 compared to SAR 58.1 million in 6M 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 June 30,	
	2022	2021
Cash and cash equivalents	100,216	150,599
Current Borrowings*	(138,738)	(251,115)
Non-current Borrowings	(63,534)	(58,039)
Net cash (debt)	(102,056)	(158,555)
Equity	521,477	476,629
Gearing Ratio (Equity/Net Debts)	5.1x	3.0x

Net debt decreased to SAR 102.1 million in 2Q 2022 from SAR 158.6 million in 2Q 2021. Gearing ratio improved to 5.1x as at the end of 2Q 2022 compared to 3.0x as at the end of 2Q 2021.