

## Saudi Steel Pipe Company

### Results For The Three Months And Nine Months Period Ending September 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 3Q 2021; 2Q 2022 and 9M 2021)

	Three Months Period					Nine Months Period		
	3Q 2022	3Q 2021		2Q 2022		9M 2022	9M 2021	
Sales (SAR Thousands)	204,777	83,315	146%	211,820	(3%)	600,678	263,867	128%
Operating income (SAR Thousands)	21,004	(692)	-	18,545	13%	59,531	(11,411)	-
Net (loss) income (SAR Thousands) *	16,794	15,918	6%	11,744	43%	43,067	(638)	-
Earnings per share (SAR)*	0.33	0.31	6%	0.23	43%	0.85	(0.01)	-
EBITDA** (SAR Thousands)	31,853	10,603	200%	29,164	9%	91,681	22,102	315%
EBITDA margin (% of net sales)	16%	13%		14%		15%	8%	
Free Cash Flow (SAR Thousands)	(112,389)	14,381		89,019		(84,615)	72,460	
Net cash (debt) (SAR Thousands)	(213,788)	(138,605)		(102,056)		(213,788)	(138,605)	
Gearing Ratio (Equity/Net Debts)	2.5x	3.6x		5.1x		2.5x	3.6x	

\* Include the results of discontinued operations.

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

#### 3Q 2022 compared with 3Q 2021:

- SSP recorded a positive EBITDA of SAR 31.9 million, 16% margin, compared to a positive EBITDA of SAR 10.6 million, 13% margin in 3Q 2021.
- Due to a higher level of activity, SSP's working capital rose in 3Q 2022 resulting in a negative free cash flow of SAR (112.4) million compared to a positive free cash flow of SAR 14.4 million in 3Q 2021. Consequently, Net debt increased to SAR 213.8 million at the end of 3Q 2022 from SAR 138.6 million at the end of 3Q 2021.

**3Q 2022 compared with 2Q 2022:**

- SSP recorded a positive EBITDA of SAR 31.9 million, 16% margin, compared to a positive EBITDA of SAR 29.2 million, 14% margin in 2Q 2022.
- Due to the built up in working capital, SSP recorded a negative free cash flow of SAR (112.4) million in Q3 2022 compared to a positive free cash flow of SAR 89.0 million in Q2 2022. Consequently, Net debt increased to SAR 213.8 million at the end of Q3 2022 from SAR 102.0 million at the end of Q2 2022.

**9M 2022 compared with 9M 2021:**

- SSP recorded a positive EBITDA of SAR 91.7 million, 15% margin, compared to a positive EBITDA of SAR 22.1 million, 8% margin in 9M 2021.
- Due to a higher level of activity, SSP's working capital rose in 9M 2022 resulting in a negative free cash flow of SAR (84.6) million compared to a positive free cash flow of SAR 72.5 million in 9M 2021. Consequently, Net debt increased to SAR 213.8 million at the end of 9M 2022 from SAR 138.6 million at the end of 9M 2021.

**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)

	Three-month period ended September 30,		Nine months period ended September 30,	
	2022	2021	2022	2021
	Unaudited		Unaudited	
Operating income (loss)	21,004	(692)	59,531	(11,411)
Depreciation and amortization*	10,849	11,295	32,150	33,513
<b>EBITDA</b>	<b>31,853</b>	<b>10,603</b>	<b>91,681</b>	<b>22,102</b>
<b>EBITDA %</b>	<b>16%</b>	<b>13%</b>	<b>15%</b>	<b>8%</b>

\* Exclude depreciation related to discontinued operations.

SSP recorded a positive EBITDA margin of 16% in 3Q 2022 compared to 13% in 3Q 2021, and a positive EBITDA margin of 15% in 9M 2022 compared to 8% in 9M 2021. This improvement resulted mainly from efficiency improvement, increased volume and better mix of products sold.

**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 September 30,		Nine months period ended September 30,	
	2022	2021	2022	2021
	Unaudited		Unaudited	
Net cash provided by (used in) operating activities	(112,153)	15,844	(82,867)	78,179
Capital expenditures	(236)	(1,463)	(1,748)	(5,719)
<b>Free cash flow</b>	<b>(112,389)</b>	<b>14,381</b>	<b>(84,615)</b>	<b>72,460</b>

Due to a higher level of activity, SSP's working capital rose in 3Q 2022 and recorded a negative free cash flow of SR (112.4) million compared to a positive free cash flow of 14.4 million in 3Q 2021. Similarly, due to the higher level of activity and the increase in working capital, SSP recorded a negative free cash flow of SR (84.6) million in 9M 2022 compared to a positive free cash flow of 72.5 million in 9M 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)

	September 30,	
	2022	2021
Cash and cash equivalents	136,312	112,378
Current Borrowings*	(248,018)	(206,700)
Non-current Borrowings	(102,082)	(44,283)
<b>Net cash (debt)</b>	<b>(213,788)</b>	<b>(138,605)</b>
Equity	538,271	492,547
<b>Gearing Ratio (Equity/Net Debts)</b>	<b>2.5x</b>	<b>3.6x</b>

\* Include current borrowings classified as liabilities directly associated with assets classified as held for sale.

As a consequence of the working capital increase due to higher level of activity, net debt increased to SAR 213.8 million in 3Q 2022 compared to SAR 138.6 million in 3Q 2021. Gearing ratio decreased to 2.5x in 3Q 2022 from 3.6x in 3Q 2021 mainly as a result of the increase in net debt.