

SAUDI VITRIFIED CLAY PIPE COMPANY
SAUDI JOINT STOCK COMPANY

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
AND INDEPENDENT AUDITOR'S REVIEW REPORT
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2025

SAUDI VITRIFIED CLAY PIPE COMPANY

SAUDI JOINT STOCK COMPANY

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2025

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Independent Auditor's Review Report on the Interim condensed consolidated financial statements

To the shareholders of Saudi Vitrified Clay Pipe Company

Saudi Joint Stock Company

Riyadh - Kingdom of Saudi Arabia

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Saudi Vitrified Clay Pipe Company (the "Company") (and its subsidiaries together "the Group") as of September 30, 2025 and the interim condensed consolidated statement of profit or loss and other comprehensive income for the three and nine-month periods then ended, and the interim condensed consolidated statements of changes in equity and cash flows for the nine-month period then ended, and other explanatory notes (the "interim condensed consolidated financial statements"). Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34 - "Interim Financial Reporting" ("IAS 34") that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

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

Conclusion

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

Material Uncertainty Related to Going Concern

We draw attention to note (4) to the interim condensed consolidated financial statements, which indicates that the Group incurred a net loss of SAR 9.5 million for the nine-month period ending September 30, 2025, and that the accumulated losses as at that date amounted to SAR 57 million, representing 38% of the share capital. Furthermore, the Group reported negative operating cash flows of SAR 15 million for the nine-month period ending September 30, 2025. As the Group continues to incur losses, these conditions, along with other matters as set out in note (4), indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

For Alzoman and Alfahad & Alhajjaj Professional Services

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



Riyadh - Saudi Arabia

Date: 26 Jumada al-Ula 1447H

Corresponding to: 17 November 2025

SAUDI VITRIFIED CLAY PIPE COMPANY

SAUDI JOINT STOCK COMPANY

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS OF SEPTEMBER 30, 2025

(ALL AMOUNTS ARE SHOWN IN SAUDI RIYALS UNLESS OTHERWISE STATED)

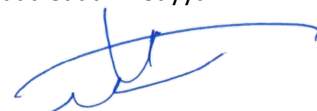
	Note	September 30, 2025 (Unaudited)	December 31, 2024 (Audited)
Assets			
Non-current assets			
Property, plant and equipment	6	38,912,349	63,087,091
Intangible assets		7,653,389	7,617,840
Right-of-use assets		8,058,001	10,150,130
Capital work under construction	7	13,197,010	430,100
Total non-current assets		67,820,749	81,285,161
Current assets			
Inventory	8	40,684,501	42,853,797
Prepaid expenses and other assets	9	54,437,850	5,627,193
Accounts receivable	10	19,987,210	20,971,713
Cash and cash equivalents	11	4,630,729	4,218,244
Total current assets		119,740,290	73,670,947
Total assets		187,561,039	154,956,108
Equity and liabilities			
Equity			
Share capital		150,000,000	150,000,000
Accumulated losses		(57,517,452)	(47,963,420)
Total equity		92,482,548	102,036,580
Liabilities			
Non-current liabilities			
Lease liabilities		6,518,160	8,523,605
Defined employees' benefit plan obligations		11,464,687	11,629,328
Deferred government grants		2,119,882	2,179,011
Total non-current liabilities		20,102,729	22,331,944
Current liabilities			
Lease liabilities		1,306,139	1,207,302
Long-term loans	12	32,306,618	12,060,272
Accrued expenses and other liabilities	13	16,173,220	4,748,960
Deferred government grants		78,757	78,757
Short-term loan	14	8,619,716	5,000,000
Trade payable	15	12,595,719	4,157,232
Contracts liabilities with customers		1,168,744	737,634
Zakat provision	16	2,726,849	2,597,427
Total current liabilities		74,975,762	30,587,584
Total liabilities		95,078,491	52,919,528
Total equity and liabilities		187,561,039	154,956,108

Chief Financial Officer

Abdel Khaleq Abdullah Babiker Al-Hassan


Managing Director

Dr. Saad Saud Al-Sayyari



Notes 1 to 25 form an integral part of these interim condensed consolidated financial statements.

SAUDI VITRIFIED CLAY PIPE COMPANY

SAUDI JOINT STOCK COMPANY

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

FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2025

(ALL AMOUNTS ARE SHOWN IN SAUDI RIYALS UNLESS OTHERWISE STATED)

	Note	For the three-month period ended September 30		For the nine-month period ended September 30	
		2025	2024	2025	2024
		(Unaudited)	(Unaudited) (Restated)	(Unaudited)	(Unaudited) (Restated)
Sales	17	16,745,119	16,492,604	44,594,401	40,975,122
Cost of sales		(19,944,485)	(20,332,208)	(53,253,670)	(52,552,672)
Gross loss		(3,199,366)	(3,839,604)	(8,659,269)	(11,577,550)
Selling and marketing expenses		(1,718,457)	(718,425)	(4,661,518)	(2,165,286)
General and administrative expenses	18	(5,244,924)	(4,780,644)	(15,760,856)	(14,116,982)
Expected credit losses provision	10	(239,379)	2,043,619	(122,586)	4,035,396
Net loss for the period from main operations		(10,402,126)	(7,295,054)	(29,204,229)	(23,824,422)
Financing costs		385,994	(174,511)	(822,646)	(838,988)
Other income		21,831,953	44,430	21,993,927	244,698
Impairment loss on property, plant and equipment		-	(48,672,118)	-	(48,672,118)
Net gain (loss) for the period before zakat		11,815,821	(56,097,253)	(8,032,948)	(73,090,830)
Zakat	16	(1,159,565)	(241,701)	(1,521,084)	(827,585)
Net gain (loss) for the period after zakat		10,656,256	(56,338,954)	(9,554,032)	(73,918,415)
Other comprehensive income:					
Total comprehensive gain (loss) for the period		10,656,256	(56,338,954)	(9,554,032)	(73,918,415)
Gain (loss) per share					
Basic and diluted gain (loss) per share for the period	19	0.71	(3.76)	(0.64)	(4.93)

Chief Financial Officer

Abdel Khaleq Abdullah Babiker Al-Hassan


Managing Director

Dr. Saad Saud Al-Sayyari



SAUDI VITRIFIED CLAY PIPE COMPANY

SAUDI JOINT STOCK COMPANY

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2025

(ALL AMOUNTS ARE SHOWN IN SAUDI RIYALS UNLESS OTHERWISE STATED)

	Share capital	Statutory reserve	(Accumulated losses)	Total
Balance as of January 1, 2024 (As Previously Reported)	150,000,000	75,000,000	(14,808,787)	210,191,213
Net loss for the period (Restated)	-	-	(73,918,415)	(73,918,415)
Balance as of September 30, 2024 (unaudited) (Restated)	150,000,000	75,000,000	(88,727,202)	136,272,798
Balance as of January 1, 2025	150,000,000	-	(47,963,420)	102,036,580
Net loss for the period	-	-	(9,554,032)	(9,554,032)
Balance as of September 30, 2025 (Unaudited)	150,000,000	-	(57,517,452)	92,482,548

Chief Financial Officer

Abdel Khaleq Abdullah Babiker Al-Hassan


Managing Director

Dr. Saad Saud Al-Sayyari



SAUDI VITRIFIED CLAY PIPE COMPANY

SAUDI JOINT STOCK COMPANY

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2025

(ALL AMOUNTS ARE SHOWN IN SAUDI RIYALS UNLESS OTHERWISE STATED)

	For the nine-month period ended September 30	
	2025	2024
	(Unaudited)	(Unaudited) (Restated)
Cash flows from operating activities		
Net loss for the period before zakat	(8,032,948)	(73,090,830)
Adjustments to Reconcile Net Loss for the Period to Non-Cash Items		
Depreciation of property, plant, and equipment -note 6	3,732,690	8,070,659
Gain on disposal of property, plant and equipment	(21,761,783)	(19,400)
Gain on disposal of lease liabilities	(150,879)	-
Amortization of intangible assets	65,451	37,354
Amortization of right-of-use assets	967,261	840,149
Impairment loss on property, plant and equipment	-	48,672,118
Provision for obsolete and slow-moving inventories charged -note 8	300,000	300,000
Provision (reversal) for expected credit loss -note 10	122,586	(4,035,396)
Financing costs	822,646	838,988
Defined employees' benefit plan obligations	991,665	1,150,415
	(22,943,311)	(17,235,943)
Changes in operating assets and liabilities		
Inventory	1,869,296	8,747,964
Prepaid expenses and other assets	(6,060,657)	(3,413,346)
Accounts receivable	861,917	4,874,272
Accrued expenses and other liabilities	4,247,401	(2,569,975)
Contracts liabilities with customers	431,110	106,208
Trade payable	8,438,487	1,080,410
Net cash used in operations	(13,155,757)	(8,410,410)
Defined employees' benefit plan obligations paid	(1,156,306)	(2,877,224)
Zakat paid -note 16	(1,391,662)	(1,201,218)
Net cash used in operating activities	(15,703,725)	(12,488,852)
Cash flows from investing activities		
Additions to property, plant and equipment -note 6	(2,817,165)	(2,808,789)
Additions to intangible assets	(101,000)	(119,190)
Proceeds from disposal of property, plant and equipment	9,021,000	19,400
Payment for the acquisition of the subsidiary	-	(25,000,000)
Additions to capital works under construction	(11,958,540)	-
Net cash used in investing activities	(5,855,705)	(27,908,579)

Notes 1 to 25 form an integral part of these interim condensed consolidated financial statements.

SAUDI VITRIFIED CLAY PIPE COMPANY

SAUDI JOINT STOCK COMPANY

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2025

(ALL AMOUNTS ARE SHOWN IN SAUDI RIYALS UNLESS OTHERWISE STATED)

	For the nine-month period ended September 30	
	2025 (Unaudited)	2024 (Unaudited) (Restated)
Cash flows from financing activities		
Proceeds from short term loans	8,619,716	5,000,000
payment of short-term loans	(5,000,000)	-
Proceeds from long term loans	20,000,000	-
payment of long-term loans	-	(3,100,000)
Financing costs paid	(1,075,649)	-
Payments of Lease Liability	(572,152)	(662,120)
Net cash generated from financing activities	21,971,915	1,237,880
Net change in cash and cash equivalents	412,485	(39,159,551)
Cash and cash equivalents at the beginning of the period	4,218,244	44,679,339
Cash and cash equivalents at the end of the period	4,630,729	5,519,788
Non-cash transactions		
Unpaid portion of proceeds from sale of property, plant and equipment settled through prepaid expenses	42,750,000	-
Elimination of capitalized interest effect on capital work in progress	(808,370)	-
Derecognition of right-of-use assets	1,124,868	-
Derecognition of lease liabilities	(1,275,747)	-

Chief Financial Officer

Abdel Khaleq Abdullah Babiker Al-Hassan


Managing Director

Dr. Saad Saud Al-Sayyari



SAUDI VITRIFIED CLAY PIPE COMPANY

SAUDI JOINT STOCK COMPANY

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2025

(ALL AMOUNTS ARE SHOWN IN SAUDI RIYALS UNLESS OTHERWISE STATED)

1. SUMMARY OF THE PARENT COMPANY, ITS SUBSIDIARY, AND ITS ACTIVITIES

A- Incorporation

Saudi Vitrified Clay Pipe Company ("Company") is a Saudi joint stock company registered in Saudi Arabia under the Commercial Register No. 1010014993 issued in Riyadh on Rabia AlAwwal 8, 1398 AH (corresponding to February 16, 1978). On 7 August 2024, Saudi Vitrified Clay Pipe Co. announced the Board of Directors' recommendation to increase the share capital by SAR 80 million through a rights issue. As of the date of these interim condensed consolidated financial statements, the Company is still in the process of completing the regulatory procedures.

B- Main activity of the parent company

Manufacturing commercial and plastic pipes, their accessories, and fittings, in various diameters, and providing all supporting works for this purpose.

- Wholesale and retail trade of sanitary equipment, machinery, and tools.
- Public utility connection works and execution of water and sewage projects (water desalination and purification, and wastewater treatment), electrical and mechanical works, and contracting of cooling and air-conditioning works.
- Commercial agency activities related to the Company's purposes after registration in the Commercial Agencies Register.
- Establishing and managing various industrial projects related to pipes and marketing their products and technologies.
- Expanding and developing water management projects and organizing sewage networks.
- Manufacturing several types of pipes used for liquid transportation.
- Manufacturing of all types of molds for concrete surfaces and their derivatives.
- Manufacturing all types of ready-mix concrete.
- Manufacturing water and sewage pipes and accessories.
- Mining and quarrying.

C- Main Address

The company's headquarters is located at the following address:

Riyadh – Second Industrial City – Road No. 182

P.O 6415

Zip Code 11442

Kingdom of Saudi Arabia

D- Subsidiary

This interim condensed consolidated financial statement as at September 30, 2025, includes the financial statements of the parent company (the "Company") and its active subsidiary, (collectively referred to as the "Group"), which are shown below:

Name of the subsidiary	Founding county	CR number	CR date	Ownership percentage	
				September 30, 2025	December 31, 2024
Laffan Pipe Company	Kingdom of Saudi Arabia	1009047290	September 3, 2024	100%	100%
Saudi Land Factory for Cement products	Kingdom of Saudi Arabia	1011022606	April 9, 2022	100%	100%

E- Sub-commercial register

The parent company has obtained the following sub-commercial registration:

CR name	CR number	Date of issuance	Place of issuance	Activity
Saudi Vitrified Clay Pipe Company	1010609539	July 11, 2017	Riyadh	Manufacture of pipes and trade of pottery and handicrafts

SAUDI VITRIFIED CLAY PIPE COMPANY

SAUDI JOINT STOCK COMPANY

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2025

(ALL AMOUNTS ARE SHOWN IN SAUDI RIYALS UNLESS OTHERWISE STATED)

2. BASIS OF PREPARING INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2-1 Statement of compliance

The interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard (IAS) 34 "Interim Financial Reporting", as endorsed in the Kingdom of Saudi Arabia, and in accordance with other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

These interim condensed consolidated financial statements should be read in conjunction with the latest annual consolidated financial statements of the Group for the year ended December 31, 2024.

These interim condensed consolidated financial statements do not include all the information and disclosures required for a full set of consolidated financial statements prepared in accordance with the International Financial Reporting Standards (IFRS). However, selected accounting policies and explanatory notes have been included to explain significant events and transactions that are relevant to understanding the changes in the Group's financial position and financial performance since December 31, 2024.

2-2 Basis of measurement

The interim condensed consolidated financial statements have been prepared under the historical cost convention, except for defined benefit employee plan obligations, which are measured using the Projected Unit Credit Method.

Other bases of measurement are used if required by the International Financial Reporting Standards (IFRS) endorsed in the Kingdom of Saudi Arabia, and by other standards and pronouncements issued to complement the IFRS by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

2-3 Presentation and disclosure currency

The interim condensed consolidated financial statements are presented in Saudi Riyals (SAR), which represents the functional currency, and amounts have been rounded to the nearest Saudi Riyal.

2-4 Concern and accumulated losses

The preparation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) endorsed in the Kingdom of Saudi Arabia requires management to make judgments, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, as well as the disclosures of certain contingent assets and liabilities at the date of the consolidated statement of financial position. Estimates and assumptions also affect the reported amounts of revenues and expenses. Although these estimates are based on the best information available to management regarding current events and circumstances, actual results may differ from these estimates.

Judgments, estimates, and assumptions are continuously reviewed, and any adjustments to estimates are recognized prospectively.

The significant judgments, assumptions, and estimates made by management in applying the Group's accounting policies, as well as the key sources of uncertainty in these judgments and estimates, were consistent with those disclosed in the Group's most recent annual financial statements.

SAUDI VITRIFIED CLAY PIPE COMPANY

SAUDI JOINT STOCK COMPANY

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2025

(ALL AMOUNTS ARE SHOWN IN SAUDI RIYALS UNLESS OTHERWISE STATED)

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in these interim condensed consolidated financial statements are the same as those applied in the financial statements for the year ended December 31, 2024, as no new standards have been issued. However, a number of amendments to standards became effective as of January 1, 2025, which were explained in the Company's annual financial statements, but they do not have a material impact on the Group's interim condensed consolidated financial statements.

New Standards, Amendments to Standards, and Interpretations

New standards and a set of amendments to existing standards became effective as of January 1, 2025, and were disclosed in the Group's consolidated annual financial statements; however, they do not have a material effect on the Group's interim condensed consolidated financial statements.

4. GOING CONCERN AND ACCUMULATED LOSSES

The Group incurred a net loss of SAR 9.5 million for the period ended September 30, 2025, and the accumulated losses of the Group as of September 30, 2025, amounted to SAR 57 million. Furthermore, the Group recorded negative cash flows from operating activities of SAR 15 million for the nine-month period ended September 30, 2025.

The Group's management has assessed the financial performance and working capital for the upcoming period and expects an improvement in clay pipe sales in the coming years compared to 2024, due to the increase in the number of projects offered in 2024 — with clay pipe specifications — by the National Water Company and the National Housing Company compared to 2023, which is expected to positively impact sales in the coming years. Management is confident that it has the necessary resources to continue its operations on a going concern basis and will be able to generate sufficient cash flows to meet its obligations as they fall due over the next twelve months from the date of these interim condensed consolidated financial statements.

Diversification across industries to increase Group sales by also focusing on plastic and cement pipe industries, with the completion of the high-density polyethylene (HDPE) pipe plant expected in the last quarter of 2025.

Expansion and activation of clay pipe sales through exports and projects within the Kingdom of Saudi Arabia.

The Group has obtained a SAR 20 million loan to finance construction operations to support diversification in industries and increase sales.

The Group is also working on capital increase through the issuance of priority shares, expected to be completed by the end of 2025, which will inject approximately SAR 80 million into the Group's treasury, enabling expansion across all activities.

Furthermore, management has confirmed that it is not aware of any other significant uncertainties that may cast doubt on the Group's ability to continue as a going concern. Accordingly, these interim condensed consolidated financial statements have been prepared on a going concern basis.

5. INTERIM CONDENSED CONSOLIDATED FINANCIAL RESULTS FOR THE PERIOD

The Group's management has prepared all necessary adjustments deemed important to present the interim condensed consolidated financial statements fairly as of September 30, 2025, and to reflect the Group's preliminary consolidated results for the period ended on that date.

The interim condensed consolidated financial results for this period may not be indicative of the Group's financial results for the year ending December 31, 2025.

SAUDI VITRIFIED CLAY PIPE COMPANY

SAUDI JOINT STOCK COMPANY

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2025

(ALL AMOUNTS ARE SHOWN IN SAUDI RIYALS UNLESS OTHERWISE STATED)

6. PROPERTY, PLANT, AND EQUIPMENT

	September 30, 2025	December 31, 2024
	(Unaudited)	(Audited)
Cost		
Balance at the beginning of the period/year	566,037,471	533,344,218
Additions resulting from the acquisition of a subsidiary *	-	34,365,188
Additions	2,817,165	3,505,936
Disposals**	(315,753,268)	(5,177,871)
Balance at the end of the period/year	253,101,368	566,037,471
Accumulated depreciation		
Balance at the beginning of the period/year	376,299,010	369,994,965
Additions resulting from the acquisition of a subsidiary *	-	696,411
Charged for the period/year	3,732,690	10,785,501
Disposals	(180,340,915)	(5,177,867)
Balance at the end of the period/year	199,690,785	376,299,010
Accumulated impairment		
Balance at the beginning of the period/year	126,651,370	46,413,761
Charged for the period/year	-	80,237,609
Disposals	(112,153,136)	-
Balance at the end of the period/year	14,498,234	126,651,370
As at the end of the period/year	38,912,349	63,087,091

* Property, Plant, and Equipment include assets with a net book value of SAR 35,764,798 belonging to the subsidiary "Saudi Land Factory Company", which have been pledged as collateral for a loan from the Saudi Industrial Development Fund (note 12).

** During the third quarter of 2025, the Saudi Vitrified Clay Pipe Company entered into a sale agreement for the second factory located in the Second Industrial City in Riyadh and the assignment of the lease contract for the land on which the factory is built, for a total consideration of SAR 45,000,000, excluding any taxes or fees. The payment of the transaction was agreed to be made in two installments: The first installment of SAR 9,000,000 was received upon signing the agreement. The second installment of SAR 36,000,000, along with Value Added Tax (VAT) of SAR 6,750,000, was received in the subsequent period (note 9), after obtaining approval from the Saudi Authority for Industrial Cities and Technology Zones (MODON) for the lease assignment to the buyer and completing the relevant legal procedures. The land under the agreement and the assets on it were delivered to the buyer during the third quarter. The net book value of the assets sold amounted to SAR 23,219,826, resulting in a gain of SAR 21,780,174, which was recognized under Other Income (note 18).

7. CAPITAL WORK IN PROGRESS

Capital work in Progress represents the cost of constructing the "Lafan Pipes Factory", specialized in the production of plastic pipes, which commenced during 2024. The project is being executed according to the planned schedule, and its completion is expected in the last quarter of 2025, after which the costs will be transferred to Property, Plant, and Equipment upon completion and commencement of operations. The balance also includes SAR 1,254,850 related to the construction of new concrete foundations for machinery and equipment of Saudi Land Factory for Cement products, and capitalized interest on projects under construction to date amounted to SAR 808,370.

SAUDI VITRIFIED CLAY PIPE COMPANY

SAUDI JOINT STOCK COMPANY

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2025

(ALL AMOUNTS ARE SHOWN IN SAUDI RIYALS UNLESS OTHERWISE STATED)

8. INVENTORY

	September 30, 2025	December 31, 2024
	(Unaudited)	(Audited)
Spare parts	16,346,109	17,359,994
Work in process	10,013,447	11,863,979
Finished goods	10,101,192	10,760,830
Raw materials	7,579,974	5,771,034
Accessories	1,726,868	1,865,431
Packaging inventory	323,308	338,926
	46,090,898	47,960,194
Provision for obsolete, slow-moving, and damaged inventory	(5,406,397)	(5,106,397)
	40,684,501	42,853,797

The following is the transaction made on a provision for obsolete, slow-moving, and damaged inventory for the period/year:

	September 30, 2025	December 31, 2024
	(Unaudited)	(Audited)
Balance at the beginning of the period/year	5,106,397	2,302,105
Charge for the period/year	300,000	2,804,292
Balance at the end of the period/year	5,406,397	5,106,397

A provision for obsolete, slow-moving, and idle inventory of SAR 300,000 was recognized for the period ended September 30, 2025, and was charged to cost of sales. Additionally, during the period, the inventory balance decreased by SAR 1,893,579 due to a write-down to net realizable value, and this decrease was also recognized within cost of sales.

9. PREPAID EXPENSES AND OTHER DEBIT BALANCES

	September 30, 2025	December 31, 2024
	(Unaudited)	(Audited)
Advances paid for purchase of machinery and equipment	8,128,992	3,451,113
Advance payments to suppliers	1,110,838	1,137,743
Value added tax	98,847	354,788
Prepaid expenses*	2,067,160	438,221
Refundable deposits	195,984	170,628
Letters of guarantee	50,000	50,000
Employees advance	36,029	24,700
Receivables from sale of property, plant, and equipment - note 6	42,750,000	-
	54,437,850	5,627,193

* The prepaid expenses balance includes amounts paid for consultancy services related to the capital increase through the issuance of priority shares, which will be deducted from the proceeds of the issuance at a later date.

The trade receivables balance represents the amount due to the Company from the second installment of the sale of the second factory, which totals SAR 45,000,000. The second installment includes SAR 36,000,000 plus Value Added Tax of SAR 6,750,000.

SAUDI VITRIFIED CLAY PIPE COMPANY

SAUDI JOINT STOCK COMPANY

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2025

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10. ACCOUNTS RECEIVABLE

	September 30, 2025	December 31, 2024
	(Unaudited)	(Audited)
Accounts receivable	28,553,845	29,415,762
Provision for expected credit losses	(8,566,635)	(8,444,049)
	19,987,210	20,971,713

The provision for expected credit losses for the period/year is as follows:

	September 30, 2025	December 31, 2024
	(Unaudited)	(Audited)
Balance, beginning of the period/year	8,444,049	11,465,884
Formed during the period/year	122,587	-
Reverse during the period/year	-	(2,637,338)
Write off during the period/year	-	(384,497)
Balance, Ending of the period/year	8,566,635	8,444,049

The analysis of the allowance for expected credit losses for the period/year is as follows:

Category	September 30, 2025 (Unaudited)			December 31, 2024 (Audited)		
	Book value	ECL rate	Expected credit loss	Book value	ECL rate	Expected credit loss
Up to 3 months	15,410,818	3.37%	518,748	17,379,160	%3.10	538,831
3 - 6 months	2,672,776	12.54%	335,075	1,157,003	%36.17	418,467
6 months - one year	3,420,635	35.19%	1,203,727	3,914,937	%37.46	1,466,477
More than one year	7,049,616	92.33%	6,509,085	6,964,662	%86.44	6,020,274
	28,553,845	30.00%	8,566,635	29,415,762	%28.71	8,444,049

The Group holds a number of bank guarantee letters issued by customers as collateral for the collection of trade receivables, and their effect is taken into account when estimating the provision for expected credit losses.

11. CASH AND CASH EQUIVALENTS

	September 30, 2025	December 31, 2024
	(Unaudited)	(Audited)
Cash at banks	4,580,913	4,196,344
Cash on hand	49,816	21,900
	4,630,729	4,218,244

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12. LONG-TERM LOAN

* During the year 2019, Saudi Land Factory for Cement products (the "Subsidiary") entered into a long-term interest-free loan agreement with the Saudi Industrial Development Fund (SIDF) for the purpose of establishing a plant to manufacture reinforced concrete pipes and lined and unlined concrete pipes. The plant is to be constructed on a leased land obtained from the Saudi Authority for Industrial Cities and Technology Zones ("MODON") under a lease contract in Al-Kharj city. The loan qualifies as a government grant, as the SIDF is a governmental entity and the loan was obtained interest-free, and the related conditions of the government grant have been fulfilled. The total financing obtained amounted to SAR 15.9 million. The loan is secured by financial covenants and commitments, as well as by a promissory note covering the full loan amount and a mortgage over all the subsidiary's assets (including buildings, machinery, vehicles, furniture, office equipment, all subsequent expansions, and all appurtenances of the factory). As of September 30, 2025, the subsidiary was not in compliance with these covenants; accordingly, the entire loan balance has been reclassified as a current liability. During the second quarter of 2024, the Group repaid an amount of SAR 3.1 million, reducing the loan balance to SAR 12.8 million as of December 31, 2024. The loan is repayable in semi-annual installments, with the final installment due on 15 Safar 1450H (corresponding to August 8, 2028). The Group's management is currently negotiating with the SIDF to reschedule the loan obligations, as the unpaid installments amounted to SAR 3.4 million as of September 30, 2025.

** During the year 2025, the Parent Company obtained long-term banking facilities from the Saudi Investment Bank amounting to SAR 20 million to finance and construct the LAFAN Pipes Factory. The loan is repayable in semi-annual installments from the date of withdrawal, with a total term of 72 months, including a 12-month grace period.

The facility is secured by financial covenants and commitments, as well as by a promissory note covering the full facility amount. As of September 30, 2025, the Group was not in compliance with these covenants.

The present value of the loan is as follows:

	September 30, 2025	December 31, 2024
	(Unaudited)	(Audited)
The Saudi Investment Bank	20,000,000	-
Saudi Industrial Development Fund	12,306,618	12,060,272
	32,306,618	12,060,272

13. ACCRUED EXPENSES AND OTHER CREDIT BALANCES

	September 30, 2025	December 31, 2024
	(Unaudited)	(Audited)
Salaries and employee benefits	4,874,476	1,387,846
Board of directors' remuneration	3,243,000	2,012,000
VAT payable	5,467,178	90,128
Dividends due to shareholders	82,463	82,463
Other	2,506,103	1,176,523
	16,173,220	4,748,960

14. SHORT-TERM LOAN

The Group has banking facilities in the form of Murabaha financing arrangements from local commercial banks amounting to a total of SAR 8.62 million as at September 30, 2025, (December 31, 2024: SAR 5 million). These facilities were obtained to finance the Group's operating activities and the construction of the factory for pipe manufacturing. The facilities bear financing costs at prevailing market commission rates, based on SIBOR, plus a fixed margin. The facility is secured by compliance with certain financial covenants and undertakings, in addition to a promissory note covering the full facility amount. The Group was not in compliance with these covenants as at September 30, 2025.

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15. TRADE PAYABLES

The balance as of September 30, 2025, includes an amount of SAR 1,235,033 received by the Group from Al-Dohah Concrete Molds Factory Company for the purpose of entering into a future strategic partnership, represented by a partial acquisition of Saudi Earth Factory for Cement Products Company. The amount has been included under "Trade and other payables – third parties" until the completion of the regulatory procedures and the signing of the final agreements.

16. ZAKAT STATUS**A- Saudi Vittrified Clay Pipe Company (Parent company):**

- The Company submitted zakat returns and financial statements to the Zakat, Tax and Customs Authority ("the Authority") until 2024G, and paid the dues according to those declarations and obtained the required Zakat certificates.
- The Company has finalized its status for the years 2017, 2019, 2020 and 2023.
- No zakat assessments were received for the year 2018.
- The Company has received provisional Zakat assessments from the ZATCA for the years 2021 and 2022, and it has referred them to the General Secretariat of Tax Committees (Appeals Committee). The company is still awaiting a decision. The company has made a provision for the received provisional Zakat assessments.

B- Saudi Land Cement Products Company (subsidiary):

The Company submitted zakat its returns and financial statements to the Zakat, Tax and Customs Authority until 2024, and paid its due under those declarations and obtained the required certificates. The company has not received any zakat commitments to date.

C- Laffan Pipes Company (subsidiary):

The first financial year of the company starts from the date of registration in the commercial register and ends on December 31, 2024. Therefore, the company has not submitted the annual Zakat declaration for its first year yet.

Zakat provision

	September 30, 2025 (Unaudited)	December 31, 2024 (Audited)
Beginning balance of period/year	2,597,427	4,028,540
Zakat expense for period/year	1,521,084	1,446,108
Paid	(1,391,662)	(2,877,221)
	<u>2,726,849</u>	<u>2,597,427</u>

17. SALES

A- The Group's sales represent sales from the clay and cement pipes segment in various diameters, which are sold directly to customers.

B- Revenue from sales is recognized at a certain point in time.

C- Below are details of sales by operating segments of the Group:

	For the three-month period ended September 30		For the nine-month period ended September 30	
	2025 (Unaudited)	2024 (Unaudited)	2025 (Unaudited)	2024 (Unaudited)
Sales within the Kingdom of Saudi Arabia	15,679,118	13,551,230	42,317,280	36,748,585
Sales outside the Kingdom of Saudi Arabia	1,066,001	2,941,374	2,277,121	4,226,537
	<u>16,745,119</u>	<u>16,492,604</u>	<u>44,594,401</u>	<u>40,975,122</u>

D- See note (22) for segment reporting to distribute sales across segments.

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18. OTHER INCOME

	For the three-month period ended September 30		For the nine-month period ended September 30	
	2025 (Unaudited)	2024 (Unaudited) (Restated)	2025 (Unaudited)	2024 (Unaudited) (Restated)
Gain on disposal of property, plant and equipment - Note 6	21,761,783	19,400	21,761,783	19,400
Others	70,170	25,030	232,144	225,298
	21,831,953	44,430	21,993,927	244,698

19. LOSS PER SHARE

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

	For the three-month period ending September 30		For the nine-month period ending September 30	
	2025 (Unaudited)	2024 (Unaudited) (Restated)	2025 (Unaudited)	2024 (Unaudited) (Restated)
Net gain (loss) for the period	10,656,256	(56,338,954)	(9,554,032)	(73,918,415)
Weighted average number of outstanding shares at period end	15,000,000	15,000,000	15,000,000	15,000,000
Basic and diluted gain (loss) per share for the period	0.71	(3.76)	(0.64)	(4.93)

20. FINANCIAL INSTRUMENTS, RISK MANAGEMENT AND FAIR VALUE

The Group's financial risk management objectives and policies are consistent with those disclosed in the Group's annual consolidated financial statements for the year ended December 31, 2024. There have been no material changes in the classification, measurement, or fair value of financial instruments during the interim period ended September 30, 2025. Furthermore, there have been no material changes in the Group's exposure to credit, liquidity, or market risks, nor in the methods used to manage those risks, compared to the most recent annual financial statements.

Fair value

Fair value represents the amount for which an asset could be exchanged, or a liability settled, between knowledgeable and willing parties in an arm's length transaction.

Financial instruments comprise financial assets and financial liabilities. The Group's management believes that the fair values of financial assets and financial liabilities do not materially differ from their respective carrying amounts.

21. CAPITAL COMMITMENTS

- The Group has outstanding commitments for the purchase of machinery and equipment amounting to EUR 455,926 (equivalent to SAR 1,914,888) as of September 30, 2025.
- The Group has capital commitments under a contract with we one Company for the construction of the LAFAN Pipes Factory, with the remaining value to complete the project amounting to approximately SAR 9,250,461 as of September 30, 2025.

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22. SEGMENT REPORTING

The Group's main activity consists of Segment that include the production of Clay and Cement Pipes and Laffan.

The following is a summary of selected sector information for each segment:

Segment	Clay Pipes	Cement Pipes	Laffan Pipes	Total
As of September 30, 2025 (Unaudited)				
Total assets	110,826,143	63,945,685	12,789,211	187,561,039
Total liabilities	70,281,681	24,168,341	628,469	95,078,491
As of December 31, 2024 (Unaudited)				
Total assets	104,090,097	50,866,011	-	154,956,108
Total liabilities	32,755,738	20,163,790	-	52,919,528
Segment	Clay Pipes	Cement Pipes	Laffan Pipes	Total
For the nine-month period ending September 30, 2025 (Unaudited)				
Revenues	23,327,021	21,267,380	-	44,594,401
Segment loss for the period before zakat	(5,856,502)	(1,867,962)	(308,484)	(8,032,948)
For the nine-month period ending September 30, 2024 (Unaudited) (Restated)				
Revenues	38,324,263	2,650,859	-	40,975,122
Segment loss for the period before zakat	(70,028,383)	(3,062,448)	-	(73,918,415)

Detailed revenue information for the geographical segments is shown in note no. (17).

23. PRIOR PERIOD ADJUSTMENTS

- In accordance with the requirements of International Accounting Standard (IAS) 8, Accounting Policies, Changes in Accounting Estimates and Errors, management has adjusted the comparative figures for prior periods. The following note details the adjustments, reclassifications, and their impact on items in the consolidated statement of profit or loss and other comprehensive income. Accordingly, the opening balances of equity for the earliest period presented have been restated as follows:
- During the current period, the Group reviewed its accounting policies and procedures applied for the allocation of impairment losses on property, plant, and equipment. It was identified that a prior period error existed, whereby the impairment provision was allocated disproportionately to the affected items, resulting in an overstatement of depreciation expense in those periods. The effect of the adjustment for the period ended September 30, 2024, amounted to SAR 2,927,218 and was deducted from cost of sales.
- Adjustments were made to the recognition of right-of-use assets, lease liabilities, and related items for certain lease contracts in the prior period. This resulted in adjustments to depreciation of right-of-use assets and finance costs on lease liabilities, including SAR 163,191 of depreciation expense charged to cost of sales and SAR 63,011 of finance costs charged to finance expenses for the period ended September 30, 2024.
- During the current period, the Group also restated certain comparative figures as a result of the transition of a subsidiary from the IFRS for SMEs to full IFRS. This transition led to changes in the subsidiary's accounting policies, which resulted in: recognition of depreciation on right-of-use assets amounting to SAR 157,073 charged to cost of sales; recognition of finance costs on lease liabilities amounting to SAR 70,932; amortization of the fund loan amounting to SAR 318,592 charged to finance costs; restatement of deferred government grant interest of SAR 59,086; and adjustments to other expense related to the transition.

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23. PRIOR PERIOD ADJUSTMENTS (CONTINUED)

Accordingly, the Group has adjusted the comparative data in accordance with IAS 8 to reflect the corrective impact of these prior period errors.

The effect of these adjustments on the unaudited condensed consolidated statement of profit or loss and other comprehensive income for the nine-month period ended September 30, 2024, is as follows:

For the nine-month period ending September 30, 2024

	As at September 30, 2024	Adjustment	Reclassification	As at September 30, 2024
	(As Previously Reported)			(Restated)
Cost of sales	(55,159,626)	2,606,954	-	(52,552,672)
Reversal of expected credit losses	-	-	4,035,396	4,035,396
General and administrative expenses	(10,081,586)	-	(4,035,396)	(14,116,982)
Finance costs	(499,656)	(339,332)	-	(838,988)
(Expenses)/Other Revenue	(1,304,437)	1,549,135	-	244,698
Impact of adjustments on net loss for the period	(77,735,172)	3,816,757	-	(73,918,415)

24. SUBSEQUENT EVENTS

During the subsequent period, the Group received the second installment of the proceeds from the sale transaction of the second plant's assets amounting to SAR 36,000,000, in addition to Value Added Tax (VAT) of SAR 6,750,000, after completing the relevant regulatory procedures and obtaining the approval of the Saudi Authority for Industrial Cities and Technology Zones (MODON) to transfer the lease contract to the buyer.

25. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The interim condensed consolidated financial statements were approved by the Board of Directors, after taking into consideration the recommendation of the Audit Committee, on Jumada Al-Awwal 20, 1447H (corresponding to November 11, 2025).