

SAUDI STEEL PIPES COMPANY (SSPC)
(A SAUDI JOINT STOCK COMPANY)

**CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED DECEMBER 31, 2025**

SAUDI STEEL PIPES COMPANY
(A SAUDI JOINT STOCK COMPANY)

**CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED DECEMBER 31, 2025**

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INDEPENDENT AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

**To the Shareholders of
Saudi Steel Pipes Company
(A Saudi Joint Stock Company)**

Opinion

We have audited the consolidated financial statements of Saudi Steel Pipes Company (the "Company") and its subsidiaries (collectively referred to as "the Group") which comprise the consolidated statement of financial position as at December 31, 2025 and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including material accounting policies information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2025, its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting standards endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the requirements of International Code of Ethics for Professional Accountants (including International Independence Standards), endorsed in the Kingdom of Saudi Arabia (the "Code"), that are relevant to our audit of the consolidated financial statements and we have fulfilled our other ethical responsibilities in accordance with the Code's requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditor's Report for the audit of Saudi Steel Pipes Company (A Saudi Joint Stock Company) Consolidated Financial Statements for the year ended December 31, 2025 (Continued)

Key audit matters (Continued)

Key audit matter	How the matter was addressed
<p>1- Revenue Recognition – Sale of goods</p> <p>During the year ended December 31, 2025, the Group recognized total revenue of ₪ 1,412.2 million (2024: ₪ 1,630.2 million).</p> <p>The Group sales require in various cases the approval and inspection by the customers prior to dispatch of the products.</p> <p>Revenue recognition has been identified as a key audit matter given the significant volume of transactions involved and the factors associated with the revenue recognition and the risk that management may record the revenue before satisfying the performance obligation, by recognizing revenue before transfer of control.</p> <p>Refer to Material accounting policies in note 4 for revenue, and note 19 for more details on revenue.</p>	<p>We have performed the following procedures to address this matter</p> <ul style="list-style-type: none"> - Assessed the appropriateness of the Group's accounting policies for recognition and measurement of revenue in line with the requirements of IFRS 15 "Revenue from contracts with customers"; - Assessed the design and implementation of relevant key controls over the revenue cycle; - Performed the cut-off test to ensure that the revenue is recorded in the appropriate year; - Tested on sample basis individual sales transactions and traced them to sales invoices, delivery note and other related documents. Further in respect of the samples tested, we checked that the revenue has been recognized as per the shipping terms; - Assessed the completeness and sufficiency of disclosures relating to revenue in the consolidated financial statements.
<p>2- Valuation and existence of inventory</p> <p>Inventories as at December 31, 2025 amounted to ₪ 408.1 million (December 31, 2024: ₪ 453 million) constitute around 23.6% (December 31, 2024: 22%) of the total assets of the Group.</p> <p>Inventories are stated at lower of cost or net realizable value. At each reporting date, management performed physical verification and reviews the valuation of inventories and writes down the cost of inventories that are forecasted to be sold below cost.</p> <p>We considered this as a key audit matter due to the significance of the inventory balance, its existence and the estimates related to the valuation of inventories.</p> <p>Refer to Material accounting policies in note 4 for Inventories policy, and note 9 for more details on Inventories.</p>	<p>We have performed the following procedures to address this matter</p> <ul style="list-style-type: none"> - Assessed the appropriateness of the Group's accounting policies for recognition and measurement of inventories in line with the requirements of relevant accounting standard; - Observed on a sample basis the inventory count performed by the Group. - Selected a sample of inventory items and compared the quantities we counted to the quantities recorded. - Made enquiries regarding obsolete inventory items and looked at the condition of items counted. - Tested the valuation of finished goods inventories on sample basis by comparing their costs to their net realizable value; - Assessed the accuracy and completeness of the inventory aging provided by the management and evaluated the adequacy of allowance for obsolete / slow-moving inventories; - Assessed the adequacy of the disclosures in the Group's consolidated financial statements as per the applicable accounting standard.

Independent Auditor's Report for the audit of Saudi Steel Pipes Company (A Saudi Joint Stock Company) Consolidated Financial Statements for the year ended December 31, 2025 (Continued)

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report of the Group (but does not include the consolidated financial statements and our auditor's report thereon), which is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Annual Report of the Group, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of the Management and Those Charged with Governance ("TCWG") for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA and Regulations for Companies and the Company's By-laws, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those Charged with Governance, in particular the Company's Board of Directors are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used, the reasonableness of accounting estimates and related disclosures made by management.

**Independent Auditor's Report for the audit of Saudi Steel Pipes Company (A Saudi Joint Stock Company)
Consolidated Financial Statements for the year ended December 31, 2025 (Continued)**

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

For Dr. Mohammed Al-Amri & Co.



Ahmed Aljumah
Certified Public Accountant
Registration No.621

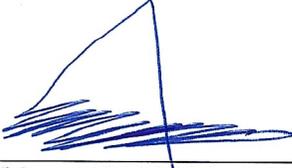
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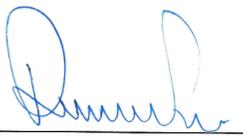


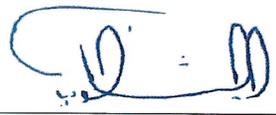
SAUDI STEEL PIPES COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2025

	Note	December 31, 2025	December 31, 2024
		ﷲ	ﷲ
ASSETS			
Non-current assets			
Property, plant and equipment, net	5	812,686,845	1,016,972,837
Right-of-use assets, net	6	11,825,014	10,185,592
Intangible assets, net	7	5,238,764	4,117,680
Trade and other receivables – non-current	10	1,409,131	1,571,938
Deferred tax asset	8	4,675,144	6,865,587
		<u>835,834,898</u>	<u>1,039,713,634</u>
Current assets			
Inventories, net	9	408,147,766	453,042,574
Trade and other receivables, net	10	251,148,493	347,275,752
Cash and cash equivalents	11	234,242,912	176,215,474
		<u>893,539,171</u>	<u>976,533,800</u>
TOTAL ASSETS		<u>1,729,374,069</u>	<u>2,016,247,434</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	12.1	510,000,000	510,000,000
Share premium	12.2	4,512,330	4,512,330
Statutory reserve	12.2	-	75,799,387
Other reserves	12.2	(10,665,025)	(9,066,049)
Retained earnings	12.2	360,400,469	292,709,392
Treasury shares	12.3	(11,502,225)	(11,502,225)
Equity attributable to the shareholders of the Company		<u>852,745,549</u>	<u>862,452,835</u>
Non-controlling interests	12.4	311,797,096	240,622,731
Total equity		<u>1,164,542,645</u>	<u>1,103,075,566</u>
LIABILITIES			
Non-current liabilities			
Borrowings – non-current	13	-	42,825,000
Employees' end of service benefits	17	44,864,024	39,471,397
Lease liabilities	14	7,227,259	6,394,077
		<u>52,091,283</u>	<u>88,690,474</u>
Current liabilities			
Borrowings – current	13	268,197,299	496,111,777
Lease liabilities	14	4,678,757	3,841,536
Trade and other payables	15	227,882,509	315,448,535
Zakat and income tax	16	11,981,576	9,079,546
		<u>512,740,141</u>	<u>824,481,394</u>
TOTAL LIABILITIES		<u>564,831,424</u>	<u>913,171,868</u>
TOTAL EQUITY AND LIABILITIES		<u>1,729,374,069</u>	<u>2,016,247,434</u>


Mohammad AbdulAziz Al Shayea
Authorized Director


Renwar Berzinji
Chief Executive Officer


Mohammed Anwar Alshakhouri
Chief Financial Officer

The accompanying notes 1 to 31 form an integral part of these consolidated financial statements.

SAUDI STEEL PIPES COMPANY
(A SAUDI JOINT STOCK COMPANY)

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2025**

	Note	December 31, 2025	December 31, 2024
Revenue	19	1,412,253,836	1,630,189,005
Cost of revenue	20	(1,066,036,682)	(1,230,602,002)
Gross profit		346,217,154	399,587,003
Administrative expenses	21	(53,634,024)	(54,514,331)
Selling, marketing and distribution expenses	22	(50,072,245)	(42,941,715)
Reversal for expected credit loss	10.2	819,665	1,075,343
Other income, net	23	13,760,832	5,987,018
Operating income		257,091,382	309,193,318
Lands settlement compensation	30	53,632,986	-
Finance charges, net	24	(34,858,482)	(44,936,986)
Interest income		4,034,361	1,258,567
Profit before zakat and income tax		279,900,247	265,514,899
Zakat and income tax expense	16	(16,730,142)	(15,301,054)
Profit for the year from continuing operations		263,170,105	250,213,845
(Loss) / income from discontinued operations	25.1	(66,934)	91,385
Net profit for the year		263,103,171	250,305,230
Other comprehensive income			
Loss from the re-measurement of employees' end of service benefits	17	(2,151,445)	(3,766,143)
Deferred tax income	16	157,481	168,606
Total other comprehensive loss for the year		(1,993,964)	(3,597,537)
Total comprehensive income for the year		261,109,207	246,707,693
Net profit for the year attributable to:			
Shareholders of the Company		191,533,818	180,630,645
Non-controlling interests		71,569,353	69,674,585
Total comprehensive income for the year attributable to:			
Shareholders of the Company		189,934,842	178,080,932
Non-controlling interests		71,174,365	68,626,761
Earnings / (loss) per share attributable to the Shareholders of the Company:			
<u>Continuing operations:</u>			
Basic earnings per share	27	3.791	3.572
Diluted earnings per share	27	3.757	3.540
<u>Discontinued operations:</u>			
Basic (loss) / earnings per share	27	(0.001)	0.002
Diluted (loss) / earnings per share	27	(0.001)	0.002



Mohammad AbdulAziz Al Shayea
Authorized Director



Renwar Berzinji
Chief Executive Officer



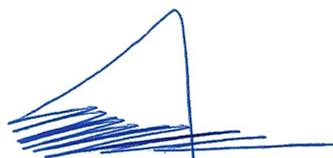
Mohammed Anwar Alshakhouri
Chief Financial Officer

The accompanying notes 1 to 31 form an integral part of these consolidated financial statements.

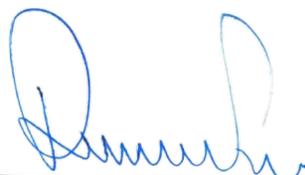
SAUDI STEEL PIPES COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2025

	Share capital	Share premium	Statutory reserve	Other Reserves	Retained earnings	Treasury shares	Total	Non-controlling interests	Total equity
	ﷲ	ﷲ	ﷲ	ﷲ	ﷲ	ﷲ	ﷲ	ﷲ	ﷲ
Balance as at January 1, 2024	510,000,000	4,512,330	75,799,387	(6,516,336)	149,578,747	(11,502,225)	721,871,903	171,995,970	893,867,873
Net profit for the year	-	-	-	-	180,630,645	-	180,630,645	69,674,585	250,305,230
Other comprehensive loss	-	-	-	(2,549,713)	-	-	(2,549,713)	(1,047,824)	(3,597,537)
Total comprehensive income	-	-	-	(2,549,713)	180,630,645	-	178,080,932	68,626,761	246,707,693
Dividend	-	-	-	-	(37,500,000)	-	(37,500,000)	-	(37,500,000)
Balance as at December 31, 2024	510,000,000	4,512,330	75,799,387	(9,066,049)	292,709,392	(11,502,225)	862,452,835	240,622,731	1,103,075,566
Net profit for the year	-	-	-	-	191,533,818	-	191,533,818	71,569,353	263,103,171
Other comprehensive loss	-	-	-	(1,598,976)	-	-	(1,598,976)	(394,988)	(1,993,964)
Total comprehensive income	-	-	-	(1,598,976)	191,533,818	-	189,934,842	71,174,365	261,109,207
Dividend	-	-	-	-	(199,642,128)	-	(199,642,128)	-	(199,642,128)
Transfer to retained earnings (note 12.2b)	-	-	(75,799,387)	-	75,799,387	-	-	-	-
Balance as at December 31, 2025	510,000,000	4,512,330	-	(10,665,025)	360,400,469	(11,502,225)	852,745,549	311,797,096	1,164,542,645



Mohammad AbdulAziz Al Shayea
Authorized Director



Renwar Berzinji
Chief Executive Officer



Mohammed Anwar Alshakhouri
Chief Financial Officer

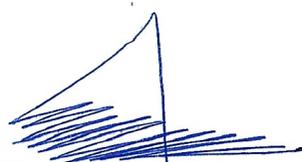
The accompanying notes 1 to 31 form an integral part of these consolidated financial statements.

SAUDI STEEL PIPES COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2025

	Note	December 31, 2025	December 31, 2024
		ﷲ	ﷲ
Cash flows from operating activities:			
Profit / (loss) before zakat and income tax:			
– continuing operations		279,900,247	265,514,899
– discontinued operations		(66,934)	125,587
Adjustments for:			
Depreciation of property, plant and equipment	5.1	74,372,775	74,540,096
Depreciation of right-of-use assets	6	5,952,064	3,745,937
Amortization of intangible assets	7	2,666,115	918,953
Lands settlement compensation	30	(53,632,986)	-
Gain on disposal of property, plant and equipment	23	(63,614)	(104,348)
Reversal allowance for expected credit loss	10.2	(819,665)	(1,075,343)
Reversal allowance of provision for inventories	9.1	(1,950,405)	(3,112,642)
Provision for employees' end of service benefits	17	4,543,610	3,584,769
Finance charges	24	34,858,482	44,936,986
Interest income		(47,146)	(473,512)
		<u>345,712,543</u>	<u>388,601,382</u>
Movement in working capital			
Inventories		46,845,213	189,257,562
Trade and other receivables		88,711,377	(236,495,867)
Trade and other payables		(83,000,268)	(233,255,786)
Due to / from related parties		7,104,730	6,831,602
Cash generated from operations		<u>405,373,595</u>	<u>114,938,893</u>
Zakat and income tax paid	16.1	(14,705,176)	(21,276,166)
Employees' end of service benefits paid	17	(3,367,752)	(12,293,687)
Finance charges paid		(30,075,746)	(44,818,301)
Net cash generated from operating activities		<u>357,224,921</u>	<u>36,550,739</u>
Cash flows from investing activities:			
Additions to property, plant and equipment and intangible assets		(31,734,869)	(41,442,541)
Proceeds from sale of property, plant and equipment		74,501	104,348
Lands settlement proceeds		211,482,986	-
Net cash generated from/(used in) investing activities		<u>179,822,618</u>	<u>(41,338,193)</u>
Cash flows from financing activities:			
(Repayment) / proceed of borrowings, net		(272,994,747)	12,685,954
Payment of lease liabilities		(6,383,226)	(3,348,216)
Dividend paid		(199,642,128)	(37,500,000)
Net cash used in financing activities		<u>(479,020,101)</u>	<u>(28,162,262)</u>
Net change in cash and cash equivalents		<u>58,027,438</u>	<u>(32,949,716)</u>
Cash and cash equivalents at the beginning of the year		<u>176,215,474</u>	<u>209,165,190</u>
Cash and cash equivalents at the end of the year	11	<u>234,242,912</u>	<u>176,215,474</u>

Significant non-cash transactions note 11.3.



Mohammad AbdulAziz Al Shayea
Authorized Director



Renwar Berzinji
Chief Executive Officer



Mohammed Anwar Alshakhouri
Chief Financial Officer

The accompanying notes 1 to 31 form an integral part of these consolidated financial statements.

SAUDI STEEL PIPES COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025

1. ORGANIZATION AND PRINCIPAL ACTIVITIES

Saudi Steel Pipes Company (the Company or SSPC) was initially incorporated as a limited liability company in the Kingdom of Saudi Arabia under the commercial registration number 2050009144 dated 27 Rajab 1400 (corresponding to 11 June 1980). On 4 Rajab 1430 (corresponding to 27 June 2009), the Company's legal status was transformed from a limited liability company to joint stock company (listed in the stock exchange).

The parent company of Saudi Steel Pipes Company ("SSPC") is Tenaris Saudi Arabia. The ultimate parent company of SSPC is San Faustn SA.

As described in note 2, the consolidated financial statements include the financial statements of the Company and its subsidiary Global Pipe Company ("GPC") (collectively referred as "the Group").

The Group's authorized and issued share capital after the initial public offering is ﷲ 510 million divided into 51 million shares at ﷲ 10 per share.

The Group's registered office is located at P.O Box 11680, Postal Code 31463, Dammam, Kingdom of Saudi Arabia.

The principal activities of the Group are the manufacturing and wholesale of black and galvanized steel pipes, production of ERW/HFI galvanized and threaded steel pipes and seamless pipes, pipes with three-layers external coating by polyethylene and polypropylene in different diameters, pipes with epoxy coating inside, bended pipes in different diameters, space frame, and submerged arc welded pipes, wholesale of pipes, tubes and hollow shapes from iron and steel, ferrous and non-ferrous metal pipes and accessories, locks, hinges and other hand tools, wholesale of other metal accessories, locks, hinges and hand tools, wholesale of other construction and metal materials.

2. STRUCTURE OF THE GROUP

The consolidated financial statements as at December 31, 2025 include the financial statements of the Company and its following subsidiary:

<u>Name of consolidated subsidiary</u>	<u>Principal activity</u>	<u>Effective ownership</u>	
		<u>2025</u>	<u>2024</u>
Global Pipe Company ("GPC")	Production of welded pipes	57.27%	57.27%

GPC

GPC is a closed joint stock company incorporated in the Kingdom of Saudi Arabia under commercial registration No. 2055011330 dated 20 Muharram 1431H (corresponding to January 6, 2010 G). GPC is located in Jubail industrial city and is engaged in the production of welded pipes with different sizes and diameters, stainless steel pipes, 3-D pipe fittings, Aluminium alloy pipes, high-density welded pipes and diameters.

The following company was excluded from the consolidation of financial statements due to loss of control upon its entry into liquidation:

<u>Name of deconsolidated subsidiary</u>	<u>Principal activity</u>	<u>Effective ownership</u>	
		<u>2025</u>	<u>2024</u>
Titanium and Steel Manufacturing Company Limited ("TSM Arabia")	Manufacture Stationary process equipment	100%	100%

TSM Arabia was formed under commercial registration number 2050073985 dated 4 Safar 1432H (corresponding to January 8, 2011 G) in the Kingdom of Saudi Arabia, to produce stationary process equipment such as heat exchangers and pressure vessels. The subsidiary's total share capital is ﷲ 32 million of which the Group owns 100%. On April 30, 2025 the board of directors passed a resolution to commence its liquidation, consequently, control over TSM was lost based on the Group's assessment. As a result, TSM was deconsolidated from the Group's consolidated financial statements effective from April 30, 2025. No further results of operations, assets, or liabilities of TSM Arabia are included in the Group's consolidated financial statements from the date of deconsolidation.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025**

3. BASIS OF PREPARATION

3.1 Statement of compliance

These consolidated financial statements have been prepared in accordance with IFRS Accounting Standards as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

The consolidated financial information has been prepared under the historical cost convention, unless it is allowed by the IFRS to be measured at other valuation method as illustrated in material accounting policies note.

3.2 Preparation of the consolidated financial statements

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts in consolidated financial statements. The estimates that are significant to the consolidated financial statements are disclosed in note 4.24.

3.3 Basis of Consolidation

The consolidated financial statements comprise those of Saudi Steel Pipes Company and of its subsidiary (the Group) as detailed in note 1.

Control is achieved when the Group:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee, if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the period are included in the Consolidated Statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Consolidated Statement of profit or loss and each component of other comprehensive income are attributed to the shareholders of the Group. Total comprehensive income of the subsidiary is attributed to the shareholders of the Group.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025**

3. BASIS OF PREPARATION (CONTINUED)

3.3 Basis of Consolidation (Continued)

When necessary, adjustments are made to the consolidated financial statements of the subsidiary to bring its accounting policies in line with the Group's accounting policies.

Material intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to shareholders of the Group.

When the Group loses control of a subsidiary, a gain or loss is recognized in the consolidated statement of profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified consolidated statement of profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

3.4 STANDARDS, INTERPRETATIONS AND AMENDMENTS TO EXISTING STANDARDS

The following new accounting standards, interpretations and amendments to existing standards have been published by IASB and are mandatory for the accounting period beginning on January 1, 2025 or later.

New standards, interpretations and amendments effective from January 1, 2025

The amendment to the standard listed below, is effective this year but does not have a material effect on the Group's financial statements.

Amendments to standard	Description	Effective for annual years beginning on or after
IAS 21	Amendments - Lack of Exchangeability	January 1, 2025

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025**

3. BASIS OF PREPARATION (CONTINUED)

3.5 New standards, amendments and revised IFRS issued but not yet effective

The Group has not early applied the following new and revised IFRSs and amendments that have been issued but are not yet effective.

Amendments to standard	Description	Effective for annual years beginning on or after
IFRS 9 & IFRS 7	Amendments - Classification and Measurement of Financial Instruments	January 1, 2026
IFRS 18	Presentation and Disclosure in Financial Statements	January 1, 2027
IFRS 19	Subsidiaries without Public Accountability: Disclosures	January 1, 2027

Management anticipates that these new interpretations and amendments will be adopted in the Group's consolidated financial statements as and when they are applicable and adoption of these interpretations and amendments may have no material impact on the consolidated financial statements of the Group in the year of initial application.

4. MATERIAL ACCOUNTING POLICIES

The material accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

4.1 Financial instruments

(A) Classification of financial assets and financial liabilities

Financial assets

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost (AC), fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The Group classifies its financial assets generally based on the business model in which a financial asset is managed and its contractual cash flows.

(i) Financial assets at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and profit on the principal amount outstanding.

The Group initially measures its trade receivables at the transaction price given that it does not include any financing component.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025**

4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

4.1 Financial instruments (Continued)

(A) Classification of financial assets and financial liabilities (Continued)

Business model assessment

The Group assesses the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual revenue, maintaining a particular profit rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;
- How the performance of the portfolio is evaluated and reported to the Group's management;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- How managers of the business are compensated e.g., whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- The frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realized.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realized in a way that is different from the Group original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

(ii) Financial assets at fair value through OCI (FVOCI)

Debt Instruments

A debt instrument is measured at FVOCI only if it meets both of the following conditions and it is not designated as at FVTPL

- The asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principle and the interest on the principle amount outstanding.

Equity instruments

On the initial recognition, for an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

The Group does not have any financial asset that is classified at fair value through other comprehensive income.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025**

4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

4.1 Financial instruments (Continued)

(A) Classification of financial assets and financial liabilities (Continued)

(iii) Financial assets at fair value through profit or loss (FVTPL)

All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Group changes its business model for managing financial assets.

Financial assets that are held for trading, if any, and whose performance is evaluated on a fair value basis are measured at fair value through profit or loss (FVTPL) because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Financial liabilities

The Group classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortized cost. Amortized cost is calculated by taking into account any discount or premium on issue funds, and costs that are an integral part of the Effective Interest Rate (EIR).

(B) Impairment of financial assets

The Group records an allowance for ECLs for all loans and other debt financial assets not held at FVTPL. For Contract assets and Trade and other receivables that do not contain a significant financing component, the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. As a practical expedient, the Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payment are 360 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

4.2 Revenue from Contract with Customers

The Group recognizes revenue from contracts with customers based on a five-step model as set out in IFRS 15. This includes:

- a) Identification of a contract with a customer, i.e., agreements with the Group that creates enforceable rights and obligations.
- b) Identification of the performance obligations in the contract, i.e., promises in such contracts to transfer products or services.
- c) Determination of the transaction price which shall be the amount of consideration the Group will expect to be entitled to in exchange for fulfilling its performance obligations (and excluding any amounts collected on behalf of third parties).
- d) Allocation of the transaction price to each identified performance obligation based on the relative stand-alone estimated selling price of the products or services provided to the customer.
- e) Recognition of revenue when/as a performance obligation is satisfied, i.e., when the promised products or services are transferred to the customer and the customer obtains control. This may be over time or at a point in time.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025**

4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

4.2 Revenue from Contract with Customers (continued)

Revenue shall be measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The specific recognition criteria described below must also be met before revenue is recognized. Where there are no specific criteria, above policy will apply and revenue is recorded as earned and accrued.

For sale of goods:

The Group manufactures and sells steel pipes. For such products, performance obligation generally includes one performance obligation and revenue shall be recognized at a point in time when control of the products is transferred to the customer generally on delivery of pipes and considering 5-steps approach mentioned previously.

Warranty:

The Group generally provides warranties for steel pipes for general repairs of defects that existed at the time of sale, as per contract. As such, most warranties are assurance-type warranties, which the Group accounts for under IAS 37. The Group does not provide any extended warranties and maintenance services to its customers.

4.3 Property, plant and equipment

Property, plant and equipment are carried at the historical cost less accumulated depreciation and accumulated impairment losses. Land is not depreciated. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is charged to the consolidated statement of profit or loss, using the straight-line method to allocate the costs of the related assets less their residual values over the following estimated economic useful lives.

Land improvement	30 - 50 years
Buildings and structures	10 -50 years
Machinery and equipment	5 - 40 years
Vehicles	4 - 10 years
Furniture and fixture	4 - 10 years
Office equipment	4 - 10 years

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are included in the consolidated statement of profit or loss.

Impairment

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the assets are written down to their recoverable amount being the higher of their fair value less costs to sell and their value in use.

The cash generating unit (CGU) at which the impairment assessment and testing is performed, is defined as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Annual review of residual lives and useful lives

The residual value of an asset is the estimated amount that the Group would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. If expectations differ from previous estimates, the change(s) are accounted for as a change in an accounting estimate.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025**

4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

4.3 Property, plant and equipment (Continued)

Componentization of assets

Property, plant and equipment (PPE) is often composed of various parts with varying useful lives or consumption patterns. These parts are (individually) replaced during the useful life of an asset, accordingly:

- Each part of an item of PPE with a cost that is significant in relation to the total cost of the item is depreciated separately, except where one significant part has a useful life and a depreciation method that is the same as those of another part of that same item of PPE; in which case, the two parts may be grouped together for depreciation purposes;
- Under the component approach, the Group does not recognize in the carrying amount of an item of PPE the costs of the day-to-day servicing of the item. These costs are recognized in the consolidated statement of profit or loss as incurred. The various components of assets are identified and depreciated separately only for significant parts of an item of PPE with different useful lives or consumption patterns; however, the principles regarding replacement of parts (that is, subsequent cost of replaced part) apply generally to all identified parts, regardless whether they are significant or not.

Capitalization of costs under PPE

The cost of an item of property, plant and equipment comprises:

- its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates.
- any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation incurred either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that year.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognized when replaced.

Borrowing costs related to qualifying assets are capitalized as part of the cost of the qualified assets on the commencement date.

All other repairs and maintenance are charged to the consolidated statement of profit or loss during the reporting year in which they are incurred. Maintenance and normal repairs which do not extend the estimated economic useful life of an asset or production output are charged to the consolidated statement of profit or loss as and when incurred.

Capital Spare Parts (CSPs)

The Group classifies CSPs into critical spare parts (strategic spare parts) and general spare parts using the below guidance:

- A critical spare part is one that is on "stand-by", i.e. probable to be a major item / part critical to be kept on hand to ensure uninterrupted operation of production equipment. They would normally be used only due to a breakdown, and are not generally expected to be used on a routine basis. Depreciation on critical spare parts commences immediately on the date of purchase.
- General spare parts are other major spare parts not considered critical and are bought in advance due to planned replacement schedules (in line with prescribed maintenance program) to replace existing major spare parts with new parts that are in operation. Such items are considered to be "available for use" only at a future date, and hence depreciation commences when it is installed as a replacement part. The depreciation period for such general capital spares is over the lesser of its useful life, and the remaining expected useful life of the equipment to which it is associated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025

4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

4.3 Property, plant and equipment (Continued)

Capital work-in-progress

Assets in the course of construction or development are capitalized in the capital work-in-progress (CWIP) account. The asset under construction or development is transferred to the appropriate category in property, plant and equipment or intangible assets (depending on the nature of the project), once the asset is in a location and / or condition necessary for it to be capable of operating in the manner intended by management. The cost of an item of capital work in progress comprises its purchase price, construction / development cost and any other directly attributable to the construction or acquisition of an item of CWIP intended by management. Capital work-in-progress is not depreciated or amortized.

4.4 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are measured at cost less accumulated amortization and accumulated impairment losses, where applicable.

Finite life of intangible assets is amortized over the shorter of their contractual or useful economic lives. They comprise mainly management information systems. The Group amortized these intangible assets over 3-5 years on a straight-line basis assuming a zero residual value.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statement of profit or loss when the asset is derecognized.

4.5 Investment in associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. In case the shareholding in an associate do not create significant influence, the Group classify this investment as fair value through profit or loss.

Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognized at cost, and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the investee after the date of acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income is reclassified to profit or loss where appropriate. The Group's share of post-acquisition profit or loss is recognized in the consolidated statement of profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equal or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. Dividends received or receivable from associates are recognized as a reduction in the carrying amount of the investment.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount adjacent to "share of profit/ (loss) of associates" in the consolidated statement of profit or loss.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognized in the Group's financial statements only to the extent of unrelated investor's interests in the associates.

Unrealized losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group. Dilution gains and losses arising in investments in associates are recognized in the consolidated statement of profit or loss.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025**

4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

4.6 Inventories

Inventories are valued at the lower of cost and net realizable value (NRV). Cost is determined using the weighted average method. The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. The cost of work in progress and finished goods comprises raw material cost and standard cost of conversion and other overheads incurred in production process in case result approximate actual cost. Standard costs of conversion are revised regularly, if necessary, in light of current condition. Any write-down to NRV is recorded as an expense and reversal reversed from expenses in consolidated statement of profit or loss in the year in which it occurs.

Net realizable value and provision assessment of inventory

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and selling expenses. The NRV assessment to write-down the inventory is normally made on an individual item basis. This would be where items relate to the same product line (which have a similar purpose and end use) are produced and marketed in the same geographical area.

The practice of writing inventories down below cost to net realizable value is consistent with the view under IFRS that assets should not be carried in excess of amounts expected to be realized from their sale.

An allowance is made against slow moving, obsolete and damaged inventories. Damaged inventories are identified and written down through the inventory counting procedures. Provision for slow moving and obsolete inventories is assessed by each inventory category as part of their ongoing financial reporting. Obsolescence is assessed based on comparison of the level of inventory holding to the projected likely future sales.

4.7 Cash and cash equivalents

Cash and cash equivalents comprise cash at banks, cash in hand and other short-term highly liquid investments, if any, with original maturities of three months or less, which are available to the Group without any restrictions.

4.8 Share capital

Financial instruments issued by the Group are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Group's ordinary shares and treasury shares are classified as equity instruments.

4.9 Dividends

Provision or liability is made for the amount of any dividend declared, being appropriately authorized and no longer at the discretion of the Group, on or before the end of the reporting year but not distributed at the end of the reporting year.

4.10 Functional and presentation currency

Items included in the consolidated financial statements of the Group is measured using the currency of the primary economic environment in which the Group operates ('the functional currency'). The functional currency for the Group is US Dollar (USD) and presentation currency is Saudi Riyals (SAR). Figures have been rounded off to the nearest Riyal except where mentioned otherwise.

Transactions and balances

Foreign currency transactions are translated into functional currency at the rates of exchange prevailing at the time of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statement of profit or loss. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated at the exchange rates prevailing at that date. Foreign exchange gains and losses that relate to borrowings and cash at banks are presented in the consolidated statement of profit or loss within 'finance income or cost'. All other foreign exchange gains and losses are presented in the consolidated statement of profit or loss within 'Other income / (expenses) – net'

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025**

4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

4.11 Borrowings

Borrowings are initially recognized at the fair value (being proceeds received), net of eligible transaction costs incurred, if any. Subsequent to initial recognition long-term borrowings are measured at amortized cost using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in consolidated statement of profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it relates.

Borrowings are derecognized from the consolidated statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in consolidated statement of profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting year.

General and specific borrowing that are directly attributable to the acquisition, construction or production of qualifying assets are capitalized during the period of time that is required to complete and prepare the asset for its intended use or sale, as appropriate. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other borrowing costs are expensed in the year in which they are incurred in the consolidated statement of profit or loss.

4.12 Right-of-use assets

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any premeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, lease payments made at or before the commencement date less any lease incentives received and restoration costs. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over underlying asset's useful life. Right-of-use assets are subject to impairment.

4.13 Lease liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the year on which the event or condition that triggers the payment occurs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025

4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

4.13 Lease liabilities (Continued)

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. Incremental rate is the rate that the individual lessee would pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is premeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Lease payments are allocated between principal and finance charges. The finance cost is charged to profit and loss over the lease period so as to produce constant periodic rate of interest on the remaining balance of the liability of each year.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of rented properties (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

4.14 Employees' benefits

Short term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the year in which the employees render the related service are recognized in respect of employees' services up to the end of the reporting year and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations within accruals in the consolidated statement of financial position.

Employees' end-of-service benefits (EOSBs)

The liability or asset recognized in the consolidated statement of financial position in respect of defined benefit. EOSBs plan is the present value of the defined benefit obligation at the end of the reporting year. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation.

Defined benefit costs are categorized as follows:

Service cost

Service costs includes current service cost and past service cost are recognized immediately in consolidated statement of profit or loss.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognized immediately in consolidated statement of profit or loss as past service costs.

Interest cost

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation. This cost is included in employee benefit expense in the consolidated statement of profit or loss.

Re-measurement gains or losses

Re-measurement gains or losses arising from experience adjustments and changes in actuarial assumptions are recognized in the year in which they occur, directly in other comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025

4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

4.14 Employees benefits (Continued)

Employee share ownership program (ESOP)

The Group had an ESOP, which was an employee benefit plan that designates a specific number of shares in order to distribute them among the SSP's employees who are in service at the time of initial public offering of SSPC's stocks.

The Group recognizes the services acquired in a share-based payment transaction when services are received. The Group recognizes a corresponding increase in equity when shares actually transferred to employees. The Group offered an option to receive cash equivalent to fair value of eligible shares. To measure the value of services received in this cash-settled share-based payment transactions, the Group measure the services received, and the corresponding increase in equity, by reference to the fair value of the equity instruments granted. This implies that the Group measure the fair value of the services received by reference to the fair value of the equity instruments at end of each reporting year.

4.15 Service warranties and provisions

Service warranties

Provision is made for estimated warranty claims in respect of products sold which are still under warranty at the end of the reporting year. Management estimates the provision based on historical warranty claim information and any recent trends that may suggest future claims could differ from historical amounts.

Provisions

Provisions are recognized when the Group has:

- a present legal or constructive obligation as a result of a past event;
- it is probable that an outflow of economic resources will be required to settle the obligation in the future; and
- the amount can be reliably estimated.

If the effect of the time value of money is material, provisions are discounted using a current rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where there are a number of similar obligations, (e.g. product warranties, similar contracts or other provisions) the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

4.16 Zakat, income tax and withholding tax

The Saudi Shareholding in the Group is subject to zakat calculated in accordance with the regulations of the Zakat, Tax and Custom Authority (ZATCA) computed at 2.5% and the non-Saudi shareholding is subject to income tax at a flat rate of 20% on the taxable income. A provision for zakat and income tax for the Group and zakat related to the Group's subsidiary is charged to the consolidated statement of profit or loss. Differences, if any, at the finalization of final assessments are accounted for when such amounts are determined and settled against any previously provided provisions, if any.

The Group withholds taxes on certain transactions with non-resident parties in the Kingdom of Saudi Arabia as required under Saudi Arabian Income Tax Law.

Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025**

4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

4.16 Zakat, income tax and withholding tax (Continued)

Deferred tax (Continued)

Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with accounting and tax depreciation on property, plant and equipment, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with accumulated tax losses only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

4.17 Selling, marketing and distribution expenses

Selling, marketing and distribution expenses comprise of all costs for selling and marketing the Group's products and include expenses for advertising, marketing fees and other sales related overheads.

4.18 Administrative expenses

Administrative expenses include indirect costs not specifically part of cost of revenue or the selling, marketing and logistics activity of the Group. Finance income / (expense) is presented as a separate line item in the consolidated statement of profit or loss and other comprehensive income.

4.19 Business combination

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Company, liabilities incurred by the Company to the former owners of the acquiree and the equity interests issued by the Company in exchange for control of the acquiree. Acquisition-related costs are generally recognized in profit or loss as incurred.

As per IFRS 10, at the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value with the exception of liabilities related to employee benefit arrangements which are recognized and measured in accordance with IAS 19 - "Employee benefits".

The Group remeasures its previously held equity interest in the acquiree at its acquisition-date fair value any resulting gain/loss is recognized in profit or loss. The fair value of previously held interest in the acquiree is then derecognized and included in a calculation of bargain purchase.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net identifiable assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

4.19 Business combination (continued)

The initial accounting for a business combination can be determined provisionally by the end of the measurement period (not exceeding 12 months from the acquisition date) and the business combination is accounted for using provisional amounts. Adjustments to provisional amounts and the recognition of newly identified asset and liabilities are made within the 'measurement period' where they reflect new information obtained about facts and circumstances that were in existence at the acquisition date.

4.20 Non-controlling interests

For Business combinations the Group has the choice, on a transaction-by-transaction basis, to initially recognise any non-controlling interest in the acquiree which is a present ownership interest and entitles its holders to a proportionate share of the entity's net assets in the event of liquidation at either acquisition date fair value or, at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. The total comprehensive income of non-wholly owned subsidiaries is attributed to owners of the parent and to the non-controlling interests in proportion to their relative ownership interests.

4.21 Discontinued operations and non-current assets held for sale

The results of discontinued operations are presented separately in the consolidated statement of profit or loss and other comprehensive income. Non-current assets (or disposal groups) classified as held for sale are measured at the lower of their carrying amount or fair value less costs to sell.

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This is the case when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sale of such assets (or disposal groups) and the sale is considered to be highly probable.

A sale is considered to be highly probable if the appropriate level of management is committed to a plan to sell the asset (or disposal group), and an active program to locate a buyer and complete the plan has been initiated. Further, the asset (or disposal group) has been actively marketed for sale at a price that is reasonable in relation to its current fair value. In addition, the sale is expected to qualify for recognition as a completed sale within one-year from the date that it is classified as held for sale.

Non-current assets held for sale are not depreciated or amortized while they are classified as held for sale. Interest and other expenses attributable to the liabilities of the disposal group continued to be recognized.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the consolidated statement of financial position. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the consolidated statement of financial position.

4.22 Earnings / (Loss) per share

Basic earnings / (loss) per share

Basic earnings/ (loss) per share is calculated by dividing:

- the profit / (loss) attributable to owners of the Group, excluding any costs of servicing equity other than ordinary shares; and
- by the weighted average number of ordinary shares outstanding during the financial period.

Diluted earnings / (loss) per share

Diluted earnings/ (loss) per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

4.23 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's Chief Operating Decision Maker (CODM) to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Segment results that are reported to the CODM include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items compose mainly corporate expenses.

Transactions between segments are carried out at arm's length and are eliminated on consolidation. The revenue from external parties is measured in the same way as in the consolidated statement of profit or loss.

With TSM Arabia being classified as a discontinued operation, the Process Equipment segment has been ceased to be presented separately and accordingly, the Steel Pipe segment constitute 100% of the Group operations.

SSPC defines its operating segments as:

- Steel Pipe Segment

This includes manufacturing of welded steel pipes by high frequency induction welding and galvanizing, coating, threading and bending of the pipes used in oil and gas, water and industrial and construction sectors.

Also, the Group discloses its segmental results in its consolidated financial statements based on:

- i. Local sales; and
- ii. Export sales

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025

4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

4.24 Critical judgments and estimates

Judgements

In the process of applying the Group accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

(i) Lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension or termination option. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment. During the current financial year, there was no material financial effect of revising lease terms to reflect the effect of exercising extension or termination options.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(i) Economic useful lives of property, plant and equipment

The Group periodically reviews estimated useful lives and the depreciation method to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from these assets.

(ii) Zakat and income taxes

Management has assessed the zakat and income tax position having regard to the regulations of Zakat, Tax and Custom Authority (ZATCA), decrees issued periodically and conventions. Interpretation of such legislation, decrees, and conventions is not always clear and entails completion of assessment by ZATCA.

(iii) Impairment of non-financial asset

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

(iv) Estimation of defined benefit obligation

The cost of defined benefit obligation and the present value of the obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate and future salary increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

4.24 Critical judgments and estimates (Continued)

Estimates and assumptions (Continued)

(v) Allowance for impairment for trade receivables

The Group assesses on a forward-looking basis the Expected Credit Losses (“ECL”) associated with its debt instruments as part of its financial assets, which are carried at amortized cost and FVOCI. For accounts receivables, the Group applies the simplified approach, which requires expected lifetime losses to be recognized from initial recognition of the receivables. ECL assessment requires a several estimates related to the categorization of customers, discount rates and a general assessment of the economic conditions in the market. Management use their best estimates and historical trends of customers to assess the receivables provision under ECL model.

(vi) Provision for obsolete, slow moving and damaged inventory

Management makes a provision for slow moving, obsolete and damaged inventory items. Estimates of net realizable value of inventories are based on the most reliable evidence at the time the estimates are made. These estimates take into consideration fluctuations of price or cost directly related to events occurring subsequent to the consolidated statement of financial position date to the extent that such events confirm conditions existing at the end of year.

5. PROPERTY, PLANT AND EQUIPMENT, NET

	<u>Note</u>	<u>December 31, 2025</u>	<u>December 31, 2024</u>
		ﷲ	ﷲ
Operating fixed assets, net	5.1	808,733,369	1,014,758,648
Capital work-in-progress	5.3	3,953,476	2,214,189
		<u>812,686,845</u>	<u>1,016,972,837</u>

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5. PROPERTY, PLANT AND EQUIPMENT, NET (CONTINUED)

5.1 Operating fixed assets, net

Year ended December 31, 2025

	Lands	Buildings on Leasehold lands	Machinery and Equipment	Vehicles	Furniture and Fixtures	Office and Equipment	Total
	ﷲ	ﷲ	ﷲ	ﷲ	ﷲ	ﷲ	ﷲ
Cost							
At January 1, 2025	164,000,000	446,314,721	1,266,938,116	22,231,146	2,816,537	25,099,144	1,927,399,664
Transferred from CWIP	-	8,475,103	17,733,280	-	-	-	26,208,383
Disposals	-	-	(614,018)	(1,216,550)	-	-	(1,830,568)
Lands settlement	(157,850,000)	-	-	-	-	-	(157,850,000)
At December 31, 2025	6,150,000	454,789,824	1,284,057,378	21,014,596	2,816,537	25,099,144	1,793,927,479
Accumulated depreciation and impairment							
Accumulated depreciation							
At January 1, 2025	-	145,638,682	700,804,046	18,137,249	2,718,066	24,342,973	891,641,016
Charge for the year	-	16,864,521	56,237,849	989,479	49,668	231,258	74,372,775
Disposals	-	-	(605,632)	(1,214,049)	-	-	(1,819,681)
At December 31, 2025	-	162,503,203	756,436,263	17,912,679	2,767,734	24,574,231	964,194,110
Accumulated impairment							
At January 1, 2025	-	6,995,357	14,004,643	-	-	-	21,000,000
At December 31, 2025	-	6,995,357	14,004,643	-	-	-	21,000,000
Total accumulated depreciation and impairment	-	169,498,560	770,440,906	17,912,679	2,767,734	24,574,231	985,194,110
Net Carrying amounts							
December 31, 2025	6,150,000	285,291,264	513,616,472	3,101,917	48,803	524,913	808,733,369

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5. PROPERTY, PLANT AND EQUIPMENT, NET (CONTINUED)

5.1 Operating fixed assets, net (Continued)

Year ended December 31, 2024

	Lands	Buildings on Leasehold lands	Machinery and Equipment	Vehicles	Furniture and Fixtures	Office and Equipment	Total
	ﷲ	ﷲ	ﷲ	ﷲ	ﷲ	ﷲ	ﷲ
<u>Cost</u>							
At January 1, 2024	164,000,000	424,713,944	1,021,184,059	21,949,606	2,816,537	24,749,718	1,659,413,864
Transferred from CWIP	-	21,600,777	247,109,057	281,540	-	349,426	269,340,800
Disposals	-	-	(1,355,000)	-	-	-	(1,355,000)
At December 31, 2024	<u>164,000,000</u>	<u>446,314,721</u>	<u>1,266,938,116</u>	<u>22,231,146</u>	<u>2,816,537</u>	<u>25,099,144</u>	<u>1,927,399,664</u>
<u>Accumulated depreciation and impairment</u>							
<u>Accumulated depreciation</u>							
At January 1, 2024	-	129,499,365	645,555,742	17,172,640	2,668,398	23,559,775	818,455,920
Charge for the year	-	16,139,317	56,603,304	964,609	49,668	783,198	74,540,096
Disposals	-	-	(1,355,000)	-	-	-	(1,355,000)
At December 31, 2024	<u>-</u>	<u>145,638,682</u>	<u>700,804,046</u>	<u>18,137,249</u>	<u>2,718,066</u>	<u>24,342,973</u>	<u>891,641,016</u>
<u>Accumulated impairment</u>							
At January 1, 2024	<u>-</u>	<u>6,995,357</u>	<u>14,004,643</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,000,000</u>
At December 31, 2024	<u>-</u>	<u>6,995,357</u>	<u>14,004,643</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,000,000</u>
Total accumulated depreciation and impairment	-	152,634,039	714,808,689	18,137,249	2,718,066	24,342,973	912,641,016
Net Carrying amounts							
December 31, 2024	<u>164,000,000</u>	<u>293,680,682</u>	<u>552,129,427</u>	<u>4,093,897</u>	<u>98,471</u>	<u>756,171</u>	<u>1,014,758,648</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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5. PROPERTY, PLANT AND EQUIPMENT, NET (CONTINUED)

- In prior years the operating fixed assets included plots of land with a total carrying value of ₪ 157.9 million, for which the electronic title deeds become inactive due to cancellation by a court order. On April 28, 2025, the Company concluded a settlement with the sellers of the plots of land as referred in note 30.
- Certain operating fixed assets are pledged as collateral against loans (note 13).

5.2 Depreciation of operating fixed assets for the year has been allocated as follows:

	Note	December 31, 2025	December 31, 2024
		₪	₪
Cost of revenue	20	72,447,717	72,286,719
Administrative expenses	21	1,925,058	2,169,061
Selling, marketing and distribution expenses	22	-	84,316
		<u>74,372,775</u>	<u>74,540,096</u>

5.3 Capital work-in-progress

Movement in capital work-in-progress is as follows:

	Note	December 31, 2025	December 31, 2024
		₪	₪
Opening balance		2,214,189	235,054,155
Additions during the year		31,210,232	36,500,834
Transferred to operating fixed assets	5.1	(26,208,383)	(269,340,800)
Transferred to intangible assets		(3,262,562)	-
Closing balance		<u>3,953,476</u>	<u>2,214,189</u>

6. RIGHT-OF-USE ASSETS, NET

Movement in right-of-use assets is as follows:

	Land and buildings	Vehicles	Total
	₪	₪	₪
Cost			
At January 1, 2025	12,913,959	6,910,940	19,824,899
Additions during the year	-	3,526,395	3,526,395
Lease modification	-	4,065,091	4,065,091
December 31, 2025	<u>12,913,959</u>	<u>14,502,426</u>	<u>27,416,385</u>
Accumulated Depreciation			
At January 1, 2025	4,888,644	4,750,663	9,639,307
Charge for the year	1,177,092	4,774,972	5,952,064
December 31, 2025	<u>6,065,736</u>	<u>9,525,635</u>	<u>15,591,371</u>
Net Carrying amounts			
December 31, 2025	<u>6,848,223</u>	<u>4,976,791</u>	<u>11,825,014</u>

- The total amount of the depreciation of right-of-use assets has been presented under the cost of revenue.

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6. RIGHT-OF-USE ASSETS, NET (CONTINUED)

	Land and buildings	Vehicles	Total
	ﷲ	ﷲ	ﷲ
Cost			
At January 1, 2024	12,913,959	3,994,531	16,908,490
Additions during the year	-	2,016,409	2,016,409
Lease modification	-	900,000	900,000
December 31, 2024	12,913,959	6,910,940	19,824,899
Accumulated Depreciation			
At January 1, 2024	3,711,551	2,181,819	5,893,370
Charge for the year	1,177,093	2,568,844	3,745,937
December 31, 2024	4,888,644	4,750,663	9,639,307
Net Carrying amounts			
December 31, 2024	8,025,315	2,160,277	10,185,592

7. INTANGIBLE ASSETS, NET

	Note	December 31, 2025	December 31, 2024
		ﷲ	ﷲ
Cost			
Opening balance		18,767,862	13,826,155
Addition		524,637	4,941,707
Transferred from Capital work-in-progress		3,262,562	-
Closing balance		22,555,061	18,767,862
Accumulated amortization			
Opening balance		14,650,182	13,731,229
Charged for the year	21	2,666,115	918,953
Closing balance		17,316,297	14,650,182
Net book value		5,238,764	4,117,680

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8. DEFERRED TAX ASSET

Movement on deferred tax asset / (liability) is as under:

December 31, 2025:

	January 01, 2025	Profit or loss	Other comprehensive income	December 31, 2025
	ﷲ	ﷲ	ﷲ	ﷲ
Difference between accounting and tax basis of:				
Property plant and equipment, right-of-use asset and intangible assets	(8,831,370)	1,739,169	-	(7,092,201)
Deferred tax liability	(8,831,370)	1,739,169	-	(7,092,201)
Employees' end of services benefits	3,384,395	255,042	157,481	3,796,918
Allowance for slow moving inventory	2,656,259	(251,626)	-	2,404,633
Allowance for impairment of trade receivables	779,176	(147,931)	-	631,245
Lease liability	700,590	(23,837)	-	676,753
Accumulated tax losses	8,176,537	(3,918,741)	-	4,257,796
Deferred tax asset	15,696,957	(4,087,093)	157,481	11,767,345
Net deferred tax asset	6,865,587	(2,347,924)	157,481	4,675,144

December 31, 2024:

	January 01, 2024	Profit or loss	Other comprehensive income	December 31, 2024
	ﷲ	ﷲ	ﷲ	ﷲ
Difference between accounting and tax basis of:				
Property plant and equipment, right-of-use asset and intangible assets	(11,508,625)	2,677,255	-	(8,831,370)
Deferred tax liability	(11,508,625)	2,677,255	-	(8,831,370)
Employees' end of services benefits	4,094,062	(878,273)	168,606	3,384,395
Allowance for slow moving inventory	2,601,455	54,804	-	2,656,259
Allowance for impairment of trade receivables	926,658	(147,482)	-	779,176
Provision for guarantee	3,849,600	(3,849,600)	-	-
Lease liability	712,885	(12,295)	-	700,590
Accumulated tax losses	11,035,023	(2,858,486)	-	8,176,537
Deferred tax asset	23,219,683	(7,691,332)	168,606	15,696,957
Net deferred tax asset	11,711,058	(5,014,077)	168,606	6,865,587

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9. INVENTORIES, NET

	<u>Note</u>	<u>December 31, 2025</u>	<u>December 31, 2024</u>
		ﷲ	ﷲ
Raw material		144,370,093	180,867,942
Work in progress		83,523,478	76,776,768
Finished goods		96,284,340	118,488,395
Goods in transit		12,176,289	10,087,241
Scrap material		5,132,803	16,929,896
Stores, spares and supplies		99,568,092	84,750,066
		441,055,095	487,900,308
Allowance for slow moving inventory	9.1	(32,907,329)	(34,857,734)
		408,147,766	453,042,574

9.1 Movement in provision for slow moving inventory is as follows:

	<u>Note</u>	<u>December 31, 2025</u>	<u>December 31, 2024</u>
		ﷲ	ﷲ
Opening balance		34,857,734	40,517,854
Reversal during the year – continued operation	20	(1,950,405)	(3,112,642)
Utilized against inventory written off – discontinued operation		-	(2,547,478)
Closing balance		32,907,329	34,857,734

Allowance for slow moving inventory is based on the nature and type of inventories, aging history and future sales expectations using historical trends and other related factors.

10. TRADE AND OTHER RECEIVABLES, NET

Trade and other receivables comprise the following:

	<u>Note</u>	<u>December 31, 2025</u>	<u>December 31, 2024</u>
		ﷲ	ﷲ
Trade receivables		227,528,197	306,996,995
Allowance for expected credit loss (ECL)	10.2	(5,069,601)	(6,127,943)
Trade receivables, net		222,458,596	300,869,052
Receivable from TSM		1,009,592	-
Due from related parties	18A	11,711,120	20,156,620
Employee loans		1,894,262	2,196,476
Prepayments and advances to suppliers		13,824,120	17,781,119
Other receivables		1,659,934	2,586,174
Value added tax (VAT)		-	5,258,249
		252,557,624	348,847,690
Less: non-current portion of employee loans and other receivables		(1,409,131)	(1,571,938)
Total current portion, net		251,148,493	347,275,752

10.1 Five major customers' balances represent 83% (2024: 90.5%) of gross trade receivables.

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10. TRADE AND OTHER RECEIVABLES, NET (CONTINUED)

10.2 Movement in the allowance for ECL of trade receivables is as follows:

	December 31, 2025	December 31, 2024
	ﷲ	ﷲ
Opening balance for the year	6,127,943	7,235,477
Reversal for the year – continuing operations	(819,665)	(1,075,343)
Utilized against receivables written off – continuing Operations	(238,677)	(32,191)
Closing balance for the year	<u>5,069,601</u>	<u>6,127,943</u>

Aging of trade receivables is presented in note 28.2.1.

11. CASH AND CASH EQUIVALENTS

	Note	December 31, 2025	December 31, 2024
		ﷲ	ﷲ
Cash at bank		42,062,212	176,215,474
Term deposits	11.1	192,180,700	-
		<u>234,242,912</u>	<u>176,215,474</u>

11.1 As at December 31, the Group invested in Term Deposits at an average profit rate of 3.9% per annum having a maturity of less than 90 days.

11.2 Reconciliation of liabilities arising from financing activities:

	December 31, 2024	Loans (paid) / received and others, net	Interest (paid)/ accrued and others, net	December 31, 2025
	ﷲ	ﷲ	ﷲ	ﷲ
SIDF II	18,750,000	(18,750,000)	-	-
MTL Murabaha loan	16,942,004	(16,875,000)	(67,004)	-
Short term Murabaha loans	377,613,885	(146,929,747)	2,553,161	233,237,299
SIDF III	29,213,501	(29,000,000)	(213,501)	-
Long term Murabaha loans	96,417,387	(61,440,000)	(17,387)	34,960,000
Lease liabilities	10,235,613	1,214,522	455,881	11,906,016
	<u>549,172,390</u>	<u>(271,780,225)</u>	<u>2,711,150</u>	<u>280,103,315</u>

11.3 Significant non-cash transactions

	December 31, 2025	December 31, 2024
	ﷲ	ﷲ
Transfer of capital work in progress to operating fixed assets and intangible	29,470,945	269,340,800
Utilization of allowance for doubtful debts	(238,677)	(32,191)
Utilization of allowance for slow moving inventory- discontinued operation	-	(2,547,478)

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12. EQUITY

12.1 Share capital

	Number of shares		Share Capital	
	December 31, 2025	December 31, 2024	December 31, 2025	December 31, 2024
Authorized, issued and fully paid			ﷲ	ﷲ
Ordinary shares of ﷲ10 each fully paid in cash	51,000,000	51,000,000	510,000,000	510,000,000

Share capital has not been reduced by treasury shares.

12.2 Share premium, reserves and retained earnings

	Note	December 31, 2025	December 31, 2024
		ﷲ	ﷲ
Share premium	12.2 (a)	4,512,330	4,512,330
Statutory reserve	12.2 (b)	-	75,799,387
Other reserves	12.2 (c)	(10,665,025)	(9,066,049)
Retained earnings	12.2 (d)	360,400,469	292,709,392

(a) Share premium

Share premium represents excess of issue price over the par value of shares issued to the public at time of initial public offering. Number of shares offered to the public was 16 million shares at a price of ﷲ 25 per share with a nominal value of ﷲ 10 per share. Initial expenses for issuing these shares were ﷲ 21 million, which have been deducted from the share premium.

During the year ended December 31, 2018, the shareholders of the Group in their Ordinary General Assembly Meeting held on September 5, 2018 approved the recommendation of the Board of Directors to cover the accumulated losses amounting to ﷲ 87.52 million as of June 30, 2018 by transfer from the share premium to the accumulated losses.

In a meeting of Board of Directors dated March 17, 2019, the board unanimously resolved to absorb the whole amount of accumulated losses as at December 31, 2018 amounting to ﷲ 126.8 million by transferring the same amount from share premium to accumulated losses. The resolution was later ratified by the shareholders in their general assembly meeting dated May 7, 2019.

(b) Statutory reserve

During the prior year, the group amended its bylaws, eliminating the requirement to transfer 10% of its net income annually to the statutory reserve. This change was approved by the Extraordinary General Assembly in its meeting held on December 18, 2024. Moreover, during the current year the extraordinary General Assembly approve the Board of Directors recommendation, on its meeting held on September 08, 2025, to transfer the statutory reserve balance amounting to ﷲ 75,799,387 to retained earnings.

(c) Other reserves

Other reserves represent the cumulative re-measurement gains or (losses) arising from experience adjustments and changes in actuarial assumptions used for estimating the employees' end-of-service benefits obligation at end of each financial position date and deferred tax on actuarial reserve.

	December 31, 2025	December 31, 2024
	ﷲ	ﷲ
Actuarial re-measurement losses	(11,916,270)	(10,159,813)
Deferred tax impact on OCI	1,251,245	1,093,764
	(10,665,025)	(9,066,049)

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12. EQUITY (CONTINUED)

12.2 Share premium, reserves and retained earnings (Continued)

(d) Retained earnings

	December 31, 2025	December 31, 2024
	ﷲ	ﷲ
Retained earnings	360,400,469	292,709,392

12.3 Treasury shares

	December 31, 2025	December 31, 2024
	ﷲ	ﷲ
Treasury shares	(11,502,225)	(11,502,225)

The treasury shares held by the Group represent 2.26% of the share capital. Their market value amounts to ﷲ 17 million as of December 31, 2025 (2024: 29.8 million). These shares were initially acquired from shares offered to the public for an employee share program.

12.4 Non-controlling interest

The tables below show details of non-wholly-owned subsidiary (Global Pipe Company) of the Group that have material non-controlling interests:

	December 31, 2025	December 31, 2024
Voting rights held by non-controlling interest	42.73%	42.73%
Statement of financial position	ﷲ	ﷲ
Non-current assets	618,302,601	641,753,183
Current assets	578,580,477	564,403,288
Total assets	1,196,883,078	1,206,156,471
Non-current liabilities	19,078,348	54,310,044
Current liabilities	448,113,421	588,722,788
Total liabilities	467,191,769	643,032,832
Statement of comprehensive income		
Revenue	960,257,435	927,299,742
Expenses	(792,765,385)	(764,241,972)
Other comprehensive income	(924,381)	(2,452,197)
Total comprehensive income	166,567,669	160,605,573
Statement of cash flows		
Cash flows from operating activities	241,979,206	48,696,438
Cash flows from investing activities	(21,250,846)	(33,971,636)
Cash flows from financing activities	(202,332,120)	35,633,448
Net cash inflow for the year / period	18,396,240	50,358,250

The Company has chosen to recognize the non-controlling interest at the proportionate share of the acquiree's net identifiable assets.

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13. BORROWINGS

	December 31, 2025	December 31, 2024
	ﷲ	ﷲ
Non-current borrowings	-	42,825,000
Current borrowings	268,197,299	496,111,777
Total borrowings	268,197,299	538,936,777
<u>Term loans</u>		
The Saudi Investment Bank (SAIB)	-	16,942,004
SIDF – II	-	18,750,000
Saudi Awwal Bank (SAB)	34,960,000	96,417,387
SIDF – III	-	29,213,501
	34,960,000	161,322,892
Current portion – term loans	(34,960,000)	(118,497,892)
	-	42,825,000
<u>Short term financing</u>		
Murabaha financing	233,237,299	377,613,885
Current portion – term loans	34,960,000	118,497,892
	268,197,299	496,111,777

Loan	Balance in ﷲ	Type of loan	Number of remaining install- ments	Payment term	Period	Mark up
Saudi Awwal Bank (SAB)	34,960,000	Capital Expenditure	5	Quarterly	December 2017 to December 2026	SIBOR+Mar- gin

Total term loans **34,960,000**

Murabaha financ- ing	233,237,299	Working Capital	-	6 to 12 months	-	SIBOR+Mar- gin
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**Total short-term
financing** **268,197,299**

Total borrowings **268,197,299**

These borrowing facilities are governed by specific financial and non-financial covenants. The term loans related to GPC are secured by promissory notes, corporate guarantees, and personal guarantees provided by GPC's shareholders. Additionally, the loans are secured by a pledge over GPC's lands.

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14. LEASE LIABILITIES

The contractual maturity of lease liabilities are as follows:

	December 31, 2025	December 31, 2024
	ﷲ	ﷲ
Within one year	5,094,962	4,174,883
Years two to five	5,902,120	4,692,660
Years five and above	2,160,023	2,700,030
Minimum lease payments	13,157,105	11,567,573
Less: finance charges	(1,251,089)	(1,331,960)
Net minimum lease payments	11,906,016	10,235,613
Non-current portion	7,227,259	6,394,077
Current portion	4,678,757	3,841,536

15. TRADE AND OTHER PAYABLES

	<u>Note</u>	December 31, 2025	December 31, 2024
		ﷲ	ﷲ
<u>Current</u>			
Trade payables		105,530,120	156,784,558
Accrued expenses		17,589,423	21,776,467
Due to related parties	18B	24,838,337	26,179,107
Board and committees' remuneration payable		2,909,000	5,737,938
Advances from customers		26,886,463	79,946,259
Retention payable		760,046	760,046
Value added Tax (VAT) payable		16,377,000	7,824,867
Other payables		32,992,120	16,439,293
		227,882,509	315,448,535

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16. ZAKAT AND INCOME TAX

16.1 Movement in provision for zakat and income tax is as follows:

	<u>Note</u>	<u>December 31, 2025</u>	<u>December 31, 2024</u>
		ﷲ	ﷲ
At the beginning of the year		9,079,546	20,034,533
Provision charged during the year – continuing operations	16.2	17,607,206	10,286,977
Provision charged during the year – discontinued operation	25.1	-	34,202
Payments		<u>(14,705,176)</u>	<u>(21,276,166)</u>
At the end of the year		<u>11,981,576</u>	<u>9,079,546</u>

16.2 Components of current zakat and income tax expense for the year:

	<u>Note</u>	<u>December 31, 2025</u>	<u>December 31, 2024</u>
		ﷲ	ﷲ
Zakat and income tax			
Current year		18,209,389	14,091,931
Prior years		<u>(602,183)</u>	<u>(3,804,954)</u>
Current zakat and income tax expense		17,607,206	10,286,977
Reversal of additional tax paid in prior years	16.4	<u>(3,224,988)</u>	-
Net zakat and income tax expense		<u>14,382,218</u>	<u>10,286,977</u>

Deferred tax

Decrease in deferred tax liability	8	(1,739,169)	(2,677,255)
Decrease in deferred tax asset	8	<u>3,929,612</u>	<u>7,522,726</u>
Net deferred tax expense		<u>2,190,443</u>	<u>4,845,471</u>
Total Zakat and income tax expense		<u>16,572,661</u>	<u>15,132,448</u>

Charged zakat and income tax for the year has been allocated as follows:

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
	ﷲ	ﷲ
Profit or loss	16,730,142	15,301,054
Other comprehensive income	<u>(157,481)</u>	<u>(168,606)</u>
	<u>16,572,661</u>	<u>15,132,448</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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16. ZAKAT AND INCOME TAX (CONTINUED)

16.3 The zakat and income tax provision for the year based on the following:

	December 31, 2025	December 31, 2024
	ﷲ	ﷲ
Zakat for the Company		
Share capital	510,000,000	510,000,000
Treasury shares	(11,502,225)	(11,502,225)
Retained earnings	71,510,503	109,700,528
Share premium, statutory reserve and others, net	3,846,062	68,356,153
Non- current liabilities	33,012,975	120,346,286
Current liability added proportionally	11,704,850	26,883,338
Non-current assets	(349,920,328)	(529,183,169)
Current asset deducted	(50,940,861)	(53,409,181)
Zakat base	217,710,976	241,191,730
Attributable to Saudi Shareholders (35.83%)	78,005,843	86,418,997
Zakat due for Saudi shareholding of the Company	2,010,744	2,234,335
	December 31, 2025	December 31, 2024
	ﷲ	ﷲ
Income tax		
Income tax for the Company		
Profit before zakat and income tax	111,364,021	102,633,138
Adjustments	13,134,809	(16,996,399)
Adjusted profit	124,498,830	85,636,739
Adjusted profit attributable to non-Saudi shareholders at 64.17%	79,890,900	54,953,095
Utilization of carry forward tax losses	(19,972,725)	(13,738,274)
Taxable profit for the year	59,918,175	41,214,821
Income tax due at 20% for non-Saudi shareholders of holding Company	11,983,635	8,242,964

16.4 Zakat and income tax status

The Company has filed the zakat and income tax return for the year ended December 31, 2024 and obtained the required certificate valid until April 30, 2026. In prior years, the company was inspected and had assessments up to 2018. Last year, the assessment orders for the years 2021 and 2022 were closed with no additional liabilities, and the assessment order for the year 2023 was closed with an additional liability of ﷲ 0.5 million which was charged to the consolidated statement of profit or loss and other comprehensive income for the year ended December 31, 2024. The ZATCA has not issued its assessment orders to the Company for the years 2019, 2020 and 2024.

GPC (subsidiary) has filed the zakat return for the year ended December 31, 2024, and obtained the required certificate. The subsidiary was previously inspected and had last assessment up to 2018, and the ZATCA has not issued its assessment orders to the subsidiary for the years 2019 to 2024. During the year, GPC obtained a credit balance of ﷲ 3.2 million related to additional tax paid for 2017 which is reversed in the consolidated statement of profit or loss and other comprehensive income for the year ended December 31, 2025.

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17. EMPLOYEES' END OF SERVICE BENEFITS

The Group carried out actuarial valuations to account for its obligations under the defined benefit plan. The following results are extracted from the actuarial valuation.

Movement in employees' end of service benefits during the year is as follows:

	December 31, 2025	December 31, 2024
	ﷲ	ﷲ
Opening balance	39,471,397	42,490,172
Expense charge for the year	6,608,934	5,508,769
Re-measurement loss– continuing operations	2,151,445	3,766,143
Payments	(3,367,752)	(12,293,687)
Closing balance	44,864,024	39,471,397

Charged to the consolidated statement of profit or loss for the year:

	December 31, 2025	December 31, 2024
	ﷲ	ﷲ
Service cost	4,543,610	3,584,769
Interest cost	2,065,324	1,924,000
Expense recognized in profit or loss	6,608,934	5,508,769

Principal actuarial assumptions:

	December 31, 2025	December 31, 2024
Discount factor used per annum	4.55%	5.25%
Salary increase rate per annum	5.5%	5.00%
Rates of employee turnover	Heavy	Heavy
Weighted average duration	5.01 years	5.01 years

Sensitivity analysis on present value of defined benefit obligations plan is as below:

	December 31, 2025		December 31, 2024	
	Percentage	Amount	Percentage	Amount
		ﷲ		ﷲ
Discount rate				
Increase	+ 1 %	42,362,480	+ 1 %	37,338,485
Decrease	- 1 %	47,698,554	- 1 %	41,874,205
Expected rate of salary				
Increase	+ 1 %	47,046,952	+ 1 %	41,429,286
Decrease	- 1 %	42,898,420	- 1 %	37,704,041

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the end-of-service indemnities recognized within the consolidated statement of financial position.

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18. RELATED PARTY TRANSACTIONS AND BALANCES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties consist of the shareholders, directors and businesses in which shareholders and directors, individually or combined, have significant influence. The Group's transactions with related parties are entered in a normal course of business and are authorized by the management.

<u>Company</u>	<u>Relationship</u>
San Faustn SA.	Ultimate Parent
Tenaris Saudi Arabia Limited	Shareholder
Husteel Company Ltd.	Shareholder
Chemical Development Company	Investee
Dalmine S.P.A.	Affiliate
Tenaris Global Services Far East Pte Ltd.	Affiliate
Tenaris Global Services S.A	Affiliate
Exiros Saudi Arabia Limited	Affiliate
Siderca S.A.I.C.	Affiliate
Tenaris Connections B.V.	Affiliate
Testing and Technical Solutions AR S.A	Affiliate
Tenaris Bay City, Inc.	Affiliate
Tenaris Global Services and Investments S.A.R.L.	Affiliate
Bredero Shaw Mexico, S.A. DE C.V.	Affiliate
Confab Industrial S.A.	Affiliate
Tubos De Acero De Mexico S.A. DE C.V.	Affiliate
Silcotub S.A.	Affiliate

The significant transactions with related parties during the year are as follows:

<u>Related party</u>	<u>Nature of transaction</u>	<u>December 31, 2025</u>	<u>December 31, 2024</u>
		<u>ﷲ</u>	<u>ﷲ</u>
Sales and services provided by the Group:			
Tenaris Global Services S.A	Sales	4,105,626	77,689,494
Tenaris Saudi Arabia Limited	Services	6,508,561	5,110,358
Tenaris Saudi Arabia Limited	Sales	5,819,472	-
Tenaris Global Services and Investments S.A.R.L.	Sales, net	46,234,913	24,329,031
Purchases and Services received by the Group:			
Dalmine S.P.A.	Technical services	1,127,147	181,350
Dalmine S.P.A.	IT services	1,186,908	-
Dalmine S.P.A	Purchases	97,296	-
Tenaris Global Services S.A	Purchases	-	8,708,958
Tenaris Global Services S.A	Services	460,078	-
Tenaris Saudi Arabia Limited	Services	4,213,542	1,710,294
Tenaris Saudi Arabia Limited	IT Services	31,639	-
Tenaris Saudi Arabia Limited	Technical services	181,183	-
Siderca S.A.I.C.	Technical services	297,965	-
Siderca S.A.I.C.	IT services	88,684	2,687,243
Exiros Saudi Arabia Limited	Services	4,015,818	3,230,840
Testing and Technical Solutions AR S.A.	Technical services, net	(6,330)	139,305
Husteel Company Ltd.	Services	79,669	79,603
Tenaris Connections B.V.	Technical services	31,267	84,117

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18. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

<u>Related party</u>	<u>Nature of transac- tion</u>	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Tenaris Bay City, Inc.	IT Services	2,057	-
Tenaris Connections B.V.	Royalties	439,061	75,494
Tenaris Bay City, Inc.	Technical services	1,114,920	363,741
Confab Industrial S.A.	Technical services	1,378,537	-
Silcotub S.A.	IT services	458,548	13,472
Tubos De Acero De Mexico S.A. DE C.V.	Technical services	1,626,703	-
Bredero Shaw Mexico, S.A. DE C.V.	Fixed asset Purchase	-	1,031,470
Tenaris Global Services and Investments S.A.R.L.	Purchases	23,563,745	3,771,522

A) Amounts receivable from related parties are as follows:

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
	ﷲ	ﷲ
Tenaris Saudi Arabia Limited	3,841,383	5,596,786
Tenaris Global Services Far East Pte Ltd.	-	63,141
Tenaris Global Services and Investments S.A.R.L.	7,869,737	14,496,693
	<u>11,711,120</u>	<u>20,156,620</u>

B) Amounts payable to related parties are as follows:

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
	ﷲ	ﷲ
Tenaris Global Services S.A.	460,036	4,862,441
Tenaris Saudi Arabia Limited	6,041,929	10,576,593
Exiros Saudi Arabia Limited	1,611,590	2,243,054
Siderca S.A.I.C.	3,101,109	2,714,789
Dalmine S.P.A.	2,594,607	257,893
Husteel Company Ltd.	79,669	39,835
Tenaris Connections B.V.	263,471	159,735
Silcotub S.A.	458,539	13,475
Tenaris Bay City, Inc.	1,480,718	363,741
Testing and Technical Solutions AR S.A.	132,927	139,498
Tenaris Global Services and Investments S.A.R.L.	4,576,818	3,776,583
Bredero Shaw Mexico, S.A. DE C.V.	1,031,470	1,031,470
Tubos De Acero De Mexico Sa De C.V.	1,626,703	-
Confab Industrial S.A.	1,378,751	-
	<u>24,838,337</u>	<u>26,179,107</u>

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18. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

C) Remuneration of Board and Committees Members and key management personnel:

	December 31, 2025		December 31, 2024	
	Board and Committees Members ﷲ	Key management personnel ﷲ	Board and Committees Members ﷲ	Key management personnel ﷲ
Remuneration	2,909,000	-	2,446,000	-
Salaries and wages	-	3,474,620	-	3,140,959
Allowances	-	1,928,392	-	1,810,911
Bonus	-	2,199,652	-	1,710,837
End of service	-	387,366	-	219,124
	2,909,000	7,990,030	2,446,000	6,881,831

Board and committees' members remuneration payable amounted to ﷲ 2.9 million – note 15 (2024: ﷲ 5.7 million).

19. SEGMENTAL REPORTING

During 2025, the board of directors passed a resolution to commence the liquidation of its wholly owned subsidiary TSM Arabia which resulted in the loss of control based on the Group's assessment and its deconsolidation from the Group's consolidated financial statements, accordingly, the Company and GPC constitute 100% of the revenue and operations of the Group.

Geographical segment

A geographical segment is a Group of assets, operations or entities engaged in revenue producing activities within a particular economic environment that are subject to risks and returns different from those operating in other economic environments. The Group's operations are conducted mainly in the Kingdom of Saudi Arabia.

The selected financial information covering the revenue for the year ended December 31, categorized by these geographic segments is as follows:

	December 31, 2025 ﷲ	December 31, 2024 ﷲ
Saudi Arabia	1,360,824,787	1,488,726,193
Other countries	51,429,049	141,462,812
	1,412,253,836	1,630,189,005

The Group recognizes a revenue at a point in time.

Transactions with major customers

Revenue from two major customers and one major related party accounted for 84% of the total revenue for the year (2024:70%).

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20. COST OF REVENUE

	December 31, 2025	December 31, 2024
	ﷲ	ﷲ
Raw material consumed, net	757,329,759	858,433,862
Stores, spares parts and consumables	74,153,868	116,521,722
Salaries and staff related benefits	87,465,385	99,307,066
Depreciation of property, plant and equipment	72,447,717	72,286,719
Depreciation of right-of-use assets	5,952,064	3,745,937
Reversal for slow moving inventory	(1,950,405)	(3,112,642)
Other	74,119,823	69,854,064
Total operating cost	1,069,518,211	1,217,036,728
Movement in finished goods and work in process	(3,481,529)	13,565,274
Total	1,066,036,682	1,230,602,002

21. ADMINISTRATIVE EXPENSES

	December 31, 2025	December 31, 2024
	ﷲ	ﷲ
Salaries and wages	27,726,153	26,592,646
Indemnity cost	276,220	6,678,052
Directors' remuneration	2,909,000	2,446,000
Amortization of intangible assets	2,666,115	918,953
Depreciation of property, plant and equipment	1,925,058	2,169,061
Information technology expenses	1,767,436	1,454,238
Other	16,364,042	14,255,381
	53,634,024	54,514,331

22. SELLING, MARKETING AND DISTRIBUTION EXPENSES

	December 31, 2025	December 31, 2024
	ﷲ	ﷲ
Salaries and wages	13,169,126	13,864,967
Transportation and freight	10,537,969	10,895,680
Depreciation of property, plant and equipment	-	84,316
Claims	21,781,181	16,977,048
Other	4,583,969	1,119,704
	50,072,245	42,941,715

23. OTHER INCOME, NET

	December 31, 2025	December 31, 2024
	ﷲ	ﷲ
Income from related party services, net	2,145,162	2,216,342
Gain on disposal of property, plant and equipment	63,614	104,348
Other, net	11,552,056	3,666,328
	13,760,832	5,987,018

24. FINANCE CHARGES, NET

	December 31, 2025	December 31, 2024
	ﷲ	ﷲ
Finance cost on borrowings	24,307,403	32,259,126
Bank charges including facility fee	8,027,939	10,349,102
Finance charge on lease liabilities	457,816	404,758
Other	2,065,324	1,924,000
	34,858,482	44,936,986

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025**

25. DISCONTINUED OPERATIONS

During 2021, the Group sold the main operating fixed assets of its wholly owned subsidiary TSM Arabia and ceased its operations. Accordingly, TSM Arabia has been presented as discontinued operations in the consolidated financial statements. During 2025, the board of directors passed a resolution to commence the liquidation of its wholly owned subsidiary TSM Arabia which resulted in the loss of control based on the Group's assessment and its deconsolidation from the Group's consolidated financial statements, accordingly, the Company and GPC constitute 100% of the revenue and operations of the Group.

25.1 Components of income and expenses, related to discontinued operations are set out below;

	December 31, 2025	December 31, 2024
	ﷲ	ﷲ
Administrative expenses	(66,934)	(26,667)
Other income	-	152,254
(Loss) / Profit before zakat and tax	(66,934)	125,587
Zakat expense	-	(34,202)
Net (loss) / profit for the year	(66,934)	91,385
Other comprehensive income	-	-
Total comprehensive (loss) / income	(66,934)	91,385
<u>(Loss) / Earnings per share from discontinued operations:</u>		
Basic (loss) / earnings per share	(0.001)	0.002
Diluted (loss) / earnings per share	(0.001)	0.002

26. CONTINGENCIES AND COMMITMENTS

	December 31, 2025	December 31, 2024
	ﷲ	ﷲ
Letters of guarantee	226,225,101	249,008,460
Letters of credit	137,141,790	68,073,667

27. EARNINGS / (LOSS) PER SHARE

Basic earnings / (loss) per share is calculated by dividing the earnings / (losses) attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the year. With regard to diluted earnings / (loss) per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares, which includes conversion of treasury shares into ordinary shares.

SAUDI STEEL PIPES COMPANY
(A SAUDI JOINT STOCK COMPANY)

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27. EARNINGS / (LOSS) PER SHARE (CONTINUED)

Earnings / (loss) per share are represented as follows:

	December 31, 2025	December 31, 2024
	ﷲ	ﷲ
Net profit / (loss) for the year:		
From continuing operations	191,600,752	180,539,260
From discontinued operations	(66,934)	91,385
	191,533,818	180,630,645
Basic earnings / (loss) per share:		
From continuing operations	3.791	3.572
From discontinued operations	(0.001)	0.002
Weighted average number of outstanding shares	50,542,311	50,542,311
Diluted earnings / (loss) per share:		
From continuing operations	3.757	3.540
From discontinued operations	(0.001)	0.002
Adjusted weighted average number of outstanding shares	51,000,000	51,000,000
Reconciliation of weighted average number of outstanding shares		
Weighted average number of outstanding shares	50,542,311	50,542,311
Add: Treasury shares	457,689	457,689
Adjusted weighted average number of outstanding shares	51,000,000	51,000,000

28. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to the following financial risks from its use of the financial instruments:

- Credit risk and concentration of credit risk,
- Liquidity risk and
- Market risk (including interest rate risk and foreign currency exchange risk)

The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

28.1 Financial instruments by category

	December 31, 2025	December 31, 2024
	ﷲ	ﷲ
Financial assets at amortized cost:		
Trade receivables, net	222,458,596	300,869,052
Employee loans	1,894,262	2,196,476
Receivable from TSM	1,009,592	-
Other receivables	1,659,934	2,586,174
Due from related parties	11,711,120	20,156,620
Cash and cash equivalents	234,242,912	176,215,474
Total financial assets	472,976,416	502,023,796

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025**

28. FINANCIAL RISK MANAGEMENT (CONTINUED)

	December 31, 2025	December 31, 2024
	ﷲ	ﷲ
Financial liabilities at amortized cost:		
Borrowings	268,197,299	538,936,777
Trade and retention payables	106,290,166	157,544,604
Due to related parties	24,838,337	26,179,107
Accrued expenses	17,589,423	21,776,467
Lease liabilities	11,906,016	10,235,613
Board and committees' remuneration payable	2,909,000	5,737,938
Total financial liabilities	431,730,241	760,410,506

The Group has no financial liability at fair value through profit or loss.

28.2 Risk management of financial instruments

The Group reviews and agrees policies for managing each of the risks and these policies are summarized below:

28.2.1 Credit risk and concentration of credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed completely to perform as contracted. The Group has policies in place to minimize its exposure to credit risk. The maximum exposure to credit risk at the reporting date is as follows:

	December 31, 2025	December 31, 2024
	ﷲ	ﷲ
Trade receivables, net	222,458,596	300,869,052
Employee loans	1,894,262	2,196,476
Receivable from TSM	1,009,592	-
Other receivables	1,659,934	2,586,174
Due from related parties	11,711,120	20,156,620
Cash and cash equivalents	234,242,912	176,215,474
	472,976,416	502,023,796

Due to the Group's long-standing relations with counterparties and after giving due consideration to their financial standing, the management does not expect non-performance by these counter parties on their obligations to the Group except when trade receivables are considered doubtful.

The Group's management determines the credit risk by regularly monitoring the creditworthiness rating of existing customers and through a monthly review of the trade receivables' aging analysis. In monitoring the customers' credit risk, customers are grouped according to their credit characteristics. Customers that are graded as "high risk" are placed on a restricted customer list, and future credit sales are made only with approval of the Board of Directors, otherwise payment in advance is required. The Group assesses the recoverable amount of its receivables to ensure adequate allowance for impairment is made.

The Group is potentially subject to concentration of credit risk as outstanding account receivable from one of major customers represent 49% (2024: 51%) of the total receivable balance. However, the Group does not believe significant credit risk exist as the customer is trust worthy and has a good credit history with the Group.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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28. FINANCIAL RISK MANAGEMENT (CONTINUED)

Receivables are classified as past due if they exceed their credit terms, which varies from 30 to 90 days. The aging of trade debts as at the consolidated statement of financial position date is as under:

	Carrying amount	Not Due	Past due			ECL Provision
			Up to 90 Days	91-180 Days	Up to 1 year	
	ﷲ	ﷲ	ﷲ	ﷲ	ﷲ	ﷲ
December 31, 2025						
Trade receivables	222,458,596	147,077,948	34,837,860	623,891	36,194,852	8,793,646 (5,069,601)
December 31, 2024						
Trade receivables	300,869,052	239,237,795	42,494,811	12,042,989	7,159,707	6,061,693 (6,127,943)

Employee loans and other receivables include certain amounts secured by mortgages of properties owned by employees such as land, building and vehicles.

Bank balances are held with banks with good credit ratings.

28.2.2 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial liabilities. Liquidity requirements are monitored on a regular basis and management ensures that sufficient funds are available to meet any commitments as they arise.

The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. To achieve this aim, it seeks to maintain cash balances (or agreed facilities) to meet expected requirements for a period of at least 30 days. The Group also seeks to reduce liquidity risk by fixing interest rates (and hence cash flows) on a portion of its long-term borrowings, this is further discussed in the 'interest rate risk' section below.

The Group's financial current liabilities consist of the current portion of bank facilities; trade accounts payable, accrued expenses and other liabilities. These liabilities are expected to be settled within 12 months of the consolidated statement of financial position date and the Group expects to have adequate funds available to do so.

The table below summarizes the maturity profile of the Group's financial liabilities based on undiscounted contractual cash payments:

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025**

28. FINANCIAL RISK MANAGEMENT (CONTINUED)

28.2.2 Liquidity risk (Continued)

	Carrying amount	Contractual cash flows	Less than 3 months	3 to 12 Months	1 to 5 Years
	ﷲ	ﷲ	ﷲ	ﷲ	ﷲ
December 31, 2025					
Interest-bearing loans and lease liabilities	280,103,315	284,460,594	239,523,322	36,892,215	8,045,057
Trade and retention payable	106,290,166	106,290,166	106,290,166	-	-
Due to related parties	24,838,337	24,838,337	24,838,337	-	-
Accrued expenses	17,589,423	17,589,423	17,589,423	-	-
Board and committees' remuneration payable	2,909,000	2,909,000	-	2,909,000	-
Total financial liabilities	431,730,241	436,087,520	388,241,248	39,801,215	8,045,057
December 31, 2024					
Interest-bearing loans and lease liabilities	549,172,390	555,561,367	383,410,351	125,183,914	46,967,102
Trade and retention payable	157,544,604	157,544,604	157,544,604	-	-
Due to related parties	26,179,107	26,179,107	26,179,107	-	-
Accrued expenses	21,776,467	21,776,467	21,776,467	-	-
Board and committees' remuneration payable	5,737,938	5,737,938	-	5,737,938	-
Total financial liabilities	760,410,506	766,799,483	588,910,529	130,921,852	46,967,102

28.2.3 Market risk

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and equity prices will affect the Group's income or the value of its holdings of financial instruments due to fluctuation in the related financial instruments value. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing returns.

i) Fair value and cash flow commission rate risk

Fair value and cash flow interest rate risks are the exposures to various risks associated with the effect of fluctuations in the prevailing interest rates on the Group's consolidated financial positions and cash flows. The Group is exposed to commission rate risk on its interest-bearing assets and liabilities mainly bank facilities and other borrowings. Management limits the Group's interest rate risk by monitoring changes in interest rates. Management monitors the changes in interest rates and believes that the cash flow and fair value interest rate risk to the Group is not significant.

The Group's receivables and payables carried at amortized cost are not subject to interest rate risk as defined in IFRS 7, since neither the carrying amount nor the future cash flows will significantly fluctuate because of a change in market interest rates. Hence, the Group is not exposed to fair value interest rate risk.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025**

28. FINANCIAL RISK MANAGEMENT (CONTINUED)

28.2.3 Market risk (Continued)

ii) Foreign currency exchange risk

Foreign currency exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group is not exposed to fluctuations in foreign exchange rates during its ordinary course of business, since all significant transactions of the Group during the year are in Saudi Riyals and US Dollars and there are no significant risks related to balances stated in US Dollar since the exchange of Saudi Riyal is currently pegged to the US Dollar. The Group's exposure to currency risk arising from currencies that are not pegged to USD (e.g. Euro, GBPs etc.) is not material.

28.2.4 Fair values of financial instruments

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. The Group's financial assets consist of cash and cash equivalents, accounts receivables and some other assets, while its financial liabilities consist of borrowings, lease liabilities, trade and retention payables, some accrued expenses and other liabilities. The fair values of financial instruments are not materially different from their carrying values.

The carrying value of financial assets not measured at fair value have a reasonable approximation to its fair value. All financial liabilities are at amortized cost and their fair value is a reasonable approximation of fair value.

28.2.5 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or obtain / repay financing from / to financial institutions.

Consistent with others in the industry, the Group manages its capital risk by monitoring its debt levels and liquid assets and keeping in view future investment requirements and expectations of the shareholders. Debt is calculated as total of long-term finance and short-term borrowings. Total capital employed comprises shareholders' equity as shown in the consolidated statement of financial position under 'share capital and reserves' and net debt (net of cash and cash equivalent).

The salient information relating to capital risk management of the Group as of December 31, 2025 and 2024 were as follows:

	December 31, 2025	December 31, 2024
	ﷲ	ﷲ
Total debt	268,197,299	538,936,777
Less: Cash and cash equivalents	(234,242,912)	(176,215,474)
Net debt	33,954,387	362,721,303
Total equity	1,164,542,645	1,103,075,566
Total capital employed	1,198,497,032	1,465,796,869
Gearing ratio	2.83%	24.75%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025

29. RECLASSIFICATION

The comparative year amounts, as set out below, have been reclassified to enhance consistency and conform with the current year presentation. This reclassification resulted in a change in the presentation of gross profit and operating income; however, it had no impact on net profit or the reported results for the year.

Consolidated statement of profit or loss and other comprehensive income

Reclassification from	Reclassification to	December 31, 2024
Cost of revenue	Finance charges, net	752,076
Administrative expenses	Finance charges, net	1,171,924

This reclassification does not affect previously reported profit for the year ended December 31, 2024 in the consolidated statement of profit or loss and other comprehensive income and the previously reported cash flows from operating activities in the statement of cash flows for the year then ended.

30. STATUS OF INACTIVE LAND DEEDS

In early 2021, the Company learned through the Saudi Ministry of Justice's online portal that the electronic title deeds of plots of land owned by the Company with total cost of ₪157.9 million had become inactive due to cancellation by a court order.

The affected plots of land, with a total surface area of 811,284 square meters, are located in Dammam, and were purchased in February 2010 pursuant to a written purchase agreement duly executed by the Company in full compliance with the laws of the Kingdom of Saudi Arabia ("the Land Purchase Transaction").

On April 28, 2025, the Company concluded a settlement with the sellers of the plots of land, pursuant to which the Land Purchase Transaction was unwound, and the sellers paid to the Company an aggregate amount of ₪ 211.5 million in cash which resulted in recording a net settlement compensation of ₪ 53.6 million. Additionally, the sellers released the Company from any claim on the plots of land or its title deeds and assumed all rights and obligations related to its pending petition with the Ministry of Justice.

31. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Board of Directors and authorized for issue on February 18, 2026.