

Results for the Three Months and Six Months Period Ending June 30, 2024

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 2023; 1Q 2024 and 6M 2023)*

	Three-month Period			Six-month Period				
	2Q 2024	2Q 2023	1Q 2024	6M 2024	6M 2023			
Net sales (SAR Thousands)	472,399	361,379	31%	514,939	(8%)	987,338	528,270	87%
Operating income (SAR Thousands)	87,432	74,245	18%	89,888	(3%)	177,320	81,006	119%
Net income (SAR Thousands)	71,675	87,450	(18%)	76,321	(6%)	147,996	93,822	58%
Shareholders' net income (SAR Thousands)	51,763	84,563	(39%)	56,107	(8%)	107,870	90,934	19%
Earnings per share (SAR)	1.02	1.67	(39%)	1.11	(8%)	2.13	1.80	19%
EBITDA** (SAR Thousands)	104,812	87,503	20%	106,037	(1%)	210,849	104,087	103%
EBITDA margin (% of net sales)	22%	24%		21%		21%	20%	
Free Cash Flow (SAR Thousands)	17,010	44,969		(32,881)		(15,871)	82,725	
Net cash/(debt) (SAR Thousands)	(332,692)	(540,342)		(350,064)		(332,692)	(540,342)	
Gearing Ratio (Equity/Net Debts)	3.0x	1.4x		2.8x		3.0x	1.4x	

* Variance % will vary depending on the decimals used in the comparison.

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

As previously announced on 18/5/2023 (corresponding to 28/10/1444), Saudi Steel Pipe Company (“SSP”) acquired an additional 22.27% interest in Global Pipe Company (“GPC”) on 17/5/2023, resulting in a current total 57.27% participation in GPC. Accordingly, as from 17/5/2023 SSP started consolidating GPC’s financial position and results of operations.

2Q 2024 compared with 2Q 2023:

- SSP recorded a positive EBITDA of SAR 105 million, 22% margin, compared to a positive EBITDA of SAR 88 million, 24% margin in 2Q 2023.
- SSP recorded a positive Free Cash Flow of SAR 17 million in 2Q 2024 compared to a positive Free Cash Flow of SAR 45 million in 2Q 2023.
- As at the end of Q2 2024, Net debt amounted to SAR 333 million, compared to SAR 540 million at the end of Q2 2023, as a result of the improvement in profitability and effective cash flow management.

2Q 2024 compared with 1Q 2024:

- SSP recorded a positive EBITDA of SAR 105 million, 22% margin, compared to a positive EBITDA of SAR 106 million, 21% margin in 1Q 2024.
- SSP recorded a positive Free Cash Flow of SAR 17 million in 2Q 2024 compared to a negative Free Cash Flow of SAR (33) million in 1Q 2024. Consequently, Net Debt decreased to SAR 333 million at the end of 2Q 2024 from SAR 350 million at the end of 1Q 2024.

6M 2024 compared with 6M 2023:

- SSP recorded a positive EBITDA of SAR 211 million, 21% margin, compared to a positive EBITDA of SAR 104 million, 20% margin in 6M 2023.
- Due to the increase in working capital as a result of higher activities, and higher capital expenditure, SSP recorded a negative Free Cash Flow of SAR (16) million in 6M 2024 compared to a positive Free Cash Flow of SAR 83 million in 6M 2023.
- As at the end of 6M 2024, Net debt amounted to SAR 333 million, compared to SAR 540 million at the end of 6M 2023, as a result of the improvement in profitability and effective cash flow management.

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 June 30,		Six-months period ended June 30,	
	2024	2023	2024	2023
Net sales	472,399	361,379	987,338	528,270
Operating income	87,432	74,245	177,320	81,006
Depreciation and amortization	17,380	13,257	33,529	23,081
EBITDA	104,812	87,503	210,849	104,087
EBITDA%	22%	24%	21%	20%

SSP recorded a positive EBITDA margin of 22% in 2Q 2024 compared to 24% in 2Q 2023, and a positive EBITDA margin of 21% in 6M 2024 compared to 20% in 6M 2023. The improvement in the 6M period resulted mainly from consolidating the results of GPC for the full period in 6M 2024 compared to consolidating its results from 17/5/2023 in 6M 2023, and to the efficiency improvement and mix of products sold.

Free Cash Flow

Free cash flow is a measure of financial performance, calculated as operating cash flow less capital expenditures. It 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.

	Three-month period ended June 30,		Six-months period ended June 30,	
	2024	2023	2024	2023
(All amounts in thousands of SAR)				
Net cash provided by operating activities	26,068	46,019	(663)	83,788
Capital expenditures	(9,059)	(1,050)	(15,208)	(1,063)
Free cash flow	17,010	44,969	(15,871)	82,725

SSP recorded a positive free cash flow of SAR 17 million in 2Q 2024 compared to SAR 45 million in 2Q 2023. Due to the increase in working capital as a result of higher activities, and the higher capital expenditure, SSP recorded a negative Free Cash Flow of SAR (16) million in 6M 2024 compared to a positive Free Cash Flow of SAR 83 million in 6M 2023.

Net Cash (Debt)

Net Cash (Debt) 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. It 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)

	At June 30,	
	2024	2023
(All amounts in thousands of SAR)		
Cash and cash equivalents	101,701	196,415
Current Borrowings	(354,143)	(695,507)
Non-current Borrowings	(80,250)	(41,250)
Net cash / (debt)	(332,692)	(540,342)
Equity	1,004,364	772,337
Gearing Ratio (Equity/Net Debts)	3.0x	1.4x

Net Debt decreased to SAR 333 million in 2Q 2024 compared to SAR 540 million in 2Q 2023, as a result of the improvement in profitability and effective cash flow management. Gearing ratio improved to 3.0x as at the end of 2Q 2024 compared to 1.4x as at the end of 2Q 2023.