

**SAUDI VITRIFIED CLAY PIPES COMPANY**  
A SAUDI JOINT STOCK COMPANY

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)  
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2026

**SAUDI VITRIFIED CLAY PIPES COMPANY**  
A SAUDI JOINT STOCK COMPANY  
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2026

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## Independent Auditor's Review Report On the Interim Condensed Consolidated financial Statements

To the shareholders of  
**Saudi Verified Clay Pipes Company**  
A Saudi Joint Stock Company

### Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Saudi Vitriified Clay Pipes Company (A Saudi Joint Stock Company) ("the Company") (and its subsidiaries together "the Group") as of March 31, 2026, and the related interim condensed consolidated statements of profit or loss and other comprehensive income, changes in equity, and cash flows for the three-month period then ended, and other explanatory notes (the "interim condensed consolidated financial statements"). Management is responsible for the preparation and presentation of these interim condensed consolidated 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 interim condensed consolidated financial statements based on our review.

### Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 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 interim financial information 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

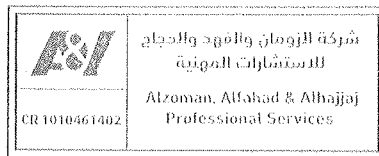
Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 "Interim Financial Reporting" that is endorsed in the Kingdom of Saudi Arabia.

### Material Uncertainty Related to Going Concern

We draw attention to Note (2) to the interim condensed consolidated financial statements, which indicates that the Group incurred a net loss of SAR 4.3 million for the three-month period ended March 31, 2026. As of that date, the accumulated losses exceeded 50% of the Company's share capital. These events and conditions, along with the other matters described in Note (2), indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. The Group's ability to continue its operations is dependent upon the completion of the share rights issue, which is expected to be completed. Accordingly, these interim condensed consolidated financial statements have been prepared on the going concern basis. Our opinion has not been modified in respect of this matter.

For Alzoman and Alfahad & Alhajjaj professional Services

Zaher Abdullah Al-Hajjaj  
Certified Public Accountant  
License No. (562)



Riyadh, Kingdom of Saudia Arabia

Date: 30 Dhu al-Qi'dah 1447H  
Corresponding to: 17 May 2025

**SAUDI VITRIFIED CLAY PIPES COMPANY**

A SAUDI JOINT STOCK COMPANY

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2026

(EXPRESSED IN ﷲ UNLESS OTHERWISE STATED)

	Note	March 31, 2026 (unaudited)	December 31, 2025 (audited)
<b>Assets</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	5	35,412,191	34,862,274
Capital Work-in-Progress	6	36,683,617	32,238,943
Intangible assets and goodwill		5,354,289	5,371,239
Right-of-use assets		7,832,868	8,153,963
<b>Total Non-Current Assets</b>		<b>85,282,965</b>	<b>80,626,419</b>
<b>Current assets</b>			
Inventories	7	31,761,980	27,309,092
Trade receivables	9	27,070,386	25,018,934
Prepayments and other assets	8	8,220,394	5,445,409
Cash and cash equivalents	10	1,542,229	14,229,893
<b>Total Current Assets</b>		<b>68,594,989</b>	<b>72,003,328</b>
<b>TOTAL ASSETS</b>		<b>153,877,954</b>	<b>152,629,747</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Capital		150,000,000	150,000,000
Accumulated losses		(85,284,303)	(80,930,321)
<b>Total equity</b>		<b>64,715,697</b>	<b>69,069,679</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Interest-bearing loans	11	14,181,818	16,000,000
Lease liabilities		6,701,647	6,757,334
Employees' defined benefit plan obligations		12,349,344	12,433,945
Deferred government grants		2,080,565	2,100,254
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>35,313,374</b>	<b>37,291,533</b>
<b>Current liabilities</b>			
Lease liabilities		1,108,651	1,108,651
Accrued expenses and other liabilities	13	8,624,056	6,901,548
Interest-bearing loans	11	16,448,544	16,379,182
Deferred government grants		78,757	78,757
Short-term Murabaha	12	8,085,593	8,619,716
Trade Payables		15,959,667	9,525,649
Contract liabilities with customers		491,766	928,183
Accrued Zakat	14	3,051,849	2,726,849
<b>Total current liabilities</b>		<b>53,848,883</b>	<b>46,268,535</b>
<b>TOTAL LIABILITIES</b>		<b>89,162,257</b>	<b>83,560,068</b>
<b>Total equity and liabilities</b>		<b>153,877,954</b>	<b>152,629,747</b>

Chief Financial Officer  
Abdulkhaleq Abdullah Babiker Al-Hassan



Chief Executive Officer  
Dr. Saad Saud Al-Sayyari



The accompanying notes from 1 to 21 form an integral part of these interim condensed consolidated financial statements.

**SAUDI VITRIFIED CLAY PIPES COMPANY**

A SAUDI JOINT STOCK COMPANY

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

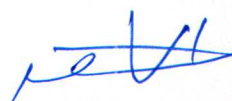
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2026

(EXPRESSED IN ﷻ UNLESS OTHERWISE STATED)

	Note	For the three-month period ended March 31,	
		2026 (unaudited)	2025 (unaudited)
Revenue from contracts with customers	15	15,459,888	13,094,560
Cost of sales		(11,178,762)	(14,111,238)
<b>Total (Loss)/ Profit</b>		<b>4,281,126</b>	<b>(1,016,678)</b>
Selling and distribution expenses		(2,380,289)	(1,193,873)
General and administrative expenses		(5,206,181)	(5,589,010)
Provision for expected credit losses		(686,769)	-
<b>Loss from operations</b>		<b>(3,992,113)</b>	<b>(7,799,561)</b>
Finance costs		(202,439)	(551,811)
Other income		165,570	82,771
<b>Loss from operations before Zakat</b>		<b>(4,028,982)</b>	<b>(8,268,601)</b>
Zakat expenses	14	(325,000)	(361,520)
<b>Loss for the period after Zakat</b>		<b>(4,353,982)</b>	<b>(8,630,121)</b>
<b>Other comprehensive income</b>			
<b>Total comprehensive loss for the period</b>		<b>(4,353,982)</b>	<b>(8,630,121)</b>
<b>Loss per share</b>			
Basic and diluted loss per share from net loss for the period	16	(0.29)	(0.58)



Chief Financial Officer  
Abdulkhaleq Abdullah Babiker Al-Hassan



Chief Executive Officer  
Dr. Saad Saud Al-Sayyari

The accompanying notes from 1 to 21 form an integral part of these interim condensed consolidated financial statements.

**SAUDI VITRIFIED CLAY PIPES COMPANY**

A SAUDI JOINT STOCK COMPANY

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

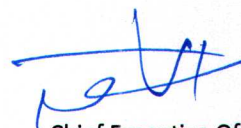
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2026

(EXPRESSED IN ﷲ UNLESS OTHERWISE STATED)

	<u>Capital</u>	<u>Accumulated Losses</u>	<u>Total Equity</u>
<b>Balance as at January 1, 2025 (Audited)</b>	150,000,000	(47,963,420)	102,036,580
Total comprehensive loss for the period	-	(8,630,121)	(8,630,121)
<b>Balance as at March 31, 2025 (Unaudited)</b>	<u>150,000,000</u>	<u>(56,593,541)</u>	<u>93,406,459</u>
Balance as at January 1, 2026 (Audited)	150,000,000	(80,930,321)	69,069,679
Net loss for the period	-	(4,353,982)	(4,353,982)
<b>Balance as at March 31, 2026 (Unaudited)</b>	<u>150,000,000</u>	<u>(85,284,303)</u>	<u>64,715,697</u>



Chief Financial Officer  
Abdulkhaleq Abdullah Babiker Al-Hassan



Chief Executive Officer  
Dr. Saad Saud Al-Sayyari

**SAUDI VITRIFIED CLAY PIPES COMPANY**

A SAUDI JOINT STOCK COMPANY

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2026

(EXPRESSED IN ٬ UNLESS OTHERWISE STATED)

	Note	For the three-month period ended March 31,	
		2026 (unaudited)	2025 (unaudited)
<b>Net cash flows from operating activities</b>			
Net loss for the period before zakat		(4,028,982)	(8,268,601)
<b>Adjustments to reconcile net loss for the period to non-cash items</b>			
Depreciation of property, plant and equipment	5	849,122	1,188,122
Amortization of intangible assets		16,950	11,901
Depreciation of right-of-use assets		321,095	322,421
Provision for damaged, slow-moving and obsolete inventory	7	563,685	-
Provision for expected credit losses	9	686,768	-
Gain on sale of property, plant and equipment		(129,994)	-
Provision for defined employee benefit obligations		371,259	323,898
Finance costs		202,439	551,811
Governmental grant		(19,689)	
		<u>(1,167,347)</u>	<u>(5,870,448)</u>
<b>Changes in operating assets and liabilities</b>			
Trade receivables		(2,738,220)	3,370,174
Prepayments and other assets		(2,774,985)	(2,941,208)
Inventories		(5,016,573)	(1,999,250)
Trade Payables		6,434,018	3,675,966
Accrued expenses and other liabilities		1,643,743	1,140,614
Contract liabilities with customers		(436,416)	644,964
Defined employee benefit obligations paid		(455,860)	(665,795)
<b>Net cash used in operating activities</b>		<u>(4,511,640)</u>	<u>(2,644,983)</u>
<b>Cash flows from investing activities</b>			
Additions to property, plant and equipment	5	(1,399,045)	(554,052)
Proceeds from sale of property, plant and equipment		130,000	-
Additions to capital work under construction		(4,444,674)	(4,223,890)
<b>Net cash used in investing activities</b>		<u>(5,713,719)</u>	<u>(4,777,942)</u>
<b>Cash flows from financing activities</b>			
Proceeds from short-term Murabaha		3,085,593	-
Repayment of short-term Murabaha		(3,619,716)	-
Proceeds from long-term loans		18,181,818	20,000,000
Repayments of long-term loans		(20,000,000)	-
Payment of lease liabilities		(110,000)	(50,713)
<b>Net cash flows (used in)/ generated from financing activities</b>		<u>(2,462,305)</u>	<u>19,949,287</u>
<b>Net change in cash and cash equivalents</b>			
Cash and cash equivalents at the beginning of the period	10	14,229,893	4,218,244
<b>Cash and cash equivalents at the end of the period</b>	10	<u>1,542,229</u>	<u>16,744,606</u>

**Non Cash Transaction**

Trade receivables write off

(3,000)

Chief Financial Officer

Abdulkhaleq Abdullah Babiker Al-Hassan

Chief Executive Officer

Dr. Saad Saud Al-Sayyari

The accompanying notes from 1 to 21 form an integral part of these interim condensed consolidated financial statements.

## SAUDI VITRIFIED CLAY PIPES COMPANY

A SAUDI JOINT STOCK COMPANY

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2026

(EXPRESSED IN ﷲ UNLESS OTHERWISE STATED)

### 1- BACKGROUND AND ACTIVITIES OF THE PARENT COMPANY AND ITS SUBSIDIARIES

#### a) Incorporation

Saudi Vitrified Clay Pipes Company (the "Company") is a Saudi Joint Stock Company registered in the Kingdom of Saudi Arabia under Commercial Registration No. 1010014993, issued in Riyadh on 8 Rabi' al-Awwal 1398H (corresponding to 16 February 1978).

On 7 August 2024, Saudi Vitrified Clay Pipes Company announced the Board of Directors' recommendation to increase the share capital by ﷲ 80 million through a rights issue. The Company is still in the process of finalizing the statutory procedures as of the date of these interim condensed consolidated financial statements.

#### b) Principal Activities of the Parent Company

The Parent Company's principal activities include the operation of quarries, the manufacture of plastic pipes, hoses, tubes, and their connections and fittings, and the manufacture of tubing.

#### c) Headquarters

The Parent Company's head office is located at the following address:

Riyadh - Second Industrial City - Road No. 182C. P.O. Box 6415 - Postal Code 11442

Kingdom of Saudi Arabia

#### d) Subsidiaries

The interim condensed consolidated financial statements as of 31 March 2026 include the financial information of the Parent Company (the "Company") and its subsidiaries (collectively referred to as the "Group") as shown below:

Subsidiary Name	Country of incorporation	Commercial Registration Number	Commercial Registration Date	Percentage	
				March 31, 2026	December 31, 2025
Laffan Pipes Company	Kingdom of Saudi Arabia	1009047290	3 June 2024	100%	100%
Saudi Land Factory for Cement Products Company	Kingdom of Saudi Arabia	1011022606	9 April 2022	100%	100%

#### e) Branch Commercial Registrations

The Parent Company holds the following branch commercial registration:

Branch name	CR No.	Date of issue	Place of issue	Activity
SAUDI VITRIFIED CLAY PIPES COMPANY	1010609539	11 July 2017	Riyadh	Quarrying operations, manufacturing of pipes, and trade in pottery and handicrafts.

### 2- BASIS OF PREPARATION OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

#### 2-1 Statement of Compliance

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard (34) "Interim Financial Reporting" that is 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 last annual consolidated financial statements for the year ended December 31, 2025. These interim condensed consolidated financial statements do not include all the information normally required for a complete set of consolidated financial statements in accordance with IFRS. However, selected accounting policies and explanatory notes have been included to explain significant events and transactions to understand the changes in the Group's financial position and performance since December 31, 2025.

#### 2-2 Basis of Measurement

The interim condensed consolidated financial statements have been prepared on a historical cost basis, except for defined employee benefit obligations, which are measured using the expected unit credit method. Another basis is used if required by IFRS endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA.

## SAUDI VITRIFIED CLAY PIPES COMPANY

A SAUDI JOINT STOCK COMPANY

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2026

(EXPRESSED IN ﷲ UNLESS OTHERWISE STATED)

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## 2 BASIS OF PREPARATION OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 2-3 Group's Going Concern and Accumulated Losses

The Group incurred a net loss of SAR 4.4 million for the period ended March 31, 2026, and the accumulated losses exceeded 50% of the share capital. Furthermore, the Group was also in breach of certain loan covenants, as a result of which loans amounting to SAR 12,448,545 were classified as current liabilities in the consolidated statement of financial position as of the reporting date. These events and conditions indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern.

The Board of Directors reviewed and approved the cash flow forecasts for the next twelve months and has commenced taking several measures to improve the Group's liquidity position, including, but not limited to:

- Increase the share capital through a rights issue.
- Diversify into additional industries with the aim of enhancing the Group's sales, through expansion into the plastic and concrete pipes industries. The construction of Lafan's HDPE pipe manufacturing plant is expected to be completed during the second quarter of 2026.
- Hold discussions with the subsidiary's lenders to restructure and/or reschedule the loans.
- Obtain additional long-term loan facilities.

The Group's ability to continue its operations depends on the successful completion of the share rights issue, which management is confident will be completed in 2026. Based on the Group's financial projections and the measures undertaken as described above, the Group's management has performed an assessment of the Group's ability to continue as a going concern and has a reasonable expectation that the Group will continue in operational existence for the foreseeable future.

Accordingly, these consolidated financial statements have been prepared on a going concern basis and do not include any adjustments to the carrying amounts and classification of assets, liabilities, and expenses disclosed that may be required should the going concern basis no longer be appropriate.

### 2-4 Presentation and Disclosure Currency

The interim condensed consolidated financial statements are presented in ﷲ, which represents the functional currency and is rounded to the nearest ﷲ.

### 2-5 Use of Judgments, Assumptions, and Estimates

The preparation of these interim condensed consolidated financial statements in accordance with IFRS endorsed in the Kingdom of Saudi Arabia requires management to use judgments, estimates, and assumptions that affect the application of accounting policies to the reported amounts of assets and liabilities, as well as the disclosures of contingent assets and liabilities at the date of the consolidated statement of financial position. Estimates and assumptions affect the balances of assets and liabilities as well as the reported amounts of revenue and expenses. Although these estimates are prepared based on the best information available to management regarding current events and conditions, actual results may differ from these estimates.

Judgments, estimates, and related assumptions are reviewed on an ongoing basis, and adjustments to estimates are recognized prospectively.

The significant judgments, assumptions, and estimates made by management in applying the Group's accounting policies and the significant sources of uncertainty were similar to those described in the Group's last annual financial statements.

## 3- ACCOUNTING POLICIES

The accounting policies applied in these interim condensed consolidated financial statements are the same as those applied in the consolidated financial statements for the year ended December 31, 2025. No new standards have been issued; however, a number of amendments to standards became effective as of January 1, 2026, which were explained in the Group's annual consolidated financial statements but do not have a material impact on the Group's interim condensed consolidated financial statements.

### New Standards and Amendments to Standards and Interpretations

New standards and a set of amendments to standards became effective as of January 1, 2026, as disclosed in the Group's annual consolidated financial statements; however, they do not have a material impact on the Group's interim condensed consolidated financial statements.

**SAUDI VITRIFIED CLAY PIPES COMPANY**

A SAUDI JOINT STOCK COMPANY

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2026

(EXPRESSED IN ﷲ UNLESS OTHERWISE STATED)

**INTERIM CONDENSED CONSOLIDATED FINANCIAL RESULTS**

Group management has prepared all adjustments deemed necessary to present fairly the interim condensed consolidated financial statements as of March 31, 2026 and its consolidated results of operations for the period then ended. The interim condensed consolidated financial results for this period may not be a precise indicator of the consolidated financial results for the year ended December 31, 2026.

**4- PROPERTY, PLANT AND EQUIPMENT**

	As at March 31, 2026 (unaudited)	As at 31 December 2025 (audited)
<b>Cost</b>		
<b>Balance at the beginning of the period / year</b>	<b>249,776,720</b>	566,037,471
Additions	<b>1,399,049</b>	2,665,462
Disposal	<b>(932,306)</b>	(318,926,213)
<b>Balance at the end of the period/year</b>	<b>250,243,463</b>	249,776,720
<b>Accumulated Depreciation</b>		
Balance at the beginning of the period / year	<b>197,467,503</b>	376,299,010
Charged during the period/year	<b>849,122</b>	4,580,607
Disposal	<b>(900,800)</b>	(183,412,118)
<b>Balance at the end of the period/year</b>	<b>197,415,825</b>	197,467,499
<b>Accumulated impairment</b>		
<b>Balance at the beginning of the period / year</b>	<b>17,446,947</b>	126,651,370
Charged during the period/year	-	3,043,366
Disposal	<b>(31,500)</b>	(112,247,789)
<b>Balance at the end of the period/year</b>	<b>17,415,447</b>	17,446,947
<b>Balance at the end of the period/year</b>	<b>35,412,191</b>	34,862,274

\* Property, plant and equipment include assets with a net book value of ﷲ 35,105,505 belonging to the subsidiary 'Saudi Land Factory Company'. These assets have been pledged as collateral against a loan from the Saudi Industrial Development Fund (Note 11).

**5- CAPITAL WORK-IN-PROGRESS**

Capital Work-in-Progress represents the construction costs of the "Laffan Pipes Factory", specializing in the production of plastic pipes, which commenced at the end of 2024. The project is being implemented according to the planned schedule and is expected to be completed during the second quarter of 2026. Costs will be transferred to property, plant and equipment upon completion and the commencement of actual operations. The balance includes ﷲ 13,755,910 related to the construction of new concrete bases and the purchase of machinery for Saudi Land Factory (December 31, 2025: ﷲ 13,618,211).

**SAUDI VITRIFIED CLAY PIPES COMPANY**

A SAUDI JOINT STOCK COMPANY

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2026

(EXPRESSED IN ₪ UNLESS OTHERWISE STATED)

**6- INVENTORY**

	<b>March 31, 2026</b>	December 31, 2025
	<b>(unaudited)</b>	(audited)
Spare parts	<b>19,177,078</b>	19,193,300
Work-in-progress	<b>6,434,159</b>	4,778,576
Finished goods	<b>9,998,624</b>	6,983,983
Raw materials	<b>5,637,823</b>	5,498,143
Accessories inventory	<b>2,780,841</b>	2,518,605
Packing and packaging materials	<b>224,107</b>	263,452
	<b>44,252,632</b>	39,236,059
Less: Provision for damaged, slow-moving and obsolete inventory	<b>(12,490,652)</b>	(11,926,967)
	<b>31,761,980</b>	27,309,092

Provision for damaged, obsolete and slow-moving inventory.

	<b>March 31, 2026</b>	December 31, 2025
	<b>(unaudited)</b>	(audited)
Balance at the beginning of the period / year	<b>11,926,967</b>	5,106,397
Reinstatement of previously written-off inventory items	-	5,441,070
Charge for the period / year	<b>563,685</b>	1,959,794
Written off during the period / year	-	(580,294)
Balance at the end of the period/year	<b>12,490,652</b>	11,926,697

A provision for damaged, obsolete and slow-moving inventory amounting to ₪ 563,685 was recognized for the three-month period ended March 31, 2026 and charged to cost of sales.

**7- PREPAYMENTS AND OTHER ASSETS**

	<b>March 31, 2026</b>	December 31, 2025
	<b>(unaudited)</b>	(audited)
Advance payments to suppliers	<b>3,509,587</b>	2,438,218
Prepaid expenses*	<b>3,153,890</b>	2,054,546
Refundable deposits	<b>171,482</b>	170,628
Letters of guarantee margin	<b>50,000</b>	50,000
Employees' advances	<b>40,193</b>	48,024
Value Added Tax	<b>1,295,242</b>	683,993
	<b>8,220,394</b>	5,445,409

\*Prepaid expenses include ₪ 1,997,782 paid for consultancy fees related to the capital increase through a rights issue, which will be subsequently deducted from the issuance proceeds (December 31, 2025: ₪ 1,595,129).

**SAUDI VITRIFIED CLAY PIPES COMPANY**

A SAUDI JOINT STOCK COMPANY

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2026

(EXPRESSED IN ₪ UNLESS OTHERWISE STATED)

**8- TRADE RECEIVABLES**

	<b>March 31, 2026</b>	December 31, 2025
	<b>(unaudited)</b>	(audited)
Trade receivables	<b>37,473,399</b>	34,738,179
Provision for expected credit losses	<b>(10,403,013)</b>	(9,719,245)
	<b>27,070,386</b>	25,018,934

The movement in the allowance for expected credit losses for the period/year is as follows:

	<b>March 31, 2026</b>	December 31, 2025
	<b>(unaudited)</b>	(audited)
Balance at the beginning of the period/year	<b>9,719,245</b>	8,444,049
Charge for the period / year	<b>686,768</b>	1,622,586
Written off during the period / year*	<b>(3,000)</b>	(347,390)
<b>Balance at the end of the period/year</b>	<b>10,403,013</b>	9,719,245

The Group holds several bank letters of guarantee issued by customers amounting to ₪ 1.2 million as collateral for trade receivables, the impact of which is considered when estimating the ECL provision.

**9- CASH AND CASH EQUIVALENTS**

	<b>March 31, 2026</b>	December 31, 2025
	<b>(unaudited)</b>	(audited)
Current accounts with banks	<b>1,507,935</b>	14,138,511
Cash on hand	<b>34,294</b>	91,382
	<b>1,542,229</b>	14,229,893

**10- INTEREST-BEARING LOANS**

During 2020, Saudi Land Factory for Cement Products Company (the subsidiary) entered into a long-term interest-free loan agreement with the Saudi Industrial Development Fund for the purpose of establishing a factory for the production of reinforced concrete pipes and lined and unlined concrete pipes. The factory is to be constructed on land leased from the Saudi Authority for Industrial Cities and Technology Zones (MODON) under a lease agreement in Al Kharj.

This facility represents a government grant, considering that the Saudi Industrial Development Fund is a governmental entity and the Company obtained the loan on an interest-free basis, with the related conditions attached to the government grant having been fulfilled. The total financing obtained amounted to SAR 15.9 million.

The loan is secured by compliance with certain financial ratios and covenants, the signing of a promissory note for the full loan amount, and a mortgage deed over all assets of the subsidiary (Note 5). The Company was not in compliance with these covenants as at March 31, 2026; accordingly, the entire loan balance was reclassified as a current liability.

The loan is repayable in semi-annual installments, with the final installment due on 15 Safar 1450H (corresponding to August 8, 2028). The Group's management is currently working on restructuring its obligations with the Saudi Industrial Development Fund, as unpaid installments amounted to SAR 4,800,000 as at March 31, 2026.

## SAUDI VITRIFIED CLAY PIPES COMPANY

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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(EXPRESSED IN ₪ UNLESS OTHERWISE STATED)

### 11 INTEREST-BEARING LOANS (CONTINUED)

#### Saudi Investment Bank Loan

In 2025, the Parent Company entered into a long-term credit facility agreement with SAIB for a total of ₪ 20 million to finance the construction of the Laffan Pipes factory. The facility term is 72 months with a 12-month grace period. Repayment is in 10 equal semi-annual installments starting January 15, 2030. The facility is priced based on the Saudi Interbank Offered Rate (SIBOR) plus a profit margin of 2.75% per annum. Profit is due and payable on a semi-annual basis. The profit is due and payable on a semi-annual basis. The facility is secured by compliance with specific financial covenants and ratios, in addition to a promissory note issued for the full value of the facility. The Company was in compliance with all the financial terms and covenants set forth in the agreement as of March 31, 2026.

The balance of the loans was as follows:

	<b>March 31, 2026</b>	December 31, 2025
	<b>(unaudited)</b>	(audited)
Saudi Investment Bank	<b>18,181,818</b>	20,000,000
Saudi Industrial Development Fund	<b>12,448,544</b>	12,379,182
	<b>30,630,362</b>	32,379,182

Long-term loans have been classified in the interim condensed consolidated statement of financial position as follows:

Non-current portion	<b>14,181,818</b>	16,000,000
Current portion	<b>16,448,544</b>	16,379,182
	<b>30,630,362</b>	32,379,182

### 11- SHORT-TERM MURABAHA

The Parent Company has bank facilities in the form of Murabaha from local commercial banks with a total value of ₪ 8,085,593 as of March 31, 2026 (December 31, 2025: ₪ 8,619,716) to finance the Company's operating activities. These facilities bear financing costs at prevailing market commission rates based on Saudi Interbank Offered Rates plus a fixed margin. The facility is secured against compliance with financial ratios and covenants and the signing of a promissory note for the full value of the facility.

### 12- ACCRUED EXPENSES AND OTHER LIABILITIES

	<b>March 31, 2026</b>	December 31, 2025
	<b>(unaudited)</b>	(audited)
Accrued employee benefits and salaries	<b>3,263,371</b>	2,283,636
Due to related parties (Board of Directors)	<b>2,515,000</b>	2,012,000
Value Added Tax	<b>767,202</b>	388,808
Dividends payable to shareholders	<b>82,463</b>	82,463
Accrued interest on loans	<b>478,631</b>	807,208
Other accrued expenses	<b>1,517,389</b>	1,327,433
	<b>8,624,056</b>	6,901,548

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### 13- ZAKAT STATUS

#### a) Saudi Vitrified Clay Pipes Company (The Parent Company):

- The Company has filed its zakat returns and financial information with the Zakat, Tax and Customs Authority ("the Authority") up to 2025, and has paid the amounts due under those returns and obtained the required zakat certificates.
- The Company has finalized its zakat status up to 2020.
- The Authority has initiated an audit for 2024 for the Company, which is still in its preliminary request stages; no preliminary results have been issued from this audit to date.
- There is an outstanding objection regarding a zakat assessment for the years 2021 and 2022, totaling ₪ 549,850. The Company has escalated the objection to the Zakat, Tax and Customs Committees, and the objection is still under review and discussion with the committees. The Company has recognized a provision against the received zakat assessments.

#### b) Saudi Land Factory for Cement Products (Subsidiary)

- The Company has filed its zakat returns and financial information with the Zakat, Tax and Customs Authority up to 2025, paid the amounts due under those returns, and obtained the required certificates. The Company has not received any Zakat assessments to date.

#### c) Lafan Pipe Company (Subsidiary):

- The Company has filed its zakat returns and financial information with the Zakat, Tax and Customs Authority up to 2025, paid the amounts due under those returns, and obtained the required certificates. The Company has not received any Zakat assessments to date.

#### d) ZAKAT Provision

	March 31, 2026 (unaudited)	December 31, 2025 (audited)
Opening balance	2,726,849	2,597,427
Charged	325,000	1,521,084
Paid	-	(1,391,662)
	<u>3,051,849</u>	<u>2,726,849</u>

### 14- Revenue from contracts with customers

- The Group's sales represent sales from the vitrified clay and cement pipe sectors of various diameters, sold directly to customers.
- Revenue from sales is recognized at a point in time.
- The following are the details of sales by geographical regions of the Group:

Sectors	For the period ended March 31, 2026		
	Vitrified Clay Pipes	Cement Pipes	Total
<b>Geographical distribution</b>			
Kingdom of Saudi Arabia	6,082,546	9,372,527	15,455,073
Sales outside the Kingdom of Saudi Arabia	4,815	-	4,815
<b>Total revenue from contracts with customers</b>	<u>6,087,361</u>	<u>9,372,527</u>	<u>15,459,888</u>
<b>Timing of revenue recognition</b>			
Goods and services transferred at a point in time	6,087,361	9,372,527	15,459,888
<b>Total revenue from contracts with customers</b>	<u>6,087,361</u>	<u>9,372,527</u>	<u>15,459,888</u>
Sectors	For the year ended March 31, 2025		
	Vitrified Clay Pipes	Cement Pipes	Total
<b>Geographical distribution</b>			
Kingdom of Saudi Arabia	5,807,920	6,854,558	12,662,478
Sales outside the Kingdom of Saudi Arabia	432,082	-	432,082
<b>Total revenue from contracts with customers</b>	<u>6,240,002</u>	<u>6,854,558</u>	<u>13,094,560</u>
<b>Timing of revenue recognition</b>			
Goods and services transferred at a point in time	6,240,002	6,854,558	13,094,560
<b>Total revenue from contracts with customers</b>	<u>6,240,002</u>	<u>6,854,558</u>	<u>13,094,560</u>

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(EXPRESSED IN  $\text{SAR}$  UNLESS OTHERWISE STATED)

### 15- Loss per share

Basic and diluted loss per share is calculated by dividing the net loss for the period by the weighted average number of outstanding shares as at the end of the period, as follows:

	<u>March 31, 2026</u>	<u>March 31, 2025</u>
	(unaudited)	(unaudited)
Net loss for the period	(4,353,982)	(8,630,121)
Weighted average number of outstanding shares at the end of the period	15,000,000	15,000,000
<b>Basic and diluted loss per share from net loss for the period</b>	<u>(0.29)</u>	<u>(0.58)</u>

### 16- Transactions with related parties

Related parties comprise the Company's shareholders, directors, and senior management, as well as affiliated companies (the Company and entities within the same group), and entities under the control, joint control, or significant influence of such parties. The terms of these transactions are approved by the Company's management. The following is a summary of the Company's related party transactions:

a) The following are the significant transactions with related parties for the year ended:

<u>Related party</u>	<u>Transaction type</u>	<u>March 31, 2026</u>	<u>March 31, 2025</u>
Board of Directors and its sub-committees	Attendance fees and remuneration	503,000	503,000
Senior management and key executives	Salaries and other benefits	68,025	68,025
Provision of employee end-of-service	End of service	56,688	58,625

b) The following are the related party balances for the year ended:

		<u>March 31, 2026</u>	<u>31 December 2025</u>
Due to related parties	Board of Directors' remuneration	2,515,000	2,012,000

### 17- Financial Instruments, Risk Management and Fair Value

The Group's financial risk management objectives and policies are consistent with those disclosed in the Group's annual consolidated financial statements for the year ended December 31, 2025. There were no material changes in the classification, measurement, or fair value of financial instruments during the financial period ended March 31, 2026. Furthermore, there were no material changes in the Group's exposure to credit, liquidity, or market risks, or in the methods used to manage those risks, compared to what was disclosed in the latest annual consolidated financial statements.

#### Fair value

Fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between knowledgeable and willing market participants under arm's length terms. Financial instruments consist of financial assets and financial liabilities. Group management believes that the fair value of financial assets and liabilities does not differ materially from their carrying amounts.

### 18- Contingent Liabilities

- a) The Saudi Land Factory for Cement Products Company has payables related to the purchase of machinery and equipment amounting to EUR 185,981 (equivalent to SAR 805,297) as at March 31, 2026 (EUR 217,782, equivalent to SAR 942,996, as at December 31, 2025)
- b) Lafan Cement Pipes Company has capital commitments related to the implementation of the Lafan pipe manufacturing plant project amounting to SAR 342,547 as at March 31, 2026.

**SAUDI VITRIFIED CLAY PIPES COMPANY**

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(EXPRESSED IN ₪ UNLESS OTHERWISE STATED)

**19- Segment Reporting**

The Group's principal activity consists of segments including the production of vitrified clay, cement, and plastic pipes.

The following is a statement of selected segmental information for each segment:

<b>Sectors</b>	<b>Vitrified Clay Pipes</b>	<b>Cement Pipes</b>	<b>Plastic pipes</b>	<b>Total</b>
<b>As at March 31, 2026 (Unaudited)</b>				
Total assets	<b>56,153,296</b>	<b>71,493,912</b>	<b>26,230,747</b>	<b>153,877,955</b>
Total Liabilities	<b>57,662,392</b>	<b>30,116,701</b>	<b>1,383,163</b>	<b>89,162,256</b>
<b>As at December 31, 2025 (Audited)</b>				
Total assets	64,615,655	67,564,580	20,449,512	152,629,747
Total Liabilities	56,317,380	26,620,846	621,842	83,560,068
			<b>Laffan Pipes Company</b>	
<b>Sectors</b>	<b>Vitrified Clay Pipes</b>	<b>Cement Pipes</b>	<b>Laffan Pipes Company</b>	<b>Total</b>
<b>As at March 31, 2026 (Unaudited)</b>				
Revenue	<b>6,087,361</b>	<b>9,372,527</b>	-	<b>15,459,888</b>
Segment (loss)/ profit for the period before Zakat	<b>(3,890,666)</b>	<b>226,093</b>	<b>(364,409)</b>	<b>(4,028,982)</b>
<b>As at March 31, 2025 (Unaudited)</b>				
Revenue	6,240,002	6,854,558	-	13,094,560
Segment (loss)/ profit for the period before Zakat	(8,268,601)	111,808	(41,689)	(8,268,601)

Detailed revenue information for geographical segments has been disclosed (Note 15).

**SAUDI VITRIFIED CLAY PIPES COMPANY**

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**20- SUBSEQUENT EVENTS**

The Saudi Vitrified Clay Pipes Company announced that the Capital Market Authority issued its resolution dated 14 Shawwal 1447H (corresponding to April 2, 2026), approving the Company's request to increase its share capital through a rights issue by an amount of SAR 80,000,000. This approval is subject to the Extraordinary General Assembly's approval of the capital increase and the completion of all relevant regulatory procedures and requirements.

**21- Approval of the Interim Condensed Consolidated Financial Statements**

The interim condensed consolidated financial statements were approved by the Board of Directors, following the recommendation for approval by the members of the Audit Committee, on 24 Dhu al-Qi'dah 1447H (corresponding to 11 May 2026).