

SAUDI CERAMIC COMPANY
(A Saudi Joint Stock Company)
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(UNAUDITED)
AND INDEPENDENT AUDITOR'S REVIEW REPORT
FOR THE THREE-MONTH PERIOD ENDED
31 MARCH 2026

SAUDI CERAMIC COMPANY

(A Saudi Joint Stock Company)

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(UNAUDITED)**

FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2026

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INDEPENDENT AUDITOR'S REVIEW REPORT ON THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(1 / 2)

TO THE SHAREHOLDERS OF SAUDI CERAMIC COMPANY
JOINT STOCK COMPANY

INTRODUCTION

We have reviewed the accompanying 31 March 2026 condensed consolidated interim financial statements of Saudi Ceramic Company (the "Group") which comprises:

- The condensed consolidated statement of financial position as at 31 March 2026;
- The condensed consolidated statement of profit or loss and other comprehensive income for the three-month period then ended;
- The condensed consolidated statement of changes in equity for the three-month period then ended;
- The condensed consolidated statement of cash flows for the three-month periods then ended; and
- The notes to the condensed consolidated interim financial statements.

Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with International Accounting Standard 34 - "Interim Financial Reporting" ("IAS 34") that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagement 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", that is endorsed in the Kingdom of Saudi Arabia. A review of condensed consolidated interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with IAS 34 that is endorsed in the Kingdom of Saudi Arabia.

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**INDEPENDENT AUDITOR'S REVIEW REPORT ON THE CONDENSED CONSOLIDATED
INTERIM FINANCIAL STATEMENTS**

(2 / 2)

**TO THE SHAREHOLDERS OF SAUDI CERAMIC COMPANY
JOINT STOCK COMPANY**

EMPHASIS OF MATTER – CHANGE IN ACCOUNTING ESTIMATE

We draw attention to Note 5.1 to the condensed consolidated interim financial statements, which describes the change in accounting estimate relating to the useful lives of certain items of property, plant and equipment.

Our conclusion is not modified in respect of this matter.

PKF Al-Bassam
Chartered Accountants

Abdulillah Al Bassam
Certified Public Accountant
License No. 703
Riyadh, Kingdom of Saudi Arabia
30 Dhul-Qi'dah 1447H
Corresponding to: 17 May 2026



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SAUDI CERAMIC COMPANY

(A Saudi Joint Stock Company)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**AS AT 31 MARCH 2026**

(In Saudi Riyals Thousand)

	Note	31 March 2026 (Unaudited)	31 December 2025 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	5	1,511,602	1,509,000
Right-of-use assets		123,597	115,618
Intangible assets		10,181	10,274
Financial assets at fair value through other comprehensive income	11	8,542	8,542
Total non-current assets		1,653,922	1,643,434
Current assets			
Inventories, net		850,970	827,895
Trade receivables, prepayments and other current assets		342,112	299,308
Derivative financial instruments at fair value through profit or loss	11	1,004	135
Cash and cash equivalents		33,522	48,466
Total current assets		1,227,608	1,175,804
Total assets		2,881,530	2,819,238
EQUITY AND LIABILITIES			
Equity			
Share capital	6	1,000,000	1,000,000
Fair value reserve		4,317	4,317
Treasury shares	7	(9,112)	(9,112)
Retained earnings		530,317	558,604
Total equity attributable to the shareholders of the company		1,525,522	1,553,809
Non-controlling interest		891	214
Total equity		1,526,413	1,554,023
Liabilities			
Non-current liabilities			
Long-term borrowings, non-current portion	9	251,759	263,764
Lease liabilities, non-current portion		93,635	84,533
Employees' defined benefit liabilities		92,094	90,693
Total non-current liabilities		437,488	438,990
Current liabilities			
Short-term borrowings	9	464,241	391,501
Long-term borrowings, current portion	9	80,529	89,544
Lease liabilities, current portion		23,138	21,420
Trade payables, accruals and other current liabilities		338,128	314,290
Zakat provision	10	11,593	9,470
Total current liabilities		917,629	826,225
Total liabilities		1,355,117	1,265,215
Total equity and liabilities		2,881,530	2,819,238

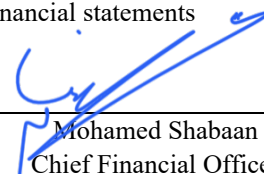
The accompanying notes 1 to 18 form an integral part of these condensed consolidated interim financial statements



Abdulaziz Alkhuraiji
Vice Chairman of the Board



Azzam Al-Mudalheem
Chief Executive Officer



Mohamed Shabaan
Chief Financial Officer

SAUDI CERAMIC COMPANY

(A Saudi Joint Stock Company)

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME****FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2026**

(In Saudi Riyals Thousand)

	Note	For the three-month period ended 31 March	
		2026 (Unaudited)	2025 (Unaudited)
<u>PROFIT OR LOSS</u>			
Revenue, net	4	383,015	384,603
Cost of revenue		(263,535)	(282,982)
Gross profit		119,480	101,621
Selling and distribution expenses		(72,355)	(58,841)
General and administration expenses		(18,337)	(17,734)
Other income, net		3,005	8,421
Reversal of impairment on property, plant and equipment	5.4	4,417	-
Expected credit loss allowance		(659)	(79)
Gain on derivative financial instruments at FVTPL	16	1,659	841
Operating profit		37,210	34,229
Finance cost		(12,856)	(11,926)
Profit before zakat		24,354	22,303
Zakat expense		(2,123)	(1,480)
Net profit for the period		22,231	20,823
Net profit for the period attributable to:			
Shareholders of the company		22,419	21,121
Non-controlling interest		(188)	(298)
		22,231	20,823
Earnings per share (SAR)			
Basic and diluted earnings per share	13	0.22	0.21
<u>OTHER COMPREHENSIVE INCOME FOR THE PERIOD</u>			
Total comprehensive income for the period		22,231	20,823
Total comprehensive income for the period attributable to:			
Shareholders of the company		22,419	21,121
Non-controlling interest		(188)	(298)
Total comprehensive income for the period		22,231	20,823

The accompanying notes 1 to 18 form an integral part of these condensed consolidated interim financial statements


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SAUDI CERAMIC COMPANY

(A Saudi Joint Stock Company)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2026

(In Saudi Riyals Thousand)

	Share capital	Fair value reserve	Treasury shares	Retained earnings	Total equity attributable to the shareholders	Non-controlling interest	Total equity
<u>For the three-month period ended 31 March 2025 (Unaudited)</u>							
Balance as at 1 January 2025	1,000,000	3,652	(9,112)	429,053	1,423,593	1,107	1,424,700
Net profit / (loss) for the period	-	-	-	21,121	21,121	(298)	20,823
Other comprehensive income for the period	-	-	-	-	-	-	-
Total comprehensive income / (loss) for the period	-	-	-	21,121	21,121	(298)	20,823
Balance as at 31 March 2025	1,000,000	3,652	(9,112)	450,174	1,444,714	809	1,445,523
<u>For the three-month period ended 31 March 2026 (Unaudited)</u>							
Balance as at 1 January 2026	1,000,000	4,317	(9,112)	558,604	1,553,809	214	1,554,023
Net profit / (loss) for the period	-	-	-	22,419	22,419	(188)	22,231
Other comprehensive income for the period	-	-	-	-	-	-	-
Total comprehensive income / (loss) for the period	-	-	-	22,419	22,419	(188)	22,231
Dividends payable (Note 8)	-	-	-	(49,841)	(49,841)	-	(49,841)
Non-controlling interest transaction	-	-	-	(865)	(865)	865	-
Balance as at 31 March 2026	1,000,000	4,317	(9,112)	530,317	1,525,522	891	1,526,413

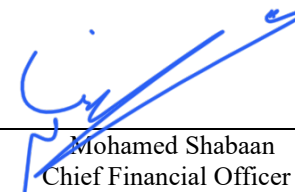
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SAUDI CERAMIC COMPANY

(A Saudi Joint Stock Company)

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2026**

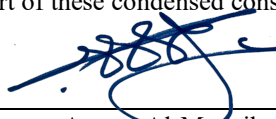
(In Saudi Riyals Thousand)

	For the three-month period ended 31 March	
	2026 (Unaudited)	2025 (Unaudited)
<u>Cash flows from operating activities</u>		
Net profit for the period before zakat	24,354	22,303
Adjustments to reconcile net profit for the period before zakat to net cash provided by operating activities		
Depreciation and amortization	33,710	36,969
Loss on disposal of property, plant, and equipment	282	685
Gain on disposal of lease contracts	-	(1,687)
Reversal of impairment loss on property, plant and equipment	(4,417)	-
Allowance for expected credit losses	659	78
Finance cost	12,856	11,926
Employees' post-employment benefits charged	2,355	3,299
Gain on disposal of assets held for sale	-	(183)
Fair value changes on financial derivatives - (Note 16)	(869)	(431)
Changes in operating assets and liabilities		
Trade receivables, prepayments and other current assets	(43,993)	(35,662)
Inventories	(19,998)	25,550
Trade payables, accruals and other current liabilities	(25,998)	(42,755)
Employees' post-employment benefits paid	(1,906)	(2,113)
Net cash (used in)/generated from operating activities	<u>(22,965)</u>	<u>17,979</u>
<u>Cash flows from investing activities</u>		
Purchase of property, plant, and equipment	(27,608)	(20,688)
Proceeds from disposal of property, plant, and equipment	-	76
Acquisition of intangible assets	(101)	-
Proceeds from disposal of assets held for sale	-	255
Net cash used in investing activities	<u>(27,709)</u>	<u>(20,357)</u>
<u>Cash flows from financing activities</u>		
Proceeds from short-term borrowings	278,166	161,381
Repayments of short-term borrowings	(204,220)	(155,931)
Proceeds from long-term borrowings	65	9,272
Repayments of long-term borrowings	(22,383)	(6,824)
Lease obligations paid	(6,085)	(7,445)
Finance cost paid	(9,813)	(13,926)
Net cash generated from/(used in) financing activities	<u>35,730</u>	<u>(13,473)</u>
Net change in cash and cash equivalents	<u>(14,944)</u>	<u>(15,851)</u>
Cash and cash equivalents at the beginning of the period	48,466	42,296
Cash and cash equivalents at the end of the period	<u>33,522</u>	<u>26,445</u>

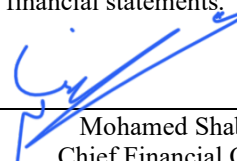
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Abdulaziz Alkhurajji
Vice Chairman of the Board



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SAUDI CERAMIC COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2026

(In Saudi Riyals Thousand unless stated otherwise)

1. ORGANIZATION ACTIVITIES

A. Saudi Ceramic Company ("Company") is a A Saudi Joint Stock Company established by Royal Decree No. (M/16) on 25 Rabi Thani 1397AH (corresponding to 14 April 1977), registered in the Kingdom of Saudi Arabia under the Unified Number 7018066873 and Commercial Register No. 1010014590 issued in Riyadh on 15 Safar 1398 AH (corresponding to 24 January 1978). The Company is engaged in the production and sale of ceramic products, water heaters, sanitary ware and their components. The Company is also involved in the import of related machinery, equipment, and other accessories.

B. The condensed consolidated interim financial statements as of 31 March 2026 include the activities of the parent company and the following subsidiaries (the company and its subsidiaries hereinafter shall be referred to as the "Group").

Subsidiaries	Main operation	Country of incorporation	Ownership percentage	
			31 March 2026	31 December 2025
Ceramics Pipes Company, Closed A Saudi Joint Stock Company	Import and export, wholesale and retail trading of clay pipes	KSA	92.22%	92.22%
Desert Mines Company, One Person A Saudi Joint Stock Company (1)	Mining and quarries operating and management	KSA	100%	-
Arzan Company - LLC (2)	Operation and maintenance	KSA	100%	100%
Ceramics Investment Company - LLC (2) / (3)	Marketing services, wholesale and retail trading	KSA	99.6%	99.6%

1. Pursuant to the Board of Directors' resolution dated 17 December 2025, the Company restructured its mining and quarries operations sector, previously operated through a branch, by transferring it into a newly established wholly owned subsidiary, Desert Mines Company, a One Person A Saudi Joint Stock Company with share capital of SAR 500,000.

The transfer of the entire economic activity, including related assets, liabilities, and operations, was effective from 1 January 2026, upon completion of the relevant regulatory procedures.

For accounting purposes, the transaction represents a restructuring under common control. Accordingly, the transferred assets and liabilities have been recognized at their existing carrying amounts, with no gain or loss recognized. This transaction has no impact on the condensed consolidated interim financial statements of the Group.

2. Arzan Company and Ceramics Investment Company did not start commercial operations from date of their establishment until 31 March 2026.
 3. The ownership percentage of the Saudi Ceramic Company is represented in the Ceramic Investment Company at "99.6%", consisting of 95% direct shareholding and 4.6% indirect shareholding, through the Ceramic Pipes Company.
- C. The condensed consolidated interim financial statements present the assets, liabilities, and results of operations of the Company under its main and subsidiary commercial registrations, and include the assets, liabilities, and results of operations of its subsidiaries. The Company and its subsidiaries are hereinafter collectively referred to as the "Group".

The performance of the Group for the three-month period ending 31 March 2026 is not necessarily indicative of the results that may be expected for the financial year ending 31 December 2026.

- D. The Company's headquarter is located at the following address:
Saudi Ceramic Company
Riyadh - Al-Olayya District - King Fahad Road
P.O. Box 3893 - Zip Code 11481
Kingdom of Saudi Arabia

SAUDI CERAMIC COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2026

(In Saudi Riyals Thousand unless stated otherwise)

2. BASIS OF PREPARATION

2.1 Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard IAS 34 'Interim Financial Reporting' as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA") and should be read in conjunction with the Group's most recent annual consolidated financial statements for the year ended 31 December 2025. These do not include all of the information normally required for a complete set of consolidated financial statements; however, accounting policies and selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since 31 December 2025.

2.2 Preparation of the condensed consolidated interim financial statements

These condensed consolidated interim financial statements have been prepared on the historical cost convention except for financial assets measured at fair value through other comprehensive income and derivative financial instruments measured at fair value through profit or loss.

2.3 Use of judgments and estimates

In preparing these condensed consolidated interim financial statements, management has made judgments and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. The significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the most recent annual consolidated financial statements.

2.4 Functional and presentation currency

These condensed consolidated interim financial statements are presented in Saudi Riyal (SAR), which is the Group's functional and presentation currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

2.5 Basis of consolidation

These condensed consolidated interim financial statements incorporate the financial statements of the "Group" as detailed in note 1. The Group's financial statements consolidate those of the Parent Company and all its subsidiaries at each reporting date. All subsidiaries' fiscal year-end is 31 December.

The financial statements of the subsidiaries are included in the condensed consolidated interim financial statements from the date on which control commences until the date on which control ceases.

The Group controls an investee when it has:

- a) Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- b) Exposure, or rights, to variable returns from its involvement with the investee; and
- c) The ability to use its power over the investee to affect its returns.

The subsidiaries' operating results are included in consolidated profit or loss and other comprehensive income from the date of acquisition, being the date on which control commences.

All transactions and balances between Group companies are eliminated on consolidation, including unrealized gains and losses on transactions between Group companies. Where unrealized losses on intra-group asset sales are eliminated on consolidation, the underlying asset is also tested for impairment from a Group perspective.

The Group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests.

SAUDI CERAMIC COMPANY

(A Saudi Joint Stock Company)

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2026**

(In Saudi Riyals Thousand unless stated otherwise)

2. BASIS OF PREPARATION (CONTINUED)**2.6 New standards and amendments to the standards and interpretations**

A. A number of new amendments to the standards, listed below, are effective this year but they do not have a material effect on the Company's condensed consolidated interim financial statements:

Standard or amendments to the standard	Description	Effective for annual years beginning on or after	Summary of the amendment
IFRS 9 and IFRS 7	Classification and Measurement of Financial Instruments	1 January 2026	The amendments clarify the recognition and derecognition of financial assets and financial liabilities, including settlement date accounting for certain electronic payment systems. They also provide additional guidance on assessing contractual cash flow characteristics of financial assets, including contingent cash flows arising from environmental, social and governance (ESG)-linked features. The amendments also introduce new and updated disclosure requirements in IFRS 7
IFRS 9 and IFRS 7	Contracts Referencing Nature-dependent Electricity	1 January 2026	These amendments modify the 'own use' requirements and hedge accounting provisions in IFRS 9 for contracts that expose entities to variability in electricity prices due to uncontrollable natural conditions such as weather. Targeted disclosure requirements are introduced in IFRS 7.

B. The Company has not applied the following amendments to IFRS that have been issued but are not yet effective:

Standard or amendments to the standard	Description	Effective for annual years beginning on or after	Summary of amendment
IFRS 18	Presentation and Disclosure in Financial Statements	1 January 2027	IFRS 18 replaces IAS 1 and establishes a new framework for the presentation and disclosure of financial statements. The standard introduces new categories for income and expenses (operating, investing and financing) and requires presentation of new subtotals, including operating profit or loss and profit or loss before financing and income taxes. It also enhances guidance on aggregation and disaggregation, introduces disclosure requirements for management-defined performance measures, and removes classification options for interest and dividends in the statement of cash flows.
IFRS 19	Subsidiaries without Public Accountability	1 January 2027	IFRS 19 permits eligible subsidiaries without public accountability to apply reduced disclosure requirements while continuing to apply full IFRS recognition and measurement principles. The standard affects disclosure requirements only and does not impact recognition or measurement.

Management anticipates that these amendments will be adopted in the Company's financial statements as and when they become applicable, and that their adoption is not expected to have a material impact on the financial statements of the Company in the period of initial application.

SAUDI CERAMIC COMPANY

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**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2026**

(In Saudi Riyals Thousand unless stated otherwise)

3. MATERIAL ACCOUNTING POLICIES

The accounting policies applied by the Group in these condensed consolidated interim financial statements for the period ended 31 March 2026 are consistent with those applied by the Group in its consolidated financial statements for the year ended 31 December 2025.

4. OPERATING SEGMENTS

The Group's principal business activities involve manufacturing and trading of different types of ceramic and porcelain products, sanitary ware, water heaters and ceramic pipes. The Group has the following three strategic divisions, which represent its reportable segments. The Group's Chief Executive Officer reviews the internal management reports of each segment on a monthly basis. The following summary describes the operations of each reportable segment:

Reportable segment	Operations
Ceramic tiles and sanitary ware	Manufacturing and distribution of ceramic, porcelain tiles and sanitary ware items
Water heaters	Manufacturing and distribution of electric water heaters
Ceramic pipes	Manufacturing and distribution of clay pipes for sanitary ware and sewage networks

Other operations related to ceramic tiles and sanitary ware include the red bricks manufacturing and distribution, plastic packaging products, and quarry operations. None of these segments met any of the quantitative thresholds for determining reportable segments in 2026 and 2025.

4.1 Information about reportable segments

	Ceramic tiles and sanitary ware	Water heaters	Ceramic pipes	Total
For the three-month period ended 31 March 2026 (Unaudited)				
Segment revenues	250,821	127,209	4,985	383,015
Segment profit / (loss) before zakat	6,556	20,132	(2,334)	24,354
As at 31 March 2026 (Unaudited)				
Segment assets	1,838,528	932,447	110,555	2,881,530
Segment liabilities	887,078	449,899	18,140	1,355,117
	Ceramic tiles and sanitary ware	Water heaters	Ceramic pipes	Total
For the three-month period ended 31 March 2025 (Unaudited)				
Segment revenues	241,018	139,335	4,250	384,603
Segment profit / (loss) before zakat	(1,063)	24,434	(1,068)	22,303
As at 31 December 2025 (Audited)				
Segment assets	1,824,760	883,250	111,228	2,819,238
Segment liabilities	839,764	406,476	18,975	1,265,215

The segment assets and liabilities of Ceramic pipes segment are net of intercompany balances.

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**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2026**

(In Saudi Riyals Thousand unless stated otherwise)

4. OPERATING SEGMENTS (CONTINUED)**4.2 Classification of revenue from contracts with customers**

The Group derives revenue from the transfer of goods and services in the following major product lines and geographical regions:

	<u>For the three-month period ended 31 March 2026 (Unaudited)</u>			
	<u>Ceramic tiles and sanitary ware</u>	<u>Water heaters</u>	<u>Ceramic pipes</u>	<u>Total revenue</u>
Primary geographical markets				
Local	244,434	104,100	4,985	353,519
Export	6,387	23,109	-	29,496
	<u>250,821</u>	<u>127,209</u>	<u>4,985</u>	<u>383,015</u>
Timing of revenue recognition				
At point in time	<u>250,821</u>	<u>127,209</u>	<u>4,985</u>	<u>383,015</u>

	<u>For the three-month period ended 31 March 2025 (Unaudited)</u>			
	<u>Ceramics tiles and sanitary ware</u>	<u>Water heaters</u>	<u>Ceramic pipes</u>	<u>Total revenue</u>
Primary geographical markets				
Local	233,907	119,206	4,250	357,363
Export	7,111	20,129	-	27,240
	<u>241,018</u>	<u>139,335</u>	<u>4,250</u>	<u>384,603</u>
Timing of revenue recognition				
At point in time	<u>241,018</u>	<u>139,335</u>	<u>4,250</u>	<u>384,603</u>

4.3 Seasonality of operations

The Group's water heater segment is subject to seasonal fluctuations due to weather conditions. In particular, demand for electric water heaters decreases during the summer season (from April to September). The Group seeks to reduce the seasonal impact through inventory management. Accordingly, this segment generally records lower revenues and profits during the second and third quarters of each year.

During the three-month period ended 31 March 2026, the water heater sector recorded revenues of SAR 127 million (three-month period ended 31 March 2025: SAR 139 million) and achieved net profit before zakat amounting to SAR 20.1 million (three-month period ended 31 March 2025: SAR 24.4 million).

For the twelve-month period from 1 April 2025 to 31 March 2026, the segment recorded revenue of SAR 467 million (1 April 2024 to 31 March 2025: SAR 482 million).

SAUDI CERAMIC COMPANY

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2026

(In Saudi Riyals Thousand unless stated otherwise)

5. PROPERTY, PLANT AND EQUIPMENT

5.1 Change in accounting estimate - revision of useful lives of property, plant and equipment

Depreciation methods, useful lives and residual values of property, plant and equipment are reviewed by the Group on an annual basis. During the first quarter of 2026, the Group, with the assistance of an independent technical expert, performed a comprehensive review of the useful lives of its property, plant and equipment. The review considered factors including actual asset utilization, expected technological changes, maintenance programs, and the Group's strategic capital expenditure plans. Based on this review, the estimated remaining useful lives of certain items of machinery and equipment, buildings and vehicles have been revised. The revision has been accounted for as a change in accounting estimate in accordance with IAS 8 and has been applied prospectively from 1 January 2026. Accordingly, depreciation expense for the current and future periods has been revised based on the reassessed remaining useful lives of the relevant assets.

Asset classes affected and revised useful lives

Asset class	Previous useful lives (Years)	Revised useful lives (Years)
Buildings	10 - 33.33	15 - 45
Machinery and equipment	20 - 30	10 - 30
Motor vehicles	4	3 - 15

Financial impact

The revision resulted in a decrease in depreciation expense of SAR 7.2 million for the three-month period ended 31 March 2026, with a corresponding increase in the net carrying amount of property, plant and equipment. The estimated impact on depreciation expense for the current and future periods is as follows:

SAR '000	2026	2027	2028	2029	2030
Net decrease in depreciation expense	28,698	30,148	25,114	17,660	14,962

5.2 During the three-month period ended 31 March 2026, the Group acquired property, plant, and equipment with a cost of SAR 27.6 million including capital work in progress of SAR 16.6 million (31 March 2025: SAR 20.6 million including capital work in progress amounting to SAR 14 million).

5.3 During the three-month period ended 31 March 2026, the Group disposed certain items of the property, plant, and equipment at Nil value which resulted in a loss of SAR 0.28 million (31 March 2025: loss of SAR 0.69 million) and these amounts are included in the "other income" in the consolidated statement of profit or loss and comprehensive income.

5.4 During the three-month period ended 31 March 2026, the Group recognized a reversal of impairment loss on certain items of property, plant and equipment amounting to SAR 4.4 million. These assets were previously impaired following a fire incident at the sanitary ware plant in July 2023. Subsequent inspections and reassessment revealed that the equipment remained operational and recoverable.

6. SHARE CAPITAL

The Company's share capital at 31 March 2026 amounted to SAR 1 billion (31 March 2025: SAR 1 billion), consisting of 100 million (31 March 2025: 100 million) fully paid and issued shares of SAR 10 each. Holders of these shares are entitled to dividends as declared from time to time and are entitled to one vote per share at a general assembly meeting.

7. TREASURY SHARES

As at 31 March 2026, the Group held a total of 320,000 treasury shares with an aggregate cost of SAR 9.1 million. No treasury shares were transferred to employees during the period. The purchase of treasury shares was approved by the Extraordinary General Assembly at its meeting held on 20 Dhu Al-Hijjah 1445H (corresponding to 26 June 2024), which authorized the Company to acquire up to 320,000 of its own shares for the purpose of allocating them under the Company's employee share-based incentive scheme.

8. DIVIDENDS

On 31 March 2026, the General Assembly approved the Board of Directors' recommendation to distribute cash dividends to shareholders for the second half of the fiscal year ended 31 December 2025 amounting to SAR 49.8 million, representing SAR 0.50 per share (5% of the nominal value per share). The dividends related to 99,680,000 ordinary shares, as 320,000 treasury shares held under the Employees' Stock Incentive Plan were not entitled to the distribution. Shareholders of record as at 31 March 2026 were entitled to the dividend, which was paid on 14 April 2026. The dividend was recognized in retained earnings and is presented as a distribution to shareholders in the condensed consolidated statement of changes in equity.

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(In Saudi Riyals Thousand unless stated otherwise)

9. BORROWINGS

9.1 Long-term borrowings

	<u>31 March 2026</u>	<u>31 December 2025</u>
	<u>(Unaudited)</u>	<u>(Audited)</u>
Opening balance as at period / year	349,090	320,994
Receipts during the period/year	65	130,144
Payments during the period/year	<u>(22,383)</u>	<u>(102,048)</u>
Borrowings at the end of the period/year	326,772	349,090
Charged interest to SIDF loans	801	827
Accrued finance costs at the end of the period/year	<u>4,715</u>	<u>3,391</u>
Total	<u>332,288</u>	<u>353,308</u>
Non-current portion	<u>251,759</u>	<u>263,764</u>
Current portion	<u>80,529</u>	<u>89,544</u>

9.2 Loan Covenants - long-term borrowings

The loan agreements (among other things) contain covenants requiring the Group to maintain certain financial ratios and comply with specified financial conditions. As of 31 March 2026, the Group is in compliance with the loan covenants.

9.3 Short-term borrowings

Short term borrowings amounted to SAR 464.2 million at 31 March 2026, (31 December 2025: SAR 391.5 million) and represent Islamic Murabaha financing granted to the Group by local commercial and government banks. Loan charges are determined based on the market profit rates. These loans are guaranteed by promissory notes in favor of the banks for the borrowing exposure. During the three-month period ended March 31, 2026, SAR 278.1 million (March 31, 2025: SAR 161.3 million) short term borrowings were obtained and SAR 204.2 million were repaid (March 31, 2025: SAR 155.9 million).

10. ZAKAT PROVISION

The following is the zakat position of the Saudi Ceramic Company and its subsidiaries:

Saudi Ceramic Company

The Company submitted zakat returns to the Zakat, Tax, and Customs Authority for the years up to 2025, and obtained the required certificates for those years. The company completed the Zakat assessment up to 2024. The company did not receive any zakat assessments for 2025.

Ceramics Investment Company

The Ceramics Investment Company submitted zakat returns to the Zakat, Tax, and Customs Authority for the years up to 31 December 2025 and obtained the required certificates for those years. The company has not received any zakat assessment since the operations have not been started.

Arzan Company

The company submitted zakat returns to the Zakat, Tax, and Customs Authority for the years up to 31 December 2025 and obtained the required certificates for those years. The company has not received any zakat assessments since the operations have not been started.

Ceramics Pipes Company

The company completed its zakat assessment up to 2019 and submitted zakat returns to the Zakat, Tax, and Customs Authority for all years up to 2025 and obtained the required certificates for those years. The company has not received any zakat assessments from 2019 onwards until the reporting date.

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11. FINANCIAL INSTRUMENTS

Management believes that the carrying amounts of financial assets and liabilities measured at amortized cost approximate their fair values as at the reporting date because of their short-term nature. Financial assets at fair value through profit or loss and those at fair value through other comprehensive income are measured at fair value. Financial instruments measured at fair value are classified within Levels 1, 2 and 3 of the fair value hierarchy. There were no transfers between different levels of the fair value hierarchy during the current or prior period.

11.1 The fair value of financial instruments:

The following table shows the group's financial instruments that are measured at fair value.

	<u>Carrying amount</u>	<u>Fair Value</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<u>As at 31 March 2026 (Unaudited)</u>				
Derivative financial instrument at fair value through profit or loss	1,004	-	1,004	-
Financial assets at fair value through other comprehensive income	8,542	-	-	8,542
<u>As at 31 December 2025 (Audited)</u>				
Derivative financial instrument at fair value through profit or loss	135	-	135	-
Financial assets at fair value through other comprehensive income	8,542	-	-	8,542

Level 2 fair value

Level 2 derivative financial instruments comprise Target Redemption Forward (TRF) contracts used to economically hedge the Group's exposure to EUR/USD exchange rate fluctuations arising from forecast EUR-denominated purchases. These derivatives are valued using widely accepted valuation models based on observable market inputs. Valuations are obtained from counterparties and are determined using standard forward pricing and discounted cash flow techniques, incorporating observable inputs such as interest rate curves, foreign exchange rates, credit spreads, and forward and spot price.

Level 3 fair value

The following table shows a reconciliation from the opening balances to the closing balances for level 3 fair values for recurring fair value measurements.

	<u>31 March 2026</u>	<u>31 December 2025</u>
Opening balance as at period / year	8,542	7,877
Unrealized gain recognized in OCI	-	665
Closing balance as at period / year	8,542	8,542

12. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties comprise the Company's major shareholders, members of the Board of Directors, key management personnel, and entities over which these parties exercise control, joint control or significant influence.

Transactions with subsidiaries mainly include financing arrangements and payments made on behalf of subsidiaries. These transactions, together with any related balances, are eliminated on consolidation in the condensed consolidated interim financial statements.

Transactions with related parties are conducted on terms equivalent to those that prevail in arm's-length transactions. Outstanding balances arising from related party transactions are unsecured and non-interest-bearing unless otherwise stated and are settled in cash.

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12. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

12.1 The major material transactions and balances with related parties are as follows:

During the normal course of its operations, the Group had the following significant transactions with related parties during the period ended 31 March 2026 and 31 March 2025 along with their balances:

		Transactions for the three-month period ended on		Balances as at	
		31 March 2026	31 March 2025	31 March 2026 (Unaudited)	31 December 2025 (Audited)
Purchase of goods and services					
Natural Gas Distribution Company	Supplier	14,179	16,771	4,907	5,198
Gulf Insurance Group	Supplier	58	-	-	-
Chubb Arabia Cooperative Insurance	Supplier	5	78	1	-
Best Gas Distributor Company	Supplier	184	1,684	-	-

These balances are included in trade and other payable in the condensed consolidated statement of financial position.

12.2 Board of Directors and Key Management Personnel

The Senior Executives, including the Chief Executive Officer and the Chief Financial Officer, receive remuneration according to the employment contracts signed with them, while the board of directors receives remuneration according to the board of directors' remuneration policy that is approved by the General Assembly.

The following table illustrates details of remuneration and compensations paid to Directors and Key Management Personnel: short-term employee benefits during the period.

	31 March 2026			31 March 2025		
	Board and Committees Members	Executive Management	Total	Board and Committees Members	Executive Management	Total
Short term salaries and benefits	-	1,830	1,830	-	1,736	1,736
Remunerations and allowances	3,626	2,061	5,687	-	194	194
Total	3,626	3,891	7,517	-	1,930	1,930

13. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the following net profit for the period attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

	For the three-month period ended on	
	31 March 2026 (Unaudited)	31 March 2025 (Unaudited)
Profit for the period attributable to the shareholders (SAR "000")	22,419	21,121
Weighted average number of shares (Shares in "000")	99,680	99,680
Basic and diluted earnings per share (SAR)	0.22	0.21

There were no potentially dilutive shares outstanding at any time during the period ended 31 March 2026.

14. FINANCIAL INSTRUMENTS, RISK MANAGEMENT AND FAIR VALUE

Fair value

The fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair values are classified into different levels in the fair value hierarchy based on the inputs used in the valuation methods as follows:

Level 1: the quoted market prices in active markets for the same financial instruments.

Level 2: valuation techniques that depend on inputs that affect fair value and can be directly or indirectly observed in the market.

Level 3: Valuation techniques that depend on inputs that affect fair value that cannot be directly or indirectly observed in the market.

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14. FINANCIAL INSTRUMENTS, RISK MANAGEMENT AND FAIR VALUE (CONTINUE)

Risk management - financial derivatives

The Group remains exposed to foreign currency risk arising from its forecasted EUR-denominated cash flows. Although the Target Redemption Forward (TRF) contracts are not designated for hedge accounting under IFRS 9 due to the failure to meet effectiveness criteria, they continue to serve as economic hedges, mitigating the impact of fluctuations in the EUR/USD exchange rate. To manage this exposure, the Group conducts regular sensitivity analyses and ensures that derivative transactions are executed with counterparties of high credit quality. This strategy is in line with the Group's risk management policy, which aims to reduce cash flow volatility while avoiding speculative trading.

15. CONTINGENCIES AND COMMITMENTS

- A. The Group has obtained bank facilities in the form of letters of guarantee and letters of credit from local banks amounting to SAR 93.9 million as of 31 March 2026 (31 December 2025: SAR 101 million).
- B. The Group had capital commitments amounting to SAR 47.6 million as at 31 March 2026 in respect of ongoing projects, primarily relating to the supply of machinery and equipment for these projects (31 December 2025: SAR 26 million).

16. DERIVATIVE FINANCIAL INSTRUMENTS

16.1 Nature and purpose

The Group entered into Target Redemption Forward (TRF) contracts to economically hedge its exposure to fluctuations in the EUR/USD exchange rate arising from forecasted EUR-denominated purchases. The TRF agreements involve the purchase of EUR and the sale of USD at pre-determined exchange rates and include a knock-out feature that results in early termination once a specified target profit level is reached.

Although the TRF contracts were initially designated as cash flow hedges under IFRS 9, the hedge ratio was lower and did not align with the forecasted EUR-denominated exposure, and the effectiveness requirements were not met. As a result, hedge accounting was not applied, and the contracts are measured at fair value through profit or loss (FVTPL).

16.2 Currency swap agreement

On 20 November 2025, the Group entered into a Wa'ad Cross Currency Swap Agreement (Wa'ad Enhanced Target Redemption Forward Product) with a local bank as part of its treasury strategy to manage exposure to variability in cash flows arising from forecast USD-denominated transactions. The arrangement has a notional principal of USD 40 million (equivalent to SAR 150 million). Under the terms of the agreement, the Group receives profit rate per annum calculated on the SAR notional amount with quarterly settlements effected through a Tawarruq or Murabaha mechanism and a final exchange of principal at the maturity date.

16.3 Fair value measurement

The TRFs' fair values are determined using an intrinsic-value model based on observable forward EUR/USD rates and contractual strike prices; discounting is immaterial given the short settlement horizon, and no credit risk adjustment is applied as all transactions are with high-credit-quality counterparties.

16.4 Impact on condensed consolidated interim financial statements

An aggregate gain of SAR 1.65 million on these derivative contracts has been recognized in the condensed consolidated statement of profit or loss, comprising SAR 1 million from fair-value movements at the reporting date and SAR 0.65 million realized on earlier settlements.

Contract	Maximum Notional	Currency	Minimum Notional	Fair Value Asset / (Liability) (SAR)	Fair value level Classification
TRF-6	1,000,000	EUR	500,000	1,026,570	Level 2
CCSWAP	40,000,000	USD	-	(22,400)	Level 2
				<u>1,004,170</u>	

17. SUBSEQUENT EVENTS

Management believes that there are no significant subsequent events after the date of the condensed consolidated interim financial statements and before the issuance of these condensed consolidated interim financial statements that require amendment or disclosure.

18. APPROVAL OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The condensed consolidated interim financial statements were approved by the Board of Directors after the recommendation of the Audit Committee to approve them on 24 Dhu'l-Qi'dah 1447AH (corresponding to 11 May 2026).